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THE POLITICS OF OWNERSHIP: TANZANIAN COFFEE POLICY IN THE AGE OF LIBERAL REFORMISM

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ABSTRACT

In the last two decades, the twin processes of liberalization and privatization have facilitated the 'capturing' of key markets and assets by foreign interests in many African countries. This is being increasingly perceived in domestic constituencies as a loss of national ownership and has prompted attempts by the state to defend the interests of 'local' firms and businesspeople. These actions have often been portrayed in the literature as manoeuvres that — in the guise of nationalism — are ultimately characterized by clientelistic and rent-seeking objectives. The analysis of coffee politics and policy in Tanzania carried out in this article challenges this interpretation. It shows that practices affecting the perceived (il)legitimacy of 'foreign' ownership of assets and control of markets constitute elements of a 'politics of ownership'. This politics, although often sporting anti-liberal features, does not question the essential nature of market reforms. Rather, it seeks to undermine the domination of 'foreign' interests in key industries through the redefinition of the parameters of competition to the advantage of local actors.

IN THE LAST FEW YEARS THE GOVERNMENT OF TANZANIA has made a number of interventions in the country's coffee industry which seem to go against the grain of neo-liberal market reform. This article describes these changes and locates them in the wider literature on liberal reform in Tanzania and Africa. Currently, analyses of the dynamics of reform in Africa tend to fall into two (sometimes overlapping) categories: techno-economistic approaches focusing on 'appropriate interventions' and 'hurdles in the path of implementation';[1] and political science approaches focusing on

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1. For recent examples on Tanzania, see A. Bigsten and A. Danielson, *Tanzania: Is the ugly duckling finally growing up?*. Research Report No. 120 (Nordic Africa Institute, Uppsala, 2002); and World Bank, *Tanzania at the Turn of the Century: From reforms to sustained growth and poverty reduction* (World Bank, Washington, DC, 2002).

'rent-seeking', 'patron-client' and 'patrimonial' practices.[2] While political scientists rightly criticize the techno-economistic approach for its political naiveté, my aim in this article is to show that the political science literature is too reductive and too cynical. I do so by introducing the idea of the 'politics of ownership', a concept formulated in relation to empirical analysis of the reform process in the coffee sector in Tanzania.

Much of the political science literature on economic reform draws inspiration from the study of both economics and sociology. Key to its analysis is the concept of rent-seeking. In economic theory, the supplier of a good or service earns economic rent — i.e. above-average profit — whenever demand for the good outstrips its supply. Rent-seeking analyses argue that by interfering in markets — for instance, by granting monopoly privileges in the manufacturing sector — African governments generate opportunities for earning rent. Symmetrical possibilities exist for monopsonistic buyers, for instance in the export crop market. These lucrative opportunities create incentives to bribery and corruption, as economic actors compete to win the favour of the officials and politicians at whose discretion the rent-earning opportunities are granted.[3]

The literature on rent-seeking is frequently married to analyses grounded in (neo)Weberian social theory, which use the concepts of 'patrimonialism' and 'neo-patrimonialism'.[4] In the Africanist literature, patrimonial authority is often figured as a pyramidal form of personal rule in which the ruler, chief or patron maintains the loyalty of his staff, followers or clients, by means of patronage benefits.[5] The discretionary power to permit clients the right to operate in uncompetitive markets, and thereby to earn economic rent, constitutes one lucrative source of patronage, as does the ability to delegate that discretion to lesser officials and politicians. Thus interference in markets is construed in this literature as a cynical and unprincipled strategy for granting private fortunes and maintaining personal power.

2. See, among many others, P. Chabal and J.-P. Daloz, *Africa Works: Disorder as a political instrument* (James Currey, Oxford and Indiana University Press, Bloomington, IN, 1999); and N. van de Walle, *African Economies and the Politics of Permanent Crisis* (Cambridge University Press, Cambridge, 2001).

3. Exemplary of this approach is Robert Bates, *Markets and States in Tropical Africa* (University of California Press, Berkeley, CA, 1981), Chapters 6 and 7.

4. Put crudely, a neo-patrimonial system is one in which a system of personal rule exists behind, or alongside, elements of bureaucratic, legal-rational rule. For a fuller discussion see U. Engel and G. Erdmann, 'Neopatrimonialism reconsidered — critical review and elaboration of an elusive concept'. Paper presented at the 45th annual meeting of the African Studies Association, Washington, DC, 4–9 December 2002.

5. A sophisticated discussion can be found in J.-F. Médard, 'The underdeveloped state in tropical Africa: political clientelism or neo-patrimonialism?', in C. Clapham (ed.) *Private Patronage and Public Power: Political clientelism in the modern state* (Pinter, London, 1982), and celebrated neo-Weberian analyses in Richard Joseph, *Democracy and Prebendal Politics in Nigeria* (Cambridge University Press, Cambridge, 1987). More recently, Patrick Chabal and Jean-Pascal Daloz make liberal use of the concept in *Africa Works*. See also Richard Sandbrook, *The Politics of Africa's Economic Stagnation* (Cambridge University Press, Cambridge, 1985).

Over the past two decades Tanzania has introduced a series of economic and political reforms with the aim of enhancing competition in markets and elections.[6] However, some scholars have argued that these reforms are competing with new (or transforming existing) forms of patrimonialism, while a spate of anti-liberal policy measures taken in the late 1990s and early 2000s has prompted some observers to argue that a process of reform reversal, used for purposes of patronage, cronyism and rent-seeking, is taking place.[7] By analyzing the Tanzanian coffee industry, the present article seeks to show that, while interference in markets is not free from considerations of patronage, we need also to understand it as a form of action undertaken on grounds of principle. The principles can be ones of economic rationality: for example, questions of quality control in the coffee market; or ones of social identity: the idea, for instance, that indigenous people should benefit from economic reforms.

The article focuses on how ideals of local control of key markets and economic assets have shaped the rules dictating who is allowed to compete in specific industries or sectors and who is not — what I call the politics of ownership. In the specific instance of the coffee industry, this politics is translated into practices affecting the perceived (il)legitimacy of foreign ownership of assets (processing plants, warehouses) and of the commodity itself before it is exported. What I aim to show is that the rent-seeking and neo-Weberian literature provides an impoverished, one-dimensional view of the reform process and its partial reversals. I also aim to show, through an analysis of the politics of ownership, that Tanzanian actors' understanding of 'local' and 'indigenous' interests and identities is discursively constructed and shifts over time. By doing so, I add another dimension to recent studies of the indigenization debate in Tanzania.[8]

The material presented here is based on six months of fieldwork carried out in Tanzania in the second half of 2000. At production level, the fieldwork entailed interviews with owners or managers of 15 large-scale estates,

6. On Tanzania, see J. Gould and J. Ojanen, *Merging in the Circle: The politics of Tanzania's poverty reduction strategy*, Policy Paper 2/2003. (Institute of Development Studies, Helsinki, 2003); T. Kelsall, 'Shop windows and smoke-filled rooms: governance and the re-politicisation of Tanzania', *Journal of Modern African Studies* **40**, 4 (2002), pp. 597–619; T. Kelsall, 'Governance, democracy and recent political struggles in mainland Tanzania', *Commonwealth and Comparative Politics* **41**, 2 (2003), pp. 55–82.
7. This argument is made most directly in B. Cooksey, 'Marketing reform? The rise and fall of agricultural liberalisation in Tanzania', *Development Policy Review* **21**, 1 (2003), pp. 67–91. Others have made a similar point in relation to a number of eastern and southern African countries (see T. S. Jayne *et al.*, 'False promise or false premise? The experience of food and input market reform in eastern and southern Africa', *World Development* **30**, 11 (2002), pp. 1967–85).
8. R. Aminzade, 'From race to citizenship: the indigenization debate in post-socialist Tanzania', *Studies in Comparative International Development* **38**, 1 (2003), p. 45.

a sample survey of 250 households in Hai District (Kilimanjaro), and 32 focus groups with coffee farmers (covering ten out of eleven districts with an estimated coffee production of at least 2,000 tons). I carried out fieldwork in the following districts: Arumeru in Arusha Region; Moshi, Hai and Rombo in Kilimanjaro Region; Mbozi and Mbeya in Mbeya Region; and Bukoba, Muleba and Karagwe in Kagera Region. I am indebted to David Kapinga for fieldwork in Mbinga District, Ruvuma Region. Interviews were also carried out with other types of actors in the domestic marketing chain downstream from producers. These included people handling coffee (agents, traders, co-operatives, curing/hulling plants, exporters, local roasters, transporters) and providers of services to the industry (finance, inputs, extension, research, brokerage, quality control, auditing, information, logistics). Work at the Tanzania Coffee Board (TCB) included interviews, data collection, and attendance at the weekly auction for five months. The overall research project also involved short-term fieldwork in Kenya (in 2000) and Ethiopia (in 2002). Four months of fieldwork were carried out in Uganda in the first half of 2002. All information included in this article comes from primary fieldwork material — unless otherwise stated.

The restructuring of coffee markets in Tanzania

In the pre-reform period in Tanzania (before 1993/94), the domestic coffee trade was under the control of co-operatives and/or marketing boards. Formally, coffee did not change hands until it was sold to private exporters at the auction in Moshi. Farmers (through the co-operatives) owned the coffee up to the export point and bore the risk of price fluctuations. However, the payment system allowed a smoothing out of price variations within the marketing year. The handling and payment systems were fairly laborious and slowed down the flow of coffee from the farmer to the importer. Overhead costs associated with these procedures were high, meaning that farmers received a lower proportion of the export price than they would have had under a more efficient system (quality considerations being equal). Payments to farmers were often delayed and resources were siphoned out of the system at various levels. However, price stabilization was ensured within one season. Most important, the system provided quality incentives to co-operative societies and (less directly) to farmers. The organization of exports was built around a mandatory auction system, in which all domestically purchased coffee had to be sold to registered private sector exporters. The monopolistic system in the domestic trade ensured that coffee remained in 'local' (mostly African Tanzanian) hands up to the auction. At the export level, smaller (mostly Asian-owned) Tanzanian export companies were able to compete with Kenya-based exporters and the subsidiaries of multinational corporations. This meant that competitive bidding characterized the auction, especially for top-quality coffees.[9]

The adoption of the 1993 Crop Boards Act marked a profound change in the regulatory framework of Tanzanian coffee marketing. In the 1994/95 season, domestic trade was opened up to private traders and processors. However, the Tanzania Coffee Board (TCB) retained numerous regulatory powers, and maintains licensing powers and the function of running the coffee auction, allowing domestic traders to buy coffee only at authorized buying posts. It does not permit farm-gate buying, although the rule is not observed in some areas of the country (see section on Kagera coffee politics). Finally, the TCB does not allow the movement of coffee from one area (southern, northern, western) to another.

Liberalization of the coffee market in Tanzania has yielded mixed results. On the one hand, farmers are paid cash on delivery and receive a higher proportion of the export price than in the pre-liberalization period.[10] On the other hand, input-credit schemes have collapsed, the volume of coffee exports has not improved,[11] and there are strong indications that coffee quality has decreased because farmers are paid one price for all coffee — irrespective of quality.[12] Most importantly for the discussion of the politics of ownership (see next section), liberalization saw the dramatic capturing of the Tanzanian coffee market by foreign companies at all levels (domestic trade, processing and export) except for farming — where 95 percent of coffee is still produced by smallholders. At the same time, foreign investors have recently come to dominate the estate production sector.[13]

At the export level, the shift in ownership can be assessed through analysis of the data in Tables 1 and 2. During the first season of liberalized marketing (1994/95), of the top five export companies three were foreign (see Table 1), controlling 41 percent of total exports (see Table 2). By

9. See S. Ponte, *Coffee Markets in East Africa: Local responses to global challenges or global responses to local challenges?* CDR Working Paper No. 01.5 (Centre for Development Research, Copenhagen, 2001); and S. Ponte, 'Brewing a bitter cup? Deregulation, quality and the re-organization of coffee marketing in East Africa', *Journal of Agrarian Change* **2**, 2 (2002), pp. 248–72. For an analysis of the global coffee chain, see S. Ponte, 'The "latte revolution"? Regulation, markets and consumption in the global coffee chain', *World Development* **30**, 7 (2002), pp. 1099–1122.

10. A. Temu, 'Market liberalisation, vertical integration and price behaviour in Tanzania's coffee auction', *Development Policy Review* **19**, 2 (2001), pp. 207–24; and A. Winter-Nelson and A. Temu, 'Institutional adjustment and transaction costs: product and inputs markets in the Tanzanian coffee system', *World Development* **30**, 4 (2002), pp. 561–74.

11. According to ICO export data, in the last eight years before liberalization (1987–94), Tanzania exported an annual average of 49,600 tons of coffee. In the eight years after liberalization (1995–2002), this average fell to 45,600 tons.

12. Ponte, 'Brewing a bitter cup?'

13. Out of about 25 coffee estates in the process of privatization in Kilimanjaro, I was able to trace ownership information on 19 of them. Four were still in the hands of co-operative societies and/or the government. Two had been leased to African Tanzanians, one to an Asian Tanzanian, and 12 to foreign investors.

Table 1. Market share and characteristics of top coffee exporters in Tanzania (1994/95 and 1999/00)

	1994/95			*1999/00*		
Rank	*Name of company/ sister company*	*Market share %*	*Company type*	*Name of company/ sister company*	*Market share %*	*Company type*
1	Tchibo Estates	23.62	foreign	Dorman (T)	15.05	foreign
2	SB/Tropex	10.09	local	Tchibo Estates	14.64	foreign
3	Mazao/City Coffee	9.95	foreign	Taylor Winch	12.84	foreign
4	Sherif Dewji	8.40	local	Olam (T)	12.59	foreign
5	Dorman (T)	7.46	foreign	Mazao/City Coffee	8.62	foreign
6	ACC/Milcafé	6.58	local	SB/Tropex	5.00	local
7	Tanzania Coffee Est.	5.57	local	Coffee Exporters	4.34	local
8	Taylor Winch	4.65	foreign	ACC/Milcafé	4.13	local
9	Unieximp (T)	3.79	foreign	Sherif Dewji	3.82	local
10	Coffee Exporters	3.52	local	Unieximp (T)	3.63	foreign

Source: Tanzania Coffee Board.

Name of company/ sister company	*Notes*
ACC/Milcafé	partly owned by a small international trader, and partly by a Tanzanian investor; managed for an extended period of time by a European who was well integrated locally and spoke fluent Kiswahili; perceived as local company in the industry.
Coffee Exporters	partly owned by a medium-sized multi-commodity trading group and partly by Asian Kenyan investors; perceived as local.
Dorman (T)	owned by a white Kenyan; linked to a medium-sized international trader; perceived as foreign.
Mazao/City Coffee	subsidiary of a major international coffee trading company; perceived as foreign.
Olam (T)	owned by a medium-sized multi-commodity international trader; perceived as foreign.
SB/Tropex	owned by an Asian Tanzanian; perceived as local.
Sherif Dewji	owned by an Arab Tanzanian family; perceived as local.
Tanzania Coffee Est.	subsidiary of TCB; government-owned.
Taylor Winch	subsidiary of a major international coffee trading company; perceived as foreign.
Tchibo Estates	subsidiary of a large German coffee roasting company; perceived as foreign.
Unieximp (T)	subsidiary of a medium-sized multi-commodity international trader; perceived as foreign.

Source: field interviews.

1999/00, this share had increased to 64 percent, and all top five companies were foreign. Following liberalization, foreign companies not only came to dominate exports but also the domestic coffee trade. In the mid-1990s, a number of independent local companies and co-operative unions were still operating in the domestic market. By 2000, their market power had been severely curtailed. Only a few large unions survived — Kilimanjaro Native

Table 2. Market share of Tanzania coffee auction purchases by type of company (1994/95 to 1999/00)[a]

	1994/95	*1995/96*	*1996/97*	*1997/98*	*1998/99*	*1999/00*
Active export companies (n)	23	26	24	–	27	22
Market share of top 5 companies (%)	59.52	63.83	62.09	–	62.24	63.73
of which foreign	41.03	55.68	52.32	–	53.75	63.73
of which local	18.49	8.15	9.77	–	8.50	0.00
Market share of top 10 companies (%)	83.64	86.98	87.67	–	87.25	84.65
of which foreign	49.48	60.41	62.05	–	58.50	67.36
of which local	34.17	26.57	25.62	–	28.75	17.29
Market share of companies ranked 11th to 20th (%)	15.89	11.32	11.55	–	11.41	15.18
Market share of other companies (%)	0.46	1.71	0.78	–	1.34	0.17
Market share of total auction purchases (%)	51.04	60.41	62.05	–	59.92	67.36

Source: Elaboration from TCB data.
Note: [a] Sister companies are counted as one company.

Co-operative Union (KNCU), Kagera Co-operative Union (KCU), Karagwe District Co-operative Union (KDCU). In other coffee-growing areas, the co-operative unions folded.[14] Primary co-operative societies closed, re-organized themselves into smaller unions, worked as agents of private buyers, or started to sell their coffee directly at the auction. The share of the domestic coffee market of co-operative unions fell from 83 percent in 1994/95 (the first year of liberalized markets) to 26 percent in 1999/2000 (see Table 3). Independent local traders suffered a similar fate. As long as international prices were stable or rising (1994/95, 1996/97, 1997/98), they managed to survive. At times of falling prices (1995/96, 1999 to the present), they suffered major losses and either disappeared or started to act as agents of major exporters. Finally, foreign companies also came to dominate the processing segment of the coffee industry (curing for mild arabica and hulling for hard arabica and robusta) — albeit to a lesser extent than in the export and domestic trade segments.

Previous to the market reforms, domestic coffee marketing in Tanzania was in the hands of co-operative societies and unions. Despite the bureaucratic and corruption-related problems with this marketing system, the industry had a strong sense of local ownership. Coffee remained in local hands from the farm level all the way to the auction floor. At the auction, local companies were able to compete with foreign companies. As already shown in this section, foreign companies have increased their market

14. Only in Mbozi District, in the southern highlands, smaller unions — the Isansa and Iyula Co-operative Union (ISAYULA), and the Mbozi Co-operative Union (MBOCU) were able to grow from the ashes of the defunct regional union — Mbeya Co-operative Union (MBECU). The remaining three unions (in Usambara, Mwanga and Arusha), while still formally in existence, were unable to purchase substantial amounts of coffee in 2000.

Table 3. Co-operative share of domestic coffee market in Tanzania (1994/95–1999/2000)

Marketing season	*Market share of co-ops*
1994/95	83.2
1995/96	61.4
1996/97	32.7
1997/98	12.3
1998/99	16.5
1999/2000	26.4

Source: Tanzania Coffee Board.

presence at the export level and have become substantially involved in domestic trade and processing of coffee as well. Although a couple of local trade processing and export companies survive, the bulk of the industry is now in the hands of foreign interests. In the next section, I show how this change has prompted a variety of responses, which I call the politics of ownership.

The politics of ownership in the Tanzanian coffee industry

The expropriation of the industry by foreign companies has created growing tensions in the coffee industry in Tanzania, especially in Moshi, where most of these companies are based and where the weekly auctions take place. Some senior TCB officers, while following the official line of support for liberalization, expressed discontent in private. This anti-liberalization stance does not necessarily represent a market-unfriendly position. These officers support competitive trade as long as local companies constitute the main actors. Their discontent is also based on a sense of powerlessness in the face of the perceived decrease in the TCB's regulatory powers (if not *de jure*, at least *de facto*). If, on the one hand, they are worried about their jobs and the institutional survival of the TCB, on the other hand they echo a more widespread sentiment of unease in relation to the foreign domination of the coffee industry. Self-serving motives overlap with identity politics.

Donors and foreign companies interpret a number of critical issues in the coffee industry through a rent-seeking/patrimonial explanatory framework. For one thing, cumbersome licensing procedures and the rule that coffee should be bought only at established buying posts are alleged to be used for soliciting bribes, especially at the local level. The same is said in relation to the proliferation of local government taxes in the coffee sector, especially in the south. Finally, continuation of the auction, even though it made little sense in the eyes of exporters in 2000, is seen as being justified in terms of providing the TCB with resources and with 'something to do'. This allows donors and foreign companies to continue arguing (without much success so far) for a complete liberalization agenda embedded in the parlance of 'proper interventions' and hurdles in their implementation.

Yet, a reading of the tensions that emerged in the coffee industry after liberalization, focusing exclusively on rent-seeking and patrimonial options, is misplaced. Discontent also rests on a widespread feeling among Tanzanians that the coffee market is at present largely controlled by foreign companies. This is most evident at the auction, where a small number of expatriates run the show — sometimes in a fairly arrogant way.[15] The dichotomy between foreign and local interests should not be overstated. In some companies, foreign and local interests co-exist and are fairly balanced. In other situations, partial foreign ownership and/or white expatriate management are still hidden under the perception of locality, because the manager may have been living in the country for a long time, be married to a local, or speaks good Kiswahili. If, in the pre-liberalization period, Asian Kenyan ownership may have been conceived as foreign, in the late 1990s it was considered more local than ownership by large multinational coffee companies.

The politics of ownership is thus distinct from the politics of nationalism as embedded in the political discourse of the 1960s and 1970s in Tanzania. It is also different from the debates around indigenization — which seeks to promote African Tanzanian interests *vis à vis* Asian or Arab Tanzanian ones. Previous to the mid-1990s, this latter politics was embedded in a division of labour along the coffee marketing chain, in which the domestic trade and processing functions were by and large in the hands of African Tanzanians and the export industry had a substantial involvement of Asian and Arab Tanzanian (or Kenyan) interests. In the post-reform period (after 1993/94), this debate, while still in existence, has been overshadowed by discussions along the 'local versus foreign' partition line, in which the perception of local goes beyond strictly nationalist and/ or indigenous lines.

The post-reform politics of ownership in the coffee sector plays out in at least two forms. First, there is a sense among some TCB officers that important decisions about the industry are increasingly made outside the institution. Second, there is a pervasive sense among TCB officers, co-operative unions and farmers that foreign companies are engaging in price fixing. Whether this is the case or not, prices at the primary buying posts are all the same among companies. Price fixing used to be a function of the

15. Tensions are not limited to government circles. They also emerge clearly when talking to co-operative officers, independent coffee traders, and even some estate owners. Smallholders participating in focus group discussions were also aware that foreign companies were behind local agents, and they often conflated anti-private trader and anti-foreign sentiments.

state before 1994, although price levels depended to some extent on international prices. Now, price fixing, albeit formally outlawed, is seen as being practised by foreign companies. The process of de-legitimization of the TCB is further compounded by the open flouting of the remaining regulations — such as how coffee should be graded at the primary buying level, what maximum level of humidity the coffee should have when it is traded, and the rule that coffee needs to be bought at established (and registered) buying posts. The TCB does not have enough resources to make sure that these rules are enforced.

Counter-measures against the expropriation of the coffee industry have been attempted at various levels and with different mechanisms. The most explicit perhaps is indicated by the interactions between exporters and the TCB auctioneers. About 80 percent of the coffee going through the weekly mandatory auction in 2000 was 'captive'. This means that the seller and the buyer are the same company holding licences for both domestic trade and export functions. As a result, nobody else on the auction floor attempts to 'snatch' a coffee lot. This has led to a practical situation where every participant at the auction knows which coffee is captive and which is free. Nobody bids against captive lots. Instead of witnessing competitive bidding among buyers, the auction is characterized by an extended (and public) argument between exporters and auctioneers on the appropriate price level. The TCB has a vested interest in increasing auction prices for financial reasons (it increases its resources), but also because a low price for captive coffee influences bidding for free coffee — pushing its price down. However, a resource-access explanation does not tell the whole story. The auction haggling demonstrates in the public realm (journalists attend the auction) that the TCB is on the side of the farmers. Haggling also raises the price that co-operatives and independent traders receive for their coffee at the auction, thus defending the financial viability of the local market players.

The TCB has also been encouraging primary co-operative societies that are not organized in unions to sell their coffee directly at the auction. It has facilitated the formation and registration of farmer groups that can sell their coffee directly at the auction, even though they are not licensed buyers. This is viewed as one way (albeit still marginal) of snatching domestic market share away from foreign companies and of providing farmers with a direct contact with the export market. In this way, the TCB can maintain the populist terrain and at the same time justify the existence of the auction on the grounds of providing information, transparency and a competitive buyer market for the few remaining local traders and co-operatives. Not surprisingly, foreign companies favour the elimination of the auction altogether.

Another way that the TCB has addressed the loss of local ownership in the coffee market has been through the manipulation of licensing procedures for processing plants. After a first wave of new licences awarded to private curing plants in the mid-1990s, no new licences were granted thereafter. This was done to save the curing plant owned by the co-operative union, the Tanganyika Coffee Curing Company (TCCCo) in Moshi. In 2000, the TCB was also playing the politics of ownership by threatening changes in the overall regulation of the industry. Proposals were circulated about prohibiting companies from concurrently holding both domestic trade and export licences. The idea was to re-empower local traders and take the auction back to its original competitive buying features. These proposals were actually incorporated in the 2001 Coffee Act, which was applied for the first time in the 2002/3 buying season. The Act, among other things, forbids exporters from holding a domestic trade licence. This ban could easily be circumvented by registration under a different company name. However, in practice, some of the large foreign companies that were heavily involved in farm-gate buying in 2000 have decided to quit buying at the domestic level and in 2003 operated only at the auction. This is a sign that they judged that there would be enough free coffee at the auction for their needs. As a result, it is likely that local traders have gained share in the domestic coffee market.

In this section, I have argued that the politics of ownership is trying to partially counteract the recent capturing of the coffee market by foreign interests. The most interesting local-level manifestation of this process has taken place in Kagera Region. Here, electoral politics played an important role, first in rescuing the co-operative unions from bankruptcy, then in banning private traders (most of whom worked for, or were agents of, foreign companies) from operating in the local market. Beyond short-term electoral politics, however, the 'Kagera experiment' had national-level repercussions in opening the way for the passage of the 2001 Coffee Act, and in the more general attempt to reverse ownership patterns in the domestic coffee trade in Tanzania.

Understanding coffee politics in Kagera Region[16]

Kagera Region may be considered the repository of coffee history in Tanzania. Coffee is thought to have been cultivated in Kagera since it was

16. Some of the material presented in this section comes from interviews with private traders, processors, co-operative officers and local government officials in Bukoba, Karagwe and Muleba districts, Kagera Region. Other information comes from focus group discussions with farmers carried out in six villages, two in each of these three districts. Fieldwork in Kagera was carried out in late 2000, in the period leading up to the general elections. The identity of the sources of information has been concealed to protect informants. A more detailed discussion of the history of coffee in Kagera and of the events summarized in this section can be found in S. Ponte, 'The politics of ownership: Tanzanian coffee politics in the age of liberal reformism', paper presented at the African Studies Association of the UK biennial conference, University of Birmingham, 9–11 September 2002.

brought in by the Bunyoro conquerors in the seventeenth century.[17] More certain is that coffee was present in Kagera at the beginning of German colonialism in the late nineteenth century, and that its commercial development dates roughly from the First World War.[18] The first coffee co-operative was formed in the 1920s. In 1953, previously existing co-operatives were organized under the Bukoba Co-operative Union (BCU), which survived until 1976 —when co-operatives were abolished and their marketing functions were taken over by marketing boards.[19] In 1982, co-operatives were reinstated and the union resurfaced as the Kagera Co-operative Union (KCU). According to Smith, up to the late 1980s, the KCU was able to pay farmers with minimum delays.[20] Until 1990/91, the government continued to set coffee prices and to guarantee loans given to co-operatives by the banks. The burden of debt with the banks started to increase because the union had to pay government-set prices that were sometimes too high in relation to the international prices. The government then admitted its responsibilities and paid off the union's debt, giving it a clean start.

The Tanzania Co-operative Societies Act of 1991 mandated that only economically viable co-operatives would be registered, and that membership would be voluntary. The unions were given more autonomy and began setting their own prices. At that time, the Kagera District Co-operative Union (KDCU) split from the KCU, and the government stopped guaranteeing loans for the unions. As a result, the banks started to be more cautious in lending and the two unions failed to purchase all the available coffee. Substantial amounts were smuggled to Uganda. In the last five years before liberalization, the two unions were able to buy an average of 13,000 tons of coffee,[21] although in 1993/94 they managed to buy only 8,000 tons.[22]

In the 1994/95 season, the government opened the door to private sector participation in coffee trading and processing. By 1999/2000, the KCU and the KDCU were buying cumulatively only 21 percent of a total estimated crop of 15,000 tons. Most of the rest was bought by three large foreign companies. In the short period of five years the Kagera coffee trade — which had been in local hands more or less continuously since the early

17. See J. W. F. Rowe, *The World's Coffee: A study on the economics and politics of the coffee industries of certain countries and of the international problem* (Her Majesty's Stationery Office, London, 1963), p. 126.

18. See J. Iliffe, *A Modern History of Tanganyika* (Cambridge University Press, Cambridge, 1979) and R. Austen, *Northwest Tanzania under German and British Rule: Colonial policy and tribal politics, 1889–1939* (Yale University Press, New Haven, CT, 1968).

19. See C. D. Smith, *Ecology, Civil Society and the Informal Economy in North West Tanzania* (Ashgate, Aldershot, 2001), p. 116; Iliffe, *A Modern History*, p. 464; P. Raikes, *Coffee Production in West Lake Region, Tanzania*, IDR Papers A.76.9 (Institute for Development Research, Copenhagen, 1976), p. 8; and B. Weiss, *Sacred Trees, Bitter Harvests: Globalizing coffee in northwest Tanzania* (Heinemann, Portsmouth, NH, 2003).

20. Smith, *Ecology, Civil Society*, p. 125.

21. Source: BUKOP.

22. Source: TCB; figures given in clean-coffee equivalent.

1960s, and with an important involvement of local traders even in the first part of the century — had been completely revolutionized. An exception to this 'expropriation' trend applies to coffee hulling. Until 1993/94, all coffee in the region was hulled at the union-owned plant (BUKOP). In 1999/2000 BUKOP managed to process only 2,200 tons of coffee; the rest was hulled at eight other new private plants, all run by local entrepreneurs. In the case of coffee processing, private investors took over the co-operative market share, but local interests were not taken over by foreign ones.

Although competition was getting tougher in the mid-1990s, the unions managed to maintain a fairly large share of coffee purchases in the region (in the range of 60–70 percent between 1996/97 and 1998/99, then down to 21 percent in 1999/2000). In 1998/99, the unions paid a high price to farmers and then suffered from a downturn in international coffee prices. The KCU ended the season with a large debt. In 1999/2000, the union started much more cautiously and paid lower prices to farmers; it was able to repay the 1999/2000 loan plus part of the outstanding debt. Nevertheless, in March 2000, the Cooperative Rural Development Bank (CRDB) announced that the KCU had been put in receivership and that its assets were being seized. A similar process took place in relation to the KDCU in Karagwe. Both unions appealed to the government for help.

In April 2000, the government repaid the debt of both unions to the CRDB by issuing Treasury bonds. A bond account was opened and the unions were asked to pay back their debt to the Treasury by depositing TSh100 per kilogram of purchased coffee in this account. In May 2000, President Mkapa appointed a special committee to advise on how to save the co-operatives throughout the country from complete collapse. The committee was chaired by Mr Kahama, the MP for Karagwe since independence and at that time chairman of the board of directors of the TCB. Its report advised the President to stop private companies from purchasing coffee in Kagera Region, so that the KCU and KDCU could pay back their debt to the government. In mid-2000, the government released a statement explaining that private traders were banned from operating until further notice; private hulling plants were allowed to operate under contract with the unions.

Not surprisingly, industry operators and local government officials in Kagera linked this event with electoral politics. The manifesto of the ruling *Chama cha Mapinduzi* (CCM) party for the 1995 elections stated that co-operatives would be revived during the following legislature. But many unions and primary societies disappeared in the second half of the 1990s. In the 1995 presidential elections, Kagera had been among the regions in mainland Tanzania with the lowest percentage of votes for the CCM candidate, Mkapa — although CCM had won six out of seven parliamentary seats in the coffee-growing districts of Kagera. In the run-up to the 2000 parliamentary and presidential elections, local CCM cadres feared losing two constituencies. Furthermore, two opposition politicians were major players in the private sector coffee industry in Kagera at that time. By not licensing private traders, the governing party would be able to claim to have saved the co-operatives and, at the same time, would have cut off opposition figures from their electoral networks and direct contact with farmers. This was supposed to be a winning strategy, especially if widespread farmer discontent over not receiving prompt payment (or no payment at all) could be contained. A major slump in international coffee prices was not helping the party or the unions, since it entailed downward pressure on farm-gate prices.

As we have seen above, by the beginning of the 2000/2001 buying season the government had bailed out the unions. The CRDB even released new loans to them. These loans, however, were not sufficient to buy all the available coffee, particularly because of a bumper harvest. In September 2000, the unions wanted to lower the price paid to farmers, but the government (through the regional administration) told them not to do this — leading to further losses. As partial compensation, the government advised the unions to use the money they were supposed to deposit in the Treasury bond account to pay farmers for the coffee they had delivered months before.

At a rally in Bukoba town in late September 2000, President Mkapa promised not to open up the market to private buyers until the co-operative unions had repaid their debt. This strategy paid off: in the October 2000 general elections, the CCM won five of the seven seats available in Bukoba, Karagwe and Muleba Districts. Kahama, who maintained his seat in the Karagwe constituency, was appointed Minister for Co-operatives and Marketing. From his new position, he was able to maintain the ban on private coffee traders in Kagera, which continued until 2002. With the application of the new Coffee Act in 2002/3, the ban became unnecessary. The Act prohibits exporters from holding a domestic trading licence. In a sense, the Act formalized the *de facto* situation in Kagera between 2000 and 2002, with the difference that the co-operative unions now have to compete with other local traders.

It is tempting to explain the Kagera saga exclusively through clientelistic and patrimonial lenses, in the context of multi-party politics. It is reasonable to argue that the re-monopolization of domestic marketing of coffee in Kagera re-opened public channels of patrimonial appropriation and clientelistic opportunity that had been closed off by market liberalization. The latter would in part explain why the ban on private coffee traders lasted far longer than was necessary for electoral purposes. However, I would argue that the continuation of the ban into 2002 can also be ascribed to the desire to compensate for the loss of local ownership in the coffee industry. Furthermore, a patrimonial interpretation would not explain why only domestic trade (dominated by foreign companies) was re-monopolized in Kagera, while hulling — dominated by local entrepreneurs — was left to the free market. Also, in 2002 the government re-allowed domestic traders to buy coffee in competition with the unions in Kagera, thus closing the door for rent-seeking activities that had been opened by the process of re-monopolization. Now that (foreign) exporters can not hold licences for the domestic trade, market competition is back. The apparent anti-liberal nature of the Kagera experience, and its patrimonial opportunities, was eventually enfolded within the politics of ownership. Its end result was the successful localization of the Kagera coffee trade.

A comparative perspective

In the previous sections, I suggested that the politics of ownership can help explain the trajectory of coffee politics and policy in post-socialist Tanzania. This politics has attempted to challenge the dominance of foreign interests throughout the coffee marketing chain. Although it is not formalized in a political or party manifesto and is only partially incorporated in regulation, the politics of ownership can be said to be broadly inspired by other coffee marketing systems in East Africa — which are seen as more successful in defending local interests *vis à vis* foreign ones.

A model cited by several TCB and co-operative officers is the Ethiopian coffee marketing system. In Ethiopia, foreign-owned companies are not allowed to register as exporters, unless they had been registered already before the advent of the Derg regime. Also, companies can not hold both domestic trade and export licences.[23] There is thus an artificial vertical segmentation of the coffee marketing chain and the auction is characterized by competitive bidding. The whole Ethiopian coffee industry is, to a large extent, run and controlled by local companies. There are no expatriates sitting at the daily auction. Obviously, some local exporters are reliant on financing from foreign importers, so their independence may be more virtual than real. But these exporters are not directly owned by foreign companies. In sum, local ownership is one of the points of pride of the Ethiopian coffee industry, not only among officers at the Coffee and Tea Authority in Addis Ababa, but also among exporters and domestic traders.

Another model often evoked by the perpetuators of the politics of ownership in Tanzania is the Kenyan coffee marketing system. In Kenya, coffee cannot be traded domestically; estates and co-operatives therefore own it all the way to the auction (as in Tanzania before liberalization). In 1999/2000,

23. R. Love, 'The Ethiopian coffee filière and its institutions: *cui bono*?', *Review of African Political Economy* **88** (2001), pp. 225–40; and R. Love, 'Political economy of the coffee filière in Ethiopia' (Ph.D. thesis, Institute for Politics and International Studies, University of Leeds, 2002).

foreign companies in Kenya controlled an export market share that was much lower than the level registered in Tanzania.[24] The export market is still fairly fragmented, because the capital requirements for buying coffee at the auction are much smaller than what would be required to buy coffee in the domestic market. This allows local companies to compete fairly successfully with foreign companies on the auction floor. Because of the history of white European settlement and the large presence of white and Asian Kenyans in the contemporary estate and export sectors, the politics of indigenization operates more strongly in Kenya than in Tanzania and Ethiopia. But the politics of local versus foreign ownership plays an important role as well; 60 percent of coffee production is channelled through co-operative societies controlled by Kenyans. Industry actors are well aware that liberalization of the domestic market would mean that a large portion of this market could fall into the hands of foreign companies. At the export level, there is a sense of tension between local and foreign companies, even if local companies may be owned by white or Asian Kenyans.

In Kenya, coffee operators consider the Tanzanian trajectory of liberalization a model to be avoided, because it led to loss of local ownership and to a marked decline in coffee quality. In both Ethiopia and Kenya, donors are pushing for further reforms in the coffee marketing systems on the grounds that the current ones are corrupt and inefficient. Nevertheless, Ethiopia maintains important regulatory powers. Kenya has carried out only cosmetic reforms in the coffee sector in the 1990s. At the end of the decade, it was the most regulated coffee market in Africa. New reforms in Kenya are expected following the approval of a new Coffee Act in late 2001. It would be hard to deny that corrupt practices occur, especially in Kenya. But lack of 'complete' reform also achieved important objectives in terms of the politics of ownership: in both countries, the industry has remained in local hands without affecting the high reputation of Ethiopian and Kenyan coffees worldwide.[25]

Uganda provides an interesting contrast to Ethiopia and Kenya. The process of liberalization and deregulation started in 1991 and has reached the most advanced degree in East Africa. Full liberalization of the marketing chain has prompted the entrance of many private investors in all segments of the coffee industry. The co-operative sector has almost disappeared. Foreign companies were able to increase their export market share in Uganda, reaching almost a 50 percent share in 1998/99; then their

24. For details, see Ponte, *Coffee Markets in East Africa*; and Ponte, 'Brewing a bitter cup?'
25. This is an instance where Van de Walle's argument that 'partial reform' is a deliberate neo-patrimonial device does not hold (see Van de Walle, *African Economies*). Also, partial reform is hardly a uniquely African feature; see O. Therkildsen, 'Understanding public management through neopatrimonialism: a paradigm for all African seasons?' in U. Engel and G. R. Olsen (eds), *Understanding the African Exception* (Routledge, London, forthcoming).

share decreased to 44 percent in 2000/2001 — a lower proportion than in Tanzania.[26] The domestic coffee market and processing segments of the marketing chain are controlled by local traders and processors. Foreign companies have attempted (and failed) to control the domestic market through vertical integration, and are now operating for the most part just as exporters based in Kampala. Price and supply dynamics may play a part in explaining this market structure. However, Kampala-based managers of foreign companies told me that it was simply impossible for them to carve out a substantial market share at the local level, because the entry barriers in trade were low and local traders had ready access to independent finance through other business activities or networks. In short, while regulation has preserved a sense of local ownership in Kenya and Ethiopia, the same — to some extent — was achieved in Uganda through lack of regulation. In Tanzania, half-baked liberalization and the absence of local financial outlets for local entrepreneurs led to the domination of foreign companies in the coffee market, and to challenges of the status quo through the politics of ownership.

Conclusion

This article has analyzed the reform of coffee markets in Tanzania, to address more widely the contradictions of a donor-driven transition towards an ideal type of market economy in Africa. The coffee case study shows that, although patrimonial politics is still at play in Tanzania, some anti-liberal practices may be better explained through the lens of the politics of ownership. This politics, in its current configuration, seeks to re-empower local interests as a result of foreign domination of specific markets.

Before the mid-1990s, the monopolistic system of the domestic coffee trade in Tanzania ensured that coffee remained in local hands up to auction. At the export level, local companies were able to compete with the subsidiaries of large foreign companies. Liberalization saw foreign companies capturing the Tanzanian coffee market, both domestically and at the export level. This triggered a series of reactions attempting to re-empower local interests — such as manipulating licensing rules, encouraging direct selling of coffee at auction by independent co-operatives and farmer groups, auction haggling, threats of tightening regulation and, above all, the period of re-monopolization of domestic coffee marketing in Kagera. The objective of these actions was finally incorporated in the 2001 Coffee Act, as a result of which export companies (read ‘foreign companies’) have been banned from concurrently holding domestic trade licences. In other East

26. See Ponte, *Coffee Markets in East Africa*.

African coffee markets, the politics of ownership operated successfully in a pre-emptive way. Ethiopia and Kenya maintained national control over coffee markets by limiting the extent of reforms. In Uganda, counteractive politics was not necessary, because open market competition led to a coffee market (at least in its domestic segment) controlled by a myriad of local companies.

Some of these actions may be read through patrimonial lenses. Licensing powers can be used to create prebends. The continuation of the auction and the re-empowerment of the co-operative unions opened up possibilities for private gain and the building of clientelistic networks based on access to public resources. Electoral politics did play an important role in rescuing the co-operative unions from bankruptcy and in banning private traders from operating in Kagera from 2000 to 2002. Yet the fact that private hullers (local entrepreneurs) were allowed to continue operating — and that the ban on private traders continued in Kagera for almost two years after the 2000 general election — also suggests that the empowerment of co-operative unions can be interpreted along the lines of reversing ownership patterns in the domestic coffee trade.

The politics of ownership incorporates elements of nationalism and indigenization. However, it goes beyond both concepts in the definition of legitimate local interests and in the defence of these. This indicates that, in different historical periods, perceived threats to local ownership may come from different configurations of identity markers. Thus, in the immediate post-colonial period, the politics of ownership in Tanzania was played primarily through nationalist practices (assertion of citizenship, nationalization of assets, monopolization of markets). When, later on, Asian Tanzanian interests were perceived as threatening, the politics of ownership was expressed through 'indigenization' arguments (empowering African Tanzanians). Finally, when ownership of key assets and control of markets fell into the hands of large foreign companies as a result of liberalization and privatization, localism was reasserted as a reaction to an overlap of white and foreign identities. As different groups gain access to different assets and markets, the perception of local interest shifts. The formation and political manipulation of identity markers are thus characterized by overlaps, contradictions and historical change.[27]

More broadly, I would suggest that loss of national ownership of key assets and markets undermines the legitimacy of the state and of public

27. In this article, the politics of ownership has been analyzed with a narrow focus on one industry in one country (with some elements of international comparison). The relevant identity markers that emerged in relation to this case study were race, citizenship and locality. This does not mean that other identity markers such as class, ethnicity, and religion do not apply to the politics of ownership in general. More research is needed on clarifying the changing configuration of this politics in other contexts and countries.

regulation in Africa. In the post-reform period, the politics of ownership may be read as a relatively low-key attempt by the state to regain political space, not necessarily (or not exclusively) for the (re)distribution of resources for private gain, but for the defence of perceived local interests. Although the politics of ownership operates within the limited margins of the contemporary political economy of African countries, it may be finding new room for manoeuvre within emerging post-conditionality regimes.[28]

28. The term comes from G. Harrison, 'Post-conditionality politics and administrative reform: reflections on the cases of Uganda and Tanzania', *Development and Change* **32**, 4 (2001), pp. 657–79.