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✓ Mr. Nyerere ok.

SUBJECT.

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
THE PRESIDENT OF TANZANIA? PRESIDENT JULIUS NYERERE, AT
CANCUN on 23 OCTOBER AT 1530

Present:

Prime Minister President Nyerere
Mr. Alexander

Tanzanian Economy

After an exchange of courtesies, the Prime Minister asked President Nyerere about the present state of his country's economy. President Nyerere said that up until 1977 matters had been going relatively well. However the combination of military hostilities and floods in 1978 followed by two years of drought and the oil price rise had seriously undermined the economy. Tanzania was now in trouble. The country's already small consumption of oil had had to be cut back. Even so 60 per cent of Tanzania's overseas earnings were being spent on oil. It was not easy to see what to do. In 1981, for instance, the weather had been kinder but none-the-less it would not be possible to import the fertiliser that was required. A country which had once been an exporter of food had last year imported 475,000 tonnes of grain and this year would require 260,000 tonnes. It was a mess!

The Prime Minister asked about the negotiations between the Tanzanian Government and the IMF. President Nyerere said that he understood the rationale which underlay the IMF package. But if he was to implement it there would be riots in the streets of Dar-es-Salam. He was not against devaluation in principle. Indeed he had devalued the shilling twice in the last decade. He was willing to do so again. But to suggest that a primary producing country like Tanzania should devalue by 50 or 60 per cent was ridiculous. Such a devaluation would not enable Tanzania to sell anything extra

CONFIDENTIAL

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CONFIDENTIAL

-2-

but it would radically increase the cost of imports. The suggestion that Tanzania should introduce a 30 per cent interest rate was similarly absurd. The suggestion that imports should be liberalised ignored the reality that Tanzania could only afford to import necessities. To drop price controls and remove subsidies would cause major trouble. The price of maize, for instance, had been doubled in the last year. The IMF now wanted to treble it.

President Nyerere said that if devaluation would produce the money he needed, he might be prepared to envisage it. The difficulty was that devaluation was a once for all operation but the IMF proposed to produce the money little by little. Tanzania desperately needed help from the IMF (President Nyerere mentioned a figure of \$1.3b. over the next three years) but the proposed conditions were too hard. The Prime Minister said that she was glad President Nyerere had spoken so frankly. It was important to gain an understanding of other people's problems. She sympathised deeply with Tanzania's position. As regards borrowing from the IMF, this amounted, of course, to borrowing from a bank. The IMF, as a bank, had to look at the terms on which it lent money. It was important to be careful not to force sound institutions to act in an unsound way. [This was clearly related more to the discussions in train at the Conference than to the problems of the Tanzanian economy.] President Nyerere said that he did not expect the IMF simply to write him a cheque. But some of the things that they were asking for were not practical. So long as they insisted on unrealistic conditions, Tanzania could get neither their money nor other people's. He would accept some conditions but it had to be recognised that people would take so much and no more.

/Cancun

CONFIDENTIAL

CONFIDENTIAL

-3-

Cancun

In the course of a brief discussion of the prospects for the Conference, the Prime Minister said that she assumed there would be no communique. None-the-less something would have to be said by the co-chairmen about the global negotiations. President Nyerere agreed. He also agreed with the Prime Minister that the co-chairmen should summarise the proceedings on their own responsibilities. The participants at Cancun could not negotiate on behalf of others or commit non-participants.

The conversation ended at 1550.

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