

# Curbing smuggling of rice and sugar towards productive development in Tanzania

How to reduce smuggling of rice and sugar, increase domestic production surplus and lower needs for imports

## Research Questions

What drives the smuggling of rice and sugar and how can this be reduced to address scarcity and enable productive development?

## Key Findings

Low world market prices, frequent changes in the enforcement of trade regulations and rent-seeking along value chains undermine government efforts to reduce smuggling and strengthen capacity in rice and sugar sectors.

## Implications

Smuggling is triggered by six processes which reinforce scarcity of rice and sugar in Tanzania. Strengthen collective action for better trade regulation enforcement in both sectors; link import licences to production increases and align incentives for producers in the sugar sector.

## Project Summary

Rice and sugar remain scarce and their production largely uncompetitive in Tanzania. Large segments of the rural population are involved in rice and sugar production and they depend on them as cash crops. Powerful organisations and their clientelistic networks exploit scarcity to capture rents from these commodities along the value chain and are involved in smuggling activities. The corrupt rents capture from sugar and rice also generates an intricate web of domestic and regional conflicts among powerful organisations.

## Approach

We analyse the following:

- Mirror statistics on rice and sugar to estimate the magnitude and patterns of smuggling (e.g. cyclicity, major sources) over time.
- Detailed customs information on rice and sugar imported for the 2015 to 2017 period to identify systematic patterns of tax evasion and avoidance.
- Changes in trade regulation over time to identify potential rent-seeking opportunities, for example: Common External Tariff negotiated with the East African Community; export and import bans; issuing of emergency import licences, Rules of Origin interpretations.

## Key findings

- Major rice & sugar importers have significant political influence.
- Volumes of imports at lower tariffs (and smuggling – hence loss of government revenues) are especially high in election years.
- There is poor data on the rice and sugar trades and their regulations.
- Within the East African Community (EAC), frequent changes in trade regulations give room for speculation on artificial scarcity and import of cheap rice and sugar; moreover, in some cases import protections allow for rents capture opportunities along the value chain.
- Smuggling is commodity specific and the two sectors have different political settlements (different size and number of actors along the chain, and different distribution of power).
- We identify six ‘political processes of scarcity’ and, by comparing rice and sugar, show the commodity-specificity of these interdependent dynamics and how they reinforce each other. The six processes are: i) the Zanzibar smuggling route; ii) EAC Custom exemptions and smuggling; iii) cross-border trade incentives; iv) uncompetitiveness of production; v) political management of food scarcity and trade bans; vi) ‘rents chains’ from trading to logistics and distribution.

## Policy and programming implications

1. Reducing smuggling of staple commodities in Tanzania, supporting domestic producers and reducing unproductive rents capture along the value chains requires a commodity-specific approach, as each sector has a different political settlement configuration.
2. In the sugar sector, import licencing should be pegged to dynamic incentives to increase production by domestic producers.

## Team members

Antonio Andreoni (SOAS University of London), Deo Mushi (University of Dar es Salaam), Ole Therkildsen (Danish Institute for International Studies -DIIS), Luca Tasciotti (SOAS University of London)

## Contact information

Antonio Andreoni ([aa155@soas.ac.uk](mailto:aa155@soas.ac.uk)) and Deo Mushi ([deo@ecomresearch.org](mailto:deo@ecomresearch.org))