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Introduction

Arriving in Tandahimba District in November 2008, I passed vibrant villages with occasional cashew trees. Farmers could be seen with buckets of raw cashew, while young men were manoeuvring push-carts piled high with sacks of raw cashew. Hopping onto a SANLG motorbike, Mtausi, who became my main companion during fieldwork, took me around the region’s villages. There were the sounds of drum beats in a number of them that coincided with kualuka and the cashew-harvesting season. Young men riding and pushing brightly coloured bicycles carrying accessories and clothing to sell could also be seen in villages with ngoma. The singing and dancing seemed to continue all night. My initial impression that life was good and all was well evaporated abruptly once I started talking to people about cashew. The on-time delivery of inputs and likaba were common concerns raised by many, together with those about the newly introduced multi-tiered trading system and the Warehouse Receipt System (WRS). Cashew farmers have seen progress both in terms of production and the amount of money they earn, but they still depend on the cash they earn from cashew for their other activities. Yet although progress has been observed in Tandahimba compared to similar cashew-producing districts elsewhere, concerns were voiced regarding the magnitude of the progress.

In November 2009, and initially as a pilot project, I visited Binh Duong Province about 68 km northwest of Ho Chi Minh City. The cashew trees there are planted close together and are smaller in size, with cashew fields alternating with plantations of rubber trees. Most people travelled by motorbike and I rarely met people on foot. And when I was on fieldwork in January 2010, the same could be seen in Bugiamap, the country’s ‘cashew kingdom’ and the highest cashew-producing district in Binh Phuoc Province.

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1 Binh Duong province / Dầu Tiếng district / Minh Hòa commune / Hòa Lộc hamlet.
How can farmers growing the same crop excel in one country and not in another? This divergence in outcome is a recurring issue and is central to this thesis. What makes this thesis original is that, through the lenses of one sector, namely the production of raw cashew, the experiences – or development trajectories – of two countries are compared. Comparing the most successful cashew-producing areas allows insight and the opportunity to learn from the top performer. This approach will allow others to learn from the differences between and within the two countries. The study shows that cashew nuts, ‘(the) poor man’s crop and rich man’s food’ (Jaffee 1994: 1), flourish in different settings. The main research question is: What accounts for this divergence in experience, even within the confines of the same sector?

Rather than comparing the broad socio-economic divergence of whole economies, the point of comparison is in one sector only in order to gain insight as to what might account for the divergence in development. As divergence is central to this analysis, two case studies in the most successful cashew-producing regions of Tandahimba District in Tanzania and Bugiamap District in Vietnam were chosen. Learning from successful performers was considered to be a good point of departure. One could imagine that the rural areas I visited might have been homogeneous and this was true in some ways, such as the use of motorbikes and the unpaved roads. In sampling cashew-producing areas, I ignored the use of random sampling in order to learn from better performers. Visiting all the cashew-producing areas in the two countries would have added little benefit and would have been logistically and financially unfeasible in the time allowed. Comparing Tanzania and Vietnam and knowing how a better performer ranks is in line with the objective of the thesis, namely to understand the divergence between Tanzania and Vietnam as part of the Tracking Development project. This is a multidisciplinary project that aims to explain the divergence in the last fifty years between Sub-Saharan African and South East Asian countries with similar, but not identical, points of departure. This then led to confining the study to using data from rural-based fieldwork, which grounded the analysis in a specific sector with a view to drawing wider lessons. Although I had a detailed questionnaire translated into both Kiswahili and Vietnamese, my evening meetings with my hosts, whether drinking ghahawa on the veranda of the Natima guest house in Tandahimba or having a chat with Mr Xoay and Mr Hung in Bugiamap, helped to clarify some of my field observations. Though I am Tanzanian, I had never been to Tandahimba and all I knew of the southern part of Tanzania was about makonde carvings, cashew and ngoma. And from the statistics that I had

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2 For more information about the project: http://www.institutions-africa.org/trackingdevelopment_archived/home.html and Prof. David Henley’s inaugural address: http://www.ascleiden.nl/Pdf/OratieHenley.pdf
worked with, it was clear that the area was deprived and ranked low on many key social and economic indicators. This interaction with people allowed me a better understanding of the data I collected. Since I do not speak fluent Vietnamese, I recruited a team of research assistants with the help of my hosting centre in Vietnam, the Center for Urban & Development Studies (CEFURDS). The research assistants were students at Ho Chi Minh City University of Social Sciences and Humanities. We worked together at Bugiamap and while visiting processing plants. Information from individual farmers was complemented with information from key informants’ interviews with traders, processors, researchers and decision makers.

Why did I choose to study cashew? Because the divergence in development here – from an old-timer to new-timer dominance – illustrates a more general difference between Tanzania and Vietnam. While diversification away from agriculture in Vietnam went hand in hand with rising agricultural production and productivity, diversification in Tanzania appears to go hand in hand with sluggish growth and stunted productivity in agriculture. The different approaches used by the countries that make the sector decline or flourish have had implications for the whole economy. Diversification in Vietnam would seem to have encouraged both an increase in agriculture and improvements in well-being, while stagnating productivity in Tanzania appears to have led to a decline in well-being. Comparative economic history has been used to understand divergence.

To answer the question as to what accounts for this divergence in experience, even within the confines of the same sector, this thesis is divided in two main parts. The first part, comprising Chapters 2 and 3, looks at the overall macro and sector context in the two countries, while the second part – Chapters 4 and 5 – uses empirical evidence from fieldwork to showcase the sharp differences among cashew farmers by looking at household production and market dynamics. Chapter 2 considers the transition from socialism to a market economy with 1986 as a turning point\(^4\) in the context of the world economy. The chapter draws from Heckscher-Ohlin’s trade theory as used by Wood (2001) and Karshenas’s (2001) measure of the value added per agricultural worker. The similarities between Tanzania and Vietnam indicate that the socialist approaches implemented failed either to increase production substantially or reduce poverty. Tanzania’s economy was influenced by both Arabs and Europeans (the Germans and the British) and some of their influence can still be seen today. Vietnam’s economy was influenced by Russia and China. After the socialist approach was abandoned, mar-

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\(^3\) PHDR (2005).

\(^4\) Van Donge \textit{et al.} (2012: s9) define the turning point as ‘dates at which two crucial development indicators, GDP and poverty incidence, showed a lasting turn for the better, leading to sustained growth in association with sustained poverty reduction’. The concept used in this thesis simply refers to a period when there was a major change in policy, in this case a shift from socialism to a free market economy.
ket-oriented strategies were adopted by both countries. On the one hand, there were the adaptive self-initiated market-oriented strategies of Doi Moi in Vietnam, while in Tanzania there were the opportunistic conditional market strategies of the Structural Adjustment Programmes. The strategies adopted in Tanzania were restrictive in nature and resulted in a reduction in domestic expenditure, minimal growth in agricultural commodities and a decline in well-being. Plans were implemented with only a short-term perspective, while Vietnam has exhibited a better institutional set-up that has allowed the productive sector to grow.

Chapter 3 describes the history of the cashew nut and seeks to explain global trends by looking at the roles played by the different actors. The chapter draws from the global value chain (GVC) framework. Cashew consumption and production have been increasing around the world, with producers, processors and traders as the industry’s main actors. And a shift is currently being seen in the share of raw cashew produced by different regions. India and Brazil have consistently been among the biggest producers of raw cashew since the 1960s although Asian countries have increased their market share significantly in the last decade. In 1961 a tonne of processed cashew, i.e. kernels, fetched less than US$ 1000 but by categorizing consumers and introducing standards, cashew has become a premium quality product and a tonne of kernels has been fetching an average price of more than US$ 4500 over the past two decades. Technological advances explain the current demarcation of cashew production: raw nut producers are primarily in Africa and Asia, processors are predominantly in Asia (Vietnam and India), and flavouring is being done in Western countries (the US and Europe). If we look at Tanzania and Vietnam, it can be seen that there are many players at different levels of the chain in Vietnam, which allows for flexibility, while there are few upstream actors in Tanzania and this results in rigidity among downstream actors. In the context of producing cashew, Tanzania is an oldtimer while Vietnam is a new player in cashew production globally. Local Vietnamese traders are playing a role in advancing the sector in Vietnam, while Indians both from within and outside Tanzania play the trading role in Tanzania.

Empirical evidence from fieldwork can be found in Chapter 4, where the differences between raw cashew producers in terms of sunk costs (irrecoverable costs), output performance and input usage at household level are identified. To investigate the performance of cashew households in the two countries, the analysis draws on Ruttan & Hayami’s induced technical and institutional innovation model. Based on rural fieldwork, comparison is made of the two countries by considering how the crop is set up and inputs are utilized. An accounting framework is used to show the divergence in production at household level. Cashew is an important source of income and employment for farmers in both Tanzania and Vietnam and investment in cashew is a continuous process. Credit
is, however, crucial for farmers as it ensures a steady supply of inputs and allows continuous maintenance. In Vietnam, credit is provided through government-initiated poverty-alleviation programmes and by private banks but Tanzanian farmers’ sole means of finance are their earnings from cashew.

Chapter 5 draws together the information from the preceding chapters to explain the divergence observed. What emerges from the observations is the way the actors in the sector interact with each other. This chapter reveals why Vietnam has excelled at cashew production while Tanzania has lagged behind. The cases of cashew in Tanzania and Vietnam show how market failures are solved, in one case coordination is used as a solution where downstream and upstream stakeholders are linked (in Vietnam) by backward linkages while in the other, coordination provides incentives to mainly downstream actors (a single stakeholder, i.e. the farmer) through forward linkages (in Tanzania). Drawing on the theory of implicit contracting and the value chain framework, both spot and relational contracting are used in the analysis. Issues with hold up that investors face once they have decided to invest seem to adversely affect farmers in Tanzania and processors in Vietnam. Farmers in Vietnam seem to escape the sunk cost fallacy. By contrasting cashew value chain systems, in particular looking at the balanced value chain and unbalanced value chain, it is argued that farmers react to changes in price. The balanced value chain in Vietnam allows a compatible functioning of the sector that encourages its expansion. The unbalanced value chain in Tanzania results in power being tilted away from farmers, which leads to the acceptance of residuals payments and being positioned in the margins by both state-run and private trading.

It is also argued that the implementation of an industrial policy for market development as a strategic policy in Vietnam versus the opportunistic policy in Tanzania has led to increased production and erratic production respectively. The chapter shows how radical reversals of policies in Tanzania have resulted in erratic production with occasional spurts of growth while adaptive efficiency in Vietnam has resulted in a steady increase and the stabilization of production at a high level. The chapter shows that there are plenty of ideas in Tanzania about how to increase production but there is a distinct lack of strategic implementation regarding decisions taken at a high level. Unfortunately this is happening because there is little to no commitment at the lower political level and little infiltration of the proposed reforms. This is compounded by a lack of coordination among the actors in the cashew sector, something that applies to the Tanzanian economy more generally. The chapter also shows how anti-poverty programmes were geared towards productive sectors in Vietnam unlike in Tanzania where social sectors were given more consideration.