I certify that Brian Appleby has spent not less than twelve months (full-time) in higher study in the field of Economics; that he has fulfilled the Conditions of Resolution 9 of The University Court of St. Andrews (1967); and that he is qualified to submit the accompanying dissertation for the Degree of Master of Letters.

P. Robson
Professor of Economics

The work of which this dissertation is a record has been done by the undersigned and has not been accepted in any previous application for a Higher Degree

Brian Appleby

The candidate was admitted for the Degree of Master of Letters in Arts in October, 1971.

Interterritorial Trade Flows in the East African Community 1961-1970 with Particular Regard to Trade in Manufactured Goods and Chemicals and the Period 1967-1970.

Brian Appleby.

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CONTENTS:

Chapter 1.[1]

Aims of the Study.

Common market arrangements have existed in East Africa since 1917 and, together, Kenya, Uganda and Tanzania make up the East African Community established by the Treaty for East African Co-operation which came into force on 1st December, 1967. The inducement to enter into common market arrangements is the possibility of economic gain resulting from breaking free from the constraint of a small market, enjoying economics of scale, attracting more foreign capital, lack of dependence through industrial diversification on unstable primary products and gains from various other sources listed in chapter 2. Unfortunately in the absence of counter-vailing policy measures there is a very real possibility that gains held to follow from economic integration will be unevenly distributed.[2]

Inequality in the rate of economic development has been a bone of contention for some time in East Africa and dissatisfaction about the economic share-out manifested itself in several forms throughout the 1960's. Economic theorists, however, have it that despite the influence of disequilibrating forces it should still be possible to redistribute the gains from integration so that all the members of the grouping are better off, over the long run, inside rather than outside the grouping.[3] The Raisman formula, The Kampala Agreement, and the Treaty arrangements of 1967 were all designed to alleviate if not remove discontent, principally on the part of Tanzania and less so Uganda, concerning the distribution of gains allegedly derived from the existence of the common market.

From the mid 1960's to the present there have emerged a large number of studies attempting to (a) identify and (b) quantify the gains and losses derived from the East African common market arrangements.[4] This is not such a study/

a study. In this study attention is focused on one aspect of the abovementioned 'gains/losses', trade flows.

Inter-community trade flows have been used in a number of analyses which have attempted, if not purported to quantify the gains and losses attributable to economic integration in E. Africa. At this juncture it is pointed out that in this study the analysis of trade flows in E. Africa does not necessarily mean that such trade flows are believed to be entirely dependent on the common market nor is it attempted to quantify how far differences in trade flows are directly attributable to the common market arrangements. In this study trade flows are examined to yield information about the relative development of Kenya, Uganda and Tanzania within the framework of the common market arrangements and also to indicate the pattern of industrial development in the common market as a whole.

Attention is paid to factors which may have had a bearing on inter-state trade flows and such factors are set out in chapter 3. Chapter 4 analyses the pattern of inter-state trade form 1961 to 1970 and describes such features as the composition of inter-state trade and how this composition has changed over the period as well as looking at the importance of inter-state trade for each country and relative alterations in this importance. Chapter 5 considers post 1967 development particularly in the light of measures of the 1967 agreement. It is true that a number of the measures initiated in 1967 were designed to act on the relative levels of industrialization as opposed to trade flows but trade flows have been held to be of importance by the states concerned and their analysis so thought justifiable.[5] Furthermore while trade flows may not be the ideal yardstick by which to judge the effect of the 1967 arrangements trade statistics are much more comprehensive and more readily available than industrial data.

From/

From 1967 onwards a number of forces other than deliberate policies came into play to influence the pattern of inter-state trade, these are noted in chapter 3 but their analysis is outwith the scope of this study.

While it would be extremely interesting to determine the causes of changes in trade flows it is impossible to isolate all the individual factors which were or might have been in play. This study attempts to identify factors which might have influenced the pattern of inter-state trade, particularly in the period 1967-70, but it is not possible from such an alysis of the course of trade to separate and so individually quantitatively evaluate the effects on trade of such factors as, State Trading Corporations, transfer taxes and changes or growth in demand.[6]

Throughout analysis is geared to manufactured goods and chemicals (SITC sections 5, 6, 7 and 8) as opposed to all manufacturers. The result is that processed agricultural goods (coming under SITC sections 0 and 1) are omitted from the most detailed analysis. This is done and thought permissible for several reasons. It was in SITC categories 5, 6, 7 and 8 that the largest increases in trade in manufactures took place. As far as import substitution goes it is these categories that are most important. Industries attracted to or set up in East Africa because of the common market seem to have had outputs which fall under the SITC groupings 5, 6, 7 and 8. It is industries with outputs that fall under these SITC headings that each East African country is most anxious to harbour. Also the degree of 'industrialization' may be distorted by the inclusion of activities which only bring about a slight transformation of agricultural produce.

Chapter 2

The Possibilities and the Problems of Economic Integration.[7]

Judging by its present rate of adaptation and subsequent adoption economic integration is the ultimate panacea for economic ills. Adaptation takes the form of free trade areas, customs unions, common markets and full economic unions. Adoption of any of these forms is the current economic fashion for developed and less developed countries alike. This apparent springboard to industrialization cum low growth rate pick-me-up is being leapt upon or taken in areas, as far apart in distance, culture, wealth and geographic feature as Western Europe, Africa and South America.[8] The gains that follow this turning of economic lead to gold are held to result from any individual or combination of the influences below.[9]

a) Increased specialisation on the grounds of comparative advantage.

b) Economies of scale.

c) Increased factor inputs.

d) Structural change.

e) Changes in the rate of growth of output.

(a). This production effect was analysed in terms of trade creation and trade diversion.[10] Trade creation occurs if after the formation of a union members who had formerly produced a commodity behind a tariff wall switch to purchasing this commodity from a lower-cost producer/

producer within the union. Trade diversion occurs if because of the tariff wall surrounding the union, external purchases are replaced by higher-cost purchases from a less efficient partner. The traditional theory has it that trade creation can occur because of several influences. Bearing importance among these influences is that the economies of prospective partners should be competitive rather than complementary prior to union.

This analysis was extended by Lipsey and Meade[11] to include the 'consumption effect'. Of importance for present purposes is Lipsey's conclusion that (a) a customs union is more likely to raise welfare the higher the proportion of trade with the country's union partner and the lower the proportion with the outside world and (b) a customs union is more likely to raise welfare the lower the total volume of foreign trade is relative to domestic purchases prior to the formation of the union.

In the light of these conclusions it was apparent that economic unions were not beneficial for developing countries. From a Vinerian standpoint trade diversion is likely to far outweigh trade creation.[12] Moreover, less developed countries trade with developed countries rather than with each other. Less developed countries also usually have a large ratio of foreign trade to domestic output.

But more recently possible gains have been recognised to come, for less developed countries in particular, from factors other than the production effect/

effect. Arguments have been forwarded proposing that trade diversion or creation is not the most important criteria by which to judge an economic grouping when one is seeking to achieve a structural transformation of some particular economy. Here it is potentialities that are considered important rather than existing competitiveness or trade flows.[13]

It has also been recognised that the price system in many less developed countries may not accurately reflect all the relevant social costs and benefits of replacing imports from the rest of the world. For example wage rates may not reflect the opportunity cost of moving labour from the agricultural to the industrial sector. If this is the case a shadow price ought to be used in order to compare domestic cost with foreign price.

Also external economies are likely to be of importance. Gains may be enjoyed as a result of a more skillful labour force, changed attitudes towards effort, increase in entrepreneurship etc. Furthermore if there is a foreign exchange problem the saving brought about by import substitution will not be reflected by using actual foreign exchange rates. Instead a shadow price of foreign exchange ought to be used to discover whether domestic costs are low enough to support a policy of import substitution.

While bearing in mind the above divergences the necessity to find employment for a growing amount of productive factors, particularly labour coupled to an accute foreign exchange constraint reinforce arguments for protection and integration. Export earnings of many less developed countries are held back/

back by demand elasticities, difficulties of entering new markets etc. the result is that overall growth is retarded by a 'trade gap'. This gap may be reduced by integration and economic growth increased.

Integration is made more attractive by possible economies of scale or specialisation. As the market increases larger plants may be built and costs so lowered. With a bigger market there is the possibility of reducing the variety of products per plant and so lengthening production runs. Also enlarging the market may mean that processes formerly carried out in a single plant could consequently be carried out in separate plants.

More likely to be of importance, than static gains derived from specialisation according to comparative advantage are gains from increased efficiency brought about by increased competition. Again integration is likely to bring about increases in efficiency by its effect on the overall economic structure. Such a dynamic emphasis has been prominent in the arguments of recent advocates of economic integration.[14]

But alas all that glitters is not gold and so it is with economic integration. The path pointed to economic heaven is often a steep and thorny one.

The most serious problem, doubly so because it is apparently the least resolvable one, facing customs unions has been that of an equitable distribution of the benefits and costs.[15] While the theory above supports economic integration on the grounds that there occur, at least potentially, gains for the region as a whole it is possible, even likely, that in the absence of countervailing policy measures these gains will not be evenly distributed.

The reason for this inequality is that industrial activity tends to centre at some growth point.[16] This polarization is held to result from any individual or combination of the following factors, (a) natural resources which may serve as a location for industry (b) transport costs and nearness to markets (c) externalities which may take the form of a skilled labour force, social and cultural amenities, service industries such as banking and the influence or non-influence of public policy in achieving a wider dispersal of industry by its expenditure on infrastructure.

Moreover it is argued that not only is industrial activity established at some point for any of the above reasons quickly self-promoting but such polarization hinders the establishment of viable industries in partner countries. This phenomena is referred to by Myrdal as 'back-wash'.[17]

It is possible, however, that the influences usually responsible for industrial agglomeration may in certain circumstances be responsible for its dispersal. It may be, for example, that there exist several locations of natural resources which each attract a share of industrial development. Distribution costs and a limited population mobility may also serve to disperse industrial activity. But likely to be of greater importance is the increase of the developing regions purchases from the lagging areas - 'spread-effect'. Moreover it is agreed that 'despite the operation of the polarization effect, if regional integration can produce substantial productivity gains to the region as a whole, it should be possible to redistribute these in such a way that all the members of the region are better-off over a long-run, if not necessarily in each short-time period if the costs of redistribution are not too high.'[18]

Chapter 3

Economic Background to the East African Common Market.

Overall description and pre-1961 development.[19]

The countries of Kenya, Uganda and Tanzania cover an area of 680,000 square miles. The land area other than water and swamp of each of the three countries is Kenya 220,000 square miles, Uganda 76,000 square miles and Tanzania 342,000 square miles. The total land area of East Africa is seven times that of Britain and larger than the E.E.C. Uganda has the lowest population and Tanzania the highest. Population density is 41 per square mile.[20] While the population of East Africa is 98% African (1961 figures) non-Africans exert a disproportionate influence on the economy.

Manufacturing industry is little developed in East Africa. Of the industry that does exist most is situated in Kenya while a considerably smaller yet growing amount is situated in Uganda and Tanzania. Principal manufactured products are manufactured foods, cigarettes, beer, metal products, cement, textiles and footwear and wood and paper products. Until after 1967 the financial and commercial services which served the common market were situated in Kenya.

Unlike countries such as Nigeria, Zambia and South Africa none of the East African nations have been fortunate enough to enjoy economic aid in the form of mineral resources on anything but a very small scale. Diamonds and gold are mined in Tanzania, copper in Uganda and soda ash in Kenya. Mineral exports are, however, extremely small when compared to exports of agricultural products.

The area is heavily dependent on foreign trade. This dependence is greatest for Uganda where exports averaged 38% of G.D.P. from 1961-1970. Cotton and coffee provided 65% of Ugandas exports during this period. For Tanzania exports formed 30% of G.D.P. over the period 1961-1970. Tanzanian exports were also largely confined to primary products and coffee, cotton and sisal accounted for 49% of the total. The importance of overseas exports is less for Kenya but exports still averaged 21% of G.D.P. Primary products were of less importance and more diversified. Coffee, tea and sisal accounted for 34% of Kenya's total exports over the period.[21] About a quarter of the regions exports go to the United Kingdom the other major receivers are the United States, and West Germany. Main imports are fabrics, industrial machinery and motor vehicles.

From 1961 Uganda and Tanzania (except for 1970) have enjoyed a surplus on visible external trade, Kenya's deficit was partly offset by her favourable balance within the common market. Monetary G.D.P. in Kenya rose from £180.2m in 1961 to £397.6m in 1970, the corresponding rise for Uganda was from £109.1m to £289.4m and for Tanzania £126.2m to £293.3m.

Although all three East African countries are now fully independent, their economies have inevitably been influenced by fifty years of colonial rule.

A customs union between Kenya and Uganda was established in 1917. The final inclusion of Tanzania in the common market arrangements came in 1927, after it had been agreed to adopt a common external tariff for all three territories in 1922 and the free interchange of domestic produce in 1923. The customs administration was operated jointly by Kenya and Uganda from 1917, but was not extended to Tanzania until 1949.

Income tax was introduced in Kenya in 1937 and in 1939 in Uganda and Tanzania. Uganda and Tanzania both employed the same rates and structures as Kenya. A joint administration was employed from the beginning.

In addition to income tax and customs and excise a number of other (agricultural, industrial research, meterological services, civil aviation, medical research and the University of East Africa) services have been run on a communal basis. The most important common services include East African Railways and Harbours, East African Airways and East African Posts and Telecommunications. These services are referred to as self-contained meaning that they operate on a self-financing basis through sales to the public. They enjoy a greater amount of autonomy than the non self-contained services and have operated fairly efficiently.[22]

It was not until 1948 that a common legislative body and an administrative organisation were established. In 1948 an Order in Council brought the East Africa High Commission into being. The Commission was made up of the Governors of the three territories. Legislation was considered and enacted by a newly established Central Legislative Assembly the members of which were partly appointed by the three Governors and partly elected by the unofficial members of the territorial legislatures.

The two most serious weaknesses suffered by the High Commission were its exclusion from fiscal policy making and its lack of any independent source of revenue. While the most important of the common services (see above) were self financing the other High Commission services were financed partly by annual appropriations from territorial revenues on the basis of a formula and partly by grants from the British Government and from other outside sources.

The replacement of the High Commission became necessary with the changing constitutional status of the three countries. Dissatisfaction on the part of Uganda and Tanzania because of Kenya's larger share of inter-territorial trade also required that there should be some new mechanism to distribute the economic benefits within the union. In 1961 the Distributable Pool of Revenue was set up.

Developments after 1961.

(a) The Distributable Pool.

The Distributable Pool of Revenue was the result of the Raisman Commission Report, (United Kingdom Colonial Officer, East Africa; Report of the Economic and Fiscal Commission, Cmnd.1279, London, H.M. Stationery Office, 1961) and was designed to provide the common services with an independent source of revenue and more importantly to offset any inequalities in the territorial distribution of economic benefits. The inequalities with which this fiscal redistribution was designed to deal were (a) the loss resulting from buying Kenyan goods at prices higher than those elsewhere obtainable and (b) the loss of customs revenue.[23]

Under the distributable pool as from 1961/62 40% of the tax revenue derived from manufacturing industry and financial institutions was paid into the pool together with 6% of the regions customs and excise revenue. After deducting costs of collection one half was allocated to financing the common services and the remainder was divided equally among the three countries.

Various estimates have been made regarding the degree of redistribution involved./

involved. One problem is since the pool finances the common services as well as providing a redistribution of benefits an assumption must be made about the contribution each country is making through the pool to those services. But regardless of the assumption made the size of redistribution appears small. In 1962 it has been estimated that Tanzania lost £1.8 million in customs revenue.[24] The maximum payment to Tanzania through the pool has been estimated at some £288 thousand.[25].

Much more importance was attached by Tanzania and by Uganda to the unequal distribution of economic development per se. Measures to promote their own industrial development at the expense of other E. African countries were imposed by all three and restrictions became a feature of inter-territorial trade. Discussion about E. African federation in the early 1960's took place in the midst of this economic contretemps. By early 1964 it was apparent that federation was not yet possible. Tanzania who had supported federation partly as a solution to inter-regional trade inequalities threatened to withdraw altogether from the union. Negotiations averted Tanzanian departure and led to the Kampala Agreement of April 1964 modified at a meeting of the Heads of Government at Mbale on 14th January, 1965.

(b) <u>The Kampala Agreement</u>.[26]

The Kampala Agreement was primarily intended to rectify trade imbalances/

imbalances and to do so by influencing the future location of industry. A number of devices featured in the agreement and are as follows. There was to be a replacement of firms already operating in Kenya and Uganda in favour of Tanzania. The industries initially selected were cigarettes, shoes, beer and cement and arrangements were to be made with individual firms.

New one-plant industries about to be set up in E.Africa were to be allocated to particular countries. Most were to go to Tanzania which was to receive aluminium manufacture, wireless receiving sets and components and motor vehicles tyres and tubes. Uganda was to receive bicycle manufacture and a fertilizer plant while light bulb manufacture went to Kenya. Since industrial development in East Africa is largely financed by foreign private investors, it is difficult to see how much measures to influence industrial location could be very effective in practice.

A system of quotas was to be placed on exports from a country in surplus on its interterritorial trade and such countries agreed to attempt to increase their purchases from deficit countries. Quotas were not to be applied to the output of industries allocated by the Agreement. And the imposition of quotas was subject to a complex number of other qualifications.

By mid 1965 it became apparent that the Kampala Agreement was not the solution to regional dissatisfaction. First indications of this were when Tanzania imposed a wide range of import restrictions on East African and external imports alike and liberally introduced quotas. Such restrictions Tanzania extended in 1966.

A principal factor underlying Tanzania's actions was Kenya's lack of co-operation/

co-operation concerning the industrial location agreements. Kenya for her part was dissatisfied with the common market arrangements following Tanzania's decision to establish its own central bank and currency. Kenyas failure to fully support the industry sharing arrangements led to the imposition of large scale restrictions by Tanzania on Kenya imports. Nevertheless it seems that Tanzanian controls were not severe or comprehensive enough to cause more than a 6% decline in Tanzanian imports from Kenya in 1966 compared with 1965.[27] The Kenya exports to Tanzania most seriously affected included clothing, footwear, cigarettes, beer, aluminium ware, paint and varnish and soap. Tanzania's exports to Kenya decreased because of the increased competition in the Kenyan market brought about by the trade restrictions.

Such was the situation in late 1965 when a commission under the chairmanship of Professor Philip of Denmark was established to investigate the existing situation with a view to future policy. Early in 1967 the Philip Commission finally reached agreement regarding recommendations and in June the three Heads of State met in Kampala and agreed and signed a Treaty for East African Co-operation.

A Summary of factors which may have influenced the pattern of trade within the East African Community 1967-70.[28]

The EAC was established by the Treaty of East African Co-operation which came into force on 1st December 1967. Among the main points of the treaty were the following.

1. A pledge to maintain a common customs tariff.
2. Excise tariffs to be made uniform.

3. A transfer tax system to be introduced.
4. The East African Development Bank to devote most of its investment to Tanzania and Uganda.
5. Remittances between the three countries to be made at par.
6. A Common Market Council and Tribunal, and separate councils to deal with communications, planning, finance and research.
7. The decentralisation of the Common Services.

Among these the prime instruments to redress industrial imbalances were the transfer tax system, the Development Bank and the decentralisation measures.

Under the transfer tax provisions a country in deficit in total intra-community trade in manufactures may impose a tariff on imports from a country with which it has a deficit on an amount of trade not exceeding this deficit. The transfer tax cannot be higher than 50 per cent of the external tariff and may only be imposed on goods which are or shortly will be produced in the taxing country. A particular transfer tax can only last for eight years and once a country comes into 80 per cent balance in its total trade on manufactured goods in East Africa it is no longer allowed to impose new transfer taxes.

The transfer tax was intended as a kind of protection to Tanzania and Uganda. Under its formula the two countries were able to impose taxes on goods manufactured in Kenya which entered their country. Tanzania could also tax Ugandan goods.

The tax system was not intended to bring about a replacement of East African imports by cheaper goods from outside the community and the treaty included provision to prevent this.[29]

While the main purpose of the transfer tax was/is to bring about a more equitable distribution of the benefits from industrialisation of the common market a secondary effect at least potentially was an increase in revenue for Uganda and Tanzania. This would occur if the price of imported transfer taxed goods did not fall. If, on the other hand, the price of taxed goods imported by Tanzania actually fell then there would be a real income gain to those importing countries.[30]

Following the signing of the Treaty transfer tax was imposed by Uganda on Kenyan goods and by Tanzania on both Kenyan and Ugandan goods. Most of the transfer taxes imposed by Tanzania date from 1st December, 1967, while in Uganda there was a large increase in transfer taxes towards the end of 1969. As from January 1st, 1968, Tanzania imposed transfer tax on 44 goods imported from Kenya and Uganda, the tax was intended to last for the full eight years from the date of its first imposition.[31] During 1968 transfer taxes raised 10m. shillings for Tanzania and 2m. shillings for Uganda.[32] Commenting in August, 1970, about the operation of the transfer tax system in its first full year of operation (1968) Mr. Bigirwenkya, the Secretary General of the EAC, said that there was evidence to show that industries had been established in Tanzania and Uganda as a result of the protection offered by the Common Market arrangements.[33]

Comparative analyses of interterritorial trade in taxed and untaxed goods have shown that increases in production of transfer-taxed goods have occurred in all three States. Interstate trade as a whole has also increased with Tanzania's exports to its partners growing at a substantially faster rate than/

than its imports. 'Other factors no doubt played a part, but it seems that the transfer tax did not prevent substantial increases in production from occurring in Uganda and Tanzania whilst in Kenya a buoyant home demand compensated for the reduction in exports to Tanzania and Uganda.'[34] To isolate the effect of the transfer tax from other factors such as growth of demand and to assess its usefulness in helping to achieve a more equitable industrial balance other influences must be examined.

'While transfer tax may have caused some reductions in the flow of goods from Kenya to partner states, a much more significant factor distorting the previous pattern of trade has probably been the replacing of private wholesale trade channels in Tanzania and Uganda by state trading corporations. In 1969 this posed a serious threat to normal trade but a mechanism has been devised under the treaty to ensure that state trading companies do not divert trade to foreign countries from partner states. Nevertheless there is certainly much more likelihood that they will tend to favour local manufactures in preference to imported commodities.'[35]

The Kenya Economic Survey 1968 suggested that the replacement of quantitative restrictions by transfer tax helped trade with Tanzania. Trade with Uganda declined but this was probably related to Uganda's trade licensing laws rather than to tax. The Survey said that state trading corporations in East Africa increased during 1968 and were sometimes given distribution monopolies which allowed discrimination against products from a partner State.[36] This situation was under review.[37]

Restrictions on interterritorial trade in the form of import-licensing and state/

state trading corporations became progressively more comprehensive throughout 1968 and 1969. Early in 1968 the National Trading Corporation became sole distributors in Uganda of a number of articles (shirts, wine, imported berr and spirits, cotton seed oil, ground-nut oil, cement, steel windows and hoes.[38] The importance of such items in interterritorial trade will later be examined.) In March, 1968, the Uganda government's new Import Licensing Board announced after its first meeting the criteria on which the issue of import licenses were to be based.[39] They were: to protect Uganda's new domestic industries from foreign competition; to attract foreign investors by assuring them of a protected home market; and to save Uganda's foreign exchange earning and maintain a healthy balance of payments. It soon became clear, however, that Uganda's policies were hardly the most desirable for the community as a whole. Ironically the Uganda Development Corporation's profits continued to fall during the first half of 1968 and the major causes of this, according to the Corporation, were the restrictive licensing policies introduced by the EAC.[40] Nevertheless it cannot be said that Kenya and more so Tanzania were quite blameless in the imposition of restrictions on intra-community trade.

In December, 1968, Kenya announced a list of products originating in Uganda and Tanzania which could only be imported on the instructions of the Kenya National Trading Corporation.[41] In May, 1969, President Nyere announced Tanzania's second five-year development plan in which a far greater role for the State Trading Corporation was envisaged. Early in 1970 both Uganda and Tanzania declared their intention of bringing importing and exporting under public control.[42] In an attempt to ease trade/

trade complications arising out of the confinement of certain goods in East Africa to the State Trading Corporations the Common Market Council of the EAC approved an eight-point plan in July, 1970.[43] Along with the plan, the Ministers of the Council also agreed on measures aimed at enabling the Common Market Secretariat to ensure compliance with the plan through legal powers.

The plan stipulated that the State Trading Corporations in the partner-States, or their authorised dealers, must undertake to purchase in quantity and stock goods produced in other partner-States. They must also accept and place promptly any orders from dealers for goods produced in other partner-States and at the same time ensure that profit margins and other charges on any commodity are the same for goods produced locally as for goods produced in other partner-States. Under the implementation of the plan, the partner-States agreed to take steps empowering the Secretary to examine records of any State Trading Corporation to ensure that the plan is being observed.

It is clear, however, that the operations of Tanzania's State Trading Corporation and Uganda's National Trading Corporations have posed serious problems concerning the desired working of the Common Market. 'Transfer tax and State trading are linked in this way, that if the State trading corporation disregards relative prices in its buying policy, the transfer tax is irrelevant; on the other hand, if State trading bodies respond to price differentials, then the transfer tax has a part to play. In other words, the transfer tax allows for a limited measure of discrimination against Kenyan products, but this is less disadvantageous to Kenya than if they/

they were subject to the buying policy of the State Trading Corporation.' [44]

The second instrument provided by the Treaty to achieve a more equitable industrial balance was the East African Development Bank. This was to be done by giving financial and technical assistance. The Bank was to give priority to loans to less industrially developed members and when possible encourage complementarity of the three economies. The Bank's Charter requires that it allocates $38\frac{3}{4}$ per cent of its total investment in Uganda and Tanzania and $22\frac{1}{2}$ per cent in Kenya over periods of five years. The authorised capital stock of the Bank is Shs.400m. of which half is subscribed equally by the three partner-States.

In 1967 it was thought possible that the operations of the Development Bank would to some extent offset the losses to Uganda and Tanzania brought about by the abolition of the distributable pool of revenue. This would depend upon the availability of suitable projects for financing in Uganda and Tanzania. The availability of suitable projects determines the rate of industrial development promoted by the Bank in the region. A situation is possible whereby one countryhas been allocated its appropriate share of Bank funds and though it can present further suitable projects cannot receive funds for them until another country has forwarded suitable projects to absorb its share of the Development Bank's investment funds.

It is not certain, moreover, that lack of investment funds is an important constraint on industrial development in a less developed country. If private foreign investment with the associated controls on repayments and profits/

profits is not unacceptable then investment finance should be available given the availability of viable projects. The success of the Bank depends on its ability to attract additional funds.

The East African Development Bank began operations on July 1st, 1968, and in March, 1969, the Bank made its first loans (two industrial projects in Uganda and one in Tanzania were to receive assistance from the Bank totalling £287,500.)[45] In November, 1969, the East African Minister for Common Market and Economic Affairs, Dr. I.K. Majugo, told the E.A. Legislative Assembly that so far the Bank had lent Shs.36.85m. to the three partner States for development projects. In Uganda the Bank had committed Shs.12m. in Tanzania Shs.13.65. and in Kenya Shs.11.2m. The Minister noted that the sums did not strictly conform to the formula laid down by the treaty but it was intended to see that investments by the Bank conformed with these ratios over a period of five years.[46] By the end of 1971 the Bank had disbursed Shs.58.07m. Uganda received 24%, Kenya 41% and Tanzania 35%. In terms of amounts approved the percentage figures were Uganda 38%, Kenya 29% and Tanzania 33%. Funds had been committed to twenty-two projects. The Bank still had a year to go to achieve the Treaty proportions.[47]

With the establishment of separate central banks monetary co-operation has been informal. Individual monetary problems have influenced trade between the three countries and vice versa.

In Uganda there was a credit squeeze to combat a worsening balance of payments position shortly after the Bank of Uganda opened in March, 1970. In May, 1970, the Bank of Uganda announced that the movement of funds to Kenya and Tanzania had been restricted; such transfers would require Exchange Control permission.[48] Bank of Uganda notes were no longer to be/

be payable outside Uganda and it became illegal to export or import Bank of Uganda notes. The Minister of Finance Mr. Kalule-Settala, said that the restrictions would be removed as soon as possible. In April the following year the Bank called for urgent measures to restore the confidence of private investors following a massive outflow of capital in 1970.[49] In July the Bank of Uganda called for cuts in government and private consumption to avoid further pressure on Uganda's external reserves at a time of rising imports and falling exports.[50] And in November 1971 more measures to conserve foreign exchange were announced.[51]

Nor was Tanzania free from such pressures. On the 11th March 1971 the Bank of Tanzania said in its economic bulletin that Tanzania would have to start more careful financial planning because the economy was showing signs of pressure. The bulletin showed a deteriorating picture of foreign exchange. In 1970 reserves fell by Shs.43.2m compared with an increase of more than Shs.164m. in 1969.

Immediate restrictions on capital transfers to Kenya or Uganda and a total ban on the export of Tanzanian bank-notes to all countries were among the new fiscal measures announced on March 17th 1971 by the Minister for Finance, Mr. A.H. Jamal. Mr. Jamal said the complete freedom of payments including capital movements from Tanzania had not only meant the unacceptable flow of currency from Tanzania but also difficulties in enforcing Tanzania's fiscal policies where they were at variance with those of her partners. There had been persistent evasions of fiscal policies, such as sales tax along borders and Tanzania had lost not only revenue but foreign exchange as well.[52]

Tanzania's decision to impose control on currency movements followed a deteriorating foreign exchange position. The Bank of Tanzania's economic bulletin covering the fourth quarter of 1970 revealed that Tanzania's total/

total foreign exchange earnings fell by Shs.43.2m. compared with an increase of Shs.164.3m. during the previous year, although Mr. Jamal announced that since these figures were published reserved had risen by about Shs.18m.

Following the Tanzanian announcement the Central Bank of Kenya gave instructions next day that Tanzanian currency should not be accepted in payment for goods and services. Four days later Kenya imposed a total ban on the import and export of Kenya currency.[53]

The East African Standard commented at the time, 'what will cause some dismay among all who want to see closer trading links in the common market is Mr. Jamal's statement that "the complete freedom of payments, including capital movements from Tanzania, in the government's judgement, had not only meant the unacceptable flow of currency from Tanzania but also difficulties in enforcing their fiscal policies where those policies had been at variance with those in the Community. "Here is the writing on the wall, taken together with recent events in Uganda. How, then, to save the common market and common services as time goes on?'[54]

Writing in 'The Times' W.T. Newlyn explains the exchange problem in the Community as follows.[55] 'This is the crux, with a high and growing level of unrestricted inter-East African payments, a fall in external reserves raises the question what extent these losses reflect payments to other East African countries and, more particularly whether they reflect genuine transactions with the partner or an external drain facilitated by a partner's less strict exchange control.'

During the period 1967-70 Kenya enjoyed a relatively favourable position as regards external reserves. Uganda became progressively better off following her unfortunate start. Tanzania as well avoided a disastrous loss of reserves. The relative reserve position early in 1971 is shown below.

East African external reserves (March 31,1971)

	Central Bank Reserves, shillings	% of total liabilities of banking system
Kenya	1,554	42
Tanzania	419	17
Uganda	373	21

The third measure introduced in 1967 to achieve a more equitable industrial balance in East Africa was the decentralisation of the common services. Under the provisions of this part of the Treaty each country was allocated two headquarters. Railways and airways remained in Kenya. The new East African Development Bank and Posts and Telegraphs were to be set up in Uganda. Tanzania was to have the Headquarters of the Community and also Harbours. It was hoped that these arrangements would channel gains into Uganda and Tanzania, in the shape of higher employment and increased demand for domestic goods, which had previously gone to Kenya.

Of the three 1967 measures (transfer tax, decentralisation and the development bank) designed to promote a more equitable industrial balance the one which appears to have potentially the greatest bearing on trade flows is transfer tax. In practice, however, it is held that transfer tax has done little to effect the previous pattern of trade.[56] A more serious influence on trade and on the workings of the common market itself has apparently been the increase in state trading.

The Kenya National Trading Corporation came into being to promote the Africanisation of trade. Similarly the Tanzanian State Trading Corporation was established partly as a result of the political goal of a socialisation of trade. Increasing planning of foreign trade suggests that in the future import requirements will increasingly be based on the annual/

annual plan. If this basis of import requirement is applied by Tanzania to trade with Uganda and Kenya then the main principle of a common market will be contravened since there will be discrimination between domestic and partner products.

'Similarly', writes D.P. Chai,[57] 'the system of import licensing in Uganda, with priority given to essential products, and those not available locally, combined with the import deposit requirements, is an infringement of the principle of common market in that it introduces administrative barriers to imports from Partner States and results in favourable treatment of domestic products over imports from the Partner States.'

Another prompting force in the increasing role of state trading has been the foreign exchange difficulties mentioned earlier in this chapter. Here the state trading enterprises have merely been the instruments of national, restrictive import policies.[58] Thus the principle of a common market has been undermined by foreign exchange difficulties and also by the increased importance attached to the planning of foreign trade.

A few suggestions as to the alleviation of such restrictions will be offered in Chapter 7 following the analysis of the pattern of inter-state trade during the period 1961 to 1970.

Chapter 4

Inter-State Trade 1961 - 1970

Total Inter-State Trade (1961-1970) (£ million)

1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
25.0	26.8	31.4	40.6	45.0	43.9	42.8	41.5	43.8	50.8

During the period 1961-1970 inter-state trade doubled in value from £25.0 million to £50.8 million. Increase was particularly marked between 1961 and 1965, inter-state trade here displaying a rise of some 80%. At the same time the regions external exports roughly doubled from £123 million to £242.7 million. Imports from the rest of the world increased by some 120%. (Table 2).

Table 2. Inter-State and External Trade by Commodity Groups, 1961 and 1970.

		Inter-state	Domestic exports	Retained imports
		Value (£'000)		
1961				
	Foodstuffs, beverages and tobacco[1]	12,788	48,757	13,058
	Raw materials and mineral fuels[2]	2,639	61.532	16,012
	Manufactured goods and chemicals[3]	9,526	12,663	95,814
	Total	24,953	122,952	124,884
1970				
	Foodstuffs, beverages and tobacco	14,359	142,603	14,114
	Raw materials and mineral fuels	10,552	72,764	32,206
	Manufactured goods and chemicals	26,557	27,343	229,224
	Total	51,468	242,692	275,544
		Per Cent of Total		
1961				
	Foodstuffs, beverages and tobacco	51.4	39.7	10.5
	Raw materials and mineral fuels	10.6	50.0	12.9
	Manufactured goods and chemicals	38.0	10.3	76.6
	Total	100.0	100.0	100.0
1970				
	Foodstuffs, beverages and tobacco	27.9	58.6	5.1
	Raw materials and mineral fuels	20.5	30.0	11.6
	Manufactured goods and chemicals	51.6	11.4	83.3
	Total	100.0	100.0	100.0
		Per Cent of Change		
1961-1970				
	Foodstuffs, beverages and tobacco	12.3	192.5	8.1
	Raw materials and mineral fuels	299.8	18.2	101.1
	Manufactured goods and chemicals	178.8	116.0	139.2
	Total	106.3	97.4	120.6

[1] SITC categories 0 and 1.

[2] SITC categories 2-4

[3] SITC categories 5-8

This SITC classification applies throughout this section.

By 1970 the composition of interterritorial trade had changed radically. Whereas half of interterritorial trade in 1961 had been in foodstuffs, beverages and tobacco, in 1970 just over 50% of inter-state trade was in manufactured goods and chemicals. Trade in raw materials and mineral fuels trebled during the period.

The value and balance of external and inter-state trade is shown in Table 3. Kenya continued to enjoy the lion's share of interterritorial trade and her inter-state exports roughly doubled, making for a rising surplus equal to £15.5 million in 1970. But even this was insufficient to cancel out Kenya's rapidly rising external deficit which made for a total visible trade deficit of £48.1 million in 1970.

Contrastingly, Uganda's external surplus exactly trebled thus compensating for a deficit on inter-state trade which increased from a small deficit to a £6.1 million deficit during the period. Uganda's total visible trade balance increased to £38.3 million. Tanzania's inter-state exports increased and the £8.4 million deficit on interterritorial trade in 1961 rose only slightly to £9.3 million in 1970

Table 3 Value and Balance of External and Inter-State Trade (1961-1970)
£ million

Period	Exports				Net Imports			Visible Balance		
	Domestic	Re-exports	Inter-State	Total	External	Inter-State	Total	External	Inter-State	Total Balance
				KENYA						
1961	35.3	6.4	15.9	57.7	68.9	7.0	75.9	-27.2	8.9	-18.3
1962	37.9	7.2	17.3	62.5	69.5	7.3	76.8	-24.3	10.0	-14.4
1963	43.8	7.2	19.8	70.8	73.7	9.2	82.9	-22.7	10.6	-12.1
1964	47.1	6.4	25.9	79.4	76.6	11.4	88.0	-23.1	14.5	- 8.6
1965	47.2	4.9	29.4	81.5	89.0	11.7	100.7	-37.0	17.7	-19.3
1966	58.1	4.2	28.9	91.2	112.4	11.1	123.5	-50.1	17.8	-32.3
1967	53.5	6.1	26.2	85.8	106.6	13.4	120.0	-47.0	12.7	-34.3
1968	57.8	5.1	26.3	89.3	114.8	12.3	127.1	-51.8	14.0	-37.8
1969	63.3	5.2	29.1	97.6	116.9	11.8	128.8	-48.4	17.3	-31.5
1970	71.6	5.8	31.4	108.8	142.0	16.0	158.0	-63.6	15.5	-48.1
				UGANDA						
1961	39.2	2.1	6.9	48.2	26.5	7.4	33.9	14.8	-0.5	14.3
1962	37.5	3.4	7.1	48.0	26.2	7.7	33.9	14.7	-0.6	14.1
1963	51.5	3.0	8.2	62.7	30.9	9.9	40.9	23.6	-1.8	21.8
1964	64.4	2.0	9.6	76.0	32.8	13.6	46.4	33.6	-4.0	29.6
1965	62.7	1.2	9.7	73.6	40.9	16.7	57.6	23.0	-7.0	16.0
1966	65.9	1.2	10.4	77.5	42.9	16.4	59.4	24.2	-6.0	18.2
1967	64.6	0.9	12.6	78.1	41.3	15.5	56.9	24.2	-2.9	21.3
1968	65.6	0.9	10.7	77.0	43.8	14.1	57.9	22.5	-3.4	19.1
1969	69.9	0.7	9.5	80.1	45.5	17.3	62.8	25.1	-7.8	17.3
1970	87.0	0.7	12.0	99.7	43.2	18.1	61.4	44.4	-6.1	38.3
				TANZANIA						
1961	48.7	2.0	2.2	52.9	39.7	10.6	50.3	10.9	-8.4	2.5
1962	51.2	2.3	2.4	55.9	39.8	11.7	51.5	13.6	-9.3	4.3
1963	63.6	1.4	3.4	68.6	40.4	12.4	52.8	24.6	-9.0	15.6
1964	70.1	1.3	5.1	76.5	44.0	15.7	59.7	27.4	-10.6	16.8
1965	62.8	1.3	5.9	70.0	50.0	16.7	66.7	14.1	-10.8	3.3
1966	79.1	5.5	4.6	89.2	64.3	16.4	80.7	20.3	-11.8	8.5
1967	77.7	1.7	4.0	83.4	65.0	13.8	78.8	14.3	- 9.8	4.5
1968	79.3	2.1	4.5	85.9	76.6	15.1	91.7	4.8	-10.6	-5.8
1969	83.3	1.1	5.2	89.6	70.9	14.7	85.7	13.5	- 9.5	4.0
1970	84.4	0.8	7.4	92.6	97.0	16.7	113.7	-11.7	- 9.3	-21.0

From Table 4 it can be seen that while Kenya enjoyed by far and away the largest share of inter-state exports her percentage share actually decreased during the ten years. Correspondingly Uganda's share of inter-state exports fell. Tanzania on the other hand increased her share from 8.9% to 14.8%.

Concentrating on commodity groups of significance is the fall of Kenya's share in the exports of manufactured goods and chemicals. Uganda and Tanzania both increased their share of this trade and in the case of Tanzania the increase was appreciable. Kenya enjoyed by far and away most of the large rise in the trade in raw materials and mineral fuels. Growth in trade in this commodity group was very unevenly distributed and the share of Uganda and Tanzania slumped. The slightly increased trade in foodstuffs, beverages and tobacco was to the advantage of Tanzania. Here Ugandan and Kenyan exports both suffered a slight decline.

Kenya provided 88.6% of all Tanzanian and Ugandan community imports in 1970 as opposed to 89% in 1961. 86.3% of Uganda's and Tanzania's interstate imports of manufactured goods and chemicals were supplied by Kenya in 1970. In the same year Kenya was also the source of supply of 90.4% of raw materials and mineral fuels and 92.4% of foodstuffs, beverages and tobacco, for the other partner-states. The corresponding figures for 1961 were for foodstuffs, beverages and tobacco 88.2% for raw materials and mineral fuels 56.0% and for manufactured goods and chemicals 91.6%. Kenya was also the main market for the inter-state exports of Uganda and Tanzania. Kenya received 79.8% of all the partner-States exports in 1970 as compared to 77% in 1961. 74.1% of Ugandan and Tanzanian exports of/

of manufactured goods and chemicals went to Kenya in 1970, 65.3% in 1961. At the beginning of the period Kenya received 78.7% of Uganda's and Tanzania's interterritorial exports of foodstuffs, beverages and tobacco, by the end of the period she was importing 89.5%. 79.0% of Uganda's and Tanzania's exports of raw materials and mineral fuels in inter-state trade went to Kenya in 1970 as compared with 83.9% in 1961.

Table 4. Inter-State Trade by Commodity Groups and Countries 1961 and 1970.

£ '000	Kenya Exports	Kenya Imports	Uganda Exports	Uganda Imports	Tanzania Exports	Tanzania Imports	Total Inter-State
961							
Foodstuffs, beverages and tobacco	7,884	3,856	3,545	3,736	1,359	5,196	12,788
Raw materials and mineral fuels	450	1,835	1,584	244	605	560	2,639
Manufactured goods and chemicals	7,539	1,297	1,724	3,437	263	4,792	9,526
Total	15,873	6,988	6,853	7,417	2,227	10,548	24,953
970							
Foodstuffs, beverages and tobacco	8,060	5,640	3,255	4,418	3,044	4,301	14,359
Raw materials and mineral fuels	6,907	2,881	2,337	5,357	1,308	2,314	10,552
Manufactured goods and chemicals	16,481	7,464	6,821	8,591	3,255	10,502	26,557
Total	31,448	15,985	12,413	18,366	7,607	17,117	51,468
	Per Cent of Inter-State Trade						
961							
Foodstuffs, beverages and tobacco	61.7	30.2	27.5	29.3	10.7	40.6	100.0
Raw materials and mineral fuels	17.1	69.5	60.0	9.2	22.7	21.3	100.0
Manufactured goods and chemicals	79.1	13.6	18.1	36.0	2.8	50.3	100.0
Total	63.6	28.0	27.5	29.7	8.9	42.3	100.0
970							
Foodstuffs, beverages and tobacco	56.1	39.3	22.7	30.9	21.2	29.9	100.0
Raw materials and mineral fuels	65.5	27.3	22.2	50.8	12.4	22.0	100.0
Manufactured goods and chemicals	62.1	28.1	25.6	32.3	12.3	39.6	100.0
Total	61.1	31.1	24.1	35.7	14.8	33.3	100.0

Kenyan exports to Uganda rose by 137.6% while exports to Tanzania rose 66.8% the difference mainly being accounted for by an increase of exports of raw materials and mineral fuels to Uganda in the order of three and a half thousand per cent. (table 5).

able 5. Interterritorial Exports of Goods of East African Origin by Commodity Groups and Countries 1961 and 1970.

	Kenyan exports to		Ugandan exports to		Tanzanian exports to	
	Uganda	Tanzania	Kenya	Tanzania	Kenya	Uganda
961	Value (£ '000)					
Foodstuffs, beverages and tobacco	3,503	4,381	2,730	815	1,126	233
Raw materials and mineral fuels	138	312	1,336	248	499	106
Manufactured goods and chemicals	3,387	4,152	1,084	640	213	50
Total	7,028	8,845	5,150	1,703	1,838	389
970						
Foodstuffs, beverages and tobacco	4,093	3,967	2,921	334	2,719	325
Raw Materials and mineral fuels	5,173	1,734	1,757	580	1,124	184
Manufactured goods and chemicals	7,431	9,050	5,369	1,452	2,095	1,160
Total	16,698	14,752	10,047	2,366	5,937	1,669
961	Per Cent of Total Interterritorial Exports					
Foodstuffs, beverages and tobacco	44.5	55.5	77.0	23.0	82.9	17.1
Raw materials and mineral fuels	30.7	69.3	84.3	15.7	82.4	17.6
Manufactured goods and chemicals	44.8	55.2	62.9	37.1	81.0	19.0
Total	44.3	55.7	75.1	24.9	82.5	17.5
970						
Foodstuffs, beverages and tobacco	50.8	49.2	89.7	10.3	89.3	10.7
Raw materials and mineral fuels	75.0	25.0	75.2	24.8	85.9	14.1
Manufactured goods and chemicals	45.1	54.9	78.7	21.3	64.3	35.7
Total	53.1	46.9	80.9	19.1	78.1	21.9
961-70	Per Cent of Change					
Foodstuffs, beverages and tobacco	16.8	-9.4	7.0	-59.2	141.5	39.5
Raw materials and mineral fuels	3648.5	312.8	31.5	133.9	125.5	73.6
Manufactured goods and chemicals	119.4	118.0	395.3	126.9	883.5	2220.0
Total	137.6	66.8	95.9	38.9	223.0	329.0

Ugandan overall exports of foodstuffs, beverages and tobacco fell because of a large decline in sales to Tanzania. Increased exports of raw materials and mineral fuels were small in value while large increases were displayed in exports of manufactured goods, chemicals, especially to Kenya.

Tanzanian exports remained heavily biased towards Kenya. A 329.0% increase in exports to Uganda compared with a 223.0% increase in exports to Kenya did little to redress the existing imbalance. From 1961 to 1970 Tanzania managed to dramatically increase her exports of manufactured goods and chemicals. The destination of other Tanzanian inter-state exports remained pretty much unaltered with perhaps a slightly increased drift to Kenya as can be seen by the changes in the origin of Kenyan interterritorial imports illustrated in table 6.

The increase in Kenyan imports was mainly in manufactured goods and chemicals from both partners and in raw materials and mineral fuels from Tanzania. Conversely Uganda displayed a large increase in raw materials and mineral fuels from Kenya but a similarly large rise in manufactured goods and chemicals from Tanzania. Tanzanian imports from Kenya were some four times greater than imports from Uganda in 1961 and by 1970 were about six times greater. The most significant increase in Tanzania's imports in terms of value was the rising importation of manufactured goods and chemicals, the shares of Kenya and Uganda changing very little during the period. Tanzania had a trade deficit with Uganda at the beginning and at the end of the period.

ble 6. Interterritorial Imports of Goods of East African Origin by Commodity Groups and Countries, 1961 and 1970.

	Kenyan Imports from		Ugandan Imports from		Tanzanian Imports from	
	Uganda	Tanzania	Kenya	Tanzania	Kenya	Uganda
61	Value (£ '000)					
oodstuffs, beverages and tobacco	2,730	1,126	3,503	233	4,381	815
aw materials and mineral fuels	1,336	499	138	106	312	248
anufactured goods and chemicals	1,084	213	3,387	50	4,152	640
otal	5,150	1,838	7,028	389	8,845	1,703
70						
oodstuffs, beverages and tobacco	2,921	2,719	4,093	325	3,967	334
aw materials and mineral fuels	1,757	1,124	5,173	184	1,734	580
anufactured goods and chemicals	5,369	2,095	7,431	1,160	9,050	1,452
otal	10,047	5,937	16,698	1,669	14,752	2,366
61	Per Cent of Total Interterritorial Imports					
oodstuffs, beverages and tobacco	70.8	29.2	93.7	6.3	84.3	15.7
aw materials and mineral fuels	72.7	27.3	56.5	43.5	55.8	44.2
anufactured goods and chemicals	83.6	16.4	98.5	1.5	86.7	13.3
otal	73.7	26.3	94.7	7.4	92.2	7.8
70						
oodstuffs, beverages and tobacco	51.8	48.2	92.6	7.4	92.2	7.8
aw materials and mineral fuels	61.0	39.0	96.6	3.4	74.9	25.1
anufactured goods and chemicals	71.9	28.1	86.5	13.5	86.2	13.8
otal	62.8	37.2	90.9	9.1	86.2	13.8
61-70	Per Cent of Change					
oodstuffs, beverages and tobacco	7.0	141.5	16.8	39.5	-9.4	59.2
aw materials and mineral fuels	31.5	125.5	3648.5	73.6	312.8	133.9
anufactured goods and chemicals	395.3	883.5	119.4	222.0	118.0	126.9
otal	95.1	223.0	137.6	329.0	66.8	38.9

The importance of interterritorial exports compared to external exports remained about the same for the region as a whole. This importance decreased slightly for Uganda but rose a little more sharply for Tanzania mainly because of her increased inter-state exports of manufactured goods and chemicals. Tanzania's imports from the rest of the community were of less importance in 1970 than they were in 1961 despite a very large increase in the amount of raw materials and mineral fuels imported, especially from Kenya. The total import figures indicate a substitution of community raw materials and mineral fuels for external supplies. There is a little evidence of a similar, overall substitution in manufactured goods and chemicals. (Table 7.)

Table 7. Inter-State Trade as a Percentage of External Trade, 1961 and 1970.

	Kenya		Uganda		Tanzania		Total inter-state trade	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1961								
Foodstuffs, beverages and tobacco	40.5	49.5	20.5	304.0	11.4	131.0	26.2	90.0
Raw materials and mineral fuels	4.1	19.4	8.5	9.2	1.9	14.2	4.2	16.4
Manufactured goods and chemicals	163.0	2.7	64.4	16.7	5.3	17.7	75.2	9.9
Total	45.2	10.7	17.5	30.4	4.6	30.3	20.3	20.0
1970								
Foodstuffs, beverages and tobacco	18.6	87.3	5.6	201.5	7.8	78.7	10.7	101.7
Raw materials and mineral fuels	38.3	14.9	11.5	210.2	3.8	341.5	14.5	32.7
Manufactured goods and chemicals	184.6	6.8	89.1	22.9	30.3	13.1	97.3	11.6
Total	44.0	11.6	14.3	43.4	9.1	17.8	21.2	18.7

SITC Categories 0 and 1.
SITC Categories 2-4
SITC Categories 5-8.

For Kenya interterritorial and external exports both roughly doubled during the period 1961-1970 (Table 8). A spectacular rise in Kenyan inter-community exports of raw materials and mineral fuels still only made this category half as important in terms of value as inter-state exports of Kenyan manufactured goods and chemicals which rose by £9 million.

Uganda was able to increase her interterritorial exports of manufactured goods and chemicals to account for more than half of her interterritorial exports in 1970. Ugandan inter-state exports, however, were still small when compared to her external exports. This was even more so in the case of Tanzania whose total interterritorial exports in 1970 were £7.6 million compared with external exports of £84.2 million. Tanzania like Uganda was able to achieve a large percentage increase in her interterritorial exports of manufactured goods and chemicals.

Kenyan inter-state imports did slightly better than keep pace with external imports mainly because of an increase in imports of manufactured goods and chemicals. This category also formed the largest share of Uganda's and Tanzania's interterritorial imports in 1970, but there was a significant rise in imports of manufactured goods and chemicals from outside the community.

It is interesting to note that while Tanzanian interterritorial exports increased at a much faster rate than her interterritorial imports the reverse was true of her external trade. Contrastingly Ugandan interstate exports grew less quickly than her imports while the reverse was true of her external trade.

Table 8. Interterritorial and External Domestic Exports by Commodity Groups and Countries, 1961 and 1970.

	KENYA			UGANDA			TANZANIA		
	Inter-territorial	External	Total Exports	Inter-Territorial	External	Total Exports	Inter-Territorial	External	Total Exports
1961			VALUE	( )					
Foodstuffs, beverages and tobacco	7,884	19,480	27,364	3,545	17,319	20,864	1,359	11,958	13,317
Raw materials and mineral fuels	450	10,975	11,425	1,584	18,762	20,346	605	31,795	32,400
Manufactured goods and chemicals	7,539	4,625	12,164	1,724	3,114	4,838	263	4,924	5,187
Total	15,873	35,080	50,953	6,853	39,195	46,048	2,227	48,677	50,904
1970									
Foodstuffs, beverages and tobacco	8,060	44,553	52,613	3,255	59,081	62,336	3,044	38,970	42,014
Raw materials and mineral fuels	6,907	17,999	24,906	2,337	20,259	22,596	1,308	34,505	35,813
Manufactured goods and chemicals	16,481	8,926	25,407	6,821	7,654	14,475	3,255	10,758	14,013
Total	31,448	71,478	102,926	12,413	86,994	99,407	7,607	84,233	91,840
1961			% of Total						
Foodstuffs, beverages and tobacco	49.7	55.5	53.7	51.7	44.2	45.3	61.0	24.6	26.2
Raw materials and mineral fuels	2.8	31.3	22.4	23.1	47.9	44.2	27.2	65.3	63.6
Manufactured goods and chemicals	47.5	13.2	23.9	25.2	7.9	10.5	11.8	10.1	10.2
1970									
Foodstuffs, beverages and tobacco	25.6	62.3	51.1	26.2	67.9	62.7	40.0	46.3	45.7
Raw materials and mineral fuels	22.0	25.2	24.2	18.1	23.3	22.7	17.2	41.0	39.0
Manufactured goods and chemicals	52.4	12.5	24.7	55.7	8.8	14.6	42.8	12.7	15.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1961-70			% of Change						
Foodstuffs, beverages and tobacco	2.2	128.6	92.3	-8.9	241.1	198.8	124.0	225.9	215.5
Raw materials and mineral fuels	1434.9	64.0	118.0	47.4	8.0	11.1	116.2	8.5	10.5
Manufactured goods and chemicals	118.6	93.0	108.9	295.6	145.7	199.2	1137.6	118.5	170.2
Total	98.1	103.7	102.0	81.1	121.9	115.8	241.6	73.4	80.4

Table 9. Interterritorial and External Imports by Commodity Groups and Countries, 1961 and 1970.

	KENYA			UGANDA			TANZANIA		
	Inter-territorial	External	Total Imports	Inter-Territorial	External	Total Imports	Inter Territorial	External	Tot Imp
1961									
Foodstuffs, beverages and tobacco	3,856	7,863	11,719	3,736	1,229	4,965	5,196	3,966	9,
Raw materials and mineral fuels	1,835	9,428	11,263	244	2,652	2,896	560	3,932	4,
Manufactured goods and chemicals	1,297	48,318	49,615	3,437	20,530	23,967	4,792	26,966	31,
Total	6,988	65,609	72,597	7,417	24,411	31,828	10,548	34,864	45,
1970									
Foodstuffs, beverages and tobacco	5,640	6,452	12,092	4,418	2,192	6,610	4,301	5,470	9,
Raw materials and mineral fuels	2,881	19,327	22,208	5,357	2,548	7,905	2,314	10,330	12,
Manufactured goods and chemicals	7,464	111,451	118,915	8,591	37,561	46,152	10,502	80,212	90,
Total	15,985	137,230	153,215	18,366	42,301	60,667	17,117	96,012	113,
1961	Per Cent of Total								
Foodstuffs, beverages and tobacco	55.2	12.0	16.1	50.3	5.3	15.7	49.3	11.4	20
Raw materials and mineral fuels	26.3	19.5	15.5	3.3	10.9	9.1	5.3	11.3	9
Manufactured goods and chemicals	18.5	68.5	68.4	46.4	83.8	75.2	45.4	77.3	70
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100
1970									
Foodstuffs, beverages and tobacco	35.3	4.7	7.9	24.1	5.2	10.9	25.1	5.7	8
Raw materials and mineral fuels	18.2	14.1	14.5	29.2	6.0	13.0	13.5	10.8	11
Manufactured goods and chemicals	46.5	81.2	85.6	56.7	88.8	76.1	61.4	83.5	80
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100
1961-70	Per Cent of Change								
Foodstuffs, beverages and tobacco	46.3	-17.9	3.2	18.3	78.3	33.1	17.2	39.9	6
Raw materials and mineral fuels	57.0	104.9	97,1	2095.5	-3.9	173.0	313.2	162.7	181
Manufactured goods and chemicals	475.5	130.6	139.6	150.0	83.0	92.6	119.2	197.5	185
Total	128.7	109.2	111.5	147.6	73.3	90.3	62.3	175.4	149

To sum up, a slight fall in the share of Kenya in interterritorial trade was not enough to cancel out or even reduce Tanzania's and Uganda's deficit on total inter-state trade which itself rose rapidly. Kenya on the other hand had a rising total visible trade deficit despite increasing her interterritorial trade surplus to £15.5 million mainly at the expense of Uganda. Kenya's external imports were much higher than those of either Uganda or Tanzania and her exports were lower. Kenya continued to be the principal source of Tanzanian and Ugandan inter-state imports as well as the final destination for most of her partners inter-state exports. Overall there is no evidence of interterritorial trade increasing in importance when compared to overseas trade.

While Uganda and Tanzania increased their share of interterritorial trade in particular commodities, sometimes dramatically, their absolute share of inter-state trade remained a long way behind Kenya's. In this sense percentage figures alone can be misleading, enormous percentage increases would be required of both Ugandan and Tanzanian inter-state exports (or vice versa a reduction of Kenyan imports by Uganda and Tanzania) in order to reduce their trade gap with Kenya by a substantial amount in terms of cash value. For example a rise of 883.5% in Tanzania's exports of manufactured goods and chemicals to Kenya over the period meant that Kenya was still only importing £2,095 thousand from Tanzania, Tanzania was importing £9.050 thousand of manufactured goods and chemicals from Kenya by 1970. Trade in manufactured goods and chemicals increased by about 300% between 1961 and 1970 to become the principal category in inter-territorial trade. Domestic exports of manufactured goods and chemicals rose by 116% during the period and accounted for 11.4% (£27.3 million) of total external exports in 1970/

1970, as opposed to 10.3% (12.6 million) in 1961 (Table 2).

By the end of the period Kenya had increased her surplus on inter-state trade in manufactured goods and chemicals by some £3 million. Uganda's deficit on this trade remained as it was while the Tanzanian deficit moved to the £3 million mark.

Uganda's exports of manufactured goods and chemicals to Tanzania rose less quickly than her exports of manufactured goods and chemicals to Kenya. Tanzania on the other hand appreciably increased her exports of manufactured goods and chemicals to Uganda, though in relative terms trade in this category between the two countries remained small, Table 5. The rise in Tanzanian exports of manufactured goods and chemicals is reflected in the large percentage increases of Kenyan and Ugandan imports in Table 6.

Interterritorial imports as opposed to external imports of manufactured goods and chemicals became more important for Kenya and for Uganda. The reverse was true for Tanzania (Table 7). Despite the possibility of some import substitution external imports of manufactured goods and chemicals still swamped interterritorial sources.

External exports of manufactured goods and chemicals increased greatly for all three countries although faster for Tanzania and Uganda than for Kenya. Whether this was due to the influence of the common market depends on exactly which items provided most of the increase. It is interesting to note that Tanzanian external exports of manufactured goods and chemicals were some £2,000 thousand higher than Kenya's external exports of manufactured goods and chemicals in 1970 when the latter were only slightly higher than those of Uganda.

The principal commodities in the manufactured goods and chemicals classification exported by Uganda to Kenya and Tanzania between 1961 and 1970 are given in Tables 10. It is readily visible how Uganda managed to diversify these interterritorial exports. Whereas in 1961 soaps and cotton piece goods formed 84% of Uganda's exports of manufactured goods and chemicals to Kenya by 1970 exports to Kenya included fertilizers, bicycle tyres and tubes, boxes, cases, crates, asbestos products, iron and steel bars and angles, and footwear, as well as soaps and cotton piece goods which still continued to be the principal manufactured goods accounting for 50% of Kenyan imports of manufactured goods and chemicals from Uganda. Ugandan exports of manufactured goods and chemicals to Tanzania followed a similar pattern.

In 1961 the principal commodities in Ugandan exports of manufactured goods and chemicals to Tanzania were, as in the case of Kenya, soaps and cotton piece goods. Over the period there was considerable diversification. By 1970 bicycle tyres and tubes, asbestos products and footwear were part of a wider Ugandan export base, while cotton piece goods, which in 1961 had formed 50% of Uganda's manufactured exports to Tanzania, had been overtaken by bars and rods of iron and steel.

in 1961/

In 1961 Uganda's external exports of manufactured goods and chemicals totalled £3,114 thousand. Of this sum unwrought copper and alloys comprised 95%. In 1970 Uganda's external exports of manufactured goods and chemicals were £7,654 thousand of which 96% was accounted for by exports of unwrought copper and alloys. None of the manufactures exported to Kenya and Tanzania figured in overseas exports. The influence of the common market it appears had not been strong enough to have nurtured any domestic manufactures in Uganda which by 1970 could compete in foreign markets. Ugandan external exports remained heavily based on unwrought copper and alloys.

Tanzanian exports of manufactured goods and chemicals to Uganda equalled a relatively small (in relation to total exports) £1,160 thousand in 1970. Nevertheless these exports had broadened to include circles of aluminium, steel and iron enamel holloware, wireless sets and radiograms, and clothing as principal items at the end of the period, (table 11a). Tanzanian exports of manufactured goods and chemicals to Kenya also increased and became more diverse. Principal Tanzanian exports of manufactured goods and chemicals to Kenya in 1970 were, chemicals, mainly soap, perfumery, cosmetics and other toilet preparations, cotton piece goods, blankets, aluminium, a variety of metal manufactures, clothing and footwear.

In 1970 Tanzanian external exports of manufactured goods and chemicals were £10,758, the most valuable individual item was diamonds which at £8,550 accounted for 79.5% of Tanzanian external exports of manufactured goods and chemicals. Next most important were exports of sisal cordage, cable, rope and twine which equalling £1,309 thousand were 12.2% of Tanzanian external exports of manufactured goods and chemicals. Third in the order of Tanzanian external exports of manufactured goods and chemicals was wattle bark extract which only accounted for £373 thousand or 3.5%. None of Tanzania's interterritorial exports of manufactured goods and chemicals figured in her external exports.

Table 10a, Ugandan Exports of Manufactured Goods and Chemicals by Principal Commodities to Kenya 1961-1970 (£ '000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Soaps	73	81	153	229	306	345	263	170	193	104
Fertilizers	-	-	35	3	205	362	244	189	313	359
Bicycle tyres & tubes	-	-	-	-	-	57	62	91	58	76
Boxes,cases,crates	-	-	-	-	-	80	110	150	176	182
Cotton piece goods	838	949	1030	1289	1261	1905	2314	1758	2144	2724
Asbestos products	-	-	85	64	108	111	187	177	149	208
Iron & steel Bars, Angles etc.	-	1	35	185	186	347	395	350	542	528
Footwear	-	-	-	-	-	64	72	198	219	397

Table 10b, Ugandan Exports of Manufactured Goods and Chemicals by Principal Commodities to Tanzania 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Soaps	56	37	90	227	918	15	3	5	1	-
Fertilizers	-	-	3	-	139	15	3	8	16	20
Bicycle Tyres & tubes	-	1	3	2	86	97	132	105	118	108
Cotton piece goods	457	758	840	965	1140	1569	822	503	141	72
Asbestos Products	n.a.	n.a.	40	93	82	109	103	59	60	98
Bars & Rods of Iron or Steel	-	-	2	107	154	216	296	292	343	346
Holloware,Enamelled	n.a.	n.a.	27	21	21	22	11	23	16	12
Footwear	-	-	2	38	30	28	19	15	11	32
Matches	-	-	-	-	3	104	87	54	7	-

Table 11a, Tanzania Exports of Manufactured Goods and Chemicals by Principal Commodities to Uganda 1961-70 (£ '000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Cotton Fabrics	12	27	70	88	55	36	39	41	27	54
Textile Fabrics	-	-	13	32	82	48	28	-	-	-
Corrugated Iron	-	-	16	241	170	57	-	-	-	-
Aluminium	-	-	-	1	56	121	115	114	127	177
Enamel Holloware, Iron or Steel	-	-	-	-	-	40	24	43	54	68
Wireless Sets and Radiograms	-	-	-	-	-	41	58	125	160	123
Clothing	-	-	18	69	80	15	15	109	208	107

Table 11b, Tanzanian Exports of Manufactured Goods and Chemicals by Principal Commodities to Kenya 1961-1970 (£ '000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Chemicals	28	38	44	76	56	91	111	157	205	190
Cotton piece goods	20	52	83	187	59	60	43	31	51	247
Fabrics of synthetic fibres	33	61	70	85	67	54	13	1	2	1
Blankets	-	14	145	282	303	305	165	164	196	185
Iron and Steel	-	1	1	80	103	26	1	1	1	1
Aluminium	-	2	13	401	509	341	199	258	225	287
Metal manufactures	31	33	45	71	114	155	124	140	144	164
Clothing	6	8	66	99	108	38	49	52	26	27
Footwear	48	187	356	342	258	247	106	65	57	63

Kenyan interterritorial exports of manufactured goods and chemicals were as diverse in 1961 as those of Uganda and Tanzania were in 1970 and changes in these exports were of emphasis as opposed to new commodities entering into the trade (Table 12). In 1961 Kenyan exports of manufactured goods and chemicals to Uganda were spread among a number of principal commodities listed in Table 12. By 1970 paints, sisal bags and sacks, blankets, steel doors and window frames and domestic aluminium ware were of much less importance in Kenyan exports of manufactured goods and chemicals to Uganda while insecticides, paper manufactures, cement, metal containers, furniture and fixtures, and printed matter all increased in importance and value. In 1970 Kenyan exports of manufactured goods and chemicals were still spread among a wide variety of products.

Considering Kenyan exports of manufactured goods and chemicals to Tanzania paints, aluminium ware, cotton piece goods and clothing all declined in value being overtaken in importance by soap, paper manufactures and cement which continued to be the most important item in this trade. Like her exports to Uganda, Kenya's exports of manufactured goods and chemicals to Tanzania were spread over a number of items at the beginning and at the end of the period.

Kenyan overseas exports of manufactured goods and chemicals throughout the period were likewise spread over a variety of products (Table 13). In 1970 the most important items were the same as they had been in 1961 and consisted of sodium chlorate, wattle bark extract and cement. The remainder of this trade was divided among leather, made-up textiles, wood, glassware, metal containers, footwear and printed matter. A number of items were common to both interterritorial and overseas exports.

Table 12. Kenya Inter-State Exports of Manufactured Goods and Chemicals by Principal Commodity and Country 1961-70 (£'000)

	1961		1962		1963		1964		1965		1966		1967		1968		1969		1970	
	Uganda	Tanzania	Uganda	Tanzania	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.	Ug.	Tan.
Paints	48	78	142	93	156	87	254	127	531	99	298	53	203	19	59	12	91	24	44	14
Soap & soap preparations	474	441	409	548	457	550	477	912	601	532	622	541	1038	300	870	550	817	805	576	837
Insecticides	81	99	340	99	388	104	260	163	120	187	212	224	336	118	227	41	261	72	356	83
Bicycle tyres and tubes	125	67	130	92	203	124	181	100	184	92	191	77	123	59	152	80	125	105	164	123
Paper, paperboard and Manufactures	273	222	266	261	365	338	448	418	569	526	617	801	482	844	516	987	492	942	427	1058
Cotton piece goods	-	153	-	149	-	63	-	96	-	1	-	1	-	23	-	-	-	2	-	-
Sisal bags and sacks	244	-	219	-	266	-	378	-	478	-	137	-	58	-	30	-	24	-	16	-
Blankets	31	-	59	-	125	-	191	-	268	-	215	-	64	62	70	114	16	113	6	104
Cement	59	631	99	565	149	537	119	764	68	880	81	803	162	526	64	935	220	707	246	9173
Glassware	68	-	51	-	65	-	105	-	143	-	156	-	131	-	147	-	101	-	74	-
Base Metals	103	201	377	375	802	471	948	190	819	66	181	50	62	36	75	15	129	49	132	166
Steel doors and windows	88	180	90	167	133	118	184	156	236	120	186	157	59	164	21	150	43	222	95	204
Nails, rivets, nuts etc.	52	-	53	-	101	-	99	-	113	-	132	-	28	-	60	-	46	-	93	-
Aluminium ware, domestic	81	125	77	170	115	209	165	238	155	158	107	70	5	22	4	12	5	12	10	15
Metal Containers	84	113	80	146	93	69	87	94	133	176	144	133	146	175	212	181	210	161	266	271
Furniture and fixtures	70	124	63	163	158	187	139	258	244	293	341	320	83	119	370	188	401	188	502	222
Clothing	371	504	402	711	517	830	605	1075	600	1020	404	178	281	139	223	559	314	389	222	264
Footwear	313	400	345	515	94	680	122	793	160	694	251	607	217	301	170	463	195	405	190	352
Printed matter	94	-	99	-	94	-	122	-	160	-	251	-	217	-	170	-	195	-	190	-

Table 13. Kenyan Domestic Exports of Manufactured Goods and Chemicals by Principal Commodities 1961 - 1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Sodium chlorate	1587	1241	1234	708	806	1111	1022	1132	904	1673
Wattle bark extract	765	705	638	883	711	1454	861	1134	1144	1141
Leather	247	100	204	189	282	176	109	149	236	189
Textile yarns, fabrics, made-up textiles etc.	101	139	202	188	178	209	282	350	379	308
Wood carvings	112	137	157	225	306	384	317	281	274	299
Wood, other	105	91	84	30	75	28	23	6	15	133
Cement	418	470	503	802	939	843	1006	1174	1435	1644
Glassware	550	94	73	60	66	113	44	136	345	207
Copper and alloys unwrought	510	481	365	402	883	419	-	-	-	-
Steel doors and windows	49	75	90	85	58	53	25	24	14	12
Aluminium ware domestic	75	126	133	86	116	86	81	84	81	65
Metal containers	111	72	67	88	49	69	134	292	129	144
Machinery and transport equipment	14	18	52	118	57	85	117	167	178	180
Footwear	96	89	62	77	136	203	319	398	374	326
Printed matter	18	22	76	81	145	133	121	117	131	178

Cement was the second most important item in Kenya's domestic exports of manufactured goods and chemicals in 1970. Kenya's interterritorial exports of cement rose over the period 1961-1970 to reach £1,419 thousand at the end of the period. But since Kenyan domestic exports of cement and Kenyan inter-state exports of cement were similar in importance and value respectively in domestic exports and inter-state exports at the beginning of the period it cannot be held that the common market by protecting and widening the market for Kenyan cement enabled its production to become more economical and therefore allow Kenyan exports of cement to become competitive in world markets. Kenyan cement seems to have been internationally competitive by 1961.

Kenyan Cement Exports 1961-1970 (£'000)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Inter-state	690	664	686	883	948	884	688	1017	927	1419
Overseas	418	470	503	802	939	843	1006	1174	1435	1644

Exports of Kenyan glassware to Uganda were £68 thousand in 1961 and £74 thousand in 1970. Kenyan overseas exports of glassware were much higher than her interterritorial exports of glassware in 1961 and equalled £550 thousand. Kenyan inter-state exports of glassware thus did not encourage overseas exports, if there was any causal relationship it would have to be the other way round. Kenyan overseas exports of glassware were £237 thousand in 1970.

Since Kenyan overseas exports of steel doors and windows declined from 1963 it cannot be argued that the common market helped establish the industry in world markets.

Kenyan Exports of Steel Doors and Windows 1961-1970 (£'000)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Inter-state	268	257	251	340	356	343	223	171	265	209
Overseas	49	75	90	85	58	53	25	24	14	12

Kenyan inter-state exports of domestic aluminium ware were higher than her external exports of this item in the early sixties and it is thus possible that protected inter-state trade allowed Kenyan production of domestic aluminium ware to reach a level where it was internationally competitive. Inter-state exports of Kenyan domestic aluminium ware fell away after 1965 while overseas exports remained almost static till the end of the period. It is more likely that Kenyan overseas exports of domestic aluminium ware had been established by 1961 and from 1961 to 1963 were independent of interterritorial exports as they were for the rest of the period. (It is recognised that a full analysis would have to take account of price in both markets).

Kenyan Exports of Aluminium Ware, Domestic 1961-1970 (£'000)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Inter-state	200	247	324	403	313	177	27	16	17	25
Overseas	75	126	133	86	116	86	81	84	81	65

In 1961 Kenyan overseas exports of metal containers were £111 thousand. Interterritorial exports of the same commodity were £197 thousand. By 1970 Kenyan overseas exports of metal containers had only risen to £144 thousand while inter-state exports of metal containers stood at £537 thousand. Inter-state exports of metal containers did not help promote Kenyan overseas exports of metal containers during the period 1961-1970.

Kenyan Exports of Metal Containers 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Inter-state	197	226	162	181	309	277	321	323	371	537
Overseas	111	72	67	88	49	69	134	292	129	144

Kenyan inter-state exports of footwear were relatively high throughout the period, rising from £713 thousand in 1961 to reach a peak of £915 thousand in 1964. In 1970 exports of Kenyan footwear to Uganda and Tanzania were £542 thousand. It is possible that the common market fostered the Kenyan footwear industry in its early years and allowed it to develop so as to become/

become internationally competitive. Nevertheless it must be borne in mind that Kenyan overseas exports of footwear were already £96 thousand in 1961. The large increase in printed matter exports to Uganda possibly helped overseas exports to develop.

Kenyan Exports of Footwear 1961-1970 (£'000's)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Inter-state	713	860	777	915	854	858	518	633	600	542
Overseas	96	89	62	77	136	203	319	398	374	326

Of the manufactured goods and chemicals which figured in both Kenyan overseas and interterritorial exports (cement, glassware, steel doors and windows, domestic aluminiun ware, metal containers, footwear and printed matter) only three (domestic aluminium ware, footwear, and printed matter) could possibly have been helped to achieve international competitiveness by the common market. The evidence supporting the growth of overseas exports of all of these goods as a result of initial protection in a wide market is not strong during 1961-1970.

Table 14 shows Kenyan external imports of manufactured goods and chemicals. Table 15 shows Kenyan imports of manufactured goods and chemicals, by principal commodity, from Uganda and Tanzania. Many of the items which were imported from outside the community in 1961 were by 1970 being imported from Uganda and Tanzania on a larger scale, although external imports had sometimes increased.

Principal Kenyan overseas imports of manufactured goods and chemicals in 1961 were medicinal and pharmaceutical products, paper and paperboard manufactures, fabrics of synthetic fibres, iron and steel, and machinery and transport equipment. All of these imports increased over the period. Imports of these goods from Uganda and Tanzania remained zero or negligible. Kenyan imports/

imports of cotton piece goods, footwear, soap, blankets, bars, rods and angles, and aluminium all rose as a percentage of external imports between 1961 and 1970.

Kenyan Imports from Uganda and Tanzania as a Percentage of External Imports, 1961 and 1970.

	1961	1970
Cotton piece goods	21.7	290.7
Footwear	29.0	182.5
Soap	19.7	55.0
Blankets	0.0	39.7
Bars, rods and angles	0.0	28.0
Aluminium	0.0	43.6

Table 9 showed that Uganda's inter-state and external imports of manufactured goods and chemicals both rose appreciably over the period the former at a slightly faster rate to £8.6 thousand and the latter to £37.5 thousand. The difference between the two however was still so large in 1970 that there could have been, at most, a small substitution of community for overseas exports. Such import substitution as may have occurred was not noticeable in any one particular item. Within the manufactured goods and chemicals category the section for which imports increased most was machinery and transport equipment which rose from about £6.7 million to £14.8 million over the period. Imports of machinery and transport equipment from E.Africa were insignificant throughout the period. Ugandan imports coming under SITC section 6 (manufactured goods classified chiefly by material) rose less fast and it is possible that imports from the rest of the community was a factor here, particularly in metal manufactures. Ugandan imports by SITC section are given below.

Ugandan External Imports by SITC section (£'000)

SITC section	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
5) Chemicals	2099	2099	2169	2768	3099	3402	2872	4075	4069	5259
6) Manufactured goods classified chiefly by material	10193	9044	10725	10271	13186	13177	11805	14495	15527	13050
7) Machinery and transport equipment	6713	6875	9340	11510	14847	15701	17148	15912	16737	14881
8) Miscellaneous manufactured articles	2578	2512	3099	2981	3644	3706	3295	4012	3874	4372

Tanzanian external imports of manufactured goods and chemicals increased very rapidly throughout the period from £27 thousand to £80 thousand and rose faster than inter-state imports of manufactured goods and chemicals. The overseas imports of largest value for Tanzania in 1961 all increased considerably in value to 1970. Imports to Tanzania from overseas in this category became much more diverse during the period and machinery and transport equipment imports increased at the fastest rate. Tanzanian imports from overseas by principal commodities in 1961 are compared with 1970 figures in Table 17c. Tanzanian imports from her economic partners seem to have made very little impression on imports from overseas generally or in particular commodities.

Table 14. Kenyan External Net Imports of Manufactured Goods and Chemicals by Principal Commodities 1961-1970 (£'000)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Medicinal & Pharmaceutical products	1,044	1,211	1,303	1,416	1,641	1,628	1,745	2,194	2,459	2,712
Soaps	371	328	378	362	376	364	190	393	410	295
Fertilizers	885	781	906	1,330	1,794	2,044	1,601	1,875	2,272	3,041
Insecticides, disinfectants etc.	546	733	808	971	1,143	1,098	863	1,345	1,348	2,019
Rubber tyres and tubes	848	833	1,062	607	791	1,088	874	1,738	1,604	1,795
Paper and paperboard manufactures	1,817	1,801	2,204	2,571	3,213	3,747	4,101	3,925	4,817	5,705
Cotton piece goods	3,137	2,742	2,677	2,399	2,863	3,101	1,830	2,752	1,923	1,022
Fabrics of synthetic fibres	1,647	1,135	2,344	2,212	2,813	2,647	1,454	3,183	2,354	3,849
Jute bags and sacks	811	502	536	388	586	835	683	242	387	33
Blankets	599	728	926	517	575	582	340	486	430	466
Building materials of cement and asbestos	154	90	132	52	51	117	221	236	180	137
Glass and glassware	259	271	315	335	324	399	383	552	625	655
Iron and steel total	3,790	4,709	4,781	3,818	5,088	5,004	5,596	6,148	6,474	9,004
Bars, rods, angles etc.	695	650	768	612	1,267	1,108	1,186	1,228	1,481	1,890
Aluminium (unwrought and worked)	496	414	577	356	238	232	247	369	415	658
Machinery and Transport equipment	18,556	19,053	19,018	23,152	22,961	36,297	41,494	36,864	40,652	48,570
Clothing	1,381	1,098	1,547	1,140	1,283	1,775	840	1,640	1,408	2,532
Furniture and Fixtures	204	135	159	171	155	140	174	281	307	310
Footwear	166	158	188	201	222	258	271	272	271	252

Table 15a. Kenyan Imports of Manufactured Goods and Chemicals by Principal Commodities from Uganda 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Soaps	73	81	153	229	306	345	263	170	193	104
Fertilizers	-	-	35	3	205	362	244	189	313	359
Bicycle tyres and tubes	-	-	-	-	-	57	62	91	58	76
Boxes, cases, crates	-	-	-	-	-	80	110	150	176	182
Cotton piece goods	838	949	1030	1289	1261	1905	2314	1758	2144	2724
Asbestos products	-	-	85	64	108	111	187	177	149	208
Iron & Steel bars Angles etc.	-	1	35	185	186	347	395	356	542	528
Footwear	-	-	-	-	-	64	72	198	219	397

Table 15b. Kenyan Imports of Manufactured Goods and Chemicals by Principal Commodities from Tanzania 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Chemicals	28	38	44	76	56	91	111	157	205	190
Cotton piece goods	20	52	83	187	59	60	43	31	51	247
Fabrics of synthetic fibres	33	61	70	85	67	54	13	1	2	1
Blankets	-	14	145	282	303	305	165	164	196	185
Iron and Steel	-	1	1	80	103	26	1	1	1	1
Aluminium	-	2	13	401	509	341	199	258	225	287
Metal manufactures	31	33	45	71	114	155	124	140	144	164
Clothing	6	8	66	99	108	38	49	52	26	27
Footwear	48	187	356	342	258	247	106	65	57	63

Table 16a. Ugandan Imports of Manufactured Goods and Chemicals by Principal Commodities from Kenya, 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Paints	48	142	156	254	531	298	203	59	91	44
Soaps & Soap Preparations	474	409	457	477	601	622	1038	870	817	576
Insecticides	81	340	388	260	120	212	336	227	201	356
Bicycle tyres and tubes	125	130	203	181	184	191	123	152	125	164
Paper, paperboard & manufactures	273	266	365	448	569	617	482	516	492	427
Sisal bags and sacks	244	219	266	378	478	137	58	30	24	16
Blankets	31	59	125	191	268	215	64	70	16	6
Cement	59	99	149	119	68	81	162	64	220	246
Glassware	68	51	65	105	143	156	131	147	101	74
Base metals	103	377	802	948	819	181	62	75	129	132
Steel doors and windows	88	90	133	184	236	186	59	21	43	5
Nails, rivets, nuts etc.	52	53	101	99	113	132	28	60	46	93
Aluminium ware, domestic	81	77	115	165	155	107	5	4	5	10
Metal containers	84	80	93	87	133	144	146	212	210	266
Furniture and fixtures	70	63	158	139	244	341	83	370	401	502
Footwear	371	402	517	605	600	404	281	223	314	222
Printed matter	313	345	94	122	160	251	217	170	195	190
	94	99	515	525	912	1938	1852	1976	2499	1877

Table 16b. Ugandan Imports of Manufactured Goods and Chemicals by Principal Commodity from Tanzania 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Cotton fabrics	12	27	70	88	55	36	39	41	27	54
Textile Fabrics	-	-	13	32	82	48	28	-	-	-
Corrugated Iron	-	-	16	241	170	57	-	-	-	-
Circles of Aluminium	-	-	-	1	56	121	115	114	127	177
Enamel Holloware, Iron or Steel	-	-	-	-	-	40	24	43	54	68
Wireless Set and Radiograms	-	-	-	-	-	41	58	125	160	123
Clothing	-	-	18	69	80	15	15	109	162	107

Table 17a. Tanzanian Imports of Manufactured Goods and Chemicals by Principal Commodity from Uganda 1961 - 1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Soaps	56	37	90	227	118	15	3	5	1	-
Fertilizers	-	-	3	-	139	15	3	8	16	20
Bicycle tyres and tubes	-	1	3	2	86	97	132	105	118	108
Cotton piece goods	457	758	840	965	1140	1569	822	503	141	72
Asbestos products	-	-	40	93	82	109	103	59	60	98
Bars and Rods of Iron or Steel	-	-	2	107	154	216	296	292	343	346
Holloware, Enamelled	-	-	27	21	21	22	11	23	16	12
Footwear	-	-	2	38	30	28	9	15	11	32
Matches	-	-	-	-	3	104	87	54	7	-

Table 17b. Tanzanian Imports of Manufactured Goods and Chemicals from Kenya by Principal Commodities 1961-1970 (£'000).

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Paints	78	93	87	127	99	53	19	12	24	14
Soap and soap preparations	441	548	550	912	532	541	300	550	865	837
Insecticides	99	99	104	163	187	224	118	41	72	83
Bicycle tyres and tubes	67	92	124	100	92	77	59	80	105	123
Paper, paperboard & manufactures	222	261	338	418	526	801	844	987	942	1058
Cotton piece goods	153	149	63	96	1	1	23	-	2	-
Cement	631	565	537	764	830	803	526	935	707	1173
Base Metals	201	375	471	190	66	50	36	150	49	166
Steel doors and windows	180	167	118	156	120	157	164	150	222	204
Aluminium ware, domestic	125	170	209	238	158	70	22	12	12	15
Metal containers	113	146	69	94	176	133	175	181	161	271
Furniture and fixtures	124	163	187	258	293	320	119	188	188	222
Clothing	504	711	830	1075	1020	178	139	559	389	264
Footwear	400	515	683	793	694	607	301	463	405	352

Table 17c. Tanzanian overseas imports of manufactured goods and chemicals by principal commodity 1961 and 1970. (£'000)

1961		1970	
Chemicals	2,380	Chemicals (total)	8,734
Rubber tyres and tubes	855	Dyeing and colouring materials (paints etc.)	1,246
Cotton fabrics	3,825	Medicaments	2,254
Fabrics of synthetic fibres	1,423	Soaps	401
Bags and sacks	534	Fertilizers	742
Blankets and travelling rugs	275	Plastic materials	883
Cement	146	Insecticides	915
Conveying,mining etc., machinery	807	Manufactured goods classified chiefly by material (total)	27,116
Electrical generators etc.	344	Textile yarn and thread	1,072
Electrical apparatus, other	1,026	Cotton fabrics woven	1,285
Motor cars	1,238	Fabrics woven, synthetic	830
Buses, lorries etc. incl. chasses	1,274	Bags and sacks	531
Bicycles	176	Metals and manufactures of metal, iron and steel (total)	13,021
Clothing	982	Aluminium	694
Footwear	128	Manufactures of metal	5,507
		Rubber tyres and tubes	2,423
		Paperboard etc.	2,108
		Machinery and transport (total)	39,089
		Machinery other than electric(total)	19,482
		Tractors	976
		Other agricultural machinery and implements	704
		Metal working machines	702
		Textile and leather machinery	1,855
		Road rollers, construction and mining machinery	3,449
		Lifting and loading machinery	1,484
		Electric machinery, apparatus and appliances	5,226
		Motor cars	1,638
		Buses, lorries etc.	5,152
		Bodies, chasses, frames etc.	3,246
		Bicycles	436
		Clothing	1,719

Chapter 5.

Inter-State Trade 1967 - 1970.

Table 18. Inter-State Trade 1967-1970 (£m)

1967	1968	1969	1970
42.8	41.5	43.8	50.8

Inter-state trade rose from £42.8 million in 1967 to £50.8 million in 1970. There was a small decline in 1968 (£1.3 million) before inter-state exports rose in 1969 to £1 million above the 1967 figure. Inter-State exports greatly increased in 1970.

Table 19. Value and Balance of Inter-State Trade 1967-70 (£ Million)

	Exports	%Annual change in exports	% Annual share of exports	Imports	Balance
Kenya					
1967	26.2		61.2	13.4	12.7
1968	26.3	0.4	63.4	12.3	14.0
1969	29.1	10.6	66.4	11.8	17.3
1970	31.4	7.3	61.8	16.0	15.5
Uganda					
1967	12.6		29.4	15.5	-2.9
1968	10.7	-15.1	25.7	14.1	-3.4
1969	9.5	-11.2	21.7	17.3	-7.8
1970	12.0	20.8	23.6	18.1	-6.1
Tanzania					
1967	4.0		9.3	13.8	-9.8
1968	4.5	12.5	10.8	15.1	-10.6
1969	5.2	15.5	11.8	14.7	-9.5
1970	7.4	29.0	14.6	16.7	-9.3

Kenyan inter-state exports rose throughout the period (Table 19) and from 1967 to 1969 Kenya managed to increase her share as well as the value of inter-state exports. From 1967 to 1969 Kenyan inter-state imports declined, and Kenya's surplus on inter-state trade rose by £4.6 million. Although Kenyan inter-state exports did increase in 1970 Kenya did not benifit as much as her partners from trade expansion in this year and Kenya's surplus on inter-state trade fell by £1.8 million.

For Uganda 1968 and 1969 were extremely lean years, her inter-state exports fell both relatively and absolutely and despite a small reduction in inter-state imports in 1968 Uganda's inter-ssate visible trade balance worsened throughout the two years. Even though in 1970 Ugandan inter-state exports rose by some 20% neither the value nor her share was as high as it had been in 1967.

Tanzanian inter-state exports almost doubled during the period and rose in each year, particularly 1970. Tanzania's percentage share of inter-state exports rose in each year. Tanzania's inter-state imports rose over the period and rose in each year except 1969. Tanzania's deficit on inter-state trade fell slightly over the four years.

In relative/

In relative terms the period was most successful for Tanzania for whom inter-state exports increased markedly and whose deficit was reduced to its lowest level since 1962. The period was less prosperous for Uganda but recession of exports only occurred in 1968 and 1969 and in 1968 Ugandan inter-state exports were always higher than they had been in any year previous to 1967. The position for Uganda improved in 1970.

In absolute terms Kenya still dominated the scene and this dominance looked until 1970 to be increasing. Even in 1970 Kenya's share of inter-state exports was higher than in 1967. Kenya's inter-state exports rose by £5.2 million from 1967 to 1970, in 1969 Tanzania's total inter-state exports were only £5.2 million.

Table 20. Value and Balance of Overseas Trade 1967-1970.

(£'000)

	KENYA			UGANDA			TANZANIA		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1967	59.6	106.6	-47.0	65.5	41.3	24.2	79.4	65.0	14.3
1968	62.9	114.8	-51.8	66.6	43.8	22.5	81.4	76.6	4.8
1969	68.5	116.9	-48.4	70.6	45.5	25.1	84.4	70.9	13.5
1970	77.4	142.0	-63.6	87.7	43.2	44.4	85.2	97.0	-11.7

(all tables do not add up because of rounding)

All three countries increased their overseas exports in the years 1968, 1969 and 1970. This increase was greatest for Uganda and least for Tanzania. All three countries increased their imports from abroad, this was especially the case for Tanzania. Kenya's deficit on visible external trade rose noticeably while Uganda's surplus grew to a healthy £44 million. Tanzania displayed, for the only time in 1961-70, a deficit on overseas visible trade in 1970. Inter-state trade is compared to overseas trade below.

Table 21. Inter-state trade as a percentage of external trade 1967-1970.

	KENYA		UGANDA		TANZANIA	
	Exports	Imports	Exports	Imports	Exports	Imports
1967	44.0	12.6	19.2	37.5	5.5	21.2
1968	41.8	10.8	16.7	32.2	5.5	19.8
1969	42.5	10.1	13.5	38.0	6.2	20.7
1970	40.4	11.2	13.7	41.9	8.6	17.3

For Kenya the importance of inter-state exports compared to overseas exports declined slightly from 1967 onwards. There was a slight change in imports in the same direction. Ugandan inter-state exports also declined in relative importance while inter-state imports became of relatively greater importance . Inter-state exports as a percentage of external exports grew in all years for Tanzania, especially in 1970. The ratio of inter-state to external imports declined over the period for Tanzania despite a slight rise in 1969.

Table 22. The Value and Direction of Inter-State Trade 1967-1970.

(£'000)

	Kenya to		Uganda to		Tanzania to	
	Uganda	Tanzania	Kenya	Tanzania	Kenya	Uganda
Value						
1967	14,796	11,598	10,160	2,456	3,348	750
1968	13,265	13,069	8,650	2,029	3,692	855
1969	15,949	12,848	7,803	1,713	4,018	1,177
1970	16,698	14,752	10,048	1,895	5,938	1,438
Per Cent						
1967	56.6	43.4	80.5	19.5	81.7	18.3
1968	50.3	49.7	81.0	19.0	81.2	18.8
1969	55.4	44.6	82.0	18.0	77.3	22.7
1970	54.0	46.0	84.1	15.9	80.5	19.5

Kenya continued to supply the majority of inter-state exports and these exports remained pretty evenly divided between Uganda and Tanzania in a fairly constant ratio of 55/45. The allocation of Ugandan exports to Kenya/

Kenya and Tanzania also took the form of a fairly stable ratio (80/20) with a gradual shift in favour of Kenya. Tanzanian exports were likewise distributed in an 80/20 ratio between Kenya and Uganda and there is no evidence of a permanent change in this trend. In fact, Tanzanian imports of Ugandan goods decreased while Tanzanian exports to Uganda increased. By 1970 Tanzania had almost wiped out her trade deficit with Uganda. Kenya's surplus on Tanzanian trade remained quite stable while Kenya's surplus on trade with Uganda rose, particularly in 1969 (Table 23 below).

Table 23. Inter-State Trade Balances 1967 - 1970

(£'000)

	Kenya/Uganda	Kenya/Tanzania	Uganda/Tanzania
1967	Kenya + 4,636	Kenya + 8,250	Uganda + 1,706
1968	Kenya + 4,515	Kenya + 9,377	Uganda + 1,174
1969	Kenya + 8,516	Kenya + 8,830	Uganda + 536
1970	Kenya + 6,650	Kenya + 8,814	Uganda + 457.

Inter-state and overseas trade are broken down into commodity groups in Table 24 and the years 1961,'67 and '70 compared on that basis. Looking at inter-state trade two features are immediately apparent (a) the composition of inter-state trade and (b) the value of inter-state trade is little different in 1967 and 1970. The large changes in volume and emphasis therefore occurred between 1961 and 1967.

Table 24. Inter-State and External Trade by Commodity Groups, 1961, 1967 & 1970.

		Inter-State	Domestic Exports	Retained Imports
		Value (£ '000)		
1961	Foodstuffs, beverages and tobacco	12,788	48,757	13,058
	Raw materials and mineral fuels	2,639	61,532	16,012
	Manufactured goods and chemicals	9,526	12,663	95,814
	Total	24,953	122,952	124,884
1967	Foodstuffs, beverages and tobacco	13,550	103,586	13,867
	Raw materials and mineral fuels	8,063	71,650	22,054
	Manufactured goods and chemicals	21,200	25,168	171,103
	Total	42,813	200,404	208,024
1970	Foodstuffs, beverages and tobacco	14,359	142,603	14,114
	Raw materials and mineral fuels	10,552	72,764	32,206
	Manufactured goods and chemicals	26,557	27,343	229,224
	Total	51,468	242,692	275,544
		Per Cent of Total		
1961	Foodstuffs, beverages and tobacco	51.4	39.7	10.5
	Raw materials and mineral fuels	10.6	50.0	12.9
	Manufactured goods and chemicals	38.0	10.3	76.6
	Total	100.0	100.0	100.0
1967	Foodstuffs, beverages and tobacco	31.6	51.6	6.6
	Raw materials and mineral fuels	18.9	35.7	11.1
	Manufactured goods and chemicals	49.5	12.6	82.3
	Total	100.0	100.0	100.0
1970	Foodstuffs, beverages and tobacco	27.9	58.6	5.1
	Raw materials and mineral fuels	20.5	30.0	11.6
	Manufactured goods and chemicals	51.6	11.4	83.3
	Total	100.0	100.0	100.0
		Per Cent of Change		
1961-70	Foodstuffs, beverages and tobacco	12.3	192.5	8.1
	Raw materials and mineral fuels	299.8	18.2	101.1
	Manufactured goods and chemicals	178.8	116.0	139.2
	Total	106.3	97.4	120.6
1967-70	Foodstuffs, beverages and tobacco	6.0	37.7	1.8
	Raw materials and mineral fuels	30.9	1.5	39.7
	Manufactured goods and chemicals	25.2	8.6	33.9
	Total	20.2	21.1	32.5

Concentrating on external trade there is very little difference in the shares of the commodity groups in 1967 and 1970, also the increases in domestic exports during the period increased much more rapidly before 1967.

Imports for the region as a whole were almost the same in composition by commodity group in 1970 ad they were in 1967. The 1961 composition was only slightly different. The small changes in import composition mainly took place before 1967.

The commodity group composition of Kenyan inter-state exports was very similar in 1967 and 1970 (Table 25.) Kenyan exports were also very similar in composition in 1967 and 1970. For Uganda the importance of inter-state exports of manufactured goods and chemicals increased (46.8% as compared to 55.7%) between 1967 and 1970. The composition of Uganda's external exports remained pretty much the same. Tanzanian inter-state exports of foodstuffs, beverages and tobacco increased from 32.7% of Tanzanian total inter-state exports to 40% between 1967 and 1970. Still for Tanzania there was a decline in inter-state exports of raw materials and mineral fuels while manufactured goods and chemicals remained at 41-42%. Tanzanian external exports of foodstuffs, beverages and tobacco were greater relatively and absolutely in 1970, the opposite was true in the case of manufactured goods and chemicals.

Tanzanian/

Tanzanian imports of manufactured goods and chemicals, both inter-state and external, rose from 1967 in relative share and absolute value, the reverse occurred in the case of foodstuffs, beverages and tobacco. Commodity group shares of Ugandan and Kenyan inter-state and external imports displayed a much greater similarity in 1967 and 1970. (Table 26).

Table 25. Inter-State and External Exports by Commodity Groups and Countries, 1967 and 1970.

	KENYA		UGANDA		TANZANIA	
	Inter-State	External	Inter-State	External	Inter-State	External
1967						
Foodstuffs, beverages & tobacco	7,401	30,809	4,797	40,986	1,352	31,791
Raw materials & mineral fuels	5,076	16,638	1,916	17,813	1,071	37,199
Manufactured goods & chemicals	13,599	5,697	5,901	5,812	1,700	13,659
Total	26,076	53,144	12,614	64,611	4,123	82,649
1970						
Foodstuffs, beverages & tobacco	8,060	44,553	3,255	59,081	3,044	38,970
Raw materials & mineral fuels	6,907	17,999	2,337	20,259	1,308	34,505
Manufactured goods & chemicals	16,481	8,926	6,821	7,654	3,255	10,758
Total	31,448	71,478	12,413	86,994	7,607	84,233
	Per Cent of Total					
1967						
Foodstuffs, beverages & tobacco	28.3	57.9	38.0	63.4	32.7	38.4
Raw materials & mineral fuels	19.5	31.3	15.2	27.5	26.0	45.0
Manufactured goods & chemicals	52.2	10.8	46.8	9.0	41.2	16.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
1970						
Foodstuffs, beverages & tobacco	25.6	62.3	26.2	67.9	40.0	46.3
Raw materials & mineral fuels	22.0	25.2	18.1	23.3	17.2	41.0
Manufactured goods & chemicals	52.4	12.5	55.7	8.8	42.8	12.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 26. Inter-State and External Imports by Commodity Groups and Countries, 1967 and 1970.

	KENYA		UGANDA		TANZANIA	
	Inter-State	External	Inter-State	External	Inter-State	External
1967						
Foodstuffs, beverages & tobacco	5,391	5,224	3,910	2,564	4,322	6,079
Raw materials & mineral fuels	2,677	14,777	3,274	1,759	2,232	6,518
Manufactured goods & chemicals	5,426	82,039	8,297	35,180	7,453	53,884
Total	13,494	102,040	15,481	39,503	14,007	66,481
1970						
Foodstuffs, beverages & tobacco	5,640	6,452	4,418	2,192	4,301	5,470
Raw materials & mineral fuels	2,881	19,327	5,357	2,548	2,314	10,330
Manufactured goods & chemicals	7,464	111,451	8,591	37,561	10,502	80,212
Total	15,985	137,230	18,366	42,301	17,117	96,012
	Per Cent of Total					
1967						
Foodstuffs, beverages & tobacco	39.9	5.6	25.2	6.5	30.8	9.2
Raw materials and mineral fuels	19.8	14.5	21.2	4.4	16.0	9.9
Manufactured goods & chemicals	40.2	80.4	53.6	89.1	53.2	81.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
1970						
Foodstuffs, beverages & tobacco	35.3	4.7	24.1	5.2	25.1	5.7
Raw materials & mineral fuels	18.2	14.1	29.2	6.0	13.5	10.8
Manufactured goods and chemicals	46.5	81.2	56.7	88.8	61.4	83.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Looking more closely at inter-state trade in manufactured goods and chemicals more detailed figures are given below.

Table 27. Inter-State Trade in Manufactured goods and Chemicals *1967-70.

(£ '000)

	Exports	%increase	%share	Imports	%increase	%share	Balance
Kenya							
1967	13,615		65.5	5,214		25.1	8,401
1968	14,916	9.5	69.1	4,865	-6.6	22.5	10,051
1969	15,084	1.1	67.3	5,862	20.5	25.8	9,222
1970	16,223	7.6	63.1	7,454	27.2	29.0	8,769
Uganda							
1967	5,558		26.8	8,297		40.0	-2739
1968	4,564	-17.9	21.1	7,556	-8.9	35.1	-2992
1969	5,118	12.1	22.9	7,888	4.2	34.7	-2770
1970	6,448	26.0	25.1	8,104	2.7	31.4	-1656
Tanzania							
1967	1,605		7.7	7,267		34.9	-5662
1968	2,103	31.0	9.8	9,162	26.7	42.4	-7059
1969	2,194	4.2	9.8	8,946	-2.3	39.5	-6752
1970	3,025	37.9	11.8	10,128	13.2	39.6	-7103

* SITC sections 5,6,7 and 8. This classification applies to tables 28, 29 and 30.

Kenyan inter-state exports of manufactured goods and chemicals rose by about £2,600 thousand over the period but imports kept pace in an overall inter-state trade expansion so that Kenya's favourable balance on inter-state trade in manufactured goods and chemicals, showed only a slight increase over the period and actually decreased from 1968 onwards. Kenya's share of inter-state exports and imports of manufactured goods and chemicals showed little change.

Uganda's reduction of her deficit on inter-state trade on manufactured goods and chemicals was not due to any dramatic increase of her exports but rather to a slight reduction in imports coupled with a rise in exports of/

of approximately £900 thousand. Uganda's share of trade in exports of manufactured goods and chemicals was about the same (1.7% less) in 1970 as it was in 1967. Uganda's share of imports of manufactured goods and chemicals declined throughout 1967-70.

Because Tanzania's inter-state exports of manufactured goods and chemicals were so small in 1967 large percentage increases in 1968 and 1969 made only for a small increase in Tanzania's share of total exports of manufactured goods and chemicals. Nevertheless, increases of 30-38% must be considered satisfactory. Tanzanian imports of manufactured goods and chemicals were far greater than exports in 1967 and so even though imports increased less fast than exports this increase was still sufficient to make for a greater Tanzanian deficit in trade in manufactured goods and chemicals in 1970 than in 1967. Tanzanian exports of manufactured goods and chemicals increased in all years but more slowly in 1969 but in this year imports for the only time in the period fell.

Kenya met with much more success in increasing her exports of manufactured goods and chemicals to Tanzania than to Uganda. This was a reversal of the overall trade pattern. In fact Uganda's overall increase in imports of Kenyan goods is explained by her increase in imports of raw materials and mineral fuels.

Kenyan exports of raw materials and mineral fuels to Uganda *1967-1970

(£ '000)

1967	1968	1969	1970
3,125	9,673	4,195	5,675

* SITC sections 2,3 and 4.

Kenyan exports of manufactured goods and chemicals to Uganda and Tanzania are given below.

Table 28. Kenyan Inter-State Exports of Manufactured Goods and Chemicals "1967-70.

	Uganda	Tanzania	Total	Uganda	Tanzania
	Value(£'000)			Per Cent	
1967	7,913	5,702	13,615	58.1	41.9
1968	6,993	7,923	14,916	46.9	53.1
1969	7,119	7,965	15,084	47.2	52.8
1970	7,174	9,049	16,223	44.3	55.7

Ugandan exports of manufactured goods and chemicals remained about the same. Tanzanian imports of Kenyan manufactured goods and chemicals on the other hand rose by 59%.

Tanzania had imported some £200 thousand less Kenyan manufactured goods and chemicals than Uganda in 1967 but by 1970 was importing about £200 thousand more than Uganda.

Relative changes in these shares are given in the table above.

Table 29 gives Ugandan inter-state exports of manufactured goods and chemicals.

Table 29. Ugandan Exports of Manufactured Goods and Chemicals 1967-1970.

	Kenya	Tanzania	Total	Kenya	Tanzania
	Value (£'000)			Per Cent	
1967	3,993	1,565	5,558	71.9	28.1
1968	3,325	1,239	4,564	72.9	27.1
1969	4,137	981	5,118	80.8	19.2
1970	5,369	1,079	6,448	83.3	16.7

Uganda had much more success with her exports of manufactured goods and chemicals to Kenya than she did with her overall exports to Kenya. Ugandan exports of manufactured goods and chemicals to Kenya rose by 34.5%. The main decrease in Uganda's overall exports to Kenya was in foodstuffs, beverages and tobacco.

Uganda's Exports of Foodstuffs, Beverages and Tobacco* to Kenya 1967-70.

(£'000)

1967	1968	1969	1970
4,232	3,410	2,044	2,934

* SITC sections 0 and 1.

Uganda's exports of manufactured goods and chemiclas to Tanzania declined as did her total exports to Tanzania. Whereas in 1967 some 70% of Uganda's inter-state exports of manufactured goods and chemicals went to Kenya in 1970 about 80% of those exports went to Kenya.

Tanzania increased her total exports to Kenya and Uganda during 1967-1970 and Tanzania managed substantial increases in her exports of manufactured goods and chemicals to both of her economic partners (Table 30).

Table 30. Tanzanian inter-state exports of manufactured goods and chemicals 1967-1970.

	Kenya	Uganda		Kenya	Uganda
	Value (£'000)		Total	Per Cent	
1967	1,221	384	1,605	76.1	23.9
1968	1,540	563	2,103	73.2	26.8
1969	1,725	769	2,494	69.2	90.8
1970	2,095	930	3,025	69.2	30.8

Exports to Kenya of Tanzanian manufactured goods and chemicals rose in each year making for a total increase of 71.1%. Exports of manufactured goods and chemicals by Tanzania to Uganda also rose in each year from £384 thousand in 1967 to £930 thousand in 1970.

A portion of the manufactured goods and chemicals exported by Kenya to Uganda and Tanzania and a portion of the manufactured goods and chemicals exported by Uganda to Tanzania were subject to trasfer tax for some of the period. In December 1967 Uganda imposed transfer taxes on 10 Kenyan items, another 9 were added in 1968 and 7 more near the end of 1969. Approximately 40 items from Kenya were subject to transfer tax by Tanzania from December 1967, the tax was imposed on a further 2 in 1968 and the list extended by 8 in 1969. Most of the Ugandan items subject to transfer tax by Tanzania were taxed from December 1967.

In the Economic and Statistical Review, March 1972, A. Hazlewood in an article entitled 'Inter-State Trade in Transfer-Taxed Manufactures, 1967-1970' attempted to quantify the transfer-taxed volume of inter-state trade and how the value of this trade changed over the period. The overall results of this study were presented in the tables below.

Table I. Transfers of Goods Transfer-Taxed at End of 1967 as a Proportion of All Transfers of Manufacturs.

(Percentages)

	1967	1968	1969	1970
Kenya to Tanzania	16	18	19	15
Uganda to Tanzania	52	47	9	3
Kenya to Uganda	16	8	9	7

Table II. Taxed Transfers as a Proportion of Untaxed-Transfers.

(Percentages)

	1967	1968	1969	1970
Kenya to Tanzania	23	27	28	21
Uganda to Tanzania	113	100	10	4
Kenya to Uganda (i)	20	9	10	n.a.
(ii)	25	10	11	8

N.B. Transfer-Taxed Goods: goods taxed from end of 1967
Untaxed Goods: Tables III and IV goods untaxed throughout;
Tables II and V, Kenya to Uganda
(i) goods untaxed before end of 1969
(ii) goods untaxed throughout.

Table III. Transfers of Manufactures from Kenya to Tanzania.

1967 = 100

	1968	1969	1970
Transfer-Taxed Goods	136	148	132
Untaxed Goods	118	123	146

Table IV. Transfers of Manufactures from Uganda to Tanzania.

1967 = 100

	1968	1969	1970
Transfer-Taxed Goods	86	14	6
Untaxed Goods	97	149	156

Table V. Transfers of Manufactures from Kenya to Uganda.

1967 = 100

	1968	1969	1970
Transfer-taxed goods	44	54	46
Untaxed goods (i)	105	112	n.a.
(ii)	110	121	144

The main/

The main points to emerge from this study were that transfer-taxed trade from Kenya to Tanzania increased at twice the rate of untaxed trade up to 1969 although this pattern was reversed in 1970 and secondly the pattern of trade between Kenya and Tanzania in transfer-taxed goods was distinctly different from that of Kenya to Uganda and Uganda to Tanzania in the latter cases there was a decline in taxed transfers but a rise in untaxed transfers. (It should be noted that the definition of 'manufactures' in the study referred to is different from the manufactured goods and chemicals classification used in this particular work).

When trying to examine trade in particular commodities during the period 1967-1970 many of the same problems as confronted the above analysis were encountered and the same solutions have been adopted. A main difficulty is that goods subject to transfer tax do not in many cases constitute all or a majority of the relevant trade classification. In the case of items where the taxed part of the trade classification is small they are included if the items were a small part of the total both before and after the tax was imposed and excluded if they have become a small part since the tax was imposed. Where there has been any doubt as to the exclusion or inclusion of certain categories they have been excluded from the analysis.

In order to obtain a consistent series and in an aggregate study compare like with like A. Hazlewood in his analysis of transfer-taxed trade from Kenya to Tanzania and from Uganda to Tanzania ommitted items transfer-taxed after December 1967. And in the case of transfer-taxed exports from Kenya to Uganda the period was divided into two.

The figures used in this study are taken mainly from East African Statistical and Economic Reviews and are thus not identical to the ones used in the study referred/

referred to, but the effect of this on results is expected to be quantitative rather than qualitative. The aim is to compare the behaviour of the principal inter-state exports of all three countries. For a number of items it was impossible to obtain a consistent series of figures and in such cases the item was omitted.

Principal inter-state exports of manufactures are given in Tables 31-36 (the methods by which the tables are compiled have already been given). A. Hazlewood's findings for Kenyan 'total' transfer-taxed manufactures to Uganda were that they fell in 1968 then rose in 1969 before falling again in 1970. There was an overall rise in transfer-taxed exports from Kenya to Uganda. The principal decline in transfer-taxed goods was in paints and clothing (Table 31). From Table III it can be seen that total transfer-taxed manufactures from Kenya to Tanzania rose in 1968 and 1969 and fell in 1970. In 1968 large rises occurred in soaps, footwear, perfumery, and synthetic fibres. The rise in 1969 was particularly noticeable in the cases of margarine and shortening and soap which declined in 1970 as did footwear and soap (Table 32). Total transfer-taxed manufactures from Uganda to Tanzania fell in each year (Table IV) while untaxed goods rose throughout. The largest declines for Uganda were in woven unprinted cotton fabrics and matches .

It has been noted that A. Hazlewood in his analysis referred to above includes all manufactures (according to East African statistical classification). For the most part this study has concentrated on manufactured goods and chemicals (according to SITC categories 5,6,7 and 8). In Tables 31-36 a few manufactures which would come under the SITC heading 0 and 1 have been included, but if these are omitted the series becomes much more comprehensive as regards manufactured goods and chemicals and allows for greater comparability with findings from earlier parts of this study.

/for example

For example in Table 31, six of the eight items included in A. Hazlewood's analysis of goods taxed by Uganda when imported from Kenya are here included. The two omitted, shirts and writing blocks are not of such relatively greater value than the others that their ommission from the series will distort general results of an analysis of the six included.

Table 31. Principal exports of Manufactures by Kenya to Uganda 1967-1970

(£'000)

	1967	1968	1969	1970
Goods Taxed in 1967.				
Paints	203	59	91	44
Blankets	64	70	16	6
Domestic Aluminium	5	4	5	10
Footwear	217	170	195	190
Cement	162	64	220	246
Clothing	1163	396	380	346
Goods taxed in 1969				
Biscuits	45	62	53	6
Wood and articles of wood	26	39	83	100
Soap and soap powder	1038	870	817	576
Matches	51	29	38	3
Insulated wire and cable	77	97	124	76
Goods Untaxed throughout				
Sugar confectionery & other sugar preps.	26	63	52	60
Margarine and shortening	207	195	203	257
Milk goods prepared for infants	4	100	69	100
Cigarettes	182	11	-	-
Beer	82	120	144	129
Medicaments	217	260	272	423
Dentifrices	82	111	84	135
Perfumery	1	197	182	279
Polish	79	92	72	101
Insecticides	336	227	261	356
Leather goods	92	147	139	140
Bags of sisal and jute	416	469	384	n.a.
Tents, tarpaulins etc.	54	63	74	n.a.
Glassware	162	64	220	246
Motor vehicle batteries	28	47	39	n.a.
Furniture	8	187	222	269
Plastic Bags	-	-	68	75
Mattresses	85	155	149	198
Pens and Pencils	49	36	22	n.a.
Newspapers and periodicals	37	54	59	57

Overall rises and falls will be mirrored by the aggregate behaviour of these six taxed goods though the overall magnitude of changes in the exports of transfer-taxed products will not be given. Thus from the table below it can be seen that transfer-taxed exports of manufactured goods and chemicals from Kenya to Uganda (taxed in 1967) fell in the region of 50%.

Kenya to Uganda of manufactured goods and chemicals taxed in 1967.
(£'000)

1967	1968	1969	1970
1814	763	907	842
100	42	50	46

Of the six Kenyan manufactured goods taxed by Uganda from the end of 1969 four are included in table 31. The two omitted are corrugated cardboard boxes and galvanised corrugated iron sheets. Again it is thought that trade in these is not large enough so that their omission will alter the results absolutely though of course they will be relatively or quantitatively affected. From analysis of the four manufactured goods and chemicals included the Kenyan exports of manufactured goods and chemicals to Uganda (taxed in 1969) can be seen to have declined over the period, decline was most rapid in 1968 and 1970.

Kenya to Uganda of manufactured goods and chemicals taxed in 1969.

1967	1968	1969	1970
1192	1035	1062	755
100	85	88	63

Of the nine manufactured goods and chemicals included in the 1967-70 analysis of transfer-taxed exports of Uganda to Tanzania five are given in Table 33. Here it is considered that the items included do not together constitute a sufficiently high proportion of the total to reflect overall changes. However, in the case of Ugandan exports to Tanzania

taxed/

taxed items which come under SITC sections 0 and 1 only constitute a small proportion of total taxed trade, therefore the overall figures provided in Table III ought to reflect the pattern of trade in transfer taxed manufactured goods and chemicals in terms of rises and falls. (the relevant part of Table III is given below).

Uganda to Tanzania of manufactures taxed in 1967.
1967 = 100

1968	1969	1970
136	148	132

Information for a limited number of goods exported by Kenya to Tanzania (transfer-taxed in 1967) is given in Table 32. Unfortunately the exports of manufactures from Kenya to Tanzania coming under the SITC heading 0 and 1 constitute about a third of the items included by A.Hazlewood in his analysis so the above procedure cannot be repeated.

Manufactures exported from Uganda to Kenya are given in Table 34, because the list of items is not all-inclusive no conclusion about overall changes in exports of manufactures from Uganda to Kenya over the period may be drawn. But it has already been indicated (Table 29) that manufactured goods and chemicals exported from Uganda followed a pattern whereby they fell in 1968 before rising in 1969 and 1970. For the exports of 'manufactures' listed in Table 34 there seems to have been a slight overall decline from 1967 to 1969 unfortunately the series for 1970 is not complete enough to continue the comparison. The largest declines occurred in unrefined sugar, margarine andshortening and woven cotton fabrics.

Table 32. Principle Exports of Manufactures from Kenya to Tanzania 1967-1970.

(£'000)

	1967	1968	1969	1970
Goods taxed in 1967				
Biscuits	59	35	18	7
Sugar confectionery & sugar preps.	30	2	5	14
Margarine and shortening	186	60	298	472
Cigarettes	194	-	-	-
Paints	19	12	24	14
Perfumery	2	75	40	35
Soap and detergents	300	550	865	837
Cotton fabrics woven	23	-	2	-
Synthetic fibres woven	100	163	128	90
Glassware	60	43	39	n.a.
Nails	15	15	n.a.	n.a.
Aluminium ware domestic	22	12	12	15
Footwear	301	463	405	352
Pens, pencils etc.	18	28	17	n.a.
Articles of plastic material	10	37	27	84
Matches	15	32	4	-
Goods untaxed throughout				
Milk foods for infants	2	270	247	258
Medicaments	297	377	414	508
Dentifrices	121	168	260	256
Polishes	32	84	55	89
Insecticides etc.	118	41	72	83
Leather manufactures	57	96	181	140
Synthetic, yarn and thread	269	309	282	240
Bags of jute and sisal	148	111	33	n.a.
Blankets	62	114	113	104
Cement	526	935	707	1173
Steel doors and windows	164	150	222	204
Insulated wire and cable	86	83	124	181
Batteries and cells for torches and radios	-	-	271	313
Motor vehicle batteries	20	28	43	n.a.
Furniture	119	188	188	222
Newspapers and periodicals	49	65	45	62

Table 33. Principal Exports of Manufactures from Uganda to Tanzania 1967-1970 (£'000)

	1967	1968	1969	1970
Goods taxed in 1967.				
Unrefined sugar	43	61	2	-
Biscuits	37	3	2	-
Cigarettes	5	10	1	-
Soap	3	5	1	-
Matches	90	54	2	-
Woven cotton fabrics (not printed)	822	503	141	72
Stockings and hose	1	2	1	-
Footwear	9	15	11	22
Goods Untaxed throughout.				
Sugar confectionery and sugar preps.	2	16	15	27
Margarine and shortening	14	50	4	2
Cigarettes	21	1	-	-
Ethyl alcohol, undenatured etc.	14	13	6	9
Medicaments	9	17	11	-
Perfumery	-	22	13	9
Soap	3	4	1	-
Fertilizers	3	8	16	20
Sheets plain or corrugated	96	53	46	n.a.
Bars and rods	298	292	343	346
Tubes and pipes	-	1	23	20
Enamel holloware of iron or steel	11	24	16	12
Travel goods	128	147	42	n.a.
Matches	90	54	7	-

Table 34. Principal exports of Manufactures from Uganda to Kenya 1967-1970 (£'000)

	tax*	1967	1968	1969	1970
Unrefined sugar	untaxed	1241	1324	787	734
Sugar confectionery and preps.	"	170	128	116	170
Margarine and shortening	"	888	692	428	n.a.
Cigarettes	"	11	24	5	3
Ethyl alcohol	"	31	29	12	30
Sulphuric acid	"	7	13	19	n.a.
Medicaments	"	8	11	10	n.a.
Perfumery	"	-	11	11	n.a.
Soap	24/11/69	267	170	190	104
Fertilizers	untaxed	244	189	313	359
Cotton fabrics woven	taxed '67	376	85	144	59
Cotton fabrics bleached	"	45	76	133	96
Dyed Khakis	"	398	414	377	435
Dyed drills and twills other than khaki	"	186	21	318	406
Dyed other cotton fabrics	"	1235	1163	1022	948
Sheets plain or corrugated	24/11/69	174	148	107	176
Pipes and tubes of asbestos cement	1/12/67	-	28	33	29
Bars and rods or iron or steel	untaxed	395	356	542	529
Tubes of pipes, of iron or steel	"	-	14	34	88
Enamel holloware of iron or steel		61	44	33	75
Travel goods	"	1	6	9	n.a.
Insulated wire and cable	24/11/69	-	-	27	38
Stockings	6/5/68	13	32	31	25
Radio Broadcast receivers	untaxed	-	-	34	68
Footwear	1/12/67	62	160	156	254
Matches	24/11/69	13	42	69	n.a.

* This column indicates whether trade in the opposite direction (i.e. from Kenya to Uganda) was subject to transfer tax and if so gives the date of the imposition of this tax.

Tanzanian exports of manufactures to Kenya are given in Table 35. Again the list is comprised of principal commodities and it is therefore not possible to come to any overall conclusion about exports of manufactures from Tanzania to Kenya. But for the items listed there was an overall increase. Principal expansion was in vegetable ghee, circles of aluminium, batteries and cells for flashlights, soap, and plywood and veneered panels. The only marked decline was a fall of £79 thousand in the exports of blankets. Tanzanian exports of manufactured goods and chemicals to Kenya were given in Table 29, there was an increase of some £800 thousand over the period.

From Table 36 principal exports of manufactures from Tanzania to Uganda appear to have increased over the period. The items where the rise was most were circles of aluminium, enamel holloware of iron and steel, batteries and cells for flashlights, radio broadcast receivers and blankets.

Transfer Tax is essentially a protectionist device to restrict imports, while there may be long-run implications for increased exports the initial impact is designed to be on imports. Analysis of trade in transfer-taxed items is a study of imports and how (but not why) they have been affected. But such a study focuses attention on only half of the issue. It is possible that the restriction of imports, regardless of the means, will affect exports.

It is theoretically possible that say Uganda's imposition of transfer-tax on Kenyan products could make it more difficult for Ugandan exports of the same product to Kenya because Kenyan exporters had been forced to turn to the home market. Obviously the same could apply to Tanzanian trade with Kenya and Uganda, for example a Tanzanian imposition of transfer tax on say/

say biscuits could conceivably force Kenyan biscuit exporters to concentrate on the home market and this could possibly have adverse repercussions on Tanzanian exports of biscuits to Kenya. Furthermore, the imposition of transfer-tax by Uganda or Tanzania on Kenyan goods and by Tanzania on Ugandan goods could not only affect just the exports of the taxing country, increased competition will affect all sellers in the same market.

It is possible that the exports of any or all of the three countries could have been affected in the way hypothesised above. There are in fact four possibilities. Exports of manufactures from Uganda to Kenya which are subject to transfer tax when imported by Uganda from Kenya or exported to Kenya from Tanzania could have been adversely affected because if Kenyan exports of these products were reduced then Kenyan exporters might have turned towards the Kenyan domestic market and thus made competition stiffer for Ugandan imports.

With the above in mind Ugandan exports of manufactures to Kenya were examined (Table 37). Again the limited nature of the items included precludes any overall conclusions being drawn. However, from the information provided in Table 37 there is no evidence of a general decline in Ugandan exports of these manufactures to Kenya, indeed footwear the only item taxed by Tanzania and Uganda throughout more than quadrupled. Soap taxed by Uganda towards the end of 1969 declined in 1970 but had done so in the two previous years. It is interesting also that Kenyan exports of footwear to Uganda declined over the period from £212 thousand to £190 thousand, Table 31, while Ugandan exports to Kenya rose by £192 thousand. Kenyan exports of sugar confectionery and sugar preparations to Tanzania fell as did exports of this item from Uganda to Kenya in 1968 and 1969 but in 1970 exports of sugar confectionery and sugar preparations were the same as they had been in 1967. Exports of Kenyan margarine and shortening/

shortening to Tanzania rose whereas Ugandan exports margarine and shortening to Kenya fell. Tanzanian imports of Kenyan cigarettes fell and there was a slight fall in cigarettes imported by Kenya from Uganda. Kenya increased her exports of perfumery to Tanzania and Uganda increased her exports of perfumery to Kenya. There is no evidence of any casual relationship between Ugandan exports to Kenya and transfer-tax imposed on Kenyan products.

Exports of manufactures from Tanzania to Kenya which are subject to transfer tax when imported by Tanzania from Kenya or exported to Kenya from Uganda could have been adverse ly affected during the period for the reasons already explained. Exports of manufactures from Tanzania to Kenya subject to transfer tax when imported by Tanzania from Kenya or exported to Kenya from Uganda have been examined (Table 38). The short list of items presented in Table 38 does not suggest that Tanzanian exports of these manufactures to Kenya have been adversely affected. Biscuits and soap taxed throughout by Tanzania and by Uganda from 1969 rose over the period (biscuits to 1969, 1970 figures not available). Of the four goods included which were taxed throughout the period only footwear exports declined and then only by £13 thousand.

Since only two of the manufacturers included in this study exported from Tanzania to Uganda were subject to transfer tax when imported by Tanzania from Uganda no conclusion can here be drawn. Similarly the list of manufactures from Uganda is too limited for any conclusions to be drawn from its analysis, (Tables 39 and 40).

From the information collected it may be concluded that there is no overall evidence of a decline in inter-state exports as a result of 'secondary' effect of transfer tax. Also from A. Hazelwood's findings there was no overall fall in transfer-taxed manufactures. But it ought to be/

to be pointed out that while Kenyan exports of transfer-taxed products often rose, one cannot say how much they would have risen in the absence of the tax.

Unfortunately no conclusion may be drawn from any analysis of changes in transfer-taxed trade and untaxed trade regarding the cause of such changes because it is impossible to separate the various influences which may be in play. One such influence which has been held responsible for restricting inter-state trade is the activities of the State Trading Corporations referred to in the last section of Chapter 3. Unfortunately comprehensive figures of schedules of items handled by the Kenyan and Ugandan National Trading Corporations and by the Tanzania State Trading Corporation have not been obtainable.

Table 35. Principal exports of manufactures by Tanzania to Kenya. 1967-1970 (£'000)

	tax*	1967	1968	1969	1970
Biscuits	taxed	11	20	27	n.a.
Vegetable ghee	taxed	15	31	170	143
Margarine	taxed			4	18
Paints	taxed	40	26	43	n.a.
Perfumery	taxed	25	38	42	36
Soap	taxed	16	62	54	58
Plywood and veneered panels	untaxed	58	117	149	112
Wood for dom.or decorative purposes	untaxed	43	81	69	84
Cotton fabrics woven grey (unbleached)	taxed	5	9	48	16
Cordage, cable etc. of sisal	untaxed	14	23	32	22
Blankets	untaxed	165	161	47	86
Circles of aluminium	untaxed	166	232	184	257
Plates and sheets. coil and strip	untaxed	5	7	23	14
Oil pressure stoves, portable	untaxed	26	29	32	38
Enamel halloware of iron or steel	untaxed	42	63	68	72
Batteries and cells for flashlights	untaxed	-	62	49	122
Radio broadcast receivers	untaxed	107	205	276	220
Shirts for men and boys	untaxed	15	27	1	1
Vests	untaxed	25	14	9	-
Footwear	taxed	72	47	56	59
Books and pamphlets	untaxed	29	35	27	48

* The first column in the table indicates whether trade in the opposite direction (i.e. from Kenya to Tanzania) in the particular commodity was subject to transfer tax(from 1967).

Table 36. Principal exports of manufactures by Tanzania to Uganda 1967-1970 (£'000)

	tax*	1967	1968	1969	1970
Biscuits	taxed	2	4	1	n.a.
Paints	taxed	-	1	1	n.a.
Perfumery	untaxed	1	11	10	1
Soap	taxed	-	-	5	1
Plywood and veneered panels	untaxed	9	20	11	-
Wood for domestic and decorative purposes	untaxed	-	1	2	6
Cordage, cable etc. of sisal	untaxed	-	3	2	3
Blankets	untaxed	3	2	3	3
Circles of aluminium	untaxed	103	110	119	172
Plates & sheets. Coils & strip	untaxed	10	2	7	14
Oil pressure stoves, portable	untaxed	1	18	16	12
Enamel holloware of iron and steel	untaxed	24	43	54	69
Batteries and cells for flash lights	untaxed	-	2	46	96
Radio broadcast receivers	untaxed	58	125	160	123
Shirts for men and boys	untaxed	11	17	49	
Vests	untaxed	3	85	131	n.a.
Footwear	untaxed	-	-	21	32
Books and pamphlets	untaxed	4	3	3	15

* The first column in the table indicates whether trade in the opposite direction (i.e. from Uganda to Tanzania) in the particular commodity was subject to transfer tax during the period.

Table 37. Exports of Manufactures from Uganda to Kenya subject to transfer tax when imported by Uganda from Kenya or exported to Kenya from Tanzania.

Goods taxed by Uganda and Tanzania throughout	1967	1968	1969	1970
Footwear	62	160	156	256
Goods taxed by Uganda from 1969 and by Tanzania throughout				
Soap	267	170	190	104
Matches	13	42	69	n.a.
Goods taxed by Uganda throughout				
None other than above				
Goods taxed by Uganda from 1969				
None other than above				
Goods taxed by Tanzanian throughout				
Sugar confectionery and preparations	170	128	116	170
Margarine and shortening	888	692	428	n.a.
Cigarettes	11	24	5	3
Perfumery	-	11	11	n.a.

Table 38. Exports of Manufactures from Tanzania to Kenya subject to Transfer Tax when Imported by Tanzania from Kenya or exported to Kenya from Uganda.

	1967	1968	1969	1970
Goods taxed by both Uganda and Tanzania throughout				
None				
Goods taxed by Tanzania throughout and by Uganda from 1969				
Biscuits	11	20	27	n.a.
Soap	16	62	54	58
Goods taxed by Tanzania throughout				
Margarine	-	-	4	18
Paints	40	26	43	n.a.
Perfumery	25	38	42	36
Footwear	72	47	56	59
Goods taxed by Uganda throughout				
None				
Goods taxed by Uganda from 1969				
None				

Table 39. Exports of manufactures from Tanzania to Uganda subject to Transfer-tax when imported by Tanzania from Uganda.

	1967	1968	1969	1970
Soap	3	5	1	-
Footwear	9	15	11	22

Table 40. Exports of manufactures from Kenya to Uganda subject to Transfer-tax when imported by Tanzania from Uganda.

	1967	1968	1969	1970
*Biscuits	45	62	53	6
*Soap	1038	870	817	576
*Matches	51	29	38	3

* Kenyan exports taxed by Uganda from 1969

Chapter 6.

The main findings summarized.

The three main features which have emerged during the analysis of trade flows in East Africa during the period 1961-1970 are (1) the increase in inter-state trade generally, (2) the increase in inter-state trade in manufactured goods and chemicals in particular and (3) the dominance of both overall inter-state trade and inter-state trade in manufactured goods and chemicals of Kenya, a domination which is not being reduced.

Inter-state trade rose by £25 million to £50.8 million over the ten years. The period 1961-65 was one of rapid inter-state trade expansion, the years 1966, '67 and '68 saw a recession in this trade before recovery took place in 1969 and 1970. While Kenya's share of total inter-state exports decreased relatively the value of Kenya's inter-state trade was still much greater than that of either Uganda or Tanzania in 1970 so as to render these relative percentage changes almost meaningless. In 1961 total Kenyan inter-state exports were 1.6 times the combined inter-state exports of Uganda and Tanzania. In 1970 Kenyan inter-state exports were still 1.6 times the combined inter-state exports of Uganda and Tanzania. Kenya substantially increased her surplus on inter-state trade during the period from £8.9 million to £15.5 million. This overall position was in no way altered by developments after 1967. Kenyan inter-state exports rose throughout 1967-70 and from 1967 to 1969 Kenya increased her share as well as the value of her inter-state exports.

Overall Tanzania's position remained pretty much unaltered, an £8.4 million deficit in 1961 increased only slightly to a £9.3 million deficit in 1970. Uganda's deficit on the other hand increased some twelvefold from/

from £0.5 million to £6.1 million. For Tanzania the period 1967-70 brought little overall change, an inter-state deficit of £9.8 million in 1967 and a £9.3 million deficit in 1970. Very large percentage increases in exports were insufficient to improve Tanzania's trade balance. Nevertheless such large export increases must be held to be encouraging. For Uganda the period 1967-1970 was less propsperous and saw her inter-state deficit rise from just under £3 million to just over £6 million.

Over the whole period trade between Uganda and Tanzania remained small although in 1969 and 1970 Tanzania did manage an appreciable increase in exports to Uganda. Kenya was the principal source of and destination for Ugandan and Tanzanian imports and exports. Kenya's exports remained evenly balanced between her partners though exports to Uganda increased slightly faster than exports to Tanzania, at the same time Kenyan imports from Tanzania increased more than imports from Uganda. This feature took shape before 1967 and remained unaltered thereafter.

The importance of inter-state exports and imports as compared to overseas exports and imports remained the same for Kenya over the period Ugandan inter-state exports gained slightly in importance and Ugandan inter-state imports gained in relative importance mainly due to her increased inter-state imports of raw materials and mineral fuels. Tanzanian inter-state exports formed a greater percentage of external trade in 1970 than in 1961 but inter-state imports displayed a relative decline. Compared to overseas exports inter-state exports for Uganda and Tanzania were exceedingly small.

Over the period 1961-1970 inter-state trade changed considerably in composition and exports of manufactured goods and chemicals rose from £9.5 million to £26.6 million. Again although Kenya's percentage share of trade in this /

in this classification declined (from 79.1% to 62.1%) the value of Kenya's share still swamped that of both Uganda and Tanzania. Kenya's surplus on inter-state trade in manufactured goods and chemicals rose from £6,242 thousand to £9,017 thousand. Uganda increased her inter-state exports and imports of manufactured goods and chemicals in almost exactly the same proportions and her deficit on this trade was £1,713 in 1961 and £1,770 thousand in 1970. While Tanzania managed a huge percentage increase in inter-state exports of manufactured goods and chemicals such exports were so small in 1961 that a threefold increase in imports of inter-state manufactured goods and chemicals made for a deficit on this trade of £7,247 thousand in 1970 as compared to a 1961 figure of £4,529 thousand.

In the manufactured goods and chemicals category of trade Kenyan exports were divided at the beginning and at the end of the period between Uganda and Tanzania in almost the same proportions. Ugandan exports of manufactured goods and chemicals to Kenya became of even greater importance relative to exports to Tanzania. Tanzania on the other hand increased her exports of manufactured goods and chemicals to Uganda at a faster rate than she increased them to Kenya while Kenyan imports of manufactured goods and chemicals from Tanzania increased faster than Kenyan imports of manufactured goods and chemicals from Uganda. Compared to trade with Kenya trade between Uganda and Tanzania in manufactured goods and chemicals remained small.

For all three countries inter-state exports of manufactured goods and chemicals were a greater percentage of external exports of manufactured goods and chemicals in 1970 than in 1961. For Kenya inter-state imports of manufactured goods and chemicals also increased in importance. For Uganda this importance was very slightly greater and for Tanzania inter-state imports of manufactured goods and chemicals declined as a percentage of overseas imports of manufactured goods and chemicals.

The/

The commodity group composition of Kenyan inter-state and external exports did not change much after 1967. Ugandan inter-state exports of manufactured goods and chemicals increased in importance relative to exports of foodstuffs, beverages and tobacco, and raw materials and mineral fuels, for Tanzania this relative importance remained the same. Tanzanian imports of manufactured goods and chemicals, both inter-state and external, rose from 1967 in relative share and absolute value. Ugandan and Kenyan inter-state and external imports of manufactured goods and chemicals displayed a much greater similarity in 1967 and 1970.

Kenya's balance on inter-state trade in manufactured goods and chemicals was roughly the same (a surplus of about £8.5 million) in 1967 and 1970. Largely because of a large decline in inter-state imports of manufactured goods and chemicals in 1968 Kenya's surplus was particularly high but Kenya's share of inter-state imports of manufactured goods and chemicals increased thereafter and her surplus declined in 1969 and again in 1970. Uganda's inter-state exports of manufactured goods and chemicals rose slightly from 1967 to 1970 while imports remained about the same thus reducing Uganda's deficit on trade in manufactured goods and chemicals by about £1.0 million. Even though Tanzania managed large percentage increases in her inter-state exports of manufactured goods and chemicals and increased her share of this trade her deficit on trade in manufactured goods and chemicals rose by some £1.5 million. In 1961 Kenya's inter-state exports of manufactured goods and chemicals were £6.5 million greater than the combined inter-state exports of manufactured goods and chemicals of Uganda and Tanzania in 1970 they were £7.0 million greater.

Kenyan exports of manufactured goods and chemicals to Tanzania increased faster than her exports of manufactured goods and chemicals to Uganda while the bias of Ugandan exports of manufactured goods and chemicals towards Kenya increased /

increased. Uganda's exports of manufactured goods and chemicals to Tanzania declined while imports of these goods from Tanzania increased. Tanzanian exports of manufactured goods and chemicals to Uganda increased at a faster rate than exports of this category to Kenya.

Finally it was found that trade in transfer taxed goods displayed no overall decline nor were there any adverse 'secondary' effects which could have been linked with the tax.

It must be concluded that the period 1961-1970 was less than satisfactory for Uganda and Tanzania, both countries increased their deficits on inter-state trade and despite occassional large percentage increases in inter-state exports such exports lagged a considerably long way behind those of Kenya. Whether or not such inequality is directly attributable to the common market arrangements the situation is hardly likely to promote a harmonious atmosphere for future development and co-operation in the region as a whole. Nor can it be argued that the situation has improved since 1967.

It is difficult to see how the existing situation can be reconciled with the 1967 Treaty proposal that, 'It shall be the aim of the Community to strengthen and regulate the industrial, commercial and other relations of the Partner States to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities, the benefits whereof shall be equitably shared.' (Treaty for East African Co-operation (Nairobi, the Government Printer, 1967) article 2, paragraph 1.) Developments after 1967 have hardly been a reversal of the foregoing trend.

Furthermore it is difficult to see how the existing position can feasibly alter except in the very long run. A major difficulty in attaining a greater equality in the trade flows within the East African Community is the fact/

the fact that Kenyan exports are so overwhelmingly greater than those of either Uganda or Tanzania and therefore small percentage increases in Kenya's exports make for disproportionate further increases in the value of Kenyan exports relative to the exports of Uganda and Tanzania. Similarly it has been seen that in the past large percentage increases in exports by Uganda and Tanzania have had very little effect in reducing the leeway with Kenya, principally because Ugandan and Tanzanian inter-state exports are so relatively small. But again regardless of how responsible one holds the common market for the observed trade inequalities it is very probable that unless they are reduced future co-operation will be jeopardized.

Chapter 7.

Suggestions for the Future.

In Chapter 2 the various benefits that could accrue to members of a common market were explained. This was done with particular reference to a grouping of developing nations. It was pointed out, however, that in the absence of countervailing measures such potential benefits are likely to be unevenly distributed. Furthermore, it was observed that it is the case that trade flows have been used by countries involved in such a union as one yardstick to evaluate the distribution of economic benefits. Certainly this has been the case in East Africa where both Uganda and Tanzania have considered that they are not enjoying an equal share of the gains.[59]

In chapters 4 and 5 East African inter-state trade during the period 1961-70 was examined. The main finding regarding the distribution of trade was the past and continued dominance of Kenya. It was observed that unless this Kenyan domination was corrected it would probably hinder future co-operation. Furthermore it was considered unlikely that this trend could be substantially altered in the short-run.[60] This conclusion is supported by 1971 figures which have now become available.[61]

In chapter 3 influences were noted which have probably influenced, or could potentially influence the pattern of trade within the East African Community. Particular attention was given to the most recent influences. In the light of the findings following the analysis of trade in East Africa it is now proposed to forward some tentative suggestions regarding future economic co-operation in the community. Thus some of the factors described in Chapter 3 will be re-introduced in an attempt to see if they can be helpful as they stand, modified, removed altogether, or added to other proposals to improve the existing situation. One of the factors that has been detrimental to a more rapid/

rapid trade expansion within the community has been a balance-of-paymements problem. It was pointed out in Chapter 3 that in this field state trading enterprises have reflected national policies of import restriction. At present there are no regulations which define circumstances in which community imports can be subject to restrictive measures and it would perhaps be helpful if agreement could be reached regarding these circumstances. The aim of such agreement would be that community imports would be at least subject to fewer restrictions than external imports. At the same time it is difficult to see how a member experiencing acute balance-of-payments problems will be persuaded not to make every attempt to reduce imports regardless of source. But if the problem of one member is in fact so acute and persistent as this then such self-protective action could jeopardise the whole future of the common market itself. In this case more serious attention will have to be paid to possible devaluation.[62]

Regarding short-term payments problems it is felt that there could be greater co-operation within the community. To help the community as a whole it is proposed that partners could provide a member experiencing short-term payments problems with credit for community purchases. Here the East African Development Bank could take a leading role in raising the necessary capital and operating the scheme in the community. One possibility would be for each partner State to make a contribution in foreign currency to be added to an equal amount raised by the Bank. This fund of foreign exchange would then be available for States who are in overall deficit in their balance of payments but the credits would be for financing the inter-state trade of such members who are also in deficit in their trade with one or other or both of their partners. It is possible that community imports suffer more than external imports for/

for a member country experiencing payments problems because it is easier to obtain credit from abroad than from a supplier within the community. A scheme such as that proposed would remove this possibility.

On the other, more optomistic hand it is recognised that full advantage may not have been taken of the existing provisions for debtor countries. At present a partner State may be granted maximum credit, in a calendar year, not exceeding one twelfth of the value of the goods that it imported from the credit-granting partner in the preceeding year. Also there is a provision for an accumulation of credits up to the value at any one time of one-sixth of the exports from the lender to the recipient in the latest period of twelve months for which information is available.

Another idea to promote greater benefits for all is that of the multi-national industry. Admittedly there are some valid objections to and difficulties of such a scheme. Since proposed industries ought to be located on a least cost basis[63] the initial impact may not be to alter the existing trade pattern. Also because of the increased importance attached by governments of developing countries to industrialisation it might be difficult to persuade members to accept benefits in the form of a profit share as opposed to location in their country.

A model of the sort of corporation that might be envisaged can be found in the E. African Corporations, posts and communications, harbours, airways and railways. While the physical assets of such corporations (e.g. harbours and railway track) differ in each of the three countries these countries' own corporations equally and would share in profits and losses equally if these were not retained within the corporations.'[64]

Other advantages of a system of industrial corporations owned jointly by the three countries are as follows. A country that did not have a substantial/

substantial share of the physical plant of any industry would be represented on the board and thus wield influence where inputs and outputs of this industry are important to its own industries. Furthermore by its voice on the board a country without a large share in the physical plant could ensure that possibilities for future investment were neither missed nor neglected in that State.

Moreover while it is possible as has been suggested in above arguments that much of any initially projected multi-national investment would gravitate towards Kenya and to a lesser extent towards Tanzania with its similar harbour facilities and resource endowments every effort should be made to identify viable investment opportunities in any lagging country.[65]

Again the East African Development Bank could take a prominent role, in this case in analysing and identifying projects and in helping to raise the necessary capital. Hopefully the additional funds required once viable opportunities for investment have been spotted will present less of a problem than might be supposed because, 'A project of this kind designed to cement and consolidate the economic integration in the E. African region should have a special appeal for external donors.'[66]

One unfortunate trend which ought to be rectified is the poor performance of Uganda in inter-State trade in more recent years. It is possible that transfer tax while leaving the overall pattern of trade unaffected has contributed in part to reductions in Ugandan exports to Tanzania. Unfortunately one cannot draw any firm conclusions from an analysis of the course of trade but what can be said is that available figures do not run counter to this possibility. From A. Hazlewood's figures presented in Chapter 5 pp.71-72 it is seen that Ugandan transfers of goods taxed at the end of 1967 as a proportion of all transfers of manufactures/

manufactures decreased from 52% in 1967 to 3% in 1970. Also Ugandan taxed transfers to Tanzania as a proportion of untaxed transfers fell from 113% to 4% in the same period. Certainly Ugandan exports of cotton fabrics, subject to transfer tax, to Tanzania fared very badly in this period. It is disturbing that Uganda prospered so markedly less well ininter-state trade after 1967. Furthermore from an examination of the course of trade in Chapter 5 it appears that the better position of Tanzania was achieved largely at the expense of Uganda. Tanzania maintained a very steady deficit on her trade with Kenya but by 1970 had turned a £1.7 million deficit on trade with Uganda into a small surplus.

It is possible that the price differential between many Ugandan and Tanzanian products is so small that the effects of any protection will give complete advantage to one or the other. If it is the case that many industries are so completely equally competitive in terms of price then a transfer tax is not the answer, indeed there is no answer except to ensure a greater complentarity of the economies in the future. Now that Tanzania has redressed her trade balance with Uganda it will be interesting to follow the course of trade if the tax is applied in reverse, i.e. by Uganda. As has been observed earlier in this study it is commonly held that a greater influence on inter-state trade has been the operations of state trading enterprises. Again it has already been stated that in certain circumstances (foreign exchange difficultties) the state trading corporations as agents of the State have merely reflected wider national policies. In the sense that these policies have been restrictive the state trading enterprises have come in for criticism. But it is pointed out that regardless of national policy of the type referred to it is possible that state trading could pose additional hindrances to trade.

It may/

It may be the case that the state trading corporations give preference to domestic suppliers over suppliers in a partner-State. It is, for example, alleged that the STC is required to give a preferential margin of 20-25% to domestic suppliers in its purchasing decisions.[67]

It is also possible that the operations of state trading enterprises may lead to discrimination against a partners products for quite unintentional reasons. This could be the case for a number of reasons, such as confinement of imports and wholesale distribution of imported products while domestic products are free from restriction on their distribution. Administrative delays and general inefficiency are other factors which could make for this kind of discrimination. In the E. African case where confinement of certain imports to state trading enterprises is widespread this regulation is never, if at all, applied to local products. It is possible to envisage situations where imports of some third country are favoured more than those of a partner (because the former are cheaper on a c.i.f. basis). This does not appear to have been the case in E. Africa on any widespread scale. But in this connection the agreement between Tanzania and China for financing the Tanzam Railway ought to be noted. Under this agreement the local costs incurred in Tanzania are financed by the importation and sale of Chinese goods. Thus Tanzania is committed to buying a certain amount of Chinese goods each year. Unless these goods are not available (i.e. not produced) in E. Africa then one effect of the agreement will be to divert trade from partner-States.[68]

There is no easy solution to the problems posed by the state trading enterprises but it is clear that action must be taken to curb their restrictive influence on inter-state trade expansion. An effort must be made to stop this trend of disintegration, a trend which can only jeopardise other areas of economic co-operation both now and in the future.

One/

One possibility for avoiding discrimination on the part of state-trading enterprises against imports from a partner country would be through changing the existing enterprises to allow for internal competition. Unfortunately, 'The scarcity of managerial and executive personnel, the organisational problems, and the possible foregoing of benefits of economies of scale and specialisation, would preclude the adoption of this system at this juncture in E. Africa.[69]

An alternative to this suggestion is an agreement on rules governing the operation of state trading enterprises, the aim being identical treatment of all identical goods (i.e. regardless of source within the community). One such plan has already been approved.[70] A major difficulty here would appear to be implementation rather than agreement. It is impossible to tell whether the rules are being applied, at least fully, by any one partner and the success of the measures must to some extent depend on mutual trust.

A more drastic and far-reaching alternative is to allow manufactures and distributors in one country to set up importing and distribution facilities in other countries. Such competition ought to prevent discrimination resulting from (possibly deliberate) inefficiency and administrative delay. Here it is assumed, however, that there are no other barriers to imports such as a foreign exchange problem.

To conclude it is pointed out that this chapter is not, and is not intended to be in any way exhaustive regarding the possible aids, rectifying and additional, to present and future co-operation within the East African Community. But while the effect of factors mentioned in Chapter 3 on trade flows within the common market cannot be individually apportioned/

apportioned some suggestions have been made concerning how best to deal with them. Prime hindrances and subsequent distortions are considered to have arisen out of monetary problems and state trading and broad guidelines have been laid down to deal with these influences. To ensure greater future benefits to all members it is suggested that much more thought ought to be given to the multi-national corporation. Finally in helping to achieve greater co-operation within the community (which would be brought about by a more equitable balance) it is felt that the Development Bank could play a much more prominent role. In addition to the areas of activity described above, the Bank could also take a more active role in encouraging industries to locate (possibly by subsidisation) in Uganda and Tanzania where finance is more of a constraint on industrial development.

References

1. Chapter 1 is an introductory chapter and because of this at times is rather general. To achieve brevity in this chapter and balance within the work as a whole such generalisations are sometimes left to be qualified or expanded in the appropriate subsequent part of the study. Where more immediate elaboration has been deemed necessary, footnotes have been introduced.
2. The theory behind this statement is given in chapter 2, page 8.
3. See chapter 2 final paragraph.
4. For example, A.J. Brown, 'Customs Unions versus Economic Separatism in Developing Countries', Part i and ii, Yorkshire Bulletin of Economic and Social Research, May and November, 1965. D.P. Ghai, 'Territorial Distribution of the Benefits and Costs of the East African Common Market', East African Economic Review, 1964. A. Hazlewood, 'The East African Common Market: Importance and Effects', Bulletin of the Oxford Institute of Economics and Statistics, February, 1966. A. Hazlewood, 'The Shiftability of Industry and the Measurement of the Gains and Losses in the East African Common Market', Bulletin of the Oxford Institute of Economics and Statistics, May, 1966. W.T. Newlyn, 'Gains and Losses in the East African Common Market', Yorkshire Bulletin, November, 1965.
5. The Kampala Agreement discussed in chapter 3, Developments after 1961, section b, was primarily concerned with trade imbalances also the transfer tax (discussed on pages 16-18) while introduced to promote a greater industrial balance has certainly been seen as a way to a greater equality in trade.

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6. As A. Hazlewood states in the East African Economic and Statistical Review, March 1972, p.viii, para. 2 of an article entitled, 'Inter-State Trade in Transfer Taxed Manufactures', "that it is not possible from an analysis of the course of trade to deduce any particular cause of the changes revealed."

7. See general references to chapter 2.

8. Examples of the groupings referred to are, European Economic Community, the Latin American Free Trade Area, the Central American Common Market, as well as the East African Community.

9. (P. Robson: 'Current Problems of Economic Integration, Fiscal compensation and the distribution of benefits in economic groupings of developing countries', United Nations 1971.)

10. S. Viner: 'The Customs Union Issue', Carnegie Endowment for International Peace, New York, 1950).

11. R.G. Lipsey: 'The Theory of Customs Unions: Trade Diversion and Welfare', Economica, New Series, 24, February 1957. J.E. Meade: 'The Theory of Customs Unions', North Holland, Amsterdam, 1955.)

12. That is if one is to evaluate a grouping of developing countries in terms of trade creation and trade diversion it is considered likely that the grouping will be concluded to be unsatisfactory since trade diversion is thought likely to outweigh any trade creation. It is recognised, however, that this is not a necessary corollary of any such union and there may be cases where the reverse is true. But having considered the theoretical possibilities and current examples of such groupings the author sides with opinion that external purchases will in the main be replaced, at first, by higher-cost purchases from a less efficient partner.

13./

13. R.F. Mikesell: 'The Theory of Common Markets as applied to Regional Arrangements among Developing Countries' in R.F. Harrod and D.C. Hague (eds), 'International Trade Theory in a Developing World: Macmillan, 1963.)

14. See P. Robson, 'Economic Integration in Africa', chapter 2, part 4, page 33, 'Dynamic Arguments for Economic Integration Among Less Developed Countries'.

15. P. Robson, 'Current Problems of Economic Integration, Fiscal Compensation and the Distribution of Benefits in Economic Groupings of Developing Countries', Chapters II and III, United Nations, New York, 1971.

16. F. Perroux, 'Note sur la Notion de Pole de Croissance', Economie Applique, 1955.

17. G. Myrdal: 'Economic Theory and Underdeveloped Regions', London, Duckworth and Company Limited, 1957.)

18. P. Robson: 'Economic Integration in Africa' London, George Allen and Unwin Limited, 1968, page 44, para. 2.

19. The following works form the main source of information for the discussion of pre-1967 developments. International Bank for Reconstruction and Development, 'The Economic Development of Tanganyika (1961); The Economic Development of Uganda (1961); The Economic Development of Kenya, 1963', all published by John Hopkins University Press. I.M.F., 'Surveys of African Economies, Vol. 2, Kenya, Tanzania, Uganda and Somalia', Washington I.M.F. 1969. P. Robson, 'Economic Integration in Africa', Chapter 4, George Allen and Unwin Limited, London 1968. D.S. Pearson, 'Industrial Development in East Africa', Chapters 1 and 2, Oxford University Press, Nairobi, 1969.

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20. Populations, Kenya II.7 million, Tanzania 13.6 million, Uganda 10.1 million. Kenya has the largest urban populations both relatively and absolutely and the degree of urban concentration is very much higher than in either of the other countries. The two cities of Nairobi and Mombasa by themselves have a combined population in excess of the total urban populations of Tanzania and Uganda combined and provide accommodation for 35% of all non-Africans resident in the region.

21. Figures taken from 'Export Instability in East Africa', B. Appleby, an unpublished dissertation, St. Andrews University, 1972.

22. See J. Banfield, 'The Structure and Administration of the East African Common Services Organisation', in C. Leys and P. Robson eds., 'Federation in East Africa: Opportunities and Problems', Oxford University Press, Nairobi, 1965. While it is generally held that the common services operated efficiently prior to the 1960's thier operations have come in for increasing criticism. This is particularly so in the case of East African Airways which have operated at a substantial net loss. It is possibly the case that while the decentralisation of the common services did something to appease both Uganda and Tanzania the result has been merely to raise overhead expenses without doing anything to promote increased efficiency but rather the reverse. (For detail of the decentralisation measures referred to see page 26).

23. P. Robson in 'Current Problems of Economic Integration, Fiscal Compensation and the distribution of benefits in economic grouping of developing countries', United Nations 1971, points out that b is not an additional loss except in a very restricted sense, see page 17, section D of the above.

24./

24. P. Ndegwa, The Common Market and Development in East Africa, 2nd ed. Nairobi, International Publications Service, 1968.

25. A. Hazlewood ed., 'African Integration and Disintegration', Oxford University Press, 1967.)

26. For more detailed discussion of the Kampala Agreement see in particular, 'The Kampala Agreement', East Africa Journal, April, 1965.

27. P. Robson, 'Economic Integration in East Africa', p.152.

28. The following are general references to the section on post-1967 developments and cover most of the points discussed. A.Hazlewood, 'The Treaty for East African Co-operation', Standard Bank Review, London, September, 1967. P. Robson, 'East African Co-operation Re-Shaped', East African Journal, August, 1967.

29. A country imposing a transfer tax is required to correct a deviation in trade caused by an increased inflow of foreign imports resulting from the imposition of the tax. Exactly how such deviation is to be countered is not stated.

30. P. Robson, 'Current Problems of Economic Integration', Chapter 5, paragraphs 171 and 172.

31. A full list of transfer taxed goods is given at the end of Chapter 5.

32. East African Community Budget (1969-1970). (Presented to the East African Legislative Assembly in Dar-es-Salaam on May 14th, 1969, by the Minister for Finance and Administration, Mr. Odero-Jowi.)

33. East African Standard 9, August, 1970, see Africa Research Bulletin page 1785, Vol. 7 No. 8 September, 1970.

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34. The East African Community, Working Paper No. 9.E/CN.14/L.409/WP.9.

35. The Times Special Report on the East African Common Market, June 1971.

36. Africa Research Bulletin page 1362, Vol. 6, No. 7, August, 1969.

37. The Economic Survey was not explicit on this point.

38. Uganda Argus 9 March, 1968, see Africa Research Bulletin page 949B, Vol. 5, No. 2, March, 1968.

39. Uganda Argus 26th March, 1968, see Africa Research Bulletin page 977A, Vol. 5, No. 3, April, 1968.

40. Uganda Argus 30th September, 1968, see Africa Research Bulletin, page 1148B, Vol. 5, No. 9, October, 1968.

41. East African Standard 23rd November, see Africa Research Bulletin Page 1203A, Vol. 5, No. 11, December, 1968.

42. In a May Day speech President Obotoe announced that along with other measures all import and export business would be conducted by parastatal bodies only, see the Africa Research Bulletin page 1677C, Vol. 7, No. 4, May, 1970. In February President Nyerere had announced that the Tanzanian Government would take over the import, export and wholesale trade from private business during the following year. See The Africa Research Bulletin page 1592B, Vol. 7, No. 1 February, 1970, and for further comment see the Financial Times (London) 6th February, 1970.

43. Africa Research Bulletin page 1757, Vol. 7, No. 7, August, 1970

44. E/CN.14/1.409/WP.9.

45. East African Standard I March, 1969, see Africa Research Bulletin page 1280B, Vol. 6, No. 2, March, 1969.

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46. Uganda Argus 26th November, 1969, see Africa Research Bulletin, page 1533B, Vol. 6, No. II, December, 1969.

47. The East African Community, Working Paper No. 9. (E/CN.14/L.409/WP.9) page 5 paragraph 22.

48. Bank of Uganda Announcement 4th May, 1970, see African Research Bulletin page 1677A, Vol. 7, No. 4, May 1970.

49. Africa Research Bulletin page 1987B, Vol. 8, No. 3, April, 1970.

50. Africa Research Bulletin page 2097B, Vol. 8, No. 7, August, 1971.

51. Uganda Argus 23rd November, 1971, see Africa Research Bulletin page 2209B, Vol. 8, No. II, December, 1971.

52. Tanzania Standard 18th March, 1971, see Africa Research Bulletin page 1980B, Vol. 8, No. 3, April, 1971.

53. See reference 52.

54. East African Standard 19th March, 1971.

55. The Times Special Report on the East African Common Market, 21st June, 1971.

56. See page 19, paragraph I. Transfer Tax is discussed in more detail in chapter 5, pp. 71-87.

57. D.P. Ghai, 'State Trading and Regional Economic Integration: The East African Experience', Discussion Paper No. 145, page 19, paragraph 3. Institute for Development Studies, University of Nairobi, August, 1972.

58. D.P. Ghai, op. cit.

59. Nowhere in this work has it been suggested that the existing trade flows directly reflect gains and losses attributable to the common market arrangements. For a fuller explanation of how the relationship is views see Chapter I.

60./

60. See Chapter 6.

61. In 1971 Kenyan exports to Uganda increased by 15% while exports to Tanzania remained constant. Kenya's imports from Uganda fell by 20% whereas Kenyan imports from Tanzania rose by 34%. Kenya's favourable balance with the other two partner States was 16% higher than in 1971.

Uganda's exports to Tanzania fell by 59% whereas her imports from Tanzania increased by 32%. Uganda's adverse total trade balance worsened by 100%. It is noteworthy that for the first time Uganda was in deficit with Tanzania. (The deteriorating position of Uganda is readily visible in the general trade analysis in Chapter 5.)

Tanzania's inter-state exports increased by 33% while imports decreased by 7%, almost all from Uganda. Tanzania's total adverse inter-state trade balance was reduced by 39%

The total value of inter-state trade in 1971 was only £1.5 million higher than in 1970 when trade had shown a £7 million increase.

62. See M. Hall and D. Tanna, Comments on Exchange Rate Unification, paper presented to the 1971 Universities Social Science Council Conference, Makere, Dec., 1971. Also D.P. Ghai, The East African Community: The Way Ahead, in African Development, April 1972.

63. See East African Community Working Paper No. 9,E/C.N.14/L. 409, paragraph 26.

64. See East African Community Working Paper No. 9, E/CN.14/L.409, paragraph 35.

65./

65. There is so much to be done in any developing country, and so many idle resources, that there is no reason for despair or special concessions by the other associated countries merely because the latter at a certain point in time appear to have more obviously viable industrial possibilities.

66. D.P. Ghai, State Trading and Regional Economic Integration: The East African Experience, Discussion paper No. 145, Institute for Development Studies University of Nairobi, Aug. 1972, final page.

67. D.P. Ghai, op. cit. page 20, para. I.

68. See East African Community Working Paper No. 9, para. 18.

69. D.P. Ghai, op. cit., page 22. para. I.

70. See Chapter 3, Page 21, para. I.

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