whole nation being alerted to the potential dangers of foreign aid,[34] and second, in the establishment of certain minimum safeguards or precautions which must be observed in soliciting foreign aid or participation of any kind. Finally, it lies in the full realization that socialism in Tanzania will not be built by capitalists, nor by latter-day capitalists turned socialists. It will only be built through the dedication of Tanzanian workers and peasants working together under the banner of the Party. This article has been a modest attempt to shed some light on these important issues.

34 See, for example, an article in *The Standard* of 4 March 1971, entitled "The dangers of American Aid to New Nations," criticizing the sinister role of the Harvard-based U.S. Development Advisory Service (DAS) in Busia's Ghana. The article concludes that "With the help of DAS, Ghana's socialist plans were gradually destroyed."

East African Export Commodities and the Enlarged European Economic Community

SIMON M. MBILINYI*

. . . the fact of economic growth obviously induces the power-patronizing foreign enterprises to take new decisions and adapt new standpoints. A country starting a growth process must, however, foresee the expectable attitude of the patronizing powers since eventual economic sanctions might create difficulties for it on the international money and commodity market. If a country can no longer dispense with the good will of the main international factors, that is the economic powers controlling the money and commodity market, it will have to acquire partners who—owing to their political or economic conflicts with the patronizing power—are ready to fill the gap.

Jozsef Bognar, *Economic Policy and Planning in Developing Countries* (Budapest, 1969).

INTRODUCTION

It can safely be said that trade, in terms of exchange of goods and services, is one of the oldest economic activities of mankind. Since the inception of economics as an academic discipline, the early economists or classical economists such as Adam Smith and Keynes, and the neo-economists of today have argued that trade and especially international trade, offers the means by which the international division of labour is maximized, and hence the theories that developed concerning international or global distribution of income. Most of these theories are based on the assumption of differences in resource endowment and comparative advantages. It is argued that specialization in production could meaningfully be achieved and by such specialization, more of a given commodity and/or services could be achieved, which in turn could develop, enhance and maintain trade and indeed international trade.

The premises on which these theories were based and the assumptions under which they were conceived and developed were too idealistic, if not deliberate distortions of the realities of international behaviour and interaction. History is full of accounts of the failures of these theories, starting from the mercantile laws of England, through the Boston Tea Party in the U.S.A., to the current issues of who should carry the wheat which the Soviet Union bought from the United States. Also, most of these theories were developed and expounded at a time when there were no nations, in the sense there are today, in the Third World. Hence, the theories were developed and modified in favour of the developed countries, at the expense of the developing countries. The exploitative relationship between the colonized and the colonizer was not acknowledged when developing international trade theories and, worse still, the interests of the colonizers and their international corpora-

*Simon Mbilinyi is Senior Research Fellow in the Economic Research Bureau at the University of Dar es Salaam. This article was written while the author was Visiting Professor in the Agricultural Economics Department, Michigan State University.

tions were not mentioned in specific terms in the literature of international trade, not even at the time of Leontioff in the first quarter of this century. Mention of nationalistic vested interests and of their agents, the international corporations, has been made recently since the problems of international relationships between the developed and the developing countries have been encountered, but the problems have not yet received the attention they deserve.

It is not intended here to engage in a detailed review of the literature on the theory of international trade and the laws of comparative advantage. This paper will attempt to discuss a few issues concerning East Africa's export commodities and the enlarged European Common Market. In order to carry the discussion forward systematically and logically the paper will attempt to highlight the following points:

1. The economic and political relationships between the East African countries and the European countries in their historical context.
2. The development of and structure of trade in Europe in the second half of the century with special emphasis on the post-EEC era.
3. The structures and content or composition of the East African economies and their trade capabilities and potentialities.
4. The European Economic Union and the East African Community Agreement, the Arusha Agreement.
5. The future of the E.E.C. and the E.A.C. Trade Association.

ECONOMIC AND POLITICAL RELATIONSHIPS

Although there was some interaction between the peoples of eastern Africa and the Europeans of continental Europe and the United Kingdom as early as the 15th century, these early contacts did not have much impact on the social, economic and political life of the peoples of eastern Africa. The real impact of Europeans began to manifest itself after the scramble for Africa culminating in the partitioning of the African continent by the Versailles Treaty of the 19th century. In order to understand the developments that have come to shape the present day African nations' economic, social and political orientations, it is imperative that we understand the motives that led European nations to scramble for Africa. In this context, there was only one major motive and all other activities centred around it. The motive was economic. Europe was engaged in the industrial revolution, it needed to expand both its sources of raw materials and markets for manufactured goods, which were by and large consumer goods. The objectives of these colonial powers, therefore, were to get as much raw materials as possible and expand their exports to the colonies as much as was feasible. Around these motives and objectives, policies on production and trade evolved and developed.

It does not come as a surprise, therefore, that in the first instance both the German and the British Governments administered East Africa through trading companies; the German East Africa Company and the British East Africa Company respectively. The missionaries may have had similar motives but preached a different rationale for their intrusion into

African history. The trade policies that were followed by these two administering companies are not known nor have they been fully documented. But the policies become clear when their successors, the German and British Governments, took direct control of the colonies themselves.

The two Governments put great emphasis on the development of three sectors of the East African economy; agriculture, communication and trade. The policies on agriculture were such that they were eventually to make the East African countries of Tanganyika (German East Africa), Kenya, Uganda and Zanzibar (British East Africa) into plantations producing copra, coffee, tea, cotton, tobacco, vanilla, rubber, etc., in short, all the possible crops which would form the export commodities. At first both Governments had similar approaches towards producing these crops, and the approach was to develop large plantations and import white settlers to come and live on and develop them further. In some areas this policy worked, but the Germans later changed their minds after experiencing failures and let smallholders raise some crops. The British were successful with the policy in Kenya but less successful in Uganda and Zanzibar. By the end of the two World Wars many of the export crops which were originally plantation crops were grown by smallholder farmers.

The second area of emphasis by these colonial powers was the development of transport. To this end the Germans built two railways before WWI—the Central Line, Dar es Salaam to Kigoma and Tanga to Moshi. The British built the Mombasa-Kampala line. Both Governments began the development of the East African ports of Mombasa, Tanga, Dar es Salaam, and Lindi. In addition there were several thousand miles of dirt roads. The development of agriculture and communications had two major objectives. The first was to establish the East African countries as full-fledged colonies; as Sir Charles Eliot put it:

> The differences in the administration of German and British East Africa are mainly due to the fact that, whereas we [the British] have devoted all our time and attention chiefly to the construction of the Uganda Railway [through Uganda and Kenya] and shown extreme parsimony and indifference in other respects, the Germans have done little in the way of railway construction, but have devoted themselves to the methodical development of the colony with a systematic thoroughness . . . and a lavishness due to the determination to establish a colonial empire at any price . . . [1]

The second objective was to expand international trade between the East African countries and the two respective countries in Europe. Before the coming of the British and the Germans, most of the trade of Eastern Africa went to the Gulf of Arabia because the coastal belt including the islands of Zanzibar and Pemba were part of the Arabian Peninsula—Red Sea-Gulf trading and political zone. But by 1911-12, the trade pattern had changed from East

1 Sir Charles Eliot, *The East Africa Protectorate*, (1905) as quoted by M. J. H. Yaffey, "Balance of Payments Problems of a Developing Country: Tanzania," a joint publication, Economic Research Bureau, University College Dar es Salaam, IFO-African Studies, Germany, p. 43.

Africa/Oman to East Africa/Germany and the United Kingdom. This signalled the beginning of the trade pattern still found in Africa today.[2]

The emphasis and strategy of development adopted by these colonial powers completely and deliberately left out development of the industrial sector in the colonial economies. This was in line with their objective, namely that they wanted to develop these colonies as sources of raw materials and as new markets for their manufactured goods, not that industrial development could not be undertaken in East Africa for technical reasons. For example, in August 1914 the British navy began a blockade of German East Africa. The Germans made quite an impressive list of manufactured goods which included: quinine, blankets, dye stuffs, cigarettes, soap, bark socks, palm wine, and even a kind of petrol (trebol) made from copra. The Amani Agricultural Research Institute was switched over to war production and in the first 18 months made "16 varieties of food stuffs and liquors, 11 varieties of spices, 12 varieties of medicines and medicaments, 5 varieties of rubber products, 2 of soap, oils and candles and so forth. Some of these were produced in bulk, including 15,200 bottles of whisky and other spirits, 10,000 pieces of soap and other items."[3]

The history of the colonial development of the three East African countries is longer than that I have tried to sketch above. It has lasted for a period of over seventy years, but it is not my intention to go into the details of this historic epoch but rather to emphasize the relationship that exists now between the East African and European countries.

The period I have chosen has important consequential meaning for the fundamental problems of the East African economies today, problems which will form the major issues in this short essay. Basically, the two colonial powers determined the basis on which the present-day economies of East Africa are built and, more importantly, they determined the structures of these economies. These economies and their structures have developed in the manner they were intended to develop, that is, they have very high dependence relationships with the metropolitan countries in terms of markets for their commodities (which are mainly agricultural), and production has been decided upon in order to complement these same metropolitan economies as sources of a whole range of consumer, intermediate and capital goods. On top of that, there is a high dependency on technology (innovation) and entrepreneurship. These two types of dependency relationships have created a further problem of relationship between national (East African) production and consumption. Dr. J. F. Rweyemamu states the problem very clearly when he writes:

> The first two dependency relationships [referring to international commodity markets and dependence on imported goods] have created an asymmetry between the structures of production and consumption such that East African

2 For further detailed discussions of the early developments of East Africa, see M. J. H. Yaffey, op. cit., pp. 42-64; also *Koloniale Rundschau* (various issues), *Report on the East African Commission,* (1925).

3 *Report of the East Africa Commission 1925* as quoted by M. J. H. Yaffey, op. cit., p. 46.

> *money* economies generally consume what they do not produce and produce what they do not consume.[4]

In essence, the structures of exports for the East African countries have no home base. Hence the economic relationships which invariably dictate political relationsips between the developed countries on the one hand and the developing countries on the other is that of total dependency of the latter to the former. The detailed discussion of the East African economies and their international trade will be presented later in this paper.

Having looked into the evolution and development of the East African economies it is logical that a brief outline be made of the economies of Europe, especially of their production and consumption structures which allow a more meaningful interpretation of their trade relationships. After this discussion we can go into the details of East African trade.

THE ECONOMIES AND TRADE OF EUROPEAN COMMUNITY COUNTRIES

European countries are better known to Africans than any others because of their colonial activities and the type and systems of education they imparted. Europe was presented to the Africans as heaven on earth and the Africans mastered the history of its development.

The era in Europe's history which is pertinent to this essay dates back to 1948, three years after World War II, when the European countries emerged from the war weak, "faced common dangers and many interrelated economic and political problems,"[5] and started establishing a number of international organizations to help them coordinate their policies and actions. The first of these organizations was the Organization for European Economic Cooperation (OEEC) founded in 1948, which aimed at speeding the economic recovery of its 16 member countries and allocating American aid.[6] This treaty was followed by the one establishing the European Coal and Steel Community (ECSC) in 1952; it was essentially aimed at a customs union for coal and ferrous products. This treaty was ratified by six members who became the founding members of the European Economic Community (EEC)[7] created in Rome in March 1957. The main feature of the EEC treaty was:

> the creation of a Common Market, through the progressive reduction and elimination of all fiscal and physical restrictions on the free movement of goods, capital, and persons between member countries, the harmonization of their economic policies and the consolidation of their separate external tariffs into a single tariff system, applicable to imports from outside the community.[8]

4 J. F. Rweyemamu, "Possibilities of Regional Industrial Planning and Development in East Africa," a paper presented to the 1972 E.A.C. Study Seminar on Integration and Regional Plan Coordination, Kampala, Uganda, June 4-16, 1972.

5 *EFTA—European Free Trade Association: A Single Market of 100,000,000 People,* published by the Secretariat of the European Free Trade Association, Geneva, Switzerland (no date, probably 1965/66).

6 The OEEC was succeeded in 1961 by the Organization for Economic Cooperation and Development (OECD). Its membership aims at fostering international economic cooperation and is not restricted to Western European countries.

7 The six member countries were: Belgium, France, The Federal Republic of Germany, Italy, Luxemburg and the Netherlands.

8 EFTA; op. cit., p. 1.

At the same Rome meeting in March 1957, a second treaty was signed to establish the European Atomic Energy Community (EUROTOM) which provided for the co-ordination of nuclear research and power projects.[9]

The other West European countries who hesitated to join the Community because of difficulties with their economic and social policies, particularly those pertaining to agriculture, overseas dependencies, and military neutrality, felt threatened by the Community, and sought ways of reconciling the interests of the Six and the other members of the OEEC. After long negotiations, seven countries belonging to the OEEC[10] but not to the EEC formed the European Free Trade Association (EFTA) dealing only in industrial goods. The EFTA Convention came into force on May 3, 1970.[11]

As the concern here centres on the enlarged EEC, the economies and trade of the European countries will be presented in terms of both the Six (founder members) and the Ten (the enlarged EEC).[12] The most salient feature of the European economy is that by reason of its structure it is home-based. By this I mean the structures of production are such that they are aimed at fulfilling the demand of the home market first and the export market second. Thus, the production of goods and services are closely related to consumption by the people of Europe. This feature is reflected in the national accounts of the Six and the Ten; the GNP at market prices of the Six in 1970 was U.S.$485,200 million and that of the Ten was U.S.$637,400 million of which only U.S.$177,000 million represented total international trade (being U.S.$88,000 million imports and U.S.$88,500 million exports) for the Six. When the international trade figures are extended to include the Ten, a substantial increase on dependence on international trade is reflected. For the year 1970, international trade accounted for U.S.$235,000 million (being U.S.$120,000 million for imports and $115,000 million for exports).[13] This increase is due to the great dependency on international trade on the part of the United Kingdom, which in that year imported U.S.$22,000 million worth of goods and exported goods worth U.S.$19,000 million. Most of the trade went to and originated from the European countries and U.S.A. which accounted for just over 70 per cent of the total imports and 76 per cent of the total exports for 1970.

The second important feature of the European economy is in the composition of its production and trade which is mainly industry oriented. This phenomenon is reflected in the lead industries, such as iron-ore, tobacco, pulp and paper, basic chemicals, iron and steel products, aluminium, copper, lead, zinc and tin, and motor vehicles. It would be boring to go into the detailed

9 The two treaties establishing the EEC and EUROTOM became effective on January 1, 1958.
10 The seven countries were: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.
11 EFTA, op. cit., p. 2.
12 Although Norway eventually did not join the enlarged EEC, for the sake of convenience, I shall include her as a member in the discussion.
13 Commission Des Communautes Europeennes Information, "The Enlarged Community in Figures," (Brussels, January 1972), Doc. No. X/43/72-E.

production and trade statistics on all these industries, but a summary of the major industries and other economic indicators is given in Table 1.

Table 1—SELECTED INDUSTRIES AND SOME ECONOMIC INDICATORS, 1970

Industry/Economic Indicator	*Units*	*The Six*	*The Ten*	*U.S.A.*
Economic Indicators				
Population	000	189,787	257,242	205,395
GNP	$000 mill	485.2	637.4	933.3
Imports (% of world total)	%	30.3	41.0	13.7
Exports (% of world total)	%	31.8	41.2	15.5
Primary energy (production)	000 tec	330,828	520,356	2,151,397
Industry				
Petroleum products (production)	000 tons	391,661	504,208	565,488
Steel production	1000 tons	109,191	138,943	122,120
Motor vehicle production (passenger & commercial)	1000	8,029,000	9,670,000	6,550,000
Woodpulp/paper/board	000 tons	20,424	39,835	81,668
Tobacco (excluding cigarettes and cigars)	000 tons	46	69	71.5
Basic chemicals—Sulphuric Acid	000 tons	14,794	—	26,436
Agriculture				
Cereals (total production)	000 tons	69,161	91,187	192,966
Milk products	000 tons	75,834	98,924	52,707
Eggs	000 tons	2,505	3,543	4,053
Meat (total production)	000 tons	11,669	16,216	23,227
Transport/Shipping				
Rail transport	Mill. Passeng/kns.	120,711	155,748	10,568
Merchant shipping	1000 tons gross	28,656	77,317	18,463
Standard of Living				
Calories per head/day		3,170	3,171	3,350
Meat consumption	Kg/head/yr.	676	—	1,100
Television receivers 000		40,038	58,300	81,000
Telephones 000	each	34,255	51,297	115,222

Table 1 clearly demonstrates that the European countries are highly industrialized and the economies are inward looking (that is, home production for home consumption), but, at the same time have an eye for export. The Europe of the seventies is far stronger and more economically dynamic than the Europe of the 1950s.

The third feature of the European economies concerns agriculture. Agriculture and agricultural policies of Europe have been controversial throughout the post-war era, especially at the formation and during the period of the

EEC. This controversy has centred on a number of issues including costs of production and subsidies in the various member countries, price differentials and import and export policies. In spite of European internal problems on agriculture, the area is important to both the U.S.A. and the developing countries, particularly Africa as a whole, as it constitutes a large market for select agricultural commodities. This feature will be discussed later in conjunction with the East African Community. It will suffice here to examine a little further aspects of EEC's agriculture which are relevant to the East African Community.

The importance of agriculture in the overall economic pattern of the Six (EEC) has tended to diminish in the three years prior to 1970. This diminishing trend is seen in terms of agriculture's share in the GNP, people employed in the industry, in accumulation of capital and in the value of total exports. Of course there are variations within each member state's position. The trend is summarized as follows:

> For the Community as a whole the share of agriculture in the GNP fell from 6.6 percent in 1967 to 6.1 percent in 1968 and finally to 5.8 percent in 1969. The percentages for individual member countries were 9.7 percent for Italy, 7 percent for the Netherlands, 5.8 percent for France, 4.6 percent for Belgium, but only 3.6 percent in Germany.[14]

Similar trends and variations are shown in the number of people permanently employed in agriculture and in capital accumulation. In terms of exports, however, agricultural products still represent a significant proportion, even though in totality the figures are diminishing. The great exporters of agricultural products are France and the Netherlands, with 20 per cent and 27.7 per cent respectively of their total exports.

The declining share of agriculture in terms of the parameters illucidated above should not be confused with the production performance of the industry. Total agricultural production in the EEC countries increases at a fluctuating rate of between 3.8 per cent and 4.8 per cent annually. These rates of increase in output exceed the rates of increase of demand for agricultural products, estimated at 2.5 per cent per annum.[15] In other words, the EEC is self-sufficient in a number of crops and livestock products. The commodities which the EEC countries produce are circumscribed, however, by the temperate nature of the climate. The major commodities produced include wheat (durum and soft), maize, sugar beet, fats and oils, fruits, animal and vegetable products and a number of other cereals and potatoes.

From the discussion on the salient features of the EEC economies presented above, some tentative conclusions can be made:

(a) The economies of the EEC member countries are highly developed and industrially oriented. The production structures with a strong industrial base, are directly related to home consumption.

14 *European Community: The Agricultural Situation in the EEC* (Division for Agricultural Information in collaboration with the Directorate-General for Agriculture of the EEC, Brussels, January 1971).

15 Ibid.

(b) In terms of movements of goods and services produced in these countries, there is a tendency for greater trade within the European countries and between the EEC and other developed economies of North America, Japan and Eastern Europe.

(c) Trade expansion between the EEC and the developing countries will grow at a small pace, partly due to the latter's limited resources in foreign exchange and the composition of their trade which is in the main raw materials.

(d) The increasing rate of growth of chemical industries and plastics may in the long run pose a threat to the developing countries for commodities like natural fibres (sisal and cotton), pyrethrum and hard timber.

But as the structures of production and consumption change in the developing countries, there is reason to believe that trade between the European countries and African countries could also change, and change towards bigger volumes and values. In order for this to materialize, the most important single thing that must be underscored now is the attitude, particularly on the part of the EEC member countries, to the developing countries, especially those of Africa. The attitude called for is that the EEC member countries regard the developing countries of Africa as partners in progress, because the former are fully aware of the handicaps of these countries, and are in a position to pull them up. Without this understanding, and worse still if the master/slave or exploiter/exploited relationship continues, there can hardly be any meaning in strengthening the present relationship.

THE ECONOMIES OF THE EAST AFRICAN COMMUNITY COUNTRIES

I have already attempted to highlight the development of the East African countries, which are member states of the East African Community (EAC) in a historical perspective. Some explicit though not implicit characteristics of the economies were exposed including the present structures of production and consumption developed out of a weary colonizer/colonized relationship. They were not the outcome of the efforts and planning of the indigenous people of these countries nor of their new governments.

Second, agriculture is the backbone of the economies of East African countries contributing an average 40 per cent of the gross national product. But the structures of production and consumption of this crucial sector are such that they fail to make a comprehensive strategy for industrial development, in the sense that there is a dichotomy in the sector; one part concentrates on industrial crops (or crops that feed industries, e.g., cotton, coffee, tea, pyrethrum) and these are linked with metropolitan economies, and the other concentrates on food production and has been characterized as a subsistence sector (production for consumption mainly by the producer himself).

Third, the East African economies are very much dependent on the metropolitan countries for markets for the various agricultural commodities and other raw materials (minerals, forestry products and tourism), for various consumer, intermediate and industrial goods and inputs in the various sectors and technology. With this heavy dependence go all the disadvantages of instability and uncertainty in the international commodity markets, the chronic balance of payments problems, the snail's pace in growth of domestic production and exports and an inherent failure in the development of indigenous or local technology.

Fourth, it is not easy at the present moment to speculate about the reaction of the EEC member countries, should the EAC member states' economic structures of production change to exports of more industrial products, especially if these industrial products were processed agricultural commodities. If the fiasco between the United States and Brazil over the export of soluble coffee two or three years ago is taken as an indicator of the general attitude of the developed countries to such economic structural changes in developing countries, the road ahead towards international cooperation in liberalized trade is not easy for the developing countries. This point will be raised later when discussing the EEC and the EAC Association Agreements.

A thorough and meaningful exposé of the East African economies unfortunately cannot be treated satisfactorily in a short paper like this one, but substantial analysis on the subject has already been carried out by very competent academic and practising economists.[16] It will suffice, for the purpose of this paper, to look at the components of the GNP of the East African economies and note some salient features that will enable us to discuss the trade relationships between the EEC member countries and the EAC Partner States.

Table 2 shows the summary composition of the GNP at factor cost of the three East African countries. Although I was unable to obtain recent data, the composition of the GDP of the three countries has not changed very much in recent years, and therefore the data given is indicative of the position today.

Table 2 confirms the agricultural base of the East African economies. The magnitude of this bias can be seen from the figures. Of the Gross Domestic Product of shs. 25,000 million for the EAC (summation of the three countries), agriculture accounted for 40 per cent. More striking is the fact that 21 per cent of this GDP constituted *nonmonetary* items, predominantly subsistence agriculture and its related activities (forestry, hunting and fishing) and only 19 per cent constituted monetized agriculture. There is, however, a slight variation in the dominance of the agricultural sector in the EAC Partner States' economies. Agriculture accounted for 33 per cent of Kenya's GDP in 1969, (20 per cent subsistence agricultural activities and 13 per cent monetized). In Tanzania, 41 per cent consists of agriculture (22 per cent subsistence or

16 P. Robson, *Economic Integration in Africa* (London: Allen and Unwin, 1968); Yoeri Kyesimira, *The East African Export Commodities*, MISSR-Studies (Nairobi: East African Publishing House, 1969); J. F. Rweyemamu, "The Structure of Tanzanian Industry," ERB Paper No. 71.2 (University of Dar es Salaam, 1971); D. Ghai, ed., *Economic Interdependence and Economic Integration in Africa* (Nairobi: Oxford University Press, 1973); C. Thomas, "The Transition to Socialism: Issues of Economic Strategy in Tanzania-Type Economies," ERB paper, University of Dar es Salaam (mimeographed), 1972; R. H. Green, "Economic Union in East Africa: Principles, Prices and Proceeds," University of East Africa Social Science Conference (EAISR Paper 353), 1965.

Table 2—GROSS DOMESTIC PRODUCT AT FACTOR COST 1969 (ESTIMATED) SHS. MILLIONS

Sector	*East Africa*	*Kenya*	*Tanzania*	*Uganda*
Non-Monetary Economy				
Agriculture, Forestry, Fishing and Hunting	5,190	1,834	1,664	1,969
Building and Construction	268	179	59	30
Ownership of Dwellings	973	192	539	242
Other Services	67	67	—	—
Sub-total	6,775	2,272	2,262	2,241
Monetary Economy				
1. Enterprises and Non-Profit Institutions				
Agriculture, Forestry, Fishing and Hunting	4,691	1,286	1,430	1,975
Mining and Quarrying	275	48	158	69
Manufacturing and Repairing	2,056	1,106	597	353
Building and Construction	783	387	299	137
Electricity and Water	323	139	82	102
Transport, Storage & Communications	1,743	802	662	279
Wholesale and Retail Trade	2,823	906	1,022	895
Banking, Insurance and Real Estate	723	381	215	127
Ownership of Dwellings and Rents	564	323	—	241
Other Services	632	389	—	243
Sub-total	14,613	5,727	4,465	4,421
2. Private Households (Domestic Services)	190	73	76	41
3. Central Government				
Public Administration and Defence	1,444	495	579	370
Education	364	497	197	170
Health	401	173	142	86
Other Services	386	288	98	—
Sub-total	3,095	1,453	1,016	626
Total Monetary (1+2+3)	17,898	7,253	5,557	5,088
GROSS DOMESTIC PRODUCT	24,673	9,525	7,819	7,329

Sources: Extracted from *Economic and Statistical Review, No. 37* (December 1970), East African Statistical Department, East African Community, Table K1, p. 94.

Note: These national estimates of Gross Domestic Product are not strictly comparable. They have been summated to give East African totals. The only adjustment which has been made is that the values of 'Craft Industries' and 'Construction' as shown by Tanzania in the subsistence economy have been excluded from the E.A. totals.

nonmonetary and 18.5 per cent monetized). The more spectacular situation, however, is that of Uganda which had 54.1 per cent of its GDP composed of agriculture subdivided evenly between subsistence and monetized, 27 per cent and 27.1 per cent, respectively. Thus, an important feature of the agricultural sector in the EAC Partner States' economies is the large proportion found in the nonmonetary subsector. This feature raises a number of fundamental issues. Firstly, it is almost impossible to gauge the magnitude of the nonmonetary sector due to the difficulties encountered in collecting production data. At the same time, its importance to the population of East Africa is unparalleled in that over 90 per cent of the people depend on this sector for their livelihood.[17] Second, its share of national development budgets is small because its importance in national priorities is underrated, partly because it is underestimated in the national accounts and partly because the peasants are not in a strong enough position politically to pressure the bureaucrats who decide on these issues. Third, this neglected sector could be a blessing in disguise in that it could form a springboard for a revolution in transforming the production and consumption structures discussed earlier if the proper planning were done in the right way and at the right time.

The monetized sector of agriculture on the other hand, enjoys a whole range of privileges, including well organized marketing systems and structures, better infrastructure in terms of communications and storage, domestic and foreign financing and often input subsidies. It also receives top priority in practically all national development plans, in addition to having an immense stock of knowledge and technology acquired through research.[18] Yet the dilemma of its being oriented towards metropolitan economies lingers on.

The other important and relevant sector of the East African economies is the industrial sector. As I have emphasized earlier, industrial development was not a part of the colonial Governments' aim in East Africa. In fact, it would have worked contrary to their philosophy of extracting raw materials from the colonies for industrial development in Europe. So any industrial attempts that exist are a result of relatively recent efforts.

From Table 2, it can be seen that the industrial sector we are talking about is oriented towards manufacturing and repairing. For the year 1969, industry contributed a mere 8 per cent of the total EAC Partner States' GDP. The leading contributor was Kenya with 11 per cent of her GDP accounted for by manufacturing and repairs followed by Tanzania with 7.5 per cent and Uganda with 6 per cent. The consoling factor is that this is the

17 By its very nature subsistence production has 'subsistence trade' which the EAC Partner States' national accounting systems and procedures cannot possibly accomodate. Typical examples are those of cooking banana, vegetable and fruit trades. See for example, A. Mascarenhas and S. M. Mbilinyi, "The Orange Trade of Dar es Salaam: A Case Study of Risk Taking Among Peasant Food Producers," *East African Journal of Rural Development*, Vol. 4 No. 1 (1971). And by the same authors, "The Sources and Marketing of Cooking Bananas in Tanzania," ERB Paper (University of Dar es Saalam, 1969).

18 For further discussion on this issue see S. M. Mbilinyi, ed., *Agricultural Research and Rural Development* (Nairobi: East African Literature Bureau, forthcoming).

fastest growing sector in all the three countries.[19] This rate of growth is encouraging, but the characteristics of the sector require rethinking. These characterstics are, first, most of the industries are semi-processing, or processing for export trade, while manufacturing caters mainly for import substitution which tends to be luxury consumption. Second, the sector is too reliant on foreign inputs (plants and spares), foreign investments (private and public borrowing), foreign technology and foreign expertise. This phenomenon makes the locally produced goods expensive, hence out of reach for most peasants and workers, increases the burden of public debt servicing (servicing of public debt per capita for East Africa increased from shs. 122/- in 1960 to shs. 188.60 in 1967), and above all relies heavily on borrowed money and time. Third, the industrial developments of the Partner States in the EAC are not coordinated. The noncoordination gives rise to competition within the Community, resulting in excessive plant capacities; typical examples are those of the textile and tyre industries. However, the EAC is trying to get the Partner States to realize the importance of coordinated industrial strategies and development. At an EAC study seminar on Integration and Regional Plan Coordination, held at Kampala in June 1972, a number of papers raised important issues on the need and importance of a concerted effort towards industrialization in the EAC member states.[20]

The examination of the East African Community Partner States' economies reveals that, for the foreseeable future, agriculture will play a dominant role in the development of these economies. Industry has its role to play but needs reorientation and better coordination between the Partner States. Trade capabilities and potentialities, therefore, will follow the same path for the time being and for the near future; agricultural commodities will play a major role, and international trade in manufactured goods will mainly be within Africa and specifically with the neighbouring countries of Zambia, Zaire, Ruanda, Burundi, and Somalia. Exports of industrial goods to the European markets will take off very slowly.

THE E.E.C. AND THE E.A.C. TRADE ASSOCIATION

The independent African countries have by and large maintained their trade links with their excolonial masters. The French speaking African coun-

19 For a clearer picture and better understanding of the developments of this sector, refer to the respective Governments' annual economic surveys: *Kenya: Annual Economic Survey, 1970/71* (Nairobi: Government Printer); *Uganda: Background to the Budget* 1970 (Entebbe: Ministry of Planning and Economic Development); *Tanzania: Background to the Budget* (prior to 1970), *Annual Economic Survey 1970/71, The Annual Plan 1971/72,* (Dar es Salaam: Government Printer).

20 J. F. Rweyemamu, "Possibilities of Regional Industrial Planning and Development in East Africa"; Iddi Simba, "Possibilities of Regional Industrial Planning: The Role of a Development Bank"; A. C. Mukiibi, "Possibilities of Regional Industrial Planning and Development East and/or Eastern Africa"; Higiro-Semajege, "The Growth of Intra Community Trade"; R. H. Green, "East African Economic Integration: Benefits, Costs, Priorities"; Robert Ouko, "The Process of Regional Economic Integration in the East African Community". All these papares were presented at the 1972 EAC Study Seminar on Integration and Regional Plan Coordination held at Uganda International Conference Centre, Kampala, Uganda, June 4-16, 1972.

tries have traded mainly with the EEC and particularly with France, while the English speaking countries have traded chiefly with the Commonwealth countries, especially with the United Kingdom. A brief examination of the export and import destinations and the trade composition for the EAC Partner States confirms the above statements.

In 1969, East African countries exported goods worth shs. 4,500 million. Of this total, the Commonwealth countries imported shs. 1,900 million worth of goods, and the United Kingdom alone imported shs. 1,058 million worth. The EEC countries imported only shs. 574 million worth of goods, of which West Germany and the Netherlands imported shs. 270 million and shs. 130 million worth of goods, respectively. Between the two, goods worth shs. 400 million were imported from the three East African countries. Most of these goods were agricultural commodities and other raw materials.

Origins of East African imports showed similar trends. In 1969 East Africa imported goods valued at shs. 4,668 million, of which 30 per cent came from the United Kingdom, 8.3 per cent from West Germany; Italy provided 4.7 per cent, Netherlands 3.7 per cent and France 3.2 per cent. Imports from the Commonwealth countries accounted for 41.4 per cent of the total East African imports while the rest of the world shared the remaining 58 per cent. The composition of these imports for that year was as follows: manufactured goods (SITC 6) accounted for 28.3 per cent of the total imports, machinery and transport equipment (SITC 7) 34.5 per cent, chemicals (SITC 5) 9.5 per cent, mineral fuels (SITC 3) 8.9 per cent and miscellaneous manufactures 8 per cent. These five categories of goods accounted for about 90 per cent of all East African imports.[21]

This trade alignment of African countries vis-à-vis respective European countries is not a result of accident or coincidence but rather of systematic and well planned development, starting from the colonial relationships as we have seen earlier.

With political independence and the development of the East African economies, the East African countries have sought to diversify their export markets. Although the U.K. has been their major trading partner, Commonwealth countries with their preference tariffs are also important. Increasingly, East African exports are moving to other parts of the world, including the U.S.A., Canada, Japan, the EEC and EFTA countries. Of special interest, however, is the Association Agreement the EAC Partner States signed with the EEC in 1969, which took effect with the enlarged EEC as of January 1, 1973.

Article 238 of the EEC Treaty makes provision for Association with the EEC by interested countries. The first such Association in Africa was granted to the 18 French-speaking countries. The Association was an integral part of the Rome Treaty.[22] Later, Nigeria and the East African countries negotiated

21 *East African Community Economic and Statistical Review*, op. cit.
22 For further details of this Association see Gordon L. Weil, *A Handbook on the European Economic Community* (New York: Frederick A. Praeger Publishers, 1965), Chapter 12, pp. 392-433.

Associations. The main stated aim of these associating agreements is to stimulate the economic development of the associates through grants and loans, technical assistance, and trade expansion through non-reciprocal liberalization.

When the U.K. and the other three European countries negotiated their entry into the EEC, the independent developing Commonwealth countries were given an option to pursue agreements along the following lines:

> It was decided that the enlarged Community will offer the independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean the possibility of ordering their relations with it in the spirit of the Declaration of Intent adopted at the end of the first Younde Convention in 1963, according to one of the following formulae of their choice:
> —participation in the convention of the Association which will govern relations between the Community and the AASM when the Convention of Association signed on 29th July 1969 expires;
> —the conclusion of one or more special Conventions of Association, based on article 238 of the EEC Treaty, comprising reciprocal rights and obligations, particularly in the field of trade;
> —the conclusion of trade agreements with a view to facilitating and developing trade between the Community and those countries.[23]

While these negotiations were taking place, the EAC countries had already signed the Agreement establishing Association between the EEC and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya. What is of interest to us today are the effects of the enlarged Community on EAC commodity exports. It is difficult to make such an assessment at this time because the enlarged EEC has just started operation. However, some observations can be made on the basis of our previous discussion and on the basis of the trade data available from recent years. Before we discuss the effects of this enlarged EEC, it will be in order if, first, the aims and objectives of the Association are briefly spelled out, second, the operations of the Association agreement are discussed, and finally, tentative effects of the enlargement are postulated.

According to the Agreement of Association, "the aim of the Association Agreement is to promote an increase of trade between the European Economic Community and the Partner States of the East African Community and thus contribute to the development of international trade."[24] This aim is fulfilled by abolishing or reducing customs duties and charges for products originating in the three Partner States of the EAC, in accordance with certain procedures laid down in the Agreement. The main thing to note in the liberalization of trade between the two groups is that there is no blanket cover for these products but there will be negotiations on each item and the EAC countries will have to apply from time to time for such items, as is spelled out in the articles of Association and the appended protocols. The East African Partner States of

23 *EEC: The Enlarged Community: Outcome of the Negotiations with the Applicant States* (Brussels, 22 January 1972).
24 Agreement Establishing an Association Between the EEC and the United Federal Republic of Tanzania, United Republic of Uganda and the United Republic of Kenya, and Annexed Documents (EAC, Arusha, Tanzania, 1969), Article 1 (2), p. 8.

Table 3—EAST AFRICA'S EXPORTS TO EEC (6) AND EEC (10), CUSTOMS TREATMENT MAJOR PRODUCTS

SITC	COMMODITY	EEC Tariff			EXPORTS (Shs.)			
					To EEC (6)[2]		To EEC (10)[3]	
		Full	GSP[1]	Association	1970	1971	1970	1971
I. Major Products which Enter Free from all Origins								
074.100	Tea	free	free	free	24,028,137	35,374,873	325,787,290	310,556,436
265.401/2	Sisal fibre, tow	free	free	free	78,352,527	39,675,849	139,983,737	79,659,217
263.100	Cotton, raw	free	free	free	84,729,460	60,665,066	111,227,536	96,555,836
081 (part)	Cake of oil seeds	free	free	free	3,028,559	813,171	69,924,978	53,280,255
221.1/8	Oil seeds, nuts	free	free	free	20,864,100	17,714,197	30,596,049	31,775,911
262.001	Wool, sheep and lambs	free	free	free	2,944,397	3,611,884	4,798,351	4,042,271
211.1/9	Hides, skins, undressed	free	free	free	27,183,130	27,868,424	40,304,606	45,176,440
282.3/4	Metal ores, scrap	free	free	free	11,799,998	8,192,179	17,909,204	13,597,034
291.1/9	Horns, ivory, coral, etc.	free	free	free	3,511,658	3,814,728	4,646,536	5,682,035
667.200/300	Diamonds, other precious stones	free	free	free	926,607	174,420	163,156,603	209,021,420
682.100	Unwrought copper	free	free	free	—	54,223,126	7,476,133	60,142,136
	Total above:				257,368,573	252,127,917	918,755,420	909,488,991
II. Major Products which are Liberalized by Association								
655.613	Cordage, etc., of sisal	13%	free	free	617,077	723,547	2,418,231	2,352,960
051.711/909	Fruits and nuts, fresh	2–20%	2–20%	free	4,676,202	4,075,437	7,932,047	9,890,607
292.403	Pyrethrum flowers	3%	free	free	551,501	1,107,383	602,531	1,238,046
292.915	Pyrethrum extract	5%	3%	free	8,174,923	8,341,503	14,354,053	21,234,875
054.200	Beans, peas, etc., dried	41/2%	41/2%	free	21,961,422	26,173,516	24,027,642	30,009,338
611/2/3	Leather and furs	3–8%	free?[4]	free	2,129,442	930,595	4,565,756	3,587,073
072.100	Cocoa beans	4%	4%	free	2,289,221	1,636,739	2,525,232	1,640,415
	Total above:				40,402,788	42,988,218	56,425,492	70,093,264
III. Quota Products[5]								
71.101/2	Coffee unroasted	7%	7%	free	298,296,181	323,407,855	576,705,851	637,549,780
075.231	Cloves	15%	15%	free	73,356	115,488	963,663	148,498
053.901	Pineapple, tinned[6]							
	—duty free quota	22%	22%	free	1,395,780	1,357,080	12,247,668	14,952,912
	—export over quota	22%	22%	22%	2,608,634	5,269,345	—	—
	Total quota products				302,373,951	330,149,768	589,917,190	652,651,190
	—of which duty free				299,765,317	324,880,423	—	—

Table 3—EAST AFRICA'S EXPORTS TO EEC (6) AND EEC (10), CUSTOMS TREATMENT MAJOR PRODUCTS (Contd.)

SITC	COMMODITY	EEC Tariff			EXPORTS (Shs.)			
					To EEC (6)		To EEC (10)	
		Full	GSP	Association	1970	1971	1970	1971
IV. Products Granted Preference (Protocol I, Association Agreement)[7]								
Various	Beef and veal	see	Table	119	821,761	1,756,839	51,776,069	67,743,900
Various	Processed cereals, rice	see	Table	11	11,412,942	5,862,889	12,362,082	6,255,731
053.055[8]	Processed fruits, vegetables	see	Table	11	6,564,074	9,880,957	16,330,048	19,339,957
044.000	Maize, unmilled	see	Table	11	—	—	—	—
121.000	Tobacco, unmanufactured	15%	15%	free	5,303,750	4,731,555	53,792,962	55,426,067
	Total above:				24,102,527	22,232,240	134,261,161	148,705,655
V. All Products Listed Under I, II, III, IV[10]					620,243,425	640,871,718	1,699,359,255	1,780,999,100
VI. All other Products					26,275,703	34,758,417	41,122,749	70,318,325
GRAND TOTAL					646,519,128	675,630,135	1,740,482,004	1,851,317,425

Source: Annual Trade Reports, 1970, 1971; Tariff Douanier des Communautes Europeennes; EEC Scheme of Generalised Preferences; Various EEC Regulations.

NOTES:
1. G.S.P. = Generalised Scheme of Preferences.
2. EEC (6) = present EEC.
3. EEC (10) = future enlarged EEC.
4. Some leather products enter the EEC free under the G.S.P., others enter with a marginal preference for beneficiaries under the G.S.P.
5. The quotas are: (a) Unroasted coffee: 56.00 metric tons
   (b) Cloves: 120 metric tons
   (c) Tinned pineapple: 860 metric tons
6. The values of exports under the duty free quota were estimated on the basis of the quota of 860 m.t. per annum times the average price of all exports of tinned pineapple to the EEC (6) in 1970 (Shs. 1.623 m.t.) and in 1971 (Shs. 1.578 per m.t.).
7. For details on preference see Table 4.
8. Processed fruits and vegetables include tinned pineapple which is a quota product also listed in part III of the table.
9. Table 11 of the EAC/ECC Agreement.
10. "All products listed" is arrived at by adding categories I, II, III and IV and deducting exports of tinned pineapple to avoid double counting.

the EAC are to offer similar terms to products originating from the EEC as spelled out in Article 3 of the Association Agreement.

The administration of the Agreement is carried out by a Joint Secretariat of the Association Council in Brussels, and there are also joint meetings of Parliamentarians representing the EEC and the three EAC Partner States. I have been unable to find out the exact status of these two bodies.

In terms of operation, the East African commodities are divided into four major categories: (i) products that enter the EEC (6) free of customs duty or other charges under the normal tariff; (ii) products which meet a positive customs tariff for importation in the EEC (6) from third countries, but under the current Association Agreement, these products enter the EEC completely free of customs duty and charges; (iii) products which meet a positive customs duty on importation into the EEC from third countries, but can now enter free under the Association Agreement quota system; and (iv) products covered by the EEC's Common Agricultural Policy (CAP) which are not liberalized by the Association Agreement, though the EEC may, from time to time, grant preferences to the East African Partner States on a product-by-product basis in accordance with Protocol 1 of the Arusha Agreement.

Table 3 summarizes the EEC tariffs for some products in the various categories and the movement of these commodities to and from the EEC (6) for 1970 and 1971 and postulates performance for the EEC (10) for the same years if the four had been members of the EEC.

From Table 3, it is clear that the first category of products is composed of the major commodities produced and exported by the East African Partner States, yet excludes three very important crops: coffee, cloves and cashewnuts. Though coffee and cloves are put under category three, with restricted quotas, no special reasons have been given for not including these crops in category one, which enjoys full elimination of tariffs and charges. The importance of the crops in this category is reflected by their high percentages in respect of total EA exports to both EEC's; in 1970 these products contributed 40 per cent to EEC (6) and 37 per cent in 1971. When the four new member countries' imports are added, the volume of imports in the EEC (10) is more than trebled. This trebling of the volume of EAC exports to the EEC (10) is contributed mainly by U.K. entry into the Ten. We may recall that the U.K. was importing over 30 per cent of East Africa's exports in 1969.

Category two consists of products which are partly or semi-processed. Though in normal circumstances they would be charged full EEC tariff and/or charges arising from the Generalized Scheme of Preferences (GSP), they are allowed into the EEC free by the Association Agreement. For the years 1970 and 1971, they constituted 6 per cent of the total commodity exports from East Africa. By enlarging the Community, their absolute volumes increase substantially but not as much as the products in category one. The small percentage contribution by these products to the total EAC export volume can only be a reflection of the capacities of the East African economies to process their own products, rather than a restriction on the part of the EEC as there is no quota circumscribing these products. And this should be the area the East African countries explore further to enhance their development, assuming of course the ownership and/or control of these processing industries in East Africa is in the hands of the respective Governments.

The third category constitutes products which are limited by quantitative restrictions, and for the years 1970 and 1971 these restrictions were 56,000 tons for coffee, 120 tons for cloves and 850 tons for tinned pineapples.[25] The EA countries had the option of exporting over and above these restricted quotas at 22 per cent duty. For the last two years, the EA countries have stayed almost within their quota. It should be noted, however, that coffee alone accounted for more revenue from the EEC (6) than all the products in categories one and two combined! When the EEC is enlarged the export figures in the category nearly double in value.

Products which are granted preference under Protocol 1 in the Association Agreement had an EEC tariff of 11 per cent except for tobacco which was allowed in duty free. But tobacco's contribution to total EAC exports to the EEC (6) is small, averaging 3.5 per cent. These products fall under the EEC's Common Agricultural Policy and are therefore not liberalized by the Association Agreement. The list of products under these categories is a little longer and includes some horticultural products whose quantities are insignificantly small.

There is yet a fifth category of products consisting of a whole mixture of commodities which are exported in very small quantities, mainly entering the EEC (6) duty free, either because there is no duty at all by the EEC or the Association Agreement liberalized them. This category includes fishery products, animal and vegetable oil products, which in most instances fall under the EEC common agriculture agreement.

Products or commodities granted to the EAC under Protocol 1, in the Second Arusha Agreement are summarized in Table 4. These products are mainly foodstuffs, processed and unprocessed. Their share of total EAC exports to the EEC (6) and EEC (10) are small relative to commodities in Table 3. This is again either a reflection of the underdevelopment of the structures of East African industries, as reflected by the dominance of Kenya (which is more industrialized than the other two) or by the very nature of East African industries that concentrate on import substitution, or the Common Agricultural Policy of the EEC curtails imports of this nature in the EEC. If the latter is true then the Association Agreement is not entirely on the right footing. The EAC countries cannot depend on exports of raw materials for ever. Their home industries are growing and must grow in order to achieve authentic economic development, which is the aspiration of all three Governments. It is also true that sooner or later the East African economies will have to change their strategies from the production of export crops to the production of food crops for processing and exporting, and if the EEC restricts such exports it should declare these intentions now so that the EAC countries can put their long term strategies on the right footing.

25 See *Association Agreement EEC/EAC*, Protocol 2, p. 26.

Table 4—PREFERENCE GRANTED TO EAST AFRICA UNDER PROTOCOL I, SECOND ARUSHA AGREEMENT, EXPORTS FROM EAST AFRICA TO EEC SHS. '000

	From East Africa To EEC (6)			From East Africa To EEC (4) (Note 4)	From Kenya To EEC (6)			From Uganda To EEC (6)			From Tanzania To EEC (6)			Preference Granted
	1969	1970	1971	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	
Beef and Veal:														
001 000 Live animals, bovine	—	—	—	—	—	—	—	—	—	—	—	—	—	16%
011 100 Bovine meat fresh, chilled or frozen	520	254	1,696	2	520	254	1,696	—	—	—	—	—	—	20%
012 900 Bovine meat, salted, etc.	—	—	—	—	—	—	—	—	—	—	—	—	—	24%
011 600 Edible bovine offal, fresh	—	120	5	144	—	120	5	—	—	—	—	—	—	12–14%
012 900 Edible bovine offal, salted	—	—	—	—	—	—	—	—	—	—	—	—	—	24%
013 801 Other prepared bovine meat (Note 1)	—	448	55	65,841	—	403	55	—	—	—	—	45	—	26%
411 300 Bovine fats	12	—	—	—	12	—	—	—	—	—	—	—	—	7%
Total above products	532	822	1,756	65,987	532	777	1,756	—	—	—	—	45	—	
Cereals and Rice Based Processed Products:														
054 811 Cassava root	5,018	2,295	—	—	—	—	—	—	—	—	5,018	2,295	—	See note 2
047 001 (Certain) cereal flours	—	—	—	—	—	—	—	—	—	—	—	—	—	"
047 009 Other cereal meal, etc.	—	—	—	—	—	—	—	—	—	—	—	—	—	"
599 510 Starches and inulin	—	—	—	—	—	—	—	—	—	—	—	—	—	"
081 201 Maize germ meal	9,566	8,798	5,813	47	5,382	4,737	2,774	1,590	2,220	281	2,594	1,840	2,758	"
081 202 Bran pollard, etc.	—	319	50	380	—	68	—	—	52	—	—	200	50	"
042 Broken rice	—	—	—	—	—	—	—	—	—	—	—	—	—	"
Total above products	14,584	11,412	5,863	427	5,382	4,805	2,774	1,590	2,272	281	7,612	4,335	2,808	
Fruits and Vegetables Based Processed Products														
055 100 Dried vegetables	1,445	1,489	949	328	1,445	1,489	949	—	—	—	—	—	—	16–18%
053 901 Tinned pineapple	1,489	4,004	6,626	8,326	1,489	4,004	6,626	—	—	—	—	—	—	Note 3
053 909 Fruits preserved N.E.S.	23	3	—	5	13	—	—	—	—	—	11	3	—	20–24%
053 501 Passion fruit juice	227	659	1,711	39	277	659	1,711	—	—	—	—	—	—	17%
053 502 Pineapple juice	98	409	594	761	98	409	594	—	—	—	—	—	—	21–22%
Total above products	3,282	6,564	9,880	9,459	3,322	6,561	9,880	—	—	—	11	3	—	
Maize, unmilled														
044 000 Maize, unmilled	7,381	—	—	—	7,381	—	—	—	—	—	—	—	—	1.00 EEC Unit of Account/m.t.
Tobacco Unmanufactured														
121 000 Tobacco, unmanufactured	5,173	5,304	4,732	50,950	—	—	—	2,551	561	336	2,622	4,743	4,395	15% or more
All products granted special preferences under Common Agricultural Policy	30,943	24,103	22,232	127,823	16,558	12,143	14,411	4,141	2,833	617	10,245	9,126	7,204	

Products listed: Those covered by the EEC Regulations on the above groups of products which are thought of interest to East Africa.
Sources: EEC Regulations 120/67, 805/68 and 865/68 and Annual Trade Reports 1969, 1970, 1971, Tariff Douanier des Communaute's Europeennes.
Note 1: Exports from East Africa under this heading are mainly canned beef.
Note 2: The preference is variable on a day-to-day basis.
Note 3: The preference is about 4% over total exports to EEC (levy on sugar added), in addition there is a duty free quota of 860 tons on which the prefeence is 22%.
Note 4: The EEC (4) are U.K., Eire, Denmark, Norway.

The dominance of Kenya in exporting products as shown in Table 4 raises yet another issue. The great majority of industries in Kenya are still foreign branches with parent companies in the U.K. and America. This phenomenon may not be by design but by history (Nairobi was and still is the centre of industries in East Africa and attracts more foreign, private investment). Who benefits more if EAC exports to the EEC agricultural products as shown in Table 4? Most likely the European and American firms based in East Africa!

Before I make observations and postulations about effects of the enlarged EEC on the EAC commodity exports, let us examine briefly what the EEC exports to the EAC Partner States. Table 5 summarizes the EAC reverse preference tariffs for goods imported from the EEC, total imports from the EEC (6) and the latter's share of the East African total imports market. A glance at the table reveals that, first, the tariff reductions offered to the EEC (6) by the EAC Partner States are smaller compared with those granted to EAC Partner States by the EEC (6). This is so partly because both the EEC and the EAC Partner States are contracting parties to the GATT; the GATT rules do not allow discriminatory arrangements such as reverse preferences when these arrangements fall short of customs unions, and partly because the EAC Partner States need the customs duty revenue for their development, which is allowed in the Associations Agreements.[26]

The second aspect revealed by Table 5 is that a greater proportion of the goods exported by the EEC to the EAC countries consists of finished consumer durables and industrial products which do not require additional processing; hence their value-added contribution to the East African economies is zero. In the long run such an arrangement is not plausible for the economies of East Africa.

Third, with the enlargement of the EEC, these export figures will more than triple. The implication of this is that the East African economies, unless they change their production structures, will have to expand their agricultural export commodities to catch up with the growing imports. But experience tells us that, the more the developing countries flood the developed countries' markets with raw materials, the more adverse the prices of these commodities become.

The fourth revelation from the table is that the EEC has managed to export 57 products to the EAC Partner States in accord with Protocol 3 of the Association Agreement and these products made up about 9.5 per cent of the total EEC's (6) exports to the EAC in 1970; the latter had to forego about shs. 5 million in that year. If you compare EEC (6) export performance with that of EAC Partner States' performance in Table 4 a glaring disparity appears. Whereas the EEC has filled figures in each space, in Table 5 the EAC countries have more dots than figures in Table 4.

It would have been easy to assess the effects of the enlarged EEC in a theoretical way based on theories of free trade associations and customs unions

26 EEC/EAC Association Agreement, op. cit., Protocol 3, Article 2 (i-ir), p. 27.

Table 5—REVERSE PREFERENCES: EEC'S MARKET SHARE OF MAJOR PRODUCTS 1970 AND 1971 (SHS. THOUSAND AND PERCENTAGES)

For each product: 1: imports from EEC (6)
2: total external imports
3: EEC's share of total

SITC	Description			KENYA 1970	KENYA 1971	UGANDA 1970	UGANDA 1971	TANZANIA 1970	TANZANIA 1971	EAST AFRICA 1970	EAST AFRICA 1971
048.200	Malt, including malt flour	1970: 8%	1	—	2,015	991	2,773	205	2,694	1,196	7,482
		1971: 13%	2	4,074	4,171	3,690	8,348	3,901	5,790	11,665	18,309
			3	0%	48%	27%	33%	5%	47%	10%	41%
099.061	Bakers yeast and household yeast	4%	1	454	808	161	488	1,129	1,546	1,744	2,842
			2	1,338	2,444	1,003	2,076	1,949	2,410	4,292	6,929
			3	34%	33%	16%	24%	58%	64%	41%	41%
112.122	Still wines, in bottle	11 cts.	1	1,356	2,019	341	175	1,942	88	3,640	2,282
		1 litre (1)	2	1,603	2,235	534	357	2,363	305	4,501	2,899
		Note 1	3	85%	90%	64%	49%	82%	29%	81%	79%
112.401	Brandy	Shs. 1/10	1	2,089	4,451	816	988	1,386	722	4,292	6,162
		1 litre (2)	2	2,090	4,452	816	1,000	1,392	722	4,299	6,174
		Note 2	3	100%	100%	100%	99%	100%	100%	100%	100%
657.600	Other carpets, carpeting and rugs (*not* knotted)	5%	1	823	1,560	82	456	139	54	1,044	2,069
			2	2,688	4,922	1,199	3,748	820	566	4,707	9,236
			3	31%	32%	7%	12%	17%	10%	22%	22%
665.200	Glass tableware and other articles of glass for household, hotel, etc.	3–1/2%	1	1,886	3,130	800	1,060	1,127	353	3,814	4,543
			2	3,812	5,773	1,402	1,841	2,229	1,993	7,443	9,608
			3	49%	54%	57%	58%	51%	18%	51%	47%
693.310	Gauze, netting, grill, etc., (of iron and steel wire)*	5%	1	1,704	2,056	1,009	1,009	2,061	2,580	4,774	5,645
			2	2,570	3,059	1,621	2,196	4,099	6,286	8,291	11,542
			3	63%	67%	62%	46%	50%	41%	58%	49%
697.109	Domestic stoves, boilers, cookers, ovens, space heaters*	5%	1	1,437	1,987	739	571	974	878	3,150	3,436
			2	2,679	3,726	1,489	1,338	2,323	3,600	6,491	8,665
			3	54%	53%	50%	43%	42%	24%	49%	40%
714.100	Typewriters and cheque writing machines	4%	1	2,185	3,166	1,082	1,173	1,398	861	4,666	5,200
			2	3,233	7,692	1,606	1,559	1,797	1,773	6,637	11,024
			3	70%	41%	67%	75%	78%	49%	70%	47%
714.220	Calculating, accounting, adding and similar machines, etc.	2%	1	2,675	4,075	1,168	1,179	1,601	1,130	5,443	6,383
			2	8,407	11,053	2,662	3,381	3,857	3,161	14,926	17,595
			3	32%	37%	44%	35%	42%	36%	36%	36%

Table 5—REVERSE PREFERENCES: EEC'S MARKET SHARE OF MAJOR PRODUCTS 1973 AND 1971 (SHS. THOUSAND AND PERCENTAGES) Contd·

SITC				KENYA 1970	KENYA 1971	UGANDA 1970	UGANDA 1971	TANZANIA 1970	TANZANIA 1971	EAST AFRICA 1970	EAST AFRICA 1971
732.899	Chassis, frames, etc., for motor vehicles other than motorcycles and tractors	5%	1	19,970	17,740	8,948	11,208	18,778	19,134	47,696	48,081
			2	43,149	46,572	23,439	26,311	46,265	55,556	112,853	28,439
			3	46%	38%	38%	41%	41%	34%	42%	370
861.300	Binoculars, microscopes and other optical instruments	7%	1	329	1,218	260	427	550	580	1,139	2,234
			2	1,094	2,321	627	1,045	897	910	2,618	4,277
			3	30%	54%	41%	41%	61%	64%	44%	52%
861.600	Photographic and cinematographic, (n.e.s.*)	7–1/2%	1	986	2,169	264	424	533	282	1,783	2,874
			2	7,000	9,796	1,398	1,271	1,283	1,364	9,681	12,432
			3	14%	22%	19%	33%	42%	21%	18%	23%
862.420	Films in rolls, sensitized, unexposed	3%	1	998	1,333	186	440	359	511	1,544	2,284
			2	4,918	8,505	1,114	1,905	1,251	1,798	7,284	12,208
			3	20%	16%	17%	23%	29%	28%	21%	19%
891.111	Gramophones and record players	7–1/2%	1	2,101	1,855	584	774	137	143	2,822	2,722
			2	3,578	4,241	1,023	1,255	151	188	4,751	5,684
			3	59%	44%	57%	62%	19%	76%	59%	49%
891.112	Tape recorders, dictating machines and the like	7–1/2%	1	2,704	1,882	495	760	279	151	3,477	2,793
			2	8,230	7,719	1,593	2,379	1,659	402	11,482	10,500
			3	33%	24%	31%	32%	17%	38%	30%	27%
391.209	Recorded tapes, other recorded media, & prepared media for sound recording	5%	1	1,119	2,985	173	513	473	24	1,766	3,522
			2	3,574	5,963	368	1,002	583	333	4,526	7,578
			3	31%	50%	47%	47%	81%	7%	39%	47%
	Total of the above 17 products		1	42,816	54,449	18,099	24,418	33,071	31,731	93,990	110,604
			2	104,037	134,644	45,584	61,092	76,819	87,157	226,447	282,899
			3	41.2%	40.4%	39.9%	40.0%	43.1%	36.4%	41.5%	39.1%

Note 1: the ad valorum equivalent is a 1.3% preference.
Note 2: the ad valorum equivalent is a 4% preference.

*For these products the SITC descriptions are not exactly comparable with the BTN description used in Protocol 3; import figures given in this table for these products overstate somewhat the value of the imports in which preferences are given.

expounded by leading economists in the field.[27] Academic work both theoretical and empirical has been done on the East African Common Market.[28] But all these exercises and good work will not help us to analyse the problem at hand, due to the essence of trade figures of the new EEC.

General observations and postulations, however, can be made on the effects of the enlarged EEC on East Africa's commodity exports. These observations can be divided into two major groups: first, the short-run or immediate effects and second the long-run effects of the enlarged EEC.

The immediate effects are the loss or gain arising from East African exports entering the enlarged EEC in terms of Association Agreements and restricted quotas for some crops compared with the Commonwealth preference tariffs, which the East African countries have enjoyed so far. The immediate gains are that the enlarged EEC offers a bigger market, a higher per capita income, the competition within the enlarged EEC may offer better terms for East Africa's raw materials, and the improved economic situation of the enlarged market may have positive effects on the East African economies in terms of private and government loans and the flow of technology from the EEC to the EAC. On the loss side, the East African countries will eventually lose the Commonwealth preferences (which are to be phased out by 1977) at the same time that the U.K. market will be opened to new competitors: the EEC (6), the EFTA members and new associates from other developing countries. A number of East African products will fall under the restrictions of the Common Agricultural Policy of the EEC.

Another important factor which may work for or against the interests of East Africa, or for that matter, African countries as a whole, is that most of the enlarged EEC member countries have been associated with the African countries as colonizers, so that they know the African states well. This extra knowledge the EEC members have, may work against the interests of the African countries because some members may not have left their colonies honourably, or may have left the colonies by granting them political independence but maintaining economic dependence or neo-colonialism. On the other hand, the extra knowledge they have of the African countries could be an asset if the European members intend to help African countries. They know the African countries' dilemmas, some of which were the creations of these very powers.

In the long run the advantages and disadvantages of the enlarged EEC on East African commodity exports are more difficult to gauge. In general, they will concern institutional arrangements and rearrangements. So far I

27 See, for instance, the works of: J. E. Meade, "Trade and Welfare," (Oxford University, 1955); H. G. Johnson, "An Economic Theory of Protectionism, Tariff Bargaining and the Formation of a Customs Union," *Journal of Political Economy* (1965); J. Viner, *The Customs Union Issue* (New York, 1971); and J. Meade, *The Theory of Customs Unions* (N. Holland, 1966).

28 Work by P. Ndegwa, *The Common Market and Development in East Africa*, Revised Edition (Nairobi: East African Publishing House, 1959); R. Green, *Economic Cooperation in Africa: Retrospect and Prospect* (Nairobi: Oxford University Press, 1967).

have talked about the EEC in terms of the Governments of the member countries of the enlarged EEC. Trade will not be carried out by Governments, but by individual firms in Europe. Up until now there have been vertical integration and intersector linkages of ownership of some of the instruments of trade by the big firms in Europe. By this I mean that there are firms in Europe that own plantations in East Africa (tea, coffee, pyrethum, etc.). These same firms own export companies in East Africa which do most of the buying of commodities at the auction floors in Nairobi, Mombasa, Kampala, Dar es Salaam and Moshi; at the same time they are the importers in Europe, and they are the same firms that control wholesale and own processing and/or manufacturing plants in Europe. In other words, there are a number of European firms that control production, buying and export of East African commodities and the same firms import, wholesale and process these commodities in Europe. In addition to this vertical integration, which has great implications on prices and pricing policy, some of these firms have interests in shipping lines. From the time the crop or commodity leaves the Government, or Cooperative Union or Marketing Board in East Africa, the fate of the commodity is in the hands of international firms or corporations. Depending on political and economic development in the East African countries (policies such as nationalization, for example) these international corporations may work for or against a developing country.

One immediate step which would enable the East African countries to be more aggressive in trade is for them to set up their own firms and train their own business executives to handle the export of their commodities.

Another problem which the East African states will have to resolve is the nonexistence of plan coordinations and strategies for development. The East African countries are big enough to command more large-scale and basic industries. These industries could develop first for the needs of East Africans and second for export. Just as much as the European economic cooperation emerged out of the U.S. Marshall Plan for Europe, the East African countries could hedge against any future unfavourable stands by the enlarged EEC. A look at Table 5 shows clearly that the East African countries are becoming an increasingly important market for Europe; why should the East African market not become an important market to itself?

Professor Bognar points out this perverse tendency very clearly when he writes:

> As soon as the growth process is started, the sensitivity of the economy for foreign trade increases. The imports instantly rise because:
>
> (a) In order to accelerate economic growth and to introduce contemporary techniques the capital goods must be imported from the industrially advanced countries.
>
> (b) Owing to the rapid growth of population, to the rise of purchasing power thanks to the expansion of employment, and on account of the backwardness of the production of consumer goods, also the import of this rises rapidly.
>
> (c) In the course of organizing the state apparatus and of building up an army,

new needs arise in the developing country which must be instantly met within reasonable limits.[29]

This revelation confirms the paramount need for institutional changes as well as fundamental structural changes, so that the future of East African economies is not left in the hands of international corporations. Given the present institutions and structures of the East African economies, the possibility of long-run gain from Association with the enlarged EEC is at best minimal.

THE FUTURE OF THE EAST AFRICAN COMMODITY MARKET

The future of the East African commodity market lies in the strategies the East African Partner States plan now and the allocation of resources including the proceeds they get from the Association Agreement. The advantages of the customs union in East Africa have not yet been fully exploited and appreciated, which should have been done when the Treaty for East African Cooperation took effect. As R. Green asserts:

> Standard 'customs union' theory assumes gains result from marginal increases in efficiency and scale of production for particular products within an utmost moderately altered set of national and regional structures of production, demand and international trade. Trade diversion from outside economies is classed as a negative result (on global welfare and perfect global resource allocation criteria) while transitional problems are abstracted from by use of before union and well after union two point comparative static analysis.[30]

Experience with the East African Customs Union has shown that there is a tendency for Partner States to trade more with third countries than within the Customs Union. This is mainly because of the structures and institutional set up which are outward oriented. My contention therefore for East Africa and indeed for the whole of Africa is first to transform the structures and institutions so that there is some linkage between internal production, demand and consumption and at the same time to encourage international trade which will be beneficial to and controlled by the African countries themselves. Second, the East African countries should take bold steps to enlarge the East African Community by including neighbouring countries who have already indicated or applied for membership. Dependence on ex-colonial masters will not emancipate the economies of Africa, nor will the enlarged EEC initiate a Marshall Plan for East Africa nor for the developing countries of Black Africa.

29 Jozsef Bognar, *Economic Policy and Planning in Developing Countries* (Budapest, Hungary: Adakemiai Kiede 1969), p. 206.

30 R. H. Green, *East African Economic Integration: Benefits, Costs Priorities*, op. cit., p. 1.

Where are all the Jobs? The Informal Sector in Bugisu, Uganda

SHELDON G. WEEKS*

INTRODUCTION

This paper will be concerned with how young people in Bugadu, a village cluster in South Bugisu, move in the world of work. Most of the literature on employment in tropical Africa is concerned with the relationship between secondary and higher education and occupations and the development of middle and high-level manpower.[1] But when one looks at Uganda from the village outwards one acquires a very different perspective on education, occupations, mobility, and youths' involvement in their community.

The objective of this paper will be to describe and interpret the range of *informal* occupational activities that are open to and utilized by these rural youth. It will also examine how these occupational activities relate to the various factors that influence movement into and between jobs. These factors include age, sex, status, education, family background, locations of jobs and patterns of assistance. The reason for focusing on informal occupations is that much more is already known about youths' involvement in formal occupations (and only fifteen per cent of the Bugadu sample have had formal jobs).[2] The distinction between formal and informal occupations has been elaborated by T. Wallace.[3] Formal occupations are those that are enumerated, recognized, recorded, licensed, inspected or otherwise known to the authorities. Informal occupations are those that are not protected by the Government, and for which recruitment and embarkation is not formalized nor various credentials or formal learning prerequisites elaborated. Most informal occupations are open to anyone who is willing to attempt them, while formal occupations are usually entered after surmounting a variety of obstacles: education, skill, age, sex, or contacts requirements.

First we will briefly present the setting of the study and follow with a

*Sheldon Weeks is an Associate Professor in the Department of Sociology, University of Dar es Salaam. Many people have assisted in the writing of this paper, particularly James Kaana, Titus Mutenoy, Peter Whephukulu, John Kizza-Ssali, Patrick Mulindwa and Tina Wallace. The research was funded by the Ministry of Overseas Development, London, and a small follow-up grant was provided by Ford Foundation, Nairobi.

1 See Tina Wallace, "Education and Occupation: A Review of the Main Themes of the Literature in Africa," Chapter in unpublished doctoral dissertation (Kampala, Makerere University, forthcoming).

2 See Tina Wallace, "Working in Rural Buganda: A Study of Occupational Activities of Young People in Rural Villages," *The African Review*, Vol. 3, No. 1 (1973).

3 See Tina Wallace, "Abavubuka bonna balezewa? Where Have All the Youth Gone? A Study of Occupational Activities of Youth in Rural Buganda," Department of Sociology, Makerere University, Sociology Working Paper No. 124 (1972), mimeographed. See pages 11, 33, 69, 73.