SOME ASPECTS OF SOCIAL AND ECONOMIC PROGRESS AND POLICIES IN EAST AFRICA: 1961-71.

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DISCUSSION PAPER NO. 122

INSTITUTE FOR DEVELOPMENT STUDIES

UNIVERSITY OF NAIROBI

JANUARY 1972.

Chapter in Ogot, B.A. and Kieran, J. Zamani. 2nd ed. Nairobi, E.A.P.H. (forthcoming).

I.D.S. Discussion
Paper No: 122

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Abstract.

The purpose of this paper is to sketch in with a broad sweep the leading features of social and economic progress and policies in East Africa in the last decade. The paper begins with an analysis of the socio-economic structure of East African countries during the colonial period, stressing the structure of the economies, the racial stratification of the economy and the society, the main features of development policies, and regional economic cooperation. Major changes in the post-independence period are discussed against the background of colonial heritage. The discussion focusses on the various efforts made to accelerate Africanisation in both the public and private sectors of the East African economies. This is followed by an analysis of economic growth in the post-independence period, including a discussion of economic change and diversification, both internally and with respect to foreign trade, aid and investment. There is then a discussion of the changing strategies and development policies in the three countries in the first decade of independence. After a description of the evolution of East African economic unity, the concluding section of the paper takes a look at the priorities for the seventies: the need for rapid economic growth accompanied by an equitable distribution of the fruits of growth. The outlines of a strategy designed to achieve these objectives are spelled out.

East African countries have been independent for nearly a decade. This period has been marked by far-reaching social and economic change throughout East Africa. The pre-independence societies and economies of East Africa had been moulded into a distinctive pattern by the long years of colonial rule. They reflected the interests of the imperial power and the associated dominant groups. With the attainment of independence, new forces and ideas came to the fore, presaging major social and economic changes. These changes which have unfolded themselves in the sixties will appear in the historical context as the beginning of a continuing process of adaptation of colonial structures and institutions to the new pressures and ideologies set in motion by the decolonisation of East Africa. They can be fully understood by reference not only to the configuration of internal power structure of the post-independence period but also to the external constraints and pressures exerted on the East African countries.

In the early years of the post-independence period, there was certain similarity in the social and economic policies pursued by the three countries. But with the passage of years there have emerged major differences in the manner each of the countries is responding to its social and economic problems. And within individual countries there have been marked and sudden changes of policies. Thus a study of the East African experience over the past decade provides rich and illuminating contrasts in the common endeavour at modernisation of societies through deliberate social and economic planning.

The purpose of this chapter is to focus on some aspects of the leading social and economic developments in the East African countries in the sixties. Since many of them flow directly from the structures created in the colonial period, it is necessary to sketch in the relevant outlines of the social and economic system as it existed in the twilight of the colonial era. This is followed by a discussion of some of the main themes of public policy in the post-independence period: Africanisation, economic growth, diversification, strategies of development and the East African economic relations. The concluding section looks at the main issues in social and economic policy in the seventies.

The Colonial Heritage.

In East Africa, as in other parts of the colonial world, the colonial rule created some characteristic social and economic structures. Prior to its conquest by the imperial powers, the economy of the East African region was characterised by subsistence production and consumption with very limited exchange of goods and services. The introduction of the colonial rule resulted in the creation and growth of a cash economy linking the East African region with the outside world. This typically took three forms: the growth of cash crops by African peasant farmers for exports to the outside world, principally the metropolitan powers; the development of agricultural and mineral products for exports by European plantation and mining companies; and the creation of modern commercial, industrial and agricultural enterprises by immigrant settlers from Europe and Asia.

Although most parts of the East African region experienced all three types of activities, the dominant path of economic expansion took different forms in different countries. At one extreme was Uganda where the basis of cash economy was laid by the growth of cash crops - cotton and coffee - by millions of small scale peasants scattered all over the country. Kenya was at the other extreme where at the height of colonialism virtually the entire agricultural cash production was monopolized by European farmers and plantations. As in most comparisons of this nature, Tanganyika was somewhere in the middle with a more balanced mix of African peasant and European settler and plantation production of cash crops. In the non-agricultural sectors - transportation, construction, commerce and industry -, the ownership and management of enterprises was in all three countries virtually exclusively in the hands of Europeans and Asians. The African participation in the modern economy, with the exception of cash crops production in Uganda and Tanganyika, largely took the form of provision of unskilled wage labour.

The structure of East African economies on the eve of independence displayed characteristics typical of an underdeveloped economy: the dominance of agriculture, the limited development of industry, heavy reliance on exports of primary products and on imports of capital goods and consumer manufactured goods. There were, however, some structural differences in the economies of the three countries: at one extreme was Tanganyika with the highest reliance on production and export of agricultural and mineral products, a very narrow industrial

sector, and least development of the physical and human infrastructure - road[illegible] ports, electricity, education and health services. Kenya [illegible]vely the most diversified economy, with significant manufa[illegible]ommerce, banking, insurance and transportation. Ugan[illegible] here in between. The relatively higher development of [illegible]nomy was due in the main to two factors: first, as w[illegible]ter, Kenya served in many ways as the commercial and indus[illegible]e of East Africa, thus deriving income from the provision of manufactured goods and services such as commerce and transportation, to the other two countries. Secondly, the higher development of its manufacturing and commercial sectors was due to the demand for these products created by the heavy concentration of high income immigrant communities in Kenya in relation to the other two countries.

The structure of the economy paralleled the organisation of society along racial lines, with its hierarchical division of skills, lines of responsibility and levels of income. The overwhelming majority of Africans survived at bare subsistence levels; their main source of income being either small family farms, using low-productivity techniques of production, or unskilled wage employment in farms, factories, shops, and government service. The only exception to this were a handful of prosperous farmers in Uganda and in the Kilimanjaro and Lake Districts of Tanganyika. To this should be added a sprinkling of Africans employed either as clerks, teachers and nurses in the public services, or in the lower supervisory and junior technical

grades in private commerce and industry. The middle level manpower in the public services and in commerce and industry was supplied by Asians, who also monopolised small scale commerce and industry. A tiny fraction of the Asian population was able to rise to high levels of affluence through income from large scale industry, commerce and agriculture, or from property and successful practice in the professions - law, medicine, engineering and architecture. At the apex of the hierarchical pyramid came the Europeans, monopolising the top jobs with high income levels in public services as well as in modern commerce and industry. In addition, a substantial number derived high incomes from farming, business and professions.

The racial stratification of society along economic lines was created by the colonial authorities and buttressed by numerous rules and regulations as well as by differential provision of public social and economic services. In Kenya for instance, which was the most racially segregated of the three countries, Africans were prevented by legislation from growing cash crops, thus forcing them to seek employment at low wages on European farms and plantations. Asians were restricted from engaging in economic activities outside scheduled urban areas. There was a strict racial segregation of residential areas in cities, and differential salary structures in both the public and private sectors of the economy for Europeans, Asians and Africans. In the other two countries, the racial discrimination was never carried to such extremes, but the public policy, whether in terms of per capita expenditure on health and education, or on economic infrastructure such as roads and electricity, almost always favoured the Europeans

with Africans coming at the bottom.

It was not until well after the Second World War that it became a deliberate policy of the colonial administration to improve standards of living of the great mass of the East African population through some sort of social and economic planning. This is particularly true of Kenya, for in the other two countries the colonial administrations did not have to contend with a powerful lobby of European settlers who felt their interests threatened by a diversion of resources to betterment of African standards of living through modernisation of their agriculture. The decade preceding independence saw some expansion of educational and health services for Africans, intensification of extension and credit services for farmers in Uganda and Tanganyika, and the beginnings of a modern agricultural system for Africans in Kenya. But these efforts were limited in scope and certainly fell far short of the scale necessary to cope with the magnitude of the problem created by decades of colonial neglect.

At the same time, the basic assumption of development policy was that apart from modernisation of African agriculture, the only pattern of economic expansion was through the infusion of foreign capital and skills for the creation of industrial and commercial enterprises. The public policy was thus designed to attract European capital and immigrants into East Africa. This policy was reasonably successful in Kenya in the fifties as large inflows of private capital and European immigrants created boom conditions for most of this period. But there was relatively little trickling down of the

benefits of economic expansion to the great majority of Africans. In Uganda and Tanganyika this policy of encouraging foreign capital and skills for the development of the economy does not seem to have had any significant impact.

The role of the government in the establishment, ownership and operation of enterprises was severely limited. There were indeed a plethora of rules and regulations bearing on the economic life of the country but their main objective was either as in Kenya the protection of the vested interests of European farmers, or the paternalistic, and often misguided, sheltering of Africans from the competitive impact of the modern economy. It was only in Uganda towards the end of the colonial rule that any significant attempt was made through the publicly-owned Uganda Development Corporation to promote a range of large scale, modern agricultural, industrial and mining enterprises.

Before moving on to a discussion of changes unleashed by the advent of independence, it is necessary to draw attention to economic cooperative arrangements in East Africa. During the colonial period, a high degree of economic coordination and integration had emerged among the three East African countries. Since early 1920s, the three countries constituted a virtual common market: with the exception of some agricultural products, there was free trade in all local products and a common external tariff on imports originating from outside East Africa. The three countries formed a monetary union, with a common currency issued by the East African Currency Board. The structure of income and excise taxes was identical. In combination with a well-developed transport system, these arrangements resulted in relatively

high and rapidly expanding inter-territorial trade. The economic cooperation was further cemented by the operation of certain vital services such as railways, airways, posts and telecommunications, higher education, research institutes, and collection of income, customs and excise taxes, by single East African authorities. This impressive degree of economic integration functioned under the overall authority at first of the Conference of East African Governors and subsequently the Authority of the East African Common Services Organisation. Because the headquarters of most of these services were concentrated in Kenya which also had a more developed economy, the major benefits of these cooperative arrangements tended to flow to Kenya, strengthening its already established position as the governmental, industrial and commercial heart of East Africa.

Priorities After Independence.

The general picture presented above - underdeveloped economies with large subsistence sectors, heavy reliance on production and export of primary products, limited development of non-agricultural sectors, racial divisions coinciding neatly with economic functions, beginnings of social and economic planning for the benefit of the masses, a high degree of economic integration with a strong bias in favour of Kenya - constitutes an essential background for an understanding and appraisal of developments in the first decade of independence. Independence paved the way for the articulation and implementation of the aspirations and interests of the African majority. The tasks before the independent African governments were

clear - greater control and ownership of the economy, increased African participation in the modern society and the economy, rapid economic growth, a vast expansion of social and economic services, and a reconstruction of the basis of East African economic cooperation to ensure an equitable distribution of benefits. If these tasks were to be carried out, the governments had to play a more active and wider role in the management of social and economic affairs. The sixties therefore witnessed an unparalleled expansion in the size and functions of the public sector in all the three countries. The first priorities were Africanisation of public services and the economies, and greater local and state control and ownership of key enterprises in the modern sector of the economy.

Africanisation.

It has already been noted that on the eve of independence there was a marked lack of African participation in the modern sector of the East African economies. It has been calculated that towards the end of the fifties, Africans claimed two-thirds of the monetary Gross Domestic Product of Uganda, half of the Tanganyika product and only one-third of the Kenya product. The concentration of economic power and wealth in the hands of a tiny alien minority was ethically wrong and politically explosive. All three governments, therefore, sought to bring about a rapid increase in African share and participation in the modern sectors of the economy. In the early years of independence, the policies pursued in the three countries were largely similar but in recent years Tanzania has moved sharply away from the policies

aimed at creating an African business class and in the direction of creating a socialist economy with public ownership of the larger enterprises in the field of agriculture, commerce, banking, manufacturing and construction. Before coming to these developments, we shall trace the Africanisation policies in the three countries in the years immediately following independence.

The problem of ensuring a larger African role in the economy has been tackled on four fronts. The first stage everywhere was the Africanisation of the political system, which marked the emergence and dominance of African political parties, African representatives in national legislatures, and African ministers and heads of governments. This was followed by rapid Africanisation of the civil services in the three countries. The process of Africanisation of civil services, both at the higher and at the middle ranks, involved crash training programmes and extremely rapid promotion for African officers. It also involved replacement of expatriate officers which was facilitated by generous compensation retirement terms for expatriates. The fact that Britain was prepared to finance the costs of Africanisation directly and indirectly through loans to East African governments materially assisted the orderly progress of structural change in a major national institution. The achievement is all the more striking when it is remembered that it was carried out at a time when the governments in all three countries were assuming new and complex responsibilities.

The progress made in the localisation of public services in the three countries since independence can be documented by a few figures.

In Tanzania, for example, only about a quarter of the total posts in the senior and middle grades were held by citizens in 1961; this proportion had risen to 86 per cent by 1970. Likewise in Kenya, at the time of independence, only one post in seven of the higher ranks of the civil service was held by a citizen. Even in the lower executive and technical grades less than half of the staff were citizens. Already by the end of 1966, well-over half of the higher ranks, and an average of three-quarters of the executive and technical grades had been Africanised. The process of replacing foreign with citizen officers has been proceeding apace in the last five years. Uganda also has experienced a similarly rapid Africanisation of its public services.

The current position, therefore, is that the process of localisation of middle grades of the civil services is virtually completed in all three countries except in certain posts requiring skills which continue to be in short supply such as stenography. Likewise, the higher administrative posts are almost completely localised. It is only in the technical and professional posts that localisation has proceeded at a slow pace due mainly to a lack of local persons with the necessary training and skills. With the anticipated expansion in the numbers of East Africans trained in professional and technical lines, there should be a material acceleration of localisation of these posts over the next five years.

The third area in which the East African governments have pressed ahead with Africanisation is agriculture. Kenya was faced

with the most acute problem in this respect. In the past, the cash agricultural sector was completely dominated by European settlers. As the land issue had been at the root of most of Kenya's troubles in the past, it was necessary to find a satisfactory solution to it in the interests of stability and growth. As is well-known, the problem was tackled by a massive resettlement of African farmers on the erstwhile European farms in what was known as the "White Highlands.". Between 1960 and 1968, nearly 2 million acres of former European farms had been taken over for 'high density' and 'low density' settlement schemes and for large government and cooperative farms. In addition, many large farms have been bought privately by Africans either as individuals, partnerships or companies. In all, about 45,000 African families had been settled on these farms. The cost of the entire exercise, of land purchase, settlement, and development loans to African farmers has run into millions of pounds.

An important aspect of Africanisation relates to the processing, marketing and distribution of agricultural produce, in which the main instrument for Africanisation in all three countries has been the cooperative movement. Over the years, cooperatives have tended to control an increasing share of the processing and marketing of agricultural products. The governments have aided this process by providing cheap credit, training facilities and generally preferential treatment to cooperatives. In Uganda by the early sixties the cooperatives and individual growers controlled the marketing and ginning of the entire cotton crop. Coffee curing and marketing which until the fifties

were largely in the hands of non-Africans had been firmly placed in the hands of cooperatives by 1966. Likewise, greater control was secured on the marketing of minor cash crops through the creation of the Agricultural Produce Marketing Board. In Tanzania, cooperatives had played a more important role from an earlier period, particularly in the Chagga area. The official policy has been to place the marketing and processing of all agricultural products as soon as possible in the hands of cooperatives. This policy has been vigorously carried out in the sixties, and one crop after another has been taken over by cooperatives. At the national level, state-controlled marketing boards have been set up in all three countries to give the governments greater control over the marketing of agricultural products.

The fourth aspect of Africanisation relates to increased African share in commerce and industry. Since 1963 major efforts have been made by the East African governments to increase national and African share in the activities of these sectors. The inclination in the earlier period was to rely on special programmes of training and credit and the voluntary efforts of non-African businesses to step up the rate of Africanisation. But apparently these efforts proved inadequate to achieve Africanisation at a satisfactory rate. Thus in recent years, new policies, relying on administrative measures, have been adopted to force the pace of Africanisation in these sectors.

Three sorts of measures have been employed in the East African countries to accelerate Africanisation in commerce and industry. In the first place, all the three countries have introduced legislation

under which non-citizens are required to obtain work permits before they can take up a job. The permits are issued by the government only if no suitable citizens are available to do the job. Furthermore, these permits are issued for fairly short periods, generally ranging from six months to two years during which time the employer is expected to train local persons to take over from non-citizens. These measures have had a marked impact in acceleration of the localisation of jobs in commerce and industry in all the three countries.

The second measure used in Kenya and Uganda has been to require non-citizen businessmen to obtain trade licences. Under the Trade Licensing Acts of Kenya and Uganda, certain areas, which in effect include all areas outside the main shopping centres of a few large cities, are reserved exclusively for citizens. Non-citizen traders are allowed to operate there only if they are granted a licence, which is given for one year at a time. It is only in the non-scheduled areas, which have been steadily shrinking, that non-citizens are allowed to carry on their trade. The second provision of the Acts restricts trade in certain commodities to citizens only, irrespective of their location. These Acts have been in operation for less than four years in Kenya and two in Uganda, but already they have had substantial impact, especially in Kenya, in accelerating Africanisation of commerce and transport in smaller towns and urban areas.

In Tanzania, as has already been stated, the policy since 1967 has been to discourage the emergence of an African capitalist class and the emphasis has been placed on localisation through state and

cooperative ownership and management of business. The wholesale trade has been nationalised and state and cooperative retail outlets are being encouraged.

The third instrument of localisation in all the three countries has been the establishment of state-owned trading corporations which are vested with the responsibility of importing all or specified goods from abroad and distributing them to African traders. In Tanzania, the State Trading Corporation has the monopoly of imports and their wholesale distribution. In Uganda, the National Trading Corporation is charged, among other things, with the responsibility of importing goods and distributing them as far as possible through African traders. In Kenya, likewise the Kenya National Trading Corporation has monopoly rights in the import and distribution of certain commodities; and it assists African businessmen by granting them distributive rights in these commodities. Other state institutions such as the Industrial and Commercial Development Corporation, the National Housing Corporation in Kenya, and the Uganda Development Corporation, assist African businessmen to establish new enterprises or extend and diversify the old ones.

The cumulative impact of all these measures has been to increase substantially African participation in commercial and industrial sectors. But since they have been in operation for a relatively short period of time, their full impact will only be felt in the seventies.

Economic Growth, Diversification and Strategies of Development.

Another major objective of economic policy in the post-independence period has been the achievement of high rates of economic growth and the diversification of the economy in terms of reduced dependence on primary products and widening of external economic relations. The former is necessary for a steady rise in the standard of living of the people as well as for expansion of social and economic services. The latter is required for the long run structural transformation of the economy as well as for reducing dependence for trade, foreign private investment and aid on single or a narrow range of sources.

The objective of accelerated economic growth has been pursued in a number of ways. The machinery of government is constantly being geared to cope with rapid economic expansion. Soon after independence, ministries of planning were created in all three countries to give greater cohesion and importance to developmental effort. This was followed by the publication of comprehensive and ambitious development plans in the three countries - Tanzania and Kenya in 1964 and Uganda in 1966. These plans attempt to accelerate growth and allocate investment resources within the framework of nationally agreed social and economic goals. Since independence a major effort has been made by the three countries to extract increased internal resources for development through taxation and domestic borrowing. At the same time the search for external sources of capital and technical assistance has been intensified.

All these efforts have borne fruit in significant acceleration of growth in the years since independence. The years immediately

preceding independence were characterised for a variety of reasons by slow growth, stagnant public revenues, constant or falling exports, and large outflows of private capital. There was a sharp reversal of these trends after independence. The output of goods and services has increased at a rate of 6-7 per cent in Kenya, and around 5 per cent in Uganda and Tanzania. In evaluating this performance, it should be borne in mind that these results were achieved at a time when the East African countries were attempting to carry through fundamental changes in their economies and societies: liquidation of colonial racial structures, rapid Africanisation of civil services, agrarian revolution in Kenya, and socialist transformation in Tanzania. In addition, Uganda had to contend with persistent political crisis throughout this period.

Inevitably, slower progress has been made with respect to diversification of the economy. The share of subsistence activities in the East African economies has been falling gradually in the sixties, and that of manufacturing, construction and public services has been rising. Likewise, there has been limited diversification of exports. On the whole, however, the structure of the East African economies has not changed significantly over the past decade. On the other hand, there has been greater progress in the diversification of external economic relations. Prior to independence, UK was overwhelmingly important in terms of trade, aid and foreign investment. The attainment of independence enabled the East African countries to broaden their economic links with the outside world. Although Britain

continues to be the single most important trading partner, her relative position has declined considerably. Other countries such as Japan, Germany, U.S. and socialist countries have greatly expanded their trade with East African countries. In addition, substantial trade links have been forged with neighbouring African countries, particularly Zambia. In the same way, the British role as a source of foreign private investment has declined and that of Japan, Western European countries and U.S. has gone up correspondingly.

The greatest change has occurred in the field of foreign aid. International agencies like the United Nations Development Programme and the World Bank, which played an insignificant role during the colonial days, are now becoming the major sources of aid and technical assistance to the East African countries. Following the agreement on Tan-Zam railway, China has become the largest aid donor to Tanzania. The Scandinavian countries have also become major sources of development assistance to the East African countries. Japan, United States and the European Economic Community countries have also stepped up their aid efforts in the East African region.

The past decade has also been marked by the evolution and definition of distinct strategies of development in the East African countries. Prior to independence, the main focus of nationalist activity was the liberation of the country from colonial rule; very little systematic thought was given to the problems of social and economic reconstruction. In the post-independence period, the governments have been forced to define their positions and policies

on such important matters as the role of the private and public enterprise in the economy, foreign private investment, the patterns of growth and distribution of income and wealth.

1967 marked a decisive turning point in Tanzania's strategy of development. Prior to that, although the government was committed in a general way to building a socialist society, the First Five Year Development Plan continued to emphasise the role of private sector, both local and foreign, in the development of the economy. The publication of the Arusha Declaration in 1967 was followed by a sweeping nationalisation of all the major enterprises in agriculture, manufacturing, banking, insurance, construction, and export-import trade. In subsequent years, other economic activities and assets such as wholesale trade and urban properties have been brought under public ownership. This has been accompanied by a reorientation of the development effort towards rural areas. At the same time a series of measures have been taken to reduce inequalities of income between wage earners and peasant farmers on the one hand, and between high and low income employees, on the other. Thus Tanzania enters the seventies with the key enterprises firmly under public ownership and with substantial progress made towards an egalitarian society.

The blueprint of Kenya's strategy for development is contained in the Sessional Paper on African Socialism published in 1965. It has been further elaborated and concretised in the successive Development Plans. Kenya has committed herself to seeking economic development primarily through reliance on a mixed economy, operating

under the overall economic management of the state but with incentives and safeguards for private investment, whether local or foreign. Although encouragement is given to the private sector, the state has progressively increased its participation in the ownership and management of directly productive enterprises. Through a network of parastatal bodies, the government has obtained partial ownership of a wide variety of enterprises in the field of manufacturing, construction, transportation, trade, tourism etc. In recent years the government has sought equal or majority ownership in some of the basic industries such as petroleum, electricity, and banking. Although the official policy is to promote a more equitable distribution of income and wealth, the measures taken to bring this about have been relatively weak. Consequently, while the economy has been on a strong upward trend since independence, inequalities of income and wealth have persisted.

In Uganda, as has already been noted, there was a very extensive state participation in agriculture, manufacturing and mining through the Uganda Development Corporation in the colonial days. After independence, the Corporation was used to extend public ownership to a number of new and existing enterprises The official policy continued, as in Kenya, to place reliance on a mixed economy. A major departure from this policy was foreshadowed in the government paper on "The Common Man's Charter" which called for nationalisation of all major enterprises in the country. This was followed in May, 1970, by a decree nationalising a wide range of firms covering the entire

spectrum of the economy. While these measures were being implemented, Obote was overthrown in a military coup in January, 1971. The new government in Uganda has reaffirmed its faith in a mixed economy, and has sought to attract private investment to the country. Some of the earlier measures of nationalisation have been reversed, but it is too early to say what the final picture will be like.

East African Economic Unity.

It was noted earlier that in the colonial era the East African countries had achieved a high degree of economic integration. It is to their great credit, and especially of Tanzania which was the first to attain independence, that they agreed, unlike certain West and Central African countries, to extend these cooperative arrangements beyond the colonial era. But this cooperation has not been without its problems and continuing controversy. The source of various problems which have arisen can be traced to two root causes.

Firstly, the extent of economic integration achieved in East Africa on the eve of independence could only be sustained if each country was prepared to surrender sovereign control over certain crucial instruments of economic policy such as fiscal, monetary and commercial policies. With the attainment of independence, it was merely a matter of time before differences in economic policies and plans, and a desire to exercise greater control over the economy created powerful pressures for greater economic autonomy. The only alternative to this was the surrender of political sovereignty in an East African Federation. This, unfortunately, despite honest and dedicated attempts,

has failed to materialise. Meanwhile, the differences in social and economic organisation and policies have become even sharper.

Secondly, the operation of supranational economic institutions inevitably results in unequal distribution of benefits and costs. The fact that during the colonial era Kenya was the principal beneficiary of such arrangements, created demands in Tanzania and Uganda for certain modifications in their working.

The story of the retreat from economic cooperation in the years immediately preceding and following independence is well known. There were complaints in the late fifties from the then Tanganyika, and to a smaller extent from Uganda, that Kenya had reaped most of the benefit from the expansion of the manufacturing industry stimulated by the common market. This resulted in the appointment of the Raisman Commission in 1960 to study the working of the common market and common services. Its recommendations led to the creation of the 'distributable pool' whose purpose was to finance some of the services of the East African Common Services Organisation and also to redistribute revenue from Kenya to Uganda and Tanganyika as compensation for the unequal distribution of benefits from the operation of the common market This apparently was not considered adequate compensation for Tanganyika's continuing and increasing trade deficit with Kenya. Renewed pressure from Tanzania led in 1964 to the negotiation of the 'Kampala Agreement' which made important inroads into the working of the common market in East Africa.

Under the Agreement, the countries with a deficit in their trade balance were permitted to impose quota restrictions on imports from the surplus countries in the common market. Tanzania, and to a lesser extent Uganda, made immediate use of this provision to impose restrictions on a wide range of imports from Kenya. This had the effect of slowing down the expansion of inter-state trade among the East African countries over the period 1966 to 1968. In the monetary field also, after the failure to reach agreement on a Federal Central Bank for the whole of East Africa, the three countries proceeded in June, 1965, to introduce separate Central Banks each with its own currency.

Concerned at the drift towards disintegration of economic cooperation, the three heads of states in 1965 appointed a commission, known as the 'Philip Commission', to review the entire range of economic relations among the three countries. Their report formed the basis of the 'Treaty for East African Cooperation' signed by the three heads of states in June, 1967. The Treaty is a historic document in the annals of East African cooperation and its adoption did much to reverse the disintegration of East African economic unity of the preceding four years. The main achievements of the Treaty were the creation of a series of East African councils composed of ministers from the national governments to oversee and plan the development of the common market and common services, and the rearrangement of the latter to ensure equitable diffusion of benefits from economic cooperation. The former provided a mechanism for a regular discussion of the outstanding problems and future developments of the East African

Community by the representatives of the national governments, and the latter was essential for its long run stability. The Treaty abolished the quantitative restrictions on trade among the partner states and replaced them with transfer taxes to enable the less developed members to build up their industry and thus reduce imbalances in trade. It also provided for the establishment of the East African Development Bank which was charged, among other things, to promote a balanced development of industry in the member states. Finally, it provided for the decentralisation and relocation of the headquarters of the common services to ensure their equitable distribution. In this connection the most important development was the movement of the headquarters of the East African Community from Nairobi to Arusha.

The new framework for economic cooperation brought into being by the Treaty has done much to solve the old problems and to create opportunities for fruitful collaboration in a number of new areas. In the four years of its existence, the East African Community has made substantial progress in the achievement of the objectives laid down in the Treaty: accelerated, harmonious and balanced development of the region for the benefit of the people of East Africa. In 1971, the Community faced severe strains, and indeed a challenge to its very existence, as a result of political tensions between Uganda and Tanzania, arising from the overthrow of the Obote regime in Uganda. But the very crisis facing the Community has evoked a powerful resurgence of sentiment in favour of East African unity and the present indications are that the current difficulties, like those of the past, will be successfully surmounted.

A Look Ahead into the Seventies.

In the sixties the East African countries were largely concerned with the reconstruction of their societies and economies in accordance with national ideologies. As they enter the second decade of independence, the priorities for the seventies are becoming clearer. In the concluding section, it is intended to touch on them selectively.

The major priority in the seventies must be the acceleration of economic growth since this is a precondition for the fulfilment of practically all the other social and economic goals proclaimed by the East African countries. Unless they can achieve growth rates of a minimum 6 per cent per annum in the seventies, the fulfilment of people's aspirations for improved social and economic conditions will become extremely difficult. There are three main pre-requisites for sustaining high rates of growth over the coming decade: political stability, a favourable international environment, and vigorous domestic efforts. Without political stability, no kind of organised activity is possible. The experience in the sixties in other parts of Africa has shown that political instability can thwart the most promising situations.

The international environment is important because the East African countries are so closely integrated into the world economy through flows of trade, investment and financial and technical assistance. The sixties did not provide a particularly favourable external environment for the development efforts of the developing countries. Unless flows of development assistance are greatly accelerated within the framework

of a liberalised and expanding world trade, the achievement of high rates of economic growth by the East African countries will become extremely difficult. Finally, no development effort can succeed unless it is firmly based on domestic initiative. This in turn requires mobilisation of internal resources, pursuit of rational economic policies, and above all an equitable sharing of the sacrifices essential for rapid growth.

The last point brings us to the second priority for the seventies: rapid economic growth must be accompanied by a fairer distribution of fruits of growth. In the East African context, this requires above all that the major effort must be directed at the alleviation of rural poverty. Not only must a substantial part of investment resources but a growing share of public social and economic services must be channelled into rural areas to reach the poorer peasants.

A related aspect of this problem is the need to rapidly expand opportunities for productive employment in both the rural and urban areas. In the sixties, there was a significant deterioration in unemployment, especially urban unemployment. This problem can only be solved within the context of a comprehensive development strategy embracing wages and incomes policies, use of appropriate technology, family planning and population control, accelerated rural development, and reform of the educational and training systems. Educational reform is fundamental to many of the pressing social, economic and political problems facing the East African countries. One of the achievements of the sixties was a massive expansion of secondary and higher education

throughout East Africa, but relatively little effort was made to restructure the educational system to relate it to the requirements of the local economy and society. In the seventies, it will be necessary to introduce a number of urgent reforms into the educational systems in East Africa.

Firstly, the schools must be made, much more than they have been in the past, the instruments for the transmission of nationally desirable values and attitudes. Secondly, a new network of training centres must be created both in urban and rural areas for imparting elementary skills to primary school leavers in such subjects as agriculture, animal husbandry, woodwork and metal work, mechanical training to construct and repair simple tools and consumer goods, construction, sowing, tailoring, and basic clerical functions. This is necessary to equip vast numbers of primary school leavers with rudimentary skills to enable them to create gainful employment for themselves. Thirdly, instruction in technical, vocational and professional subjects must be integrated into the secondary school system, to alleviate the existing shortage in middle level manpower in these fields and to equip secondary school leavers with skills which will enable them to find employment. Finally, the present system of teaching and examination must change away from emphasis on learning by rote and accumulation of a mass of facts to a system which will develop the creative, critical and innovative abilities of students. If significant progress is made in these directions in

in our educational system in the seventies, a real breakthrough will have been made in solving some of the most critical social, economic and political problems that are likely to confront the East African countries with increasing urgency over the coming years.

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