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**Import Substitution
Potential
in East Africa**

PRIYATOSH MAITRA

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Import-Substitution Potential in East Africa

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Import-Substitution Potential in East Africa

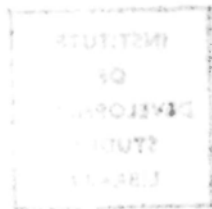
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Note: The name Tanganyika is used throughout to indicate that the statistics relate only to Mainland Tanzania.

The Classification of East African Imports by Manufacturing Industry appears after the Preface.

PREFACE

As part of a composite research project on industrialisation being carried out in the East African Institute of Social Research, this study deals with the import-substitution aspect of industrialisation. The need for industrialisation and the meaning of the concept of import-substitution is given as an introduction in Section I.

Section II deals with substitution that has already taken place in East Africa and the consequent changes in import structure.

Sections III and IV deal with the assessment of import-substitution potential which may be used as an indication of the viability of new industries and the scope for expansion of existing industries.

In connection with my research, I have had valuable guidance from Professor P.G. Clark and Mr W.T. Newlyn at every stage and I should like to take this opportunity to express my deep and sincere regards and gratitude to them.

I am also indebted to my colleagues at Makerere; in particular Dr D. Mead, Dr R.H. Green, Dr Brian V. Arkadie, Mr C. Vincent and Mr A. Stoutjesdijk for valuable suggestions. I am also thankful to Mr S. Musoke, Mr Peter Mpinga and Mr J. Bukenya and other members of the office staff for their close cooperation.

Priyatosh Maitra,
September 1966,
Indian Statistical Institute,
Calcutta.

CLASSIFICATION OF EAST AFRICAN IMPORTS BY MANUFACTURING INDUSTRY

Manufacturing Industry (ISIC)	Import Classes (Special Code)	Imports Included (East African Trade Classification) (S.I.T.C.)
01 Slaughtering, Preparation and preservation of meat	201-1 Meat and Meat Preparation	013
02 Manufacture of Dairy Products	202-1 Patent and Proprietary infants milk, skimmed milk (powder form) and other dried milk	02202
	202-2 Dairy products	023,024,029
03 Canning & preserving of fruits and vegetables	203-1 Fruit Preserved and fruit preparations	053
	203-2 Vegetable preserved & vegetable preparations	055
04 Canning & preserving of fish and other sea foods	204-1 Fish products & fish preparations	032
05 Manufacture of grain mill products	205-1 Flour and cereals	046,047,04801
	205-2 Malt	04802
06 Manufacture of bakery products	206-1 Bakery products & preparation of cereals flour, and facula for food	04804,04809
07 Sugar factories & refineries	207-1 Sugar & sugar preparations	061
08 Manufacture of cocoa, chocolate & sugar confectionery	208-1 Chocolate & sugar confectionery and cocoa products	062,072,073
09 Manufacture of Miscellaneous food preparations	209-1 Coffee and coffee products	071
	209-2 Tea	074
	209-3 Macaroni, Spaghetti, noodles and spices feeding stuff for animals & misc. food preparations	04803,075,081,091,099
1 Distilling, rectifying and blending of spirits	211-1 Whisky, brandy, rum, gin & Geneva and prepared mixed drinks	11204
2 Wine industries except malt liquours	212-1 Wine and grape must, cider, perry and fermented fruit juices n.e.s.	11201,11202
3 Breweries & manufacture of malts and malt liquours	213-1 Beer, ale, porter stout and other fermented cereal beverages	11203
4 Soft drinks & carbonated water industries	214-1 Non-alcoholic beverages	111

220 Manufacture of tobacco products	220-1 Tobacco manufactures	122	
231 Spinning, weaving and finished textiles including knitting mills & 232 Knitting mills	231-1 Cotton mill waste, devilled cotton waste		
	231-2 Vegetable textile fibre & wastes	26509,26701	
	231-3 Jute cuttings and waste	26401	
	231-4 Synthetic fibre suitable for spinning and waste	26601	
	231-5 Cotton yarn and thread	65103,65104	
	231-6 Yarn + thread of flax, hemp ramie	65105	
	231-7 Thrown silk & other silk yarn & thread; yarn of wool, hair and textile fabrics	65101,65102,69109	
	231-8 Cotton fabrics of standard type	652	
	231-9 Yarn and thread of synthetic fibres and spun glass	65106	
	231-10 Fabrics of synthetic and spun glass	65305	
	231-11 Knitted Fabrics	65307	
	231-12 Fabrics of jute	65304,65601	
	231-13 Textile fabrics of standard type other than cotton fabrics	65301,65302,65303,65309,654	
233 Cordage, rope & twine industries	233-1 Cordage, cables, ropes, twines etc.	65506	
239 Manufacture of textiles n.e.s.	239-1 Rubberised & impregnated fabrics felt linoleum and linoleum & similar products	65504,65704	
	239-2 Floor coverings and tapestries	65701,65702,65703	
	239-3 Special textile fabric and related products	65501,65502,65505,65509	
241 Manufacture of footwear	241-1 Foot-wear wholly or mainly of leather	85102	
	241-2 Footwear wholly or mainly of textile materials (not including slippers and house footwear)	85103	
	241-3 Rubber footwear	85104	
	241-4 Footwear n.e.s. and slippers & house footwear	85101,85109	
242 Repair of footwear	242-1 Repair of footwear		
243 Manufacture of wearing apparel	243-1 Clothing except fur clothing i.e. stocking and hose, underwear, outerwear or nightwear knit or made of knitted fabrics.	84101,84102,84103	
	243-2 Outerwear other than knitted shirts and other clothing	84105	
	243-3 Underwear & nightwear other than knitted	84104	
	243-4 Leather coats, leather clothing, and clothing of rubberised, oiled and similar impermeable materials	84107	
	243-5 Hats, caps and other headgear, gloves and rubbers of all materials,	84108,84111,84112	
	Fur clothing	84201	
	243-6 Clothings n.e.s.	84119	
4 Manufacture of made up textile goods except wearing apparel	244-1 Blankets, rugs and coverlets of all materials	65603	
	244-2 Bed linen, table linen, toilet & kitchen linen, made-up curtains, draperies & household articles of textile materials	65604,65605	
	244-3 Tarpaulin, tents, sails, other made-up canvas goods, made-up articles of textiles materials n.e.s.	65602,65609	
1 Manufacture of wood and cork except manufacture of furniture	251-1 Veneer sheets, plywoods, boards, artificial reconstituted wood & other wood worked	63101,63102,63103,63109	
	252-1 Wood & cork manufactures n.e.s. boxes, cases, crates and parts thereof; Builders wood work, blocks & strips and other wood manufactures. Cork manufactures such as agglomerated cork materials and articles made of natural or agglomerated corks	63201,63202,63203,63209,63301,63309	
Wooden and cane containers			
Manufacture of cork and wood products			
Manufacture of furniture and fixtures	260-1 Prefabricated buildings & their assembled panels and parts of all materials sanitary plumbings, heating and lighting fixtures and fittings, sinks, wash basins, baths, etc.	81101,81201,81202,81203	
	260-2 Lighting fixtures of all materials	81204	
	260-3 Furnitures and fixtures	82101,82102,82109	
Manufacture of pulp paper and paper board	271-1 Paper waste and old paper	25101	
	271-2 Paper, paper board and manufactures thereof such as newsprint and printing paper and writing paper	64101,64102	

(11)

(11)

	271-3	Common packing and wrapping paper and paper board	64103,64104
&	271-4	Building board of paper, paper and paper board bitumenised or asphalted, paper and paper board	64105,64106,64107
272		Manufacture of articles of paper, pulp and paper board	
	271-4	Coated, impregnated, vulvanised other than bitumenised or asphalted, wallpaper and lincrusta	64108
	271-4	Cigarette paper, blotting paper, filter paper blocks and paper and paper boards n.e.s.	64111,64112,64119
	271-5	Paper bags, cardboard boxes	64201
	271-6	Paper in boxes, packets, envelopes, exercise books, registers, albums, etc.	64202,64203
280		Printing, publishing and allied industries	
	280-1	Books and pamphlets	89201
	280-2	Newspapers and periodicals	89202
	280-3	Music, pictures and designs and other printed matter on paper or cardboard	89203,89204,89209
291		Manufacture of leather	
292		and fur products except	
293		footwear and other wearing apparel	
300		Manufacture of rubber products	
	300-1	Synthetic rubber, reclaimed rubber and rubber fabricated materials, rubber manufactured articles. Manufactures of soft and hard rubber	23102,23103,62101,62902,62109
	300-2	Rubber tyres and tyreing and tubes	62901
311		Basic industrial chemicals including fertilisers	
	311-1	Inorganic chemicals	511
	311-2	Organic chemicals	512
	311-3	Fertiliser manufactured; nitrogenous fertilisers	56101
	311-4	Super phosphate and other phosphatic fertilisers	56102
	311-5	Potassic fertilisers & fertiliser materials except crude potash salts, fertilisers including mixed fertilisers n.e.s.	56103,56109
	311-6	Explosives	591
312		Vegetable and animal oils and fats	
	312-1	Animal oils and fats	411
	312-2	Vegetable oils	412
	312-3	Processed oils and fats and wax of animal or vegetable origin.	413
313		Manufactures of paints, varnishes and lacquers	
	313-1	Colouring materials, printers ink prepared paints, enamels, varnishes, etc.	53301,53302,53303
319A		Manufacture of miscellaneous chemical products	
	319A-1	Medical and pharmaceutical products	541
	319A-2	Synthetic plastic materials	59901
	319A-3	Insecticide, fungicides, disinfectants etc.	59902
	319A-4	Starch and starchy substances, casein albamine etc.	59903,59904
	319A-5	Candles and matches and other articles of inflammable materials	89901,89902
	319A-6	Chemical materials and products n.e.s.	59909
319B		Soap and related products	
	319B-1	Essential oils, perfume & flavouring materials	551
	319B-2	Perfumeries, cosmetics, dentifries, and toilet preparations	55201
	319B-3	Soaps and cleansing preparations	55202
	319B-4	Waxes, polishes, pastes, powders, and similar preparations	55903
321		Petroleum refineries	
to		manufacture of miscellaneous products from	
329		coal and petroleum	
	321-1	Coal, coke and briquettes	311
	321-2	Petroleum, crude and partly refined	312
	321-3	Petroleum products as motor spirit e.g. petrol and other light oils	31301,31302
	321-4	Gas oil, diesel oil and other fuel oil	31303
	321-5	Lubricating oils and grease, mineral jelly and waxes, turpentine, pitch, resin, asphalt cake of petroleum and other by-products of coal and petroleum	31304,31305,31306,31309,314
	321-6	Mineral tar, coal tar, dye stuff and natural indigo, dyeing and tanning extracts and synthetic tanning materials	521,531,532
331		Manufacture of structural clay products and refractions	
	331-1	Clay construction materials	66201,66202
	331-2	Refractory bricks and construction materials	66203

(A)

(A)

332	Manufacture of glass and glass products	332-1 Glass	664
		332-2 Glassware as bottles flasks and other containers	66501
		332-3 Glass tableware and other articles of glass	66502,66509
333	Manufacture of pottery, china and earthenware	333-1 Pottery	666
334	Manufacture of cement	334-1 Lime, cement, building stone and monumental stone worked	66101,66102,66103
339	Manufacture of non-metallic mineral products n.e.s.	339-1 Building materials of asbestos cement	66109 (a+b)
		339-2 Other non-metallic building minerals	66109 (c)
		339-3 Mineral manufactures n.e.s.	663
341	Iron and steel basic industries	341-1 Pig iron and sponge iron, alloys steel ingots,blooms,slates,billets sheets,bars and triplate bars etc.	68101,68102,68103
		341-2 Joists, girders, angles, shapes, sections bars and concrete reinforcements etc.	68104
		341-3 Universals plates sheets, uncoated & hoop and strip, coated or not	68105,68106
		341-4 Zinc or lead coated plates and sheets	68107
		341-5 Tinned plates and sheets	68107
		341-6 Railway rails and railway track construction accessories to rails	68108,68111
		341-7 Wire rods and wire, coated or not	68112
		341-8 Steel tubes and fittings,welded or drawn pipes and fittings etc.	68113,68114
		341-9 Casting and forgings unworked n.e.s.	68115
342	Manufacture of non-ferrous metals basic industries	342-1 Copper and alloys of copper	682
		342-2 Aluminium and aluminium alloys unwrought	68401
		342-3 Aluminium and aluminium alloys worked	68402
		342-4 Lead	685
		342-5 Zinc	686
		342-6 Tin	687
		342-7 Nickel and miscellaneous non-ferrous basic metals employed in metallurgy	68301,68302 and 689
50	Manufacture of metal products	350-1 Ordnance	691
		350-2 Finished structural parts of iron and steel doors and windows, etc.	69901
		350-3 Finished structural parts of aluminium and other non-ferrous basic metals	69902
		350-4 Wire cables, ropes, plaited bands, slings, wire nettings, wire fencing, grills, expanded metals of iron and steel	69903,69905
		350-5 Wire cables, ropes, slings and wire nettings, fencing, grills, etc of aluminium copper and other non-ferrous basic metals	69904,69906
		350-6 Nails, bolts, nuts, washers, rivets, screws, needles, pins of all base metals	69907,69908
		350-7 Hand tools - artisans' tools and implements and agricultural tools and implements etc	69912
		350-8 Household utensils of iron and steel	69913
		350-9 Household utensils of aluminium and other non-ferrous basic metals	69914,69915
		350-10 Table and kitchen knives, forks and spoons and cutlery	69916,69917
		350-11 Hardware of metal	69918
		350-12 Metal containers for transport and storage	69921
		350-13 Safes, strong room fittings, strong boxes, stores, furnaces, crates and ranges made of metal	69911,69922
		350-14 Crown corks	69929
		350-15 Manufactures of metals n.e.s.	69929
360	Manufacture of machinery	360-1 Power generating machinery (except electric) steam boilers, steam tractors, boiler-house plants, steam engines etc.	71101,71102,71103
		360-2 Internal combustion, diesel and semi-diesel engines, stationary and semi-stationary engines, marine engines, hot air engines, water wheels etc.	71105,71109
		360-3 Agricultural machinery and implements for preparing and cultivating the soil	71201
		360-4 Agricultural machinery and appliances for harvesting, threshing etc.	71202
		360-5 Milking machines, cream separators, other dairy farm equipments, and agricultural machinery and appliances n.e.s.	71203,71209

(FA)

(FA)

	360-6 Tractors other than steam	71301
	360-7 OfficeMachinery	71401,71402
	360-8 Metal working machinery	71501,71502
	360-9 Pumps for liquids	71601
	360-10 Industrial track, conveying hoistering, excavating, road construction, mining machinery	71602,71603
	360-11 Wood working machinery and pneumatic tools	71604,71605
	360-12 Paper and pulp mill machinery	71606
	360-13 Printing and book-binding machinery	71607
	360-14 Textile machinery and accessories	71608
	360-15 Sewing machines, industrial and household	71611
	360-16 Air-conditioning and refrigerating equipment	71612
	360-17 Machinery and appliances (other than electric) n.e.s.	71613
	360-18 Ball needle or roller bearings & parts and machine parts and accessories	71614,71615
370 Manufacture of Electric machinery apparatus, appliances and supplies	370-1 Electric motors, generators & alternators, convertors, switch gears etc.	72101
	370-2 Electric batteries & motor vehicle batteries	72102,72119(a)
	370-3 Bulbs, arclamps, tubes for electric lighting complete	72103
	370-4 Wireless receiving sets suitable for domestic use	72104(1)
	370-5 Television receiving sets	72104(11)
	370-6 Other, i.e. radar & broadcasting transmission & reception equipment (including spare parts)	72104(111)
	370-7 Apparatus for telephony & telegraphy	72105
	370-8 Apparatus for phonograph & phonograph records	89101,89102
	370-9 Electro-thermic apparatus	72106
	370-10 Portable electric tools & appliances	72112
	370-11 Insulated cables & wire for electricity	72113
	370-12 Other electric appliances, machinery & apparatus, electric appliances for motor vehicles, aircraft, ships, cycles & explosion motors, apparatus for measuring & controlling electric energy, signalling etc. & for medical purposes and radiological apparatus	72119,72107,72108,72111
381 Ship yards & boat yards	381-1 Ships and boats	73503,73509
382 Manufacture of railway equipment	382-1 Railway vehicles, steam and electric	731
383 Manufacture and assembly of motor vehicles	383-1 Chassis with engines, bodies, frames and other parts for road motor vehicles, internal combustion, diesel and semi-diesel engines motor vehicles and other engines (stationary & semi-stationary motors)	73205,73206 71105
	383-2 Passenger road motor vehicles, complete other than buses and motor cycles	73201
	383-3 Buses, trucks, lorries and road motor vehicles complete whether assembled or not	73203
385 Manufacture of motor cycles bicycles, scooters,	385-1 Motor cycles & sidecars complete & parts thereof	73202,73207
	385-2 Bicycles and other cycles not motorised	73301
	385-3 Road vehicles including trailers n.e.s. complete and parts thereof	73309
386 Manufacture and assembly of aircraft	386-1 Parts of aircraft, aircraft engines, complete and parts	73403,71104
	386-2 Aircraft, complete whether assembled or not	73401
396 Manufacture of measuring, controlling, laboratory & scientific instruments, surgical, medical & dental instruments and supplies	396-1 Optical instruments & appliances surgical, medical & dental instruments & appliances, except electric measuring and controlling and scientific instruments n.e.s.	86101 86103 86109
392 Manufacture of optical & photographic goods	392-1 Photographic & cinematographic apparatus and appliances	86102
	392-2 Photographic & cinematographic supplies - films,exposed & not exposed cinematographic films, chemical products for use in photo- graphy	862,863
393 Manufacture of watches and clocks	393-1 Watches & clocks, watch movements, cases and other parts of watches, clock movements	86401,86402

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394 Manufacture of jewellery and related articles	394-1 Silver and platinum group metals, precious and semi-precious stones, jewellery and goldsmiths and silversmiths work	671,672,673	
395 Manufacture of musical instruments	395-1 Piano, complete and parts, and other musical instruments	89103,89109	
399 Manufacturing industries not elsewhere specified	399-1 Table and other household or decorative articles of plastics and other articles made of plastics	89907,89911 89908	(x)
	399-2 Mechanical refrigerators		
	399-3 Articles of basketware or of wickerwork and brooms and brushes of all materials	89912,89913 89914,89915	
	399-4 Sports goods and toys and games		
	399-5 Fountain pens, propelling pencils, pen holders and pencil holders of all materials	89916 89917	
	399-6 Office materials n.e.s.		
	399-7 Pipes, cigar and cigarette holders, works of art and articles for collection, vacuum flasks and other vacuum vessels, and other manufactured articles n.e.s.	89918,89921,89922,89999	
Unallocated	Unallocated Postal packages not classified according to kinds	91101	

I INTRODUCTION

(a) The Need for Industrialisation

That industrialisation is a key to economic development is a widely accepted view today. The current Development Plans of the East African countries have been drawn up laying heavy stress on industrialisation with target growth rates for the industrial sector of over 10% per annum.

The question of industrialisation in East Africa should be viewed not only against the background of the need to provide employment opportunities in the modern sector for the growing population and the need for diversification of the economy, but also against a background of unsatisfactory demand prospects for the traditional exports. Long-term trends in the world market show that the commodities exported by East Africa are not among those which have a bright future.

The United Nations Conference on Trade and Development, 1964 pointed out that this was generally true for primary producers due to the growing difference between the trend in world trade in primary products and that for manufactures exported from developing countries. See Table I.

The United Nations World Economic Survey, 1962 gives us the following estimate of the income elasticity of imports of the industrially advanced countries from the developing countries which points to a dim future for the exports of primary producing countries in the event of their continued dependence on specialisation in their production.

<u>Commodity Group</u>	<u>Income Elasticity of Imports</u>
Food Stuffs (S.I.T.C. Groups 0 and 1)	0.76
Agricultural raw materials (SITC-2+4)	0.60
Fuels (SITC-3)	1.40
Manufactured goods (SITC 5 to 8)	1.24

Moreover, due to the use of more efficient techniques and the development of synthetics, the consumption of raw materials by the industries of developed

These estimates were derived from the regression of Gross Domestic Product of the industrially developed countries on imports of each Commodity Group from the developing countries. The sample covers the period 1953-1960. U.N. World Economic Survey, 1962, cf. American Economic Review - Vol LIV No 3 May 1964.

TABLE I

Changes in the Structure of World Trade

(a) World Exports of Merchandise

(Percentage Distribution at Current Prices)

	<u>1948</u>	<u>1953</u>	<u>1958</u>
Primary goods	55.5	51.0	48.2
Manufactured goods	44.5	49.0	51.8
Total	100.0	100.0	100.0

Source: J.D. Coppock, International Economic Instability: The Experience After World War II

(b) World Imports by Geographical Areas

(Percentage Distribution)

	<u>1953</u>	<u>1960</u>	<u>1961</u>
Imports from: Non Industrial Areas			
To:			
Industrial Areas (excluding E. Europe & including Japan)	37.4	28.3	27.1
World	31.5	24.8	24.3

Source: GATT - International Trade, 1961.
 (Also see N. Kaldor's "International Trade and Economic Development" Journal of Modern African Studies - Vol 2 No 4)

countries tend to increase at a slower rate than production. The inevitable corollary in this situation appears to be diversification and development of the economy through industrialisation.

One difficulty, however, of development through industrialisation in these economies is said to be the lack of knowledge of markets, and market analysis forms one of the essential prerequisites of the project investigations in a programme of establishing industries. Economies, depending overwhelmingly on imported manufactures can regard imports as the most incontrovertible proof of the existence of a domestic market. The growth of imports in these economies may be taken as a necessary condition for the establishment of a domestic industry in demonstrating the fact that the market is there. In the developing countries today, therefore, there is much talk of the possibility of import-substitution, particularly in consumer goods. Given the limitations on the rate of growth for export proceeds, special efforts to start or increase import-substitution are viewed as the only way to increase the rate of growth of such economies.

(b) The Concept of Import-Substitution

The concept of import-substitution is to be viewed from two different angles: (i) as a process of industrialisation and (ii) as a criterion of viability in industrial planning.

Import-substitution as a process of industrialisation is essentially an *ex post* concept. The developing countries of this century, (in other words, the late comers in the world of industrialisation) are overwhelmingly dependent on imported manufactures. These imported manufactures consist of non-durable, less expensive, but essential consumer goods; building materials; a small amount of transport equipment; capital goods and also expensive consumer-durables. These latter bulk large in the import-bill because of their high unit price but the quantities are small.

Industrialisation of a developing country which is dependent by nature on agricultural production and exports, and which imports manufactured commodities, will give rise to the substitution of local products for imports. Considered in this way import-substitution is the result of development. The importance of this process can hardly be questioned. According to a study by Hollis B. Chenery* import-substitution accounts for 50% of industrialisation in modern times.

* Chenery H.B. "Patterns of Industrial Growth"
American Economic Review, September 1960.

Chenery gives a break down of the share of the component causes of industrialisation in a large number of countries as follows:

(1)	Import-Substitution	= 67%
(2)	Growth in Final Demand	= 12%
(3)	Growth in Intermediate Demand	= 21%

This does not prove anything about the efficacy of the concept of import-substitution as a criterion for industrial planning, but this study is based on the belief that, in industrial planning, studies of import-substitution potential have importance as viability tests. Analysis of trade data with the purpose of estimating the present market for manufactured goods appears to be one of the most convenient ways in which potential markets can be estimated to determine the viability of planned domestic production.

The fear that by the use of import substitution as a criterion of investment, priority would be given to the production of luxury consumer-durables rather than the setting up of more socially desirable industries has been recently expressed by certain writers. For example: Mr Lacroix has claimed:

"The whole concept (of import-substitution) must be rejected. It is proof of concern for actual demand which is itself influenced by the nature of economic and social structure whose reorganisation is the precise objective. With the help of such a criterion of investment, priority would be given, for example, to the construction of vehicle assembly belts rather than the setting up of an iron industry." *

This may be justified for semi-industrial countries, which have achieved more or less self-sufficiency in the production of essential manufactured consumer goods, but it is certainly not the case in East Africa.

* Lacroix J.L. "Le Concept d'Import-Substitution Dans le theorie du Developement Economique" Cahiers Economiques et Sociaux, Vol III No 2 June 1965

TABLE 2

Commodity Pattern of Imports

Distribution of number of items by end use and size (in terms of values) i.e. Large = +£500,000; Medium = £100,000 to £500,000 and Small = less than £10,000/

Three Countries of E.A.	Essential & less expensive consumer goods			Consumer durables			Producer Oriented Products		
	Lge	Med	Sm	Lge	Med	Sm	Lge	Med	Sm
Kenya	6	35	15	3	6	3	27	61	35
Uganda	4	12	16	2	7	6	8	53	54
Tanganyika	8	28	18	2	4	6	14	48	60

Table 2 shows that in these non-industrial countries, where people depend on imports for all their daily needs of manufactures, import-substitution as a viability criterion of investment cannot lead to the giving of priority to "the construction of vehicle assembly belts, rather than the setting up of an iron and steel industry." Priority, on the other hand, automatically goes to the setting up of essential consumer goods industries and producer goods industries rather than the production of consumer-durables.

Moreover, not only does production of non-durable consumer goods appear to be economical at this stage considered from the market size aspect, but both the relatively low capital-output ratios and low minimum efficient plant sizes associated with basic consumer non-durables, tend to make them easier to establish at the early stages of industrialisation.

It is also true that the reorganisation of the social and economic structure which is one of the principal aims of the plans of these countries, would result in a more equitable distribution of income and this would help in expanding the market for essential basic consumer goods and cause a fall in the demand for expensive consumer durables. Where such structural changes can be forecast they should be used in conjunction with income elasticities of demand for different manufactures as a basis for projections of future demand and thus the future potential for domestic production. But even if this ideal method can not be employed, studies of present import-substitution potential are an indication of immediate industrial prospects.

For these reasons studies of import-substitution possibilities are particularly appropriate for non-industrial small countries like those of East Africa, so that the existing market size can be related to technical requirements regarding the minimum scale of operation and to cost data, to test for viability.

II IMPORT-SUBSTITUTION AND CHANGING IMPORT STRUCTURE

(a) The Concepts

Empirical studies show that the growth of a country influences markedly the commodity pattern within the group of manufactured imports. These changes in the composition of imports in a developing country are closely associated with the level and progress of industrialisation. Industrialisation in these economies, at the initial stage, tends to be restricted by the available level of skill and organisational ability to the simpler process which are typical of non-durable consumer goods. The development of light consumer goods like processed food, beverages and tobacco, clothing and footwear tends to be of major importance in the earlier stages of industrialisation through import-substitution. This process is likely to result, on the one hand, in a sharp fall in the imports of these essential consumer goods and, on the other, in a rapid rise in imports of capital and intermediate goods. But it is also evident from the empirical studies that in non-industrial countries, a rise in income at low income level may generate so rapid an expansion in demand for these essentials that imports of them increase, even though they are being increasingly manufactured domestically. This is because the income elasticities of demand for essential consumer goods are very high at low income levels.

However, with the progress of industrialisation involving import-substitution, the import content of total supplies (imports plus local products) tends to decline, particularly in the case of consumer goods. Moreover, development of manufacturing industries in low income countries at an early stage of industrialisation, inevitably involves an increase in the demand for capital equipment and intermediate goods required for the new industries. Because such products are not produced locally, growth of domestic industries at the initial stage results in increased imports of these products and also tends to result in an increasing share of producer oriented products (i.e. intermediate and capital goods) in total imports.

With further progress in industrialisation, new skills and organisational abilities emerge, while the expanding markets, in-course of time, allow intermediate and capital goods producing industries to be established; and as industrialisation moves towards these more basic forms of production so does import-substitution potential.

This study is concerned with the present potential and with the changing import structure at the early stage of industrialisation.

Import-substitution may be defined as an absolute magnitude or as a relative one. Both versions are somewhat arbitrary. In any developing country that has previously relied entirely on imports for its manufactured requirements the starting of any new manufacturing industry or expansion of an existing one can be taken to be "import-substitution" in the sense that, had this domestic production not taken place, imports of the product in question would have been more than the actual imports by that amount. In this rather tautological sense any new or increased domestic production of manufactures may be regarded as import-substitution since it enables the economy to dispense with that amount of imports. This is import-substitution defined as an absolute magnitude.

Alternatively following Maizels*, import-substitution may be considered as a relative concept. According to this concept, import-substitution may be said to have taken place only where there is a greater proportionate increase in domestic production than in home consumption of manufactures.

In other words, if home output rises in the same proportion as total consumption there is no import-substitution, according to this concept. From this it follows that where import-substitution is negative this means that domestic production has to that extent failed to maintain its share in total supply. The same thing can be expressed in terms of the import content of total supplies.

In the present study use has been made of the relative concept of import substitution and attempts have also been made to estimate the relative effects of import-substitution in this sense and of expansion in demand, on imports in the three countries.

According to Maizels the extent of import-substitution may be measured, "as the difference between actual imports of manufactures at the end of the period and what they would have been had they formed the same proportion of total consumption as at the beginning of the period". Following Maizels' this may be put as follows: $S_1(m_0 - m_0)$, where "S" represents total supplies (imports plus domestic product) and "m" represents the import content of S. The subscripts 0 and 1 refer to the base and current periods respectively.

Writing dM for the change in imports over the period we have: $dM = S_1(m_1 - m_0) + (S_1 - S_0)m_0$ the first term representing the increase in imports due to import-substitution in the relative sense and the second representing the increase in imports due to increase in domestic demand.

* Maizels A. Industrial Growth and World Trade

Industrialisation in these economies is essentially import-substituting and such import-substitution as has taken place in these three countries in the process of industrialisation, together with the changes in domestic demand must have had effects on the composition of imports.

(b) Analysis of Changes in Import Structure

We have confined our analysis to the period from 1955 to 1963 for Kenya and Uganda and 1955 to 1962 for Tanganyika. It is to be noted that the first part of the period (1955-1957/8) covered by our study is marked by an expanding volume of agricultural exports, relatively high rates of investment and relatively satisfactory trends in most aspects of the economies. The second part of the period (1957/58 to 1961/62) shows downward trends in most aspects of the economy with slumps in the value of agricultural exports and depressed rates of investment. But from 1962 there were signs of resumed growth in economies of the three territories and it is to be noted that this recent rise in economic activities was entirely due to the impact of an abrupt rise in export earnings. There has been a continued decline in rates of investment during this whole period with only a slight rise in the recent export boom. All these factors have been reflected in the composition of imports in the three countries, and as the subsequent study will show, in economies which so overwhelmingly depend upon agricultural exports, a structural pattern in imports is difficult to detect. The ratio of imports in Uganda remained in the 30-32% range from 1954 to 1962; Tanzania's overall import ratio fell from 48% to 42% - much of this fall being due to lagging investment; and in Kenya the ratio fell from the unusually high level of 58% in 1955 to 42% in 1962/63.

(i) Kenya. The study on Kenya covers the period from 1954 to 1963. During this period domestic manufacturing production (excluding mining and construction) increased by 72.4%, while total domestic product increased by 64.5%. The share of the manufacturing sector in total G.D.P. increased from 8.5% in 1957 to 8.7% in 1963.² This expansion of the secondary sector has been mainly concentrated in the final stage of the manufacture and processing of consumer goods.

1 Clark P.G. Development Planning in East Africa
- pp 13-27
East African Publishing House 1965

2 Based on data from Census of Manufactures
1957 and 1963

The manufacturing industry in Kenya enjoyed an increasing but small share of total capital formation in the form of machinery and transport equipment during this period rising from 17.3% in 1954 to 25.8% in 1963.

It is to be noted, however, that there was a decline of £6.3 million in the rate of capital formation from 1954 to 1963, and that the extent of the decline is much greater when compared with 1957 (i.e. a decline of £16.6 million).¹ There was a decline in capital formation in the form of machinery and transport equipment to the value of £1.7 million and £0.6 million respectively over the period. The decline has been most remarkable in the case of building and construction which fell by £14 million between 1957 and 1963, a decline of more than 111 per cent. The decline in capital formation appears to have been due to the 1958 slump in export prices and to political developments.²

With these facts in mind, we shall examine the changes in the composition of imports of manufactures in relation to the growth of industries that has taken place in Kenya during this period, and assess the relative effects of import-substitution and demand expansion on imports. In an industrialising economy it is normally expected that changes in the import structure will be revealed not only in the greater share of domestic production in total supplies but also in the increasing share of imports of producer-oriented products (i.e. intermediate and capital goods), in total imports.

Table KI shows the composition of imports of manufactures in Kenya for 1954, 1957 and 1963. It is evident from the table that no such normal pattern of structural change in imports is discernible. The share of imports of consumer orientated products has in fact increased from 14.6% in 1957 to 18.4% in 1963 (while compared with 1954 it has remained constant), whereas that of producer-oriented products has declined from 60.4% in 1954, and 59.0% in 1957 and 58.0% in 1963. It is to be noted, however, that the increasing share of imports of manufactured consumer goods has been mainly due to an increase in the import of processed food, while the fall in the share of imports of producer-oriented products has been caused by the fall in imports of metal products, machinery and transport equipment. Imports of these items are a function of the rate of gross capital formation which declined during this period as stated

¹ Statistical Abstract 1964

² I.B.R.D. Report on Kenya p 15

earlier. It is to be noted on the other hand that the share of most of the items of intermediate products included in the producer-oriented goods have increased.

That the normal change has not taken place in the structural pattern of imports may be explained by the abnormal level of gross capital formation at the end period. It is due to this depression in capital formation that the relative shares of consumer goods and producer goods in total imports have moved in this abnormal way. Under these circumstances, increasing shares of imports of most of the items of intermediate products is the only feature to indicate structural change in the composition of imports. This interpretation may be supported, although indirectly, by examining the changing share of imports of manufactures in total supplies classified by end use.

When the shares of imports in total supplies are considered, it is found that there has been a decline in import content in the case of consumer goods and an increase in the case of producer oriented products (Table K II). Among the products included in the group of consumer goods only the share of imports of processed food shows a rise over 1957.¹ Thus although the share of imports of consumer goods in total imports appears to have increased and that of producer goods declined, the share of consumer goods imports in total supplies has declined and that of the producer goods imports has increased. This may be regarded as a significant indication that the normal change in the composition of imports would have emerged but for the decline in investment.

Our analysis of changes in import structure must now be accompanied by an assessment of import-substitution. In this context the relative concept of import-substitution, as explained in the earlier section, may be used to estimate the amount of import-substitution that has taken place in Kenya between 1957 and 1963. Import-substitution in the relative sense may be estimated as the change in the import content of total supplies of manufactures in this period. If the import content falls, import-substitution to that extent may be said to have taken place and if import content rises there is negative import-substitution meaning that domestic production has, to that extent, failed to maintain its share in total supplies. The last column of Table K II shows that in Kenya in all manufactures except in Processed

¹ We have had to confine our analysis of total supplies in the period from 1957-63 because of the availability of systematic domestic production data only from 1957.

Food and Basic Chemicals the import content has fallen and therefore import-substitution in this sense has taken place. In the Processed Food import-substitution is negative, home output having failed to maintain its share in total supplies, and in Basic Chemicals it is zero. Import-substitution in this sense has been relatively high in Metal Products, Textile-materials, Clothing, Footwear and other consumer goods.

Table K III shows that the import-substitution effect has been relatively small in relation to the growth of demand in the case of the consumer goods and producer goods industries, though there has been a large absolute increase in domestic production particularly in the production of manufactured consumer goods. Thus it has had little effect in reducing imports because of the high income-elasticity of demand.

Comparing 1963 with 1957, had demand remained unchanged, import-substitution would have reduced imports by 25% in the case of consumer goods producing industries and 12.6% in producer oriented industry, but expansion of demand in the absence of import-substitution would have increased these classes of imports by 62.0% and 28.3% respectively during this period. Thus import-substitution has been lagging far behind the expansion in demand for these products and the net effect is an absolute increase in imports.

Even in the case of footwear and other consumer goods where import-substitution has been substantial (i.e. more than the imports in 1957) the rapid expansion in demand for these products caused imports in 1963 to be greater than in 1957. In the case of other products in this group, import-substitution has been small in relation to the growth in demand, indicating the necessity of further expansion of production in these industries.

Among producer-oriented goods, import-substitution has made modest progress in the case of intermediate goods, although the demand for these products has expanded causing further increase in their importation. But in the case of capital goods production, import-substitution has made negligible progress, while the growth in demand for these products has in one case been stagnant and in the other negative.

TABLE K I

KENYA

COMPOSITION OF MANUFACTURED IMPORTS

	Imports of Manufactures by end-use			Share of all Imports %			Share of all Imported Manufactures %		
	1954	1957	1963	1954	1957	1963	1954	1957	1963
1. Processed Food	8.0	5.1	9.1	8.0	5.1	9.1	9.6	6.6	11.0
2. Beverages and Tobacco	5.0	2.2	1.8	5.0	2.2	1.8	7.2	3.8	2.2
3. Clothings and other Made-up Textiles	3.1	3.3	3.5	3.1	3.3	3.5	3.7	4.2	4.2
4. Footwear and Other Consumer Goods	2.0	4.0	4.0	2.0	4.0	4.0	2.3	5.1	4.9
All Consumer Goods (Non-durable)	18.1	14.6	18.4	18.1	14.6	18.4	22.9	19.7	22.3
5. Rubber and Rubber Products	1.9	1.7	1.6	1.9	1.7	1.6	2.3	2.2	2.0
6. Paper and Paper Products	2.0	2.8	3.8	2.0	2.8	3.8	2.4	3.6	4.6
7. Glass and Glass Products	.2	.5	.3	.2	.5	.3	.3	.7	.4
8. Textile Materials	10.6	7.8	9.3	10.6	7.8	9.3	12.9	10.1	11.2
9. Chemicals	3.0	4.3	5.5	3.0	4.3	5.5	3.7	5.6	6.4
10. Building Materials of Cement	.1	.4	.2	.1	.4	.2	.1	.5	.3
11. Metal Products	15.8	15.1	13.3	15.8	15.1	13.3	19.1	19.4	16.1
12. Machinery	10.5	14.3	13.0	10.5	14.3	13.0	12.7	18.4	15.7
13. Transport Equipment	16.3	12.0	10.5	16.3	12.0	10.5	19.7	15.5	12.8
All Producers' Goods	60.4	59.0	58.0	60.4	59.0	58.0	73.6	76.0	69.5
14. Miscellaneous Manufactures	3.0	3.4	5.8	3.0	3.4	5.8	3.4	5.0	7.2

TABLE K II

IMPORT CONTENT OF TOTAL SUPPLIES %

	<u>1957</u>	<u>1961</u>	<u>1963</u>	<u>Change in Percentile Points 1957/1963</u>
1. Processed Food	16.3	18.7	20.0	+ 3.7
2. Beverages and Tobacco	16.4	14.6	14.0	- 2.4
3. Clothings & Other Made-up Textiles	85.6	76.4	69.4	-16.2
4. Footwear & Other Consumer Goods	41.3	20.3	20.2	-21.1
All Consumer Goods (Non-durable)	25.3	21.7	22.5	- 2.8
5. Rubber and Rubber Products	76.6	68.3	68.5	- 8.5
6. Pulp, Paper and Paper Products	75.5	67.4	63.9	-11.6
7. Glass and Glass Products	59.0	50.3	40.5	-18.5
8. Textile Materials	97.3	90.2	82.9	-14.4
9. Basic Chemicals	55.7	60.4	55.7	0
10. Cement	8.3	4.3	7.7	- 0.6
11. Metal Products	88.8	66.8	63.4	-25.4
12. Machinery	93.2	87.5	91.1	- 2.1
13. Transport Equipment	64.8	73.5	64.6	- 0.2
All Producer Goods	70.0	69.5	62.2	- 7.8

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TABLE K III

Relative Effects of Import-Substitutions and of Expansion in Demand on Imports (£M)

	<u>Imports 1957</u>	<u>Effect of Import- Substitution</u>	<u>Effect of Expansion in Demand</u>	<u>Total Change in Imports</u>	<u>Imports 1963</u>
	(1)	(2)	(3)	(2+3)	(5)
1. Processed Food	3.3	+ 1.2	+ 1.9	3.1	6.4
2. Beverages and Tobacco	1.4	- 0.2	+ 0.1	- 0.1	1.3
3. Clothing & Other Made-up Textiles	2.1	- 0.5	+ 0.8	+ 0.3	2.4
4. Footwear & Other Consumer Goods	2.6	- 2.9	+ 3.2	+ 0.3	2.9
All Consumer Goods (Non-durable)	9.4	- 2.4	+ 6.0	+ 3.6	13.0
5. Rubber	1.1	- 0.2	+ 0.2	0	1.1
6. Paper	1.8	- 0.4	+ 1.3	+ 0.9	2.7
7. Glass	0.3	- 0.4	+ 0.3	- 1.0	0.2
8. Textiles	5.1	- 1.1	+ 2.5	+ 1.4	6.5
9. Chemicals	2.8	+ 0.2	+ 0.9	+ 1.1	3.9
10. Cement	0.2	- 0.6	+ 0.5	- 0.1	0.1
11. Metal	9.8	- 2.4	+ 1.9	- 0.5	9.3
12. Machinery	9.3	- 0.2	0	- 0.2	9.1
13. Transport Equipment	7.9	- 0.1	+ 0.4	- 0.5	7.4
All Producer Goods	38.8	- 4.9	+11.0	+ 6.1	44.9

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(ii) Uganda and Tanganyika. For Uganda and Tanzania the change in import-structure is distorted for the same reason as is that of Kenya and it is not therefore useful to present the inconclusive results. Moreover with detailed production data for only one year it is not possible to do the same comparative analysis of import content of manufactures by end-use as was possible for Kenya. All that can be done is to calculate import content and the relative effects of import-substitution and expansion of demand in respect of manufactures as a whole. This is summarised in Tables 1 and 2 below:

TABLE I

<u>Import Content of Total Supplies of Manufactures</u>				
<u>% Changes 1955-62</u>				
	<u>Imports</u>	<u>Domestic Production</u>	<u>Total Supplies</u>	<u>Import Content</u>
Uganda	43.0	3.0	35.0	+ 6.8
Tanganyika	3.0	108.5	10.8	- 8.1

TABLE II

<u>Relative Effects of Import-Substitution and Demand on Imports £ m</u>					
	<u>Imports 1955</u>	<u>Effect of I-S</u>	<u>Effect of Demand</u>	<u>Total Change</u>	<u>Imports U. 1963</u> <u>T. 1962</u>
Uganda 1955/63	26.3	+2.0	+9.3	+11.3	37.6
Tanganyika 1955/62	39.3	-3.8	+5.0	+ 1.2	40.5

The tables show that, for Uganda, import-substitution has been negative. With a very rapid rise in imports of 43% and a meagre increase in domestic production of 3%, the import content of total supplies between 1955 and 1963 increased by 6.8 percentage points indicating a much greater proportionate increase in home consumption than in home output. Using the same method of assessing the relative effects of expansion of demand and import-substitution on imports as for Kenya we can say that increased demand would have accounted for an increase of £9.3 million had import-content remained constant, but the failure of domestic production to maintain its share caused an increase of £2 million, bringing the total increase in imports to £11.3 million.

In Tanganyika the rapid percentage increase in domestic production from a very small base (108.5%), combined with the small increase in imports, had the effect of reducing the import content by 8.1 percentage points from 90.8% in 1955 to 82.7% in 1962 (Table I). This indicates positive import-substitution.

Measurement of the relative effects of import-substitution and of expansion on imports during this period gives a reduction of £3.8 million in imports as attributable to import-substitution during the period 1955 to 1962, but expansion of demand to the extent of £5 million produced a net increase in imports of £1.2 million (Table II). Here again we have the high income elasticities of demand for essential manufactures preventing the increase in domestic production from dispensing with imports.

III IMPORT-SUBSTITUTION POTENTIAL

In this section an attempt has been made to estimate for East Africa as a Common Market and for the three countries separately, the present import-substitution potential of all manufactured commodities on the basis of present imports, and also to assess the viability of production of these products on the basis of the extent of domestic production already achieved. Import-substitution potential for each commodity has been classified as 'Large', 'Medium' or 'Small' on the basis of the size of imports; and production viability has been classified as 'Established', 'Initiated' and 'Negligible', according to the size of domestic production. The form of this cross-classification is shown below:

Size Category	<u>Key to Classification</u>		
	A Production Established	B Production Initiated	C Production Nil or Negligible
<u>Large</u> Production	Greater than £100,000	Greater than £10,000	Less than £10,000
Imports	Greater than £500,000	Greater than £500,000	Greater than £500,000
<u>Medium</u> Production	Greater than £100,000	Greater than £10,000	Less than £10,000
Imports	Greater than £100,000	Greater than £100,000	Greater than £100,000
<u>Small</u> Production	Greater than £100,000	Greater than £10,000	Less than £10,000
Imports	Less than £100,000	Less than £100,000	Less than £100,000

As a result of the Common market-arrangements among the three countries of East Africa each has had freedom of access to the markets of each other. Potential import-substitution must, therefore, be considered in respect of the East African Market as a whole as well as of each country. This aspect is particularly important at present because of the smallness of the size of the individual markets of the three countries. Import-substitution potential is much larger, and production much more economical, on the basis of the East African Common Market as a whole than it would be on the basis of national markets. In fact the import-substitution-potential is the sum of that for the three countries minus "inter-territorial" imports.

The ideal procedure in such a study would be to

assess the total size of the home market of manufactures by taking imports plus local sales of domestic production of each commodity; and to take the extent of domestic production of each manufacture to indicate the viability of domestic production.

There are, however, limitations with regard to the availability of commodity-wise data on local sales of domestic production, and also the data regarding commodity-wise production. The actual data available which has been used is as follows: i) total import data (i.e. foreign and inter-territorial imports) of each manufactured product imported in each country; ii) commodity-wise data on domestic production and local sales for those products for which it is available in the Censuses of Manufactures (or Industrial Production) of the three countries: Kenya and Uganda 1963, and Tanzania 1961, these being the latest data available. Where the necessary data on domestic production was not available, estimates of national markets for most products have had to be confined to the markets supplied by imports - foreign and interterritorial. Although the major part of the total markets of manufactures in these countries is supplied by imports some under-statement of total supplies is involved in omitting home consumed domestic production.

Similarly the attempt to assess the viability of production of different product classes of which production and/or sales data are not available, has been made on the basis of export statistics. Here there is the same under-estimate involved in the procedure.

In measuring the size of the East African market inter-territorial imports have been excluded; but for each individual country, inter-territorial trade is a part of the external trade and thus, in assessing the market in each country, inter-territorial imports have been included.

The results of this study are summarised by commodity classes according to end-use in Section III. To reduce the large number of pages required for the presentation of the detailed results by product the detailed tables in Section IV are specified in the Special Code used in this study to convert the Standard International Trade Classification (S.I.T.C.) into products of industries as in the International Standard Industrial Classification (I.S.I.C.) The Special Code as set out in the Appendix can be used to ascertain the import-substitution potential under either classification from the detailed tables in Section IV.

SUMMARY TABLES

IMPORT-SUBSTITUTION POTENTIAL BY COMMODITY CLASSES BY END USE IN NUMBERS AND VALUES,
AND VIABILITY OF DOMESTIC PRODUCTION IN (a) EAST AFRICA AS A COMMON MARKET
AND (b) IN KENYA (c) UGANDA AND (d) TANGANYIKA
IMPORT-SUBSTITUTION POTENTIAL (IN £ MILLION)

(a) EAST AFRICA

COMMODITY CLASSES	DOMESTIC PRODUCTION ESTABLISHED		DOMESTIC PRODUCTION INITIATED		DOMESTIC PRODUCTION NEGLIGIBLE		TOTAL		% OF ALL COMMODITIES
	£ m	No	£ m	No	£ m	No	£ m	No	
Non-durable Consumer Goods	28.3	(35)	1.9	(6)	0.8	(3)	23.0	(44)	19.0
Consumer Durables	-	-	0.2	(1)	11.8	(13)	12.0	(14)	9.8
Producers' Goods	38.4	(39)	10.2	(15)	37.9	(61)	86.5	(115)	71.2

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(b) KENYA

COMMODITY CLASSES	DOMESTIC PRODUCTION ESTABLISHED		DOMESTIC PRODUCTION INITIATED		DOMESTIC PRODUCTION NEGLIGIBLE		TOTAL		% OF ALL COMMODITIES
	£ m	No	£ m	No	£ m	No	£ m	No	
Non-Durable Consumer Goods	14.4	(40)	0.6	(6)	1.4	(10)	16.2	(56)	21.7
Consumer Durables	-	-	-	-	5.2	-	-	-	-
Producers' Goods	15.4	(27)	11.7	(18)	26.2	(76)	53.3	(121)	71.4

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(c) UGANDA

COMMODITY CLASSES	DOMESTIC PRODUCTION ESTABLISHED		DOMESTIC PRODUCTION INITIATED		DOMESTIC PRODUCTION NEGLIGIBLE		TOTAL		% OF ALL COMMODITIES
	£ m	No	£ m	No	£ m	No	£ m	No	
Non-Durable Consumer Goods	4.0	(16)	1.1	(3)	1.3	(13)	6.4	(32)	19.0
Consumer Durables	-	-	-	-	3.7	(15)	-	-	11.0
Producers' Goods	2.2	(8)	1.6	(7)	19.6	(100)	23.4	(115)	70.0

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(d) TANGANYIKA

COMMODITY CLASSES	DOMESTIC PRODUCTION ESTABLISHED		DOMESTIC PRODUCTION INITIATED		DOMESTIC PRODUCTION NEGLIGIBLE		TOTAL		% OF ALL COMMODITIES
	£ m	No	£ m	No	£ m	No	£ m	No	
Non-Durable Consumer Goods	6.7	(18)	1.6	(3)	2.9	(31)	11.2	(52)	25.9
Consumer Durables	-	-	-	-	2.9	(12)	-	-	6.6
Producers' Goods	3.9	(4)	3.3	(9)	22.2	(109)	29.4	(122)	67.5

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TABLE

Sources of Statistics Used For Estimates of Import-
Substitution Potential and Domestic Production
In Respect of Three Countries

Countries		Sources of Statistics
East Africa Table (a)	Production	(i) Census of Manufactures; Kenya 1963; Uganda 1963; Tanganyika 1961. (ii) Exports of Manufactures of 3 countries, Annual Trade Report 1963, EACSO.
	Imports	Annual Trade Report 1963.
Kenya Table (b)	Production	(i) Census of Manufactures; Kenya 1963; (ii) Exports of Manufactures of Kenya, Annual Trade Reports 1963.
	Imports	Annual Trade Report 1963.
Uganda Table (c)	Production	(i) Census of Industrial Production Uganda 1963. (ii) Exports of Manufactures of Uganda, Annual Trade Report 1963.
	Imports	Annual Trade Report 1963.
Tanganyika Table (d)	Production	(i) Census of Industrial Production Tanganyika 1961 (ii) Exports of Manufactures of Tanganyika 1963, Annual Trade Report 1963.
	Imports	Annual Trade Report 1963.

Conclusions

The Summary Tables showing the commodity pattern of import-substitution potential by size (in terms of value) reveal the important fact that import-substitution possibilities are greatest for consumer goods. They also show that viability of domestic production has been demonstrated in almost all non-durable consumer goods in Kenya and in several of these in Uganda and Tanganyika. Domestic production in some producers' goods has also been established in Kenya and in the other two countries to a smaller extent. In the case of these products, East Africa as a Common Market will offer greater possibilities for import-substitution because of economies of scale.

Consumer expenditure studies (based on trade data) show that, in recent times, demand for consumer durables has gone up very sharply. Tables A and B give some facts about the changing demand for Consumer Durables. The question of import-substitution in these products does not arise at present for several reasons. First, domestic production of these goods will be uneconomical from the point of view of the size of the market at present, despite the large values of imports of these products which, as pointed out earlier, is due to high unit values, not to quantity. For this reason, despite their large values, viability of production of these goods has not yet been demonstrated in any of these countries. Secondly, as these products are not essential at present for these developing economies they should be displaced by essential producers' goods as a result of planning and a more equalitarian distribution of income.

The historical experience of different countries shows that the pattern of demand for manufactures changes with the rise in real income. At low income levels the rise in real income causes rapid expansion in the demand for essential consumer goods rather than capital and intermediate goods. But at the next stage as development proceeds, the important features of the demand pattern are the relatively rapid expansion in demand for capital goods, chemicals and consumer durables, and the relatively slow rise in demand for essentials i.e. food, beverages and tobacco, textiles and clothing and similar goods. This normal pattern is likely to be reflected in East African experience and these countries can expect a rapid rate of industrialisation in the near future because of the present high import-substitution potential.

TABLE A
CHANGES IN IMPORTS OF 7 CONSUMER DURABLES, 1961-1963

7 Selected Consumer Durables	KENYA			UGANDA			TANGANYIKA		
	1961 (in £)	1963	% Change 1961-63	1961 (in £)	1963	% Change 1961-63	1961 (in £)	1963	% Change 1961-63
1. Refrigerators	96,596	172,236	74.0%	41,203	68,875	67.0%	5,787	11,780	103.0%
2. Tape Recorders	15,154	25,997	71.5%	4,714	16,063	240.0%	7,243	25,827	258.0%
3. Radiograms	373,939	724,340	92.6%	23,847	37,950	59.0%	197,581	422,492	113.8%
4. Cameras	359,176	421,667	17.0%	78,175	112,740	44.0%	77,264	129,508	67.6%
5. Electric Appliances for Domestic use	77,040	136,365	69.0%	30,955	37,661	21.6%	51,644	56,555	9.5%
6. Television sets	-	852,170	-	-	225,188	-	-	86,000	-
7. Cars	2,056,255	3,257,811	58.0%	889,253	1,743,875	73.0%	1,239,498	1,640,858	32.0%
	2,980,160	4,890,695	65.0%	1,282,770	2,142,350	75.0%	1,631,101	2,395,820	43.7%

TABLE B
% CHANGES IN ALL IMPORTS, CONSUMER GOODS IMPORTS AND 7 CONSUMER DURABLES IMPORTS

	1961-1963		
	All Imports	Consumer Goods Imports	7 Consumer Durables Imports
Kenya	13.0	22.0	65.0
Uganda	16.6	7.0	75.0
Tanganyika	11.5	21.0	43.7

Detailed Tables

Import-Substitution potential by product is shown in the following Tables by Code Numbers given in the Appendix.

The Tables are arranged according to the classification given on Page 18 and used for the Summary Tables as follows:

	<u>Domestic Production</u>	<u>Table</u>	<u>Page</u>
East Africa	Greater than £100,000	IA	28
	Greater than £10,000	IB	29
	Less than £10,000	IC	30
Kenya	Greater than £100,000	IIA	31
	Greater than £10,000	IIB	32
	Less than £10,000	IIC	33
Uganda	Greater than £100,000	IIIA	34
	Greater than £10,000	IIIB	35
	Less than £10,000	IIIC	36
Tanganyika	Greater than £100,000	IVA	38
	Greater than £10,000	IVB	39
	Less than £10,000	IVC	40

IMPORT-SUBSTITUTION POTENTIAL IN EAST AFRICATABLE 1: SECTION AEAST AFRICAN PRODUCTION ESTABLISHED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
202-1	522	202-2	106	201-1	88
206-1	1,249	203-1	262	214-1	8
207-1	1,379	203-2	306	241-2	69
208-1	666	205-1	143	241-3	71
209-3	880	205-2	255	241-4	55
231-8	8,004	213-1	168	331-1	68
231-10	5,937	220-1	134	350-9	79
231-12	984	241-1	394	350-14	78
244-1	1,959	243-1	465	381-1	52
243-2	3,034	243-3	347	394-1	83
280-2	636	251-1	249		
233-1	721	252-1	221		
291-1	514	260-3	364		
300-2	2,864*	271-6	435		
311-1	671	271-7	413		
313-1	697	280-3	477		
319A-1	2,679	311-4	426		
319A-2	706	312-2	198		
319A-3	2,679	312-3	466		
319A-6	798	319B-1	203		
319B-3	666	319B-2	456		
341-4	1,119	331-2	215		
350-15	828	332-1	172		
383-1	6,880	332-2	120		
		332-3	378		
		334-1	143		
		342-3	351		
		244-3	153		
		350-2	293		
		350-6	366		
		350-8	371		
		350-12	347		
		360-12	158		
		399-1	253		
		370-8	233		
		350-10	387		
		399-3	166		
		311-2	417		

* Domestic Production in retreading and repairing tyres and tubes only.

TABLE 1: SECTION BEAST AFRICAN PRODUCTION INITIATED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
300-1	842	239-3	366	231-1	48
321-4	589	243-6	418	319B-4	172
341-2	787	280-1	196	341-9	88
260-2	235	312-1	472		
350-7	1,405	319A-5	303		
360-14	587	339-1	170		
360-17	3,226	350-4	414		
		350-13	271		
		399-7	398		
		385-3	144		
		211-1	449		

TABLE 1: SECTION C

EAST AFRICAN PRODUCTION NIL OR NEGLIGIBLE

I-S P: LARGE		I-S P: MEDIUM		I-S P: SMALL	
CODE	I-SP £000	CODE	I-SP £000	CODE	I-SP £000
271-2	1,089	212-1	302	399-6	266
271-3	1,070	231-3	120	231-2	16
321-2	1,053	231-4	221	231-6	45
321-3	4,000	231-7	138	231-11	37
231-5	719	231-13	695	271-1	67
231-9	540	239-1	256	342-4	18
341-3	1,769	239-2	213	360-11	50
360-2	583	260-1		386-2	85
341-5	1,116	271-4	373	395-1	36
341-7	578	271-5	141		
341-8	1,155	311-5	370		
350-11	573	311-6	440		
360-6	2,369	321-1	251		
360-3	547	321-6	233		
360-10	1,460	339-3	137		
360-7	678	333-1	296		
370-4	1,526	339-2	137		
360-9	541	341-1	207		
383-1	847	339-3	137		
360-15	887	342-1	151		
383-2	6,458	342-2	354		
370-1	1,229	350-1	157		
383-3	2,146	342-5	133		
370-6	784	341-6	132		
386-1	1,698	350-5	202		
370-11	559	350-3	116		
392-2	715	360-1	201		
370-12	706	342-7	120		
385-2	593	360-4	180		
391-1	1,075	360-5	219		
		360-8	418		
		360-13	314		
		360-16	358		
		360-18	414		
		370-3	139		
		370-5	280		
		370-7	192		
		370-9	279		
		370-10	230		
		385-1	179		
		392-1	486		
		393-1	135		
		399-2	252		
		399-4	365		
		399-5	205		

IMPORT-SUBSTITUTION POTENTIAL IN KENYATABLE II: SECTION ADOMESTIC PRODUCTION ESTABLISHED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> £000	<u>CODE</u>	<u>I-SP</u> £000	<u>CODE</u>	<u>I-SP</u> £000
207-1	2,839	201-1	131	205-1	99
209-3	545	202-1	174	214-1	7
231-8	3,832	202-2	121	241-2	41
231-12	679	203-1	169	241-3	40
243-2	1,306	203-2	205	243-3	33
244-1	1,230	205-2	142	244-3	80
300-2	1,066*	206-1	118	331-2	72
312-2	1,933	208-1	496	332-2	71
319A-1	1,911	209-1	124	332-1	70
319A-3	949	213-1	118	334-1	31
319A-6	630	220-1	198	350-9	43
341-4	732	233-1	-	350-14	33
383-1	2,840	241-1	151	360-12	81
		241-4	329	381-1	34
		243-1	124	399-3	80
		251-1	208	394-1	41
		252-1	131		
		260-3	540		
		271-6	356		
		271-7	165		
		280-1	196		
		280-2	443		
		280-3	315		
		291-1	241		
		311-1	413		
		311-2	296		
		332-3	174		
		313-1	408		
		319A-2	391		
		319B-1	111		
		319B-2	205		
		319B-3	442		
		342-3	279		
		350-2	118		
		350-6	223		
		350-8	230		
		350-12	286		
		350-15	427		
		370-8	118		
		399-1	190		

* Domestic Production in retreading and repairing only.

TABLE II: SECTION B

DOMESTIC PRODUCTION INITIATED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
300-1	535	239-3	232	331-1	43
231-10	2,344	243-6	197	341-9	15
341-2	787	211-1	272	385-3	39
321-4	3,556	311-4	425	319B-4	90
360-17	1,664	319A-5	124	231-1	50
		260-2	235		
		350-4	196		
		350-7	498		
		280-1	196		
		350-13	137		
		360-14	201		
		312-3	243		
		312-1	385		
		339-1	202		

TABLE II: SECTION C

DOMESTIC PRODUCTION NIL OR NEGLIGIBLE

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: MEDIUM</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CONTINUED</u>	
271-2	752	212-1	179	370-11	272
271-3	980	231-3	120	370-12	369
321-2	1,053	231-4	197	385-2	137
321-3	2,796	231-5	339	391-1	466
321-5	685	231-6	129	392-1	324
341-3	1,226	231-9	295	399-2	172
341-5	666	231-13	312	399-4	219
341-8	694	239-1	156	399-5	104
360-6	1,127	239-2	126	399-7	201
360-10	567	244-2	191	399-6	125
370-4	724	260-1	151		
382-1	514	271-4	265	<u>I-S P: SMALL</u>	
383-2	3,073	311-5	207	<u>CODE</u>	<u>I-SP</u>
383-3	863	311-6	145		<u>£000</u>
386-1	1,597	312-1	336	204-1	67
392-2	512	321-1	226	231-1	50
		321-2	1,053	231-2	13
		311-3	308	231-6	14
		333-1	115	243-4	55
		339-1	202	231-11	36
		341-1	124	243-5	50
		341-7	480	271-1	27
		342-2	390	271-5	87
		342-5	111	319A-4	90
		341-6	92	321-6	74
		350-10	180	339-2	46
		350-11	316	339-3	87
		360-1	165	342-1	89
		360-2	239	342-4	10
		360-3	185	342-6	85
		360-4	102	342-7	30
		360-7	414	350-1	29
		360-8	207	350-3	14
		360-9	320	350-5	35
		360-13	200	360-5	94
		360-15	373	360-11	23
		360-16	202	370-3	81
		360-18	247	385-1	60
		370-1	323	385-3	39
		370-2	364	386-2	84
		370-5	152	393-1	56
		370-6	461	395-1	6
		370-7	137		
		370-9	138		
		370-10	136		

IMPORT-SUBSTITUTION POTENTIAL IN UGANDATABLE III: SECTION ADOMESTIC PRODUCTION ESTABLISHED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> £000	<u>CODE</u>	<u>I-SP</u> £000	<u>CODE</u>	<u>I-SP</u> £000
205-1	436	202-1	120	201-1	14)*
220-1	1,000	208-1	102	204-1	49)
231-8	1,832	209-3	284	207-1	96)
319B-3	673	213-1	140	214-1	29
		243-3	159	251-1	46
		260-3	232	252-1	52
		311-1	210	260-1	93
		312-2	249	331-1	15
		312-3	110	342-1	31
		319A-6	104		
		350-8	113		
		350-9	128		
		350-15	157		

* Domestic Sales of Meat & Fish preparation are given together in the census of manufactures as £275,000 in 1963.

TABLE III: SECTION B

DOMESTIC PRODUCTION INITIATED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
300-2	1,114*	241-1	347	239-1	29
319A-1	638	280-2	101	280-1	73
		331-2	108	311-2	53
* Domestic Prod-		334-1	162	311-4	18
uction in		350-9	137		
retreading and					
repairing only					

TABLE III: SECTION CCONTINUEDI-S P: SMALLCONTINUED

341-1	20
341-6	19
341-7	49
342-1	31
342-4	1
342-5	
342-7	77
350-1	77
350-3	6
350-13	47
350-14	47
360-2	72
360-4	37
360-8	54
360-11	11
370-3	29
370-7	12
370-9	69
370-10	37
382-1	48
385-3	47
396-1	18
392-1	73
393-1	34
399-1	79
399-2	68
399-3	58
399-5	53
399-7	59
370-8	90

TABLE IV: SECTION AIMPORT-SUBSTITUTION POTENTIAL IN TANGANYIKADOMESTIC PRODUCTION ESTABLISHED*

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
207-1	594	202-2	345	201-1	54
213-1	664	203-1	106	214-1	31
220-1	1,386	205-1	292	394-1	35
231-8	3,378	206-1	185		
241-1	509	209-3	432		
244-1	550	241-4	137		
319B-3	807	260-3	288		
		312-2	219		
		313-1	251		
		350-6	160		
		350-10	113		
		350-12	116		

* Based on 1961 Census of Manufactures and 1963 domestic exports of Manufactures

TABLE IV: SECTION BDOMESTIC PRODUCTION INITIATED

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: SMALL</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>
231-10	1,481	241-2	123	251-1	208
243-2	1,403	252-1	101	312-1	4
334-1	647	291-1	207	331-1	54
341-4	555	342-3	120		
		399-7	157		

TABLE IV: SECTION C

DOMESTIC PRODUCTION NIL OR NEGLIGIBLE

<u>I-S P: LARGE</u>		<u>I-S P: MEDIUM</u>		<u>I-S P: MEDIUM</u>	
<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CODE</u>	<u>I-SP</u> <u>£000</u>	<u>CONTINUED</u>	
300-2	1,013	208-1	176	360-3	264
319A-1	816	231-12	245	360-7	144
321-3	1,564	231-13	177	360-8	156
321-4	1,501	233-1	402	360-9	122
321-5	516	241-3	102	360-10	479
350-7	532	243-3	217	360-15	279
360-6	901	243-6	123	360-16	119
360-17	903	280-1	133	360-18	104
370-1	641	280-2	110	370-2	250
383-1	2,180	280-3	125	370-4	422
383-2	1,640	311-1	144	370-6	115
383-3	802	312-3	110	370-11	171
		319A-5	317	370-12	198
		319B-2	155	383-1	284
		332-3	228	385-2	295
		341-2	127	391-1	139
		350-6	160	392-2	107
		350-8	181		
		350-13	115	<u>I-S P: SMALL</u>	
		350-15	287	<u>CODE</u>	<u>I-SP</u>
		360-14	208		<u>£000</u>
		399-1	115	203-2	97
		211-1	101	204-1	43
		231-5	277	205-2	14
		231-9	246	209-3	98
		243-1	436	212-1	72
		243-1	436	231-1	14
		271-6	243	231-4	23
		271-7	275	231-6	4
		319A-3	409	231-7	14
		350-2	320	231-11	
		350-9	242	239-1	53
		244-2	181	239-2	40
		260-2	181	239-3	83
		271-2	173	243-4	40
		300-1	187	243-5	39
		311-3	118	244-3	77
		311-6	154	260-1	85
		319A-2	256	271-1	27
		341-3	389	271-3	53
		341-5	341	271-4	57
		341-8	232	271-5	22
		350-4	114	311-4	20
		350-11	130	311-5	86
		360-2	271		

TABLE IV: SECTION C

CONTINUED

<u>I-S P: SMALL</u>		<u>I-S P SMALL</u>	
<u>CONTINUED</u>		<u>CONTINUED</u>	
319A-4	31	399-3	61
319B-1	67	350-3	97
319B-4	90	350-5	29
321-1	13	360-1	6
321-6	53	360-4	40
331-2	35	360-5	80
332-1	58	360-11	15
332-2	62	360-12	5
333-1	54	360-13	79
339-1	69	370-3	28
339-2	43	370-5	3
339-3	27	370-7	42
341-1	61	370-9	72
341-6	19	370-10	56
341-7	49	381-1	8
341-9	55	385-1	71
341-20	33	386-1	21
342-1	31	386-2	1
342-2	44	392-1	88
342-4	27	393-1	44
342-5	27	394-1	35
342-6	22	395-1	20
342-7	12	399-2	11
350-1	50	399-4	80
370-8	58	399-5	46
385-3	83	399-6	50

APPENDIX

Classification of East African Imports
by Manufacturing Industry

Explanatory Note

Commodities under S.I.T.C. have been grouped industrywise. The Special Code that has been used here thus refers to various commodity classes as products of particular industries which are classified according to ISIC.

The Classification of East African Imports by Manufacturing Industry appears after the Preface.

'One of the spearheads of the Plan is industrialization aimed at import substitution' (Uganda's *Work for Progress*). This must be so for all three countries of East Africa at the present stage of economic development. What is the import-substitution potential in Kenya, Tanzania and Uganda? What kind of goods? What difference does the Common Market make? Why doesn't import substitution reduce imports? These are some of the questions which Mr. Maitra examines in this study.

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