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SOME ASPECTS OF INTER-TERRITORIAL TRADE IN EAST AFRICA IN RECENT YEARS

by
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It is necessary I think, to start this paper with a short discussion of the importance of trade in economic development. All economists agree that trade is of vital importance in the process of economic development. In the words of Marshal "the cause which determine the economic progress of nations belong to the study of international trade".[1] In the classical economic doctrine foreign trade was important or it provided a "vent" for the surplus output and also tapped new sources of raw materials. This conclusion was largely based on the experience of England during her industrial revolution. During this revolution (and it was a revolution in a number of ways) and the pattern of economic development in the 19th century trade was , in the words of one of the greatest economist of this century (Robertson), the "engine of growth".

For modern economic development , however, it seems more relevant to think of foreign trade as performing a number of crucial functions for the developing century: (a) it brings inf foreign exchange which can be used for importing capital or consumption goods; (b) it brings in income which , if there is a surplus in the balance of payments position of the country, can be spent for more consumption or capital formation; (c) it brings in government revenue which can then be used to finance the various activities of the public sector; and (d) it provides scope for and encourages development in skills e.g. meat canning, cotton ginning etc. In short foreign trade helps in the expansion of the monetary sector.

However, it should be noticed that the above listed functions performed by foreign trade refer to a rapidly developing country. It is important to recall the fact that during 19th century foreign trade destroyed traditional industries in the countries which acted as the "vent for the surplus" (e.g. in India) but, also , opened new possibilities of development and expansion in these same countries if they acted as "source of raw materials" i.e. foreign trade provided the possibilities of expansion through increased production of primary products for export. It is easy to see how the doctrine of comparative advantage gained such wide acceptance.

Today, however, the prevailing conditions are such that the possibility of growth and expansion through trade in primary products seems, except perhaps for the oil countries , quite bleak. The reason for this is that since the end of 19th century demand for primary products has not kept pace with the growth of industrialised countries - and foreign trade is not therefore the powerful 'engine of growth' which it was for the countries which were pioneers in the process of modern growth. As Ragnar Nurkes points out,

> "...the forces making for the diffusion of economic growth from advanced to less developed countries are not as powerful as they were hundred years ago. The 19th century pattern of development in the outlying areas was geared to the export markets for primary staples. This mechanism of growth transmission is <u>now in comparatively low gear</u>". (my emphasis).

A hundred years ago such countries as the 'new World', Canada, New Zealand and Australia did benefit quite a lot from the rapid growth of the 'mohter countries'.

It is quite possible to be more pessimistic than Nurkse and I think of the so-called theory of immiserizing growth . - for it seems manifestly obvious that the pattern of trade and development of 19th century offers little hope today to the present under-developed countries - for in 19th century the vigorous demand for raw materials in the industrialising countries led to, among other things, massive investment in the then under-developed countries to produce the required raw materials. Today, however, with the ever increasing refinement in technology primary products are becoming progressively less and less essential as raw materials. It is , unfortunately in these products that the modern under-developed countries have a comparative advantage - and on them lies, if the idea is to develop through trade with the developed countries, their main hope for producing competitive goods. This is also because it has now been widely accepted that production of manufactured goods in under-developed countries for export to developed industrial countries should be ruled out, for fairly obvious reasons, as a workable strategy of economic development of these countries.

It would therefore appear that the domestic or home market is the only promising way of bringing about rapid development in under-developed countries. For this reason wider markets through customs unions and other methods of economic co-operation are now more than ever important to under-developed countries. In saying this I am not, of course, recommending that under-developed countries should stop producing primary products for export to the developed countries, . What I am attempting to point out is that we cannot and should not expect under-developed countries to raise their national incomes per capita as rapidly as they would wish if the strategy of development to be employed is adherence to the doctrine of comparative advantage - a strategy which we would mean that these countries should aim at producing more and more primary products for export to the developed countries. To quote Nurkse again:

> " ...(since) the world demand for a wide range of primary products is, for well-known reasons, relatively slow in expanding ..... any exclusibe emphasis on the traditional pattern of growth through trade would be out of place, and could be interpreted as a hangover from bygone days".3

What has been said above would explain , if the in very inadequate and general terms, my interest in intra-East African trade i.e. trade among the three East African countries - hereafter referred as inter-territorial trade. There are four main categorise of trade in East Africa which should interest an economists

(i) Foreign of external trade i.e. trade between East African countries and the rest of the world.

(ii) Inter-territorial trade, amongst the East African countries, involving foreign imported goods. About 22% of all foreign direct imports are subsequently transferred from one East African country to another. Uganda for instance gets something like 40% of her foreign imports in this way).

iii) Inter-territorial trade involving locally produced and manufactured goods.

iv) Intra-territorial trade i.e. trade amongst the various areas and regions of each East African country.

One could perhaps usefully split category (i) above i.e. external trade, into two categories: trade between East Africa and the neighbouring and other African countries; and trade between East Africa and all the other countries. Trade between East Africa and the rest of Africa has been with the exception of South Africa, exceedingly small.[4] There are a number of reasons for this but I do not intend to go into them here. (Actually this paper is a part of a much more extensive and detailed work I am doing on trade and development in East Africa).

It is category (iii) that we are going to concern ourselves with in this paper. Obviously, from the point of view of each East African country, inter-territorial trade is in a number of ways a part of her external trade - for each of these three countries is a politically distinct and independent entity. But in a certain sense this trade is much like intra-territorial trade - for the three countries form a customs union which has been reinforced by the existence of a common monetary system, several jointly-owned and financed enterprises, and the East African Common Services Organisation which through the Chief Ministers of the three countries performs a number of functions on an East African basis. It seems desirable, however, to have a separate category for this trade when discussing trade development in East Africa.

In this paper I am just going to deal with <u>visible</u> inter-territorial trade only. In the theory of trade we have two main categories: trade in <u>visible</u> items and trade in <u>invisible</u> items. But in East Africa the only published figures for inter-territorial trade are those for the visible items. This introduces a great difficulty when trying to have an overall picture of inter-territorial economic transportation, insurance, stockholding, advertising, etc are important. I find it difficult at present to give quantitative estimates of trade in these items but my feeling is that Kenya derives quite a bit of income - perhaps upwards of £2 million from this category of her economic transactions with the rest of East Africa.

The aim of this paper is to try a to assess the growth of inter-territorial trade, its direction and structure. There seems to be little use in giving detailed analysis of this trade in early years - for this trade has become important only recently. Even as recently , as 1952, a very prosperous year in the whole of East Africa, the total volume of exports of East African countries to one another was only £11. 056 million or about 40% of 1962 volume (26.764 million). Actually this percentage would be a good deal smaller - perhaps as little as 32% - if the 1952 figures did not include excise taxes on excisable exports and customs duties on dutiable foreign imports used in the production of locally manufactured goods. The smallness of this trade is also illustrated by the fact that 1 in 1952 Kenya exports to the rest of East Africa were only £4,380 million inclusive of excise taxes and customs duties(see last sentence) whereas in 1962 they were £17.320 million exclusive of these excise taxes and duties. Another reason why it would not be particularly fruitful to give detailed treatment to the early years of this trade is that for policy formulation and projection purposes the last few years are more relevant - for not only has this trade become quite substantial but, perhaps more important , a policy to quide and encourage the growth of this trade with the view to maintain and improve the working of the East African Customs Union is now imperative. An additional reason why the emphasis should be laid on the recent years is that information on this trade has been improving with time and the figures of the last few years show a fairly good coverage and are also more accurate. It should, however be mentioned that there is still a fair amount of trading between these countries - especially trade in foodstuffs between the neighbouring regions of these countries - which is not recorded. There is no way I see of quantifying this trade and I have therefore ignored it in this paper.

Table I brings out the rapid increase in this trade. In this table I have calculated the total volume (exports plus imports) of inter-territorial trade by country. The percentage increase in this trade year by year is shown. I have also expressed this trade, year by year, as percentage of total volume of <u>external</u> trade for each country.

There are several things which stand out in these figures. Firstly, the average annual increase of this trade between 1955 and 1962 is, for the three countries, fairly high by most standards. For Kenya it has been 13.7%, for Tanganyika 10.5%; and for Uganda 7.8% - and thus for East Africa as a whole 10.6%. This is more than three times the average increase, in the same whole - the latter figure being only 3.1%. Perhaps more important is the fact that whereas the percentage increase in the volume of East African external trade has been fluctuating quite widely and in 1956, 1958 and 1961 actually declined (in 1958 it declined by as much as 5.6%), the volume of inter-territorial trade has not shown such wide fluctuations and in no year did it actually fall in the last seven years.

Secondly, the volume of inter-territorial trade for each country, expressed as a percentage of her volume of external trade, has been increasing in every case. For Kenya this percentage was 12.1% in 1955 but by 1962 it had gone up to 21.4%. (Again the 1955 figure would be smaller but for the excise taxes and customs duties already mentioned). For the Tanganyika the increase has been less impressive - from about 9% in 1955 to 15.1% in 1962. Uganda has been somewhere in between but nearer Kenya than Tanganyika - and the increase has been from 15.5% in 1955 to 21.9% in 1962.

The above figures could be quite misleading and convey inaccurate information - for among other things they depend on the level of the external trade of each country. For instance the increased share of inter-territorial trade in Uganda's total volume of trade has been due to two factors : firstly, her volume of external trade has been falling continuously since 1957 - due primarily to the continuous fall of her external export earnings since that year,5 and secondly because her exports to the rest of East Africa which fell by more than £3 million in 1956 (due mainly to the shifting of the East Africa Tobacco Company factory from Uganda to Kenya) have been making a fairly good comeback and in 1962 they were almost at 1955 level. For Kenya, however, the rising share of inter-territorial trade in her total volume of trade has been a part of general increase and expansion in the trade of that country. In fact Kenya's external exports were only 57.8% of Uganda's external exports (in value) in 1957, but by 1962 Kenya's domestic exports to countries outside East Africa had overtaken those of Uganda and were about 1% higher.

Perhaps a more illuminating way of showing the increasing importance of inter-territorial trade is to express each country's exports to the rest of East Africa as a proportion of her domestic exports i.e. as a percentage of each country's exports to the rest of the world.

Table II

Inter-territorial Exports as a % of Domestic Exports

	Kenya	Tanganyika	Uganda
1958	36.7	6.2	10.6
1960	39.1	4.9	16.1
1962	45.5	4.7	18.7

Note: these figures do not include excise taxes or customs duties on dutiable 'raw materials'.

These figures give an indication of the dependence of each country on the East African Market[6]. Kenya's dependence on this market has been increasing fast. Uganda's dependence too has been increasing primarily because, as has already been mentioned, her external export earnings have been declining. The Tanganyika case is interesting: for her dependence, measured in this way, has been declining and will continue to decline further if in the next two or three years if the sisal prices hold. This fall in dependence is partly due to the fact that her exports to the rest of East Africa have hardly been increasing (fluctuating at around £2.35 million) and partly because her external exports have been increasing steadily - except when they declined in 1961 by over £6 million - throughout the whole period. For instance in 1960 they increased by almost £10 million to an all-time record of £54.823 million while her exports to the rest of East Africa showed a decline of £200,000. But potentially Tanganyika stands to depend quite a lot on the East African market - for she has been starting industries which will, to be successful, depend on the East African market as a whole.

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It is not enough to calculate the total volume of inter-territorial trade. Something needs to be said about the actual size of exports and imports (i.e. inter-territorial ones) of each country. Table III brings out the growth of inter-territorial exports and imports by each country.

Several things emerge from this table. In the first place the increase of Kenya's exports to the other two countries is most impressive - increasing from £6.035 million in 1955 to £17.237 million in 1962 - an increase of, if we leave out excise taxes and duties from 1955 figures, more than three times. (For the earlier years exports were very small in value - in 1945 for instance they were worth only £1.1 million). Percentagewise the average increase of Kenya's exports to Uganda and Tanganyika has been by value 12.2% a year. On the other hand Kenya imports from the rest of East Africa have not shown such a remarkable increase and the net result is that the visible trade balance of Kenya with the rest of East Africa has been improving continuously and is now almost £10 million. This is an exceedingly important development for Kenya for the surplus in the inter-territorial trade goes a good way in offsetting the deficit in her external trade account which in 1962 and for the visible trade only stood at £25.956 million.

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In this sense it can be said that Uganda and Tanganyika have been earning foreign exchange for Kenya. Looking at the available 1963 trade data this trend seems to be going upwards - for in the first half of this year (1963) Kenya exported to the rest of East Africa £10.267.000 whereas for the same period in 1962 these exports were only worth £7,986,000. Imports from Tanganyika and Uganda have also increas during the first half of 1963 compared with the first half of 1962 - the increase being from £3,198,000 in 1962 to £4,172,000 in 1963. Percentage-wise the increase in exports has been smaller than the increase in imports - 28.6% compared to 30.5% - but in absolute terms the increase in exports has been much greater. It seems quite likely that Kenya's exports to the rest of East Africa will be about £21 million, or just under. This will be about 50% of her domestic exports to countries outside East Africa.

This increase in the exports of Kenya to the rest of East Africa is the more remarkable for her exports to the rest of African countries have been stagnating since 1959 - and the following figures reveal this and also show that her total external domestic exports (to all countries outside East Africa) have not shown such a remarkable performance:

Table IV

Kenya Exports to East Africa (A): to the rest of Africa (B); and to all countries outside East Africa (C)

	A	B	C
1958	10,745	2,420	29,300
1959	12,297	2,924	33,306
1960	13,771	3,309	35,191
1961	15,948	3,287	35,326
1962	17,237	3,555	37,913

Source: Annual Trade Reports

It is interesting to notice that even for the bad year of 1961 exports to the rest of East Africa increase by more than £2 million whereas Kenya exports to other African countries (B) actually declined and total domestic exports seem to have just held their own.

The Uganda case an interesting one - for in 1955 her exports to the rest of East Africa were worth £7.879 million but in the following year her exports fell by more than £3 million - to the low level of £4.456 million. This fall was almost wholly due to the relocation of the East Africa Tobacco Company cigarette factory already mentioned above. This turned Uganda's trade balance with the rest of East Africa into a deficit although in the earlier years it was strongly positive (See Table III). In 1955 this balance was £3.913 in favour of Uganda but in 1956 it was a deficit of £.683 million. The present picture is that Uganda's inter-territorial exports have almost reached the level of 1955 - and they are likely to increase quite substantially in the years to come although it seems unlikely that they will catch up with Kenya's exports - at any rate not in the next ten years or so.

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In the case of Tanganyika the picture has been vastly different. Her exports to the other two countries have never approached £3 million and, in fact, her inter-territorial exports were only 12% of those of Kenya in 1962. The only thing which these three countries have in common is that in all cases imports from the rest of East Africa have been increasing. Even when foreign imports are falling (due primarly to a fall in export earnings) inter-territorial imports, in all cases, continue to increase. But even here there is not really much in common - for whereas inter-territorial imports between 1955 and 1962 have more than doubled in the case of Tanganyika, those of Uganda have increased by over one and two-thirds while those of Kenya have increased by only £1.3 million. If we exclude excise taxes and duties included in 1955 figures, these increases would be about three times in the case of Tanganyika, about double in the case of Uganda and about 40% in the case of Kenya.

5

A very important aspect of East African inter-territorial trade is its direction. The following figures show something about this.

(a) Kenya's Exports to Uganda as a % of her total exports to E.A.

1958 .... 47.5
1959 .... 47.0
1960 .... 44.7
1961 .... 44.2
1962 .... 41.9

(b) Tanganyika's exports to Kenya - % of her total exports to E.A.

1958 .... 58.5
1959 .... 71.8
1960 .... 80.6
1961 .... 82.5
1962 .... 81.7

(c) Uganda's exports to Kenya - % of her total exports to E.A.

1958 .... 69.6
1959 .... 69.6
1960 .... 76.5
1961 .... 75.1
1962 .... 76.3

Several interesting observations emerge from these figures. It is easily noticed for instance that there is comparatively little trade between Uganda and Tanganyika. In the last three years Tanganyika has been exporting less than 20% of her inter-territorial exports to Uganda. Uganda's exports to Tanganyika, percentagewise, have been greater than this - just under 24%. From import figures, we of course, get the same impression. The general picture which emerges is that Kenya is the dominating trading partner[6] - exporting quite a lot to each of the other two countries and providing a market for those countries exports. Thus the trade between Uganda and Tanganyika forms only a small proportion of their total share in the volume of inter-territorial trade.

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We also notice that Tanganyika has been becoming more and more important as an out let for Kenya's exports - and it seems as if the bulk of the recent increase in Kenya's exports to the rest of East Africa has been mainly absorbed by Tanganyika. On the other hand increasingly more and more of Tanganyika's exports to the rest of East Africa are being absorbed by Kenya - upwards of 80% in the last three years. It is also worth noticing that although Uganda has been becoming progressively less and less /as an outlet for Kenya's products /important (percentagewise), Kenya has been absorbing more and more, proportionately and absolutely, of Uganda's exports to the rest of East Africa.

There are, of course, several possible explanations for this pattern of inter-territorial trade but I think the following are the most important. Firstly, transport and communications between Uganda and Tanganyika are more difficult than between either of these two countries and Kenya. There is no railway link between Uganda and Tanganyika whereas there are some effective railway links between these two countries and Kenya. Perhaps even more important is the fact that there are no all-weather roads connecting Uganda and Tanganyika. These two countries do, however, share Lake Victoria and this will perhaps be a more important route for goods to and from these two countries - although the landing and loading charges and the small number of vessels which the East African Railway and Harbours Administration has will still be a problem. It would be interesting to speculate as to what would be the effect of a railway link between Uganda and Tanganyika (from Kasese or Mbarara to Mwanza through Kabale and Bukoba) on the trade between these two countries9.

Another reason - and this is what I consider to be the most important - for this direction of trade is that Kenya is a relatively more developed and industrialised country with a number of industries designed to serve the whole of East Africa e.g. cigarettes, wheatflour, footwear, dairy products, etc. Also some of Kenya industries have been getting raw materials from the other two countries e.g. unmanufactured tobacco. When discussin the reasons which can explain this pattern of inter-territorial trade it should also be kept in mind that there are various marketing organisations in Kenya which have been working hard to market their products to Uganda and Tanganyika and the neighbouring African countries- and the rest of the world of course.

6

In this section we are goin to look at the actual structure of this trade. I have grouped the various inter-territorial exports of each country into Standard International Trade Classification (SITC) sections.

Let us look at Kenya's first. (See Table V). We see from Table VI and Section 0 (food) has been falling down in its relative importance although in absolute terms it has been of great and increasing importance - as the following figures reveal.

/KENYA

KENYA. SITC SECTION 0 - Food

	Value of Exports in £,000	% of total Exports to East Africa
1958	3,828	35.6
1959	4,113	33.4
1960	4,339	31.5
1961	5,048	31.7
1962	5,028	29.1

If we include SITC section I (beverages and tobacco) we come out with the following figures.

	£,000	% of Total
1958	8,289	77.1
1959	6,651	53.4
1960	6,967	50.6
1961	7,883	49.4
1962	7,651	44.4

From these figures it is quite apparent that 'food, beverages and tobacco' have been falling down in their relative importance among Kenya's exports to the rest of East Africa. This is what one would really expect - for as this country has been developing so has she turned her attention more and more towards production of relatively more sophisticated goods. The manufacturing industry has therefore been of increasing and promising importance - both relatively and absolutely. If we put together SITC sections 6,7 and 8 we get a rough estimate of the importance of manufactured goods in Kenya's exports.

SITC sections 6+7+8

	£,000	% of total exports to East Africa
1958	3,656	34
1959	4,410	35.9
1960	5,228	38.0
1961	5,949	37.3
1962	6,979	40.5

For a really complete picture of the industrial activity one would have to include SITC section 5 into the above figures. Section 5 represents chemicals - and in Kenya the most important items in this section are prepared paints, enamels, varnishes, soap and cleansing preparations and insecticides. When this section is included in the above figures we come out with the following picture

SITC Sections 5+6+7+8

	£,000	% of total exports to East Africa
1958	4,189	39.0
1959	5,284	43.0
1960	6,298	45.8
1961	7,539	47.3
1962	9,041	52.5

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These figures show that the industrial goods in Kenya's exports to the rest of East Africa are now more important than Food, Beverages and Tobacco.[10] The increased importance of these goods also means that Kenya's exports to the other two countries continue to be more and more diversified. It also means that the other two countries are importing more and more goods from Kenya which they normally used to import from abroad. This has created a severe problem (a problem discussed by the Raisman Commission and a number of private authors) in the working of the customs union - a problem which lies on the fact that by importing from Kenya instead of foreign countries Tanganyika and Uganda have been losing customs revenue. It is for this reason that the Raisman Commission proposal of a distributable pool, however unsatisfactory it might seem, is an essential measure if the customs union is to be maintained - leave alone improved. But this device must be seen as a temporary measure - and not as a possible permanent instrument to preserve the union - a point which the Raisman Commission did not pay much attention to.[11]

7

The structure of Uganda's exports to the rest of East Africa is shown on Table VI. We notice that for Uganda the value of exports in the SITC section 0 has been over 33 1/3% in the last four years - 1959 - 1962, of her total exports to the rest of East Africa. This has been an increase for in 1959 this section was only 19.5%; then it rose to 30% in 1960, to 37.4% in 1961 and then declined a bit in 1962 when it was 35.1%. If we put sections 0 and 1 together we get the following figures:

Uganda: SITC Sections 0+1

	£,000	% of total exports to East Africa
1959	2,929	56.1
1960	3,748	56.0
1961	3,545	51.7
1962	3,643	51.7

Sections 0+1 have shown a decline, but nothing as pronounced as in the case of Kenya. The manufacturing sections, however, have shown a steady upward trend in the last four years. The following figures show sections 6+7+8 - both in value and as a percentage of the total value of Uganda exports to Kenya and Tanganyika. (Chemicals - section 5 - is of little importance in Uganda unlike in Kenya).

SITC Sections 6+7+8

	£,000	% of total exports to East Africa
1959	784	14.9
1960	1,162	17.4
1961	1,554	22.7
1962	2,014	28.5

From these figures it can be seen percentagewise and in absolute terms the industrial products of Uganda entering inter-territorial trade are becoming increasingly more and more important - thus working towards a diversification of her inter-territorial exports in future. it is worth noticing that in the last four years the value of exports in sections 6+7+8 has increased anout threefold.

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One very important thing to notice is the emergence and rapid increase in importance of cotton fabric piecegoods in the 'industrial' exports of Uganda to the rest of East Africa. As recently as in 1959 the exports of this product was only worth £605,000; but in 1962 they were worth £1,707 million - an increase of nearly three times. Actually the increase in the exports of 'industrial' exports shown by the figures in 7.2 above and be said to be wholly due to the increase in cotton fabric piecegoods - for in 1962 the exports of this product constituted over 80% of exports in the SITC sections 6,7 and 8.

In Uganda, unlike in Kenya, SITC section 4 is of some importance - although decreasing percentagewise. This section provided 20.3% of Uganda's inter-territorial exports in 1959. In 1961 the corresponding figure was 12%. Throughout the whole period the most important items in this section have been cottonseed-oil, hydrogenated oils and fats, and groundnut oil. This is a section which could be of some significant importance in fiture inter-territorial trade.

8

The composition of Tanganyika's exports to the other two countries are shown in Table V11 - again grouped in SITC sections. It is immediately obvious that section 0 plays a much greater part in her total exports than either in Kenya or Uganda. The striking thing, however, is that section 0 in Tanganyika is a good deal more diversified than in Uganda - almost as diversified, if we just look at the number of commodities and not their nature, as in the case of Kenya. If we add section 0 and section 1 together we get the following figures:

SITC sections 6+7+8

	£,000	% of total exports to East Africa
1959	1,423	55.3
1960	1,316	56.6
1961	1,360	60.9
1962	1,204	50.4

From these figures we notice, for the percentage figures, a dramatic fall in 1962 - the percentage share in total exports of these two sections being 50.4% in 1962 whereas the corresponding figure for 1961 was about 61%. This was the result of a severe fall in the unmanufactured tobacco exports to Kenya. The exports of this commodity had been rising steadily and had reached an all-time record in 1961 when they fetched £434,000 but in 1962 they fell down to £65,000. The fall in the exports of this commodity was not due to a fall in output (in fact if anything the output increased) but was due to a new East Africa Tobacco Company factory started in Dar-es-Salaam. We should also notice that in absolute terms section 0 and 1 added together have been falling. In fact in these last four years total exports of Tanganyika to the rest of East Africa have been falling - from a peak in 1958 of £2,592,000. There was a small recovery in 1962 but even thenthey were over £200,000 below the 1958 figure. A possible explanation for this fall is given in 8.4 below.

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The proportion of manufactured products entering inter-territorial trade is lowest in Tanganyika. This is to be explained chiefly by the fact that compared to the other two countries Tanganyika is relatively backward industrially - although in the years to come she is going to be very important - as is shown by the relatively more vigorous increase in the share of manufactured goods in her exports to the rest of East Africa. Another reason to explain the low share of manufactured goods in her exports is that some of her former manufactured exports are now being 'consumed' locally e.g. metal containers for transport and storege are now wholly absorbed by the local market.

SITC sections 6+7+8

	£,000	%of total exports to East Africa
1959	165	6.4
1960	211	9.1
1961	225	10.1
1962	486	20.3

The above figures would be a bit higher if to them were added the contribution of SITC section 5 i.e. chemicals. This section is of interest for, in the last four years, it has shown a steady and substantial decline. Exports in this section were £102,000 in 1959 but in 1962 they were only £42,000. The only possible explanation is that products in this section are now being absorbed by the local market. In fact it seems quite likely that more andmore Tanganyika products will be consumed internally as internal communications and means of transport improve - especially from the main towns to the rural areas. This is bound to be so for in some cases it has been easier to transport goods to Kenya than to the other parts of Tanganyika. In fact Tanganyika has been a number of economics - for transport facilities have been very inadequate. Internal transport will, however, improve with time - especially now that it is being so strongly emphasised by the Government in its projects designed to step up the rate of growth in the country.

In Tanganyika, as in Uganda and unlike in Kenya, section 4 (animal and vegetable oil and fats) is of some importance in her inter-territorial exports - especially coconut (copra) oil. In 1959 this section fetched 13.4% total value of this country's exports to the other two countries. In 1962, however, the contribution of this section had fallen to 9.8%. What is important to notice, however, is that even in 1962 this section brought more than section 6 (manufactured goods strictly defined. Again it seems possible that the products in this section will, more and more, be consumed internally.

9

In this section we are going to look slightly more closely and theoretically at this trade. As it has already been pointed out this trade has shown a remarkanly rapid expansion during recent years and that in no year examined did this trade actually fall in volume or value. There are a number of reasons for thisgrowth but the main one seems to be the existence of the East African Customs Union with a protective tariff wall against the rest of the world. This is not the place to go into detail about the "trade creation" and

"Trade

"trade diversion" effects of this customs union.[12] But it should be pointed out that by taxing foreign imports local products are made that much cheaper (then they would otherwise be) and that producers might be attracted by the idea of being behind the tariff wall and thus come in and increase local production and therefore trade.

That the customs union has made it possible for the inter-territorial trade to expand seems fairly obvious. This is a result which could easily be lost sight of if one concentrated wholeheartedly on the method of analysis suggested by Lipsey[13]. According to Lipsey a customs union is more likely to raise welfare if the following requirements obtain (a) the higher the proportion of trade, given a country's volume of foreign trade, with that country's union partner and the lower the proportion of trade with the rest of the world; (b) the lower the total volume of foreign trade in relation to domestic purchases. On these two requirements it would appear as if most under-developed countries cannot expect to benefit very much from customs unions - or, at any rate, that they cannot expect to get as much from a customs union between themselves as developed countries would if they formed a customs union. A corollary to this is that an under-developed country could gain more by forming a customs union with a more developed country with which it has substantial trading dealings. But this corollary needs to be qualified: the under-developed country will gain more if measures are taken to distribute the benefits of the union between the two countries. An investigation of how this distribution could be carried out would take us too far - and we shall therefore neglect it in this paper.

An analysis based on Lipsey's requirements cannot help being static for development carries with it, as A.J. Brown has stated, 15a change in trade pattern - with or without a customs union. Thus as East African countries develop they are bound to trade more and more with each other thereby increasing the opportunities of deriving more and more benefits from their customs union. The most important thing to realise is that trade among the under-developed countries forms only a small proportion of their total trade - often only about 10% of their total trade.[16] Moreover, the exports of these countries often consist of primary products to the industrial countries.[17] In this sense most under-developed countries are dependent economies and the East African countries are as dependent as most other under-developed areas.[18] The way to reduce this dependence is to cut off, or any rate reduce the impact of, the direct relationship between East Africa's foreign exports and the level of her monetary income and domestic activity. This, essentially, means producing for the 'home market' - for as it has already been pointed out it is difficult to produce manufactured goods in the under-developed countries for export to the already industrialised countries. It is here then that we need to say something about import substitution as a device which can be used for two purposes:

(a) to increase inter-territorial trade which is still very much smaller than is desirable or even possible,[19]

(b) to reduce the impact of foreign demand for East African exports on the level of domestic economic activity.

/Import

Import substitution is not as easy as one would imagine or like. A number of economists have suggested that the procedure should first of all to examine the import list and then try to produce locally those goods which are consumed in fairly large amounts and are capable of local production. This argument seems sensible enough but it, of course, leaves out the important fact that as development proceeds consumption patterns change. One could also bring into the argument the additional fact that consumption of a number of goods would increase and, therefore, a good which might appear impossible to produce efficiently now (on the above suggested procedure of import substitution) could become a profitable proposition after a few years. However, it seems, to me at any rate, that the above procedure could be exploited with a large measure of success if well designed and formulated after careful examination of the possible changes in the consumption patterns - and the experience of slightly more developed countries could be of great use here. In East Africa there has been a bit of import substitution (e.g. corrugated iron sheets) although not extensive as yet. Any further import substitution, especially if it is going to have major and pervading effects in the whole of East Africa, needs to be done behind the background of continued and strengthened inter-territorial economic co-operation - if only to ensure that there is a market for the produced goods (for each of the three countries could easily start the same industries otherwise) and that each country gets its proper share in the new industries to be started.

A recent study by Professor A.J. Brown (see his article cited on page 13) could easily discourage any government interested in import substitution in East Africa. Brown computes the ratios of total consumption of a number of products in East Africa to the U.K. production of those goods by the 'median' size plant - median is defined in terms of employment. The conclusion is that if the local consumption would justify the employment of a median plant then the product in question could be produced in East Africa 'efficiently'. and vice versa. Brown then looks at a number of East African industries and their level of employment (the cotton textile plant in Uganda - employment 1'400; Kenya Tobacco Factory-employment 1'120; seven establishments engaged in shipbuilding and rolling stock repairs average employment of 920 each; the Kenya Shoe Factory - employment 800; two fruit and vegetable canneries - average employment of 400 each; three establishments in the jute, sisal and coir industry - average employment of 500 each; and some eleven establishments in sugar, fats and brewing and miscellaneous food industries - average employment about 300 each) and comes to the conclusion that"... despite the limitations of the market and the shelter of a substantial tariff, manufacturing establishments ... seem to show the same effects of technical indivisibilites and other factors favouring large scale as do those in developed countries; indeed it is arguable that they are acted upon more strongly by them".

If what Brown says is true and cannot be avoided, then East Africa cannot expect to have very many industries for the purpose of import substitution and as a device to increase inter-territorial trade among her three countries - for the sizes of plants would be too large for most internal demands. Apparently this is a problem of technology and one feels compelled to aks, how far should under-developed countries try to copy the techniques of production employed in the developed countries? The obvious policy is, of course, that given two techniques of production, the production which economises on the scarce factors and uses more of the abundant ones (and often under-developed countries have surplus factors) should be the one to be employed. Using the same methods of production as we find in the developed countries is tantamount to saying that underdeveloped countries have the same factor endowments as the developed countries. This is obviously not true and I find it difficult to accept Brown's assertion that technical indivisibilities and other factors favouring large scale methods are so important and compelling as to dictate the use of similar-size plants in underdeveloped countries as those in the developed ones. It needs to be mentioned that advance in technology is increasingly making it easier to have smaller plants which can be operated effeciently - at any rate in a number of industries e.g. textile industry. This assumes great significance if we bring into the argument the fact that production is for the home market to start with i.e. import substitution. Here we come to Adam Smith's dictum - namely, the importance of the market. In this I am in complete agreement with Brown when he says that "... the case for fostering manufacturing industry, if at all, within fairly large common market areas rather than the existing political territories is a strong one". (see his article cited above). For East Africa, however, we need to emphasise the fact that the idea of extending the size of the market by bringing in more and more countries into the customs union should be pursued cautiously - for East Africa should not endanger or reduce the chances of having a really well integrated and closely knit common market among the three countries. Such a common market would be more difficult to create if countries were brought into the existing customs union indiscriminately.

10.1. It will have been observed that I have said that one of the functions to be done by import substitution in East Africa is to increase inter-territorial trade. This trade is to be encouraged for the simple reason that the more these countries trade among themselves the more will they get more benefits from their customs union and, therefore, one hopes, the more will they have a greater vested interest in continued existence of the union. This, however, means that each country is to have a share of the new industries to be established. Delibarate distribution of industries need not mean that the whole area would not experience as rapid development as would be the case if industries were allowed to locate where they felt like going. Indeed it has been stated by Dr. Peter Newman that a more even location of industry would not necessarily mean fostering inefficiency[20]

10.2. Time and space do not allow for a detailed discussion of the industries which should be located in each of the three territories but we should point out that the doctrine of comparative advantage, although not to be adhered to strictly when formulating policies for development in East Africa in the context of her existing economic relations with the rest of the world (which would mean continuing producing primary products for export to the industrial centres), could be of great use for internal policies. In this kind of exercise an attempt should be made to look at comparative advantage of each area in the context of the whole world for after the internal demand for the goods produced has been met attempts will have to be made to export the surplus and this will mean, of course, competing with all other producers.

10.3. It should also be mentioned that an exercise like the one being advocated here has to be cast in terms of a much wider and long-term exercise of trying to increase the total and level of economic activity in East Africa - on a complementary basis. It does not need to be emphasised that the effects of inequalities in the distribution of the benefits at present flowing from the customs union are primarily due to the low-level of economic activity in this whole area. Therefore any policy designed to distribute industrial activity in East Africa has to be a part of a more detailed policy aimed at raising the level of economic activity in all three countries. It is not the sharing of existing industries that is needed but, rather, the sharing of future and increasing industries. One could go into great detail about this but suffice it to say that ideally each country should have one or two industries of 'growing points' nature depending on the East African market as a whole. This point is worth making because for a fairly large number of industries especially food processing ones and clothing each country has a sizeable market to support a number of producing units. There are again a number of industries (e.g. bakeries, confectioneries, etc) which, obviously, each country has to have. The efficient size of plants in these types of industries is small. It is when we come to such industries as paper and iron and steel that the East African market as a whole must be the main support.

10.4. When we look at the import list of East Africa as a whole we notice that in 1962 manufactured goods, machinery and transport equipment represented two-thirds of total imports (£135.517 mn.) or approximately £90 million. Mineral fuel and lubricants represented £11 million; food £9 million; and chemicals £7 million. Looking at these broad figures one would get the impression (like Professor Brown) that there is little scope for import substitution in East Africa. Actually this is not so. In any case it is imperative to have some import substitution if East Africa is to raise her level of national income per head.[21] In East Africa it seems as if a growth rate of 5% in G.N.P. would bring about an increase in imports of about 10%. This is, of course, a very general statement and it all depends on what has caused the 5% increase in national income. But as a general statement it is still useful - for if a growth rate of 5% in G.N.P. brings about an increase in imports of 10%, what ground is there, if any, for believing that export earnings will increase by a similar amount? As one of the cures import substitution has therefore to be brought into action.[22] There are two types of import substitution - if one could speak of types. Firstly, there is substitution of capital goods for consumption goods in the volume of foreign imports. Statically, in this type of import substitution the level of imports need not fall. Secondly, there is substitution of foreign imports with locally produced goods. In a static case, here foreign imports will fall. We shall not go into detail about this refinement but, needless to say, East Africa will continue to depend on foreign producers for capital goods for sometime and she should therefore pursue the two types simultaneously.

10.5. Import substitution could be delayed and hindered if East Africa just looked at the most conspicuous imports such as cars, sophisticated manufactures and chemicals. East Africa does not have a market for such 'big' imports but there is adequate demand for a whole range of small manufactures. The following figures show East African foreign imports of goods which she herself also produces but not in adequate quantities. In a case like this the obvious thing to do is to increase local production so that internal demand can be wholly met by internal production.

Selected Imports as % of total imports for the year 1962.

Commodity	% of total imports.
Tinned milk and cream	
Rice	.4
Sugar	1.3
Paints, varnishes, etc.	.6
Manufactured fertilizers	.9
Disinfectants, insecticides, etc.	.9
Paper, paper bond manufactures	2.6
Cotton fabrics (piece goods)	6.3(or £8.557 million).
Blankets & travelling rugs	.9
Corrugated iron sheets	.4
Other iron sheets, plates, hoops, etc.	2.3
Footwear	.3
Clothing	2.6
Soaps and cleaning preparations	.4
TOTAL:	21.2(or about £28.5 mn.)

Source: Extracted and computed from Annual Trade Reports and Economic and Statistical Reviews.

10.6 The above listed items imported from abroad are more or less simple goods and East Africa could with ease satisfy the internal demand by local production. People should not always go for the spectacular plants and factories. It is these simple manufactures which East Africa should start with and use the saved foreign exchange for importing more capital goods which could then be used to extend further the process of import substitution and therefore work towards industrialisation and less dependence on foreign markets for the general economic activity of the country. This dependence which has already been mentioned several times is alarmingly large and concentrated in East Africa, as the following figures show. Coffee, Tea, Sisal and Cotton contributed 65.0% of the total values of East African foreign exports in 1962. In the same year, Coffee, Tea, Sisal and meat and meat preparations contributed 60% of Kenya's exports; for Tanganyika Sisal, Cotton, Coffee and Diamonds represented 68% of her total value of exports (foreign); and for Uganda Coffee, Cotton, Copper and Tea were 90% of her total value of foreign exports. For Uganda Coffee and Cotton alone contributed 75% of the total value of her foreign exports. My assertion is that this dependence should be reduced through a deliberate policy of import substitution - a policy which would also mean that the three East African countries will have to trade more and more with each other. In this kind of exercise dependence on foreign imports is, ironically enough, an advantage in the sense that it gives a rough guide of the scope and extent of possible import substitution. However, this high dependence on foreign imports is, of course, a grave disadvantage because East Africa is to that extent vulnerable to trading conditions abroad. This is the thing which should be preoccupying the minds of the planners.

CONCLUSION.

In this paper some preliminary findings in the work I am doing on trade and development in East Africa have been shown. Recent trends in the size. direction and structure of inter-territorial trade in East Africa have been indicated. What has not been discussed in detail, however, are the possible changes in these trends in the years to come. One would expect, for instance, to see a relative fall in the importance of Kenya's exports to the other two countries as trade amongst the three countries increases and as general economic development proceeds in this whole area. One would also expect to have changes in the relative importances of various S.I.T.C. sections in this trade as development proceeds. In am still working on this trade and I hope in time to cover the gaps, besides giving a more rigorous analysis of this trade, in my paper.

One final point: if we split the East Africa inter-territerial trade into two parts - namely, trade in agricultural products and trade in manufactured goods - we find that it is the former category which has been more heavily hindered by government controls and restrictions. One would therefore expect that a formation of an effective and thoroughgoing common market in which these controls and restrictions would disappear, would very likely lead to an immediate increase in the share of agricultural products in the inter-territorial trade of East Africa.

FOOTNOTES.

1. MARSHALL, A. Principles of Economies, (8th edition) page 270.

2. NURKSE, R. Patterns of Trade and Development, O.U.P." 27

3. NURKSE, R. op. cit. page 50.

4. In 1962 trade between East Africa and her neighbours was only 4% of total external trade of East Africa.

5. The value of Uganda exports to countries outside East Africa were worth £45.857 million in 1957 but by 1962 they had gone down to £37.655 million.

6. An alternative or rather supplementary way of showing the dependence of each country on the East African market is to express inter-territorial exports of each country as a ratio of her monetary domestic product. For Kenya this ratio has increased from about 4% in late 1940s to 10% in 1962 - a big increase when compared to Tanganyika whose dependence has tended to fluctuate around 2% and Uganda whose dependence, according to this method, has fallen from about 10% in late 1940s to about 7% in 1962. These figures could be used as crude measures of the benefits which the three East African countries are drawing from the customs union. But this method of calculation is not really adequate - and the percentage share of inter-territorial trade in the total volume of trade of each country should also be used in some of these calculations. (It is important to recall the fact that it was the shifting of the tobacco factory from Uganda to Kenya which reduced Uganda's exports to the rest of East Africa after 1956. This explains why her dependence on the East African market shown a decline).

   I am indebted to D. Ghai for some of the points and figures in this footnote.

7. The overall balance of payments between the three countries is difficult to estimate because no figures on the invisible items are published (see 2.4). But Kenya's balance in this invisible trade is most certainly positive. This would make her overall balance with the other countries substantially above £10 mn.

8. The distribution of total inter-territorial exports for the year 1962 was:-

Kenya contributed	65%	of the total
Uganda "	26%	" "
Tanganyika "	9%	" "

9. The Uganda Government has recently approached the Railway Administration for a line to Kigezi.

10. The distribution of total inter-territorial export of manufactured goods, in 1962, was:-

Kenya exports	76.4%
Uganda "	20%
Tanganyika "	3.6%

    For a detailed breakdown of Kenya exports of manufacutured goods see Table IX.

11. The distributable pool is in a number of ways a most unsatisfactory device and one feels tempted to quarrel with the Raisman Report over it. One feels disappointed because instead of just looking at the differential rates of growth which have brought about inequalities, the Commission should have, primarily looked at the causes of these inequalities and perhaps come out with suggestions as to how to weaken these causes.

If they had done this then they could perhaps have come out with the almost obvious suggestion that in the absence of political federation there must be a policy to allocate industries between the three countries. It could also be argued that the recommended proposal could inhibit expansion in Kenya - and also in Uganda and Tanganyika! - for the less these two countries have in the way of manufacturing activities the more will they get from the distributable pool. On the other hand according to this proposal the more Kenya expands her manufacturing activities the more will he have to give to the other two countries.

Also a most relevant point of argument is whether the distributed funds could not be more productively used in Kenya. In any case it is doubtful whether the Kenya Government, faced as it is with persistent and substantial deficits (greater than in the other two countries) will be prepared to borrow from abroad in order to 'compensate' Uganda and Tanganyika. It is because of some of these (and others) reasons that the distributable pool must be treated as a temporary device in the customs union.

12. The theory of Customs Union has been thoroughly explored in recent years - especially by Viner, Meade, Lipsey, and others. It is still a very 'popular' subject among economists.

13. The theory of Customs Union; a General Survey! - to be found in the Economic Journal, Sept. 1960.

14. In this connection it is worth noticing that inter-territorial transfers in East Africa are only one-sixth of External Trade while the corresponding figure in the E E.C. is upwards of 50%.

15. See his article in the Yorkshire Bulletin of Economic and Social Research, May 1961.

16. See F. Benham, Economic Aid to Underdeveloped countries, Oxford University Press, 1962.

17. It appears very misleading to call underdeveloped countries <u>primary producers</u>.
The truth is that the so-called <u>industrial</u> countries produce:

a) more than 50% of total world production of foodstuffs;

b) more than $\frac{2}{5}$ of world supply of raw materials.

Moreover major world exports of primary products e.g. cereals (except rice), cotton, etc. come from the developed (so-called industrial) countries. The underdeveloped countries are in a class of their own, not because they are primary producers as such, but because <u>their exports consist almost entirely of primary products</u> - and these exports are often considerable proportions of these countries output. The developed countries can be called 'industrial' only in the sense that they produce about 80% of world supply of manufactured goods.

18. For East African countries foreign exports as % of G.D.P. (average of 1958 and 1959) are:-

Kenya	22%
Uganda	31%
Tanganyika	30%

(These percentages would be even higher if we just thought of gross monetary domestic product. For Uganda this percentage would be just over 41%.)

For a more detailed discussion on this see W.T. Newlyn, Yorkshire Bulletin of Econ. & Social Research, May, 1961.

19. There are a number of reasons why inter-territorial trade is still very small. No doubt this trade could have been much greater but for some 'imperfections' in the customs union e.g. the Government control of marketing of various agricultural products by the Kenya Government, the control of sale of livestock from and to Kenya by both Uganda and Tanganyika, etc. There are also some other factors which reduce this trade e.g. lack of advance consultation when granting import quotas for foreign imports. This year for instance Kenya would have bought 10,000 tons of rice from Tanganyika had the latter country informed Kenya that she was going to offer her that much rice before Kenya had already granted import quotas for rice to importers. It should be always kept in mind that the more each of these countries export to each other the more will the gains from the customs union be distributed more equally.

20. See his paper presented to the University of East Africa Conference on Public Policy - the conference held in Nairobi on Federation and its Problems.

21. For a good discussion about the need for import substitution in underdeveloped countries see an article by Seers. Seers in a way extends the famous argument by Raul Prehisch - see his article in the American Economic Review, 1958.

22. (Footnote for page 38). There are other measures, besides import substitution, which also need to be used e.g. diversification of commodity patterns of exports; an attempt to diversify the geographical distribution of East Africa's exports (e.g. looking for markets in the Communist countries); and an increased effort to try and increase the trade with other underdeveloped countries. A deliberate and determined effort to intensify the trade among underdeveloped countries to provide each other with raw materials, food, semi-processed foods and simple manufactures seems urgently required -- given the deteriorating terms of trade between these countries and the developed countries.

TABLE I.

TOYSL VOLUME (EXPORTS + IMPORTS) OF INTER-TERRITORIAL TRADE - ITS SIZE (IN £,000) AND DISTRIBUTION.

YEAR	KENYA			TANGANYIKA			UGANDA			E.A.	VOLUME OF EXTERNAL TRADE				
	VOLUME	INCREASE	% EX-TRADE	VOLUME	% INCREASE	% EX-TRADE	VOLUME	% INCREASE	% EX-TRADE	VOLUME	KENYA	TANGA-NYIKA	UGANDA	E. AFRICA	% INCREASE
1955	12,071		12.1	7,314		9.0	11,845		15.5	15,615	99,540	80,945	76,280	256,764	17.2
1956	13,008	7.8	12.6	8,436	15.3	10.3	9,595	19.0	13.8	15,519	102,858	82,192	69,613	254,663	- 0.8
1957	15,950	22.6	15.4	9,757	15.7	12.1	11,879	12.4	15.7	18,793	103,251	80,320	75,702	259,273	1.8
1958	18,319	14.9	19.5	11,641	11.9	15.0	13,546	14.0	18.4	21,753	94,093	77,396	73,391	244,881	- 5.6
1959	17,785	(14)	17.8	10,674	(11)	13.1	11,738	(7)	17.1	20,099	99,892	81,673	68,762	250,328	2.2
1960	20,766	16.8	18.8	11,506	7.8	12.2	13,307	13.4	19.3	22,789	110,266	94,387	68,957	273,610	9.3
1961	22,943	10.5	20.7	12,838	11.6	14.2	14,292	7.4	21.1	25,036	110,681	90,305	67,803	268,788	- 1.8
1962	24,576	7.1	21.4	14,076	9.6	15.1	14,711	2.9	21.9	26,682	114,642	93,392	67,157	275,191	2.4

Sources: Annual Trade Reports published by E.A. Common Services Organisation.

Notes: 1. The above figures up to 1958 inclusive, for inter-territorial trade, include excise taxes on excisable commodities and customs duties on raw materials imported from abroad and used in the production of locally manufactured goods. For instance but for these taxes and duties the total volume of inter-territorial trade in 1958 would have been £18.163 million instead of the shown figure of £21.173 m. For this reason the figures which are strictly comparable are those of the last four years (1959-62) for the earlier figures are exaggerated to the extent of these excise taxes and customs duties.

It should also be pointed out the figures for the last 4 years (1959-62) are more accurate - for the methods of data collection and degree of coverage have been improving with time. To this extent there is an upward (however slight) bias in the more recent figures compared with the earlier ones.

TABLE III.

INTER-TERRITORIAL EXPORTS AND IMPORTS BY COUNTRY - IN £.000 - AND TRAD BALANCE.

YEAR	KENYA			TANGANYIKA			UGANDA		
	EXPORTS	IMPORTS	BALANCE	EXPORTS	IMPORTS	BALANCE	EXPORTS	IMPORTS	BALANCE
1955	6,035	6,036	-1	1,701	5,613	-3,912	7,879	3,966	+ 3,913
1956	8,977	4,031	4,946	2,087	6,349	-4,262	4,456	5,139	- 683
1957	11,437	4,513	6,924	2,031	7,726	-5,695	5,325	7,321	- 1,996
1958	10,745	4,876	5,869	2,592	7,109	-4,517	4,823	6,177	- 1,352
1959	12,297	5,488	6,809	2,574	8,100	-5,526	5,228	6,510	- 1,282
1960	13,771	6,[illegible]	6,776	2,324	9,182	-6,858	6,694	6,613	+ 81
1961	15,948	6,995	8,953	2,233	10,605	-8,371	6,855	7,437	- 582
1962	17,237	7,339	9,897	2,391	11,685	-9,295	7,054	7,657	- 603

Sources: East African Economic and Statistical Bulletin.

Notes:
1. The figures up to 1957 inclusive include excise taxes on excisable commodities and duties on imported raw materials used in the production of locally manufactured goods.
2. If we take total inter-territorial exports in 1962 the distribution was - by value:

Kenya	65%	of total
Uganda	26%	" "
Tanganyika	9%	" "

KENYA EXPORTS OF MANUFACTURED GOODS TO REST OF EAST AFRICA, IN £,000.
SITC SECTIONS 5 - 8.
1959 - 62.

	1959			1960			1961			1962		
Chemicals: (1)	U	T	TOTAL	U	T	TOTAL	U	T	TOTAL	U	T	TOTAL
Soap & soap preparations	259	209	468	370	223	593	474	441	915	409	548	957
Insectizides	36	58	94	40	78	118	81	99	180	340	99	439
Paints, enamels, etc.	62	-	62	86	-	86	148	-	148	142	-	142
Other	83	167	250	105	168	273	110	237	347	191	333	524
Bicycle Tyres and tubes	80	20	100	117	26	143	125	67	192	130	92	222
Paper, paper board manufactures	203	77	280	236	129	365	273	222	495	266	261	527
Cotton piece goods	-	27	27	-	64	64	-	153	153	-	149	149
Cement	95	682	777	70	729	799	59	681	740	99	565	664
Base metals	15	12	27	50	49	99	103	201	304	377	375	752
Metal Manufactures												
Steel doors & windows	115	85	200	127	144	271	88	180	268	99	167	266
Household alum. utensils	102	133	235	120	176	296	81	125	206	77	170	247
Metal containers	93	139	232	59	184	243	84	113	197	80	146	226
Other	173	117	290	176	119	295	243	155	398	207	500	707
Furniture & Fixtures	-	103	103	-	112	112	-	124	124	-	168	168
Clothing	216	375	591	280	463	743	371	504	875	402	711	1113
Footwear	246	333	579	263	375	638	313	400	713	345	515	860
Sisal bags, sacks 7& cordage	247	-	247	326	-	326	257	-	257	219	-	219
Glassware	23	-	23	36	-	36	68	-	68	51	-	51
Printed matter	76	-	76	79	-	79	94	-	94	99	-	59
Other	281	342	623	314	405	719	415	450	865	499	219	718
TOTAL:	2,405	2,879	5,284	2,854	3,444	6,298	3,387	4,152	7,539	4,023	5,018	9,041

Sources: Annual Trade Reports.

Notes: 1. These figures are comparable for they don't include excise taxes or duties on imported raw materils. The earlier figures do.

2. The diversification of the manufacturing sector of Kenya's economy is apparent in these figures. Giving details of all manufactured exports would be too tedious and not worthwhile for our purposes. It should be kept in mind therefore that where the product is shown as being sold to only one country (e.g. paints and enamels being exported only to Uganda, - and the same thing for printed matter and glassware) the total exports of that commodity to the rest of East Africa is larger, than the figures shown in total columns of the table, - to the extend of the value of the exports of this good to the other country. This (exports to the other country) figure is not shown here because it is too small. But for the whole of the sector, however, the total picture is correct - for the exports of, say, glassware and printed matter to Tanganyika (not shown in the table) are included in "other".

3. It is worth emphasising the importance of Clothing (has increased about twice); Soap and soap preparations (about doubled - in fact the whole of the Chemical section has expanded by about $2\frac{1}{2}$ times); Footwear (has increased more than $1\frac{1}{2}$ times). base metals (e.g. plates and sheets-zinc or lead coated or corrugated, wires, etc) - have increased from £27,000 in 1959 to £752,000 in 1962); metal manufactures (have increased by more than $1\frac{1}{2}$ times) of which the most important has been steel doors and windows.

4. The diversification of this sector has been achieved through introduction of new industries. In 1959 for instance Cement, clothing and footwear, in that order, were the most, important industries - each bringing more than £.5 m in exports. But in 1962 the picture had changed and the important industries were, in order of importance, clothing, soap and soap preparations, footwear, base metals, and cement. Thus as some industries begin losing importance, new ones are emerging to take their place e.g. cement in 1962 brought close to £300,000 <u>less</u> than soap and soap preparations whereas in 1959 it brought approximately £300,000 <u>more</u> than soap and soap preparations.

5. The increase in value of these exports has been by more than £1 m. per year. In 1961-62 it increased by about £$1\frac{1}{2}$ million and in 1962-63 it is likely to increase by well over £2 million.

6. Tanganyika has been absorbing about 55% of these exports.

7. In 1962, if we take total inter-territorial exports of manufactured goods the distribution was:-

Kenya	76.4%	of total
Uganda	20.0%	" "
Tanganyika	3.6%	" "

8. Against these exports of manufactured goods we need to compare the Imports, by Kenya, of manufactured goods from Uganda and Tanganyika

<u>IMPORTS OF MANUFACTURED GOODS BY KENYA FROM THE REST OF EAST AFRICA</u>

<u>SITC SECTION 5-8 EXPORTS BY UGANDA TO KENYA, £,000.</u>

	1959	1960	1961	1962.
Soap and Soap Preparations	46	56	73	81
Cotton piece goods	402	638	838	949
Metal manufactures	122	156	118	121
TOTAL:	603	883	1,084	1,213

SITC SECTIONS 5 - 8 EXPORTS BY TANGANYIKA TO KENYA- £,000 .

	1959	1960	1961	1962
Chemicals	80	70	28	38
Fabrics of Syntheric fibres	-	17	33	61
Metal manufactures	96	78	31	33
Footwear	12	29	47	187
Other	36	57	74	161
TOTAL:	224	251	213	480

9. Looking at these figures, and remembering that there is relatively little trade between Uganda and Tanganyika, it becomes quite apparent how important Kenya is in the inter-territorial trade of East Africa.

VALUE OF INTER-TERRITORIAL TRADE 1959 - 62

TABLE 6

KENYA EXPORTS TO UGANDA AND TANGANYIKA

COMMODITY	1958	1959	1960	1961	1962
0-FOOD					
Meat & meat preparations	297	279	307	440	504
Milk & cream - fresh.	415 (U only)	344	267	374	413
Butter and Ghee	565	415	476	439	461
Wheat & spelt & meslin, unmilled	183	577	858	870	538
Rice			66	238	232
Meal & wheat & spelt flour	1099		779	725	654
Biscuits	55	110	135	156	167
Fruits & vegetables	214	249	281	355	432
Beet & cane sugar-unrefined	71	87	88	123	84
Coffee, roasted, & ground	83	100	114	158	168
Tea	526	567	444	562	611
Margarine & shortenings			104	158	206
Food, other			420	450	553
TOTAL	3,828	4,113	3,339	5,048	5,023
% of total	35.6	33.4	31.5	31.7	29.1
1-BEVERAGE & TOBACCO.					
Beer	716	471	592	698	655
Tobacco, unmanufactured	85	100	61	170	139
Cigarettes	3154	1646	1763	1735	1590
Tobacco-manufactured excl.cigaretts & cigars	471	205	188	191	185
Beverage & Tobacco-other			24	41	59
TOTAL:	4,461	2,448	2,628	2,835	2,628
% of total	41.5	19.9	19.1	17.8	15.2
5-CHEMICALS.					
Prepared paints, enamels, varnishes			95	225	234
Soap & cleansing preparations	205	468	593	915	957
Incecticides, fungicides, etc.	91	94	118	180	439
Chemicals-other			264	270	432
TOTAL:	533	874	1,070	1,590	2,062
% of total.	.5	7.1	7.8	.10	.12
6-MANUFACTURES.					
Bicycle Tyres	18	89	131	162	190
Paper bags, cardboard boxes, containers	164	178	239	338	307
Cotton fabrics (piece goods)			72	178	187
Sisal bags, sacks for packing, etc	180		387	299	292
Cement, building	646	777	799	740	664
Corrugated plates, sheets, etc.			-	114	594
St el doors & windows	233		271	268	257
Household aluminium utensils	201	235	296	206	247
Metal containers for transport storage	145	232	243	197	226
Manufactures goods-other			914	1265	1339
TOTAL:	2,351	2,799	3,362	3,767	4,303
% of total.	21.9	22.8	24.4	23.6	25.0
7-MACHINARY &TRANSP.EQUIPMENT	116	95	89	92	124
8-MISCELLANEIOUS MANUF. ARTICLES					
Clothing	332	591	743	875	1113
Footwear	585	579	638	713	850
Misc.Manuf.articles-other			396	502	579
TOTAL:	1,189	1,516	1,777	2,090	2,552
4-ANIMAL, VEGETABLE OILS					
Cotton seed oil	44	109	185	183	91
Oils and fats, other			81	95	107
TOTAL:	139	195	266	278	198
Section 2	209	173	161	145	201
" 3	25	19	16	28	45
" 9	74	65	65	75	101
TOTAL:	308	257	242	248	347
GRAND TOTAL	10,745	12,297	13,773	15,948	17,237
As % of Domestic Exports.	36.7	36.9	39.1	45.1	45.5

UGANDA.

VALUE OF INTER-TRADE BY S.I.T.C. 1957-62.

TABLE 7

Exports to Kenya & Tanganyika. £.000.

COMMODITY 1957	1958	1969	1960	1961	1962
0-FOOD					
Meat & meat preparations		-		194	182
Fish		-	35	52	59
Millet, unmillet		-	11	30	134
Biscuits		55	54	76	69
Beans, peas & pulses		-	34	58	72
Beat & case sugar-unrefined		616	1455(K)	1582(K)	1627(K)
Sugar, confectionary & preparations		84	89	79	58
Tea		81	91	137	92
Animal feeding stuffs		83	94	81	54
Food, other		-	90	273	128
TOTAL:		1,017	2,010	2,562	2,475
% of total		19.2	30.0	37.4	35.1
1-BEVERAGES & TOBACCO					
Beer		60	40	51	81
Tobacco - unmanufactured		809	725	196	365
Cigarrettes		1034	958	723	712
Beverages & tobacco, other		9	15	13	12
TOTAL:		1912	1738	983	1168
% of total		36.1	26.0	14.3	16.6
2-CRUDE MATERIALS, INEDIBLE EXCEPT FUELS.					
Wood & timber		-	66	62	34
Crude materials, other		-	52	65	45
TOTAL:		83	118	127	79
% of total					
4-ANIMAL & VEGET. OILS & FATS					
Cotton seed oil		835	985	938	619
Groundnut oil		-	8	22	54
Hydrogenated oils & fats		-	242	199	142
Oils & fats, other		-	5	8	37
TOTAL:		1063	1240	1167	845
% of total		20.5	18.5	17.0	12.0
6-MANUFACTURED GOODS.					
Cotton fabrics (piece goods)		605	954	1295	1707
Enamel hollowware of Iron & steel			21	60	68
Manufactured goods, other		-	133	155	169
TOTAL:		728	1108	1510	1944
% of total		[illegible]	16.6	22.0	27.6
Section 3 (Electric energey)		196	118	290	318
Section 5 (Soap & chemicals)		171	207	170	152
Section 7		6	6	9	24
Section 8		50	48	35	46
Section 9		3	5	3	5
TOTAL:		426	482	507	545
% of total					
GRAND TOTAL:	4,826	5,228	6,694	6,856	7,055
As % of Domestic Exports	10.6	12.4	16.1	17.5	18.7