"Economic co-operation and integration in Africa".Nairobi,dicembre 65.

1) - Reports of the seminar programme.
2) - A.Hazlewood:Economic integration in East Africa.
3) - J.H.Mensah:The approch to economic co-operation in Africa.
4) - J.J.Van der Lee:Association relations between the EC and African States.
5) - A.A.Mazrui:Political commitment and economic integration.
6) - J.O'Connell:Political integration:the Nigerian case.
7) - P.Robson:Economic integration in Equatorial Africa.
8) - H.M.Onitiri:Report of the Nigerian Institute of Social and Economic Research.
9) - U.Kitzinger:Regional and functional integration.
10) - I.M.Lewis:Integration in the Somali Republic.
11) - N.Gonzales:Economic integration in Latin America.
12) - S.Carlson:The SCandinavian experience of economic cooperation.
13) - "Aid to Africa" Data paper prepared by members of the research staff at the Overseas Development Institute,London.

Report of the seminar programme
No 11 April 1967
by Dennis Austin

Economic co-operation and integration in Africa

the conference was held under
the joint sponsorship of
the Congress for Cultural Freedom
and the University College of Nairobi

published by
Congress for Cultural Freedom
104, Boulevard Haussmann, Paris 8e

Participants	Paper
Mr. Jean Assoumou *Director, Economic Affairs Division* *Government of the Cameroun* *Yaoundé*	
Dr. Dennis Austin *Institute of Commonwealth Studies* *London*	
Professor H. Bretton *Department of Economics* *University College* *Nairobi*	
Professor Sune Carlson *Företagsekonomiska Institutionen* *Uppsala, Sweden*	The Scandinavian Experience of Economic Co-operation
Mr. Bernard Chidzero *UN Technical Assistance Board* *Nairobi*	
Mr. William Clark *Overseas Development Institute* *London*	Aid to Africa
Professor James Coleman *Makerere University College* *Kampala, Uganda*	
Mr. E. N. Gakuo *General Manager* *East African Railways and Harbours* *Nairobi*	
Mr. Alain Gille *Director of the Regional Centre for* *Science and Technology for Africa* *UNESCO* *Nairobi*	

Participants	Paper
Mr. Arthur Hazlewood *Institute of Economics and Statistics* *Oxford*	
Miss Catherine Hoskyns *Institute of Public Administration* *University College* *Dar-es-Salaam*	
Mr. J. Kamau *Department of Economics* *University College* *Nairobi*	
Mr. H. Karani *Institute for Development* *University College* *Nairobi*	
The Honorable J. G. Kiano (*then*) *Minister of Industry and Commerce* *Nairobi*	
Mr. Mwai Kibaki *Ministry of Economic Planning and Development* *Nairobi*	
Mr. Uwe Kitzinger *Nuffield College* *Oxford*	Regional and Functional Integration
Dr. K. G. V. Krishna *Department of Economics* *University College* *Nairobi*	
Professor I. Livingstone *Department of Economics* *Makerere College* *Kampala, Uganda*	

Participants	Paper
Dr. D. A. Lury *Department of Economics* *University College* *Nairobi*	
Dr. B. F. Massell *Institute for Development Studies* *University College* *Nairobi*	
Mr. Ali Mazrui *Makerere College* *Kampala, Uganda*	Political Commitment and Economic Integration
Mr. Titus Mbathi *Ministry of Economic Planning and Development* *Nairobi*	
The Honorable Tom Mboya *Minister of Economic Planning and Development* *Nairobi*	
Mr. E. C. Mensah *UN Economic Commission for Africa* *Addis Ababa*	The Approach to Economic Co-operation in Africa
Mr. Philip Ndegwa *Ministry of Economic Planning and Development* *Nairobi*	
Mr. Zenon Nicayenzi *Director General* *Prime Minister's Office* *Bujumbura, Burundi*	

Participants	Paper
Father James O'Connell *Department of Government* *University of Ibadan* *Ibadan*	Political Integration: The Nigerian Case
Mr. D. A. Omari *Secretary-General* *EACSO* *Nairobi*	
Professor F. H. Ominde *Head of the Department of Geography* *University College* *Nairobi*	
Dr. K. Panter-Brick *Institute of Administration* *Ahmadu Bello University* *Zaria, Northern Nigeria*	The Political and Administrative Background to the UDEAC (Union Douanière et Economique de l'Afrique Centrale)
Mr. Gisbert Poensgen *Overseas Development Directorate* *European Economic Community* *Brussels*	
Dr. Arthur Porter *Principal* *University College* *Nairobi*	
Professor Peter Robson (*then*) *Department of Economics* *University College* *Nairobi*	Economic Integration in Equatorial Africa
Mr. Andrew Shonfield *Director of Studies* *The Royal Institute of International Affairs* *London*	

Participants	Paper
Professor K. E. Svendsen *Head of the Department of Economics* *University College* *Dar-es-Salaam*	
Mr. Mamadou Touré *Director, African Institute for the Development and Planning of the UN* *Dakar*	
Mr. Bernard Vinay *Government Adviser to the Central Bank of the States of Equatorial Africa and Cameroun* *Paris*	Economic Co-operation in French-speaking West Africa
Dr. S. N. Waruhiu *Vice-Principal, University College* *Nairobi*	
Mr. Miguel S. Wionczek *Centro de Estudios Monetarios Latino-americanos* *Mexico City*	

The following prepared papers for the Conference, but were unable to attend:

Mr. Norberto Gonzales	Economic Integration in Latin America
Mr. J. J. van der Lee *Director, Commission of the European Economic Community* *Brussels*	Association Relations between the European Economic Community and African States
Mr. Ioan Lewis *Department of Anthropology* *University of London* *London*	Integration in the Somali Republic
Mr. H. M. Onitiri *Lecturer in Economics* *University College* *Ibadan*	Inter-regional Economic Co-operation in the Nigerian Federation

Dennis Austin is Reader in Commonwealth Studies, University of London. His most recent book is *Britain and South Africa* (Oxford, for the Royal Institute of International Affairs, 1966). Other studies include: *Politics in Ghana 1946–60* (Oxford for RIIA, 1964), *West Africa and the Commonwealth* (Penguin Books, 1957) and, as co-author, *Inter-State Relations in Africa* (Friburg).

Economic co-operation and integration in Africa

Introduction

Economic integration has become a fashionable subject in both practical and theoretical terms. The European Economic Community and the European Free Trade Area are schemes prominently before the public eye. The theoretical literature springs from Viner's *The Customs Union Issue*, published in 1950, and has now developed into a formidable and sophisticated body of doctrine. What relevance has this experience and theory to the question of integration in underdeveloped countries, and in particular between the countries of Africa? Is a concern with economic integration between underdeveloped countries no more than an unthinking response to a fashion? What is its importance, and what are the difficulties to be overcome if integration is to proceed?

There are several forms of integration open to a group of countries. Transport, power, research, and other services could be operated in common. Countries could co-operate on mutually beneficial investment schemes, such as the development of a river basin. They could co-ordinate their industrial development plans. But if the countries are to proceed at all far with their integration, and if some of the other measures, such as the co-ordination of investment, are to be of much use, they must create a preferential trading unit – a customs union or a free trade area. In such a unit the members will reduce or remove tariffs and other restrictions on trade between themselves while maintaining the protection of their industries against those of the outside world. Integration can go further, but unless it goes as far its achievements will remain modest.

But are customs unions of much use in underdeveloped countries? The theory suggests not. It says that a customs union will be beneficial if it is "trade creating," the removal of tariffs between the countries leading to the replacement of high-cost production in some members of the union by low-cost products from other members. It will be harmful if it causes "trade diversion" from cheap sources outside the union to high-cost sources within the union. A customs union is likely to be beneficial rather than harmful the smaller the importance of international trade in the economies of the partner states, and the higher the proportion of their international trade that is conducted between themselves. These criteria for a beneficial customs union, which in essence are a statement of the conditions for an efficient allocation of productive resources, suggest that unions between underdeveloped countries are unlikely to qualify.

Most underdeveloped countries are highly dependent on external trade, and they trade mainly with the developed industrial countries and very little between themselves. These characteristics are one of the hallmarks of a low level of development, and they are strongly marked in the countries of Africa. If therefore the desirability of customs unions were to be tested by the criteria of conventional theory the judgment would be clear. But in reality it is their low level of development and of trade between themselves which make the customs union question a fundamental one.

The importance of economic integration between underdeveloped countries arises not so much from the more or the less efficient utilization of existing resources which is brought about, but from the stimulus it can give to economic growth. In particular, the fundamental benefit to be derived from a customs union is the larger market for developing manufacturing industries within the area than would otherwise exist, and the consequent greater attractiveness of the area for investment. In relation to the economies of scale which are found in many modern industries, the economic size of most underdeveloped countries is small. This is especially true of Africa. Twenty-three of the forty or so countries of Africa have populations of 4 million or less. Some are extremely small, such as Gabon with 400,000, and Gambia with 300,000 people. On average the countries of Africa have a population of only 6 million, compared with 11 million in South America and 43 million in Asia. The smallness of population in African countries is accompanied by very low levels of income – on average perhaps about £30 a head a year (more than in Asia, but much less than in Latin America) – so that the market for manufactures is obviously extremely small; in fact, the market of most of the countries of Africa is no larger than that of a moderately sized European town. Markets of this size are too small for efficient production in all but a limited range of manufacturing industries, and they are too small to provide a reasonable incentive for the establishment of many industries. The absence of artificial restrictions on trade between a group of countries could provide a much larger and more attractive market than that of any of them by themselves.

The absence of artificial restrictions on trade will not of course make for a significantly larger market if there exist severe natural impediments, as when transport links between the countries are very undeveloped, a situation common in Africa. The countries will then remain more or less self-contained market areas although they are members of a customs union, and it will require large expenditures on transport facilities to make the customs union effective. On the other hand, the beneficial effects of investment in transport will not be reaped if trade remains limited artificially.

If the larger market created by the removal of artificial restrictions on trade, coupled with the necessary investment in transport, is likely to be so beneficial why has not economic integration proceeded further between the countries of Africa? And why are existing customs unions – such as that of East Africa – under stress?

In some parts of the world the formation of customs unions is made difficult by the vested interests in already established industry, which fear they will be badly hit by the opening of competition from industry in the partner countries. This difficulty is not a particularly serious one in Africa simply because of the low level of industrialization in most countries. But there are, nevertheless, formidable obstacles in the way of integration which apply in Africa as elsewhere. It is not easy to harmonize the customs administrations and procedures of a group of countries. It is more difficult to get agreement on a common tariff, because the tariff which best serves the interests of one country will not be in the best interests of another. Even in a free trade area, in which there is no attempt to introduce a common external tariff, the different tariffs must not be allowed to get too far out of line. If they do the higher tariffs will be circumvented by imports through the low-tariff countries – so that any member's control over its tariff, for revenue or protection, is severely circumscribed.

Serious as these difficulties can be, they are of little account when compared with the major difficulty which arises from the tendency for the market mechanism to work in a disequalizing fashion. In what may be called a "laisser-faire" union, in which the market forces are allowed to operate freely within a tariff-free market area, the benefits are likely to be unequally distributed between the associated states. Some countries may even lose from integration, even though the area taken as a whole benefits.

There are two main ways in which some members can lose – either absolutely or relatively to others – from the operations of a customs union. One is through a loss of revenue. Tariff protection almost always deprives a country of revenue from import duties, and this is a price a country must pay for the industrial development which the protection stimulates. But in a customs union the less fortunate countries are likely to find themselves losing revenue in the interest of the development of industry in *other* countries.

It is this tendency for the polarization of development in some members of the union which is likely to be the most serious difficulty in the way of the formation and continuation of customs unions. Development will naturally take place mainly in the countries which are the most attractive for industrial development, and these will often be the already most developed. The clustering of industry will generally be associated with and reinforced by movements of capital and labour. The cumulative causation, which is an important feature of the development process, reinforces and increases the divergence between the relatively advanced and relatively backward members of the customs union.

An unequal distribution of the benefits of integration is not inevitable, but it is particularly likely to occur when the union is between countries of substantially different levels of development. The attractions of the established centre are a powerful influence towards the polarization of development in some parts of the union. The disequalizing tendencies will be increased where the less developed countries do not, or cannot, produce goods which are demanded by the more developed. In this situation there will be little "spill-over" of development from the more to the less developed members of the area. It is likely to seem to the less developed countries that they have little if anything to gain from union.

A union in which some members lose – or think they lose – will not long survive. Much thought has therefore been given to ways of regulating a customs union so as to achieve an acceptable distribution of the benefits. Various techniques have been attempted: fiscal transfers to compensate for an unequal distribution of the benefits; allocation of industry to prevent the more developed countries from attracting an excessive share; an investment bank to encourage investment in industries designed to serve the whole market and to facilitate a more equal distribution of investment between the countries. No techniques of regulation have so far proved themselves entirely satisfactory. But it is a characteristic of all of them that they require of the individual states some further surrender of their freedom of action in economic policy.

Even an unregulated customs union imposes restraints on the participating countries, and it may work to the disadvantage, or apparent disadvantage, of some members. Any attempt at regulation to secure a more even distribution of the gains imposes even further restraints. The gains from union are difficult to measure, and to a large extent lie in the future, so that inevitably they appear hypothetical in relation to the immediate limitations which a customs union imposes on freedom of action in economic policy. It is the difficulty countries have in deciding that the gains justify the restraints that is the fundamental difficulty of economic integration.

The Nairobi Conference took place in Africa and it concerned itself with Africa. It also brought to bear upon the issue of integration the experience of Europe and Latin America, and the relevance of that experience to Africa was an important topic at the Conference. The benefits and problems of integration that have been described above are those of particular concern in Africa, and it is against a background of these needs and problems that the following account of the Conference should be read.

Arthur Hazlewood

I. Integration: A Definition of the Problem

The seminar which met in Kenya in December 1965 had its immediate origins in the study on economic integration in Europe published by the Royal Institute of International Affairs (Chatham House),* which it was thought might offer a model for the investigation of comparable developments in other parts of the world. The particular interest of the Nairobi conference lay in the attempt to bring the experience gained in other continents to bear on the problems facing a number of African governments in their desire to move towards some form of closer economic co-operation. Since the countries of East Africa had gone further than many others in linking their economies together, it was felt that it would be useful to hold the seminar in Nairobi where the offices of the East African Common Services Organization are located. There was the further advantage to the conference members in being able to make direct contact with local political leaders and administrators. On balance, the decision to choose an African setting was sensible, although a price had to be paid in terms of the double burden laid on participants from East Africa itself whose interest in the discussions of the seminar had to compete with their official duties. Thus the distinguished speaker who was also a member of the Government of Kenya, in an interesting discussion of his country's relations with the European Common Market, was unexpectedly summoned from the conference room to the President's office after which, his ministerial post having been changed, he was no longer available for the continuation of the discussion. But the practical disadvantages of being subject to the distractions of a constantly changing political scene were outweighed in value by the direct experience gained from living – even for so short a period as ten days – in Nairobi.

There were three distinct areas of discussion which it seemed sensible to consider. There was the straightforward examination of what was actually happening in Africa by way of economic construction – and demolition – in the relations between the independent states. There were the examples of success and failure in other regions of the world. And there was the effect that some of these examples – notably in western Europe – were likely to have, not only on the economies of the African states, but on their efforts to promote measures of closer integration between each other. Here were three areas of discussion which could be brought together for joint examination: but before turning in this direction, the conference had to consider

* J. Meade, H. H. Liesner, S. J. Wells, *Case Studies in European Economic Union: The Mechanics of Integration*, O.U.P., 1962.

the prior question – which was also its major theme – whether the experience gained by particular countries in their attempts to integrate their economies could in fact be distilled, and brought to the service of other regions. Was it possible to apply the lessons learned by the Central and Latin American countries to Africa? Could the methods adopted by the governments of the six Common Market countries in Europe be transferred to those of Kenya, Uganda and Tanzania, or to those of Tchad, the Central African Republic, Gabon and the Congo (Brazzaville)? The conference could pool the experience gained by administrators and students from a number of regional associations which had embarked on the difficult process of widening the area of co-operation between the economies of sovereign states: the only major example of regional integration which was not represented at the conference was that of COMECON.* But was such an interchange possible; and, if possible, was it likely to be fruitful?

Here the conference tended to divide into nominalists and universalists. Some of the members, including many of the African representatives, were disposed to argue that the problems in each region were unique, and, therefore, solutions were not transferable; others pointed out that comparable difficulties – and the remedies for them – had been encountered both in Europe and Latin America: they seemed to have something of the nature of "universals" which there was no reason to suppose would be alien to Africa.

A priori, it might be thought that the nominalists were right. Could one really compare relations between the developed, industrial economies of western Europe and the underdeveloped, primary-producing economies of Africa? The European countries traded with each other: the African states traded with outside markets. There were powerful private interests in western Europe which worked towards economic integration; private capital and control of large trading enterprises in the African states were in expatriate hands. Moreover, the backbone of European nationalism had been broken by two world wars: the newly independent African governments were in the first flush of nationalism. And whereas the political leaders of western Europe were able, however falteringly, to hold onto the vision of a united Europe, the leaders of the ex-colonies in Asia and Africa were still absorbed by the problem of political control and economic development within the uncertain frontiers of their own states. In Africa, one had to talk not about economic integration but about the *need* for integration. Was there not something essentially different, therefore, about the scale and nature of the task con-

* It was originally proposed to have participants from one of the COMECON countries, but this later proved to be impossible.

fronting the new as against the older, more established states? The fact of the matter was – so it was argued – that not only Africa but much of the rest of the world had been misled by current developments in Europe into believing that what was being achieved there was simply the prototype of a general pattern of regional integration. But this was not so: it was a unique phenomenon born of very special circumstances which had few if any parallels elsewhere. It was interesting to hear about the Commission and the timetable for successive stages of advance in industry and agriculture, but they were not relevant to the problems being encountered in Africa.

In reply, it was pointed out – and it was here that those with experience of Central and Latin America were of direct help – that there was no sharp antithesis between old and new. It was really a matter of degree and of advance along a common road which is full of errors and failures. The Central American countries, through the agreement reached at Guatemala, had arrived at the stage of a common market; Latin America as a whole, including Mexico, had moved towards a free trade area after protracted negotiations in Montevideo. There was nothing unique about Africa, as indeed may be seen in the wide measure of agreement over what needed to be done at the Geneva Conference on World Trade. It is true that fundamental differences may arise concerning the various avenues of approach towards the problem of integration, differences of opinion over the starting point from which further advances might be made. Europe began with the liberalization of trade policies because of the importance of trade between the six Common Market countries. In Central America other points of departure had to be found: for example, in the harmonization of investment policies, whereby useful bargaining powers are shared in common among the five member countries against outside investors. But these are differences within a wider framework of preconditions from which the various techniques and forms of integration can develop in response to the needs of a particular region.

As the discussion broadened, in an attempt to examine what this framework might be, a number of interesting propositions were put forward, and were generally agreed to – weighting the balance (one might say) against the nominalist argument. Part of this area of agreement was reached by the useful device of clearing away widely, but wrongly, held assumptions concerning the preconditions for some measure of economic integration. For example, the question was raised whether pan-Africanism was a useful force on the side of those who wished to see a pooling of economic resources, or whether it was too feeble a concept to have a mass appeal in an age of new nationalism. But a number of participants were able to point out convincingly that the question was really not relevant, that economic progress of this kind was not usually the result of popularism but of patient, persistent endeavours by quite small groups of dedicated "technocrats" strategically placed within the political machinery of the countries concerned. The process of economic integration cannot be managed unaided by such technocrats: their role is to be "behind-the-scenes politicians," detached from but active among the political leaders. What is needed is a particular breed of technocrats who can take a long view of the problem and who are capable not only of digesting the complicated economic questions which arise but of feeding the questions (and possible lines of solution) in plain language to the politicians. It is true that this relatively small group of technocrats has to have cognizance of the difficulties of the political leaders who have to face competing claims among their followers and who must show that some immediate practical benefits will flow from what is being proposed. But the point remains that proposals and decisions about economic integration are not the result of a conscious popular movement towards inter-territorial unity, but rather of governments' being persuaded of the need to move in this direction by argument among relatively small groups of informed and convinced advocates of integration.

Where was such a small group of technocrats to be found in Africa in view of the high degree of politicization of the leadership of its independent states? And was there a favourable climate for such executive technocrats to work in, even supposing they existed? There were serious difficulties here. The problem could be seen at the level of communication. If co-operation between governments was to be achieved, it was necessary to build into the national decision-making process an obligation for the disclosure of information between sovereign states: but, on the one hand, there was a shortage of civil servants capable of placing technically-procured alternatives before the political leader; on the other, there was a strong element of Gaullism in African state politics which was likely to be hostile to any attempt to achieve an area of neutrality between those in charge of economic planning units and the politicians. It was not easy, therefore, to see how one could establish a link between the blueprint of economic planning, or plans for inter-territorial integration, and the action which would need to be taken by the governments concerned. Decisions at technical levels were likely to be cut across by policies framed in national terms. The need for a widely-spread, dedicated class of politically minded technocrats was generally admitted, but it was not easy to see how one could evolve such a class in or between neighbouring African states. And whether – even if one succeeded – they would be able to achieve the necessary delicate balance between independence and influence in respect of national party leaders, was still more open to doubt.

A second proposition was more difficult to establish. Should one start with everything in the hope of achieving something, or should one begin in a modest way with limited objectives and then proceed step by step to wider areas of agreements? There was more than a methodological debate about such arguments. The belief that one cannot embark on a process of economic integration without being prepared ultimately to integrate at every level, including the surrender and pooling of sovereignty, was likely to have a paralysing effect on governments by virtue of the sheer magnitude of the undertaking. It might be wise, therefore, to concentrate on what was easy to accomplish rather than the large comprehensive plan. But if the objective sought was easy as, for example, the freeing of the very small volume of intra-African trade, it might not be significant; or it might simply have a *cul-de-sac* effect, as in some examples of the joint development by neighbouring governments of a river basin. If, however, one tried on a multilateral basis to tackle an area of major economic importance, as (for example) the problem of commodity prices for primary agricultural exports, it was likely to be beyond the combined efforts even of a number of would-be integrationist governments. There was probably less difference than one might suppose, therefore, between those who advocated a programme of functional integration on a selective basis, and those who argued the need to be bold, and to proceed on the assumption that integration should be total rather than piecemeal. Both were melancholy prospects to contemplate in an African setting.

But again it was argued by several participants that these antitheses tended to misconstrue the nature of the process. It was useful – and had been found useful outside Africa – to begin not on an "all-or-nothing" basis but with *connected* matters, beginning with what was relatively easy and limited, but which then raised the need for further action. The first step was taken in the knowledge that other steps would be necessary. For example, if one began with the freeing of trade in industrial goods, it was likely in time to raise related problems of trade in agricultural products; if a number of governments decided to remove import duties on the flow of trade between themselves, it was likely to lead to the far more difficult problem of the co-ordination of policy in respect of indirect taxes. Thus one moved forward from area to area as much from necessity as from choice. There was clearly no hard and fast rule to apply to such a process. Such matters cannot be decided *a priori* since they are likely to flow from the particular situation facing each particular group of countries which are trying to move closer to each other. But it is likely to be useful, in general terms, at least to face the possibility of a wider participation than is actually going to be achieved at first.

II. General Conditions and Methods

Where should the integrationist begin in Africa? What was likely not only to be feasible, but capable of being related to a timetable of action and to the need for widening the area of co-operation? Not matters of trade: in this respect, the European example has had a harmful effect on integration movements elsewhere, since it has tended to focus the argument on trade liberalization. The African pattern, however, is not that of trade between neighbouring countries but trade directed outwards, a pattern which is also dictated by agreements – notably between the European Common Market and the Associated States – which continue to protect and encourage this outward direction. The African states must therefore look for other areas of co-operation among themselves. And the suggestion was made at the seminar that one such area might be individual capital projects, involving several countries and of a kind that have the further advantage of being able to attract a good proportion of the capital required from foreign-aid sources. Would such a step also meet the preconditions outlined earlier, namely, that the area selected should not only be (relatively) easy, but should also lead to the need to further decisions on other significant areas of co-operation? If the possibility of capital projects was explored in terms of large-scale industries, these advantages might indeed follow. One clear gain would be that the industry, or industries, contemplated would be on such a scale as to be uneconomic for national markets: there was thus a built-in advantage for inter-territorial co-operation, since if agreement between the particular governments concerned was not reached, it was likely that no single country would be able, by itself, to finance or sustain the project. Agreement along these lines was also likely to have the desired "chain-reaction" effect since it would force decisions on related matters in transport and trade-clearing arrangements. Starting then with the narrow field of shared industrial projects, the area of co-operation could widen to include a broad range of agreements. Similarly, one might consider as an appropriate starting point – as in Central America – the harmonization of investment policies, with a view to attracting capital on a joint basis from which further common action might spread across a wider field of integration. Could there be a joint Lake and River Authority in parts of the Continent to play the role (in a very different setting) of the Coal and Steel Community in Europe? Was it possible to begin with an obviously inter-territorial industry – tourism?

The propositions were clear and attractive. But, as the representatives from East Africa pointed out, proposals embodying these aims had been attempted between Kenya, Uganda and Tanzania through the 1964 Kampala Agreement on the allocation of industries. It had broken down precisely because of the difficulties involved in piecemeal integration: the Agreement raised problems of unequal benefits which could only be offset by further agreements on trade and currency to which insufficient attention had been given. Thus Tanzania was now imposing restrictions on imports from her neighbours and had decided to withdraw from the East African Currency Board so that three separate currencies and central banks were being set up; Kenya had refused to ratify the Kampala Agreement and was busy setting up industries scheduled under the Agreement for establishment in Uganda. How, therefore, could one prevent agreement on a single simple item from collapsing under the weight of the complications which followed its adoption? One could only learn to walk by taking a step at a time: but what was to be done if the would-be athlete fell down after every step?

A third proposition was now formulated by the optimists which, though agreed to by less sanguine members of the seminar, showed clearly how wide was the gap between the aim and the achievement. The proposition arose out of discussion of the problem of breakdown during the process of integration. How does one avert the threat of failure at the very beginning of the process, or during the second phase which has evolved out of – and is intimately connected with – the first? The answer suggested was that it is probably impossible to avoid the risk, that economic integration and recurrent crises are probably inseparable. This has certainly been the experience of the six Common Market countries in Europe, and similar tendencies can be seen both in the European Free Trade Area and in relations between the Latin American states. And the crisis takes place precisely because it is impossible to deal satisfactorily with the particular area of integration that has been chosen without related problems arising in other areas. Thus one has to become accustomed to proceed by a series of crises or, at least, to learn not to be totally dismayed by their recurrence.

Is it possible then to "institutionalize" the crisis in order to cope with its effects? The European answer seems to suggest an even bolder solution. It is that plans are deliberately drawn up, based on a timetable of action, with the full realization that a crisis is likely to result as the date of the second phase of the plan draws near. But there is also the implicit assumption that the deadlock will probably be overcome if only to avoid a total breakdown of past achievements as well as of future plans. Thus the Six, and the Commission in Brussels, began with the removal of quotas on trade and then moved to free trade in industrial goods, knowing not only that the larger problem of agriculture would have to be tackled at a later stage but that it was virtually certain to precipitate a major clash between rival interests. One might say, therefore, that crises were built into the Treaty of Rome timetable. Why does there have to be a crisis? Because – as in the Kampala Agreement – the measure of agreement already reached in the initial stages is likely to have resulted in unequal benefits. In order, therefore, to offset the inequality, further agreements are necessary to redress the balance of advantage and disadvantage. This is what happened in Europe. Free trade in industrial goods was thought to benefit West Germany; the French and Dutch wanted compensation: so the process of integration was carried forward at crisis point into the next stage of freeing trade in agriculture. A rational critic might say: Why not combine the advantages and disadvantages in a single packet? But that might be too heavy a load for the national governments – and their electorates – to support. One load at a time, therefore, despite the fact that each load is likely to bear more heavily on some than on others.

It is a seemingly erratic way to behave, but it is also a very sophisticated approach. It rests on an underlying confidence shared by all the participants in the integration process that the will to overcome the crisis will ultimately prove stronger than the difficulties raised by it – even when no one can ever be quite sure that this is true, least of all in Europe among the Six. And if this basic belief is absent, the chances of recovery from the crisis are necessarily minimal. Thus the third proposition was necessarily dependent on the earlier two. Confidence in the ability of the integrating governments to overcome the crisis is likely to be generated only when there is a leavening of the political lump through the activities of the technocrats with vision – "the dedicated mafia of idealistic string-pullers." The resolution of the crisis was also likely to be achieved if there was a general acceptance of the notion that one started with A only with the clear understanding that, eventually, B and C and D would also have to be tackled.

A fourth proposition was then examined which, on first enquiry, seemed to contradict the others: that economic questions are best decided when kept separate *as far as possible* from politics. Here was an old theme in a new setting, and the difficulties were easily recognizable. Having stressed the need of an active class of politically minded technocrats, it was obviously not easy to persuade the seminar to distinguish between economics and politics. Some participants argued that it was very misleading to do so: any such attempt was likely to prove (in the language of American political science) "dysfunctional," in that it would obscure those aspects of integration which were both "economic" and "political." In a narrow sense this is certainly true. For when arguments are used about the respective rôles of economics and politics, one is very often arguing simply about procedures and people:

how should such and such a question be decided, and by whom? But if the argument is broadened to include the question of ends, then it is possible to point to movements for economic integration which have succeeded precisely because major political questions have been eschewed.

Consider, for example, the changing relationship between Britain and Eire. It was only after the centuries-old debate about political rights had been pushed to one side that both countries could talk sensibly about economic questions. When politics and economics were interwoven, as twin aspects of the single problem of Anglo-Irish relations, each bedevilled the other. In a very different context, this has been found to be true of the relations between the Central American countries. It may also be true of Africa. The attempt in 1960–1 to bring Senegal and Mali (the former French Sudan) into a single federal structure was based partly on the close economic ties between the two ex-French colonies. But what was the result? Political quarrels broke the economic links. The federation broke up, and the railway line between Dakar and Bamako lay unused. It was only when each government recognized the separate sovereignty of its neighbour that the railway was re-opened and the economic links between them were restored. The seminar actually heard the argument that political integration between Kenya, Uganda and Tanzania had been hampered by problems raised by the experience of economic competition within the East African free trade area and the Common Services Organization. This was debatable. But when the thesis was turned the other way round, the seminar was generally agreed that to argue the problems of economic integration in terms of the need to surrender national sovereignty was to raise more difficulties than it solved. There was a large enough element of political decision-taking in the actual process of integrating the industries, or trade, or marketing of neighbouring countries without adding to it the formidable problems of political union. It was more helpful perhaps to see economic integration and political union as not necessarily in the same line of progress. The traditional view that they were complementary, the one leading inescapably to the other, seemed not to be the case – at least in western Europe where one could argue that the process of economic integration was indeed a novel (perhaps unique) contribution to the political life of the countries involved, but not an inevitable step in the direction of political union.

A further example of the advantages of limiting the area of disagreement by a lowering of the debate below the "surrender-of-sovereignty" level came from Scandinavia, and it led to yet another proposition. The Nordic Union had been able to build social and economic bridges between the Scandinavian countries on the basis of an acceptance of individual national sovereignty:

full political union was no longer an issue, the former bitterness between Norway and Sweden had died down, and the governments addressed themselves to the problem of mutual benefits rather than to that of power groupings. None the less, although considerable progress had been achieved in freeing trade and in co-ordinating social legislation between the Scandinavian countries, the Nordic Council had been less effective than was originally hoped. And the explanation was plain. It was because the Council was run by politicians who were busy operators in their own countries. Thus, if the process of economic integration is to move forward in small as well as large matters, one needs some kind of apparatus, of an administrative nature, which will take a detached view of overall community interests among the participating states. And this is all the more important if (as in East Africa) there are differing levels of economic achievement among the countries which are trying to draw closer together. A common denominator of interest has to be found in terms of the equitable distribution of benefits and the burdens of integration; otherwise the creation of a common market may simply perpetuate the inequalities inherited from the past. And a common denominator of interests is more likely to be discovered by officials and economists removed – though not divorced – from the individual governments concerned.

Lastly, in this long introductory session which explored the general before the particular, the question was raised: is it easier to integrate the economies of a few countries or many? One might think that the answer was obvious: the fewer the better, at least to begin with, because of the dangers of a multiple conflict of interests. But several members of the seminar pointed out that there were advantages on the side of the many. If there are too few countries, deadlock over rival points of interest may divide them absolutely; if a larger group of countries is involved, brokers may be found to mend the deadlock. It was with these hopes in mind that the East and Central African countries had met in Lusaka to explore the possibilities of a common market in an attempt to widen the base of the smaller East African Common Services Organization – although whether resolutions and hopes were sufficient to overcome the problems involved was another matter. Clearly there could be no absolute answer to the question of number. The United Kingdom and Eire had succeeded in forming a Free Trade Area; so had the United Kingdom and EFTA; there were the six common market countries of western Europe, and the larger grouping of COMECON. The whole of Latin America had agreed on the advantages of the initial step of a free trade zone. On the other hand – and again there were lessons to be drawn from LAFTA – if one wanted to draw up "complementarity agreements" whereby the production processes of a particular industry are shared, then obviously only very few countries can participate. There were no hard and fast rules – only the truth of the general proposition that integration was basically the result of a will to succeed on the part of those concerned in the process.

III. Latin American and Scandinavian Experience

Thus the seminar arrived in general agreement at an interesting set of propositions, not on the technical aspects of economic integration, but about the kind of conditions and procedures which were likely to be favourable to attempts at economic union. Were such procedures relevant to Africa? Did the conditions which were thought to be favourable exist in that vast and heterogeneous continent? Could any generalizations be valid about Africa as a whole, or was it sensible to proceed piecemeal? And if piecemeal, what were the pieces: the ex-French colonies in one group, and the ex-British colonies in another? Or was this true only of contiguous territories – ex-British East Africa, and ex-French Equatorial and West Africa? The independent African governments had succeeded in creating a near-continental organization, the Organization of African Unity (OAU); so had the United Nations through the Economic Commission for Africa (ECA). Could these organizations be helpful in promoting integration across the continent; could they encourage, through neutral channels (*e.g.*, a Development Bank), the foreign aid which everyone agreed was vital? These were heavy questions which lay at the heart of the seminar's discussions. But before examining them, it heard an account of individual case studies, not only from Africa, but from Latin and Central America, Scandinavia, and western Europe.

In a short report of this nature, it would be tedious to try (and probably impossible) to précis the detailed accounts which were given of success, limited success, near failure, and outright failure. One can only pick out, here and there, particular features of the discussion of the papers presented. For example, there was the rather baffled discussion of the techniques of integration which the European Common Market countries had evolved, and which the seminar had noted in its general survey of the theme – baffled because it was not yet clear whether the Six, and the Commission, had really succeeded in guaranteeing their own momentum of advance; nor was it easy to say what was the direction of the advance, nor whether such a process could be exported to other regions. The common market countries lurched from crisis to crisis under cover of a commitment to a timetable of phased integration. But how was one to distinguish the elements which made for advance and those which led to breakdown? On the other hand, it was possible to point to particular aspects of the Rome Treaty which might have a wider validity than for the countries at present concerned. There was the fact of the treaty itself which embodied the familiar notion of sovereign powers which jointly accepted limitations on their sovereignty. These were the initial precise agreements on certain limited objectives (*e.g.*, trade liberalization of manufactured goods). Thirdly, there were the agreements to agree in the future on matters which required joint planning, including an agreement on deadlines – a political mechanism for the taking of economic decisions. Fourthly, there was the creation of institutions which are independent of member governments in order to arrive at a community view of the interests of the participating states. Each of these, except perhaps the Treaty itself, contained the seeds of crisis, yet each was also a device for further advance. Disagreements had arisen over what had been agreed, over the timetable for taking decisions, and over the role of the Commission, but the movement for integration had always been re-started when checked, and the accumulative effect had been felt throughout the western world and Africa, either by an extension of the provisions of the Rome Treaty (through the concept of association), or by the stimulus given to other countries – in defensive associations like EFTA and attempts at widening the area of benefits through the Kennedy round.

What lessons could one extract from Europe? Some were mentioned earlier in the report in setting out the basic propositions explored during the first days of the seminar. But, listening to the detailed exposition of the paper on the EEC which the seminar had before it, one was left with the strong impression – and it had a comfortable logic about it – that the end of economic integration was implicit in the process itself: that countries which embarked on such a course had to move carefully through a maze of interlocking questions, trying first to find those which (in the jargon of the economist) had a low ratio of co-operative input to the resulting welfare output. They were likely to discover that an attack on these questions not only reduced the obstacles to overcoming the following (and connected) set of problems, but increased the pressures for moving in that direction. All was of a piece together – as in a jigsaw. But one reached the final integrated picture only by finding the easy bits to begin with, and then tackling the rest.

When the seminar turned to Central and Latin America, a different perspective emerged. Progress had been made only after long and painful years of hard work, and by a process not only of continual crisis but of a progressive shedding of illusions. It had been necessary to learn to distinguish between development plans – which every new country had in abundance – and planning which was far more difficult; to distinguish also between what was theoretically possible and what was practical in local regional terms. The gap was often wide; and it was all too easy for hope to be replaced with cynicism.

It might be said that there were three categories of planning – *imperative* planning, as in communist states, *indicative* planning as in the free-enterprise countries, and *decorative* planning – which was all the underdeveloped world could show for its past efforts.

There were other hard lessons that African governments could perhaps learn from those of Central and Latin America – that, for example, it was almost as difficult to plan any measure of economic integration on an inter-territorial base between public corporations or state industries as it was to plan for the private sector. There were dangers, too, in trying to emulate other regions, notably western Europe, in that it could lead to a rejection of minimum levels of co-operation falling below the dramatic achievements of large-scale schemes. Useful starting points in Latin America had been in three relatively humble spheres, beginning with intra-regional trade which, though very small, had stimulated action in related fields. In Central America, integration had reached the stage of a common market partly because of the concentration of energies on regional transport and common currencies policies. Both were stimulated by specialized regional development institutions like the Central American Development Bank. Even the wider, looser grouping of LAFTA now stands to benefit a great deal from the Regional Maritime Transport Convention recently drafted at Montevideo – maritime because of the peculiar nature of regional trade in a large part of Latin America. And just as the Central American countries started in a relatively humble way with a clearing house in 1961, and then moved towards monetary union in the area, so the Latin American Free Trade area countries have made a modest start with a weak system of the settlement of payments between member countries through central banks with no provision, as yet, for credit advances.

In the industrial and trade sectors, the Latin American countries have had to encounter difficulties which are only just beginning to harass the African leaders. In particular, there were the problems created by expatriate enterprises. There was often a sense of helplessness – a feeling that, whatever might be done, the economies of the underdeveloped countries would remain "sardine economies": the only difference was whether they would be eaten "raw," as primary producers, or "cooked" by a more subtle process of neo-colonialism. Was there a Latin American answer? The five Central American countries had been fortunate in being able to draw on the experience of a growing number of economists who understood something of the nature of politics. By the end of the 1950s, there had been a great deal of thinking and tentative planning at unofficial level, and the growth of a kind of expertise which could manoeuvre both in relation to national governments and international, overseas interests. To a lesser extent, the same process could be seen at work (though in varying degrees) in Latin America.

The effect was interesting. It produced a complicated pattern of argument, not – in the first stages – a simple conflict between local and foreign interests. Among those who were for economic integration by a process of gradual, accumulative steps were, first and foremost, the hard core of economists from ECLA and other agencies (both of a regional and national kind) who produced the technical fodder which sustained the campaign; allied with them, was a group of younger, nationalist (rather than nationalistic) politicians, plus the more successful of the local industrialists and market entrepreneurs; and – complicating the alliance – there was the support of foreign corporations not actually resident in the region. Against them, was usually a very different alliance. It was likely to be led by primitive nationalistic politicians who waved the flag of patriotic self-interest, supported by domestic, export-oriented agricultural producers – who stood to gain very little from regional integration; in addition, there were the small to medium industrial firms established within national boundaries under very high protection, and many of the foreign-owned corporations operating within national boundaries. It was not a simple left-right division, since the extreme left – though theoretically supra-national – was inclined to paranoia about economic integration, suspecting a deep imperialist plot; and the extreme right – though inclined to nationalist postures – was sometimes to be found on the side of the integrationists on economic grounds. The conflict often changed course, and took on new forms. (It seems likely, for instance, that further progress in Central and Latin America, along lines of a liberalization of trade, the growth of consumer-goods industries, and the consolidation of regional infrastructures, will eventually attract large inflows of private foreign capital: there may then be a major economic clash between Latin American and external economic interests, in which care will have to be taken to strengthen local entrepreneurs without impairing the rate of economic growth.) But there was no easy blue print of co-operation which the Latin American integrationists could follow. Each region has had to face the problem of achieving an equitable distribution of benefits and of the burden of integration: ECLA, for example, has found it necessary to modify its trade policies in the interests of the least developed and medium sized countries among its three groups of states.

On more technical grounds, the Latin American experience was one of warning rather than hope for Africa. Attempts, for example, to work towards industrialization on a regional basis, either by way of market sharing or complementarity agreements, had not worked well. There were particular problems, such as the equitable distribution of benefits between countries like Paraguay and Argentina*, or (to a lesser degree) between Honduras and Salvador. There were general problems, such as the hostile attitude of the United States to integrated industries on the grounds that they constituted an unfair monopoly, and the opposition of overseas companies who wanted a *national* monopoly either to protect their existing plant or to safeguard new investment. It had been difficult, for example, to establish an automobile production factory (as a step forward from a vehicle assembly plant) in Mexico and Central America because of the demand for a national monopoly position by particular manufacturers. Similarly, it had been difficult to persuade some of the governments affected not to protect their own profitable assembly plants. In these circumstances it was difficult to preach the advantages of "complementarity agreements."

One last lesson could be drawn from Latin and Central America, of a more optimistic kind. Somewhere along the path of economic integration, there was almost certainly a point of no return where one could feel reasonably sure that a breakdown was improbable. Such a point had very likely been reached in Central America, through the establishing of a common market. It had not been attained in the Latin America Free Trade Area, where a common market, integrated with that of Central America, was unlikely to be achieved until 1972–5. But each successive agreement was ground gained and a lesson learned. No one, for example, thought of political federation any longer – that had been tried in Central America thirty or more times between 1830 and 1960 – and there had been a sensible concentration instead on limited economic objectives.

From Latin America, the seminar turned back to Europe, and the colder climates of Scandinavia. The interesting feature of the Nordic Union was the weight it gave to political leadership: there was no treaty of association – unlike EEC, or EFTA (of which the Nordic countries of course were part), nor common institutions. The stress was on common *policies* arrived at through joint consultation, and not common *services* managed by an independent commission. The degree of co-ordination achieved owed much to a strong sentiment of belonging together, a sentiment strong enough to coexist with very different foreign policies – Swedish neutralism, the special relationship which Finland was obliged to have with the Soviet Union, and Norway and Denmark's membership in NATO. It showed that it was not

* It was difficult to see, for example, what Paraguay could export to Argentina as a *quid pro quo* for Argentinian exports to Paraguay; or how Paraguay could join on an equal basis of co-operation with its neighbours in any sophisticated network of industrialization.

necessary to reach agreement on everything in order to achieve common policies on specific issues.

The Scandinavian example showed, too, that there were advantages in popularizing a belief in common destinies by fostering a sense of regional unity. It was helped by regular meetings among the members of the Council of the Nordic Union, and through its members' contacts with their party followers and constituents. There were limitations, however, on trying to achieve too much through joint political action: very often, the wider economic interests of the community as a whole were lost sight of in the attention paid by the representatives on the Council to their own national interest. There was the danger, too, of a lack of specialized information about future areas of agreement, and about the national policies of individual members: hence the indignation of the Scandinavian members of EFTA over the British import surcharge in 1964 – an indignation which arose as much from the failure of communication within the association as from the actual measure itself.

Once again, however, the seminar was given further confirmation of what had already been agreed upon, namely the need to separate political from economic ends. Arguments about sovereignty should have no place (the Scandinavian representative agreed) in the argument about market sharing, or investment policies, or industrial planning, on a regional basis. There was much to be said for a Nordic federation, and much to be said against it: but to force such a debate into the narrower arena of the argument over economic integration was simply to make an already difficult operation virtually impossible.

IV. African Experience

For the final part of its deliberations, the seminar turned to Africa. And it began – as seemed only right – with East Africa. Discussion of the paper on Kenya, Tanzania and Uganda ranged widely, and there were ominous undertones of failure. Here was the oldest established customs union in tropical Africa, with a range of common services, inter-territorial and largely self-contained, without parallel in the continent; there was the institutional framework of EACSO, and a body of experienced civil servants employed by the Common Services Organization. Behind the customs union lay nearly thirty years of colonial history and it seemed ironic that the leaders of the now independent countries of East Africa could not carry the process of integration further along the same road. Colonial legacies were not always easily absorbed into nationalist policies, but one might suppose that in East Africa at least pan-African hopes could build on colonial realities. Why had it not been possible to add to the free movement of trade and currency within the Customs Union other co-operative agreements in (for example) industrial projects? The Kampala Agreement on the location of industries had tried to do this. The wider grouping at Lusaka had sought to broaden the area of agreement – and the advantages of closer economic union – in the hope of overcoming the narrow conflict of interests which had arisen between Kenya, Tanzania and Uganda. But a realistic assessment of current developments hardly made for optimism. Indeed, the dominant question was not whether the East African Common Services Organization could be expanded, but how to prevent any further erosion of the links which bound the three territories together. Why was this so?

The answer seemed to be twofold. There were the technical economic difficulties involved in carrying the Customs Union any further in an East African setting, and the fundamental question whether the East African leaders really saw the need to integrate their economies in urgent terms of their own national interests.

It was instructive to see the seminar trying to come to grips with a particular African problem after its discussion of general propositions during the opening days of the conference and of the various movements for economic integration in other regions. There were, it seemed, peculiar problems in East Africa to which perhaps there were no close parallels. (Here the nominalists in the seminar began to lift up their heads.) For example, it was not a question of there being no trade, or not enough trade, between the three East African countries, but of too much trade in one direction – from Kenya to Uganda and Tanzania. Nor was it possible to concentrate on the freeing of such trade: it was free already, and efforts to redress the uneven trade balance had simply led to the restrictions recently imposed by the Tanzanian government. It was against this background that one began to understand, and to sympathize with, the preoccupation of all three governments with manufacturing and the location of industry.

Industries, however, did not necessarily mean industrialization any more than development plans meant planning: many African countries were already burdened with uneconomic factories because politicians wanted "to industrialize," and the dangers would certainly be accentuated if regional demands added siting difficulties to the more familiar problems of production. There was no point anyway in having white elephants – and still less point in having them browse on the borders of neighbouring territories in the interests of "regional integration." But how was one to assess what was economic or uneconomic? The Kampala Agreement could be criticized because the list of industries which was agreed upon was too short – it left no scope for bargaining or for the distribution of minor benefits. But how was the list to be extended when so little was known about what industries would in practice actually benefit from the economies of scale to such an extent that they warranted being given a monopoly position throughout the whole of East Africa? Here was a major area of difficulty – the lack of economic data which the surveys carried out by the Economic Commission for Africa in Addis Ababa were only just beginning to remedy.

A similar uncertainty had clouded attempts to assess the relative benefits to each of the three territories – leaving out of account the self-contained services – of the existing Customs Union. It was not very difficult to formulate theoretical cures for imaginary ills – to advocate the creation of a continuing Commission which would be responsible for research and co-ordination in place of the present advisory body of EACSO, to point to the need for a reappraisal of the Raisman scheme for fiscal compensation, the need, too, for a regional development plan, a Treaty of Association, the admission of new members, and the co-ordination of tax concessions to provide a common basis for investment policies – all these were sensible suggestions thrown up during the discussions. But one had the uncomfortable feeling that many of the proposals which the seminar examined had been heard and discussed before, and that the reality was a slow drifting apart of the three territories. And the explanation why this was so lay in uncertainty about the advantages to be derived from the existing pattern of integration. It was even suggested that the disappearance of the common market would affect very few of the industries at present located in Kenya and Uganda – and no more than two or three of those which had been established in Tanzania. Nor was it at all easy to ascribe the magnitude of inter-territorial trade, or the inequalities in the balance of trade between Kenya, Uganda and Tanzania, to the operation of the common market.

Nevertheless, the seminar spent some time discussing measures which might be taken to minimize the damage which had or was about to be inflicted in specific areas of co-operation by the drift towards separate national economies. For example, the question was raised: what might be done to mitigate the inconvenience to the three East African governments – and it might amount to more than that – of having to deal in separate currencies in terms of the external cover for inter-territorial trade: it was likely to limit the scope for fiduciary issues in the individual countries and thus narrow the room for manoeuvre at particular times of the year when – because of the common currency – two of the three countries are able to help the third by covering advances. The answer suggested very tentatively by the seminar was that some form of swap arrangements, amounting to swing credits of the kind now used in western Europe, might be possible. It would avoid the difficulties of full convertibility, while offering some of the advantages of a European Payments Union mechanism whereby member countries agreed to hold within limits, and on certain conditions, the currencies of the other members.

A somewhat different problem was also raised, namely, the strength of the administrative structure which might be needed to bear the weight of a wider economic grouping. There were able civil servants in all three East African countries, but hardly enough to spare beyond the needs of the three territorial governments; moreover, since power lay in the national capitals, it was only to be expected that the ablest among the administrators would also be found there. It was significant, perhaps, that the first secretary general of the Common Services had been brought in from outside the region, from West Africa. Was it possible to strengthen the administrative structure of EACSO by an interchange of civil servants between the territorial governments and the Common Services Organization, or by weighting the terms of service in favour of the latter in order to attract recruits? And, even if this were done, would there be an adequate supply of experienced administrators to cope with an increase in the functions of an expanded inter-territorial organization?

No one in the seminar questioned the magnitude of the problems facing the advocates of closer economic union in East Africa. There were the plain economic facts of the existing situation – the low level industrialization, the inter-territorial trade imbalances of Uganda and Tanzania with Kenya, and the large foreign trade imbalance of Kenya; there was also the pervasive doubt (some preferred the word misunderstanding) about the benefits to be derived from the common market in its present form, despite the attempts which had been made to distribute the benefits more equitably. Yet there were those in the seminar, including guest speakers from the Kenya cabinet, who argued the case for a qualified optimism. It was the old hope that things would have to get worse in order to get better: the old colonial relationship had to be demolished in order to build anew. The future could be argued to be more hopeful than the present, particularly if one looked not at the present but at the consequences of economic development. The preoccupation of the leaders, therefore, ought to be with the future and with new areas of expanding industry, while preserving the existing common services. The most fruitful field of development was probably tourism, a high growth rate industry which needed close inter-territorial co-operation which, in turn, might bring in ancillary services – roads, buses, air-lines, currency exchange facilities.

In this way the seminar was able to persuade itself to take a more cheerful view of the potential of closer economic union than the facts of the existing situation in East Africa seemed to warrant; provided – and this was the second major difficulty – the African leaders "really saw the need to integrate their economies in urgent terms of their own national interests." Time and again, the seminar was brought back from economics to the question of the political will behind the decisions which needed to be taken. All the instruments of co-operation were there in East Africa – integrated common services, an inter-territorial secretariat, a Council of Ministers, a Central Legislative Assembly – and, given the political will to use them, the particular handicaps in the way of further advance were almost certainly capable of being overcome. This simple proposition had nothing to do with the earlier argument over the relationship between economics and politics in terms of ends. The maxim – "Do not equate integration with federation" – still held good. But within the arena of debate on economic integration there were political decisions that needed to be taken which would be vitiated by indifference or hostility on the part of the governments involved.

Many of these problems were reflected in the discussion of a comparable economic grouping – ex-French, not ex-British – in Equatorial Africa between the Congo (Brazzaville), Gabon, the Central African Republic, Tchad and more recently, the Cameroon Republic. There were interesting comparisons, too, which threw light on the general themes already explored. It was possible to see two processes at work in Equatorial Africa since 1959 – construction and demolition – and it is worth nothing that there was a logic of "crisis-action" which worked in terms of *disintegration* no less than in the aggregative process at work among the European common market members.

If one put an end to a particular function jointly carried out by a number of governments, as the UDEAC* countries in equatorial Africa had done in respect of postal communications among themselves, did this not have related consequences in other areas? To loosen one thread was to run the risk of unwinding the skein, one crisis provoking a series of further crises.

Yet the UDEAC countries had certain advantages which were also worth recording. One might be thought to be a mixed blessing, namely, the continuing influence excercised by France and French institutions left behind after independence. The Banque Centrale, and the close financial and trading links between their five ex-French colonies and France, imposed restrictions on the freedom of economic action of the African governments, but these very restrictions held them together and enabled them to co-operate among themselves. Secondly, the four – later five – governments had, it seemed, deliberately eschewed all talk of political federation: they had inherited the powers that France exercised in their countries but had abandoned the federal structure of the former Afrique Equatoriale Française (AEF). Thirdly, they preferred to work at government level through joint policies rather than surrender decisions to a supra-national, or even neutral, commission. They chose co-operative rather than integrative methods, despite the fact that they were prepared to enter into definite commitments in respect of joint decisions in matters of economic policy under a formal Treaty. The central "Committee of Direction" was considerably reduced, therefore, in powers and status under the new Treaty and is now more like a joint committee of national ministers who take joint decisions. Similarly, the administrative agencies which run the railways and other joint services are very much subordinate to the national governments. Common action is achieved through joint committees rather than joint authorities, and differences which have arisen over the implementation of common action – as in the decision by Gabon to admit Chinese goods duty-free contrary to the common-market provisions of the Treaty – are settled by negotiation between the governments. Fourthly, each of the five countries has a clear self-interest in furthering UDEAC in the location of industries, common investment policies, common services, and in adding to the very limited inter-territorial trade. And although neither Gabon nor Congo Brazzaville has as large a stake as the other three, neither believes that it would be *better* off without the common market.

Clearly, there were close resemblances with, as well as differences from, the East African picture. Perhaps because of the relative *unimportance* of inter-territorial trade in Equatorial Africa, or because of a definite commitment to a Treaty, or because of the overall influence of the link with France, the

* Union Douanière et Economique de l'Afrique Centrale.

common market and other joint arrangements among these five countries seemed in better shape than EACSO. But the members of the seminar who had firsthand knowledge of both regions were reluctant to draw too many parallels, or too definite a conclusion. There had been unilateral action in both areas by governments; there were sharp quarrels between the Equatorial governments over, for example, the operation of the Solidarity Fund which is concerned with the difficulties that arise over implementing agreements on the attribution of customs revenue as between the East African governments over accounting transfers. Time was too short, perhaps, in both regions to enable one to say with any confidence that the direction was this or that way, or (as one would say of Latin America) that what had been achieved was now permanent.

When the seminar turned to individual countries – Nigeria, the Cameroon Republic, Somalia – it seemed at first that it might wander rather a long way from its central theme. But this was not so. There were lessons to be learned, and warnings to heed, here too. The unification of the two Somalilands – and of the Eastern and Western halves of the Cameroons – had been successful politically, and economic integration had followed in the wake of political agreements. But one could see in Nigeria, with which the discussions of particular countries were largely concerned, the interaction not only of politics and economics but of the conflict of local nationalisms in their most virulent form – "warring within the bosom of a single state." Could Nigeria become a single nation, or was it an aggregation of local loyalties each looking for a state? There was the fundamental problem that in a political system based on adult suffrage, the poorest and largest region had a permanent hold on the rest of the country. There was gross political instability, therefore, in the clash of regional interests and of tribal loyalties within each region; there was also growing unrest because of the high degree of social mobilization and the operation of an educational system which had outstripped the possibilities of economic growth. It was not easy to say whether there were symptoms of progressive deterioration and collapse or whether, once again, one was seeing a movement which lurched from crisis to crisis, but in which crisis was now part of the forward movement. There were countervailing power structures; there were strong counter-forces even within the apparent monoliths of each region in the shape of minority groups. There might be, therefore – against the odds – a sufficient degree of pluralism still in the political system to offset the dangerous tendency to bipolarity between north and south.

What bearing did these tentative observations have on the problem of economic integration in Nigeria? Two questions seemed relevant. What was the effect of the present economic structure on the political conflict between and within regions? And what might be salvaged in economic terms if the political quarrel outran political control?

The answer to the first question was a melancholy recognition of the fact that, on balance, economic developments had reinforced the political division of the country; in more technical language, there was the familiar phenomenon of a reinforcement of ethnic identification by the process of economic change. Ethnic groups like the Ibo, who were culturally predisposed towards modernization and able – historically and geographically – to take advantage of its progress, were confirmed in their sense of regional-tribal identity by their own success. The formula for revenue allocation between the regions (devised over several years) was an attempt to level up and limit the unhealthy disparity in wealth between the regions; but it has failed to check the continuing gross difference in the rate of growth between North and South. And there was another omen to consider: the old generation of leaders was passing, a new élite was being formed; but it was by no means certain that the political successors to Azikiwe or the Sardauna, quite apart from whatever force might intervene in the interim, would be able to co-operate more closely or persuade their followers to do so.

Faced with this sombre picture, the seminar could find no simple answer to the first of the questions that were posed earlier. If there were clear indications that the disparity of wealth between the regions added to the hostility between the party leaders, it was also possible to find evidence that *future* economic growth might operate to keep the federation alive. The North needed a southern outlet to the sea; the East wanted access to the unrestricted market of what was still the most populous country in Africa, not least for the output of its Port Harcourt refinery and its new oil fields. There were Nigerian firms and businessmen who could see the potential of an undivided Nigeria. How could one balance out these countervailing interests? And what could one say in answer to the second question – whether, if the federation broke, something could be salvaged in economic terms by the preservation of common services and a common market – except that one simply did not know. Too much depended on the way in which the federation might be dissolved, or even preserved in a looser framework of smaller units. If it was dissolved peacefully and by arrangement, a great deal might be salvaged along East African and UDEAC lines. If it was broken in anger and violence, the emotions evoked, north and south, east and west, were likely to embitter relations beyond the point where economic formulae, or even economic self-interest, could have any effect.

V. Conclusion

In its closing stages, the seminar turned to international aspects, first within Africa itself, and then in terms of the African states' relations with the outside world. Thus, the conference had moved full circle. For it had begun with broader aspects of the problem before examining individual case studies: it had tried to look at what was meant by "pan-Africanism" when seeking to discover whether there were any "universals" which particular regional schemes of integration might be thought to embody. Since closer economic union meant the multiplication of ties between neighbouring countries, it might seem reasonable to argue, *a priori*, that the existence of a "pan" sentiment would be helpful in softening the hard edges of national sovereignty. Could "pan-Africanism" have a similarly beneficial effect on inter-state relations in the continent? True, it did not have a mass appeal as yet: it was still a movement among governments and Heads of State rather than peoples. The leaders of the independent African states were unable to bring pan-Africanism into the streets, and there was no equivalent to Nasserism or to the former Aprista movement in Latin America. But since it was also agreed that economic integration was rarely the result of popular agitation, the lack of depth to pan-Africanism was unlikely to be particularly significant. More important was its effect on governments and on the expert advisers to governments, and it was possible to argue that bodies like the Organization of African Unity had a useful effect in "diversifying contacts" among the African states.

But was this really so? The utopianism of the early pan-Africanists had given place to a more sombre assessment of the realities of inter-state relations: there was a strong flavour of étatism to the OAU, in its concern for the safeguarding of the national sovereignty of its member governments. Many of the clauses of the Organization stressed the need to protect the "sovereignty and territorial integrity of each member state." And this was very understandable: it was simply further evidence of a trend which the seminar had already noted, namely, that Africa was passing through the early stages of an intense nationalism despite the uncertain frontiers which it had inherited from the colonial area. It was hardly a favourable climate, therefore, for the exploration of methods of collaboration between these newly sovereign governments.

Part of the difficulty in trying to measure the effect that pan-Africanism (as embodied in the OAU) was likely to have on the relations between the African states lay in the very novelty of the concept. Admittedly, it was possible to trace the origins of the movement to a very early period when, at the turn of the century, various negro associations in the West Indies and the United States began to turn their attention to Africa. In its inter-state phase, however, pan-Africanism was less than a decade old, beginning with the first conference of eight independent African states – Ethiopia, Ghana, Liberia, Libya, Morocco, Sudan, Tunisia, and the U.A.R. – in Accra in April 1958. In its continental form (north of the Zambesi) it had hardly begun to take proper stock of what it could or could not do, the inaugural conference of the OAU having taken place only in May 1963 in Addis Ababa. The situation might be very different if one could see pan-Africanism as a Sorelian myth from which there might spring an ideology as the spur to action among a new African élite who shared the intoxicating vision of a united Africa, and whose present difficulties and disappointments (both nationally and regionally) could be explained away by the malignant activities of the neo-colonialists. But one had only to examine the structure and location of power in the newly independent states to see how improbable it was that such a revolutionary ethic could hold sway within the pan-African movement in its present guise.

Part of the irony of the present situation was that, despite the seemingly powerful myth of pan-Africanism, the historical ties of Africa with its former colonial rulers were proving stronger than the geographical pull of regional unity. The determining factor was largely economic, although it would also be very wrong to discount the ties of affection which continued to link the Commonwealth African countries with Britain and the OCAM states with France. How strong these external ties were, and what effect they were likely to have on the prospects of economic integration, were the final questions examined by the seminar before its sessions drew to a close.

There were three principal areas of enquiry: the effect of Commonwealth membership, the widening area of Association between a number of African countries and EEC, and the problem of foreign aid. This report is already long but something needs to be said briefly about each of these three areas.

The only agreement one could reach about the Commonwealth was that it was likely to last a long time not because of mutual economic self-interest but because of the very slow erosion of imperial legacies: history was always a long time dying, and imperial history was no exception. It did not simply come to a stop when old flags were exchanged for new. There were also considerable material benefits to be derived under the Special Commonwealth African Assistance Programme quite apart from the right of free entry for African exports into the United Kingdom market. In respect of the particular theme of the seminar, Commonwealth membership raised only minor problems. There was no imperial preference in Commonwealth African markets for British exports, and the only difficulty that had arisen had been in relation to the preferences accorded to Commonwealth African members by the United Kingdom. The eighteen Associated States of the European Common Market, and the Six themselves, had protested that the Commonwealth African governments had been seeking a double advantage in their negotiations with EEC – preferential treatment in both Britain *and* Europe. In practice, however, the difficulty had not been erected into an obstacle. Kenya had actually offered to give up its right to imperial preference in Britain although the generosity of its offer was easy to exaggerate, since it was difficult to see how the relatively weak French African economies could compete with Kenya inside a traditionally favourable market like that of the United Kingdom.

Reassessment of the potential advantages of free access to the markets of the Six had led the Nigerian government to open negotiations with the Commission on the basis of a qualified association. It wanted access for its cocoa exports; it was prepared to forgo (primarily because it was not likely to be granted) a share of the European Development Fund. It did not want to participate in the institutional arrangements which linked the Six and the 18 Associated States. Nor did it want to discriminate against third parties since it wished simply to widen and not to restrict its external trading patterns. But here the Six (and France in particular) had proved obdurate. They had wanted a *quid pro quo*, and the Nigerian government had been obliged to give preferential treatment to the Six on a restricted list of imported goods. The concession was not perhaps important in economic terms; but the breach of Commonwealth principle was interesting, for Nigeria had agreed to reverse preferences against the United Kingdom, thus reaching a position which Commonwealth countries (including Nigeria) had been fearful of in relation to Britain's application to join the Common Market.

Suppose that Kenya – and possibly Uganda and Tanzania – were to follow suit. And suppose Britain were eventually to enter western Europe. What effect would an enlarged Common Market, and an increase in the number of African associated States, have on economic integration? Would the merging of the economies of western Europe stimulate comparable developments in Africa? The addition of Nigeria and East Africa – and possibly Ghana, under new leadership – to the existing Associated States would cut across the former colonial boundaries; the common ground of agreement among the 18 AOTs in their arguments with the Six helped to draw the ex-French/ex-Belgian colonies together. Might not a common Associate status draw together the ex-British colonies alongside the French-speaking countries? It was interesting to speculate along these lines and to argue that western Europe, as a large part of Africa, seemed likely to remain linked for a long time to come in a fairly close economic relationship, but it was difficult to translate the relationship into practical schemes of closer co-operation. Only in terms of aid did there seem to be a possibility of joint action, both among the donors and the recipients. An enlarged European Development Fund might perhaps be able to encourage multilateral planning among neighbouring African States. There was room here for wider speculation than simply in terms of the Commonwealth or EEC and Africa, and the seminar turned lastly to the whole problem of aid.

There was so much to say, so little time left in which to examine what was said. In theory, aid and its inseparable companion, "technical assistance," could be used to promote economic integration. They could be made conditional by the donors on multilateral schemes among the recipients; they could, by their very nature, enlarge the area of economic activity across national frontiers. But in practice? There are many snags. For a variety of reasons – history, habit, policy, convenience – aid is still for the most part bilateral. Nor were individual donors usually the sole donor, although they might be the largest single source of supply. Moreover, the donor country had always to tread the difficult, narrow path between the two dangers of being accused of "neo-colonialism" or "neo-isolationism." Aid as an instrument of policy was certainly not unknown, but it was not usually well received, even if it was argued that its benefits would be shared by the many rather than the one. The solution was probably to put both sides – giver and receiver – on a multilateral basis, but donor countries were less likely to be generous in such a situation than in a simple bilateral relationship. There had been experiments along these lines in the Middle East, through the Colombo Plan, and in Equatorial Africa, but is was difficult as yet to see what the most suitable framework was for consortia aid, and how best it could be disbursed in a region comprising two or three States. It was suggested, however, that a beginning might be made not in terms of industries but services – communications, banking facilities, aids to tourism. Was it not possible, for example, to get roads built and maintained by a construction unit paid for and manned out of overseas funds which might operate throughout a particular region? Such a scheme would not interfere with decision-taking in terms of local national development plans since communications are an essential part of all development plans.

Aid, however, like much else, was dependent on the will to give, as much as the amount available, and the unhappy fact was that the climate in which aid was given and received was probably less favourable today than in the past. The need was there still – in abundance, but the lack of any major success of particular projects, the clash between political attitudes and economic needs, the particular difficulties of some aid-giving countries, the lowering of competition between east and west, have all contributed to the reassessments which have taken place in Washington, London, Paris and (one may assume) Moscow.

Once again, the seminar had reached a point of finality. In the long run, economic integration – whether explored locally or stimulated from outside – was dependent on the will to achieve it, as the will had to include a political commitment to the ends that it was hoped to reach. Even when the will to act was present, obstacles and difficulties had to be faced – the seminar had explored many of them in their various settings – but integration would only take place if the sovereign will of individual, national governments could be, not broken, but made sufficiently pliable to adapt itself to neighbouring interests. It was a simple enough conclusion but it was probably true of the numerous experiments in regional economic co-operation from Latin America to Europe, Africa and Asia. How well placed the newly independent African governments were in this respect remained to be seen. Being new had its advantages as well as disadvantages: there were fewer obstacles to co-operation, perhaps, when national histories were very short, although there were also fewer areas of contact from which new points of growth could develop. In short, it was difficult to reach even tentative conclusions and impossible to be sure about what was likely to be the direction of economic growth in so unpredictable a continent.

DENNIS AUSTIN

Printed in the Netherlands

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

Dicembre 1965

ECONOMIC INTEGRATION IN EAST AFRICA

by

Arthur Hazlewood

NAIROBI, 13 - 18 DECEMBER 1965

ECONOMIC INTEGRATION IN EAST AFRICA

N/I

by Arthur Hazlewood

I. Introduction

This paper does not attempt a complete and systematic survey of the whole field of economic integration in East Africa.[1] It deals with a number of the important issues, particularly with those that have arisen recently and which have not therefore received much academic consideration. It is hoped that enough description of the general background has also been provided to make the paper intelligible to those unfamiliar with East Africa.

The paper consists of the following more or less self-contained sections:

I.	Introduction
II.	The Origins and Forms of Economic Integration in East Africa
III.	The Common Market: Importance and Effects
IV.	The Distributable Pool
V.	The Territorial Incidence of the East African Common Services
VI.	The Monetary System
VII.	The Kampala Agreement
VIII.	The Events of 1965.

Two verbal usages perhaps require a word of explanation. The term "territories" is frequently used in the paper to refer to the countries of East Africa. This has been common parlance for many years, and has continued to be such since independence - it is used, for example, in the Kampala Agreement. It is convenient as well as usual. In the term "inter-territorial trade", for instance, it clearly distinguishes a reference to trade between the countries of East Africa from trade between East Africa and other countries. The term "Tanzania" is also commonly used in the paper, except where there is a historical reference to Tanganyika. It should be kept in mind that in some contexts the reference is in fact to mainland Tanganyika. This is so when the term is used in connection with inter-territorial trade and the customs union, because Zanzibar is outside the East African common market.

---

1. A more general recent discussion can be found in East African Economic Union: An Evaluation and Some Implications for Policy, by Benton F. Massell, Memorandum RH-3880-RC, Rand Corporation, December 1963.

II. The Origins and Forms of Economic Integration in East Africa[1]

There has been a degree of economic integration between the countries of East Africa for many years. There is also a long history of proposals for closer economic and political relations,[2] and Federation was seriously discussed in the 1920s, as well as in the 1960s. Needless to say, nothing came of these earlier discussions, and the prospect of a positive outcome of the recent talks has receded. However, it was decided in 1932 that the Conference of Governors, which had been instituted in 1926, should meet annually, should be provided with a permanent secretariat, and should be the basis for developing inter-territorial co-operation and co-ordination on matters of common interest. Inter-territorial activities greatly increased during the 1939-45 war.

The modern period of inter-territorial co-operation began in 1945 with the publication by the United Kingdom Government of proposals for the future management of the inter-territorial services in East Africa. From these proposals, modified to give less power to the inter-territorial organisation than was the original intention, came the establishment at the beginning of 1948 of a permanent executive authority, the East Africa High Commission. The High Commission administered the common services until the creation of the present East African Common Services Organisation at the end of 1961.

The High Commission was composed of the Governors of the three East African territories. Their policy decisions were effected through a Secretariat established in Nairobi and consisting of the Administrator, Legal and Financial Secretaries, the Postmaster General, and the Commissioner for Transport.[3] Legislation was considered and enacted by a Central Legislative Assembly partly appointed by the Governors and partly elected by the unofficial members of the territorial legislatures.

---

1. Most of this section derives from the Raisman Report (East Africa: Report of the Economic and Fiscal Commission, Cmnd. 1279, 1961), particularly chapter II, and from "The Structure and Administration of the East African Common Services Organization", by Jane Banfield, in Federation in East Africa; Opportunities and Problems, edited by C. Leys and P. Robson, Oxford University Press, 1965. See also, in the same volume, "The Extent and Viability of East African Co-operation", by J.S. Nye. I have also benefited from an unpublished paper on EACSO by J.H. Proctor and K.G. V. Krishna.

2. For a brief survey see East Africa: the Search for Unity, by A.J.Hughes, Penguin Books,1963, Chapter 8.

3. The office of the Commissioner of Customs was and is at Mombasa.

A characteristic of the High Commission, as compared with the preceding arrangements, was that it was a separate inter-territorial entity, with its own supporting administration, and not merely a meeting of representatives of territorial interests advised by their own territorial civil servants. This is also a characteristic of the Common Services Organization, but it has nevertheless not always been possible for the members of EACSO committees to avoid taking a particular territorial view of the matters considered.

The powers of the Central Legislative Assembly were rather narrowly circumscribed, as compared with those of a territorial colonial legislature. It could legislate only on subjects listed in the Schedule to the Order in Council which established the High Commission. Its powers even over services administered by the High Commission were limited. It legislated for the management of the customs and excise and income tax collections, but it had no powers over the rates of duty. These were the province of the territorial legislatures and were kept at the same levels - with minor exceptions - through informal agreements between the territorial governments. The C.L.A. under the present EACSO arrangements operates under essentially similar limitations on its powers, though the nature of the Assembly is different in other ways.

Until the last year of its life the High Commission had no independent source of finance. The so-called self-contained services, the railways and the Post Office,[1] which operated on commercial lines, were self-accounting enterprises, financing their expenditures from the sale of their services, and from loans for capital development. The other High Commission services (to the extent to which they were not financed by grants from abroad) were financed by annual appropriations from the territories' revenues. The governments agreed on formulae for the division of the cost of particular services between them, and although over the years they contributed more and more to the maintenance of the High Commission services the division of the cost was at times a contentious matter.[2] By no means all the finance for the High Commission services, however, came from the East African Governments. Colonial Development and Welfare funds supported many of the services and there was also support from other government sources and from private foundations. Funds from outside East Africa continue to be an important source of finance for the common services.

---

1. The Airways was in a somewhat different relationship with the High Commission, although for most purposes it may be included among the self-contained services.

2. See the Raisman Report, p. 82.

The recommendations of the Raisman Commission led to the establishment of the Distributable Pool Fund to serve two purposes. One was that of providing an independent source of revenue for the common services; the other was to provide a fiscal redistribution between the territories. The detailed operation of the Distributable Pool is considered later.

In addition to its proposals for the Distributable Pool, the Raisman Report envisaged other changes in the structure of the inter-territorial arrangements so as to improve economic co-ordination and to facilitate the operation of the inter-territorial machinery. Changes were also made essential by the approach of Tanganyika's independence. The colonial arrangements of the High Commission could not be continued into the era of independence (and Tanganyika had made the early independence of Uganda and Kenya her price for acceptance of a successor to the High Commission). The independence of Tanganyika on 9th December 1961 was accompanied by the establishment of the East African Common Services Organization.

The executive authority of EACSO consists of the chief Ministers of the three governments (the Presidents of Kenya and Tanzania and the Prime Minister of Uganda). The Common Services Authority operates through four Ministerial Committees composed of ministers from each country. The concern of these four committees is indicated by their titles: Communications, Finance, Commercial and Industrial Co-ordination, and Social and Research Services. The committee system is not entirely satisfactory, for the members are not able to divorce themselves from their territorial interests when serving as members of the EACSO committees. They act more as delegates of their territories than as ministers of a central administration. General agreement on an issue cannot be compelled, so that it is likely that the committees will concern themselves with those matters that are readily agreed and will avoid the important and contentious issues. The administration will work effectively mainly in matters on which there is no sharp conflict of territorial interests.[1]

The EACSO civil service also has its difficulties arising from the structure of the organization. As compared with a territorial government, the EACSO civil servant is far less closely in touch with, and has far less ready access to his minister. The EACSO minister tends to be a territorial minister first and an EACSO minister second. In any case, the civil servant will be in Nairobi and most of the ministers

---

1. One illustration of the priority given to territorial interests is the withdrawal by Uganda from the Desert Locust Control Organization (because she was not much threatened by locusts) and from the East African Tourist Travel Association (because she was paying one-quarter of the cost but was receiving less than one-tenth of the tourists).

will be most of the time in Kampala or Dar-es-Salaam. The physical location of EACSO Headquarters also has the effect (or is believed by some to have the effect) of giving a Kenyan orientation to the organization. Contact is clearly easier with the Kenyan ministers than with those from Uganda and Tanzania. This feeling of Kenya orientation is increased by the predominance of Kenyans among the African staff of the organization. But the fact is that it is not easy to recruit staff, particularly from Uganda and Tanzania, for service in the territorial governments is more attractive.

Much of the structure of the common services inherited by EACSO in 1961, and continued to the present time, was built up during the High Commission period. The separate railway systems of Kenya-Uganda and of Tanganyika were amalgamated into a unified service. The revenue collecting services were developed, and in the case of customs and excise the separate administrations of Tanganyika and of Kenya and Uganda were amalgamated. The postal services were reorganized as a self-financing, commercial undertaking. And research services of various kinds were set up.

In addition to the common services there are two other spheres of inter-territorial co-operation in East Africa. One is the common market, and the other the common currency. The common market was established over a considerable period of time. Its origins date back to 1917 when free trade between Uganda and Kenya was established. Tanganyika was brought into the common market in stages between 1922 and 1927, although the customs administrations were not amalgamated until 1949. At present there is effectively a common tariff against the outside world and no tariffs between the three countries. There have been certain quantitative limitations on inter-territorial trade, however, and these barriers have recently been significantly raised.

The common currency in its present form dates from 1919 with the establishment of the East African Currency Board. The currency - East African shillings - is issued in exchange for sterling at a fixed rate. Since 1955 the "rigidity" of the system has been somewhat relaxed by the facility given to the Board to create a small fiduciary issue.

Some aspects of these three forms of economic integration in East Africa, the common services, the common market, and the common currency, are examined in this paper.

III. The Common Market: Importance and Effects

That the common market between the East African countries is important is generally taken to be indicated by two facts. The first is that the size of the whole East African market is much greater than that of any one of the countries alone, and is therefore "very much more attractive to manufacturing enterprise than any one of the three Territories by itself could be".[1.] The second fact is that inter-territorial trade is relatively large, indicating (it is usually supposed) a relatively high degree of dependence on the common market. This is the approach of the Raisman Report[2.], and later discussions have followed much the same lines. (Some statistics are given in the Tables, Page 10.)

In reality, neither of these facts is necessarily indicative of the importance of the common market, for strictly they are no more than facts about the East African market. It is wrong to suppose that facts about the one necessarily provide a basis for deductions about the other. The characteristic of the common market is that it is a tariff preference area. Goods imported into any one of the countries are dutiable if they are produced outside East Africa but are free of duty if they are the produce of one of the other countries of East Africa. The question is whether the East African market for East African produce exists only because of this tariff preference. Obviously it does not.[3.]

---

1. Raisman Report, para. 50.

2. The Report points out that "the money income of the whole market is more than twice as great as that of Kenya alone, and more than three times as great as that of either Tanganyika or Uganda alone" (para. 50). It remarks that "inter-territorial trade has shown much steadier growth than external trade" and that "while the dependence upon inter-territorial trade is low in regard to the bulk of primary production, it is much higher in regard to certain primary products and to manufactures" (para. 51). "It is, however, in manufactures that inter-territorial dependence is most marked. Probably something like one-quarter of the products of Kenya's manufacturing industry go to the other two territories" (para.54).

3. The tariff preference has obviously nothing to do with the sale of electricity from Uganda to Kenya, yet the Raisman Report (para.55) refers to it as an example of inter-territorial trade in the course of a discussion in which "common market" and "East African market" are used interchangeably.

There are two reasons why the importance of the common market is inadequately indicated by a summation of the national incomes of the three countries. In the first place, it takes no account of the fact that the greater purchasing power of East Africa as compared with that of any one of the countries is spread over a wider geographical area. In other words, it ignores transport costs. In East Africa this is probably a matter of secondary importance, however, because so much of the total purchasing power is in areas which are relatively easily accessible from each other.[1] The other reason is more fundamental. It cannot be assumed that the producers of each country have access to the whole East African market only because there are no tariffs on inter-territorial trade.

It is this latter point that is particularly relevant to the problem of measuring the dependence of the countries on the common market. It could refer either simply to the magnitude of inter-territorial trade, or to the extent to which this trade is the consequence of the tariff preference. My impression is that most discussions of the common market have taken inadequate account of this important distinction and have assumed that the magnitude of inter-territorial trade is a measure of the dependence of the territories on the common market.[2]

The same point has a direct bearing on the question of the inequities between the territories generated by the common market. It is not a question of whether Kenya is or is not industrially advanced, relatively to the other territories, or whether or not there are disequalising forces at work within East Africa. That is not to be denied. The question is to what extent the inequalities are the consequences of the tariff preference. They can be its consequence only to the extent that inter-territorial trade itself is dependent on the tariff preference. If, to take the most relevant example, the products Kenya sells inter-territorially would still be competitive with imports from outside East Africa if there were no external tariff (or, alternatively, if the tariff were applied to inter-territorial trade), then the relative industrial backwardness of the other territories could not be blamed on the advantage given to Kenya by the tariff preference. Of course, it is not the situation that Kenya's inter-territorial trade is entirely independent of the tariff preference, but it is equally not the situation that Kenya would sell nothing in the other territories if the tariff preference were abolished.

---

1. For a discussion of this point see Massell, op.cit.

2. However, Massell, op.cit., p.46, discusses the growth of inter-territorial trade and the gains arising from it and remarks that "of course, this does not mean that these gains have resulted from the common market". But he does not pursue the point.

Both the importance of the common market and the extent to which it is the cause of inter-territorial inequalities are determined, therefore, by the extent to which inter-territorial trade depends on the tariff preference. No attempt is made here to measure the volume of trade which is independent of the tariff preference, but some indication can be given of the grounds for thinking it is substantial.[1]

In the first place, some products traded inter-territorially are not subject to duty if they are imported from outside East Africa. Inter-territorial trade in these products obviously has nothing to do with the common market. Secondly, it is relevant to remember that the East African tariff has been, and still is, essentially a revenue tariff. It is not designed primarily for protective purposes, and although there is obviously a protective effect from a "revenue tariff", it is not surprising that local production is not entirely dependent on the protection afforded.

The East African market for some Kenyan products is assisted by a "transport protection" within East Africa (goods produced in Nairobi have a transport advantage in Uganda and parts of Tanzania over goods imported at Mombasa). Some goods internally traded have no effective competitors from abroad - liquid milk is an obvious example. Other products important in inter-territorial trade are competitive in price and quality (allowing for the establishment of brand loyalty) with imports, so that their market does not rely on the tariff preference. Beer is almost certainly an important example of such a product. Cigarettes are in much the same position; and in addition, a substantial part of local sales is of cheap brands which have no likely imported competitor. Other products which, although nominally protected, have an East African market which is probably little dependent on the tariff preference, are those which find export markets outside East Africa. (A number of manufactures are exported, mostly to neighbouring countries.) It cannot be proved logically that inter-territorial trade in such products does not depend upon the tariff preference, but the fact that they are able to compete in third countries provides a strong presumption that this is so.

When account is taken of these considerations the common market must surely be seen as much less important than it is commonly thought to

---

1. The tariff preference may have been more important in the past, in helping the establishment of local industries, than it is today.

be.[1] It follows that it is a less important cause of the interterritorial inequalities than is commonly supposed. It would therefore be an error to expect the dissolution of the common market to nullify the disequalising forces operating in the East African economy.

---

1. The same considerations also have a bearing on the related question of the extent to which the tariff is discriminatory between the territories. Mr. Ghai has shown in an original and valuable analysis that the tariff is much more protective of Kenya's industries than it is of Tanzania's, so that the benefits of import substitution accrue mainly to Kenya while the costs fall mainly on Tanzania. But this analysis uses the nominal tariff rates, and consequently assumes that the protection accorded is "necessary" and never "excessive". Commodities which, though nominally protected, would sell inter-territorially independently of the protection, should not be included in such an analysis. The nominal tariff on these products does not measure the cost of import substitution. It may indicate a measure of monopoly profit paid by buyers in Uganda and Tanzania to producers in Kenya, but that is not the same thing. In consequence, Mr. Ghai's analysis exaggerates the discriminatory character of the tariff and the unequal distribution of the costs and benefits of import substitution. See Dharam Ghai, <u>East African Economics Review</u>, June 1964.

Table I

Inter-territorial Trade, 1964. £ mn.

From: \ To:	Kenya	Tanzania	Uganda	Total
Kenya	-	13.3	12.6	25.9
Tanzania	4.1	-	1.0	5.1
Uganda	7.2	2.4	-	9.6
Total	11.3	15.7	13.6	40.6

Table II

Imports, Exports and Balance of Trade, 1964 £ mn.

	Kenya	Tanzania	Uganda	E.Africa
Inter-territorial exports	25.9	5.1	9.6	40.6
Exports outside East Africa	53.5	71.4	66.4	191.3
Total exports	79.4	76.5	76.0	231.9
Inter-territorial imports	11.3	15.7	13.6	40.6
Imports from outside East Africa	76.6	44.0	32.8	153.4
Total imports	87.9	59.7	46.4	194.0
Balance in inter-territorial trade	+14.6	-10.6	-4.0	-
Balance in external trade	-23.1	+27.4	+33.6	+37.9
Net Trade Balance	- 8.5	+16.8	+29.6	+37.9

Table III

Inter-territorial Exports as Percentage of Money G.D.P.

Kenya		Tanzania		Uganda	
1962	1964	1962	1964	1962	1964
9.6	12.5	2.0	n.a.	6.7	n.a.

IV. The Distributable Pool

The most radical of the proposals of the Raisman Commission were those concerning finance. It has already been pointed out that the aim of the proposal was to provide an independent source of finance for the common services and to secure a fiscal redistribution between the territories. These purposes were to be achieved through the creation of a Distributable Pool.

Some services, the Commission believed, "because of various uncertainties surrounding them",[1] should continue to be financed by specific annual appropriations from the territorial revenues; the costs of the revenue collecting departments should be a first charge on the revenue collected; and the remainder of the non-self-contained services, it was proposed, should be financed from an independent source of revenue with which the High Commission should be provided. The Commission argued that:[1]

> possession by the High Commission of an independent revenue would assist these services in their activities by providing them with a greater certainty of funds and it would also promote a more efficient use of funds between services by enabling the High Commission to function as a single authority, able - with the advice of its various boards, councils and committees - to administer its services from the point of view of the whole of East Africa rather than as an agency of territorial Governments.

This independent source of revenue should come from the Distributable Pool. In each year one-half of the receipts of the Pool, the Report recommended, should be distributed to the High Commission for financing its services.

The main purpose, however, in establishing the Distributable Pool was to achieve some inter-territorial redistribution of revenue. In making the proposal for the revenue Pool the Commission stated:[2]

> The future political relationship between the Territories cannot be predicted or prejudged. We think, however, that the Common Market is of such importance to their economic future, and the danger to it from internal strains so great, that some inter-territorial redistribution of income, offsetting in some degree the inequalities in the benefits derived, is urgently called for in order that the Market may be preserved.

---

1. Report, para. 205

2. Report, para. 203

The proposal, which was first put into effect for the 1961/2 financial year, was that 6 per cent of the customs and excise collections and 40 per cent of the yield of "income tax charged to companies on profits arising from manufacturing and finance" should be paid into a Distributable Pool. One-half the annual receipts of the Pool were to go, as was explained above, to finance the High Commission; the remaining half was to be distributed equally between the three territories.[1]

The direct redistributive effect is clear. Each territory was to receive the same amount, but they would contribute to the Pool in proportion to the revenue collected from them. A change in the relative revenue yields in the territories would be automatically reflected in the magnitudes of the redistribution. There would be also an indirect redistribution achieved by the Pool, the Commission argued, because of the new method of financing the High Commission services.

In justifying the magnitude of the redistribution they expected to achieve through their proposals, the Commission reiterated the point that their primary object was "to offset, by fiscal means, the inequalities in the distribution of benefits from the Common Market", but argued that it was "impracticable to make any precise estimates of the amount of fiscal adjustment which is called for". The adjustment required was "a matter for the exercise of judgment rather than of minute statistical calculation", but this did not mean, they hastened to add, "that our proposals are arbitrary".[2]

Arbitrary or not, the Commission provided no details of the basis for the exercise of their judgement, and the reader must be content with the declaration that:[3]

---

1. In more detail, the system was to work as follows. Each territory was to be credited with 94 per cent of the customs and excise revenue derived therein, 60 per cent of the revenue derived from income tax on companies' profits from manufacture and finance, and 100 per cent of all other income tax revenue. The remainder of the revenue from each territory was to be credited to the Pool. The costs of collection were to be debited to each of the territories and to the Pool in proportion to the revenue credited to them. The revenue available for redistribution to the High Commission and the territories in the proportions 3:1:1:1 were, therefore, the total payments into the Pool minus the Pool's share of the cost of collection.

2. All quotations in this paragraph are from the Raisman Report, para. 210.

3. Report, para. 210.

> Our decision as to the appropriate order of magnitude for the fiscal adjustment to be achieved through the Pool has been made after careful assessment of the present Common Market arrangements, and after allowing for our recommendations for improved economic co-ordination.

One may deduce the Commission's view of the magnitude of the inequalities requiring to be compensated from the example they give of the redistributive effect of their proposals. It will be seen from Table I*) which is derived from Appendix E of the Raisman Report, that the Commission concluded that a transfer from Kenya to Tanganyika of £310,000 and to Uganda of £245,000, plus the additional resources of the High Commission and the indirect redistribution through the finance of the High Commission Services, was adequate compensation.

One must of course agree that an estimate of the necessary redistribution is a matter of judgment. In forming their judgment the Commission made a good deal of use of the available statistics. The conclusions they drew from their examination of the statistics has not gone unchallenged.[1] But perhaps the most relevant comment is that[2]

> it is wiser to recognise that this sort of calculation (i.e. of rates of growth) cannot be carried out in East Africa at the present time with the present data, with any pretence of reliability. Until this can be done, discussion of the real growth of any territory's economy, either in isolation or in relation to its neighbours', can only be in the most general terms and even then only the most tentative conclusions can be drawn.

No attempt is made in this paper at an independent assessment of what was required in the way

*) See Page 14.

---

1. See notes in East African Economic Review, June and December, 1961, by C.P. Haddon-Cave, J. Tyrrell, and D.A. Lury. See also Government of Kenya, Sessional Paper No. 3 of 1961.

2. J. Tyrrel, op.cit.

Table I

Redistributive Effect of Distributable Pool

Raisman Report Example

I

	Kenya	Tanganyika	Uganda
	£ thousand		
Territorial contribution to cost of collection:			
"present" system	935	495	400
"proposed" system	860	475	375
Territorial allocation of D.P. share of cost of collection	75	20	25

II

	Kenya	Tanganyika	Uganda
Territorial receipts from customs and excise and income tax:			
"present" system	25,250	14,440	11,590
"proposed" system	23,440	13,645	10,865
Territorial contribution to D.P.	1,810	795	725
Territorial allocation of D.P. share of cost of collection	75	20	25
	1,735	775	700

III

(a) Payments (net of collection cost) into D.P. under "proposed" system from

Kenya	1,735
Tanganyika	775
Uganda	700
Total receipts of D.P.	3,210

(b) Distribution of D.P. under "proposed" system

1/2 to High Commission	1,605
1/6 to Kenya	535
1/6 to Tanganyika	535
1/6 to Uganda	535
Total payments from D.P.	3,210

	Kenya	Tanganyika	Uganda
(c) Payments (net of collection cost) into D.P.under "proposed" system	1,735	775	700
Contribution to High Commission under "present" system	525	550	410
	1,210	225	290
(d) Additional territorial revenue under "present" system as compared with "proposed" system, net of "present" contributions to High Commission	1,210	225	290
Receipts by territories from D.P. under "proposed" system	535	535	535
Redistribution between territories under "proposed" system	- 675	+ 310	+245

Notes: The figures in these tables are derived from the Raisman Report, Appendix E.
The net redistribution from the territories taken together is -120 (-675 + 310 + 245) which is the increase in contributions to the High Commission under the "proposed" system.

of redistribution.[1] However, it cannot be thought, on the basis of their figures, that the direct redistribution the Commission expected to achieve is more than modest. This conclusion is not surprising, given the general tone of the Commission's discussion of the disequalising effect of the common market. They agree that the common market has benefited Kenya more than the other territories, but they argue that all have gained, and the impression the reader gets is that they think the other territories have not much to worry about.[2] This is a view which will be challenged by many.[3] And it is not surprising that the

---

1. It is my view that fiscal transfers and/or other measures are not so much required as "compensation" but because an attempt to level up the rates and levels of development is in itself desirable, as well as necessary to hold the common market together. As will be seen from another section of this paper, there are grounds for scepticism about the extent to which compensation for the working of the common market as such is needed, because the disequalising effects of the common market have commonly been exaggerated. Even compensation for loss of customs revenue is not required if Tanzania's purchases from Kenya (let us be specific for simplicity) are not dependent on the tariff preference of the common market. If Kenya sales would continue without the preference then the abolition of the preference would bring in revenue only at the cost of higher prices. In this situation there are no grounds for arguing that Kenya should provide the revenue. Of course, one does not want to carry the argument too far; there are obviously sales from Kenya to Tanzania which are substantial in total and which are dependent on the tariff preference accorded to Kenya. For these, the preference does involve a loss of customs revenue by Tanzania, and it is a loss that can reasonably be expected to be compensated by Kenya. But the point remains that the case for redistribution (either fiscal or in other ways) is weakened if it is based solely on the claim for compensation: there are other and stronger arguments.

2. "The Common Market arrangements have thus certainly benefitted East Africa as a whole. Their working has been subject to criticisms, some of which lack foundation, but some of which have substance. This substance, however, consists rather in the fact that the benefits derived by the Territories have been unequal than that any one of them has suffered actual loss." Raisman Report, para. 193.

   "We think that the result normally to be expected by the other Territories from the growth of protected industry in Kenya (despite the penetration of the products into their home markets) is a gain rather than a loss of real income." Raisman Report, para. 84.

3. See for example D.P. Ghai, op.cit.

existence of the Distributable Pool has not satisfied Tanzania that she is doing as well as she could do out of the common market. The surprising thing rather is that the magnitude of the redistribution proved acceptable at all.

There has, so far as I know, been no published estimate of the redistributive effect of the Distributable Pool over the years in which it has been in operation. The only published figures are the hypothetical ones in the Raisman Report itself. Nor have I seen any statement of the problem facing an attempt to estimate this effect,[1] namely, that some assumption must be made about how the common services would be financed in the absence of the Distributable Pool. It was easy enough for the Raisman Commission, for they merely had to compare the effect of their proposals with the then existing situation. This is what is done in Table I, which is an alternative presentation of the Raisman figures. In Table II the gain or loss of the individual territories are divided into their two components: the direct fiscal redistribution through the D.P., and the change in the payment to the common services. The total change between the system proposed by Raisman and the then existing situation is roughly equally the result of the two components. This fact serves to emphasise the point made above that the redistributive effects of the D.P. cannot be assessed independently of an assumption about the way in which the common services are financed.

Table II

£ thousand

	Kenya	Tanganyika	Uganda
(a) Payments into D.P. for redistribution	867	387	350
(b) Receipts from D.P.	535	535	535
(c) Fiscal redistribution	-332	+148	+185
Payments for common services:			
(d) "present" system	525	550	410
(e) "proposed" by Raisman	867	387	350
(f) Gain/loss from "proposed" system	-342	+163	+60
(g) Total redistribution ((c)+(f))	-674	+310	+245

Notes: The total payments from each territory into the D.P. can be thought of as being 50 per cent for redistribution to the territories and 50 per cent for the finance of the common services, because the total receipts of the Pool are divided in this way.
All figures in this Table are taken from the Raisman Report, Appendix E, and relate to the hypothetical estimate provided by the Commission.

---

1. I have seen several unpublished estimates, none of which has made explicit reference to this problem.

Although it was correct for the Raisman Commission to compare the effect of their proposals with the situation that existed at the time of their investigation, any direct comparison between the current situation and that prevailing before 1961 would have little point. What is required is a comparison with some assumed situation in which the Distributable Pool does not exist.

To limit the range of possibilities it has been assumed in the estimates presented in Table III that the same total finance would be available for the common services if it was provided other than through the Pool. If the extreme alternative assumption is made, that the common services are dissolved together with the Distributive Pool, the range of possibilities is so great that no sensible conclusion could be reached.

Even given this limiting assumption, a wide range of possibilities exists with respect to the relative contributions made by each country to the total finance of the common services. The two alternative assumptions that have been adopted for the estimates in Table III correspond to the "Raisman" (Assumption A) and the "pre-Raisman" (Assumption B) situations. In the one, the territories contribute to the finance of the common services in proportion to their revenues, while in the other they contribute equally.[1] The estimate of the redistribution under assumption "B", which roughly corresponds to the pre-Raisman situation, is broadly similar to the conclusion of the example given in the Raisman Report. The measure of the redistribution under assumption B is roughly double that under assumption A. In the one case the redistribution has become quite substantial by 1964-5, while on the other it is still somewhat meagre.

It must be appreciated that no unambiguous measure of the redistribution achieved through the Distributable Pool Fund is possible unless some particular assumption is made about the finance of the common services. This is so if one is, in effect, answering the question: what would be the territorial gains and losses if the Distributable Pool were abolished? And there is no real basis for selecting a realistic assumption. One might guess that there would not be a reversion to the pre-Raisman situation; but equally there is no reason to think that the territorial contributions to the common services would remain unchanged.

---

1. "There is a separate formula for each particular service - there are twenty-nine at the present time ... - though much the most common formula is a simple division of the residual costs into equal thirds ..." Raisman Report, para. 37

Table III

Revenue Redistribution through the Distributable Pool

£ thousand

	1961/2	1962/3	1963/4	Est. 1964/5
(a) Payments into D.P.F. from				
Kenya	1,731	2,092	2,551	3,000
Uganda	759	831	1,159	1,420
Tanganyika	791	1,028	1,164	1,300
Total receipts of D.P.F.	3,281	3,951	4,874	5,720
(b) Distribution of D.P.F.				
1/2 to General Fund	1,640	1,975	2,438	2,860
1/6 to Kenya	547	658	812	953
1/6 to Uganda	547	658	812	953
1/6 to Tanganyika	547	658	812	953
Total payments from D.P.F.	3,281	3,949	4,874	5,719
(c) Distribution of receipts in absence of D.P.F.				
Assumption A.				
Receipts by Kenya	865	1,046	1,275	1,500
Uganda	379	415	579	710
Tanganyika	395	514	582	650
General Fund	1,640	1,975	2,438	2,869
Total receipts	3,279	3,950	4,874	5,720
Assumption B.				
Receipts by Kenya	1,184	1,434	1,739	2,047
Uganda	212	173	347	467
Tanganyika	244	370	352	347
General Fund	1,640	1,977	2,436	2,860
	3,280	3,954	4,874	5,721
(d) Territorial redistribution through Distributable Pool				
Assumption A. Kenya	- 318	- 388	- 463	- 547
Uganda	+ 168	+ 243	+ 233	+ 243
Tanganyika	+ 152	+ 144	+ 230	+ 303
Assumption B. Kenya	- 637	- 776	- 927	-1.094
Uganda	+ 335	+ 485	+ 465	+ 486
Tanganyika	+ 303	+ 288	+ 460	+ 606

Notes

(a) The payment into the Distributable Pool from each country is the sum of 6 per cent of customs and excise duty collected from that country and 40 per cent of the income tax on company profits from manufacture and finance minus the D.P.F. share of the costs of collection divided between the countries in proportion to the costs of collection debited directly to the countries. The collection of income tax in U.K. is allocated between the countries in proportion to the tax collected in each.

(b) The distribution of the D.P.F. is that under the present "Raisman" arrangements.

(c) The distribution of the present D.P.F. receipts in the absence of the D.P.F. is made on the assumption that the same amount as now would be paid into the General Fund for the finance of EACSO services (i.e. an amount equal to 50 per cent of the payments into the D.P.F.) but that the remainder of what is at present paid into the D.P.F. would remain with the countries of origin. A further assumption must be made about how, in the absence of the D.P.F., the payments into the General Fund would be divided between the countries. Under assumption "A" the General Fund is financed essentially in the same way as at present, each country paying 50 per cent of the amount it now pays into the D.P.F. into the General Fund. Under assumption "B" the three countries contribute equally to the General Fund. This assumption is a rough approximation to the position before the institution of the Raisman arrangements (see Report, para. 37).

(d) The measure of the territorial redistribution through the Distributable Pool is arrived at as the difference (+ or -) between the revenue now received by each territory from the Distributable Pool and the amount that would be received (under assumptions "A" and "B") if the Distributable Pool did not exist.

It is clear that no unambiguous statement is possible of the redistribution achieved by the Raisman system. The answer all depends upon how the countries would contribute to the General Fund services in the absence of the D.P.F. There is absolutely no basis for assuming that the cost would be imposed on the three countries in the same proportions as at present; there is equally no basis whatever for assuming that there would be a return to the arrangements of 1960. Indeed, the Raisman Commission, in illustrating the likely effect of their proposals pointed out that the basis of allocation in force at the time (1960/1) was "actively disputed and would probably not be maintained in 1961/2 even if our recommendations did not supervene" (Report, p.82).

One can, of course, attempt to answer what might seem to be a different question: to what extent under the present arrangements does each territory contribute to the Distributable Pool more, or less, than it gets back? The answer to this question is, in fact, the same as that to the previous question, when assumption A about the finance of the common services is adopted. The gain or loss is the difference between one-half of the payment into the Pool and the receipt from the Pool. Something further can be added, however, and that is the redistribution through the operation of the common services themselves. An estimate has been given elsewhere in this paper of the redistribution through the common services in 1964-5. In Table IV this is added to the fiscal redistribution through the Pool to give an estimate of the total redistribution through the Distributable Pool Fund in that year. However, not too much should be read into the final totals in Table III, because (as is pointed out elsewhere in this paper) the estimated redistribution through the common services is small enough to be well within the margin of error of the estimates.

Table IV

	1964/5	Kenya	Tanzania	Uganda
			£ thousand	
(a)	Payments into D.P.F. for redistribution	1,500	650	710
(b)	Receipts from D.P.F.	953	953	953
(c)	Fiscal redistribution	- 547	+303	+243
(d)	Payments into D.P.F. for common services	1,500	650	710
(e)	Payments -/+ net loss/ gain from common services	1,300	750	810
(f)	Redistribution through common services	-200	+100	+100
(g)	Total redistribution through D.P.F.((c)+(f))	-747	+403	+343

V. The Territorial Incidence of the East African Common Services

This section of the paper reports very briefly on the results of an attempt to estimate the territorial balance of benefits from and contributions to the common services.[1] Separate estimates are provided for the non-self-contained services (more properly called the General Fund Services) and the self-contained services, though for the latter the estimates are not based on any very firm foundation of fact.

The General Fund Services include the Customs and Excise and Income Tax Departments, a number of research and technical services, the Central Legislative Assembly, the Secretary General's Office, and various other departments. The total expenditure on these services in the 1964-5 estimates was £7.5 mn. If certain sales of services by several departments are deducted, the net expenditure becomes £3.7mn. It is this amount which is allocated between the territories in this statistical exercise.

Three different allocations of the total can be made. It can be allocated according to the location of the expenditures. It can be allocated according to where the benefit of the expenditures accrues. And it can be allocated according to the source of the revenue contributions.

The territorial locations of the expenditures is, of course, a reflection of the territorial location of the activities of the departments. Because of the location of the headquarters of EACSO in Nairobi, a lion's share of the expenditure takes place in Kenya. There are also large expenditures, mainly for pensions and compensation payments to former expatriate staff, which take place outside East Africa.

The benefits of a particular expenditure do not all accrue to the country in which the expenditure is made. The headquarters establishments of the tax-collecting departments, for example, do not benefit only the country in which they are situated, for their work is an essential part of the tax-collecting machinery in each country. Similarly, a research organization cannot be deemed to benefit only the country in which the research is carried out. It should be expected, therefore, that Kenya would receive a smaller proportion of the total benefit of the expenditures than of the expenditures themselves.

---

1. The details of the exercise are given in an article in the Oxford University Institute of Economics and Statistics Bulletin, August 1965.

The revenue for the services comes partly from direct payments by the three Governments, partly from the Distributable Pool, and partly in the form of grants from outside East Africa. For the purpose of this exercise these outside grants must be attributed in some way to the three countries. The principle adopted is that the grants were intended to finance the benefit where it is received, so that they are treated as if they were received by the countries and paid to EACSO in proportion to the territorial distribution of the benefit of the services financed by external grants.

Table I

Location of Expenditures and Benefits

General Fund Services

£ mn.

	Kenya	Tanzania	Uganda	Outside E.A.	Total
Expenditure	3.8	1.3	1.0	1.1	7.3
Benefits	3.3	2.1	1.9	-	7.3

Table II

Balance of Benefits and Contributions

General Fund Services

£ mn.

	Kenya	Tanzania	Uganda
Benefits	3.3	2.1	1.9
Contributions	3.5	2.0	1.8
Net Gain/Loss	-0.2	+0.1	+0.1

Table I demonstrates, as we concluded on general grounds, that the benefit derived by Kenya from the General Fund Services is smaller than is indicated by the total of expenditures made in Kenya. The converse is true for the other two countries, although a precise comparison is complicated by the existence of large expenditure outside East Africa, so that the sum of expenditures in East Africa is smaller than the sum of benefits. In making this comparison of benefits it must, moreover, be remembered that only the direct benefit of the expenditure is included. No attempt has been made to measure the indirect benefit to the economies arising from the expenditures carried out in them. The "multiplier effects" of the expenditures may be assumed to provide indirect benefits, additional to those allowed for in Table I, which increase the relative advantage to Kenya.

The operations of the common services can be thought of as redistributive if the benefit obtained by a country from the services is different in value from the revenue it contributes to the financing of the services. Table II indicates a small redistribution from Kenya to Tanzania and Uganda. But the redistribution is so small as to be well within the errors of the exercise. It may be concluded that there is no effective redistribution between the territories through the operations of the General Fund or non-self-contained services.

It remains to consider why there is no substantial redistribution between the three countries through the operations of the General Fund Services. It is primarily because so much of the revenue derives (or is attributed to derive) from the countries in proportion to the benefits they receive from the services. This is true of the grants received from outside East Africa, as well as for the direct contributions from the East African Government, and a number of other internal revenues. There is no possibility of inter-territorial redistribution through the expenditures financed from these sources. It is, in fact, only the contribution from General Fund Resources, i.e. from the Distributable Pool, (some 35 per cent of the total) which offers the possibility of a divergence between the territorial origins of revenue and the accrual of benefit. As it turns out, the divergence is not sufficiently great for any significant inter-territorial redistribution to arise. The operation of the General Fund Service does not, in consequence, provide any counterbalance to the territorial inequalities in development.

The administrations of the <u>self-contained</u> services appear in general to take the view that it is both impracticable and undesirable to examine the territorial incidence of their activities. They are reluctant to do so themselves, and they are unwilling to assist an investigation by others.

The attitude of the administrations is praiseworthy if it is engendered by the conviction that they exist to serve East Africa as a whole, and by a refusal to pander to separatism or "territorialism". But it is an unrealistic attitude. It is politically inept to behave as if the matter can be kept out of the political arena so long as the facts are concealed. The territorial incidence of the common services is a matter of public interest, and it will not cease to be so because the public is kept in ignorance of the facts. It is hard to believe that public discussion is best based on ignorance.

In the absence of reliable information, speculation about the territorial incidence of the self-contained services must be based on certain general considerations. It is commonly accepted as a fact that the railway services in Tanganyika are unprofitable, and that there is a cross-subsidization between the Tanganyika and the Kenya-Uganda lines. It is also generally acknowledged that the internal air services are subsidized from the profits on the external services. As so much of the internal services operate in Tanzania, it is not unreasonable to conclude that the Tanzanian services are subsidized. It seems reasonable to suppose that the geography of Tanzania, and in particular the nature of the population distribution, makes the postal and telecommunications services costly, so that there is some cross-subsidization of Tanzania by the rest of East Africa on this account.

If, on the basis of gossip and rumour, one were to guess at the magnitudes involved, one might suggest the following as the patterns of surpluses (+) and deficits (-):-

£mn. 1963

	Kenya/Uganda	Tanzania	East Africa
E.A.R. & H.	+0.6	-1.0	-0.4
E.A.A.	+0.6	-0.2	+0.4
E.A.P. & T.	+0.3	-0.2	+0.1
	+1.5	-1.4	+0.1

One cannot do better than such a guess until the administrations of the self-contained services come to appreciate the public importance of reliable information on the territorial incidence of their operations.

VI. The Monetary System

Because of limitations of space this section of the paper is no more than a very cursory outline of the monetary system and of proposals for its development.

Since 1920 the currency in circulation in East Africa has been issued by the East African Currency Board. This Board, like those which once served West Africa, Central Africa, and elsewhere, issues and redeems currency in exchange for sterling at a fixed rate. The currency, that is, is on the "sterling exchange standard".

The disadvantages of this system have been much canvassed. Its supposed "inflexibility" has, in my view, been misunderstood or exaggerated. The currency issue can expand to match the requirements of the total money supply as determined by the advances of the commercial banks. The expatriate character of the banking system ensures that the domestic money supply is not restricted by a sterling shortage. At most times, indeed, the East African banking system has had excess supplies of sterling, though during 1960 when there were large outflows of capital on non-banking private accounts, the expatriate banks imported capital, offsetting to some extent the deflationary effect of the capital outflow.

The system is certainly restrictive when a 100 per cent external reserve is imposed, so that deficit financing is impossible. But it has been permissible since 1955 to depart from the 100 per cent external reserve which had previously been the rule. At first a £10 mn fiduciary issue was allowed. This figure was later raised to £20 mn and then, in 1963, to £25 mn. In addition there is an allowance for temporary crop finance which had been increased from £5 mn to £10 mn at the end of 1962. The total permitted fiduciary issue is divided between the territories in proportion to the estimated territorial distribution of the currency circulation. The total issue has never been near the maximum, though at times a particular territory has approached its limits (Uganda in December 1961, and Tanganyika in December 1962). On these occasions it has been a temporary phenomenon associated with the purchase by the Board of Treasury Bills, not of long-term securities, and the Board has envisaged the temporary transfer of unused fiduciary powers between the territories.

The Currency Board responded to developments in East Africa and "deliberately set out, within the limits of present possibilities, to provide facilities and carry out tasks normally attributed to central banks". The Board declared[1] that:

> Its aim has been to bridge the gap of time and opportunity between the old system and the creation of a central bank in conditions which allow it to operate fully and effectively in East Africa's interest and preserve one currency for the area.

The Board pointed out that, by agreement, it already had wide freedom of action, and was in fact much less circumscribed than many central banks. It acts as

> a banker to the banks and it must be emphasised that it already acts as a lender of last resort to them. It does so by being continuously ready to re-discount territorial Treasury Bills where available and through its crop finance facilities ... No limits are in sight here beyond the Board's ceiling (which could be raised) and beyond its own policy towards applicants.

There has for some time been a growing recognition of the desirability of a central bank in East Africa. Newlyn and Rowan had concluded from an analysis of the situation in 1952:[2]

> that there is no case for central banking in East Africa at present. This conclusion is, however, a short-term one; with the development of the use of bank credit and the increasing complexity which will result when the East African Governments commence local borrowing, the scales will eventually be turned in favour of setting up a central bank.

In 1958, McWilliam,[3] "inspired by the curiosity to see if anything had happened in East Africa which might alter the opinion formed by Newlyn and Rowan in 1952 that a central bank here would be premature", examined the situation anew and came to the conclusion that "the stage has been reached where the monetary situation needs specialised management, and that a central bank is the right body to undertake it".

---

1. East African Currency Board, Report for the Year Ended 30th June 1963.

2. Money and Banking in British Colonial Africa, Oxford University Press, 1954.

3. "Is there a case for an East African Central Bank?", East African Economics Review, January 1959.

Official steps to establish an East African central bank had been inhibited by political considerations. McWilliam argued that the explanation for the failure to move towards a central bank for East Africa

> lies not in financial backwardness but in the politics of East African co-operation. The East African Currency Board is a long established and discreet body. In contrast, the whole purpose of setting up a central bank is that it should take an active and prominent part in the conduct of policy.

Mr. McWilliam asked: "Is there not some fear of bringing such an institution on to the East African scene?" Before independence for the three countries was clearly foreseen, one (if only one) of the fears was of establishing new institutions in which settler-dominated Kenya might have a predominant say. The independence of Tanganyika and the certain prospect of the imminent independence of Uganda and Kenya eliminated this particular fear,[1] and more official attention came to be given to the matter.

The only officially published proposals on central banking are in a report by Erwin Blumenthal to the Government of Tanganyika,[2] but it is believed that a report was submitted by Mr. Newlyn to the Uganda Government, the general lines of which may be deduced from a published article.[3] The countries could not agree on a central banking structure and, eventually, the International Monetary Fund was asked to advise on the form a central banking system should take.

The problem in determining the structure of an East African central bank was that of deciding how centralised a structure should be established, and to devise a system which would work in the absence of a common government in East Africa. The Currency Board have expressed the view that:

> given the complexities of the East African situation the operation of a central bank would seem difficult in the absence of some form of central political direction,

so that "federation provides the best assurance for a successful transition to full central banking".

---

1. Of course, as can be seen from many parts of this paper, not all fears of Kenyan hegemony have been eliminated.

2. The Present Monetary System and its Future, Government Printer, Dar-es-Salaam, 1963.

3. "Monetary Systems and Integration", East African Economics Review, June 1964.

Federation was not, however, assumed in the different proposals for central banking, and the Blumenthal Report was submitted before the Federation Declaration of June 1963. The Blumenthal scheme has a single Central Bank, which, with the sole right of currency issue, would ultimately determine monetary policy, including the size and distribution of the fiduciary issue. In addition, a State Bank would be established in each country.

> Although these State Banks would form part of, and be incorporated in, the Central Bank System, they would be allowed a certain measure of independence and freedom of decision on a territorial basis, which would serve to safeguard the special interest of the country concerned in co-ordination with its financial and economic policy.

In this scheme the real power would reside with the Central Bank. The Newlyn scheme was much less centralised, for each country would have its own central bank issuing its own currency, with co-ordination between the Banks being achieved by an East African Reserve Board.

Both the Blumenthal and Newlyn schemes have been criticised by Professor Clark[1] as being unstable compromises. He argues that:

> The Blumenthal proposal is not far removed from a central bank with branches; if it were to succeed essential authority would still rest in the central board of governors, and the system would simply operate at higher costs because of duplication. However, the state banks do offer a misleading suggestion of independent authority, and would provide a ready framework for disputes. The Newlyn proposal is much closer to a system of completely separate central banks, and I fear would rapidly deteriorate into it. Separate currency and reserves would make even temporary imbalances and inter-territorial transactions highly conspicuous, and it is hard to envisage the joint reserve board succeeding in imposing higher reserve requirements on a determined national central bank.

The possibility of unilateral action by Tanganyika had existed for some time. Two or three years ago it had been rumoured that Tanganyika was to issue her own currency. Similar rumours were abroad early in 1965, and in June 1965, before the I.M.F. recommendations had been received (or at least before they had been made public) it was announced in the budget speeches that the countries were to establish separate central banks and to issue separate currencies. This most recent development in East African monetary affairs is discussed in section VIII.

---

1. In an unpublished paper on "The Role of an East African Central Bank in Accelerating Development", East African Institute of Social Research, E.D.R.P. No. 46, 2.9.64.

VII. The Kampala Agreement

Ministerial discussions and studies by EACSO on the inequalities within the common market led to what became known as the Kampala Agreement. The original agreement was arrived at in April 1964 at a Ministerial meeting in Kampala. Further talks were held and a modified agreement was approved by a meeting of Heads of State held at Mbale in January 1965. Although this latter meeting was believed to have authorised publication of the Agreement (a version of the original Agreement had been published by the Information Service of the Tanganyika and Zanzibar Government in 1964), it has never in fact been officially published as a tripartite document, and the formulation of the legal convention or treaty in which the principles of agreement were to be set out was overtaken by events in the middle of 1965.[1]

Concern about the inequalities in development had somehow been transformed by the time of the Kampala Agreement into a concern about imbalances in inter-territorial trade. Although the two topics are not unrelated, they are by no means the same thing, and a concentration on the latter could have unfortunate restrictive consequences.[2]

The Kampala Agreement set out five ways in which the imbalance of inter-territorial trade could be righted. In summary, in the order in which it was thought they could be applied, the measures agreed upon were: (a) to arrange a shift in the territorial distribution of production by a number of firms which operated in two or more of the countries; (b) to allocate certain major industries between the countries; (c) to institute quotas on inter-territorial trade; (d) to increase sales from a country in deficit in inter-territorial trade to a country in surplus; and (e) to devise a system of inducements and allocations of industry to secure an equitable distribution of industrial development between the three countries.

---

1. See below.

2. This concern about imbalance in trade is not confined to trade within East Africa. In April 1965 there was in each territory an uproar about their imbalance in trade with Japan. Each country announced that it would have to restrict imports from Japan in order to reduce the adverse balance of trade with that country. As a bargaining counter to encourage a rise in Japanese purchases from East Africa this threat of restrictions might not have been unjustifiable. But even if the East African Governments were not really taken in by their own propaganda, which is to be hoped, it is liable to have adverse effects on the level of economic understanding among the public.

Action was immediately taken on the first of these five measures, which was to persuade certain firms which operated in each country to increase their production in Tanzania so as to import less from Kenya. The products concerned were cigarettes, beer, shoes, and cement. Similar action was envisaged between Kenya and Uganda, but was made less easy by the fact that the inter-territorial firms either did not then operate in Uganda (shoes and cement) or were not the sole firm producing the commodity (beer).

The East African Tobacco Company was already planning an expansion of its production in Dar-es-Salaam, and would be manufacturing only small runs of specialist brands for inter-territorial trade. The Bata Shoe Company specialised in its factories, and did not duplicate production in its different factories. It would be introducing a new line at Dar-es-Salaam, but this would still leave a substantial imbalance between Kenya and Tanzania. A cement plant was under construction in Dar-es-Salaam, and it was agreed that the firm should be asked to bring forward the completion date. The expansion and re-equipment of the Dar-es-Salaam brewery was also planned, as was an expansion of the Moshi brewery. When carried out these plans would largely eliminate trade between Kenya and Tanzania in the products of East African Breweries (and its associates).[1] It was estimated that the action envisaged for these four products would reduce the trade imbalance between Kenya and Tanzania by £1.8mn., or 24 per cent of the 1963 figure.

The second most important attack on the trade imbalance in terms of the likely speed of its effect, was the decision to institute quotas on exports from surplus to deficit countries. The governments agreed on:

> The application of a system of quotas and suspended quotas whereby exports from surplus countries would be progressively reduced, and local production increased in the deficit countries according to the building up of the productive capacity of the deficit country.

A quota was to be applied where there was existing productive capacity in the deficit country, and a suspended quota where the deficit country was proposing to develop productive capacity. The quotas were to relate to particular "product lines", a product line being normally defined as a "group" of the commodity classification used in the Trade Reports, though a narrower definition might sometimes be adopted. The detailed operation of the quota system was set out in Appendix I to the Agreement.

---

1. There would still be trade from Mombasa to Tanga, partly offset by sales from Arusha into Kenya.

The intention of the quota system is not entirely clear. It should probably be seen as that of eventually bringing to an end all inter-territorial trade, establishing territorial self-sufficiency, in the product lines to which quotas were applied.[1] As the emphasis of the Kampala Agreement as a whole is on the problem of trade imbalances, it might be thought that the intention was to eliminate the imbalance of trade in the particular product lines. But this interpretation of the intention of the quota system is inconsistent with the proposed method for calculating the size of quota to be given for a particular product line.

In Appendix I to the Kampala Agreement it is stated that:-

> The size of the quota (allowed imports from the surplus country in a particular product line) shall be calculated by taking the amount of exports from the country in surplus to the country in deficit, minus the exports from the country in deficit to the country in surplus. As productive capacity in the country in deficit rises from its existing level the quota will be reduced proportionately until the quota equals zero.

On this basis a quota for exports of "footwear" from Kenya to Tanzania, of which product-line Kenya exports £600,000 to Tanzania and imports £300,000 from her, would be for £300,000. Kenya's exports would therefore be halved when the quota was applied, and gradually be reduced to zero as productive capacity in Tanzania expanded.

One possible assumption behind the proposal to calculate the size of the initial quota in the way described is that the productive capacity in the deficit country at present devoted to exporting to the surplus country, would be immediately redirected to serving the domestic market of the deficit country. The £300,000 worth of footwear exported by Tanzania to Kenya, on this assumption, would be sold instead within Tanzania.

If that were not to happen, and if Tanzania continued her exports to Kenya at an unchanged level, Tanzania would have £300,000 worth less footwear than before. It may be that this could be made up from excess productive capacity which could now be brought into use.[2] This interpretation of the intentions of

---

1. Territorial self-sufficiency (with the minor exception noted above) certainly seems to be the intention of the shift that has been engineered in the territorial production of beer.

2. It could also be made up by imports from abroad, a matter which is considered below.

the arrangement is perhaps supported by the reference to the imposition of a quota where "a firm could ... expand its operations within the national market." On the other hand, it is inconsistent with the proposal that the quota should be reduced "until the quota equals zero". A zero quota would mean, in the example already considered, that Kenya exports no footwear to Tanzania. The corollary is that Tanzania exports no footwear to Kenya; in other words, her productive capacity is redirected to serve the territorial market. This is a corollary of a zero quota for Kenya, unless it is envisaged that the positions are to be reversed and Tanzania should become a surplus country in the products subject to quotas.

If the balance of inter-territorial trade in a particular product line amounts to less than one-half the surplus country's exports to the deficit country, the deficit country will, in fact, be turned into a surplus country in this product line as soon as the quota is imposed, unless her exports are redirected to the domestic market. If, for example, Kenya had exported £600,000 of footwear to Tanzania, and imported from her not £300,000, but £400,000, Kenya's quota would be £200,000. If Tanzania continued to sell £400,000 to Kenya, she would become surplus in this product line to the extent of £200,000, because Kenya's exports to Tanzania would be restricted to £200,000.

It may indeed have been the intention to reduce and eventually to eliminate the exports of particular products of a country in general surplus in inter-territorial trade, while allowing the inter-territorial exports of the products by a deficit country. The Agreement makes no statement on this question, but it is an implication of the quota proposals that needs to be made explicit.

If the purpose of the quota system were, however, to establish territorial self-sufficiency (in both surplus and deficit countries) in the products subject to quota, the grounds for criticising the system are clear. It pays too little attention to the non-homogeneity of a product line as defined in the broad way adopted for the quota system. It neglects both the difficulties of switching from exports to the home market when the production is specialized, and the advantages of territorial specialization.[1] If rigidly applied it would prevent territorial specialization and would compel

1. It will be recalled that the Bata Shoe Company did not duplicate production types in its different factories.

the uneconomic production of all varieties of a broad product line in each territory.[1]

It is odd that the problem of imbalance in trade should be tackled by the elimination of trade, for trade can be balanced at levels above zero. The proposed operation of the quotas seems in this respect to be excessively restrictionist. Yet in other ways the quota system (let alone the Kampala Agreement as a whole) is not presented in an excessively restrictionist spirit. It was proposed that a deficit country could apply for new quotas on its trade with a surplus country only if its overall imbalance with the surplus country amounted to more than 20 per cent of its total exports to that country. Quotas could be imposed only "provided that a firm could operate on an economically viable basis or expand its operations within the national market". It was noted that "considerable administrative care would be required in reducing the size of the quota by stages as a firm came into production in order to ensure the maintenance of East African output". It was recognised that "it would be mutually beneficial to adopt a more flexible attitude towards inter-territorial trade imbalance in particular commodities once the inter-territorial trade imbalances had been eliminated". And it was agreed that "this quota system was not intended to be a permanent feature of the East African Common Market, and is intended only to assist in redressing trade imbalances".

The quota system would appear more in harmony with the general spirit of the Kampala Agreement if it were designed to assist the elimination of imbalances in the trade in particular product lines, rather than to eliminate the trade itself.[2] For this purpose the initial quota would need to be set equal to the imbalance plus the value of the deficit country's exports to the surplus country. (This amount is, of course, equal to the surplus country's exports to the deficit country.) The quota should be reduced in step with the increase in productive capacity in the deficit country to a minimum equal to the value of exports of the deficit to the surplus country.

---

1. The aim of territorial self-sufficiency in product lines also neglects the advantage, arising from geographical circumstances, of serving some parts of a territory from another territory. For example, some parts of Tanzania are far more cheaply served from Nairobi than from Dar-es-Salaam. As was noted above, an exception has been allowed on these grounds to territorial self-sufficiency in the production of beer.

2. Even if the elimination is to be in one direction only.

That the quota system is not excessively restrictionist will be true only to the extent that quotas are not enforced on products in the manufacture of which economies of scale are of great importance, so that it makes sense to envisage production in each territory for its own market. This fact was recognised in the decision to impose quotas only "provided that a firm could operate on an economically viable basis ... within the national market". The determination of which industries could reasonably be included in the quota system was one of the tasks of the committee of industrial experts, the establishment of which was part of the Kampala Agreement.

Although the intention of the quota system was to divert a deficit country's purchases from a surplus country to domestic production, it could have other effects. It is possible that the imposition of the quota would divert purchases to sources outside East Africa. Even if the quota were imposed and reduced only in step with the expansion of productive capacity in the deficit country, there could still be a diversion to imports from outside East Africa. Assume that the quota is to be imposed on Kenya's exports of a particular product to Tanzania, in step with the expansion of productive capacity in Tanzania. The Kenya producer is able to compete with imports in the Tanzania market at the present level of the common tariff. It is likely that the newly established productive capacity in Tanzania will for the time being be less efficient than the older-established Kenya producer, and will be unable to compete with imports from abroad. The effect of the imposition of the quota, if no other steps are taken, will have been to restrict imports from Kenya, to expand imports from outside East Africa, and to leave idle productive capacity in Tanzania. Restrictions on imports from outside - either by increased tariffs or by quotas, preferably in either case applying only to Tanzania - would be necessary to produce the result intended from the application of the quota, that is "in order to ensure the maintenance of East African output".[1]

Whatever the intention, the arrangements initiated under the Kampala Agreement have already had some restrictive and cost-raising effects. The quota on beer exports from Kenya to Tanzania restricted trade by more than Tanzanian production was immediately able to substitute; there was a net shortfall in the supply in Tanzania of high quality beers from East African sources, with a consequent switch to imports from outside East Africa. The cigarette manufacturers had to incur considerable expense in shifting the weight of their production from Kenya to Tanzania. The

---

1. Agreement, Appendix I, para.7.

establishment of the Dar-es-Salaam cement plant (agreed upon before the Kampala Agreement) would leave all three countries with "a considerable excess capacity in cement".[1] Territorial self-sufficiency undoubtedly imposes costs. The costs are worthwhile if they are a cost of maintaining the main structure of the common market, and not a stage towards the general reduction in inter-territorial trade in the interest of territorial self-sufficiency.

That the Kampala Agreement did not envisage such general self-sufficiency is of course evident from its proposals for the allocation of new industries between the territories and from its proposals for a committee of industrial experts to determine in which products self-sufficiency was and in which it was not harmful to the interests of East Africa. These proposals are considered below.

The other three measures agreed at Kampala could not have such immediate effects as those already discussed, though two of them at any rate were directed at the underlying problem, the inequalities in development, rather than at the symptom, the imbalances of trade. First of all, a territorial allocation of a number of major industries was agreed upon.[2] The industries concerned would be scheduled under the territorial Industrial Licensing Acts and the Governments would arrange with the East African Industrial Council that an exclusive licence would be given to a firm operating in the agreed territory. The measures under this head are potentially the most important and constructive aspects of the Kampala Agreement. If they worked they would provide a way of maintaining the benefits of the common market while offsetting its disequalising tendencies. It may be that the locations resulting from the territorial allocation of industries will be less efficient than those that would be chosen in the absence of the agreement.[3] Against this,

---

1. This is a quotation from the Kampala Agreement itself.

2. Electric light bulbs were to be manufactured in Kenya; bicycle parts and nitrogenous fertilizers were to be manufactured in Uganda; radio assembly and manufacture and the manufacture of motor tyres and tubes were to be located in Tanzania. The original agreement allocated some vehicle assembly to Tanganyika, but in the revised agreement no mention was made of this industry, and "aluminium foil, circles and plain sheets" had been substituted as allocated to Tanzania.

3. And it seems unlikely that the costs of different locations were an element in the decision on the territorial allocation of these industries.

however, must be set the more efficient scale of operation that would be secured by tariff-free access to the whole East African market. It is fairly certain that the balance of advantage is with the Agreement. The most efficient location, if it involved concentration at the most developed centre, as it probably would for most industries, cannot be obtained together with the economic access to the common market. A more equal spread of development is a minimum necessary condition for the maintenance of the common market (it may not, of course, be a sufficient condition). Fiscal compensations may avoid the costs of inefficient location, but for the participants they are not an acceptable substitute for development. The costs, such as they are, of a relatively less efficient location must be accepted as a cost of the maintenance of the common market.

The trouble with the policy of industrial allocation embodied in the Kampala Agreement is that the industries may not come to East Africa at all. The Agreement divides the catch before it is caught and the fish may not bite.[1] It is admitted in the Agreement that "it is not possible to say when any of these units will come into production". One may also wonder what would be the response of Government X if an industrialist wanted to establish an industry in X, but would not establish it in East Africa at all if (because of the allocations of the Kampala Agreement) he were allowed only to establish it in country Y. The Government of X would have to be very strong-minded to refuse the industry; and one may wonder if Y and Z would not be wise to allow the industry to be established in X rather than not to have it in East Africa at all.

The industrial allocation policy of the Kampala Agreement is not, therefore, without its difficulties. Nevertheless, the agreement to take deliberate measures to reduce the inequalities between the territories while maintaining the advantages of the common market is warmly to be welcomed. It reflected East African statesmanship of a high order.

The remaining measures agreed upon were, first, that surplus countries would endeavour to increase their purchases from deficit countries, and secondly, that "future allocation of industry and differential incentives to industry" should

---

1. The fact that they will not bite if the proposed location is absurdly uneconomic is, of course, something of a guarantee against the creation of an inefficient, high-cost industrial structure as a result of the allocation policy. But this is small consolation if the alternative is not to have the industries at all.

be referred to a committee of industrial experts.

Information is not readily available about the extent to which Kenya has expanded its purchases from the other countries. It must be true, however, that any reduction in the imbalances of trade will have been achieved mainly by a restriction of purchases by the deficit from the surplus country.

The draft terms of reference of the industrial experts committee were set out in an appendix to the Agreement. The committee had first to draw up a list of "East African industries", defined as those which to be economically feasible require access to the entire East African market, or at least to a market larger than that of any single East African country. Secondly, the committee was to examine "the basis for distribution of these industries" having regard to the economic feasibility of different locations, to the need for an equitable territorial distribution of industry, and to the necessary "measures for achieving rapidly an equitable pattern of industrial location".

The work of the committee of industrial experts would have to provide the rationale for a long-term pursuit of the aims of the Kampala Agreement. Without the studies which it was planned that the committee should carry out, the Agreement was no more than an ad hoc arrangement to meet an emergency situation. In fact, the committee of industrial experts has not (at August, 1965) been set up, and one wonders whether developments since June, 1965, have not now rendered it pointless. The answer depends, one supposes, on whether there is a determination on all sides to prevent a further disintegration of the common arrangements in East Africa, and whether Kenya is prepared to drop the assumption upon which she originally accepted the Kampala Agreement,[1] that the common currency was maintained.

---

1. See Appendix 3 to the Agreement.

VIII. The Events of 1965[1]

1965 has been an eventful year in inter-territorial relations in East Africa. It has seen decisions which have been interpreted as the "death knell of the East African common market".[2]

The Kampala Agreement was received as "an agreement to keep in being the Common Market".[3] The next news of economic relations between the territories was the announcement in the budget speeches in June 1965 that each country was to establish its own central bank and issue its own currency. These announcements were soon followed by a sharp increase in the restrictions imposed by Tanzania on imports from Kenya.

The announcements about the impending break-up of the single currency area provided the occasion for a good deal of recrimination. The fact that the announcements immediately followed the departure of Mr. Chou En-lai from a visit to Tanzania, and the closely preceding furore over the attempted transport of arms across Kenya from Tanzania to Uganda, did not help matters.[4]

---

1. 1965 for the purposes of this paper ends in the middle of August, when the paper was written. It may be that events since that date will have made nonsense of much of this part of it.

2. Headline in the London Sunday Times.

3. Financial Times, London, 17th June 1964.

4. The direct association between Mr. Chou En-lai's visit and the break-up of the currency area, which was put forward in some U.K. newspapers (see Sunday Times and The Times, 12th June 1965) does not seem credible. There had been rumours for two years or more that Tanzania intended to issue her own currency, and a visitor to East Africa in April 1965 could easily have predicted that the break-up of the currency area was probable. I referred to it myself in an article in the June issue of Venture, written early in May. In any case, the decision was announced in each country's budget speech, which must surely eliminate the possibility that it resulted from a decision by the Tanzania Government during the visit of Mr. Chou En-lai. Mr. Gichuru has stated that Tanzania's decision was conveyed to him on February 12th. (See Reporter, 2nd July 1965, p. 11.) Dr. Obote has said that "it was known to all of us for about a year that Tanzania was not going to maintain the common currency ...." Kenya Weekly News, 25th June 1965, p.4.

The Kenya budget speech put the blame for the dissolution of the currency area on the other countries, and particularly on Tanzania. It was the insistence of Tanzania and Uganda on having their own currencies which caused the break-up. "They refused to listen to me", the Minister of Finance said,[1] "and they also told me that they were determined to have their own way in issuing their own currencies."

Tanzania's reply to this statement did not deny that the dissolution of the currency area was at her instigation. Her Minister of Finance is reported to have said[2] that Tanzania had not deliberately sought to break up the monetary area, but that the failure of the federation talks made a single central banking system impossible. The Minister said:[3]

> In the interests of East African unity we have waited and discussed for four years before taking any action to dismantle the East African Currency Board and to transfer the authority to the Government. This is a very great sacrifice for any country and particularly for a developing country which is anxious to promote the development of its own monetary institutions.

Kenya's response to the dissolution of the currency area and the increased restrictions on her exports has not been immoderate. She has sought vigorously to develop new markets outside East Africa,[4] but she has taken no retaliatory steps. The Minister of Finance is reported[5] to have said "Kenya had been paying 50 per cent of the cost of the common services, but if Tanzania and Uganda were to continue to restrict Kenya imports, Kenya would not contribute so much as it had been contributing in the past". And it has long been realised that Kenya is in a position to impose serious burdens on Tanzania by breaking-up the common services, particularly the railways. But she has done nothing as yet.

---

1. Reported in The Times, 12th June 1965. Uganda Ministers, however, have been reported (Reporter, 2nd July 1965, p.11) as saying that Uganda had been forced into the currency split.

2. Reporter, 18th June 1965.

3. Reporter, 18th June 1965, p. 11.

4. In July 1965 Kenya Ministers set off on their travels energetically to seek out new markets.

5. Reporter, 2nd July 1965, p. 11.

Of course, the possibility must be faced that recent events herald the gradual dissolution of the common arrangements in East Africa, even apart from the effect of deliberate retaliatory measures. The Kenya Minister of Finance is reported[1] to have "predicted that all East Africa's economic links would collapse if the present trend continued" and to have said:

> I'm afraid that if things go the way they are going now, it only means we are going to break up everything - the Common Services, the railways, telecommunications, everything.

And in his budget speech the Minister said that "the decision which the Tanzania Government has taken will obviously have wide implications on the structure of the common market and the Common Services Organization".[2] On the other hand, the Prime Minister of Uganda has been quoted as saying that "East African Co-operation is not dependent on the common currency and Tanzania's decision is not going to affect the common services".[3] On the whole this view seems unduly optimistic, but it may be that the adverse effect of the currency break-up on the common market and common services will arise more from the general emphasis on territorial interests, and on impatience with the limitations imposed by the inter-territorial arrangements, of which the currency break-up is a sympton, rather than from the difficulty of working the common arrangements in the absence of a common currency.

Tanzania has had a bad press for its decision to issue its own currency. One may regret the dissolution of the currency area while thinking that the reaction outside Tanzania has been exaggerated. Is it really an "incalculable disaster"?[4] What exactly are the severe "complications that three currencies will bring, for instance, to the affairs of the East African Railways and Harbours and the East African Airways"?[4] After all, a large part of the earnings of East African Airways is in foreign currencies, so why should it be so difficult if traffic originating in Dar-es-Salaam is paid for in a different currency from that originating in Nairobi? The currencies are to be freely convertible into each other, and are to be at par with the

---

1. Reporter, 2nd July 1965, pp. 10-11.

2. As quoted in Reporter, 18th June 1965, p. 1.

3. See Kenya Weekly News, 25th June 1965, p. 4.

4. Kenya Weekly News, 25th June 1965, p. 4.

East African Shilling that they will replace.[1] There will therefore be no difficulties in making payments between territories. Given that these conditions are maintained, it is not easy to see why there should be any significant complication introduced into the operation of the common services (or the common market) by the existence of three currencies. In fact, under these conditions they will be three separate currencies only in a very limited sense.

The situation with three separate currencies under the proposed conditions of free convertibility and co-operation between the monetary authorities is not so far removed from the least-centralised of the schemes put forward for an East African central bank. In the scheme put forward by Mr. Newlyn[2] the reserves and currencies of the three countries would be separately identifiable and each country would

---

1. In his budget speech the Tanzania Minister of Finance said: "I must emphasize that it is the desire of the three Governments to continue to co-operate as closely as possible in the monetary sphere. It is intended that the necessary arrangements for the establishment of the separate central banks and currencies should be closely synchronised in all three countries, that the new currencies should inherit the very substantial backing of foreign exchange assets presently held by the Currency Board, that the three countries should continue to form part of the Sterling Area, that the new currencies should be introduced at exact parity with the present East African currency, and they should be freely convertible with each other. When the currency area is finally dissolved in about a year's time, it is the hope of all three Governments that regular meetings of the Governors of the three banks will take place for the effective harmonization of our monetary arrangements and that there should be co-operation in such matters as the sharing of research facilities and the movement of funds at different seasons of the year." The Minister went on to announce the institution of exchange control, but said "I must emphasize that these regulations do not apply within East Africa." Budget speech as reported in The Standard, Tanzania, 11th June 1965.

2. See W.T. Newlyn, "Monetary Systems and Integration", East African Economics Review, June 1964. Mr. Newlyn was adviser to the Uganda Government in the discussions on the establishment of an East African central bank.

have its own central bank. Co-ordination between the systems of the three states, and particularly the determination of the limits of credit creation at any time, would be carried out by an East African Reserve Board. The arrangements announced in June do not provide for a Reserve Board, but the co-operation between the central banks that is proposed could perform most of its functions. In any case, as is pointed out below, the limitations on credit creation will be imposed by the economic and monetary situation rather than by any action of the monetary authorities.

With free convertibility between the currencies, each at the present par value of the Shilling, and with co-operation over the seasonal movement of funds, so that the economy of combined reserves is not wholly lost, the disadvantages of separate currencies will be minimised. There will be certain inconveniences, no doubt, and there will be higher costs of administration and higher demands for scarce skilled staff, than there would be with a single central bank,[1] but the disadvantages will be relatively minor. Could they really justify the almost hysterical reception the announcement of the currency break-up received?

However, perhaps this reaction was the right one, after all, if one considers the possibility that the declared intentions will not be followed for long. If the creation of a separate currency has been undertaken because it is felt that the present system imposes too severe restrictions on the freedom of action of the individual territories, it must be realised that there will remain severe restraints on policy, even though each territory has its own currency and central bank. The point has been exceedingly well expressed by Professor Paul Clark. In an unpublished paper he has written:[2]

> It would not be possible for one of the three East African countries to pursue a markedly more expansionary monetary policy than the others, while at the same time maintaining convertibility of the three currencies at par, no exchange control on inter-territorial transactions, and free trade in goods and services within the common market. If it tried to do so, beyond a moderate degree of policy divergence, it would run into rising inter-territorial imports,

---

1. Though perhaps not so much more costly than the complicated two-tier system of central banking proposed in the Blumenthal Report (Tanganyika-East Africa, <u>The Present Monetary System and its Future</u>. Report to the Government of Tanganyika by Erwin Blumenthal, Government Printer, Dar-es-Salaam, 1963).

2. "The Role of an East African Central Bank in Accelerating Development", East African Institute of Social Research, Economic Development Research Project, Paper No. 46, September 1964.

loss of its separate-held foreign exchange reserves to the other partners, and probably substantial private capital flight to them. This raises a dilemma. On the one hand, if a single country wishes to pursue a markedly divergent monetary policy from the other two, it ought to be prepared to envisage restraints on inter-territorial trade, inter-territorial exchange control, and if necessary devaluation. On the other hand, if a country wishes to maintain easy transactions within the common market, it can pursue its separate monetary policy only if its policy is roughly in line with those being independently pursued by the two partners.

The likelihood is that the most vigorously expansionist country will find irksome the restrictions imposed by convertibility, freedom of trade, and a fixed exchange rate, and will come to think that it would do better if it abandoned some or all of these things. The system that needs to be considered might, that is, be very different from that announced in the budget speeches of 1965. It is a system in which there is no free convertibility between the East African countries, in which transactions within East Africa are subject to exchange control, in which currencies are no longer at their original par value and in which further devaluations are a possibility, so that the currencies are subject to speculation, and in which inter-territorial trade is subject to severe restrictions.[1]

The right conclusion seems to be that the existence of separate currencies, in itself, so long as the conditions set out in the budget speeches are maintained,[2] should not impose serious disadvantages on the economies of East Africa. However, there is a distinct possibility that the forces which led to the creation of the separate currencies will lead to an abandonment of the original conditions under which the separate systems were established. If this happens the costs will be high. The extent to which there are likely to be compensating advantages for the more expansionist country will be considered later.

The more immediately adverse effects on the economies of East Africa are likely to arise from the restrictions on trade rather than from the

---

1. As we have seen, the last of these characteristics is already in evidence, though it has not been introduced for monetary reasons.

2. And so long as it is universally believed, both within and without East Africa, that there is no question but that they will be maintained, so that there is no basis for speculation.

creation of separate currencies.[1] The quota committee established under the Kampala Agreement was pursuing its deliberations when unilateral action on the part of Tanzania was announced. In the middle of June, Tanzania imposed restrictions on a wide range of imports from Kenya.[2] These restrictions went much further than had been envisaged in the Kampala Agreement, and it is by no means clear that Tanzania is in a position immediately to substitute domestic products for the displaced imports from Kenya. It seems probable that there will be a replacement from sources outside East Africa.[3]

It may be that in part the restrictions are intended to establish in effect a bargaining position. They could be used to encourage firms to leap the barrier and to establish productive capacity in Tanzania.[4] This might well be thought legitimate in Tanzania's position, but in the absence of the information that was to be provided by the Industrial Experts Committee it will be essentially an unplanned process, likely to impose substantial costs and inefficiency on the industries affected. Of course, those in which economies of scale are large, are unlikely to respond to the encouragement.[5] But it is not

---

1. That is, if one leaves aside the longer-run (though it may not be very long-run) possibility of further monetary developments in the direction of autarky.

2. For details see <u>Tanganyika Gazette</u>, 14th June 1965. Restrictions were imposed, inter alia, on biscuits, sugar, confectionary, soap and detergents, insecticides, nails, knitwear and underwear.

3. One possibility is suggested by the fact that "there have been several reports in the London press that Tanzania intends to import from China, under aid agreements, goods, which were previously bought from Kenya". <u>Kenya Weekly News</u>, 25th June 1964, p.4.

4. "Tanzania's Government has lifted restrictions imposed recently on the importation of quality sweets and biscuits from Kenya, after an announcement by the Nairobi based organisation, House of Manji Ltd., that they are to build a £200,000 factory at Arusha." <u>East African Standard</u>, 30.7.65.

5. A Kenya-based firm, East Africa Industries, was refused a renewal of its licence to import soap into Tanzania. A company spokesman thought that it might be an attempt to induce the company to build a factory in Tanzania, but said "the investment of £500,000 would not be justified and we shall not build a factory there. It would not be economically viable". See <u>Sunday Nation</u>, 1st August 1965.

improbable that the policy will result in the existence of a larger number of less efficient plants in East Africa than would otherwise be established.

It may be asked whether the present revenue allocation arrangements can long survive the growth of serious quantitative restrictions on inter-territorial trade.[1] The redistribution through the Pool was intended to offset the inequities within the common market, and Kenya could argue that she should not continue to allow redistribution to Tanzania if Tanzania is taking direct steps to restrict the benefits Kenya obtains from the common market. A withdrawal from the Distributable Pool would seem to be a possible retaliatory weapon for Kenya.

On the other hand, to the extent that Tanzania engineers a switch of imports from Kenya to outside sources, and obtains an increase in customs revenue as a result, she will automatically under the present arrangements pay more into the Distributable Pool, thus reducing the fiscal distribution in her favour. The restrictions on Kenya's trade will reduce the profitability of Kenya companies, and the efforts in Tanzania to stimulate industrial development may lead to a rise in the total of industrial profits generated in Tanzania. On both counts there will be a fall in Kenya's and a rise in Tanzania's contribution to the Distributable Pool from income tax on companies. On this account too, therefore, the redistribution in Tanzania's favour through the Pool is likely to be reduced as a result of recent policies. This fall in the amount of redistribution may lead Tanzania to feel that she would do better to withdraw from the pooling arrangement.

The Kampala Agreement, if it may even now be deemed alive, is likely to be an early victim of inter-territorial trade restrictions outside the scope of the Agreement. They must surely lead to an abandonment of any agreement on the location of industry and to vigorous competition between the countries to obtain new industries within their borders.

Some observers have seen it as a paradox that Tanzania, the strongest proponent and initiator of proposals for East African federation, should now appear as initiating the dissolution of the existing common arrangements. The paradox, in fact, is more apparent than real. The apparent reversal of

---

1. An article in the Kenya Weekly News, 25th June 1965, p.13, from a Dar-es-Salaam correspondent, predicts the break-down of the pooling arrangement if trade restrictions on Kenya develop.

of Tanzanian attitudes[1] is understandable,[2] even though one might think her policies unfortunate. With the formation of a federal government Tanzania would have hopes of a vigorous development policy for East Africa as a whole, with the equalising allocations of finance and investment which are possible in a federation. The Tanzanian Finance Minister was essentially right to argue that, with the failure of the federation talks, Tanzania had to look to her own development policies. And it was natural enough to find that those policies were inhibited by the inter-territorial arrangements. The inter-territorial arrangements in East Africa were more or less satisfactory in "the era of colonialism"; they are quite unsatisfactory for "the era of development".

Tanzania's decision to establish her own currency was no doubt determined by the feeling that, being the least conservative in monetary matters of the members of the currency area, her expansionist policies would be restricted by an inter-territorial monetary authority. We have seen that the possibilities for independent monetary action are in reality severely restricted by the freedom of inter-territorial transactions.[3] And Tanzania may find that a territorial monetary authority cannot make a major contribution to development, even when monetary measures are buttressed by restrictions on inter-territorial financial transactions and trade. The scope for monetary policy is inevitably limited in economies with the characteristics of those of East Africa by two related factors: the rapid effect of expansionary policies on the balance of payments; and the very limited extent to which there is diversified excess productive capacity to allow output to respond in the short period to changes

---

1. It should be noted that the President of Tanzania still proclaims himself a supporter of federation. "If Kenya says yes to Federation we will sit down and federate tomorrow", the President is reported to have said. See Kenya Weekly News, 25th June 1965, p. 20.

2. It perhaps should be pointed out that the statements which follow are not based on any inside knowledge of the views and motivations of the Government of Tanzania. They are merely deductions of how the situation might appear to a Tanzanian Government which was impatient to pursue vigorous development policies, which believed that it had suffered seriously in the past from the operations of the common market, and which felt that it was being severely inhibited in its pursuit of development by the limitations imposed by the inter-territorial arrangements.

3. See the quotation from Professor Clark, p. 42 above.

in domestic effective demand.[1]

It will be argued that Tanzania has a healthy surplus in her trade outside East Africa so that she need not worry about her balance of payments situation. But this magnitude is not the relevant one. So far as visible trade is concerned, it is the balance of total exports and imports, including trade with the rest of East Africa, that is relevant, and this is much less favourable than the trade outside East Africa.[2] About the invisibles very little is known. One might guess that the importance of "capitalist" production in exports (sisal estates; mining) means that there are substantial net transfers of dividends. It may be taken as certain that the current account balance of payments is a good deal less favourable than the balance of trade. There are of course excess reserves, but one should not underestimate the impact on these as soon as deficit financing of development is undertaken on a significant scale.

---

1. Tanzania is a good deal worse off in this respect than Kenya, because her economy is far less diversified. Unfortunately, the low level of development is itself a limitation on the scope for stimulating production in the short period by increasing demand.

2. The statistics are:

Balance of Trade. £mn.

	Kenya 1962	Kenya 1964	Tanganyika 1962	Tanganyika 1964	Uganda 1962	Uganda 1964	E.Africa 1962	E.Africa 1964
1)*	-25.0	-23.1	+13.6	+27.4	+14.5	+33.6	+3.1	+37.9
2)	+ 9.9	+14.6	- 9.3	-10.6	- 0.6	- 4.0	-	-
3)	-15.1	- 8.5	+ 4.3	+16.8	+13.9	+29.6	+3.1	+37.9

*1) Balance in external trade
2) Balance in inter-territorial trade
3) Net balance

Uganda's exports and imports are valued at Mombasa, thus overstating the value of exports and understating that of imports compared with a valuation at the Uganda border. The balance of trade if valued at the Uganda border would be much smaller - perhaps only half the size - than that resulting from the Mombasa valuation. Some Tanganyika trade is shipped through Mombasa, and as a result there is probably some exaggeration of the Tanganyika surplus as well.

In the light of these considerations it may well be wondered if Tanzania will not lose rather than gain from the policies she is pursuing. The inter-territorial trade restrictions already endanger the common market. Further restrictions may have to be imposed in order to deal with the adverse side-effects of expansionary monetary measures, and the monetary measures themselves may not be very effective in stimulating economic growth. If it is thought that a break-up of the common market would be of positive benefit to Tanzania, two things should be remembered. The first is that a great deal of the relative backwardness of the Tanzanian economy cannot be blamed on the common market, and withdrawal from the common market would not neutralise the disadvantages under which Tanzania labours. The second, and more important, consideration is that withdrawal from the common market would be likely to deny completely to Tanzania (as well as, perhaps, to the rest of East Africa) the opportunity for many industrial developments. It has been argued elsewhere in this paper that the importance of the common market has commonly been exaggerated. But it does not follow that the common market could not be of great importance in the future. Many industries in which economies of scale are important and which are not at present established in East Africa, are industries which she will seek and need to have in the future if her industrialisation is to rise much above the present meagre level. This point was understood by the Raisman Commission,[1] and it is fundamental to an assessment of the future benefits of alternative policies for a country in Tanzania's position. These industries are likely to be attracted to East Africa only on the basis of guaranteed tariff-free access to the whole East African market. A break-up of the common market therefore would set back the industrial development of East Africa by many years.

And it does not follow that the attraction of these industries to East Africa on the basis of the common market would necessarily intensify and perpetuate the relative backwardness of Tanzania. Even before the Kampala Agreement the balance of industrial development showed signs of change. Mr. Ghai has pointed out[2] that, despite the losses which in his view she has sustained in the past, it might not be in Tanzania's interest to withdraw from the

---

1. "As development tends to bring increased specialisation and increased reliance upon activities in which the minimum efficient scale of operations is large, the contributions which the Common Market arrangements can make to economic growth are likely to be greater in the future than in the past." Raisman Report, para. 191 (v).

2. East African Economics Review, June 1964, p. 40.

common market because:

> A number of industries have been started there recently which will rely substantially on the East African market for their sales; and therefore even if Tanganyika has not gained from the Common Market in the past, there is no reason to believe that she will not do so in the future.

The ideas of planned industrial location expressed in the Kampala Agreement provide the basis for an agreed and continuing attack on the inequities between the territories without the abandonment of the benefits of economic integration. Perhaps the undoubted feeling for East African unity which still exists, despite the present strains, will lead after all to arrangements which allow for the concerted and vigorous development effort East Africa so greatly needs.

3

INTERNATIONAL SEMINAR

on

E C O N O M I C   C O - O P E R A T I O N   I N   A F R I C A

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

THE APPROACH TO ECONOMIC CO-OPERATION IN AFRICA

premesse –
opportunità –
ostacoli –
situazione di fatto
(rapporto con la
collaboraz.ne politica –

by

J.H. MENSAH

NAIROBI, 13 - 18 DECEMBER 1965

THE APPROACH TO ECONOMIC CO-OPERATION IN AFRICA

by J.H. MENSAH

It is a lucky accident that this conference should be discussing the problem of economic co-operation in Nairobi at a time when the governments of this part of the world are thinking seriously of installing new systems of economic co-operation between them or extending what exists. In order to take advantage of this conjuncture, our discussions here must be as practical as possible in pointing out how the admittedly formidable obstacles to co-operation can be overcome at the level of practical politics. For this purpose certain types of discussion are totally unprofitable and should be avoided. For instance given that the governments of East Africa do want to strengthen their co-operation here and now in 1965 it is merely an idle exercise in speculative philosophy to consider how this objective would have been implemented if these countries had not had the economic relations which have in fact existed between them for nearly forty years. We connot undo this piece of history ; neither is that our task.

Again it is easy to get lost in an argument about whether the previous economic co-operation between the East African countries has benefitted one or the other country more. Life in Nairobi tends to make us forget that Kenya is itself a poor country as far as the masses of its people are concerned. Whether the existence or the abolition of the East African Common Market will affect the standard of living of a few people - mostly foreigners-who now participate in the untypical pocket of prosperity in Nairobi and Mombasa is not the central issue to which we, or the political leaders whom we advise, must address ourselves. The important question is whether economic co-operation among the East African countries can assist in raising the standard of living of the masses of Africans in all three countries. I will limit my own remarks to indicating a number of points on which considered guidance from us would make the discussions of this conference most relevant to the search for increased co-operation on which the governments are currently engaged.

Whether or not there will be economic co-operation among African countries is an issue that will be determined more by the choice of the African leaders than by the choice of the African people as a whole. Similarly, the outcome of the present debate about economic co-operation will depend more directly on what the African leaders choose to do than on whether economic co-operation is desirable or not. A principal question to consider therefore is the factors that will make these leaders choose or reject economic co-operation - both the factors that already exist and those that can be created as a result of these and other discussions.

What is required in Africa is not agreement that economic co-operation is a good thing : there is hardly any dissent from that proposition. The more difficult question is whether action will be taken to institute and operate measures of economic co-operation, and to what extent such co-operation will become a central concern of the African governments and the African leaders. On this test of concrete action one is forced to the conclusion that up to the present, economic co-operation in Africa has been very fragmentary and very weak. One of the things that this conference can most usefully do is to establish clear and objective tests against which we can determine whether there is in fact economic co-operation and how much economic co-operation there is. For otherwise we in Africa will continue to agree on economic co-operation without ever being sure whether we are co-operating. What is the minimum set of relationships and joint activities between states which indicates that there is effective economic co-operation between them ? What organizational principles would we seek to see reflected in inter-governmental institutions for economic co-operation in order to satisfy ourselves that there will indeed be effective co-operation ?

There has been in Africa for some time now a useless debate on the issue whether we should have economic co-operation before political unity or vice versa. The faulty way in which this question is posed has made it difficult for both politicians and their advisers to formulate useful suggestions for co-operation among African States. Wherever two or more countries concert their foreign policy or their

.../..

policies in the field of economic development, the essential thing about such inter-state co-operation is that the exercise of each nation's sovereignty in taking decisions on these subjects is submitted to a process of consultation and agreement with another state. It is an unfortunate fact that in Africa our new nations have inherited notions of the meaning of sovereignty in the nation-state which, though they may be formally valid in the practice of diplomacy and protocol, are of little relevance to the realities of the 20th century. Many African leaders indeed recognized correctly that the issue of inter-state co-operation, whether in political or economic matters, is closely bound up with the difinition and the exercise of national sovereignty. We are not faced with a choice between economic and political unity or with the ordering of these in time. We are called upon to say in which areas of the exercise of governmental responsibility we are prepared to subject our decision-making to consultation and agreement with our neighbours. Certainly the recent experience of Europe must make us sceptical of the proposition either that economic unity will lead inevitably to political unity or that economic unity is impossible without political unity.

In a number of instances, physical and technological considerations of the most elementary nature have forced co-operation on the African countries. For instance many African countries have to use the territory of their neighbours for purposes of carrying on their external trade. Higher levels of economic co-operation, however, are mostly regarded by African leaders as a matter of rather indifferent choice. There are at present very few African leaders whose action would lead one to infer any belief on their part, that technical or economic considerations dictate a need for them to seek closer economic relations with their neighbours. The prevalent situation is that in matters on the economic development of their countries, African governments and African leaders seek to exercise state power and national sovereignty in a condition of isolation. Those of us who have advocated and talked about economic co-operation in Africa have not succeeded in creating the conviction among African leaders that technical and economic factors make such co-operation imperative.

It is not easy to demonstrate the benefits of economic co-operation in practical terms. Certainly there is no internal popular pressure on the African governments and their leaders to enter into arrangements for economic co-operation. Even those of our citizens who can envisage that economic co-operation would make them better off are yet not losing anything which they actually have because their governments fail to achieve such co-operation. The masses of the people of course do not comprehend the relation between their own personal well-being and economic co-operation between their countries and others. Our dialogue therefore is with the leadership. It is an attempt to get them to follow in the field of economic development lines of policy which do not of themselves appear in the nature of a compelling necessity.

One of the functions of state boundaries is to differentiate states one from the other. The institutions that exercise duties and powers within the borders of the individual state all tend to reinforce this differentiation. An unfortunate extention of this fact is that in addition to differentiating one state from another these boundaries also carry the implication in traditional inter-state relations that differences of opinion and interest between sovereign states can be pushed without limit and can be prosecuted by any means at the command of the individual state. Economic co-operation, however, like political co-operation, would entail setting limits to the extent to which states can prosecute their differences with one another.

The effect of the institution of a system of true co-operation between African states would be to bring them into relations with one another similar to those which subsist between individuals within the boundaries of a single state. As citizens of our nations, we are not allowed to express our differences with our neighbour in certain ways however deep these differences may be. We cannot take the law into our own hands and kill or wound our neighbours however much they deserve to be murdered. States that accept economic co-operation therefore impose on themselves by contract a boundary which limits the degree of disagreement that can subsist between them and the means by which such differences can be pursued.

I have said that whether we will have economic co-operation will depend upon the choice made by the African leaders. The question can be formulated in another way : can the African leaders give up the necessary degree of difference and disagreement - their traditional right to quarrel without limit - in order to make such co-operation possible ?

.../..

You will all be familiar with the manifestation of this issue on a personal level. When two people decide to get married, they limit their freedom of choice in many areas and they agree that their choices in certain matters in the future will be made in a prescribed manner. It is as difficult for African leaders to enter into economic co-operation as it is for individuals to accept the obligations of getting married. In the latter case, however, the partners are immediately aware of the benefits to themselves that can be obtained through the union. The question which we have to answer is how we can bring the African leaders to feel that by placing their exercise of economic choice within a framework of multi-national co-operation, they will also gain benefits which will more than compensate them for the surrender of unlimited individual national choice.

One aspect of economic co-operation which has lalready proved a great obstacle in Africa concerns the flow of information between governments. Obviously two countries cannot co-operate meaningfully if they will not tell each other without reserve what they would like or intend each one to do. Every state of course must maintain a certain number of national secrets. But already many African countries have had the experience of having to confide their national plans and aspirations to foreign governments and to international institutions from whom they propose to borrow money. There is no such material incentive for any African country to disclose its plans to another African country. The result, for instance in East Africa, has been that countries which are supposed to be operating joint policies of development draw up national development plans at the same time without any reference whatsoever to, or discussions with, their partners in the economic union. This conference must consider seriously what kinds of institutions we must suggest to the African countries in order to ensure the necessary flow of information without which co-operation cannot work.

/The tendency to isolation and secrecy between African countries in the making of economic policy is not always the result of mere ignorance concerning the potential benefits of co-operation. Quite often it is a positive preference arising from the fear that to tie ourselves too closely to our neighbours is to make ourselves liable for the consequences of their unwise policies : and it is only human for each leader to think that his own policies are more rational than his neighbours'. Given this tendency can we persuade the African leaders that the potential gains from economic co-operation will outweigh all the disavantages of having to put up with their neighbours' follies ?

Unfortunately all too often this reluctance to co-operate is reinforced by outside pressures. At the same time that we are trying to persuade the African leaders of the benefits of economic co-operation we must also persuade non-Africans with substantial interests in this region that such co-operation will not impair these interests but on the contrary might enhance them.

Let me go further. By the offer of material inducements the U.S. exerted a very important influence in favour of economic unity in Europe. Recently on the anniversary of the Alliance for Progress, President Johnson came out most forcefully in favour of increased economic co-operation in Latin America. By the offer of one billion dollars, the U.S. government has also provided the material basis for serious action towards co-operative development in Asia. I have reason to believe that similar support would be forthcoming if the African countries demonstrated a serious will to economic co-operation. At one time or another all the major capital exporting countries have expressed themselves in favour of Africa's economic unity. We, in this conference, must think of practical means of persuading them to back these statements up with action.

/Finally I should emphasize that for many African countries the physical means of practical economic co-operation are simply not available at present. They have not got exportable surpluses of the commodities which their neighbours would like to import, or they lack the physical means of transporting such goods, and most often they have neither. The construction of efficient transport links between African countries must be one of the principal targets of the movement for African co-operation. This will call for vast sums of money from the outside - though not as much as some people imagine, and certainly, in terms of the resources of the world economy of today, proportionately much less than it cost to open up the American continent. This is a matter to which I would urge this conference to give its deepest consideration.

Let me indicate briefly how we in the ECA have attempted to take care of some of these obstacles to economic co-operation in the proposals which we have

.../..

made to the African governments on the subject. In the first place we are attempting to get the African leaders to choose consciously and seriously the path of economic co-operation, in the clear realization of all that this involves for the processes of decision-making in economic matters. In the proposals which we put to the countries of Eastern Africa at Lusaka, for instance, we suggested that these countries bind themselves under a formal Treaty to operate joint policies in the matter of economic development in certain identified fields.

We tried to demonstrate the benefits of such co-operation in a manner that we think will be understood by the African leaders and will persuade them to choose economic co-operation. It is not by accident that the Kampala Agreements have never been ratified or reflected fully in the economic policies of the countries of East Africa. It is quite obvious that a proposal that asks the government of Kenya for instance to obligate itself to full consultation and co-operation in matters of industrial policy in return for the establishment in Kenya of one small assembly plant never had a chance of acceptance. In our studies in ECA we have demonstrated that if the countries of the East African Sub-region were to institute effective policies for the joint exploitation of the economic opportunities opened up by economic co-operation then the benefits to each country in terms of industrial development alone would be very substantial. We think we have proved technically that massive industrialisation on the scale that is usually associated in our minds with Europe, North America and Japan is also possible in Africa - but only if the African countries will co-operate. The problem now is to ensure that this message gets home.

These potential benefits in terms of industrial advancement have been placed in a context that makes it obvious that each country's gain depends upon the co-operation of its neighbours ; at the same time we have spelt out the implied limitations on the choices that the beneficiary country can itself make. It is a waste of capital resources, which are so scarce, for African countries, by proceeding without reference to each other's plans, to develop multiples of the productive capacity needed to supply our limited markets, especially when the viability of so many industries depends upon the possibility of exporting a part of their output to neighbouring African countries. But any country which, under a system of economic co-operation, foregoes the right to chose to construct productive capacity in one particular industry, will only continue to participate in such a system if its partners make similar sacrifices in its favour in another sphere. We have suggested to the African countries institutional arrangements under which this interdependence and mutual accomodations are made quite explicit.

Let me emphasise that we in the ECA have set as the long term objective, or even policy on this continent the massive industrialisation of Africa. I will not go into the justification for that choice of strategy on this occasion. What is relevant to the present discussion is that it is only in this sort of policy perspective that economic co-operation becomes a really compelling necessity. If our aims merely is to maintain the present standards of living of the African masses, or to make gentle progress without major structural changes in the African economies, or even to develop a few isolated industries, however big in size each such industry is ; then it is by no means obvious that we need economic co-operation in order to succeed . The African countries will then have the urgent need to make the efforts and adjustments that are undoubtedly involved in a system of joint decision-making between independent states.

It must be admitted at once that not many African governments or leaders have made a clear commitment to seek the massive industrialisation of their countries. To many, indeed, such a vision of Africa's future would not seem to be realistic, so long have we been brought up to think that certain levels of attainment are for the Europeans but not for us. The absence of such a policy objective may account in part for the fact that many African governments treat economic - and indeed political co-operation as something which it would be nice to have on ideological or sentimental grounds but which we can do without. On the other hand one suspects sometimes that the failure of the advocates of economic co-operation to carry conviction with the African leaders is due to the fact that the modest economic future which they seek for Africa make such co-operation a pleasant option rather than a binding imperative.

Because economic planning has developed as a function of the nation-state it is natural for every country to relate its production plans directly to the structure of its own requirements, and therefore to develop ambitions of entering into practically every field of industry whole products are consumed by its citizens. Planning, of course, must involve a choice between all these ambitions. Economic co-operation similarly entails a choice both of things to do and of when to do them, in the light of similar plans in neighbouring countries.

African governments are generally characterised by a concentration of power in the hands of a towering leader and the close involvement of the leader in the minutiae of Government especially in matters of economic development. Any leader placed in such a position is bound to exercise his authority in certain subjects on the basis of feeling and the layman's commonsense rather than on sophisticated knowledge. Economic co-operation entails the subjection of decisions to a process of rational examination aimed at maximising joint benefits. Perhaps even more important, a substantial degree of mutual confidence and stability, of expectations concerning each partner's actions is required in order that economic co-operation might succeed. In order to achieve these twin conditions of success it is clearly necessary to assign an increasing role in decision-making to technical organs and personnel. This is in no way to deny the role of political decision and responsibility which is in fact crucial for the compromises and sacrifices entailed by inter-state co-operation.

Technical organs have another contribution to make - that of providing an impartial but influential force which will steadily promote the general interest in economic co-operation amid all the turns and conflicts of individual national interest.

Thus, in the proposals which ECA is presenting to the African countries it is sought to give an important place to competent technical organs both of national officials who should establish objectively based programmes of action for adoption by political representatives, and of international officials whose loyalty and interest will be in the group rather than in an individual member.

Already there exist among the countries of the Maghreb inter-governmental institutions in which the countries can co-ordinate and limit their respective choices in matters of economic development by agreement among themselves. Similar inter-governmental institutions have been proposed by the ECA for the running of the Economic Community in Eastern Africa which the countries of that sub-region have agreed to set up. It is sought, through this process of continuous consultation among the governments to achieve the fullest flow of information and the harmonisation of development programmes - i.e. of individual national interests and ambitions- in a manner consistent with the fastest rate of development of the whole sub-region. Finally, the ECA is mobilising a great deal of technical resources to plan a pan-African transport network, and is focussing the attention of each group of countries, as they start to work together, on the prime importance of transport and communications as factors in practical economic co-operation.

-:-:-:-:-:-:-

4

N/VII

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

ASSOCIATION RELATIONS

BETWEEN THE

EUROPEAN ECONOMIC COMMUNITY AND AFRICAN STATES

by J.J. van der Lee

NAIROBI, 13 - 18 DECEMBER 1965

ASSOCIATION RELATIONS

BETWEEN THE

EUROPEAN ECONOMIC COMMUNITY AND AFRICAN STATES

by J.J. van der Lee

A controversial subject was introduced to the negotiations on the treaty of the European Economic Community (EEC) when, in 1956, the French Government of Prime Minister Guy Mollet demanded that a system of association for the dependent territories of the member countries of the Six be established.

Germany and the Netherlands in particular disliked the principle of associating the dependent overseas territories of the Six with the Common Market. The German Federal Republic had no direct responsibilities in overseas countries, and the Netherlands were afraid of jeopardizing its postcolonial policy of establishing relations with the newly independent nations of the world through the intermediary of the United Nations.

Belgium, responsible for the Congo, and Italy, which held the trusteeship of Somalia for the United Nations, however, were willing to support the French demand.

France herself undoubtedly was right in suggesting a system of association. She had already granted a large measure of internal autonomy to her dependencies in Africa and Madagascar, and she was faced with the dilemma of reconciling her membership in the European Economic Community with the economic system established between metropolitan France and the overseas dependencies of France.

Within the framework of the French colonial system, metropolitan France had, to a very large extent, reserved her market for imports of tropical commodities from the overseas dependencies. Prices which in many cases were artificial as compared with world market prices, had been guaranteed to the overseas producers. France's overseas dependencies had been assured of outlets and guaranteed prices by means of this system.

It was obvious, on the one hand, that such a system would not be compatible with the treaty of the European Economic Community and, on the other hand, that the overseas dependencies could not possibly absorb the shock of having to adjust to the requirements of an integrated European economy unless a system of aiding them in such adjustment were established in the treaty. Therefore, the system of association in the Treaty of Rome was designed to establish a commercial preference for the benefit of the associated countries in the Common Market and to assist them in their infra-structural social and economic development through investment aid from the Community.

Associate Membership

Preferential treatment of imports from the associated overseas countries was to be promoted by granting them the advantages of the tariff reductions that, under the treaty, would apply to the six member states. Once the common external tariff of the Community would definitely have been established, the associated countries would enjoy free entry of their commodities in the Common Market, whereas third countries would only enter the Market by getting across the tariff wall established by the common external tariff. As far as investment aid was concerned, the Treaty established a $581 million Investment Fund for a first period of five years from January 1, 1958 to December 31, 1962. A third element in the system of association was the principle of non-discrimination in the establishment of nationals of the six EEC countries in the associated overseas territories. The associated overseas territories were not required to reciprocate the preferential treatment gradually granted to them. The Treaty of Rome specifically asserted their right to "levy such custom duties as are necessitated by their need of development and industrialisation or are of a special nature and are intended to contribute to their budgets." This important clause was designed to protect infant industries in the associated countries against competition from the member countries of EEC.

Under the system described above, the Six finally agreed to bring into association with the Common Market the French and Belgian dependent territories in Africa and Madagascar, Italian Somaliland, and Netherlands' New Guinea.[1] The majority of the associated territories are situated on the African continent.

There was some hesitation among African leaders over the benefits of the system. They had not participated in the negotiations among the Six and were afraid that association might become a block on the road towards the independence of the colonies in Africa.

In declarations of intention attached to the treaty, the Six provided for negotiations with other overseas countries with which the member countries entertained close economic relations. Such declarations of intention were established for the benefit of the then independent countries of the franc zone (Tunisia and Morocco), for the Kingdom of Libya, and for the autonomous overseas countries of the Kingdom of the Netherlands, Surinam (Netherlands Guiana) and the Netherlands Antilles.

---

1) The association of Netherlands New Guinea was terminated when sovereignty over the territory was transferred by the Netherlands to Indonesia in 1963.

Surinam and the Antilles became associated under these provisions with the Community respectively in 1962 and 1964. Formal negotiations with Tunisia and Morocco were initiated in Brussels in 1965. An Algerian request for formal negotiations has been made.

Development, 1958 - 1962

As long as the status of the associated countries and territories remained subject to control from a metropolitan country, the development of the system of association remained a somewhat hazardous undertaking. The EEC treaty had endowed the European Commission with certain powers concerning the investment projects to be carried out in the associated countries, the right of establishment, and the trade relations between the Community and the associated countries. Nevertheless, the relationship between the Brussels institutions and the authorities in the associated countries remained subject to a certain measure of control by the metropolitan countries which were responsible for the over-all relationship between themselves and their dependencies.

This situation, however, was entirely changed in 1960, the year of African independence, during which practically all the associated countries in Africa and Madagascar became sovereign and independent states. With the exception of Guinea, the governments of these countries all required that the association betweeen their countries and EEC be continued.

In 1960, therefore, the Community was faced with the problem of how to adjust the system of association to the new status of independence of the overseas associates. The Community decided in October 1960 that the association would continue "until further order", which meant until December 31, 1962, the date of expiration of the five-year period of investment aid provided for under the treaty. It was also decided at the same time that relations between the European institutions in Brussels and the governments of the associated states would henceforward be direct relations and that the governments of the associated states could, if they wished to do so, accredit representatives with the European institutions in Brussels.[2)]

---

2) The following African states have accredited diplomatic representatives with EEC: Algeria, Burundi, Cameroon, Central African Republic, Congo-Brazzaville, Congo-Léopoldville, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Morocco, Mauritania, Niger, Nigeria, Rwanda, Sénégal, Somalia, South Africa, /Togo, Tunisia, Upper Volta. A joint application from Kenya, Tanzania and Uganda and an application from Soudan are pending.

/Tchad,

Finally, it was decided that in 1962 a multilateral negotiation should take place among the Six and the associated states for the purpose of determining the system of association to be effective from January 1, 1963.

What Association has meant

The system of association established by the Treaty of Rome has been severely criticised, especially because of the socalled preferential system. Such criticisms have been voiced in particular by countries producing tropical commodities of the same type as those produced by the associated countries. Latin-American countries and Commonwealth countries in Africa and Asia have repeatedly stated that the system of association established by the treaty was a discriminatory system which would endanger their trade with the European Economic Community. It has also been argued that the Community, through associating the former French, Belgian and Italian territories in Africa with the Community, was dividing Africa itself, at the very moment of independence, into two groups, associated and non-associated African states. The United States Government, which over the years has loyally and faithfully supported European integration, has on various occasions voiced her anxiety about the discriminatory effects of the system of association.

The figures for trade between the European Economic Community and third countries producing tropical commodities do show that, so far, the fears expressed about the preferential system have been unfounded. Trade between non-associated producers of tropical commodities and the Common Market has increased to a greater extent than trade between the associated states and the EEC. This development is due in part to the fact that the common external tariff has not yet been finally established and also in part to the need of the associated countries to adjust themselves to the new situation. It is obvious that the system of association has not given them great advantages in the field of trade with the Community.

Investment aid, however, has been of far greater importance. The initiative for such investments rests with the governments of the associated states. They submit the projects selected by them for investment to the European Commission, which itself has no right of initiative. Investment aid in the associated states has been directed to a great variety of projects in education, training facilities, health services, irrigation projects, improvement of communications, road building, harbour improvement, the construction of hospitals, schools and so on. The Community also grants scholarships to nationals from associated states for study in institutions of technical training and higher education in the six member countries and in the associated states.

The $581 million provided for investment aid under the treaty had been largely committed by the end of 1962.

The development of the association has been much more favourable than the negotiators of the treaty ever dared to hope. A relationship of close cooperation and reciprocal confidence between the governments of the associated countries and the European institutions in Brussels has developed over the first five-year period. The presence of the representatives of the associated governments in Brussels guarantees a close cooperation between the European institutions and the associated governments in Brussels. A drawback undoubtedly is that the European Commission has not, so far, been allowed to establish representations in the associated countries. Members of the governments of those countries, however, regularly visit the headquarters of the European Commission for consultation with the Commission and its staff.

The Commission has established a programme through which several thousands of nationals of the associated countries, notably students, have been visiting the Brussels headquarters and the six member countries of the EEC for information courses. Senior officials of governments of the associated countries work for periods from four to nine months with members of the Commission staff in Brussels. The relationship thus established has greatly contributed to a better mutual understanding between the associated states and the Six.

Preparations for Renewing the Association

An important and interesting phenomenon in the development of European integration is the active role the European Parliament is trying to play as a dynamic element in the development toward European economic and political unity. It is not surprising, therefore, that already in early 1961 the European Parliament took an initiative concerning the renewal of the system of association. A working group of members of the European Parliament and of members of the parliaments of the associated states was convened in January 1961. Later in the year, a conference of European and African parliamentarians met in Strasbourg to discuss the principles of renewing the system of association in 1963. This conference adopted a number of resolutions, of which the influence on the new convention of association has not been without importance. The Conference also made it possible for members of African parliaments to become closely associated with their European colleagues and did establish, as it were, a counterpart to the already existing relationship between the associated governments of Africa and Madagascar on the one hand and the European institutions on the other hand. The working party mentioned before has continued to exist since the Strasbourg conference and has met on several occasions both in Africa and in Europe with the purpose of following closely and also influencing the developments on the level of governments.[3]

In the summer of 1961, the Commission of the EEC submitted a memorandum to the Council of Ministers in which the Commission outlined the principles that, in its opinion, ought to apply in the negotiations among the associated states and the Six for renewing the association. The Commission suggested that the common external tariff of the Community on tropical commodities should be reduced so as to decrease discrimination against third countries producing the same type of commodities. It was further suggested that investment aid to the associated states should be considerably increased and that the new convention of association should be open to countries situated in the same regions as the associated states and which are of comparable economic structure. In making these suggestions, the Commission made clear its awareness of the criticism that the system of association, in being exclusive, did not sufficiently take into account the need for stimulating regional cooperation and development in Africa. The Commission also suggested that, under the new association convention, institutions should be established which would enable the associated governments to participate with the six member states of the EEC in carrying out the provisions of the new convention. These institutions would also provide for a forum where consultations among the associated states and the Six could take place on all technical and economic problems involved in the association and in the development of the relationship between the Community and third countries.

---

3) The "Commission Paritaire" established by the first meeting of the "Conférence parlementaire de l'Association", Dakar, December 1964, is the continuation of this working party.

In the autumn of 1961, negotiations began between the Six and the United Kingdom on the subject of membership for the latter in the EEC. The problem of the relationship between the European Economic Community and the developing countries of the Commonwealth was to play an important role in these negotiations. From the outset of the negotiations, the United Kingdom Government proposed that the system of association provided for by the Treaty of Rome should be extended to the developing countries of the Commonwealth in Africa and in the Caribbean area. The dependent countries of the Commonwealth were to be associated through the intermediary of the United Kingdom Government, whereas the independent countries would have to decide for themselves whether they were to prefer other solutions to their relationship with the EEC. In view of the importance of the trade relations between a considerable number of Commonwealth countries, particularly in Africa, and EEC countries, association appeared to be the most favourable solution. The United Kingdom view on this matter corresponded with the Commission's suggestion to open the revised system of association of 1963 and was favourably received by the member countries of the Six. During the negotiations with the United Kingdom, the problems of association never presented a major obstacle.

1962 Negotiations.

The negotiations provided for by the 1960 decision of the Council of Ministers of EEC began in December 1961. A ministerial conference took place during which the ministers of the associated states as well as their colleagues of the Six stated their position on the new convention of association. Three working parties were established to deal with trade problems, financial and technical assistance, and institutional problems. These working parties, on which representatives of the associated governments and the governments of the Six sat together with representatives of the European Commission, started their work early in 1962 in Brussels. Their busiest time was the first six months of that year. Ministerial meetings of the Six and the eighteen associated African and Madagascar governments were held throughout the year in accordance with the results of the deliberations of the aforementioned working parties.

Divergencies of opinion existed on both sides. As for the Six, the principal bone of contention was the problem of preferential treatment for the benefit of the associated countries. Two tendencies persisted among the Six: Germany and the Netherlands wanted to extend the preferential treatment to other countries of the same economic structure in Africa and would have preferred to abolish preferential treatment in order to avoid discrimination against third countries as a whole. France attempted to maintain, in the first place, the relationship between the countries associated in 1958 and EEC. Belgium and Italy followed a middle course. The eighteen associated African and Madagascar states were not always united in their view of the system of association to be established.

It should be remembered that political tendencies within the group of associated states range from a position of neutralism and non-alignment to a preference for working closely with the former mother country. The remarkable phenomenon of these negotiations has been that, in spite of differences and divergencies in the two groups, they always finally succeeded in presenting a common opinion in the negotiations. It has been proven possible to establish agreement between, on the one hand, eighteen young and developing nations and on the other hand, six highly developed industrial nations of the Western world. This in itself would appear to be a phenomenon that offers great hope for the possibility of cooperation between developing countries and highly industrialised nations which among themselves are seeking to promote economic integration.

The new convention establishing association between the independent nations of Africa and Madagascar and the European Economic Community was initialled by the twenty-four negotiating governments during the fifth ministerial meeting of the interested governments in Brussels just before Christmas 1962.

The subsequent rupture of these negotiations between the United Kingdom and the Six in February 1963 put the new agreement seriously in peril for a short time. In the heated atmosphere following the break-down of the United Kingdom negotiations, the Netherlands Government threatened to withhold their signature and the Italian Government invoked constitutional difficulties that might arise in submitting the convention to the Italian parliament. The Commission argued that under no circumstances could the developing countries associated with the Community be condemned to suffer from what was essentially a European quarrel. Resolutions urging the Council of EEC to proceed with signature and ratification of the convention were adopted by the European Parliament and by various private national and international organisations in the Community. The Council of EEC thereupon adopted in April 1963 a declaration of intention that became operative on the date of signature of the new convention. The convention valid for five years was signed by the 24 participating states in Yaounde on July 20, 1963. After the ratification procedures had been completed it entered into force on July 1, 1964 and will therefore expire on June 30, 1969.

The declaration of intention referred to above was essentially a compromise between France on the one hand, and Germany, Italy and the Netherlands on the other hand. Its purpose was to reaffirm both the open character of the Yaounde convention as established by its article 58 and the agreement reached in the United Kingdom negotiations on the possiblity of association between African Commonwealth countries and EEC. The declaration leaves to countries "whose economic structure and production pattern is comparable with those of the associated states" the choice between adhering to the Yaounde Convention, an association-agreement based on mutual rights and obligations, in particular in the field of trade, and a trade agreement. The second possibility refers to the trade preferences specified in Chapter I of the Convention of Yaounde.

The convention would seem to be an improvement on the system that had existed so far. It has been concluded again for a period of five years and will, therefore, have to be re-negotiated in 1968. The new system is based on the principles that had already been defined by the Strasbourg conference of 1961 and by the suggestions of the European Commission of that same year. The convention undertakes to reduce the common external tariff on tropical commodities by 25 to 40 per cent, thereby decreasing discrimination against third countries. The associated governments were disposed to follow this line of policy because they felt that this would be in the interest of gradually promoting equal treatment in matters of trade and commerce towards non-associated countries in geographical regions which are economically of the same structure. The logical consequence of this decision was to open the new convention to adhesion by such countries. The sacrifice made by the states associated under the 1958 to 1963 system should not be underestimated, because they are well aware of the advantages some of the African Commonwealth countries have by tradition enjoyed in some of the member countries of the European Economic Community.

Trade relations between countries like for example Nigeria, the East African states, and Ghana and EEC are of such importance that once they share in the preferential treatment granted to associated states their traditionally strong position in particular in Germany, Italy and the Netherlands will be a strong handicap from the point of view of the associated states formerly dependent on France. Their hopes to capture a part of those markets thanks to preferential treatment may well dwindle. During the colonial period the French market was theirs; association from their point of view offered the attraction of a possibility to penetrate into markets so far relatively unknown to them.

The European Economic Community also demonstrated its willingness to promote regional cooperation between associated and non-associated countries by agreeing during the negotiations on an article in the new convention which allows establishing customs unions, free-trade areas, and other types of economic agreements between associated and non-associated countries in the same geographical areas.

The new convention restates the articles of the Treaty of Rome which allow associated states to establish tariffs against EEC for the purpose of protecting infant industries, for development, and for budgetary purposes. It again agrees to promote industrial development in the associated countries. But it goes much further than the system that has existed so far.

The concession made by the associated countries in decreasing the common external tariff and thereby the preferential treatment they would have finally enjoyed in the Common Market, has been compensated to a certain extent by the increase in investment aid for the period of duration of the new convention. This convention provides for a total of $800 million for 1963 to the 1968 period. The method giving such investment aid is more diversified than it had been during the first five-year period. The new convention provides for a whole range of methods of technical and financial assistance including long-term loans; previously, investment aid could only be directed toward infrastructural social and economic projects. It is important also that aid can be given to associated countries for assisting them in adjusting the prices of their commodities to the world-market level. A timetable has been established in the new convention for this purpose. The convention also provides for joint institutions of the associated states and EEC member countries that will be responsible for carrying out the provisions of the convention. A ministerial council of association and a committee to assist it are the principal institutions established under the new convention. The latter institution meets regularly so as to deal with every-day problems; the ministerial council meets at least once a year.

The system of cooperation on the parliamentary level has been crystallised through the Parliamentary Conference of the Association composed, on a basis of parity, of members of the European Parliament and of members of the Parliament of the Associated States. The first meeting of this assembly took place in Dakar, in December 1964. The second meeting will take place in Rome in December 1965.

A joint committee, also set up on a basis of parity, has been established and meets between sessions of the Parliamentary Conference itself.

The Yaounde Convention has also provided for a Court of Arbitration for the purpose of settling disputes concerning the interpretation or the application of the convention.

Negotiations with members of the Commonwealth

Already in March 1963 before the Convention of Yaounde was signed and the declaration of intention adopted, a ministerial delegation from Kenya, Tanzania and Uganda, including a representative from Zanzibar, visited Brussels with the purpose of obtaining information from the Commission as to the possibilities of their future relationship with EEC. In September of that same year the governments of these East African States formally applied for negotiations. The Nigerian Government also made it known in September 1963 that they were envisaging negotiations with the Community and formally requested negotiations in December 1963 after a ministerial delegation had visited Brussels in November.

Before a negotiation between the Community and a third country can formally begin, the Commission to whom the role of the Community's negotiator has been attributed by the Treaty of Rome must obtain from the Council of Ministers a mandate for such negotiations. The Commission, in trying to be the honest broker between the member states, (whose interests in the negotiation may be diverging) and the applying country, arranges "exploratory meetings" with the country concerned.

In the exploratory meetings that were held with the three East African states and with Nigeria, it became clear that these countries were not interested in adhering to the Convention of Yaounde. What they were seeking was not financial aid from the Community but free entry of their commodities in EEC countries, which means substantially the same advantages as those enjoyed by the Yaounde countries under Chapter I of the convention.

It may be recalled here that at the time of the Commonwealth Prime Ministers' conference in London in 1962 when the British Government reported on the progress of the negotiations between the United Kingdom and the Six, certain independent Commonwealth countries in Africa had made it clear that they would rather seek separate arrangements between themselves and EEC than adhere to the system of the association convention which at that time was being negotiated in Brussels between the Six and the Eighteen.

It is interesting to note that the institutions established under the Yaounde Convention are viewed by most of the English-speaking countries in Africa with a certain measure of suspicion. An explanation for this might be found in the fact that leaders of the former French dependencies in Africa, already during the colonial period, often were called to places of high responsibility as members of governments of the French Republic, of the French National Assembly, and even of the Consultative Assembly of the Council of Europe.

They therefore consider institutions as established by the association convention as a guarantee for the manner in which the convention will be carried out. To the leaders of former British dependencies, who never were called to comparable functions in the United Kingdom Government, there seems to be something sinister in such institutions. It cannot be sufficiently underlined that the institutions provided for in the convention are responsible for dealing with the matters of technical, financial, and economic cooperation which are the essentials of the system of association. These institutions are not political institutions and have no responsibility whatsoever of a political nature. The system of association is a system of technical, financial, and economic cooperation and not of political cooperation. The Community fully accepts the fact that the governments of the associated states do not want to align themselves politically with the Community.

The exploratory meetings with the countries mentioned above led to the joint conclusion that in both cases arrangements with the Community should be based on the second possibility offered by the declaration of intention, i.e. an association agreement based on mutual rights and obligations, in particular in the field of trade.

The procedure the Commission is obliged to follow for obtaining a mandate from the Council for the formal negotiations in theory is simple, but in practice complex and time absorbing. The Commission reports to the Council the conclusions of the exploratory meetings and its recommendations as to the substance of the negotiations. The Council then delegates to the Committee of Permanent Representatives the task of working out with the Commission the mandate for the negotiations. Working parties are established, composed of Commission experts and experts from the Six. Once a draft mandate has been prepared, it has to be approved by Commission and Council. After final approval by the Council the Commission acts as the Community's negotiator. Throughout the negotiations the Commission orally and in writing reports to the Council and will request, if necessary, a supplementary mandate.

The formal negotiations between the Community and Nigeria began in July 1964 and were successfully concluded in July 1965. Negotiations between Kenya, Tanzania and Uganda and the Community began in March 1965 and have not yet been concluded.

The draft agreement between EEC and Nigeria will grant that country the same preference for its exports to EEC as those of the Eighteen. This obviously was Nigeria's essential aim for wanting negotiations with EEC. An exception has been made for four commodities which are sensitive commodities for the 18 (plywood, palm-oil, groundnut oil, cocoa). Here tariff-quotas will be applied, but the manner in which these quotas have been calculated would seem to guarantee that no great difficulties can arise for Nigeria. Nigeria has offered as a counterpart a list of 26 commodities for which EEC will have a preference in the Nigerian market. This list has been composed in such a way that Nigeria's trade with third countries is unlikely to be influenced. The agreement does not provide for financial aid through the European Development Fund. Such aid was not requested by Nigeria. The provisions on establishment, services and capital hardly posed a problem in the negotiations as Nigeria traditionally applies a non-discriminatory system.

The institutions of association have been reduced to the minimum indispensable for making the agreement operate.

The agreement will expire at the same date as the Yaounde Convention. This will enable the EEC and all the associated states to re-negotiate the overall system of association according to the requirements in 1969.

The problem of Nigeria of belonging to two preferential systems,once the agreement has been put into force, has not raised great difficulties in the negotiation. From the point of view of the 18 - who have been consulted and kept informed throughout the talks - it would have been unwise to claim that Nigeria would have to relinquish Commonwealth preference upon entering into an agreement with EEC. Under such circumstances Nigerian preferential trade with EEC would have made it even more difficult for the Yaounde countries to take full advantage of their preferential rights in the Common Market.

The US and UK Governments have voiced objections to the agreement. The US Government's objections are mainly based on the precedent it would create. The answer to that would seem to be that the agreement will have to be re-negotiated in 1969 at the same time as the Yaounde Convention and that it cannot be excluded that in 1969 international policy regarding preferential systems will have been influenced by the positions adopted by the developing countries at the World Conference on Trade and Development. The fact that the Community has demonstrated its ability to gradually extend the advantages of the Yaounde Convention to other countries runs counter to the accusation that EEC is a closed community. This latter argument also implies an answer to the UK objections. What the Community is achieving through the agreement with Nigeria at the Nigerian Government's request largely corresponds to what would have been achieved had the negotiations between the UK and EEC been allowed to be crowned with success.

At the time these lines are written, the agreement with Nigeria is not yet safely in harbour. It is to be hoped that the present crisis in EEC will not inspire Paris to withhold final agreement. This would be all the more regrettable as the result of the negotiations corresponds with the mandate the Six unanimously gave the Commission long before the crisis broke out. The fact that diplomatic relations between Paris and Lagos have been re-established also points in favour of France agreeing to sign the text of the agreement.

Conclusion

What conclusions can be drawn from nearly eight years of association?

Some of the Europeans who were originally involved in the 1956 EEC negotiations undoubtedly hoped that association would develop the relationship between Europe and Africa into a kind of political and economic partnership, a sort of "Eurafrica". This has been unrealistic from the beginning: both Europe and Africa have their own specific political and economic interests. A relationship between them can exist economically, but then the African partner must profit in the first place from it and the European partner must be willing to aid African development. Such aid can be given in several ways, it can be of a financial nature as well as a trade preference. It can be bilateral as well as multilateral. Association can be defined as a system of multilateral aid, financially as well as in trade. The multilateral aspect has been a success: the European Commission possesses the confidence of the great majority of African states, both associated and non-associated. Even those who accuse the Community of neo-colonialism, have not addressed such accusations to the Commission. The Commission, which is the guardian of the EEC treaty and therefore of the system of association, has been careful not to identify itself with the interests of one or more of the member states of EEC. It has avoided any involvement in the political affairs of the associated states. It has also tried to take into account the commercial interests of non-associated states, both by promoting negotiations with the latter group of states and by its general policy in matters of trade between developing countries and the Community. At the same time the Commission has tried to safeguard the rights which "the associates of the first hour" had acquired through the Treaty of Rome itself.

Any loss or decrease of the Commission's competence or powers would therefore seem to be contrary to the interests of developing countries, both associated and non-associated.

Financial and technical aid, as an aspect of association, are more important to the 18 than the trade preference. This will become even more so once Commonwealth countries in Africa share in this preference. Long established patterns of trade change only very slowly and not simply by writing preferential treatment into a treaty. Opposition to the Community granting preference to African countries will continue, in particular from Asia and Latin America to whom the European Common Market is of as great an importance as to developing countries in Africa. What form preferences may take after 1969 will not only depend on the Community and the associated states, but also, and perhaps even principally, on whether the recommendations of the World Conference for Trade and Development are translated into concrete measures or not.

A political partnership between the Community and the associates is not and must not be envisaged. The great majority of African countries will want to pursue a policy of non-alignment; Europe's interest in an Atlantic partnership will continue to have priority over any other international political relationship.

Any attempt to promote the establishment of a Common Market or regional Common Markets in Africa itself should be encouraged and supported. African states could certainly draw profit from the European experience in integration, and contradictory as it may sound, perhaps even more so in the international field than in the field of economics. Integration of national economies is virtually impossible without establishing some sort of authority independent of the governments of the states involved in the integration process. The formula of intergovernmental co-operation is not sufficient in cases where national interests are bound to clash. And in the process of establishing a Common Market this cannot be avoided.

A final conclusion to be drawn, both by Europe and Africa, from association, appears to be that association is a valuable form of technical and economic cooperation between a community of highly developed states and a group of developing countries whose destiny is to develop economic and technical forms of co-operation between themselves. A further conclusion to be drawn in particular by the developing countries is that the success of a Common Market would seem to depend, to a large extent, on the powers with which the executive body of the entity is endowed so that it can act as the mechanism promoting integration and developing the relations between the entity in process of integration and the outside world.

N/111
5

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

POLITICAL COMMITMENT AND ECONOMIC INTEGRATION

by

Ali A. Mazrui

NAIROBI, 13 - 18 DECEMBER 1965

POLITICAL COMMITMENT AND ECONOMIC INTEGRATION

by Ali A. Mazrui

"A political thought must animate the conception of economic and social development in African States." So said the President of Niger in February 1965.[1] He was referring to a conference of fourteen French-speaking African states which was about to meet in Nouakchott to form the new Afro-Malagasy Common Organisation. President Hamani was asserting that some degree of a shared political commitment was necessary before economic development in Africa could be a joint cooperative enterprise between African states.

Yet only a year earlier, on his return home from the meeting which wound up the old Afro-Malagasy union in March 1964, President Hamani had said: "Experience has shown that in developing countries economic factors bring people closer together than political factors do."[2] Was the President now retracting what he had said earlier? Or was he not sure whether politics helped or hindered economic cooperation?

To a certain extent Hamani was indeed retracting what he had said earlier. Nor was he alone in this. The whole idea of forming the new Afro-Malagasy Common Organisation (OCAM) constituted a retraction of the reasoning which led to the dissolution of the old Afro-Malagasy Union (UAM). The UAM was wound up partly because it was viewed as an organisation which was not "purely economic" but had a political foundation as well. The political factor was supposed to be potentially divisive. The UAM was therefore replaced by the more purely functional UAMCE (Afro-Malagasy Union of Economic Cooperation). Yet by February 1965 nostalgia for the old organisation had set in - - and out of that nostalgia has emerged the new compromise experiment which was launched by the Nouakchott conference, the OCAM (Afro-Malagasy Common Organisation).

However, the fact that the francophone states seem to have retraced their steps does not necessarily mean that the reasoning which made them dissolve the old "political" organisation was faulty. To retract what you have said before is not to prove it wrong. The retraction might conceivably be more of a mistake than the original assertion. Tanzania's second Vice-President,

---

1. See West Africa (London). No. 2489. 13 February 1965.

2. See Africa, 1964, No 6, 20 March, 1964. See also "No More Politics for the U.A.M.", Sunday News (Dar es Salaam), March 15, 1964. Lord Hailey had made a similar claim with regard to the old East Africa High Commission - - "the fact that it is so largely functional in its operation seems so far to have saved it from the tension in the political field which was forecast." See Hailey. An African Survey, Revised 1956, Oxford University Press, 1957. p. 189.

Mr. Rashidi Kawawa, once argued that "economic union can operate more effectively only if it is supported by a political union".[3] But economic and political union are not really different types of integration but are different degrees of union. The term "political integration" certainly denotes a more comprehensive degree of integration -- including within it economic integration. By the same token, "federation" is not a mutually exclusive alternative to a "common market". On the contrary, federation normally includes within it a common market relationship between the constituent units.

If political integration is then a more comprehensive degree of integration, it should need a wider area of accord than economic union. When Mr. Kawawa argued that it needed political union to save economic union, he was in fact saying that it needed agreement on many matters to safeguard agreement on a few. Yet it is surely not self-evident that it is easier to preserve a federation when you have formed it than it is to preserve a common market.[4] On the contrary, President Hamani's earlier argument of 1964 about the dangers of trying to go beyond economic integration retains some plausibility. The main risk involved in trying to go further is that disagreement on some non-economic issue -- like who should be Commander-in-Chief of the armed forces -- might become so politically explosive as to put agreement even on modest economic cooperation in serious jeopardy.

I am therefore inclined to disagree with those who assert that East Africa's close economic relationships could only have been saved by the formation of an East African federation. It seems more likely that the same forces which are rocking the economic boat would have rocked the federation. Africa would have seen yet another "Mali federation" burst apart not long after its formation. And just as relations between Senegal and the former French Sudan became more bitter as a result of having tried to federate, so relations between East African countries would have become more strained if they had first federated and then broken apart. The stresses of the East African economic community have on the whole been more of a warning against trying to federate than an argument in favour of speedy federation. The warning of recent experience is to this effect: "Listen, East Africans! If you have not as yet developed a spirit of compromise great enough to preserve the pre-marital economic friendship you already have, you had better not risk the full rigours of a political marriage. You don't have the patience necessary for a successful marriage."

But even if we all agreed that political union in East Africa could not be a prerequisite for the survival of economic intimacy, we could still go on to ask whether or not the prior existence of such intimacy has helped the cause of political union. Has the formation of an East African federation in the future been made

---

3. See East Africa and Rhodesia (London), 20 September, 1962.

4. This point is discussed more fully in my article "Tanzania versus East Africa: A Case of Unwitting Federal Sabotage". The Journal of Commonwealth Political Studies, Vol. III No. 3, November 1965.

more or less likely by the present existence of an East African economic community?

To a certain extent this question is similar to the problem which Ernst Haas and Philippe Schmitter posed in an article published in the autumn of 1964 on political integration in Latin America. Their article asked:

> "Does the economic integration of a group of nations automatically trigger political unity? Must economic unions be perceived as 'successful' in order to lead to political unification? Or are the two processes quite distinct, requiring deliberate political steps because purely economic arrangements are generally inadequate for ushering in political unity?"[5]

Haas and Schmitter argued that there were "no unambiguous historical answers". Their examples of situations in which economic unity did not lead to political unity but disintegrated quite early, were drawn substantially from experience in Africa. To use their own words:-

> "Kenya, Uganda and Tanganyika have been united in a common market for 37 years and have maintained a common services organisation for a number of costly and important administrative functions for almost as long; yet there is evidence of political disintegration in their relations since they achieved independence. Similarly, efforts at sustaining the economic unity of former French West Africa after 1958 resulted in political fragmentation largely because of the perception of unequal benefits and burdens among the units."[6]

These African cases of disintegration were cited by the article in the course of working out a theoretical framework for an analysis of Latin American experience. The article could not therefore be expected to pay more than very brief attention to the causes of disintegration in Africa. What we in this paper propose to do, however, is to take a closer look at the effect of economic integration on prospects for political union in at least East Africa.

We might begin with a hypothesis which has yet to be even considered. Is it conceivable that East Africa might have found it easier to federate today if it had had no background at all of economic cooperation?

---

5. Ernst B. Haas and Philippe C. Schmitter, "Economics and Differential Patterns of Political Integration: Projections about Unity in Latin America", International Organisation (Boston), Vol. XVIII No. 4, Autumn 1964. p. 705.

6. Ibid, . p. 706.

It is not often remembered that an economic community can be a breeding ground for economic nationalism within each constituent unit. In the African context this is a matter of particularly crucial significance. After all, modern nationalism in Africa started with a racial consciousness rather than a territorial identity. Nationalists in Kenya, for example, were more conscious of being "Africans" than of being "Kenyans". The very artificiality of Kenya as a "nation" militated against the emergence of a genuine territorial sense of identity. This racial base of African nationalism was, in a sense, something very valuable. It helped to promote a sense of solidarity with "fellow Africans" in other territories. And, for a while, it held the promise of future political integration in the continent.

This was one of the great distinguishing characteristics between nationalism in Europe and nationalism in Africa. Continental unity in Europe was, for a long time, regarded as impossible precisely because of the persistence of nationalism. And even today the Gaullist view of a "Europe of fatherlands" is based on the premise that narrow territorial patriotism in Europe is too highly developed to permit a complete merger of national identities.

Nationalism in Africa, on the other hand, had a pan-continental dimension almost from the start. While the cause of a united Europe demanded that the nationalism of the Germans and the French should be permitted to die, the cause of a united Africa sometimes demanded that a Kenyan or Tanganyikan patriotism should not be permitted to be born. A political abortion was needed to put an end to the "territorial monstrosities" which Africa conceived in her contact with colonialism.

There were obvious dangers in not trying to promote a sense of loyalty to the colonial boundaries if bigger African units were not immediately created. After all, if one does not encourage the emergence of a Kenyan patriotism, tribalism in the territory might well prevail instead. It might be true that a strong Kenyan patriotism would make East African federation less and less likely. But without that patriotism, Kenya itself might be exposed to the danger of internal fragmentation.

The theoretical dilemma seems acute. Tribalism can only be conquered at the cost of Pan-Africanism - - or so it painfully appears.

And yet there are some limited safeguards which can be taken. How do we promote a sense of fellowship between, say Ugandans of different tribes without harming the cause of East African federation? The obvious answer would seem to be "By making sure that the Ugandan solidarity created is not of the kind which would regard its national interest as being fundamentally at variance with the national interest of Kenyans."

This is where the experience of economic cooperation in

East Africa reveals its risks. The East African Common Market and Common Services Organisation have formed a cooperative framework for competitive relationships. There are times when such a situation has a greater potential for acute and divisive rivalries than a complete absence of cooperation would have. Indeed, there are times when such "family rivalries" evoke greater passions than rivalry with a distant enemy. It is conceivable that Canadians, for example, feel more strongly against American economic dominance than they do against the more remote danger of Communist China. It is also possible that President de Gaulle is more suspicious of "Anglo-Saxon" intentions within the Atlantic Alliance than he is of Soviet policies today. By the same token, few things have contributed more to Ugandan national consciousness than Uganda's competitive relationship with the rest of East Africa. Within the East African Common Market and Common Services Organisation the habit has grown up to encourage territorial competition for a share of the economic cake of the region as a whole. The perception of conflicting interests has been deepened. Each country has not only grown more protective of its own interest as opposed to the interests of the others - - it has sometimes developed a more enduring psychological complex and suspicion of the motives of others. It is this consideration which converts regional economic cooperation into a breeding ground of economic nationalism within each constituent unit. But the degree of nationalism varies with each unit. And usually it varies in relation to the benefits which each derives from the cooperation. Sometimes it is a case of the greatest beneficiary being the least defensive and the least militant in her economic nationalism. Within the East African community Kenya has therefore tended to be less defensively nationalistic in economic matters than either Uganda or Tanzania.

But in the case of Canada's relationship with the United States it is conceivable that Canada is the greater net beneficiary from the economic relationship between the two countries. In other words, it is possible that Canada would stand more to lose by a complete economic break with the United States than would her neighbour. Yet it is Canada which is the more defensively nationalistic of the two. Obviously this is a different situation from the East African one. In East Africa Kenya is the most suspect because it receives more out of the economic arrangement than anyone else. But in North America the United States is suspect because it puts more into the economic relationship than anyone else. That is what gives the United States the kind of dominance which many Canadians resent. Similar considerations give Americans dominance within the Atlantic Alliance. As Walter Hallstein, President of the ECE Commission, put it when discussing Europe's relationship with the United States, "a partnership cannot be founded on disproportionate economic ability and resources."[7]

---

7. See the European Economic Community Bulletin, No. 5 May 1962, p. 6.

Yet there has been no question of federation either between the United States and Canada or the United States and Europe. If there had been, one might also have worried about the effect of this pre-marital "partnership" and about the prospects for a full marriage. It is conceivable that Canadians are even less willing to federate with the Americans now than they might have been if they had had no prior economic relationship with them.

In East Africa considerations such as these are less hypothetical and more immediate. East Africans have wanted to federate. It is therefore more meaningful to ask whether the spirit of economic rivalry fostered between the constituent members of the East African economic community has helped or harmed the cause of an East African federation. A nagging fear is now felt at least by this writer, that the competitive habits and protective militancy which were nourished by the existence of an economic union might well have harmed that federal cause for the time being. It remains to be seen whether other factors in the East African situation would atone for these difficulties and give the federal movement a new lease of life in the years ahead.

In the meantime an additional trend is complicating the future of political integration in East Africa. This additional factor is national planning for economic development. It has often been assumed that economic development in Africa can best be brought about by a combination of two strategies - - by greater economic cooperation between African countries and by rational economic planning within each of those countries. What is not always remembered is that these two strategies can all too easily be mutually exclusive. The ideology of planning and formulation of economic priorities postulates some control of economic factors. And this control in turn postulates frontiers of jurisdiction. As matters now stand, no African government has jurisdiction beyond the immediate territorial boundaries of its country. Planning and governmental control of the economy heighten a consciousness of these boundaries as the limits of jurisdiction. The economy of each country is not, of course, self-sufficient and consideration needs to be given to the impact of the outside world on the home economy. But adaptability to this impact does itself need not only suitable arrangements with external countries in trade and economic collaboration but also a command of the internal aspects of the economy for purposes of adjustment.

Again the experience of East Africa affords useful insights in this regard. As we have noted, East Africa attained independence as an economic community. Its common market consisted in a free flow of goods between the territories. Its common services included a common currency. Both these factors became a hindrance to Tanzania as she developed a planned economy within her own borders. At a "secret" conference on the coordination of economic planning in East Africa held in Entebbe in March 1964 a Tanzanian ministerial delegate announced that Tanganyika was considering leaving the common market and setting up a separate currency. This helped to precipitate the crisis which culminated in the Kampala Agreement. The Agreement allowed for quota restrictions on imports from each country, and allocated specialised industries to each partner.[8] The common market principle in East Africa was thus seriously diluted.

Yet even this was not enough for the kind of planning which Tanzania wanted to embark upon. On 10 June 1965 it was announced from Nairobi that Tanzania was to withdraw from the East African Currency Board and to introduce her own monetary system. Control of imports from Kenya also became more stringent. With ambitions of a rigorously planned economy, Tanzania was getting increasingly impatient with economic factors in East Africa over which she herself had inadequate control. But the whole principle of an economic community is a negation of individual control by each constituent unit. The result was thus that Tanzania was getting impatient with the principle of economic community itself. Within the community economic jurisdiction was diffuse. Tanzania's trade deficit could not adequately be handled without controlling imports from Kenya. And the control of imports from Kenya was a progressive dilution of the common market idea in East Africa.

This then was a case of national planning being up against the diffuseness of authority implicit in broader economic integration. It is sometimes too readily taken for granted that socialism is "universalistic". But socialism can be inherently <u>parochial</u> when it is concerned with national planning. For in the concept of planning the preoccupation of socialism is with the domestic needs of the individual country and with the control of domestic factors of production. Therefore, as Tanzania has got more socialistic, it has had to become less Pan-African regionally. Impatient to be in full command of its home economy, it has progressively weakened the East African spirit. This is not to blame Tanzania. It is merely to point out that socialism and Pan-Africanism can easily become incompatible.

---

8. Nyerere had told the British journalist Clyde Sanger that the time had come to "equalise the disadvantages of indefinite talking about federation." See also leader in <u>The Guardian</u>, April 8, 1964. The Kampala Agreement attempted this "equalisation". Industrial imbalance was tackled by allocating five industries to Tanzania, two to Uganda and one to Kenya. The Agreement was deemed to have become a "legal convention" after a meeting of the three Heads of Governments in Mbale in January 1965 but Kenya has had reservations since. The Kampala Agreement also dealt with the question of quota restrictions. For a brief discussion of the risks of the quota restrictions see Philip Ndegwa, "Development Effects of the East African Common Market", Preceedings of the East African Institute of Social research conference, December, 1964.

But all is not yet lost for a broader union in East Africa. Out of the shambles of the old economic community of East Africa might conceivably emerge a new basis for regional integration. This might sound like a mere pious recital to soften the pessimism of the rest of the analysis. But the assertion is, in fact, an earnest economic assessment of a possible trend. In defence of the assessment, let us start with the well-worn premise that African countries generally are economically competitive rather than complementary. The conclusion which is often drawn is that this makes any proposals for closer union in Africa more difficult than ever to implement. Those Africans who have sometimes said "We would rather establish an African Common Market than be associated with the European Common Market" have therefore appeared to be somewhat naive. Even in East Africa only a small proportion of the volume of trade of each country is, in fact, with the other members of the East African common market. Most of East Africa's trade is, as we know, with other countries abroad.

Let us therefore agree that the competitive nature of African economies generally makes closer African economic union either more difficult or less meaningful. If at the same time we further assumed that Africans were nevertheless vaguely desirous of closer union, what we might recommend to them is a systematic <u>creation</u> of, initially, artificial economic inter-dependence between the African countries themselves.

A more modest ambition which could be pursued is to avoid making African economies any more competitive in the future. This latter aim need not mean making the economies complementary. The countries could produce different things -- but not necessarily for exchange between each other.

Yet even this has its problems. As Joseph Nyerere told the East African Central Legislative Assembly in May 1963, if Tanganyika avoided duplicating her neighbour's industries she would "end up with nothing because everything we want you will be able to find in Kenya or Uganda."[9]

All the same, if British imperial policy in central Africa made the old Nyasaland, Northern Rhodesia and Southern Rhodesia increasingly inter-dependent, that policy had at least established that the economies of some African countries could, as a deliberate act of policy, be made more complementary.

---

9. See <u>Proceedings</u>, the Central Legislative Assembly, May 1963. Mr Nyerere was, of course, indulging in a rhetorical exaggeration.

Could a similar act of policy foster greater interdependence between East African states today? In a sense that was part of the ambition of the Kampala Agreement itself. The allocation of specialised industrial "monopolies" to each country as attempted by the Kampala Agreement was the kind of venture which could augment complementarity between East African economies and increase intra-regional trade between the three countries. It is partly this factor which made the Kampala Agreement at once a blow against the present economic union in East Africa and a possible foundation of another union in the years ahead. The quota restrictions on imports between the East African countries was a blow against the present economic union. The rational allocation of industries which the Agreement envisaged could gradually create a genuine economic interdependence between the countries themselves.

It is arguable that a new foundation of future interdependence could have been laid without sacrificing the present union -- the Kampala Agreement could have restricted itself to the allocation of industries without starting "tariffs" within East Africa itself. In more homely terms it could be asserted that the bird at present in hand is worth two in a future East African bush -- and present economic ties should not have been imperilled in the hope of alternative ones in the years ahead.

Nevertheless, if the present economic community has to be weakened, the weakening should preferably be accompanied by measures to create the basis of a new partnership subsequently. Both trends are discernible in the recent experience of the region. A process of demolition is going on in East Africa -- but some construction is taking place at the same time. Perhaps what is happening is not a complete replacement of an old building by a new one. It is merely a major alteration in the old economic structure of the region.

6

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

N/X

POLITICAL INTEGRATION: THE NIGERIAN CASE

- by -

Fr. James O'Connell

NAIROBI, 13 - 18 DECEMBER 1965

POLITICAL INTEGRATION: THE NIGERIAN CASE

by Fr. James O'Connell

Introduction

Political integration which involves collective and interrelated actions to promote certain mutual interests, usually ranging over matters of welfare, order and defence, takes place on several levels. In this paper we are concerned with political integration on the level of the Nigerian state. Integration is a relative concept and there are degrees of integration on the level of the state. At the very least the members of the social group that the state is must be willing to hold together to promote mutual interests and not to want to break away to do this in a separate state or states. But beyond that minimum they may progressively co-ordinate their actions to achieve in an increasing degree of predictability and trust their common goals. This concept of integration underlies our examination of the Nigerian scene.

An identity and self-awareness grew up among Nigerians during the period of the colonial quasi-state. This growth of identity and self-awareness was facilitated by the resemblances in social structures and traditions between the country's various peoples. Yet there have been - and are - formidable obstacles to political integration. Rupert Emerson writes with some truth: "Nigeria is notoriously a precarious lumping together of peoples whose separate identity is at least as real a matter as their acceptance of national unity." The problem is that while the state is concerned with issues as important as social justice and economic growth there are groups within the state whose particular collective identity has roots much more deeply in the past, shares with its members a deeper fellowship embodied in social structures and language and draws on more primordial loyalties than the state. In this sense each one of the Nigerian peoples is a nation. And Nigeria is best called a 'multi-national state'.

The contrast of political association (*Gesellschaft*) and national communities (*Gemeinschaft*) pinpoints the most serious issue that arises for political integration in Nigeria as in other new states. Strains are imposed not only by the static strength of ethnic or national loyalties but by the competitiveness that arises among ethnic groups as they modernise and struggle to divide the meagre resources of new countries. However if we draw attention to the tensions of these loyalties within the civil order, it is important to insist that the issue is not one of simple antagonisms but is a complex process in which ethnic groups modernise at different paces, are of unequal numerical strengths, join together in various patterns of alliances and have their relations conditioned by the constitutional structures and conventions that the colonial government helped to shape. Moreover, there is a gradual growth

British maintained law and order efficiently, ensured communications. The authority of the chiefs and elders disappeared for several reasons: it had been embedded within relatively closed cosmologies that were sapped at their political and religious roots simultaneously by the British conquest and the missionary teaching; authority tended also to stagnate at a moment when 'new men' from the schools - teachers, clerks, technicians, lawyers - were beginning to demonstrate through their possession of skills and their understanding of the changing times that they could cope better with the British authorities than could the leading men of the old order. The British scarcely liked the new men and this lack of liking must be put in the context of their general relations with the Southern peoples. They found the physical conditions of the forest country difficult; they were revolted by some of the ritual cruelties that they strove to stamp out and whose social role they failed to understand; they were defeated by unwritten tonal languages; and they never quite took to the touchy pride of peoples like the Yorubas and the Inos who at one and the same time were willing to follow the British along new cultural paths and to withstand their assumptions of superiority. Hence, there was an underlying element of conflict in the Southern situation that was important in obliging the Southern nationalists to fight every inch of the way against the ill-will of the British administrators. This contrasted strongly with the zeal with which the officials in the North watched carefully over the interests of the Hausa-Fulani and the Kanuri, argued their case before they were well able to do so themselves and constantly advised the Northern leaders in their dealings with the British government and their fellow Nigerians.

When the politics of independence got under way, the nationalist movement and the shape of independence bore heavily the impress of the way in which the social structures and traditions of the various Nigerian peoples fused with the structures and traditions of the administration within the colonial quasi-state. For that reason it is worth while to analyse at this stage and try to bring out from amidst a welter of distracting detail those elements of the colonial period that were most to influence the shape of government in independence and to influence the achievement of political integration:

(1) Colonisation did not initiate but it considerably hastened the process of modernisation: it brought the scientific attitudes of the West; it introduced new machines and new techniques (especially in transport and communication) that made largescale political units possible to a greater degree than ever before; it set up bureaucratic structures that made it possible to administer large areas and cope with rapid social change.

(2) The initiatives and resources of the colonial government focussed aspirations on the role of government. Moreover, colonial governments gradually extended their activities from

the maintenance of law and order to social welfare activities. A positive acceptance of government initiative was an important element in generating socialist attitudes among the Nigerian nationalists. This acceptance was strengthened by the opposition of the nationalists to the large expatriate trading companies and banks which dominated the private sector of the economy.

(3) During this period the colonial service functioned as one of the world's severest autocracies in which executive, legislative and judicial functions were largely in the hands of the same people. The authoritarian character of the colonial government coupled with its intimate relationship with the modernising sectors of the country left Nigerian political aspirants with a regard for possibilities that might be achieved through government that went beyond anything that the administration was capable of effecting. For all the show of omnicompetence it made, the colonial government was constantly short of men, skills and money for the limited objectives it set itself, objectives that were still marginal to the maintenance of law and order. When Nigerian politicians took over the same bureaucratic structures and set them to undertake extended functions and new tasks, they discovered to their surprise that the administration had spread thinner tentacles through the countryside than they had supposed and that it was a great deal more fragile than it had looked to those who in opposition had found its power to curb so oppressive.

(4) If colonial government meant strong central government in Lagos, and to a lesser extent in Kaduna, it was pervasively local government. Indirect rule only strengthened local isolationist tendencies in most communities. The ban on trained lawyers in customary courts (advantageous though this may have been to litigants and convenient for district officers) prevented the spread of an educated class in the countryside who might have formed bonds with one another across the lines of the communities. The decisions that were made locally were usually small decisions, seldom concerned with issues bigger than schools and water supplies. These decisions also tended to be concerned with social welfare amenities rather than with economically growth producing projects. The absence of political activity in which they could participate led educated Nigerians who had left their localities to look back to those areas and to use their money and skills to gain influence and prestige within their own communities. This was true even of those educated men who practised professions or ran businesses in Lagos, for though Lagos had three elective seats in the Legislative Council, strangers from outside Lagos could at most play a supporting role in its politics in those days. Hence, there was developed among the ablest Nigerians, especially in the South, a localism that seldom had to consider the national interest, that was impeded in gaining serious administrative experience and that tended to understand social progress more in terms of amenities than in directly economic terms. These limitations of outlook affected not only Nigerians but the British administrators and those linked with them. When at

the end of her study of native administration in Nigeria Margery Perham put forward her ideal for its development, she could think of nothing better than a vast federation of local authorities. As we shall see later, politics in Nigeria has come much too close to the ideal that Miss Perham wistfully wrote of. Some hundreds of communities looking for a nation-state are little suited to create a national interest.

The Nigerian economy kept on growing all through the colonial period, and so did the educational system. The world slump of the 1930's did severe damage to both trade (and hence to government revenue) and education. But the country kept on changing: communications were being developed; export commodities were being diversified; the expatriate trading firms expanded their commercial dealings; clerical skills were increasingly in demand for administration and trade: and schools stretched further and further through the Southern countryside; African entrepreneurs appeared on the scene in growing numbers. More and more Nigerians were outside the traditional structures, possessed modernising skills that gave them access to money, made possible communication among themselves and enabled them to deal with the colonial authorities in the language and within the legal framework of the latter's institutions. When these men began manifestly to outnumber the colonial officials and to be drawn more widely from the communities of the interior than had the earlier coastal élite, it was only a matter of time before they would begin to pressure the colonial regime to withdraw. But though later political changes were to seem to rush cascadingly along, the earlier changes were hardly visible to keen observers on the spot. A good American scholar, writing in 1941-42, could sum up:

> "This agitation for a greater degree of self-government was not carried outside Lagos, though some of the native politicians were quite willing to assume responsibility for all of Nigeria. The Mohammedan emirates apparently were quite content with the status quo; and while it was impossible to speak with assurance concerning the attitude of the masses, there is little evidence of active discontent.... On the whole the post-war enthusiasm for self-determination made little impression on Nigeria ... In marked contrast with their experience in many of the colonies, the British have had little difficulty with the natives in Nigeria during recent years ... The merits of indirect rule are still the subject of much controversy at the present time, and no careful student of the system is likely to claim that it is a panacea for the many ills of contemporary imperialism. Observers are of the opinion, however,

> that it offers more hope for the future of the African peoples than any system now in operation. The day is far distant when the peoples of Nigeria will be capable of organising independent states, but past experience has shown that there will come a time when even the most liberal of rulers can neither help nor hold a dependent people .... In the long run there is a very real possibility that Nigeria will evolve into a national state. The system of indirect rule offers the best chance of encouraging this development along reasonable and sane lines."

Nationalist Period

The first properly so-called political party in Nigeria, the Nigerian National Democratic Party, was founded in Lagos in 1923 by Herbert Macaulay, a civil engineer. But it remained more a party that expressed the grievances of the educated intelligentsia of Lagos than a Nigerian party. Also, it had more contact with similarly organised movements in other parts of British West Africa than it had with the Nigerian peoples of the other towns and the countryside. It did however play a role in awakening a national consciousness and often irritated considerably the colonial administrators.

By the late 1930's the towns of the hinterland and many parts of the countryside were ready for political awakening. This was the moment when in 1937 Nnamdi Azikiwe, a young American-trained Ibo graduate, who had served a journalist apprenticeship in the Gold Coast, arrived back in Nigeria and began to publish in Lagos. The nationalist movement had already got under way before he arrived. But his writings in the paper he founded, The West African Pilot, his pamphlets and his speech-making in various parts of the country imparted a flavour to the nationalist movement that it was to retain for almost fifteen years. Already in 1934 a group of educated young radicals had founded the Lagos Youth Movement which in 1936 became the Nigerian Youth Movement (NYM). Azikiwe threw his weight behind them and in 1938 they won the Lagos Town Council elections and the three elective seats in the Legislative Council. Their victory ended the domination of politics by Macaulay's party. The leaders in Lagos were Yoruba, apart from Azikiwe and one other. But they contained a substantial number of non-Lagos Yorubas. The presence of the latter indicated the coming change in focus of politics from Lagos to the rest of the country and would offer a wider validation of representation claims to politically minded Nigerians.

The NYM was quickly rent by personal and ethnic feuds. Azikiwe broke with it in 1941. In 1944, he set up his own party in collaboration with Herbert Macaulay. This party, the National Council of Nigeria and the Cameroons (NCNC), began as a congress-type party that had group (tribal unions, student groups, etc.) and not individual affiliation. Macaulay's co-operation gave Azikiwe the support of the majority of the Lagos indigenes. Otherwise he depended for his support in Lagos on the non-Yoruba elements and on some radical Yoruba nationalists who favoured his militant stand against the colonial authorities. The Youth Movement went into decline and never recovered from Azikiwe's defection. The split revealed those hostilities that would again become important at a later stage of political development.

World War II accelerated the pace of the nationalist movement. It gave foreign experience to a large number of Nigerians in the British army; it increased the demand for Nigerian raw materials and sent their prices soaring; it saw government intervention grow as it set about controlling supplies to Britain and elsewhere in the war effort; it exacerbated Nigerian sensibilities as the big British firms were used to organise wartime trade and Nigerians were discriminated against; the reiteration of democratic war aims and declarations like those of the Atlantic Charter helped to diffuse a sense of egalitarian liberty; and, not least, impressions of Western invincibility were greatly weakened by different episodes during the war. Nigeria remained loyal, indeed loyalist. But nationalist claims, coinciding with a changing world atmosphere, served to convince the British that steps had to be taken towards eventual (this meant a period of something like thirty years) self-government for Nigerians. The first proposals for constitutional change that were to be implemented in the Richards constitution were drawn up during the war. A general strike in 1945 which Azikiwe backed and exploited politically showed the British that Nigerians could now bring to a halt the modernising sector of the economy and helped to convince local officials that the initiatives coming from Whitehall did make some sense.

(to be continued)

POLITICAL INTEGRATION: THE NIGERIAN CASE

by Fr. James O'Connell

The British proposals for the revision of the 1923 Constitution were put forward by the Governor, Sir Arthur Richards, in 1945. With some minor modifications they became law as the 'Richards' Constitution on the 1st January, 1947. The Colonial Office officials and their colleagues in Nigeria disregarded Nigerian opinion in formulating their proposals. This disregard for what they thought together with what they considered to be the inadequacy of the constitutional advances infuriated the nationalists and led them to campaign against the imposition of the reforms.

The constitution was basically unitary. It concentrated power in the government at Lagos. But it accepted the principle of regional representation and drew up representation along the lines of the existing administrative units. Election was indirect and from the native authorities. Theoretically there was an unofficial majority. But the nationalists pointed out that chiefs and expatriate businessmen would not in any real sense separate themselves from the officials in voting. The provisions of the constitution that went in a federal sense drew little protest from the nationalist leaders. What they disliked most was the manner in which it tried to prevent them from wresting more political power for Nigerians from the colonial power and from taking over more of the Nigerian participation in politics from the traditionalists.

The Richards Constitution tried to reconcile several different, and to a large extent clashing, aims: it made concessions to the nationalists by allowing increased representation and giving greater legislative powers, especially over spending; by drawing most of its 'unofficials' from the native authorities it allowed for a continuity of government with the previous fragmentary political set-up, and in the process it set out to keep the educated élite from gaining power at the expense of the traditional élite; it brought the North into direct relationship with the rest of the country; yet at the same time it gave a special place to the North, and so it conciliated the Northern rulers and the British officials who ruled and advised them and sought to safeguard their interests. The settlement lasted effectively for little more than three years. It changed very little in the general administration of the country. It did however prolong agitational politics. But what it did most of all was to set in place the legal and administrative structures that the next set of deliberations would modify rather than replace. And in this respect its territorial delimitations proved decisively important.

In 1948 Sir John Macpherson was appointed to replace Sir Arthur Richards whose relations with the nationalists had continued to deteriorate. British governmental thinking had generally become oriented towards meeting the reasonable demands of nationalist movements. The most important step had been taken with Indian independence. The new Governor had instructions to accelerate the pace of constitutional change and he set about his work immediately. He also accompanied his statement of political intention with policies on the Africanisation of the civil service and on the democratisation of the native authorities. Since the bitterest attacks against the Richards Constitution stemmed from the fact that it had been unilaterally imposed, Macpherson proposed a countrywide form of consultation to prepare a new constitution. The consultation would take place on levels that reached down to the smallest native authority. But significantly the results of the discussions were to be organised within the structure of the three regions.

The meetings that were held at village or district level normally did little more than select two or three representatives who went on to divisional meetings. The divisional meetings did hold discussions, and in their turn sent representatives to a provincial conference. At the provincial meeting the divisional views were gathered and examined and the views of the province forwarded to the regional conferences. Lagos and Colony conferences were also called. A general conference was to co-ordinate the work of all the other bodies and submit a set of draft proposals to the Secretary of State for the Colonies.

The basis for the discussions consisted in a list of questions that the Chief Secretary, H.M. Foot, put in a speech to the Legislative Council. These questions spelt out the fundamental options: should the political system be unitary or federal; should the existing regional boundaries be retained if the system chosen were federal; should the regional legislatures have legislative and financial powers as well as advisory; what should be the composition of the regional legislative houses and the legislative council; should there be the equivalent of ministers and should they control departments; what should be the method of election; what should be the powers of a central executive council; what was to be arranged for the Cameroons which was a trust territory; and should the changes be the same for all regions, and should they be introduced at once or progressively.

When the regional views emerged from the series of conferences, agreement was evident on the broad outline of a federation that had regions whose boundaries coincided with the existing boundaries and within which there was a division of powers. The main differences centred around the role of the central executive, the extent of political participation and the pace of constitutional change. The

Eastern and Western recommendations sought to reduce the powers of the colonial officials and to widen the voting franchise. The Northerners preferred to have a central body that did no more than advise the Governor; in other words, they wanted some devolution of power but no substantial change in the colonial structure; and underlying their stand was the fear of Southern domination that was to influence their political stand up to independence and afterwards.

At the General Conference for drafting some degree of agreement was reached. It was accepted that: (1) there should be greater regional autonomy within one country; and (2) there should be larger and more representative regional legislatures and Nigerian ministers who would share in the formulation of policy at the centre and in the regions. What prevented a fuller degree of agreement was that the Northern representatives refused to accept less than 50 per cent of the representation in the central legislature. In subsequent discussions it was accepted that the North should have representation equal to the other two regions combined. The Colonial Secretary indicated the direction in which agreement had gone in saying: "One of the great advantages of encouraging the Regions to develop each along its own characteristic lines will be that by that process the unity of Nigeria will be strengthened". The primacy of the political struggle can be seen from the much less prolonged discussion of fiscal arrangements. It was agreed that an Independent Commission should be set up to look into the division of revenue over a period of five years. The North got the others to agree to the idea that the Commission would consider how compensation might be paid to a region that had not been fairly treated during years past and how revenue might be allocated on a per capita basis rather than by a principle of derivation.

In the provisions established by an Order in Council in 1951 central and regional legislatures were set up that had executive councils. The North and the West had each a House of Chiefs as well as a House of Assembly. The regional legislatures were empowered to legislate on subjects that included education, agriculture, health and local government. The centre could legislate on all subjects, including those in the regional list. It could also in certain instances veto regional legislation. The most important political result of these arrangements was that those who had played active roles in politics for some years realised now that a fair measure of power lay within their reach. But others who had been more passive up to that time also began to realise that the alternative to an active role was domination by the nationalist activists. In the event, not only did the ranks of the nationalists split but new political leaders, particularly in the North, moved in to fill the vacuum being created by the British notice of withdrawal.

During the working out of the Macpherson Constitution the NCNC had been quiescent as a political organisation. Energies went into the consultation process. Nominally however it was the main nationalist body. Its leaders hoped to gain from the new openings to power that constitutional reform was making available. But by the time the elections were over the NCNC was left in control of the Eastern Region. In the West and in the North men of those areas had effectively taken over control of their regions and become a force to be reckoned with on the national scene. How this happened throws a good deal of light on the development of politics in Nigeria.

While the main concern of the Nigerian intelligentsia had been to pressure the British into giving constitutional concessions, it had been difficult to challenge the NCNC leadership. Nonetheless the Yoruba professional class, businessmen and traditionalists disliked the controlling role that they considered that Ibos played in the party. Many of them also disliked Azikiwe personally, and they accused him of being tribalist, autocratic and venal. At this time the Yoruba intelligentsia generally had become aware that the Ibos were moving in as competitors in fields in Lagos and elsewhere in which the Yorubas had through their earlier access to education held almost exclusive control. Not the least interesting aspect of this consciousness was that a Yoruba sense of distinctiveness produced a spate of books, pamphlets and lectures on Yoruba history, social structures and religion. The man who grasped that all this development could be channelled politically was Obafemi Awolowo, an Ijebu Yoruba.

Awolowo had been active in the NYM and had been opposed to Azikiwe in the quarrel that led the latter to withdraw. He founded the Egbe Omo Oduduwa, a Yoruba cultural association, in London in 1945. When he returned to Nigeria in 1947, he founded a branch in Ibadan. The organisation rapidly became a focus of pan-Yoruba feeling. From the connections he made through this cultural organisation Awolowo was able to use personal contacts and letters to launch a political party, the Action Group, in 1951. The Action Group was not simply the Egbe transformed into a political party nor was it exclusively Yoruba. Awolowo realised that to succeed with a party in the Western Region he needed the support of non-Yorubas in the region. But the main basis of his support did lie among theYoruba intelligentsia and the traditional ruling elements who joined with them. The Action Group was only barely launched in time for the 1951 elections. The party sought to influence each stage of the indirect elections - communities sent representatives to an electoral college that met at Ibadan, and this college elected the members of the new Regional Assembly. Though there was a period of confusion during which the Action Group and NCNC claimed or sought the allegiance of elected members, most of them declared for the Action Group. The Yoruba professional, commercial and traditional intelligentsia had won political control of a region in which the Yorubas were the majority ethnic group, although there were substantial Edo and Ibo speaking minorities. Awolowo had originally written that a party should use a regional base from which to gain later a national influence. In the reaction to the ethnic sentiments that he and his associates played on among the Yorubas it was forgotten that he had formulated this earlier aim. Later events were to recall it. While however he was winning a majority in the West the Ibo elected members were forming a majority party in the Eastern Region and the Hausa-Fulani and Kanure were joining forces to do the same thing in the North.

The NCNC had remained very much a movement. If it failed to organise into a cohesive party, the failure derived in part from Azikiwe who lacked interest in and talent for the work of systematic organisation. Azikiwe himself dominated the NCNC. He appealed to those who were strongly nationalistic; he defended the rights of Nigerian businessmen and yet put his views into socialist language that was strong enough to attract the leaders of the small trade unions and youth groups that had little sympathy for private enterprise, indigenous or foreign; and he kept a charismatic hold especially over his fellow Ibos who revered him as the symbol of Ibo possibilities of achievement.

In the 1951 elections the NCNC had little formal organisation and depended everywhere on local groups that were affiliated with it. This kind of support was at once a strength and a weakness. Its weakness was shown in the Western Region when the Yoruba candidates elected on an explicit or tacit NCNC affiliation moved out into the Action Group. But its strength lay in the way it overcame the lack of general organisation to draw on the support of the various communities. The election showed where the strength of the party would lie for many years ahead: (1) The Ibo communities in the East and outside were solid in their support. (2) Those parts of the West that feared Yoruba domination turned for support to a national party - Ishans, Binis, Urhobos, Afenmais and Western Ibos gave the party considerable strength, (3) Yoruba communities that refused to accept the Yoruba leadership that came to the top in the Action Group, particularly its Ijebu elements, preferred to go into regional opposition by sticking to the NCNC - Oyo, Ibadan, Akure, Iwo and other communities were to take this stand. Within other Yoruba communities elements that were opposed to established authority bolstered their local position through the NCNC. (4) One radical group at least merits attention among those that supported the party the Zikist Movement was made up of impatient young men who wished to push the British out fast and introduce a left-wing socialist order. Azikiwe was never easy about the support of these youth leaders. The latter themselves never managed to formulate very clearly their intentions. But they did help to give emotional impetus to the nationalist movement. However once the constitutional road to independence had become clear by 1951, there was no place for them within the NCNC. They faded from the political scene, occasionally to reappear as party stalwarts and claim to be the radical conscience of the party. The combination of these various forms of support permitted the NCNC to function as a genuinely national party that was not confined to one ethnic group and that had some suggestions for a programme that embraced social reform and went beyond the mere desire to wrest independence from the British.

Once it had become clear that constitutional development was inevitable, individuals from various sectors of Northern society set about organising politically. The time factor was crucial. Had more time elapsed and had the North greater opportunities for opening up to social change and the movement of ideas, the 'new men' - lawyers, teachers, doctors, clerks, businessmen, journalists - might have taken over leadership from the traditional ruling classes much as their counterparts in the South had done. As it was, those who favoured reform of the Native Authorities and a general policy of modernisation did organise within the NCNC first, and later within the other parties that succeeded it in the North. But most educated Northerners, including important NCNC leaders, decided to join with the traditional authorities to present a united Northern front. The hard core of this leadership came from the Katsina Training College. The Emirs in their turn grasped the need to cope with an electoral system and saw the value of working with educated Northerners who accepted that the social systems of the region should change only slowly, and who yet could operate the new political system that was coming into being.

The 'Old Boys Association' of Katsina College and its successor, Kaduna College, provided the social network from which a Northern political party was to form. A traditional ruler, the Emir of Zaria, had taken the initiative in rallying the Emirs to make common cause under the Sultan of Sokoto. So when the young teachers and members of Native Authority staffs who were willing to respect tradition began to organise politically, the Emirs were receptive. By sheer force of personality as well as by virtue of his belonging to the foremost Fulani family of Sokoto, Ahmadu Bello, the Sardauna of Sokoto, emerged as the man who led those who reconciled tradition, modernity and the defence of the North. He was ably helped by Abubakar Tafawa Balewa who had come up through teacher training and local government service. The primary stages of the 1951 elections in the North had already been held when this combination of new men and traditionalists transformed a cultural organisation, the Jam'iyyar Mutanen Arewa (the Northern People's Congress), into a political party. Not the least factor in bringing to a head the formation of the party was the surprise that an anti-traditionalist, populist party, the Northern Elements Progressive Union (NEPU), had sprung by winning victories in the primary and intermediate stages of the elections in Kano city, Jos, Kaduna, Maiduguri and Kabba. But by the time the elections were over the NPC had wrested almost all the seats from NEPU. Once the elections were over, the dominant peoples of the North, the Hausa-Fulani and the Kanuri, had representatives who could treat with the Southerners on a national level. They had secured their own base before setting out towards further constitutional change.

But if a combination of the educated Northern élite and traditional aristocrats had consolidated their base, they had not managed to do so without internal problems. The opposition that the NPC leaders found most painful was that offered by young, educated Hausa-Fulani who were grouped around Aminu Kano, a member of a Kano Alkali family. Inevitably these young men raised most of their support in the towns, especially in Kano, whose trade made it a cosmopolitan and modernising centre and whose traditional rivalry with Sokoto could be capitalised on. The NEPU urged reform of the Native Authorities and claimed to stand for the talakawa, the common people, against the sarakuna, the aristocrats. They tried to build up voting strength wherever inefficiency or corruption rendered people dissatisfied with a Native Authority. NEPU asserted strongly its acceptance of Islamic principles but rejected the conservative version of Islam that was put out by those whose purpose, they claimed, was to keep the common people in subjection. NEPU leaders and followers also often belonged to the Tijaniyya Muslim Fellowship whose social orientation in Northern Nigeria has tended to be more radical than that of other Muslim groups. The Tijaniyya fellowship has been especially important in raising support in Kano itself. Together with their religious emphasis the NEPU leaders have consistently insisted on their being Northern; they reject the idea of Southern domination of the North and oppose any attempt to split the Northern Region. But when they went into alliance with the NCNC in the 1959 federal election, they badly damaged their Northern image and it almost certainly lost them a lot of ground - they realised themselves that this might happen but without the alliance they would have had little or no money to fight the election. By and large NEPU had maintained a large and consistent following and vote. But the single member constituency and first-past-the-post system tells against them and their vote has consistently failed to detach a majority of the rural masses from their adhesion to the traditional order. For this reason many educated and progressive Northerners who express sympathy with the NEPU leaders and many of their policies have preferred to join the NPC and work from within the party of established order in areas where dissidence is held to be synonymous with disobedience and lawlessness and where strong arm methods have been effectively used against opposition.

The other opposition within the North came from the non-Hausa-Fulani and the non-Kanuri areas that had not been brought under the control of the Muslim conquest. This opposition was concentrated especially in the 'Middle Belt' - an area that stretched from Ilorin across to Adamawa. They had taken much faster to education than the dominantly Muslim peoples and the products of their missions schools occupied posts in government, native authorities, commerce and industry. Their educated representatives formed part of the support that the nationalist movement received in Northern Nigeria. But they were slow to organise politically on their own and began to do so only when they realised that the formation and success of the Northern People's Congress promised a new and continuing dominance of the Hausa-Fulani over them. Two early parties were formed: the Middle Zone League (which had its most solid support among the Biroms) and the Middle Belt Peoples' Party (which had its main support among the Tiv). These parties and other groupings finally merged in the United Middle Belt Congress in June, 1955.

The groups that formed the Middle Belt political opposition to the NPC never included all the peoples of the area. The smaller peoples and those among whom the chiefs (who were dependent on the regional government for their position and salary) remained influential tended to support the NPC. So did other groups like the Idoma whose hereditary rivals, the Tiv, remained in opposition. Other groups, including the Ilorin Yoruba, whose intelligentsia saw better prospects for themselves in the less developed and less educated North, were swung into the NPC camp after an initial period of newly found democratic spirit of opposition to the Hausa-Fulani government in Kaduna. Opposition finally endured only among the Tiv who retained a powerful sense of egalitarian cohesion and possessed in J.S. Tarka a leader of some organising ability. Tiv opposition went on being nourished both by the possibility of creating a Middle Belt Region and their traditional opposition to any authority beyond the clan head. But among the other peoples, opposition eroded as the politically astute leadership of the NPC set about systematically conciliating pagan groups and offering possibilities of political and social advancement to their élite.

Once the Macpherson Constitution sent the politicians looking for support in the towns and countryside, or once it had given the opportunity to politically minded individuals to enter politics in those places, the parties had to look everywhere for the kind of support that could be transformed into votes in elections. To add to what has already been suggested we might now anticipate some later developments and examine the reasons why people supported one party rather than another. Basically the answer is simple: an individual elector has tended to vote for that party which he thinks will best represent his community in the sense of securing for it what amenities are available from government and protecting it against the domination of strangers. The desire to avoid stranger domination (which is only the correlative of wanting to carry on ones own traditions in a continuing social identity) was the strongest element in the earliest organising of political support. Later on concern for amenities exercised the most concern. Most often the community members were nearly all agreed on which party was best for their community. But there were times when the community members disagreed and they split their votes. But whether they agreed or disagreed, the members of each community justified their votes on the grounds of the immediate good of the community. But there were men in each community who convinced its membars that immediate goals (for example, water supplies, hospitals, schools) could be adequately secured only by taking national and regional trends into account - not just national trends such as economic growth and foreign policy, but trends such as moves towards ethnic unity, and towards ethnic and party alliances. It is true - one has only to look at the voting patterns of the main peoples - to say that ethnic factors were dominant in the support that each party received. But to explain Nigerian politics in merely ethnic or tribal terms is excessively simple and misleading. It is more accurate to say that the pattern of voting has been communal and to understand that the community and those external groups with which it is willing to ally vary according to the part of the country and the social structures and history of the individual peoples. The community might be a set of villages or a town, a clan, an emirate, a ward, or a whole city or city state. Sometimes those groups that might have had a kinship or ethnic base for unity might be split - a traditional hostility between two towns or wards in one town (e.g., Iboland), conflict between social classes (e.g. Hausaland). The last point that might be made in this context is that in certain areas communities suppressed a traditional dislike or hostility and voted for the government in power in their region. But that kind of support is precarious. Mid-Western voting patterns where support for the Action Group melted away immediately the region was established show how precarious it is. Its precarious nature is one of the factors that has maintained in existence some uncertainty about voting and alignment in Nigeria. And this uncertainty is more likely to come into play in a federal than in a regional election. As a last remark in this context, it seems reasonable to say that up to the present, organised labour has not been a force to contend with in the elections. But it may more and more become a force in the conflict that social mobilisation is stirring between Northern and Southern Ethnic groups.

What is being said about the nature of political support can be looked at from a slightly different viewpoint in insisting that Nigerian political parties are best called "parties of communal integration". They do give communities the sentiment of being represented and it is through them that the communities are integrated into the play of national and regional politics. The organisation of voting strength fits in with this classification. It explains why a party like the NPC which is welded into the authority structure of the community can, though it is relatively unorganised as a party, produce a massive turnout on election days. It explains why the Action Group after it had been thrown into disorder through a split in its parliamentary representatives and the imprisonment of several of its leaders could continue to remain strong through the support of most Yoruba communities. Finally, in this connection Nigerian democracy may be said to be based much more on a balance of communities than on the possibility of securing individual rights through the courts or by other means; most persons in the country come in contact with the apparatus of rule more as members of a community than as individuals. This pattern of communal integration explains why ideology has consistently been subordinated to the exigencies of communal organisation, combination and competition. In this respect, for all the charges of reaction and feudalism that the Southern-based parties have brought against the NPC, they have not fundamentally differed from the latter, except in so far as they have judged that the communities they represented could not only stand (in most instances insisted on) a faster pace of social change than the Northern leaders consider that the social pattern of their communities can stand. The one thing that is modifying the communal pattern of politics so far is the differing kinds of agreement about interests that pertain to themselves that obtain between professional politicians - agreements that often operate to the disadvantage of their communities.

Once the 1951 elections were over, the way was open to constitutional development leading to independence. Three main parties were on the scene and a number of smaller parties; each of the main parties had a power-base in one of the regions; those outside the party system had now great difficulty in making themselves heard or in exercising influence; and so the party leaders could work out in a series of negotiations the shape of constitutional independence - while the colonial government and its officials acted partly as an arbitrator and partly as a pressure group (or set of pressure groups) in their own right.

The bargaining and disputes that took place between 1951 and 1959 and whose outcome set the stage for the politics of independence, dealt with four main issues: the timing of independence, the status of Lagos, the division of powers between the centre and the regions, and the provisions to be made for minorities.

(1) The Northerners incurred the hostility of the other groups as they successfully slowed down, with British co-operation, the movement towards independence. Given their much greater possession of modern skills, the Southerners considered that they would dominate in an independent Nigeria. When the Northern representatives voted against a "self-government in 1956" motion, they were jeered and mocked in the Lagos streets. A little later the intention of a Western team, led by S. L. Akintola, to campaign in the North sparked off riots against Southerners in Kano. These incidents widened North-South cleavages. The bitter sentiments they engendered tended to recur at every subsequent step when the interests of the two sections of the country diverged.

(2) The NPC and the NCNC co-operated to turn the most developed Yoruba city into federal territory. The Action Group resisted and the final decision was left to the Colonial Office. The decision of the Colonial Office that Lagos should be taken out of the West led the Action Group to take a strong emotional stand against the British officials. This stand - together with a clash with the colonial administration on the precise role of regional ministers - lent a radical appearance to a party that had appeared initially to be conformist and bourgeois; and it strengthened the radicals within the party.

(3) Though it had accepted a tripartite division of administration, the Richards Constitution had been substantially unitary. The Macpherson Constitution moved in the direction of federalism by giving greater powers to the regions, giving them responsibilities especially in education, agriculture, public health and local government. It kept financial powers largely at the centre, though there was the anomaly that the regions could take initiatives of their own in spending. The centre had the power to overrule regional legislation, but it was not politic for the Governor to do so. And the representatives of the regions in this central legislature had not yet reached the stage of authority or organisation that would have permitted them to apply central control to regional planning. The Western government announced a universal, free and compulsory system of primary schooling. The Eastern government simply went ahead expanding its system of schools until the country was committed to expenditure on education in the East that was considerably beyond the proportional contribution of the East to National revenues.

The various contradictions that arose in implementing the constitution forced a revision in 1954 that gave greater powers to the regions, establishing areas in which the centre could not override them, and so setting up the first genuine federal constitution. By the time the 1954 and later negotiations between the political leaders and representatives of the British government were over, the regions had taken over almost complete responsibility for social welfare tasks and they shared with the federal centre the responsibility for economic development. The centre retained certain co-ordinating powers, was mainly responsible for foreign borrowing and was solely responsible for foreign relations and defence. The revenue allocations appeared initially to be sufficient to permit both centre and regions to carry out their respective tasks. Experience was however to make clear that the centre possessed more flexible money-raising powers and that the regions would find their social welfare obligations increasingly burdensome. But in the shorter run the welfare and public works powers of the regions offered huge opportunities for patronage and went far to consolidate the power of each governing party. The arrangements deepened regionalism and, hence, the particularist sentiments of the ethnic groups that controlled each region. At the same time it weakened the sense of national identity. Nigerians dwelling outside Lagos encountered the presence of the Nigerian federal government only through the police. Government that was effective in a sense which they could understand was regional. Yet the regions themselves could assume no real sense of identity, caught as they were between identification with a dominant ethnic group and the lack of a regional ideology that could compete with a national ideology.

(4) In each region there was a set of opposition groups who considered that the existing arrangement left them in a perpetually minority position. In the North there were the Middle Belt peoples; in the West the Mid-West peoples; and in the East the Calabar-Ogoja-Rivers (COR) peoples. Only the Mid-Westerners were relatively ethnically homogeneous, all of them except the Itsekeris being either Edo-speaking or, as in the case of the Western Ibos, of Edo origin and social structure. In the federal and regional elections that took place between 1951 and 1959 these minority groups voted in greater or lesser measure their dissent. Their representatives sought to ally themselves with governing parties outside their won region to strengthen their position; in this way they could avail themselves of governmental platforms and resources to formulate and draw attention to their demands and they could obtain access to money and patronage. The closest that any minority group came to winning effective political influence before independence was when the NCNC drew on dissident Yoruba and Edo support to win a majority of the seats in the 1956 federal election. This upset however did little to alter the power base of the Action Group in the West.

The various minority movements failed in their efforts to have more regions established before independence. Several reasons explain the failure: no governing party wished to reduce its territory and population, and so lose part of its influence; the Middle Belt and COR peoples had in each case little in common with one another beyond hostility to the governing groups; within the minorities there were groups who preferred to ally themselves with the majority groups and chose to be small minorities in a larger region rather than large minorities in a smaller one - the Idomas in the North and the Anangs in the East made this choice; the representatives of the minority groups were often vulnerable to offers of governmental patronage, or they succumbed to threats or acts of intimidation; in other instances the masses of the people saw little or no future in struggles whose outcome was uncertain and which in the meantime deprived them of welfare and economic projects; finally, the British had little sympathy for movements that would upset the administrative arrangements that they had established and thought that the minority areas were neither capable of being administered as single units in the federation nor were they economically viable. The NPC was reluctant to accept even the possibility of creating new regions, though it did eventually accept that a cumbersome system of amendment for making such changes should be written into the constitution. The Action Group and the NCNC supported both the principle of new regions and the need for them. But they were unwilling to act without the North and they were unwilling to act without one another. At the constitutional conference of 1957 it was agreed that a Royal Commission should be set up to look into the question. Predictably a British Commission found against the setting up of new regions. Its report suggested instead that safeguards for human rights should be written into the Independence Constitution. At the time that the Commission reported, none of the major parties dissented seriously from its findings. To have insisted on further debate and negotiation would have held up the time of independence and jeopardised the agreements that the Southern leaders had worked out with the North. No one wanted to be blamed for prolonging colonial rule. And no one did want to prolong it anyhow. The problem was left for solving after independence. What was not foreseen was how monolithic voting would become in the North after independence - and 174 of 312 federal seats were allocated to the North on the basis of the 1952 census.

The federal election of 1959 was easily predictable in its general outlines. The party in power in each region won by a handsome majority in its region. What was less predictable was that after years of discriminatory allocation of amenities and patronage and the considerable use of intimidation against communities and leaders, many minority groups would vote against the parties in power. After the election the NCNC decided to carry out a pre-election understanding with the NPC and form a coalition government. In making this decision they rejected explicit overtures from the Action Group. Three factors, at least, entered into their choice of partner: first, the competitive bitterness and lack of trust that marked the early clash between Ibos and Yorubas, two large and socially mobilised peoples, and that was nourished by various bitter episodes during the 1950s, second, the assistance of the Western NCNC to a pact with the Action Group: the Edos thought that it would involve a compromise that would cost them the possibility of a Mid-West region and the Yorubas believed that it would take away their political raison d'être among their own people; and third, Dr. Azikiwe's genuine national sentiments. Azikiwe may well have considered that to polarise federal politics at that moment along a North-South division might lead to the breaking of the country. It had not yet become clear how much the North was gaining from the federation and Southerners were still impressed by the constantly reiterated threats of the North to withdraw from the federation. There may have been one more factor - and if it did exist, it was a gross miscalculation. The NCNC leaders may well have thought that even as a minority in the federal cabinet, they possessed more than enough political talent and administrative capacity in their ministerial representatives to counter and outweigh the NPC ministers.

The Cameroons Trust Territory, taken over by the British as a League of Nations mandate, was administered as part of Nigeria. Ethnically its composition resembled somewhat Nigeria's. The Northern Cameroons had originally been conquered by the Muslim Fulani. The latter continued to rule over pagan peoples who considerably outnumbered them but who were ethnically diverse. The Southern Cameroons contained more ethnic groups, ranging from Equatorial Bantu to Pygmies, than any comparable area in Africa. Total population was estimated in 1959 to be about 1,632,000 (791,000 in the Northern Cameroons and 841,000 in the Southern Cameroons).

The Northern Cameroons fitted perfectly the pattern of the indirect rule of Northern Nigeria. Outside the Fulani areas the British had some trouble with the Kirdi hill peoples and did little more than impose a limited peace on them and stop practices such as open slavery and witchcraft cults. Little enough economic development occurred, and neither missionary work or its educational efforts were extensive. The situation was quite different in the Southern Cameroons where German colonisation had stimulated economic development and where an educated intelligentsia had emerged. The social structures of the people proved no more suited to indirect rule than had those of the Southern Nigerian peoples.

The Southern Cameroons shared in the constitutional changes taking place in Nigeria under the

Richards Constitution and two native authority representatives entered the Eastern Nigerian House of Assembly. African nationalist sentiment grew strongly among those Cameroonians in Lagos who formed part of the Nigerian political groups during the 1940s. The Cameroonians however insisted on maintaining their own social identity. By 1947, sentiments similar to those underlying ethnic and regional sentiments in Nigeria led Dr E. L. M. Endeley to propose a separate administrative entity for the Cameroons, its detachment from Nigeria and eventual reunification with the French Cameroons. His stand on separation was meant to be a bargaining counter with which to gain a degree of autonomy within a Nigerian federation. It is worth remarking that Cameroonian nationalists feared Nigeria rather than Britain. Le Vine writes: " ... The British Cameroonian nationalists, interestingly enough, emphasised anti-British themes only comparatively late in the game. In the hierarchy of the nationalist demonology, the British occupied a lower rank; British Cameroonian nationalists found that the anti-Nigerian (more specifically, anti-Ibo), anti-French, pro-separatist or prounionificationist positions paid off much more handsomely in popular support and votes than did the anti-British or even anti-United Nations positions." The Southern Cameroons were made into a 'quasi-federal' territory in 1954, and in 1958 became to all intents and purposes the equivalent of a Nigerian region. Economically the territory gained from sharing the Nigerian services and it received a subsidy from the Federation.

Once he had secured the measure of autonomy that he desired, Endeley soft-pedalled the separatist issue. This retreat led to his being outflanked by John N. Foncha and others who pressed for separation and organised their Kamerun Democratic Party to win a majority against Endeley's Kamerun National Congress. Foncha and his party would almost certainly have preferred a period of independence after separation, but United Nations pressure forced a plebiscite in which the choice was union with Nigeria or with the Cameroon Republic. 235, 571 votes were cast for the Cameroon Republic and 97, 741 for Nigeria.

We need only briefly reflect on the implications for Nigerian political integration of the Cameroon separatist movement. Its success helps to make clear that overall economic benefits do not normally prevail against economic issues (Ibo competition in trade and jobs) that touch people directly. Again, it suggests that a degree of social mobilisation stimulates African peoples to want to control their own political destinies. But the capacity of the political class to bring about separation depended on the legal possibilities that the trusteeship status opened up. The West African intelligentsia has shown considerable (though not complete) reluctance to move against established order. There is a clear parallel with the Mid-West movement where equally full use was later made of a legal situation to gain regional autonomy. There is a negative parallel in the case of the failure of the Calabar groups to discover a method whereby they might effectively muster a majority to use the legal possibilities open to them to set up a region in which they were separated from Ibos.

While the Southern Cameroons was voting itself out of Nigeria, the Northern Cameroons voted by 146, 296 votes against 97, 659 to stay. In an earlier vote in 1959 the same peoples had voted 70, 401 against 42, 979 to postpone a decision to join Northern Nigeria. The earlier vote was in part a reaction against local misrule, in part a reluctance of the Kirdi peoples to continue under a Fulani dominated administration. In the meantime steps had been taken to correct the more flagrant abuses. Also in 1959 the Action Group and NEPU had campaigned against the NPC to secure a postponement, and in 1961 they had no interest in advocating separation. Not least, Mr D. J. M. Muffett, who had been Chief Electoral Officer For Northern Nigeria during the 1959 federal election, was made Resident General in the Northern Cameroons to ensure that the people made an informed choice. In short, local grievances in an isolated area could not successfully carry through separation against the weight of the British officials and traditional administrators.

It is worth while to make an observation on the terminal period of colonial rule. The Nigerian situation brings out more clearly than most the difficulty of genuinely resolving issues before independence. The main problems of socio-economic development still faced the country. But the Nigerian leaders and the British officials appeared to have good reason to consider that the main problems of political integration had been agreed on and dealt with. The constitution had been worked out under British supervision and with some British technical help. In the main however it had been worked out by and agreed to by Nigerians. The commonly made charge that colonial constitutions are imposed and that foreign institutions are not suitable to the non-Western developing world could not easily be sustained. The constitution was not imposed; it was not foreign made, even if it did bear foreign influence; and, in any case, population concentrations so large, so spread out geographically and so much in need of adequate administration and leadership needed the kind of institutional devises that were being taken over from the Western World but that had nothing peculiarly Western about them. Some shrewd observers thought that the constitution was too complex. But again it was possible to say that the complexity was more apparent than real. The Nigerian Constitution simply spelt out arrangements that elsewhere are left to unwritten conventions. The main lines of the constitution - division of power between centre and regions, allocations of revenue, and amendment procedures - were straightforward. Yet the real weakness of the Nigerian constitutional settlement did derive in great measure from the colonial situation. These weaknesses seem to be inherent in most pre-independence settlements. And they pertain more to the political system than to its constitutional arrangements.

A terminal colonial government continues to act as a referee and as a pressure group. This foreign presence usually places a relative value on representation in the post-colonial system and an absolute value on stability. Also an attempt is made to secure as well as possible the interests of the departing power. Using in turn its control over force to arbitrate and its capacity to set the time of independence to induce and persuade, a colonial government is constantly in danger of falsifying the power struggle between nationalist leaders. Hence, these leaders and their peoples do not reach an equilibrium of forces that matches the effective distribution of power in the country. In Nigeria this element was present in the failure of the British to sympathise at any stage with the Southern fears that a country in which one region was larger than all the others together was exposed to undue strain. This large region was also less developed than the others. Another aspect of much the same problem is posed in the broad rules of political conduct that are insisted on by the colonial government as part of the evolution towards independence. With independence these rules have to be replaced by an agreed set of rules among political competitors. These "rules of the game" are simply those accepted restraints on the use of power (some constitutional and some conventional) without which politics becomes ultimately self-destructive for all those who take part in it. Yet the temptation is great for leaders once they are on their own to reject restraints that they think artificial, and sometimes unfair, that the colonial government imposed on them and they set out to take every advantage they can of their opponents. These attitudes are strengthened by the fact that they do not trust their opponents not to take unfair advantage of them. A consciousness of the fragility of their own legitimacy tends to spur governments to over-react to every threat that they discern. Nigeria was to see this last set of factors at play in the use of administrative control to falsify elections, the imprisonment of political opponents through the use of local courts, and not least the use of its legal powers by the federal coalition to eliminate the regional power of the opposition.

The balance of power dealt with in the last paragraph rests on the relations that exist between the members of the political class. In an independent Nigeria where voting strength is linked to population figures the balance has depended on the ethnic arithmetic of the country. But voting strength is in the short run a static factor. In a country where the rules of the game are easily ignored and where legitimacy is weak a realistic appraisal of power and stability must take into account the aspirations and capacities of the socially mobilised sectors of the population which give them an influence beyond their voting strength. Political integration, the pace of social change and economic growth form an interrelated behavioral system that includes the relations of the larger peoples of a country and the conciliation of its socially mobilised groups. It must be remembered that the out-numbered Southern peoples in Nigeria are more compact geographically, have been much more exposed to formal education, are further ahead economically and are generally more impatient for socio-economic progress than the Northern peoples whose leaders control the federal government. The estimate that the Southern political and social élite make of the cost to them of the present pattern of federation is bound to be important. Nigeria held in the Western countries a reputation as the most stable and mature of the new African states. The Nigerian leaders had governed for nearly ten years; formal independence in 1960 was more important in foreign than in internal relations, or so it seemed; the civil service functioned efficiently and, except for the North and to a lesser extent the centre, was almost completely Nigerianised in its administrative cadres; the opposition had settled into the role of a British-type opposition that carried on a vigorous parliamentary and Press assault on the government; and, not least, the economy, though not buoyant, was continuing to grow. Moreover, the political alignment had not followed natural lines of cleavage - the NPC which represented a conservative ruling class in the less well developed economy of the savanna country was allied with the NCNC rather than cut off from the Southern parties and thus the Southern forest peoples with their relatively homogeneous social structures, greater economic development and commitment to socialist and populist policies. However, there were other factors that were difficult to ignore. The alliance between the North and the East depended more on the mutual interests of their political leaders and their bitterness against the Action Group leaders than on any understanding or community of interests between the peoples. Ibos who lived in the North made little attempt to improve their general relations with Northerners and the latter continued to exclude Ibos from government posts and to hamper them in trade. Economic development was levelling off, and as budgets were encumbered by the costs of social welfare, reserves were beginning to run down. The federal and Northern civil services were understaffed, yet new graduates were likely to have to wait much longer for promotion than those who, entering a few years earlier, had been able to fill posts left empty be departing expatriates. And primary school leavers were piling up unemployed in the bigger towns, taxing housing and health facilities, and reducing the standard of living of those on whom they lived.

The turning point in Nigerian post-independence politics came in 1961. In May 1961, the NPC virtually wiped out the opposition in the Northern regional election. Only the Tiv who had been in sporadic revolt since 1960 remained recalcitrant. Already through 'carpet-crossing' the NPC controlled a majority in the Federal House of Assembly. The regional election showed that it could almost certainly win an absolute majority in a federal election. One possibility of change remained open. If the population census of 1962 showed a greater proportionate increase in population numbers in the South, Northern representation in the federal parliament would be reduced and its chances of a majority lessened.

The Action Group had been the most closely knit and the best disciplined of the Southern political groups. Awolowo, its leader, enjoyed a special aura as the founder but he was primus inter pares rather than an autocrat. The party leadership functioned very much like the authority structure of a Yoruba traditional town. Awolowo was the chief; around him there was a set of senior councillors made up of leading party members and cabinet ministers; there was a set of junior councillors who were made up of other parliamentarians and party militants; and there was the mass of the party activists in the constituencies. At times, disagreement created tensions in the party. But they tended to be ironed out behind closed doors. The party acted normally by consensus and was willing to accept delay in decision-making so as to reach a consensus. Nonetheless, by the 1959 election, Awolowo had greatly increased his personal power in the party; more and more he made decisions on his own without consulting the other senior members, or by consulting only his own close friends among them; and he had asserted personal control over a considerable part of the party funds. During 1960 when he was leader of the opposition at the centre, he did not lose interest in the running of the Western Region. He constantly intervened both to overrule decisions of the Cabinet and to determine the allocation of patronage. S.L. Akintola, the deputy leader of the party and the new Premier of the West, who wanted to build his own authority, resented Awolowo's interference and so did other members of the cabinet.

After the crushing defeat of the opposition in the Northern 1961 election Awolowo came to the conclusion that if the party were to maintain itself as a national party, it would have to turn to new forms of strategy. Impressed by the continuing solidity of ethnic patterns of voting, Awolowo began to look towards those individuals, groups and classes in the changing Nigerian social and economic conditions who might be led to understand that they would best benefit from policies that transcended those formulated in the jostling of ethnic interests. He began to emphasise the 'democratic socialism' of the party programme and he turned to expressing strong Pan-African views in foreign affairs. This change of tactics alienated the conservative business elements in the party who were grouped around Akintola and the politicians associated with him. They were already upset by the cost of national campaigning; they urged a policy of 'regional security' by which in a tacit truce with the other parties, each party would be left to control a region; and they wanted to cease drawing the fire of the federal government on the region and its business interests. Awolowo used his support among a majority of the delegates at the Convention in Jos in April, 1962 to have his policies voted through and he had his own nominees appointed to important party posts. In his unwillingness to pursue a policy of conciliation within the party and in pushing his policies to a majority vote Awolowo violated Yoruba conventions. Akintola and his supporters broke with Awolowo and the party. The majority stayed with Awolowo, yet many among them blamed him for not having endeavoured to conciliate the dissidents. After various manoeuvrings in which substantial sums of money were said to have changed hands to buy loyalties, a majority of the Western Region parliamentarians signed a petition to the Governor to have Chief Akintola removed from the premiership. The Governor removed him and appointed Dauda Adegbenro in his place. At the subsequent meeting of Parliament a disturbance occurred which gave the ruling parties in the federal government an excuse to pass legislation declaring a state of emergency in the West, suspending the regional government and appointing an administrator for six months. Once this moratorium was over, Akintola emerged as the leader of a new party, the United Peoples Party, which was formed by the rump of the Action Group dissidents. This party joined with the NCNC to form the regional government and those members remaining in the Action Group went into opposition. During the suspension of the Western government a tribunal of inquiry into the charges of corruption and maladministration in the public corporations of the region was set up. Though parts of the Commission's Report left something to be desired, the evidence laid before the Commission made clear that the ruling Action Group had been guilty of practices that had damaged the administration of the corporations and had appropriated public money for the benefit not only of the party but of individuals. The investigation was largely taken in a political sense. Yorubas generally interpreted the findings as an attempt to damage their efforts at political mobilisation. And educated Nigerians simply concluded that the other ruling parties would come off just as badly if similar investigations were held in their regions.

The coalition of the UPP and the NCNC continued for two years in the West. Then squabbling broke out within the Lagos and Western NCNC over the distribution of federal patronage. The Yoruba members considered that they were not receiving a fair share. Almost the entire membership of the regional parliamentary party quit and joined with the UPP to form a new party, the Nigerian National Democratic Party (NNDP), which announced its main objective as being the furthering of the interests of the Yoruba people. It also favoured a conservative social policy and expressed a willingness to join a national coalition government. Late in 1964, the Prime Minister, Sir Alhaji Abubakar Tafawa Balewa, invited two of its members to become ministers in his government. With the NNDP, the Yoruba business class that had started out with the Action Group had curiously come full circle in its alliance with ethnic-based politicians.

During the emergency period in the Western Region, the final constitutional moves were made to establish a Mid-West Region. Then once the referendum had been held and a provisional administration installed, plans were got ready for an election. The Mid-West consisted of six main blocs of peoples: Binis, Ishans, Afenmais, Urhobos, Western Ibos and Itsekeris. To some extent the Action Group had split the leadership of those communities with a mixture of intimidation and conciliation because during its years of governing the area many party activists had seen no political future ahead except within the Action Group. The communities resisted strongly up to 1959 when the majority of the seats in the Federal election went to the NCNC. In the regional election of 1960, however, the Action Group won almost half the vote (31% of the registered voters against 32% for the NCNC). For all that, in 1961, in Ishan country popular support was so solidly with the opposition that a wave of violence forced Action Group leaders and sympathisers into flight and hiding. Separation from the Western Region lost the Mid-West Action Group its Yoruba support, and so destroyed its power. Some of its members retired from politics and a few who were not too badly tainted with oppression were able to cross to the NCNC. Some of the leading activists formed a new party, the Mid-West Democratic Front (MDF). They at once sought an alliance with the NPC, hoping in that way to obtain support from the federal centre and financial assistance as well.

The MDF embarked on a propaganda campaign with a dual theme: they claimed to represent the interests of the Mid-West against spurious NCNC national pretences; and they attacked the NCNC as an Ibo-dominated party that would subordinate the Edo-speaking communities to the Western Ibos and put the interests of the Ibo Eastern Region before the interests of the Mid-West. The campaign was cleverly carried on among peoples highly sensitive to years of regional neglect and it looked for a time as if the MDF propaganda line would carry the day. But as the campaign developed, the party's impetus faltered. Too many communities linked the creation of the region to the NCNC leaders who had held out against Action Group oppression and refused to change from the party now that success had been achieved. Moreover, the Edo-speaking groups considered that the Western Ibos were a people close to themselves and did not regard them as a threat. Serious-minded opinion leaders in the various communities pointed out that the MDF were a motley crew of opportunists who had banded together so as to survive politically - in a play on the initials of the party they were scorned as the Men of Doubtful Future. The alliance with the NPC which secured the MDF half the places in the interim administration later boomeranged as anti-Northern sentiments flared, especially among the communities in the Northern part of the region who cherished bitter memories of the slave-raiding past. Another subtle element entered the scene when the Action Group leadership tacitly sided with the NCNC. In a few constituences the Action Group put/up candidates. This manoeuver took away from the MDF its claim to be the legitimate successor party to the Action Group and helped to break its nerve. Finally, once it had become clear that the NCNC was likely to win, a landslide effect set in: Mid-West communities were not in a hurry to carry on with oppositional politics. Only the Urhobos who had fallen out with the NCNC leadership and who tended to be more anti-Ibos than the other groups gave some support to the MDF. The latter also picked up some support in a few constituences where a local leader had personal support. When the voting was over, the Mid-West was for practical purposes a one-party region.

The Mid-West election added to the tensions that had grown within the federal coalition and increased the trend towards polarising political conflict between the Northern Region and the Southern regions. The Akintola party in the West offered institutional support to the North and at the various intergovernmental meetings (meetings of Premiers, economic planning meetings, etc.) the Western representatives aligned with the Northern. But Akintola who had retained power through a parliamentary coup d'etat enjoyed little popular support. Some Ibibio and Delta groups in the East also sided with the NPC but they again appeared to enjoy small support in their areas. By intervening in the Mid-Western election the NPC departed from a policy of regional security that it had long sponsored. But its leaders were apparently trying to do two things: first, they were seeking alliances that might give them seats which would offset possible losses of seats in the North, and hence an insurance against being put in a minority position in the federation; second, in ruling the country they knew that they needed Southern allies to conciliate the South and they wanted more congenial allies than the Ibo-dominated NCNC. Behind these considerations lay a considerable fear of the South and the start it had in education, the Southern quasi-monopoly of the federal civil service, and the extensive control that Southerners held in the army and the police. This Northern intervention was the first substantial crack in the federal coalition. Others were to follow.

A storm had already blown up over the census taken in 1962. Before the results were published in full, some partial releases indicated that returns had been inflated in certain parts of the Ibo East. The insinuations involved fired Ibo tempers, sent Ibo parliamentarians and newspapers challenging the entire census, and destroyed the NCNC sense of political strategy. It seems fairly certain that even when the Ibo figures had been revised, the Northern proportion of the population would have fallen considerably. After a Southern walk out in the federal House of Assembly the Cabinet decided to hold another census. Nothing so much proved the weakness of constitutionalism in the country as the efforts which both governments and communities put into inflating their returns. When the overall figures were released, they gave, strangely enough, much the same proportions between the regions as the 1952 census. Significantly the breakdown of the figures has not been released so that scholars have not had the opportunity to process and check them. The Southern political leaders and many educated elements in the South protested against the size of the Northern figures. But they could find no way of translating their protests into an ef-efective constitutional rejection.

The confrontation between representatives of the Northern Region and representatives of the three Southern regions that took place in the Mid-West election and in the census discussions opened into a federation-wide contest in the 1964 federal election. The NCNC and the Action Group formed together the United Progressive Grand Alliance (UPGA). The NPC and the NNDP joined to form the Nigerian National Alliance (NNA). The UPGA parties started on the campaign with a great deal of confidence; they felt sure of winning massively in the Southern constituencies; and they thought that they could add enough Northern seats to win a slight majority in the federation. Their confidence eroded as the campaign went on: they discovered that some thirty Northern seats were going to return unopposed NPC candidates; they soon realised that they had little freedom to campaign in most parts of the North; and they experienced serious obstacles in the way of campaigning in the West. Indignation grew in UPGA ranks. It was heightened by a mass exodus of Ibo women and children who crowded out of the North as rumours spread that attacks were going to be made on Ibos. The realisation that they were almost certain to lose the election, compounded with bitterness over the unfair administration of the electoral machinery and emotionalism over the sight of refugees arriving from the North, stampeded the UPGA leadership into declaring a boycott of the polls. In consequence, the NPC swept the Northern seats; the NNDP won most of the Western seats (they lost almost every single constituency where the boycott was not observed); and in the Mid-West where the boycott was called off during polling day the NCNC won all the seats. Only in the East was the boycott complete because the government refused to administer the election. The contrast between the East and West exemplified how much the administration of even a federal election depended on the regional government.

The post-election crisis in which the President, Dr Azikiwe, asserting that he was not satisfied with the conduct of the election, refused initially to call on the Prime Minister to form a government, caused some tension in the country. Inevitably Azikiwe was thought to be in league with the East and his stand embittered the Northerners. There were talks held secretly and at a high level in the East on the possibility of secession. No public statements were made by members of the Eastern government. But Easterners inside and outside the government did seriously consider the possibility of seceding from the federation. The growing oil revenues pointed to the proximate viability of the East as an independent country. But the problems involved in repatriating the nearly two million Ibos who lived outside the East would have been enormous. The East would also lose a considerable investment made in the Lagos area. The growing industrial complex at Port Harcourt and the factories in other areas would lose the benefit of the Nigerian market. And while the Ibo East would willingly abide by a decision to secede, the reactions of the peoples in the COR areas where the oil is found were much less predictable. These problems strengthened the hand of those who argued against secession. In fact, for all its apparent gravity and post-election crisis involved much more the political leaders in a dispute over the location of power than it involved the peoples of the country in convictions that they did not want to stay together. The crisis that was to follow in the West assumed more serious dimensions.

After the President had given in and agreed to call on Sir Abubakar to form a government, the latter formed a 'broad-based' government that excluded the Action Group. The NCNC was given the same number of ministerial posts as the NNDP. In practice that meant that it lost some ministerial portfolios and that some of its former federal ministers were demoted. Though many NCNC militants, especially in the East, argued that the party would do better to join the Action Group in opposition, its ministerial members at the federal centre preferred to remain close to power and patronage. The latter also argued that their presence in the Cabinet would serve to prevent the coming Western Regional election from being falsified.

The boycott had frustrated the intentions of the Western electors and left the West bitter and sullen. One last chance remained in the regional election that had to take place before the end of 1965. In the event the conduct of the election in which many candidates of the opposition parties could not place their nominations, in which ballot papers were available to government party members before the polling, and in which the regulations governing the counting of votes and the announcing of results were openly flouted inevitably gave a government victory. The NNDP had little illusion that it commanded majority support and it anticipated some repercussions after its victory. But its leaders and supporters, making an estimate of the Yoruba temperament, judged that once the first reactions were over, trouble would subside and the people would acquiesce. Disburbances broke out in protest against the results and they have proved much more extensive and have drawn on much more intense feelings than the government had anticipated. The Prime Minister, taking his cue from his party, refused to acknowledge that the poll results had been rigged, and sent the federal security forces (many of the police being drawn from the North, something that has exacerbated ordinary bitterness) to support the government. But for over a month demonstrations have continued: NNDP supporters have in many places been killed or driven from their homes; customary court judges have been intimidated into resigning or fleeing; NNDP local management councils have thought it prudent to resign; and there seems little prospect of collecting local taxes. As things stand there is a stalemate: the government can stay in possession of power while it controls large contingents of policemen and soldiers but cannot effectively administer; and the opposition can make government difficult but cannot dislodge the government. The results of the election created much bitterness in the Eastern Region where the anti-Ibo attacks of the NNDP and the intrusion of the NPC into Southern politics are resented fiercely. In the meantime the costs of the disturbances and the slowing down of the Western Region administration and economy are building future political trouble. And resentment of the North is intimating a direction that labour discontent in Lagos and the West might easily take.

The issue of the location of power was not resolved in pre-independence Nigeria and it has imposed severe strains on the unity of the country ever since. Yet Nigeria has stayed united. So we might at thisstage offer reasons why unity has prevailed, if not over disunity, at least over disintegration. First, through education and other means of communication the intelligentsia hold an image of themselves as Nigerians and they place value on the prestige that derives from a country of the present considerable size. The sense of being Nigerian is reinforced by the use of a common language for official purposes, a certain unification of law, and various agencies ranging from the Central Bank to the public corporations (railways and aviation, for example). Places like Lagos where a Nigerian civil service functions and companies with a countrywide market operate gather together peoples from all parts of the federation and give them a vested interest in its continuity. Second, no ethnic group or region is yet willing to embark on the extra-constitutional course, fraught with personal and social danger, that would lead to the disintegration of the country. Third, no existing region could easily bear the costs of secession. We have already noticed the problem that would arise for Eastern secession. The North realises now how much it has gained economically from federation. Should it secede, it would not only lose the present advantages of markets and investment but it would be land-locked like Niger or the Upper Volta and its commodities would be in danger of being impeded on their way to the coast. Not least, its minorities might prove difficult to deal with without the use of federal security forces. The West with Lagos and without the other regions would resemble a head without a body. The Mid-West has evinced little sympathy for secession sentiments and, except in the extreme case of the federation falling apart, would have little hope of persuading the other regions to allow it to secede. There is an alternative possibility to secession which is the expulsion of a region. (This would also involve a constitutional change). That possibility however seems most unlikely because any combination of regions that could organise the expulsion of another region could presumably control that region without expelling it. All in all, it might be said that each month that the federation endures makes it more difficult for any group or set of groups to unscramble it. Administrative considerations, economic realities, and the intertwining of communications and the mutual dependence of those operating them (the railway, for example, which makes most of its way through the North and which draws heavily on Ibo skilled and semi-skilled labour) add up to a formidable practical unity.

Not the least factor conditioning Nigerian political integration was the criss-crossing of alliances that prevented political conflict from following along lines of pure social and economic cleavage that would have opposed the traditionalist savanna peoples of the North to more socially mobilised tropical forest peoples of the South. The weakening of this unitive factor is one of the more dismaying features of the present situation. Sentiment in the North has apparently so much hardened against the East that the value of Eastern partnership in the federal government is no longer highly appreciated. Western resentment against Northern-backed Yoruba politicians and their use of federal armed forces to flout popular wishes has gradually been growing more powerful than the solid dislike that the scramble for jobs and the quarrels of the nationalist movement generated between Yorubas and Ibos. The liquidation of the Bornu Youth Movement with which the Action Group was allied and the overwhelming of NEPU have lessened Southern attachments to Northern groups - though UPGA ties with Tarka and the Tiv remain. The bonds that joined NPC and NCNC federal ministers in personal friendship and commercial interests are giving way before the strain of the hostility growing between their communities. Other issues have added to this gradual polarisation of hostility between the Hausa-Fulani and the Kanuri on the one side and the main Southern peoples on the other. Attempts to inject Northerners, some of whom have been less well qualified than their Southern competitors, into the federal civil service and the more rapid promotion of others have alienated Southern bureaucrats who see their professional prospects threatened; uneasiness is building up over the attempts to increase the Northern proportion of policemen and army officers, not to mention the attempts to ensure a Northern majority among air force officers; there is resentment about the Northern unwillingness to let the iron and steel complex be located at Onitsha in the East. Underlying all these factors of polarisation lie the different kinds of commitment to social modernisation that characterise the Northern government and the Southern governments: the Northern government desires a <u>controlled</u> modernisation that permits the existing Northern structures to change slowly and enables the members of the present ruling classes to stay in power; the Southern governments are faced with a <u>compelled</u> modernisation as they are pressured by their own intelligentsia, the salaried and labouring class, and the increasing number of educated or half-educated unemployed. To put this difference graphically: the Northern government is seeking desperately to encourage primary schools in Sokoto; the Eastern government is trying to discourage secondary schools in Owerri. It is a classical observation that the richer regions of underdeveloped countries keep on growing richer faster than the poorer regions do and that normally the gap between regions tends to widen. If we compare the figures for education in the North and the South, this observation should seem to hold good for Nigeria because though the Northern rate of increase has lately been faster, the gap in the absolute numbers of educated people has been growing. In any case the present statistics of educational development tell their own story: there are eight times more children in primary schools in the South than in the North; and there are ten times more in secondary schools. Hence, in terms of available skills and likely pressures the South is faced with possibilities and aspirations but also with blockages and frustrations that far surpass the Northern experience. Yet the Northern leadership with its control of the federal government is inevitably seeking equal economic development for the North, and sometimes seems to be seeking more. It will be difficult in a situation where the Southern leadership is dealing with regions where the demonstration effect of economic growth has been striking and where at the same time educational development has outstripped employment prospects to avoid the temptation to channel against the Northern leaders the pressures that their people are going to subject this Southern leadership to. In a relatively homogeneous country economic development holds hazards for the stability of political rule for rarely can governments bridge the gap between expectations and achievements. In a country where the political leadership and community are far from homogeneous widening rifts are even more difficult to avoid.

The conflicts, potential and actual, that we have been considering have been magnified and complicated by other weaknesses and mistakes in the Nigerian federation. No personalities have appeared on the political scene who might transcend the confines of ethnic group and social class - of the two obvious men who might have done so, Azikiwe and Abubakar, one never recovered from the split in the nationalist movement, the other for all his reputation for integrity and compromise has gained neither the leadership of his own party nor popular support. The federal parliament has met for short sessions only; its members have not acquired a sense of corporate distinctiveness and they have not communicated an image of a properly national assembly; and they have not been helped by the evident disdain with which the Cabinet has treated parliamentary discussion and the speed with which it has required bills to be passed into law. One most obvious means of projecting a Nigerian image might have been foreign policy. But though Nigeria has made solid contributions to African unity and wisely stressed the need to develop communications and economic co-operation between African countries so as to underpin other forms of unity, the government has fumbled many opportunities, consistently lost the radical initiative to Ghana, and left its own intelligentsia with little conviction that they were presented as a distinctive people with a style of acting all their own. But, perhaps more serious than any of the deficiencies so far mentioned is the pervasive conviction among socially mobilised groups in the country that their political leaders are corrupt, venal, and none too able. It has been difficult for the intellignetsia to identify with those political leaders who have the most opportunities for positing society-sized acts and identifying the direction of national purpose. And hence a lack of esteem has sapped a primary source of sustenance for integrating individuals politically.

The federal centre has been hampered by much of what has just been mentioned but there is morethan can be said. Apart from its control of foreign policy, the main function of the centre has been to stimulate economic growth and to maintain law and order. But its role in economic growth tends to merge with the regions. Also, economic growth itself has been concentrated in projects that are much less diffused and have touched peoples' lives much less than the educational and social welfare schemes of the regions. The federal function of policing the country, except in those rare instances where people feel that they need protection, is not very prized where policemen were until recently associated with alien occupation and control. In other words, those governmental operations that most positively touch the lives of citizens have belonged to the regions with their uncertain sense of civic identity; and the federation has been left the poorer in the sight of ordinary people whose vision does not easily lift beyond the needs of their immediate communities.

Given the problems of unity and development that have been arising for Nigeria, it is understandable that various solutions have been put forward for improving affairs. Most of them have hinged around three proposals: an executive presidency, a strengthened Senate and an increase in the number of regions. Yet the problems connected with each proposed reform are considerable. It is doubtful if a single man could at this stage draw together in a trust of his leadership peoples who distrust one another so profoundly; and there is not in sight an acceptable method of working out the electoral machinery for an executive presidency. A strengthened Senate would only consolidate regional divisiveness in the federation and would slow doen still further political decision-making in a country where it is already too slow. The problem of increasing the number of regions lies in convincing the Northern leaders that to abandon their present monolithic massiveness would not mean their eclipse. It is difficult to conceive of any other way of convincing them to accept that the North should be divided than threats that bring home to them how they might in any case lose their power in the explosion of a frustration (outside the North and within it) hostile to them. Increasing the number of regions would certainly have to be accompanied by other changes. A much greater share of oil revenues would have to go to the centre - no other condition would permit the oil-bearing areas to be subtracted from the Ibo East. The regions would have to cut down on their present governmental costs. And education might become a federal subject, so being better planned and used to develop a Nigerian image both in its content and in bringing the federal centre into direct contact with the communities of the country. However in spite of the constitutional conference that is being prepared just now, it is not realistic to think that the present political leaders are ready for far-reaching reforms.

In the last resort a country holds together and its citizens co-operate when they are convinced that the costs of integration and the hazards of dissolution are outweighed by the advantages of union. The estimates of costs are not made explicitly and rationally. But underlying most political integration is a sense of constitutionalism which is a mixture of observing the law of the land and playing politics according to the rules of the game. Here again post-independence happenings have undermined the present shape of political integration. The North owes much of its present power to the constitutional provision that links representation to population. But two contested censuses have not strengthened the general acceptance of this provision in the South; and the regional control of voting has not helped either. Constitutionalism has not benefited from the use of federal powers to crush the Action Group opposition, reject the decision of the Privy Council that upheld the Western governor's removal of Akintola as Premier, and put through a constitutional change in the West with a doubtful majority in its parliament. A fairly widespread loss of confidence in the courts and blatant refusals by the Directors of Public Prosecution to press charges against government party supporters has added to the uneasy conviction of the intelligentsia that there is less and less to be gained from appealing to law and abiding by constitutionality. The use of the Western Electoral Commission to fabricate results may well prove to be the final decisive step towards abandoning legality on the part of those who possess power. In the immediate present it is the Southern communities and intelligentsia who reckon that a warped legalism is being used against them. What is surprising is how unwilling they have been to opt for, or to call for, non-constitutional or extra-constitutional action. It does, in fact, seem to be true that the intelligentsia are too 'bourgeois', too committed so far to their relatively high standard of living, and too little ideologically oriented to run the risks that embarking on revolutionary change might bring. Yet they are gradually being edged back to a position in which they may take a stand lest further concessions remove from them what they have so painfully acquired. Not least among what they have acquired are things as diverse as their standard of living, their prospects of promotion and their freedom of speech.

The observations of the previous paragraph might be put in another way. Pye has pointed out: "In a developing country the eyes of communication are for ever on the future. In fact, this is one of the significant differences between traditional society, where attention is on the past, and modernising society, where it is overwhelmingly on what is to come. Future orientation ... stimulates people to greater efforts and strengthens them to endure hardships - which are seen as temporary but necessary preludes to a better day." While some Southerners chose freely to partner the Northern politicians and thought that such partnership was a condition of a Northern share in the government (as was true in 1959), no group of peoples or leaders were blocked completely in their access to power. What the crushing of oppostion groups in the North and the monolithic nature of Northern voting in recent elections has done is to remove from Southern groups constitutional possibilities of defeating the NPC or of making it necessary for the latter to accept representative Southern partners. The future is constitutionally closed. That kind of impasse is an invitation to non-constitutional or extra-constitutional action. Not the least likely prospect - and the analogies with the struggle between the North and South in Dahomey should be obvious - is that labour discontent may turn into a general strike which may in turn become a political weapon. A Northern-led federal government might find it impossible to resort to the last measures against strikers with whom the security forces were relatively homogeneous in ethnic origin and solidary in class outlook.

Those primordial loyalties that touch men's hearts in Nigeria belong to the communities of the country. Yet the members of the communities, and the intelligentsia that has been formed in the educational systems, have been willing to stay within one political framework. It is true that those who have become political representatives have so far been communal champions rather than men with countrywide political vision. The state has been an arena within which leaders have scrambled for amenities with which they justified their political role to their own communities who give them their social identity in the first place and from whom they draw their political power. Yet if the leading political figures have discovered how their personal interests have coincided as they worked together, they have also gradually come to understand that the interests of the communities they represent can in the last resort be furthered only in the context of political and economic integration. Lack of technical capacity and skills, shortage of capital and other obstacles to socio-economic development in a country where education has evoked aspirations and where trust has still to grow among leaders and communities complicate the political decision-making and the growth of political fellowship. The future of the Federation of Nigeria will depend on whether its regions, and large peoples within the regions, are willing to go on working the existing constitutional structure, on how political power will for practical decision-making purposes be disbributed within the regions and between them and the centre, and what pattern social development (including education especially), economic growth and allocation of amenities will follow in relation to the location and use of political power and the expectations of the socially mobilised classes and areas. It is hardly likely that the development will take place without painful readjustments in which the will to integrate will have to stand the strains of costs that may at times appear exceedingly high.

ECONOMIC INTEGRATION IN EQUATORIAL AFRICA*

by Peter Robson

Introduction

With rare exceptions the student of the economic problems of francophone Africa will not find the wealth of official and academic material which is commonly available for most countries of English-speaking Africa. Reports of expert committees are rarely published. Serious academic studies are rare. Newspapers are few or non existent. Debates in National Assemblies are unusually formal and uninformative with the real discussions taking place in Committees whose proceedings are not divulged. Statistics are seldom as well developed or as up to date as in anglophone Africa. Equatorial Africa is unfortunately not one of the rare exceptions and descriptive and interpretative studies are almost wholly lacking. Partly for this reason this paper seeks to provide a fairly general survey of economic integration in this part of Africa. The paper falls into the following parts:

1. The Origins of Economic Integration in Equatorial Africa.
2. The Economic Structure of the Area.
3. The Mechanics of the Customs Union and Common Market.
4. The Monetary System.
5. Fiscal Harmonisation.
6. Industrial Harmonisation.
7. Economic Links with Neighbouring Countries.
8. The UDEAC Treaty

---

* In preparing this paper I have had the benefit of discussions with officials and others in Brazzaville and the other UDEAC Countries.

1. The Origin of Economic Integration in Equatorial Africa

For the purpose of this paper, Equatorial Africa, or Central Africa, as the area increasingly terms itself, includes Congo (Brazzaville), Gabon, the Central African Republic and Chad, together with the Federal Republic of Camroon. Between the first four of these countries there has existed a measure of economic integration since 1910 when French Equatorial Africa was established with a Governor-General and a High Commission in Brazzaville. At this time it seems to have been intended that the four constituent territories - Moyen Congo, Gabon, Oubangui-Chari and Chad - should retain a substantial amount of economic and administrative autonomy, with the government-general undertaking a limited range of common services including the collection and distribution of the main source of revenue and for the rest guiding and giving coherence to territorial policies. As things turned out, however, the government general developed strong centralising tendencies. There was some decentralisation early after the war, but the administration of the area retained most of the characteristics of a fairly strong federation. Amongst other things the territorial budgets were heavily dependent upon federal subventions which involved a substantial element of fiscal redistribution to the benefit of the inland states.

During the early fifties the structure and the operation of AEF was increasingly criticised by the elected members of the Grand Council. A main ground of complaint was that the federal government was spending a disproportionate amount of the resources that the individual territories had earned and wanted to use for themselves - in part because the scale of administration was too lavish and the administration of the financial services inefficient. In addition the wealthier territories - particularly Gabon - increasingly objected to supporting the poorer ones through the fiscal system.[1]

The year 1956 marked the beginning of the end of this system and the emergence of new states between which however, many important economic links have been maintained. Following the "loi cadre" of 1956 elected territorial governments were created and the long-standing territorial dissatisfactions with the system with the system expressed themselves in the dissolution of the federation. In the following year most of the responsibilities of the Grand Council were transferred to the territorial governments. Recognising their small size and the permeability of their internal frontiers the four territories were easily persuaded to agree to co-ordinate their fiscal and teriff policies which were formerly under the control of the government-general. This agreement was made concrete in the convention of June 1959 which established the Equatorial Customs Union (UDE)[2]. In the first instance this convention enabled the existing customs union arrangements to continue much as before. Provision was also made for the establishment of certain central organisations to replace the former High Commission services and for the continued common operation of rail and river transport services, posts and telegraphs, the customs administration and certain other services. Thus when on July 1st 1959 the Federation ceased to exist and was replaced by four new member states of the French Community - Congo, Gabon, Chad and the Central African Republic - a framework for continued economic co-operation was in existence.

At this time there was still some support in these countries for re-establishing some kind of political connection amongst themselves which would complement the economic arrangements. A conference of heads of state met in Bangui in February 1960 to consider this possibility. The outcome was the signing in Fort Lamy in May 1960 of a convention creating the Union des Republiques de l'Afrique Centrale. (URAC).[3] This union was intended both to reaffirm the desire of the equatorial countries to maintain their economic links and also to promote unity in the field of defence and external affairs. Its charter provided that the Union, and not the individual members would have an international legal personality and be represented abroad. It was also to be responsible for defence. The institutions of the Union were to include a Council on which each state would be equally represented. A President was to be elected yearly by the Council from the heads of state. A Supreme Court was to be set up.

URAC proved to be a deal letter almost from the outset. Gabon in any case declined to ratify the charter though affirming its intention to co-operate in the economic field. After a short delay, first the Central African Republic and then the other members obtained representation at UN and in 1960 all became fully independent nations. Since then no formal political links have existed between these countries although some attempts have been made from time to time to harmonise external policies in the course of the periodic conferences of heads of state provided for under the UDE Convention[4] and all four have participated in the collective political activities of the Union Africaine at Malgache.[5]

The fifth member of the area is the Federal Republic of the Cameroon which was formed out of the former French Cameroons and the former British Southern Cameroons. (The problems of integrating the two parts of this state are to be considered in a separate paper and will not be discussed here). For a number of years the Cameroons has enjoyed close economic links with the other countries of Equatorial Africa. During the war there was a de facto customs union between them. This did not continue after the war, mainly because of opposition from AEF which feared competition from the more developed Cameroons, and in the last few years tariff systems of the two areas have diverged somewhat. From 1955 however, limited customs free exchanges between the Cameroons and AEF were established by Convention. In 1961 this was

Average population density is about 9 per square mile and ranges from 24 in the Cameroons to 5 in the Central African Republic and Gabon.

On the whole this vast area is poorly provided with transport facilities. Railways are few. The road system both within the countries and still more between them is bad and communication is often interrupted during the rains. In the past the so called "federal road" consisting of the railway from Pointe Noire to Brazzaville and the Congo river from Brazzaville to Bangui has constituted the main transport artery of the four equatorial countries, and the chief means of acess to the sea for the inland countries. The route is slow and involves many handling operations. Even so, all of the Lamy area and much of the upper Oubangui are very distant from the Bangui terminal. For Lamy in fact, routes through Nigeria are cheaper and shorter but at present they can only be used for limited periods of the year.

The only other railway is in the Cameroons and links the port of Douala with the capital at Yaounde. It is now being extended to Ngaounderé in north Cameroon. There is a project supported by the Governments of Chad and Cameroon to extend it beyond Ngaounderé through Moundou to Fort Archambault in Chad, traversing on the way the major part of Chad's cotton zone. A further project which is supported by the Central African Republic involves the construction of a railway from Bangui eastward to Ebaka in the Cameroon, linking up with the northern extension of the railway from Yaounde and providing a direct route to the sea at Douala. This link would open up the high potential regions of Lobaye and Haute Sangha. The emphasis on railways is in interesting contrast with the policies of most other African countries. Rail construction appears relatively attractive in Central Africa because of the nature of the terrain, traffic, and the distribution of the population. If the railways materialise there will be important implications for the common marked since a market transformation of the traditional pattern of distribution centred on Brazzaville is likely to result.

Table 1.

Central African Economic Union

Economic Structure

Country	Population Millions 1963[1]	Population density inhabitants per sq.mile	Rate of population growth[1]	Gross Domestic Product 1963[2]					Proportion of G.D.P. produced in the Market Sector
				Aggregate		% of Total	per capita		
				000 Mn.Fr. CFA	£Mn.		000 Fr. CFA	£	1963
Cameroon	4.4	24	1.9	109	158	42	25	36	69
Central African Republic	1.3	5	1.9	40	58	15	31	45	72
Chad	2.8	6	1.1	42	61	16	15	22	60
Congo(Brazzaville)	1.0	8	1.3	31	45	12	31	45	84
Gabon	0.5	5	2.1	37	54	14	73	106	88
UDEAC	10.0	9	1.6	259	375	100	26	38	73

Notes: [1]U.N. Stacistical Yearbook 1963 Table 2.

[2]Author's estimates based on accounts mentioned below, adjusted. GDP is "Produit Interieur Brut" less indirect taxes plus subsidies. This has been employed to facilitate comparison with East and Central Africa. For the French system of accounts, see Leroux and Allier, Presentation Normalsee des Comptes Economiques, Ministere de la Co-operation, 1963.

[3]East Cameroon only.

Sources
Comptes Economiques, Republique Federale du Cameroun 1951/1959
Comptes Economiques, Republique du Tchad, 1958
Comptes Economiques, Republique Centrafricaine, 1961
Comptes Economiques, Republique du Congo 1958
Comptes Economiques, Republique du Gabon 1960

(Ministere de la Cooperation, Paris.)

(ii) National Product

Unfortunately recent national accounts for these countries are lacking. Estimates (Table 1) based on the most recent national accounts adjusted to allow for changes in the major determinants of income suggest that for 1963 the total gross domestic product (GDP) at factor prices for the area as a whole is of the order of 260 milliard francs or £375 mn. at the official conversion rate. In terms of aggregate GDP the Cemeroon Republic is by far the most important of the five and it produces more than 40% of the total product for the area.

Product per head for the five countries is estimated at 26,000 francs (£38). Gabon has the highest per capita product of 73,000 francs (£106) followed by Congo and CAR with 31,000 (£45). The lowest per capita product is that of Chad at 15,000 francs (£22). In comparing these figures with similar aggregates in other parts of Africa the usual qualifications have to be borne in mind. It would be noted in particular that the general level of prices in the UDEAC area is a good deal higher than that in many other parts of Africa. Also because of high transport costs and distributive margins, prices in CAR and Chad are higher than in the coastal states so that their relative real product is overstated in comparison with those of Congo, Gabon and Cameroon.

The fragmentary and doubtless unreliable information on rates of growth in the UDEAC countries which can be deduced from the foregoing and other data is summarised in the following table.

UDEAC countries: Rate of Growth of GDP

Cameroon	(1951/59)	6%	(1959-63)	4%
Central African Republic	(1953/60)	3%	(1961-63)	12%
Chad	(1953/60)	4%	(1958-63)	2%
Congo	n/a		(1958-63)	8%
Gabon	(1953/60)	9%	(1960-63)	10%

Sources: 1. Comptes Economiques for Cameroon p. 41.

2. UN Yearbook of National Accounts for 1963, p. 327.

All other estimates based on latest national accounts and Tablel.

(iii) <u>Structure of the Economy</u>

From the most recent national accounts it is also possible to obtain a rough but useful picture of the relative importance of different sectors of the economy in the generation of GDP in 1960. This information is shown in Table 2 according to three aspects;

(i) relative importance of subsistence and marketed output;

(ii) relative importance of traditional and modern sectors; (iii) relative importance of primary, secondary and tertiary production.

In 1960, for the area as a whole subsistence production accounted for about one third of total product, the importance of this non-monetary sector varying from 44% in Chad to only 10% in Gabon. The second aspect involves a division of the product into the traditional and the modern sectors thus focusing attention on the relative contributions of peasant and artisan production on the one hand, and manufacturing industry, plantations and mines on the other. This is different from the subsistence/cash distinction because although all modern output is produced in the cash sector only a part of the output of the traditional sector is for subsistence, the balance being produced for the market. The table indicates that for the region as a whole about two fifths of total output is produced by the modern sector, this proportion being highest in Gabon and lowest in Chad. Table 3 indicates that whereas in Chad and the Cameroons about half total cash output is produced in the traditional sector, in CAR, Congo, and most of all in Gabon, marketed peasant output is relatively unimportant. Table 2 also illustrates the third aspect of production which is concerned with the proportion of total product produced by primary industry (agriculture, forestry and livestock), secondary industry (mining, industry, construction and punlic works) and tertiary industry (services, transport, distribution and administration). In the area as a whole the primary sector predominates, accounting for about half the product, while the tertiary sector produces about one third. Overall, secondary industry accounts for only 14% of total product. Its importance varies from as little as 10% in Chad to 33% in Gabon where in recent years much development based on mining and materials has taken place.

(iv) Structure of External Trade

Like most underdeveloped areas, UDEAC is heavily dependent upon foreign trade. In 1963, exports amounted to 64,000 mn. francs or about 25% of GDP at factor cost. Imports made up a similar proportion. For the group as a whole the trade balance is in deficit and has been so for a number of years. In 1963 when the deficit was smaller than it had been for several years it amounted to about 4000 mn. francs or about 6% of the import bill. Of the five countries, the Gabon and Cameroon normally enjoy a surplus while the others are in deficit. The Congo's visible deficit is large both absolutely and in relation to its imports, but it is to some extent offset by her favourable visible balance in interterritorial trade and by her invisible earnings from the other countries of the group. In recent years the trade deficit of the area as a whole and its net inconsiderable capital outflow has been financed mainly by foreign aid and to some extent by foreign investment. Foreign reserves on the whole have remained fairly stable.

Table 2. Relative Composition of Gross Domestic Product at Market Prices 1960

COUNTRY	RELATIVE IMPORTANCE OF SUBSISTENCE/MARKET SECTOR		RELATIVE IMPORTANCE OF MODERN AND TRADITIONAL SECTOR		RELATIVE IMPORTANCE OF STAGES OF ECONOMIC ACTIVITY.		
	SUBSISTENCE	MARKET	MODERN	TRADITIONAL	PRIMARY	SECONDARY	TERTIARY
Cameroon	35	65	35	65	55	10	35
Central African Republic	40	60	44	56	49	12	39
Chad	44	56	25	75	70	10	20
Congo (Brazzaville)	25	75	61	39	37	21	41
Gabon	10	90	74	26	29	33	38
UDEAC	33	67	42	58	52	14	34

Source

Planification en Afrique, Ministere de la Co-operation, 1963

Vol. 4 p. 75.

Table 3.

Relative Importance of Modern Sector expressed as % of Total Cash Product 1 9 6 0

Cameroon	53
Central African Republic	73
Chad	44
Congo (Brazzaville)	82
Gabon	83
ALL	63

Table 4

UDEAC

Principal Exports 1963

VALUE MILLION FRANCS CFA

	Central African Republic	%	Congo Brazzaville	%	Gabon	%	Chad	%	Cameroun	%	Total UDEAC	%
Timber	91	2	3,653	66	9,461	52	-	-	2,063	7	15,268	24
Cotton	1,364	25	-	-	-	-	4,313	77	2,043	7	7,720	12
Coffee	783	14	90	2	88	-	-	-	5,871	20	6,832	11
Cocoa			114	2	245	1			9,409	32	9,768	15
Bananas									889	3	889	1
Animals and meat	6	-	6	-	-	-	777	14	97	-	886	1
Oil seeds and Oil	149	3	554	10	21	-	55	1	1,328	5	2,107	3
Manganese					3,363	19					3,363	5
Uranium					1,739	10					1,739	3
Petrol			358	6	2,591	14	26				2,975	5
Diamonds	2,626	48	(a)								2,626	4
Aluminium									5,472	19	5,472	9
Other	411	8	762	14	617	4	434	8	1,945	7	4,169	7
Total	5,430	100	5,537	100	18,125	100	5,605	100	29,117	100	63,814	100

(a) Diamonds to the value of 4,759 mn. francs were recorded as being exported from Congo Brazzaville in 1963 but these are smuggled from the Kasai and should be considered separately.

Sources: Conference des Chefs d'Etat de l'Afrique Equatoriale, Statistique Generales. Commerce Exterieur 1963 Banque Centrale de l'Afrique Equatoriale et du Cameroun. Bulletin Mensuel No. 93.

Table 5 Direction of Foreign Trade UDE & Cameroon Imports 1 9 6 3

Million Frances CFA

	C.A.R.	Congo	Gabon	Tchad	U.D.E.	%
France	3,929	9,272	7,094	3,804	24,099	59.0
U.S.A.	333	1,046	1,404	534	3,317	8.1
Western Germany	472	1,031	823	394	2,720	6.7
Antilles Ned.	155	359	194	685	1,393	3.4
U.K.	255	488	438	202	1,383	3.4
Netherlands	249	490	244	146	1,129	2.8
Belgium/Luxerburg	178	335	205	90	808	2.0
Japan	42	94	51	106	293	0.7
Morocco	36	136	139	22	333	0.8
Italy	120	282	150	103	655	1.6
Cameroon Federation	43	32	307	80	461	1.1
Others	703	1,704	828	1,001	4,236	10.4
Total	6,515	15,269	11,876	7,167	40,827	100.0

Exports 1963

Million Frances CFA

	C.A.R.	Congo	Gabon	Tchad	U.D.E.	%
France	2,553	1,606	9,246	3,092	16,497	41.8
Western Germany	81	1,775	2,315	110	4,281	10.9
Belgian/Luxerburg	49	3,023	238	506	3,816	9.7
U.S.A.	953	53	2,381	(x)	3,387	8.6
U.K.	46	1,500	672	385	2,603	6.6
Netherlands	148	1,208	493	(x)	1,849	4.7
Nigeria	-	57	64	766	887	2.2
Israel	1,309	147	768	-	2,224	5.6
Camroun Federation	46	20	247	77	390	1.0
Italy	73	69	192	71	405	1.0
Others	172	838	1,509	598	3,117	7.9
Total	5,430	10,296	18,125	5,605	39,456	100.0

Source: Union Donarieve Equatoriale. Statistiques Generales. Commerce Exterieur 1963.

Table 5 Direction of Foreign Trade UDE & Cameroon Imports 1 9 6 3

Million Frances CFA

	C.A.R.	Congo	Gabon	Tchad	U.D.E.	%
France	3,929	9,272	7,094	3,804	24,099	59.0
U.S.A.	333	1,046	1,404	534	3,317	8.1
Western Germany	472	1,031	823	394	2,720	6.7
Antilles Ned.	155	359	194	685	1,393	3.4
U.K.	255	488	438	202	1,383	3.4
Netherlands	249	490	244	146	1,129	2.8
Belgium/Luxerburg	178	335	205	90	808	2.0
Japan	42	94	51	106	293	0.7
Morocco	36	136	139	22	333	0.8
Italy	120	282	150	103	655	1.6
Cameroon Federation	43	32	307	80	461	1.1
Others	703	1,704	828	1,001	4,236	10.4
Total	6,515	15,269	11,876	7,167	40,827	100.0

Exports 1963

Million Frances CFA

	C.A.R.	Congo	Gabon	Tchad	U.D.E.	%
France	2,553	1,606	9,246	3,092	16,497	41.8
Western Germany	81	1,775	2,315	110	4,281	10.9
Belgian/Luxerburg	49	3,023	238	506	3,816	9.7
U.S.A.	953	53	2,381	(x)	3,387	8.6
U.K.	46	1,500	672	385	2,603	6.6
Netherlands	148	1,208	493	(x)	1,849	4.7
Nigeria	-	57	64	766	887	2.2
Israel	1,309	147	768	-	2,224	5.6
Camroun Federation	46	20	247	77	390	1.0
Italy	73	69	192	71	405	1.0
Others	172	838	1,509	598	3,117	7.9
Total	5,430	10,296	18,125	5,605	39,456	100.0

Source: Union Donarieve Equatoriale. Statistiques Generales. Commerce Exterieur 1963.

Although the five UDEAC countries export a wide range of agricultural, forest and mining products a fairly small number of commodities accounts for the bulk of exports. Table 4 indicates that about a quarter of total exports consists of mineral products (one third if the euphemistically termed "transit" trade in diamonds from Congo(Leopoldville) is included) and a further quarter is provided by forest products, the balance being made up of agricultural products. Of the latter, cotton, coffee and cocoa, which are of roughly equal importance, together account for one third of total exports. Among mining products, diamonds (including sumuggled goods) are most important, followed by aluminium, manganese, petroleum and uranium. Over the period 1951 to 1963 exports have expanded by about 190%. Mining has been responsible for a large part of this expansion but timber, cotton, coffee and cocoa have also expanded considerably.

(v) Distribution of Trade

The exports and imports of the UDEAC countries are strongly oriented towards France, and to a lesser extent towards the other members of EEC. (Table 5). In 1963 42% of exports went to France and 69% to EEC as a whole. On the import side there is similarly a heavy dependence upon France and EEC which provided respectively 59% and 70% of imports in that year. This pattern of trade has been typical for many years.

Various factors account for this concentration of foreign trade. The close cultural and administrative links with France, which are reinforced by the procedures for obtaining foreign exchange, by trade agreements, and other means have all played a part. For instance, whereas imports from the franc zone can be freely ordered, the value of imports in currencies other than the franc is programmed annually in Paris and limited by reference to the availability of foreign exchange in the franc zone. Non-franc currency allocations are divided into two parts of which one is available for other EEC countries and the other is for the rest of the world. In practice the operation of this system favours EEC. Thus although these countries had until recently a non-discriminatory tariff, French imports were favoured by administrative means. On the other hand, the exports of the area enjoyed privileges in the markets of France. Many of the arrangements just outlined continue to operate, in particular the procedures for allocating currency. Since 1962 their effects will be reinforced by the common external tariff which provides a substantial margin of preference to France, other EEC countries and to certain African countries. This preference is likely to maintain and possibly to extend the concentration of trade upon EEC. There may also be some reemphasis in favour of France's partners in EEC as they are placed on level tariff terms with France, and, as required by the arrangements for association (all UDEAC countries are associated overseas territories of EEC under the Yaounde Convention) global quotas are instituted for EEC as a whole.

3. The Mechanics of the Common Market

A common market is an area within which there is freedom of movement for factors of production and products. The UDE convention provides for free movement of capital and products but not specifically for free movement of labour. Prior to independence there was a certain amount of labour migration within the federation which took the form mainly of a movement from the more populous northern territories to the south, stimulated by large wage differentials. While there has been no formal discouragement of migration since independence social and political factors have hindered it. Until 1964 the Central African Republic even imposed an annual tax on workers in private enterprises who came from outside the territory. A year or so ago the Gabon government used the occasion of a football riot to repatriate the many Congolese workers in that country. The UDE is therefore perhaps best regarded as a partial common market the central feature of which is the customs union which has made possible the free movement of goods.

(i) The Machinery of the Common Market

Except in relation to the monetary system, the supreme policy making body for the various forms of economic co-operation which exist between the UDE countries is the Conference of Heads of State which functions according to a detailed convention. On a basis of unanimity the Conference makes Acts and Decisions which, after publication, have legal effect in all four countries so long as they are consistent with the basic inter-state conventions.[8]

A Secretariat and certain common offices provide the administrative machinery through which economic cooperation is effected. The Secretariat operates under a Secretary General who is responsible for coordination between the UDE countries. The Secretariat includes an economic and financial office and a statistical service. Certain common services including the common customs service are under the authority of the Secretary General. Several of the major common service - posts and telegraphs, railways are self-financing. Of the administrative servives, the Secretariat is financed in principle by equal contributions from each state, and the common customs service by a levy on customs revenues.

In practice although the Conference has wide responsibilities, (except for matters concerning the common services) the real business of the customs union is handled by a Committee of Direction, under the authority of the Conference, and the Conference is brought into the picture when the Committee has been unable itself to reach agreement. The Committee of Direction is made up of the Finance Ministers of each country, one other representative from each country and certain other persons (for instance the Chairman of the Central Bank) acting in an advisory capacity. Its Acts and Decisions have legal effects in the four states after publication. In practice decisions have to be unanimous, and if agreement cannot be reached, the matter is referred to the Conference for decision.

One of the most important functions of the Committee is to decide upon the levels of import duties. Apart from this, the Committee has power to grant certain fiscal concessions to manufacturing industries whose market extends to the whole of the Customs Union. Enterprises of this kind may be exempted from all import duties and all internal indirect taxes and subjected instead to a single tax (the tax unique) which represents a lower burden than the combined indirect taxes to which the firm would otherwise be subjected.[9] The Committee has to decide on the enterprises which are to be taxed in this way, and upon the rates of tax. The rate of the tax unique varies for different products but any given product the rates in each country are usually the same. Of the 30 firms taxed in this way in January 1965[10] eighteen are located in the Congo, six are in CAR, and six in Chad. Their products include beer, sugar, tobacco, soap, aluminium were in the Congo; textiles and clothing, beer, shoes, cycles and aluminium were in the CAR; beer, sugar, cycles, soap and radio receivers in Chad.

In addition to the foregoing executive functions the Committee of Direction has advisory functions in relation to a number of other matters. Of these the most important concern:

(i) the level and distribution of the Solidarity Fund the operation of which is discussed below.

(ii) <u>the scope and structure</u> of various internal taxes-including industrial profits, turnover, etc. Modifications can be made only if the Committee gives a favourable decision and after ratification by the National Assemblies.

(iii) The levels of the internal taxes just mentioned. If $\frac{3}{4}$s of the Committee give an unfavourable opinion on any proposed changes, the states undertake to give up their proposals subject to appeal to the Conference itself.

8

INTERNATIONAL SEMINAR

ON

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa and the Congress for Cultural Freedom.

Nigerian Institute of Social and Economic Research,

I B A D A N.

B Y

H.M. ONITIRI

Inter-regional Economic Co-operation in the Nigerian Federation

In the past eighteen months the Nigerian Federation has been subjected to serious political strains, and in one instance the threat of secession of one region from the Federation was seriously discussed. The air is not completely clear of this threat but, by and large, no one now seriously contemplates secession as a way of settling political differences within the country. All Nigerian leaders have repeatedly emphasized their intentions to keep the country as a single nation.

The fact that the threat of secession was short-lived should not be taken as an indication that the problems which gave rise to it were unimportant. Far from that being the case, the problems were real and fundamental indeed. In one case the accuracy of the population census was in question; in the other, the fairness of democratic elections was challenged. It will be appreiated that these problems lie at the basis of political power on which much else depends.

Ironically, it is when the threat of secession is in the air that Nigerians are most conscious of the advantages of remaining as a single political unit. The sheer size of the country and the political weight which goes wit it impress themselves even upon the average citizen. However, what seems uppermost in the minds of many people is not so much the political consideration as the economic advantages of keeping together or, put in another way, the ugly economic consequences of falling apart.

In a world in which economic integration is the order of the day, the advantages of keeping Nigeria as a single political unit and therefore as a single economic unit can hardly be over-stressed. Indeed, in Nigeria inter-regional economic co-operation preceded the creation of regions; it can even be said that it preceded the creation of regions; it can even be said that it preceded the formal establishment of Nigeria as a single nation. Historically, different ecological conditions arising from the different climatic belts which run laterally across the country have provided a spontaneous basis for the development of inter-regional trade. This trade was accelerated with the development of internal transporation. Although the main channels of internal transportation were developed largely with a view to evacuating export produce, they also contributed significantly to the development of internal trade.

The scale and nature of inter-regional trade, much the same as the scale and nature of international trade, reflect the pattern of internal production and the general level of economic development. As a predominantly an agricultural country, Nigeria's international trade consists largely largely of the exchange of domestic agricultural products and raw materials for manufactured goods; inter-regional trade on the other hand consists largely of the distribution of imported manufactured goods and the exchange of agricultural products of domestic origin among the regions.

While international trade can be easily measured, the measurement of inter-regional trade is beset with great difficulties. Such a measurement is however, highly desirable not only as a means of indicating the extent of inter-dependence among Nigerian regions, but also in order to ascertain the possible impact of economic development on this inter-dependence.

A.R. Prest and I.G.Stewart attempted some detailed quantitative estimates of internal trade in their duty of The National Income of Nigeria, 1950-51.[1] Although these estimates are not as detailed as they might be, they still provide useful information on the subject and they also indicate the lines of further useful research. More recently the Nigerian Institute of Social and Economic Research has embarked on a detailed and comprehensive study of inter-regional trade. The study is being undertaken by R.H.T. Smith and A.H. Hay.[2] The full results of this study will not be available for some time. However, some of the information which has already appeared when compared with the Prest and Stewart study do provide greater enlightenment on the scope and nature of inter-regional trade.

---

1. A.R. Prest and I.G. Stewart: "The National Income of Nigeria 1950-51." London: Her Majesty's Stationery Office, 1953, Appendix A, pp 96/110.

2. A copy of the working paper on the study is attached to this paper.

Prest and Stewart identified a dozen commodities of importance in internal trade. The emphasis was on movement of commodities from surplus to deficit areas rather than on inter-regional movements. However of the dozen commodities examined, only one is of little importance in inter-regional trade. The list of commodities identified is as follows:

Palm Oil	Guinea Corn & Millet	Maize
Rice	Yams	Gari (Cassava Grains)
Beans	Onions	Kolanuts
Fresh Fruit	Dried Meat	Dried Fish

Of these twelve commodities, only Guinea Corn and Millet are of little importance in inter-regional trade.

The Prest and Stewart estimates cover only movement by rail and in some cases they take account only of movement to and from major cities rather than total movement. Furthermore, the movements are given in quantity units rather than in value terms, so that it is impossible to rank the commodities examined according to their importance in inter-ragional trade.

The Smith and Hay estimates have improved considerably on the earlier estimates. With the aid of an IBM 1401 computer, the researchers have produced a summary of goods moving by rail within and between the Western, Northern and Eastern Regions, for 150 commodities. They have also developed from detailed railway data a 30 x 30 matrix illustrating the role of 27 key cities in inter-regional trade.

No comparable source of information exists for inter-regional commodity movements by road and inland waterways, but it has been possible to make reasonably accurate estimates from origin - destination surveys already completed for a few key cities. Movement by coastal shipping is easier to handle as this is confined to ocean-going steamers operated by major shipping companies.

Work is now progressing on the conversion of volume movements to value equivalents, so as to provide an estimate of of the flow of money associated with inter-regional trade.

Most of the data used in the Smith and Hay study relate to a recent twelve-month period. While the result will provide a clearer indication of inter-regional trade than is at present available, it will not provide information on the historical trend of this trade.

The present study confirms the importance of the commodities listed by Prest and Stewart in inter-regional trade but it also indicates a few other commodities which move in significant quantities between regions. These are eggs, oranges, rams, pigs, live cattle and coal. Agricultural commodities are still the predominant products; the recently established domestic indüstries have not had any significant impact on inter-regional trade.

Until very recently production for exports has received much more attention in government policy than production for internal consumption. Similarly international trade has received much more attention than inter-regional trade. Indeed commodities which are important in inter-regional but not in international trade have received little or no attention in the development of government policy. For example, annual kolanut production in Western Nigeria is worth some £13 million a year and about two-thirds of this output is traded between Western Nigeria and Northern Nigeria. However, very little research has gone into the production and marketing of this commodity.

Inter-regional trade in its traditional form is hardly taken into account in any assessment of the economic inter-dependence of Nigerian Regions. Such inter-dependence is usually thought of in terms of the movement of population, the scope for industrial development and the sharing of certain common services such as electricity production from the Niger Dam now under construction. The necessity for a common network of transportation is also another factor which has been taken into account.

No doubt the steady increase in the level of income in the past two decades must have given rise to considerable expansion in inter-regional trade although the extent of this expansion will not be known until the present research is carried backwards to reveal the historical trend. However, since the traditional pattern of inter-regional trade consists largely of food products, it is likely that the expansion of inter-regional trade has fallen considerably short of the general increase in the standard of living. What is likely to be the trend in the future? This is a basic question which can be answered only through a careful examination of the consequences of recent development effort and an assessment of the effect of future programmes for agricultural and industrial development.

The Influence of Planning

Nigeria has embarked on development planning since 1946 when the Ten-Year Programme of Development and Welfare was drawn up under the Colonial Development and Welfare Scheme. As a result of subsequent political changes, separate development plans for the Federal and Regional Governments were put into effect during the period from 1955 to 1962. In 1962, the first National Development Plan covering the period 1962 to 1968 was drawn up by the Federal and Regional Governments.

The operation of these various development plans have had important consequences for the development of inter-regional economic co-operation. The present development plan, particularly because of its emphasis on agriculture and industrial development is bound to have even greater consequences. These consequences can be discussed under three heads, namely: agricultural development, industrial development and basic economic services.

Agricultural Development and Regional Co-operation

All the Nigerian Regions have made and are making great effort to expand agricultural production. This involves agricultural production for both exports and internal consumption. Each region is making effort to expand its staple agricultural exports and at the same time to increase the production of those commodities which it imports very largely from other regions. The situation can be depicted as follows:

The Northern Nigeria is the main producer and exporter of groundnuts and cotton. Western Nigeria is the main producer and exporter of cocoa. Western and Eastern Nigeria are important producers of palm oil, but the Eastern Region is the major exporter. Most of the palm oil produced in the West is consumed locally; scarcely any is exported abroad or moved to other regions. The Eastern Region is not only the major exporter of palm oil but it is also the major supplier to the Northern Region. Both the Western and Eastern Regions are important producers and exporters of palm kernels. The Eastern and Mid-Western Regions are important producers and exporters of rubber. The Mid-West and the West are important producers and exporters of timber.

Each region is making effort to increase the production of (1) Exports: (2) Goods which it supplies to other regions; and (3) Goods which it receives from other regions. For example, the Northern Region has plans for expanding groundnuts and cotton for which it accounts for the major part of Nigerian exports. It is also making effort to expand the production of those commodities such as cattle, beans, onions, rice and dried fish which it supplies to the southern regions. Furthermore, it has plans to expand the production of fresh fruits which it now receives in large quantities from the southern regions.

The southern region is making effort to expand rubber production for which the Mid-West region accounts for the substantial part of present Nigerian exports. Both the Eastern and the Mid-Western Regions have important plans for the expansion of cocoa production for which Western Nigeria accouhts for most of present Nigerian exports.

An important factor in the production plan of each region is the necessity for diversification of regional output. One of the important consequences of the fiscal arrangements between the Federal and Regional Governments is that each Regional Government relies predominantly on the export duties on the agricultural products from its won region. It is therefore in the interest of each region to diversify its agricultural production in order to mitigate its dependence on a few export crops. Two economic implications arise from this fact. The first is that each region might proceed to expand the production of a particular crop even though it is relatively costly to do so as compared with expansion in regions more favoured by natural advantages. Secondly, because agricultural export products are subject to export duties, all of which is returned in full to the regions, the Government of each region will feel more disposed to encourage the production of exports as compared with the production of goods entering into internal trade. These two tendencies are likely to interfere with the optimum allocation of productive resources in accordance with the principle of comparative advantage. A third consequence is likely to arise should there be any programme for the control of world production of a particular export crop. For example, control of production has been suggested as one way of dealing with the falling trend of cocoa prices in the world market. Suppose that a particular quota were allocated to Nigeria, how would this be distributed among the regions producing cocoa? These regions which at present produce very little cocoa but feel that they have greater opportunity for expansion would certainly resist any attempt to allocate the quota on the basis of existing production in each region. Indeed, Nigeria would be facing internally the problem with which we are already familiar on the international scene.

The major agricultural products destined for exports are controlled by Marketing Boards which fix annually the producer prices irrespective of the prices ruling in the world market. Although the main objective of this practice is to cushion the producers against fluctuations in the world prices of the product. Experience has shown that this machinery can be used as a policy instrument to achieve other aims.

The degree of government interference with production and prices of agricultural products destined for domestic consumption is considerably less. However, this class of products is now receiving a new emphasis and substantial sums of money are being spent by each region to encourage production of commodities destined for internal consumption. No doubt, it is in the interest of each region to concentrate on the production of those commodities which it is best fitted to do by its natural advantages. To do otherwise would be to misallocate investment and to subsidize production for the benefit of consumers in other regions.

It is evident from the foregoing that unless the production plans of the regions are co-ordinated and rationalised, considerable miscallocation of productive resources in the field of agricultural development is a real possibility.

Industrial Development and Regional Co-operation

The problem of co-operation is probably greater in the field of industrial development, though for the present, this is not generally realized. The Federal and Regional Governments have concurrent powers in the field of industrial development. However, the Federal Government has certain powers which it can use effectively to influence the development and location of industries even within the regions. The registration of companies is a Federal matter; more important, the various incentives for industrial development can be granted only by the Federal Government. Furthermore, foreign borrowing is a Federal matter and most regions do need to borrow for the establishment of industries within their areas. However, the evidence so far is that the Regional Governments has been able to have their way in the building of industries in their respective areas. The one industry in which there has been substantial controversy as to location, is the steel industry, the location of which was finally resolved in favour of the Northern and Eastern Regions. Otherwise each region has been doing pretty much what it likes. Most of the industries have been import substitution industries and for as long as there are imports for which they can substitute, there seems to be little problem. An increase in domestic production is seen as one more effort which saves foreign exchange on imports and creates additonal employment opportunities at home.

It will soon become apparent that this is only a phase which is bound to pass with time. Indeed for many commodities, Nigeria is rapidly approaching the position of self-sufficiency. What will happen after this?

For example, within the next two years Nigeria will produce slightly more cement than the expected level of consumption. Any region contemplating an expansion of production after that would have to consider the possibility of reducing the general level of cement prices or seeking export markets abroad. Since further expansion will depress prices all round and not just the prices of the particular firm expanding its production, the other regions will be interested in this development and we might then begin to witness the type of discussion among governments which so far has not been undertaken.

Much more planning on a national level is required for industries than for agricultural projects. Industries unlike agriculture are less subject to restrictions on the ground of natural advantages and a region which can marshal substantial capital resources could embark on a rapid programme of industrial expansion within its own region even though considerations of national efficiency and balanced development may dictate a wider dispersal of industrial expansion.

The present degree of autonomy enjoyed by Regional Governments in the establishment of industries within their respective regions is bound to give rise to difficulties in the foreseeable future. In many cases, the industries so established depend on a wider market than can be provided by the region itself. Furthermore, a substantial part of the raw material required by the indusfry may come from other regions. Indeed, in this latter respect, there is already concern about the pricing for domestic industries of raw materials controlled by the Marketing Boards. In some cases e.g. cotton, the Board insists on charging export duties on sales made to industries in other regions.

A joint statement issued by the Federal and Regional Governments on the subject is not very assuring. The statement reads:

> "It has been suggested that new industrial undertakings might be wise to restrict capacity to meeting the demands of the Regions in which they are located and to rely on local raw materials owing to the possibility of rival plants being established in other Regions. While naturally no undertaking can be given that rival plants will not be set up in other Regions, our governments accept that Nigeria is

> an economic entity for the purpose of industrial development, and it has been agreed that there shall be regular consultation on this subject between them. In addition a National Economic Council has been set up and has already held thirteen meetings. This Council is composed of representatives of Nigerian Governments. It is consultative only but is designed to ensure the maximum co-operation in economic matters. It can be accepted therefore that it is not unlikely that if the Nigerian economy could only support one plant in any particular industry, any Nigerian Government would encourage the setting up of a rival plant. Prospective industrialists are therefore advised to consider Nigeria as an economic entity and not as four separate economic units." [1]

While the sentiment is certainly in the right direction, the machinery of co-operation implied in the statement is decidedly weak. While it is desirable that Governments should trust on each other's good sense, experience suggests that much more that this is necessary to achieve a rational location of industries.

The sharing of powers over industrial development with the Regional Governments should not prevent the Federal Government from using its special powers of administering incentives to domestic industries for compelling the Regional Governments to conform to a national policy for industrial development. Such a policy should be designed in the first place solely on the grounds of economic efficiency though it could be subsequently modified to take account of other considerations, such as the desirability of balanced development of the regions.

The longer such a national policy is delayed, the more difficult it will be to put into effect and the greater danger that competitive industrialisation will be a sore issue among the various governments.

The Nigerian example illustrates the fact that the strains and stresses evident in our economic union of separate countries is also present to some extent in a Federations of semi-autonomous Regions.

---

1. Nigeria: Handbook of Commerce and Industry, Federal Ministry of Information, Lagos, p.315.

A country with one government still has to face the problem of even development of its various regions and quite frequently, special measures have to be taken to encourage the movement of industries in directions contrary to the dictates of private gains and profit calculations.

The wider dispersal of power among the political units composing a Federation introduces the problem of co-ordination and makes the objective of even development more difficult to achieve. The problem is of course even more difficult in an economic union of separate political units.

It has frequently been pointed out that an economic union of separate states cannot be resoundingly successful unless there is the will on the part of the separate political units to compromise individual sovereignty to the extent that it is necessary for furthering the objectives of the union. The principle implied in this view applies equally to a Federation of semi-autonomous states or regions. Even though the degree of autonomy of a region is considerably less than that of a separate political unit, it is still necessary that each region should compromise its constitutional powers to the extent that is necessary for developing the Federation as a single economic unit. If the regions press their constitutional powers to their logical limits, national economic decisions on a nation-wide basis are going to be difficult to attain.

Political arrangements are rarely designed if they are designed at all, for economic development. They are frequently the results of historical developments, accidental events and compromises between conflicting groups and interests. And sometimes it could be argued that a particular political arrangement, however illogical in terms of development prospects, is the only alternative to chaos and incessant strife among different groups and interests. That may well be so. But if economic development is a primary objective of economic policy, then it is necessary that the political arrangements should not be allowed to impede development prospects.

Africa is full of political arrangements which make no sense in terms of development prospects; and one of the major tasks which face African leaders today is to achieve compromises in the existing arrangements in the interest of rapid economic development.

The compromises necessary among the political units in Nigeria are far less than would be the case if these units were completely seovereign governments, and experience so far suggests that there is sufficient trust among the governments and sufficient power with the Federal Government to enable compromises to work. So far, as was mentioned before, there has been no major crises among the governments primarily on economic issues. The present task is to look ahead to issues which are bound to arise in the near future and to start from now to devise arrangements for resolving them.

As already indicated, one possible issue is competitive industrialisation among the regions. This demands the precise formulation of a national industrial policy which would serve as a frame of reference for regional industrial programme.

One method of approach which would not work effectively is the attempt to decide on industrial location on a one-by-one basis, as in the case of the steel industry. More progress can be made in an attempt to distribute a number of industries among four regions than in the attempt to locate one industry. The larger the number of industries to be located the more likely it is that a compromise will be achieved.

The experience of Latin American countries testifies to the great danger of waiting too long before effective measures are taken to achieve a rational distribution of industries among different political units. Once each unit has succeeded in establishing a number of industries, the problem of co-ordination is likely to be more difficult because it may involve a decline in some of the industries already established.

Fiscal Arrangement and Interregional Co-operation

The arrangement for distributing revenues among political units in a Federation is a big subject by itself; but it is also a subject which has important implications for inter-regional economic co-operation.

The fiscal arrangement in Nigeria has evolved side by side with the progressive emergence of the country as an independent Federal state, and the steady increase in the scope and intensity of economic planning. The major steps in the various directions are outlined in the accompanying table.

Although "the division of revenue between various parts of Nigeria has been a recurrent problem since the amalgamation of North and South in 1914",[1] the problem has attained wide dimersions only with the progressive emergence of a Federal structure. Sir Sidney Phillipson, who considered the problem in the light of the 1946 Constitution introduced two principles, " the principle of derivation - that is, giving to a Region a sum related to that Region's contribution to central revenues - and the principle of even progress - that is, giving relatively more to backward areas to enable them to catch up with the rest".[2]

Sir Sidney was concerned with the allocation of central revenues for expenditure by the regional authorities. The regional authorities themselves had no substantial independent source of revenues. The principle of independent revenues was introduced in 1951, following the increase of regional autonomy and the Report on Revenue Allocation by Professor J.R. Hicks and Sir Sydney Phillipson. Further fiscal review in 1953 by Sir Louis Chick was premised on the desire for even greater fiscal autonomy by the regional authorities which were to become more powerful as a result of the constitutional changes in 1954.

---

1. Nigeria, Report of The Fiscal Commission, Colonial Office Cmnd. 481, 1958, page 3.

2. Ibid.

By the time that the Raisman-Tress Commission was constituted in 1957, it had become clear that considerations of regional fiscal autonomy had to be balanced against those of overall national policy. The Commission reports that -

> "Our terms of reference require us to have regard to the desirability of securing that the maximum possible proportion of the income of Regional Governments should be within the exclusive power of those Governments to levy and collect, and at the same time to take into account considerations of national and inter-regional policy. It is in the light of both these aspects that we are asked to examine the present division of powers to levy taxation in the Federation and the present system of allocation of revenues and to make recommendations. The primary desideratum being posed as a high degree of regional fiscal autonomy, the limitations on achieving that target are presented as being first practicability ("the maximum possible"), which inevitably turns largely on administrative considerations; second, national policy, which involves the well-being of Nigeria as a whole and not merely as a group of self-governing regional units; and finally inter-regional policy, which implies the maintenance of harmonious relations between the Regions, the avoidance of causes of friction, and above all, the preservation of the free movement of trade across the regional boundaries."

In the Commission's recommednations, which form the basis of the existing law, the principle of national policy finds expression in various ways, as follows:

(1) The general power to control and tax imports remains with the Federal Government.

(2) The Federal Government retains jurisdiction in the field of export duties.

(3) The general jurisdiction in regard to excise duties continues to be vested in the Federal Government.

(4) With certain exceptions the basic jurisdiction to impose sales taxes remains on the federal exclusive list of powers.

(5) Jurisdiction in respect of company tax remains exclusively federal and the whole of the proceeds of the tax is retained by the Federal Government.

(6) The jurisdiction over mining royalties and rents remains exclusively federal. The Federal Government jurisdiction in respect of

mining extends to all fiscal arrangements and transactions in this field.

(7) A Distributable Pool of revenue into which are paid 30 per cent of mining royalties and rents, and 30 per cent of general import revenue, is distributed among the regions in the following; North 40, West 24, East 31, Southern Cameroons 5.

(8) A periodic review of the system of revenue distribution is suggested in order to assure the balanced development of the Federation. The first review was to be undertaken not less than three nor more than five years from the date of introduction of the new system.

When the Southern Cameroons was separated from Nigeria, the fractions of the Distributable account payable to each region was altered as follows:

Northern Nigeria	40	Ninety-fifth fraction
Eastern Nigeria	31	
Western Nigeria	18	

When the Mid-West Region was created, the portion payable to the Western Nigeria was split between that Region and the new region as follows:

	Ninety-fifth fraction
Western Nigeria	18
Mid-West Nigeria	6
	24

This last provision of the Raisman-Tress Commission (8 above) was implemented in 1964 when a Fiscal Review Commission was instituted. The recommendations of the Commission form the basis of a Bill [1] presented to the Nigerian Parliament in 1965 to amend certain sections of the Nigeria constitution relating to the allocation of revenue. The Bill proposed that payments to the Regions from the Distributable Pool should be according to the following percentages.

Northern Nigeria	42 per cent
Eastern Nigeria	30 " "
Western Nigeria	20 " "
Mid-Western Nigeria	8 " "

1. The Allocation of Revenue (Constitutional Amendment) Bill 1965.

These percentages were slightly more favourable to Northern and Western Nigeria and slightly less favourable to Eastern Nigeria than were the fractions payable under the old system.

The fact that the Bill was passed without dissent was an indication that the recommendations of the Commission were acceptable to all the Nigerian Governments..

One fact which must have weighed with the Commission in making its recommendations is the changed economic circumstances of the various regions. In particular, Western Nigeria had suffered considerable loss of revenue as a result of the downward trend of cocoa prices while Eastern Nigeria had gained much from the production and export of petroleum.

Thus the Distributable Pool has been established as a flexible means of ensuring the principle of even development under changing economic conditions of the various regions. That changes in the distribution of the pool were made without dissent is highly significant and augurs well for the future. In terms of the degree of exploitation of natural resources, Nigeria is still very much a young country and no one can foretell what further discoveries continuing geological explorations will yield. It is a great advantage therefore to possess a flexible arrangement for dealing with the possible uneven effect of the economic consequences of such discoveries.

H.M.A.ONITIRI

Nigerian Institute of
Social and Economic Research,

IBADAN.

Constitutional Development		Fiscal Arrangement	Economic Planning
Progress Towards Independence	Steps Towars Federation		
1946 New Constitution introduced a single representative legislature for the whole country.	Introduction of regional councils, with purely advisory functions, for the northern, eastern and western groups of provinces.	1947 New system of revenue allocation based on Sir Sydney Phillipson's Report, introduced. Concerned with low revenue raised by central government should be allocated for expenditure by the regional authorities involved the principle of derivation and even progress.	1946 Ten-year Plan of Development and Welfare inaugurated under the Colonial Development and Welfare Act, 1945.
1949 Strengthtening of African representation on the Executive Council.			
1951 New Constitution granting Nigerians a full share in shaping government policy and directing executive	Introduced greatly increased regional autonomy with regional executive councils.	1951 New system of revenue allocation based on Hicks-Phillipson Report. Introduced for the first time the principle of independent revenues for regional authorities.	1951 Revised development plan introduced for the period 1951-56.

Constitutional Development		Fiscal Arrangement	Economic Planning
Progress Towards Independence	Steps Towards Federation		
1954 New Constitution gave Nigeria an even larger share in shaping government policy and firecting executive action.	Federation of Nigeria established - a quasi-federal structure, with the Federal Government and three Regional Governments enjoying great autonomy.	1954 New fiscal arrangement based on Sir Louis Chick's Report. Increased regional financial autonomy and extended the principle of derivation.	1954 Separate development plans for 1955-60 drawn up by Federal and Regional Governments. Later extended to 1962.
		1958 Slight modification of existing fiscal arrangement based on preliminary report by Raisman-Tress.	
1957 Regional Self-Government in Eastern and Western Regions.		1959 New System of Revenue Allocation based on Raisman-Tress Report. Extended derivation principle and introduced the Distributable Pool.	
1959 Regional Self-Government in Northern Nigeria.			
1960 Independence for the Federation of Nigeria.			
		1964 Fiscal Review by K.J. Binns suggests some changes in the composition and allocation of the Distributable Pool.	1962 First <u>National Development plan</u> for the period 1962-68, inaugurated. Implied a higher degree of co-ordination of Federal and Regional Plan than previously achieved.

NISER RESEARCH PROJECT

NIGERIA'S INTER-REGIONAL TRADE
(Researchers: R.H.T. Smith and A.N. Hay)

This study aims to establish the volume and composition of internal commodity trade between the four political regions of Nigeria. Tonnage movements will be converted to monetary values to provide an estimate of the flow of money associated with this trade. While the objective is to estimate annual trade and money flows, the precise year to which the statement will refer will vary between 1963 and 1965, depending on the availability of data on trade by the various modes of transport.

Plan of Research:

The study has been carried out largely within the framework of the existing four regions, but some information will be included on trade between the Federal Territory of Lagos and the other four regions. For convenience, the study has been disaggregated by mode of transport, and work is proceeding on the collection of data on inter-regional trade by railway, motor transport, inland waterway, and coastal shipping:

(1) Rail - a monthly summary of goods moving within and between the Western, Northern, and Eastern Regions, for 150 commodities, has made available by the Nigerian Railway Corporation. These summaries for the 1964 calendar year provide the basic information on inter-regional trade by this mode of transport. The individual railway IBM waybill cards for selected local foodstuffs will be processed to provide information on the number and average weight of shipments in certain size of consignment categories as well as on the average distance of shipment.

(2) Motor Transport - No comparable source of statistics for inter-regional commodity movements by road exists, but it has been possible to make reasonably accurate estimates from origin-destination surveys already completed (Asaba, Oturkpo, Ilorin, and the Iddo Lorry Park, Lagos), and from enquirès into the long distance road transport between Lagos and Kano, and between Lagos-Ibadan and Sokoto. This information will be supplemented by sample surveys of road traffic movements to be undertaken with the co-operation of the traffic officers of the Nigerian Police.

(3) Inland Waterways - it is hoped that the three private companies which handle nearly all of the traffic hauled by modern craft (Niger River Transport, Holt Transport Company, and the Niger-Benue Transport Company) will co-operate in providing data on traffic movements by river. Estimation of the volume and composition of commodities moving by canoe presents greater difficulties.

(4) Coastal Shipping - the total inter-regional movement of commodities by this mode of transport will be estimated from statistics provided by the Nigerian Coal Corporation, the Nigerian Ports Authority, and hopefully, from the shipping companies engaged in this trade.

Progress to date:

Most progfess has been made in assembling data on road and rail inter-regional movements. Some of the inter-regional trade matrices by road have already been constructed; in addition, Mr. Hay has done considerable work recently in the Eastern Region and has assembled such information as is available on road movements of commodities into the Western Region. A two week trip to Kaduna and Kano is planned for April 1965.

Complete summaries for the year August, 1963-July, 1964 of inter-regional movements of 150 commodities by rail have been assembled from sources made available by the Nigerian Railway Corporation, and work is in progress now to convert volume movements to value equivalents. Further, the detailed records of the Railway Corporation (which the latter has kindly released to NISER) will shortly be processed to determine the role of 27 "key" cities in inter-regional trade.

While much remains to be done, August 1965 seems a realistic, if optimistic, completion date.

9

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

N/IX

REGIONAL AND FUNCTIONAL INTEGRATION

by

Uwe Kitzinger

NAIROBI, 13 - 18 DECEMBER 1965

REGIONAL AND FUNCTIONAL INTEGRATION

by Uwe Kitzinger

I

The two problems on which I have been asked particularly to concentrate are the piecemeal approach by which the EEC operates and the political by-products of its activities: both seen less as specific lessons for Africa than as a more general model. Now in model-building the economist seeks neither to describe the present nor predict the future nor to prescribe an optimum: he merely abstracts certain strategic factors from the intractable mass of sheer data, much as a scientist artifically isolates elements not normally found in a pure state in nature in order to examine their implications and interactions. This brief paper similarly concentrates on only one or two among a number of recent trends to focus discussion on such problems as they may already be raising and may come to pose increasingly in the future.

II

For obvious technological reasons social organisation has in the past been based mainly on regional subdivisions, until the principle of national sovereignty has come to consecrate the notion that one authority should have unlimited powers, or at least, Kompetenz-Kompetenz, over a limited geographical area.

While it might possibly be argued that the size of a market was determined by its income more than by the number of its population, and that de Gaulle-type do-it-yourself bombs and tactical nuclear weapons were similarly giving at least a respite to national units of the 50-million-people size, broadly speaking the increasing international interdependence of modern economics, communications, defence requirements, etc., have made many of these regional subdivisions impractical if not impracticable in respect of a wide variety of functions of government. On many of the obvious indices, the advances made in the past half-century or century represent progress a hundred, a thousand or a million times all the previous progress in human history; and the continuing acceleration in the rate of technical change is likely to make the opportunity cost of purely national organisation even greater in the future.

As a consequence we have seen attempts, which we might for heuristic purposes classify as being mainly of two types, to supplement or even replace the nation state: both types have been made on both regional and ecumenical (or near-ecumenical) scales. Indeed, it seems to me that whereas there is obviously a type of 'offensive' (or defensive) regionalism that may depend (or depend on the assumption that it depends) on exclusiveness for its benefits, there is also a faute de mieux regionalism, recognising that for hard practical or political reasons a tighter bond can for the moment be forged only between a smaller number of units, but which is still essentially open in character. Nor should it be forgotten that there is for the moment no all-inclusive international organisation (not even the UPU). If small regions sometimes look threatening to those standing outside their organisation, all but universal regions may well look worse - discriminating not in favour of their participants, but rather against those left out.

The distinction between regional and universal organisations does not therefore seem to be very fundamental: that between 'open' and 'closed', related to it, is more important. But we must note that in this sense while the EEC is doubly a 'closed' organisation, being open only to European countries and only to those unanimously admitted by the existing members (Art. 237), the United Nations also is a closed organisation, open only to those admitted by decision of the General Assembly upon the recommendation of the Security Council (Art. 4), and moreover one that can expel existing members (Art. 5). In fact let us remember about half of the vetoes cast by the USSR have been used to blackball candidates for membership and that the USA has hitherto insisted on keeping out the most populous state in the world.

Equally important is the second difference, that between constitutional and co-operative, or 'federal' and 'functional' approaches. On the one hand we have had ideals such as those of world government or of a United States of Europe seeking to by-pass the component nation state and base a new super-sovereignty on a new constitutional document issued ultimately in the name of "We, the people" - ideals that have in effect put the cart before the horse in their once-and-for-all radicalism and remain unrealised both on the European and on the world scale. On the other hand the more modest approach, which argued that it was only very limited specific functions that required organisation on a scale wider than that of the traditional national unit, and believed that these could be co-ordinated by purely functional intergovernmental co-operation which need at no point detract from the legal sovereignty of any Member state, has scored concrete successes up to a point. GATT, the IMF, and the EPU are examples of multilateral arrangements which - without too directly raising ideological and constitutional problems and without detracting from legal freedom of action- can, by sanctions and rewards, substantially alter the parameters of unilateral action and therefore substantially modify it (usually by reducing the effective range of choice open to each participant).

Between these two approaches there is a difference, rather than a distinction, in the sense that these in practice if not in law are points on a scale: for the sanctions and rewards are absolutely automatic only in a highly detailed international treaty, with an element of discretion and incertitude more usually left open for negotiation between the partners in the light of circumstances arising: so that the need for mutual accomodation of standpoints, while not eliminating a formal veto, in practice places limits on its use and a premium on albeit reluctant agreement.

Nevertheless the Community method as exemplified in EEC is not simply a compromise form between the two but a third, different in kind from both the types of organisation just sketched: for both are instantaneous, or static, arrangements in law, even if in practice the passage of time may make them more (or alternatively less) restrictive on national freedom of action. The Community treaties are the only ones (at least known to me) which have built into them a systematic time-dimension, which are progressive not only as to the substance but far more important as to the procedure: which progressively limit national veto powers partly with the automatic passage of time, partly by default of a national veto on the original timetable (so far as the passage from the first to the second stage was concerned). They are thus not a point situated somewhere on the scale of inter-governmental to federal organisation, but constitute an institutionalised movement along it.

III

The "Europeans" recognised the reality of the nation-state and did not believe that common institutions, set up in a vacuum, could somehow create a common interest: they believed that common institutions must be developed concurrently with common interests and must interact with them, intensify them and thereby make further common institutions both necessary and practicable. So they used a pragmatic technique, exploiting particular tactical situations in order to set up new institutions, which helped solve other problems but also in their turn themselves raised new problems that could be resolved only by further snowball progress along this same road.

This movement of European integration has in fact taken the form of a dialectic, of thesis and antithesis that can be reconciled only by a new imaginative step forward onto a higher level of integration each time. It started from the bottom upwards with the problem of the Ruhr. After the Second World War the Allies were determined that Germany must never regain control of her coal and steel resources. But one cannot discriminate against any one country for ever; any attempt to do that would breed precisely the sort of resentment, precisely the sort of new explosion it was designed to prevent. And to this antithesis was only one synthesis: that other nations should abdicate the same measure of control over their coal and steel resources that they intended the Germans never to regain. This precisely was the achievement of the Schuman Plan.

The institution of the Coal and Steel Community really had two main effects. The only territorial dispute between France and Germany at the conclusion of the Second World War was over the Saar - a territory that only matters because of the coal and steel it produces. Once coal and steel were pooled anyway between France, Germany, and other Community partners, this bitter dispute suddenly became not so much solved as dissolved: the shift in the whole context of Franco-German relations made the quarrel over coal and steel meaningless, and so the path lay open for further agreement between these two historic enemies.

The other effect of the Coal and Steel Community consisted not in the problems the Community solved, but in the new problems it raised - consisted in fact in the planned anomaly of this partial economic integration itself. How could there be a common policy for coal when there was none for oil or for natural gas or for atomic energy, when there was no harmonisation of transport of labour policy? And if transport rates and labour policy are harmonised for coal and for steel, how can the rest of transport and labour policy continue to diverge? Again it was progress by a dialectical process; and from integration in two sectors of the economy the Six went forward to their general Economic Community.

At this point one must look for a moment at the institutional technique of this Community method of integration. It has, I think, three features remarkable above all.

First, each Treaty setting up one of the three existing Communities contains a rigid backbone of precise commitments - in the case of EEC a detailed twelve-year plan agreed on in advance, signed, sealed, and delivered come what may.

But then joined to this rigid backbone of precise commitments there are what I would like to call the muscles: agreements, not on matters of substance, but simply agreements-to-agree on common policies hereafter by certain procedures and by certain deadlines. If all the problems that might be encountered in circumstances as yet unforeseen had been debated in 1956 in the detailed way attempted in the negotiations of 1961-3 for Britain's adhesion the drafting of the Rome Treaty would still be going on today. As it is the agreed backbone of precise obligations does two things. On the one side it forces the pace for further mutual commitments as time goes on; it steps up the need to agree on joint policies. On the other hand it also facilitates such further agreements through the sheer passage of time, through consolidating mutual confidence between the countries working together within the Community, and through increasing the congruence of their substantial interests.

Then, thirdly, the Treaty set up Community institutions independent of the member governments. It is these institutions that propose the policies, it is they that direct the muscles within the limits set by the skeleton Treaty. Such Community policies can and must be framed, not to reconcile the different national policies that are designed to solve partial problems or even to deflect them on to the next country. but to deal with the problem itself as it presents itself at Community level and to deal with it from a Community point of view, in the interests of all the Community's citizens regardless of nationality. But the final decisions on these major policies are not taken by the Commission of the Community itself, but by the national governments in the Council of Ministers.

In the Council, at the beginning, any one government could veto the Commission's proposals. But as time goes on votes on a vast range of subjects need not be taken unanimously any more: a qualified majority is sufficient, so that it takes at least two governments to veto a proposal, not counting Luxembourg, and even all three Benelux states can be overruled. The date from which a qualified majority of governments is sufficient to decide on the Commission's proposals varies with the field of action concerned: on cartels it was January, 1961; on foreign trade it is to be 1966; on a whole range of other matters, 1970. The Treaty thus commits the governments to what we might call not simply a scale, but an escalator of supranationality. Here again this is not a federal structure but a Community system sui generis, in which the Community organs propose but the national governments dispose according to voting rules drawn up with a time dimension. rules that progressively limit the veto power of any one state alone.

The supranational Commission and its role of initiative in the common interest, the interpenetration of national and Community civil services, the "infranational" Community organisation of parties and pressure-groups, and the sheer intensity of contact, machinery, convergence of interest, and political will and leadership make it very difficult to tell just which eggs have contributed to which part of the omelette - indeed this may well be a chemical rather than a purely aggregative process.

Now, of course, institutions are not enough: they are no substitute for policies, or for their execution. It is the policies and their execution that matter. But without the institutions, as we have seen all too often, the right policies are difficult enough to formulate and all too often quite impossible to adopt and then to execute. And what is more there is a profound inner link between political forms and their content, between institutional structures and the external policies they are designed to pursue.

This really is what makes nonsense of the question so often put in the past whether the Common Market was primarily an economic or a political enterprise, almost as if there were two sorts of questions, political and economic, as there are two sorts of animals - elephants and giraffes. That I think is what in Oxford we have learnt to call a type fallacy, an assumption that political questions and economic questions, and even the words "political" and "economic", are of the same type. But when we look at politics today, politics, even in the national context, are about a whole variety of different things. About morality laws, about nuclear strategy, about educational policy, about foreign policy, and so forth; but probably the biggest group of subjects that we debate in our national politics today is that of the economic ones. Politics in fact is not the name of a subject, as it were yet another animal, but politics is the name of the arena in which these different animals appear. A question is political not because of what it is about, the word "political" tells us something not about the subject that is being dealt with, but about the manner in which it is being treated. Whenever as a community we decide to argue a question through to a common decision, that question becomes political: and so the Economic Community because it transfers to Brussels a range of decisions which have hitherto been taken within the context of national politics, because it deals with problems that are of immense direct impact on the lives of the voters, on the peasants and on the miners, on the consumers and on the industrial workers of these countries, the Economic Community is political precisely because it is economic. And that is why from the antithesis between centralised decisions taken on a Community basis and on a Community scale on the one hand, and the need for democratic control of decision-making, of policy-making on the other, those who built the new European Communities always felt - and they always said so in the preambles to their treaties and in all their speeches - that an Economic Community must lead to a Political Community in which in the last resort a European Parliament would be directly elected and a European executive would be directly responsible to it.

IV

Over the past two and a half years since the French veto on Britain's accession to the EEC, this thesis of a 'dialectic of intensity' has been subjected to severe tests, and from February until June 1965 it looked as if a fundamentalist cleavage of foreign and defence policy between the partners did not in fact provide any insuperable obstacle to economic integration. The standard objection to functional theory that functions were much too closely interrelated for any of them to be subtracted more than conditionally and provisionally from the omni-competence of the nation state could get no backing from the experience of the Six during that period.

It is since June 1965, only over the last six months, that a real break-down has become apparent, and that not over divergences of policy in fields other than those covered by the Treaty, but over the resolution of problems inherent in the demands of the Treaty itself: on the surface and in the first French explanation over the content of agricultural finance policy, but more profoundly and as M. Couve de Murville quite frankly admitted recently before the National Assembly and President de Gaulle has frequently hinted himself over the procedural corner-stone of the whole Community, the Commission's right to propose measures which after a point cannot be vetoed by any one Member State alone.

In consequence the French Government's withdrawal from the key institutions of the Community is really threatening its whole present character - its intensity and by implication also its extension. (Voices have even been heard calling for the Five to replace France by Britain as the necessary counter-balance to Germany if the Community is to develop any further in the future.) There will be Conference participants from Brussels who can analyse the present and forecast the future situation inside the Community very much more adequately in our discussions. From the point of view of treating the EEC as a model case study however I suspect it will be vital to distinguish the different political pre-conditions required during a transitional period for

(a) the maintenance of existing institutional (national and Community) measures to abolish obstacles to economic integration,

(b) the development under (a) of actual economic integration (trade, capital flows, etc.) by private and public activity in pursuit of ends other than integration as such,

(c) the fulfilment by new public (national and Community) measures of the automatic provisions of the Treaty time-table,

(d) the agreement by the competent organs of the Community of new implementing decisions required by the outline provisions of the Treaty (differentiated according to their position on the range from minor decisions of say the Social Fund to decisions of principle on agricultural finance),

(e) Treaty acceleration and new substantive initiatives permitted but not demanded within the Treaty,

(f) new substantive decisions of co-operation outside the scope of the Treaty itself,

(g) the fulfilment of the procedural time-table of the Treaty notably of course the acknowledgement if not the actual use of majority voting on a whole new range of subjects as from 1st January 1966,

(h) the agreement within or outside the Treaty itself of new procedures down-grading the national veto power or up-grading Community-type institutions (e.g. the European Parliament).

From February 1963 until June 1965 (a) to (d) presented few additional problems, and (e) and (f) were not obviously excluded from consideration by clashes over foreign and defence policy. Only (h) was being ostentatiously blocked. It was only when (g) came to be posed with a new urgency that the break came: evidence yet again of the crucial nature of the procedural mechanisms in the integration process.

V

These are questions of immediate relevance to the European Community. But at this Conference we must pose the problem in rather more general terms. And once it is the process and not the area, the function and not the region, the method and not the substance we focus on, the question arises how independent the one is from the other.

In the heyday of 1962, when the EFTA countries were negotiating to join or become Associates of the EEC, and the United States under President Kennedy's doctrine of interdependence was passing the Trade Expansion Act as its reply to the potential challenge of an enlarged Community, it was possible to speak not only of a dialectic of intensity, but also of a dialectic of extension, by which the Community technique or at least the Community-type approach would have to be used outside the EEC to cope with the problems that the EEC's existence and policies posed to different sections of the outside world.

The Brussels negotiation began as an attempt to fit Britain into the European Community, but thanks to Britain's overseas connections it very quickly turned into a consideration of how to fit the European Community into the structure of the world economy. In discussing Commonwealth food exports, the import of Asian manufactures and the position of sterling, Britain and the Community had their noses rubbed in far more general, but very serious problems: dilemmas which, though they may present themselves in bilateral guise, can be dissolved only if they are treated in global terms; difficulties which, though they may pose today in static terms, are capable of solution only if they are extrapolated into a rapidly evolving dynamic world framework.

Britain demanded special conditions for the Commonwealth which would have resulted in preferential arrangements with Commonwealth countries. Now - except for their own ex-colonies, whose population is only one-twelfth of that of the Commonwealth - the Six had early on determined that they would abide by the non-discriminatory world trade code of the General Agreement on Tariffs and Trade, by which Britain, too, regards herself as bound. From this antithesis between intra-Commonwealth preferential arrangements and extra-Community non-discrimination again there could be only one logical way out: to submerge Britain's preferential demands for trade and commodity guarantees into world-wide solutions to world-wide trade and commodity problems.

President de Gaulle's veto and President Kennedy's death, the whole change in the Atlantic climate since then have - in spite of the slight auguries for better things raised consequently at the Geneva Conference for Trade and Development - made that thesis appear premature as analysis, even if perhaps valid as an aspiration or advocacy for action. But more general questions remain. K.C. Wheare listed various pre-conditions as being to some extent pre-requisites of federal government: not only the desire to be united for some but distinct for other purposes, but also the need for common defence, a desire to be independent of foreign powers, a hope of economic advantage, geographical neighbourhood, some prior political association and similarity of political institutions. Must all these conditions be fulfilled to the hilt (even assuming Wheare to be right) whenever functional co-operation is to go beyond the purely intergovernmental? What sociological conditions, in particular, have to obtain for there to be a hope of Community-type arrangements to be instituted?

This question must be posed in relation to three types of area: areas outside the existing Community, wishing to integrate certain functions - most obvious of course are the Central American Common Market, LAFTA, the Arab Common Market Treaty - and as a negative instance as it were the East African Common Market should prove an illuminating basis for comparison. Secondly areas - most notably of course that now (by somewhat dubious geography) termed the North Atlantic - which includes the existing European Community (or overlap it if one regards France's membership of NATO as gradually approaching the nugatory); and thirdly the open or near-open ecumenical or near-ecumenical extension, the area of the world.

The first of these three types of question will form the subject of papers on the various efforts being made outside Europe to establish Common Markets, and it is hardly for me to comment before they have been circulated. The second and third do concern Europe herself, the growing together of the regional European with the Atlantic institutions, and regional role of the European and Atlantic institutions in the web of world organisation. For us in Europe therefore the questions are (a) how extensive can the existing intensive Community-type organisations become; (b) is there any case for new organisations intermediate in extension and intensity between the tight Community and the loose United Nations structures; and (c) how far can the existing specialised agencies of the United Nations be reinforced by the attrition or elimination of national vetoes?

The sphere of defence is one in which in NATO we have gone well beyond the intergovernmental approach already, and if the Multilateral Force is ever to become a politically convincing concept we would have to go a great deal further along that road (at least the United States would have to accept the possibility of being outvoted). In GATT the 'chicken war' was resolved by a technique closely resembling in practice if not in law the supranational authority of a Community type. And if we have gone beyond the intergovernmental technique here no less than in different peace-keeping missions of the United Nations, what pre-conditions have to be fulfilled for progressive changes in institutions along this scale to be themselves institutionalised in advance?

I have tried to argue elsewhere that a reform of the International Monetary Fund, an effective Kennedy round, global solutions to the problems of temperate agriculture, and tropical commodity stabilisation plans of the kind now canvassed at UNCTAD might materially require advances along these lines. But how can we fulfil the political preconditions they in turn require?

VI

Whether this model is taken as a caricature of existing states of affairs, a prophecy of inevitable brave new worlds, or as a messianic panacea, it leads - as self-respecting models should do - to a general theory: a two-dimensional organisation of the world in which specific public functions hitherto exercised on a 'vertical' territorial basis are separated out and subtracted from traditional state sovereignty and - like many economic functions in EEC - reorganised 'horizontally' and joined up on a functional basis: in which the traditional single authority with unlimited powers over a limited geographical area is partly supplemented, partly replaced by a single authority with specifically limited powers over (in the ultimate solution) an unlimited geographical area.

While all these authorities are geographically co-extensive (as ECSC, EEC and Euratom are) they may be regarded as complementary steps towards a larger 'vertical' organisation of a federal type. The problems arise when membership differs - as between EEC and NATO - and differences in membership are reflected in differences in majorities on questions that might (pace the more primitive functionalist assumptions) remain obstinately interlocked between functions no less than between regions. At the same time it is worth noting that despite predictions to the contrary, the problem of co-ordination such as between NATO defence and EEC economic policy has not arisen so far in any serious form. Moreover this is of course in principle a transitional problem: once membership is universal in all functional activities, co-ordination of different activities on the universal scale should not be more difficult than co-ordination of different activities on a national scale, and should be less difficult than the co-ordination of different national policies in the same rèalm of activity. (The way in which the requirements of EEC are helping the German government co-ordinate German agriculture with the rest of the German economy is of some interest here.)

The United Nations in this model has a strong 'vertical' role co-ordinating different activities organised on a world scale (just like a nation state does today) and its 'horizontal' role banging different governments' heads together should then be all the easier by the confinement of some of the concrete conflicts of interest to the level of specialised agencies.

If co-ordination is the first problem, democratic responsibility is the second. The European Community can aim at direct election of a Parliament and the revocability of the Commission by it: though since the Council takes the main decisions, democratic control over these remains and must remain exercised by the national parliaments severally. Where membership of different community-type functional bodies is not congruent, the indirect responsibility through the several national constitutions will be even more difficult to supplement along the lines envisaged by many 'Europeans'; but while national governments remain the basic units out of which majorities are formed on substantive decisions, this does not really seem to affect either the principle of majority decisions or that of a chain of responsibility at least as democratic as those obtaining inside Britain or France today. This again is in principle a transitional problem - until the functional approach flows into the federal-type solution on a world scale with Charter reform. But if the model has diagnostic validity, then this second transitional difficulty is a problem we are already facing today - as witness the power without responsibility, viz. annihilation without representation, of the U.S. President *vis-à-vis* his European allies in NATO now.

VII

Perhaps these ramblings are only a pseudo-theoretical rationalisation for an agenda of international planning on which President de Gaulle and Prime Minister Wilson could attempt to have a meeting of minds with some of the forces of Latin America and of Asia and Africa. But even if the political preconditions required for implementation are far from fulfilled, I hope the way the questions have been raised may still serve as an Aunt Sally for profounder analysis in our discussions together.

10

N/II

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

INTEGRATION IN THE SOMALI REPUBLIC

by

I. M. Lewis

NAIROBI, 13 - 18 DECEMBER 1965

INTEGRATION IN THE SOMALI REPUBLIC

by I.M. Lewis

I. Introduction

In this paper I shall argue that Somali unity has been greatly facilitated by the existence of a very strong traditional sense of nationhood, but that even with this solid basis for unity, integration has posed many problems which have not been easy to solve. I shall also argue that the special circumstances of the Somali state, although they do not determine its internal political processes, at least influence them strongly and allow a higher degree of multi-party democracy than is consonant with the conditions which obtain in most of the other new states of Africa.

Before their colonisation in the second half of the nineteenth century, the Muslim Somali tribesmen - who today probably exceed three and a half million in number - formed a well-defined autonomous community with a distinctive economy, pattern of life, language, and culture. This sense of common identity, which, since it did not include over-all political unity under a single authority, I call 'cultural nationalism'[1] was further enhanced by a long-standing and deep attachment to Islam.[2] Partition by Britain, France, Italy, and Ethiopia led not only - as so often elsewhere - to the dismemberment of a single African people amongst a number of arbitrarily assembled colonies, each a patchwork of other different tribes and ethnic groups, but also to the formation of two self-contained and almost exclusively Somali territories - the British Somaliland Protectorate (established in 1884 by a series of Anglo-Somali treaties, but only officially proclaimed a Protectorate in 1889), and Italian Somalia (1889). The more usual situation is reflected in the incorporation of other segments of the Somali nation in eastern Ethiopia (particularly the Ogaden region named after the main Somali clan inhabiting it) and in what became the Northern Frontier District of Kenya (now the North-Eastern Region). French Somaliland (established effectively in 1888) despite its official name (Côte des Somalis) consists of a population (today some 85,000) which is divided almost equally between Somalis and a closely related people, the 'Afar' (also known as Danakil).[3]

---

1. I take the term 'nation' to apply to a single people possessing a high degree of cultural homogeneity and with a strong sense of identity, irrespective of whether this is combined with stable political integration. In the popular (but not the technical anthropological terminology - see my article 'Tribal Society', Encyclopaedia of Social Science, Vol.) usage, the terms 'tribe' and 'nation' are often synonymous, the only significant differences being those of numerical size and the unfortunate ethnocentric associations which are implied in some uses of 'tribe'.

2. Islam was introduced on the Somali coast in the 7th century and appears to have spread rapidly inland.

3. For the history of this phase, see I.M. Lewis, The Modern History of Somaliland, London, 1965, pp. 40-63.

This multiple experience of alien rule served to quicken and intensify the deeply engrained Somali consciousness of cultural exclusiveness and identity, and helped to promote its gradual transformation into a vigorous political force. Today, while in other parts of the continent newly independent states with polyglot and heterogenous tribal populations strive after national integration and, in effect, seek to transform themselves into nations, the Somalis aspire to extend the boundaries of their state to encompass the whole Somali nation. The union of British Somaliland with ex-Italian Somalia in 1960 to form the Somali Republic (population c. 2,250,000) represented a partial realisation of 'pan-Somali' aims. But it left outside the fold those Somali communities in the contiguous areas of French Somaliland, Ethiopia (with a Somali population of about one million), and Kenya (about 200,000 Somalis) who in the Pan-Somali view desired to join their countrymen in the Republic.

The contemporary position of the Somali Republic has thus been shaped, almost inevitably, by the facts of Somali distribution and dispersal over a vast area (almost 400,000 square miles) in the Horn of Africa and by the fashion in which this region and those of surrounding peoples were divided and fragmented in the colonial period. Other factors which are equally important for an understanding of the circumstances of the formation of the Republic and its internal social and political structure depend even more directly on the traditional character of Somali life and social organisation.

The Somali are as a whole traditionally a pastoral nomadic people practising cultivation extensively only in two areas - in the north-west and south of the Somali Republic. Their social organisation is closely tailored to this predominantly nomadic existence. Social groupings are based primarily upon ties of blood-relationship reckoned in the male line, the entire Somali nation being ultimately comprehended in a single national pedigree in which the main divisions are the Dir, Isaq, Hawiye, Darod and Digil and Rahanwin groups of clans. The two last, known collectively as Sab and speaking a distinctive Somali dialect, live in the most fertile areas between the Shebelle and Juba Rivers in the south of the Republic and practise cultivation more extensively than any other Somali group. The Isaq live in the centre of the Northern Regions (the former British Somaliland), the Dir to their west and in French Somaliland, Ethiopia, and the south of the Republic, the Hawiye in the centre and south of the Republic and in Northern Kenya, and the Darod who are largest and most widely distributed in the north-east and south of the Republic and also in the Ethiopian Ogaden (named after a Darod group) and Northern Kenya.

Although in the traditional structure of society these groups are too large and dispersed to act as single political units, today they strongly influence political loyalties in modern economic and political interests. Internally they are divided on the basis of patrilineal descent into a host of subsidiary kinship groups, the most significant of which is that section (known as a 'Diyapaying group') as a member of which the individual pastoralist pays and receives blood-money (diya) for injury or death. This is the basic political insurance system of the country, membership of this group providing the individual with security of life and property in an uncertain and often hazardous environment. Such collective indemnification is even today mobilised in traffic accident in towns.

At all levels of grouping as wider kinship units emerge along the lines of genealogical connexion in situations of conflict, policy is determined not by chiefs invested with special authority, but rather by ad hoc gatherings of elders in which all adult men have the right to participate. Political decisions, whether in relation to nomadic interests or other matters, are based on a consensus of opinion of all those concerned, and while wealth and weight of kinship backing are important factors, traditional political life is in this sense democratic in the extreme. Political alliances and policies are always subject to rapid change, being assumed and pursued in specific contexts, and changing as these change. These features of traditional Somali politics and the wide-ranging web of kinship interests of the individual provide the essential background to the understanding of modern political activity. There has as yet been little far-ranging economic change to disrupt this pattern of life which persists today with marked vigour and resilience.

continue:

II. The two halves of the Republic prior to independence.

a) British Somaliland

Before the second world war, the British Somaliland Protectorate, with its 60,000 square miles of largely semi-desert territory and its half million or so inhabitants almost entirely devoted to a nomadic existence, was governed on little more than a care and maintenance basis and not unfairly dubbed a 'Cinderella of empire'. The twenty years (1900-1920) fight for independence from alien Christian rule led by Sayyid Muhammad 'Abdille Hassan[4] which had brought the Protectorate a few years' news value had been followed by a consolidation of colonial rule but by no striking new economic or social developments.[5] Attempts to establish a general system of western education had met with a hostile reception from a population who were refractory in the extreme and highly suspicious of what was interpreted as further subversion of the ancient religious heritage of Islam. The principal exports remained hides and skins and livestock on the hoof, valued in the late 1930's at only £279,940 as against imports valued in the same period at £535,210. The territory's minute budget was only£213,139 in 1937 and derived from imperial grants-in-aid and local revenue from import and export duties and licenses: there was no direct taxation.

The upheavals of the war and particularly the local effects of the East African campaigns in the course of which British Somaliland was briefly occupied by the Italians, greatly changed the position. With the canalisation of traditional national Somali sentiments in a more progressive direction which favoured rather than opposed educational and other advancement, the rehabilitation of civil rule in the Protectorate (under military government from 1941) in November 1948 inaugurated an entirely new phase. The break with the past was emphasised not only by a much more concerted and better financed effort on the part of the government to secure development in all spheres, but also by the abandonment of the port of Berbera as the old capital in favour of Hargeisa in the centre of the country.

---

4. See The Modern History of Somaliland, pp. 63-92 for a description of this period. This religious 'rebellion' with its analogies to that in the Sudan arose in circumstances of increasing Christian and particularly Ethiopian encroachment in Somaliland and was as much directed against the Ethiopian as against the British and their allies, the Italians.

5. The only development of significance was the increasing adoption of agriculture in the north-west and this was quite unconnected with any governmental action.

However, despite the fact that the new destiny of the adjacent territory of Somalia as a United Nations Trusteeship administered by Italy with a ten years' mandate to independence set a precise date for the autonomy of one segment of the Somali nation, development preceded initially at a leisurely pace. Reports of the rapid pace of radical new developments in distant Mogadishu in the Italian sphere merely served to reinforce the local Protectorate's administrative philosophy of the need for slow and thorough change and a gradualist approach to a distant and unspecified independence probably within the British Commonwealth. In this spirit, the first secondary school for boys was opened in 1953, and the same year saw a notable innovation with the establishment of the first government school for girls at Burao. Changed attitudes towards the education of women were reflected in the many pressing requests for the marriage of their daughters which the parents of the first batch of pupils received. And in the following year the appointment of a Somali Education Officer marked the first promotion of a Somali official to the senior ranks of the civil service.

In other spheres less was achieved.[6] The export of hides and skins increased to a value of £1,013,790 (imports cost £1,904,040) in 1953, but no new product was discovered to augment the economy. Agricultural and veterinary services were expanded, the most striking achievement being the excavation of a sorely-needed chain of water-basins along the Protectorate's southern boundary with Ethiopia.[7] Hydrological and geological surveys were also intensified and there was some experimentation with date cultivation. However the total budget was still very small, providing in 1953 for an expenditure of £1,290,999 and revenue of £1,434,767 of which £445,729 derived from local customs dues and the bulk of the remainder from grants-in-aid £580,000 (and Colonial and Development and Welfare grants £161,180).

In the political field elected town councils were established at Berbera and Hargeisa, while on a wider plain the only vehicle for the direct expression of public opinion remained the Protectorate's Advisory Council, a body with no statutary powers inaugurated during the period of military rule in 1946. The main political party was now the moderately progressive Somaliland National League, led mainly by prominent traders and with an intermittent history going back to 1935,[8] although the Somali Youth League (S.Y.L.) with headquarters in Somalia had also some

6. An ambitious but by no means exhaustive survey of the resources of the Protectorate conducted by a former administrative officer and geologist had proved disappointing. See J.A. Hunt, A General Survey of the Somaliland Protectorate, 1944-1950, London, 1951.

7. For an original and perceptive view of conditions in the Protectorate at this time by the wife of the engineer in charge of this scheme, see M. Laurence, The Prophet's Camel Bell, London, 1963.

8. For further details see The Modern History of Somaliland, pp. 114-5; and Castagno, cit, p. 542.

following.[9] This movement, however, while having some attraction for those clans hostile to others supporting the S.N.L., did not have a very effective local leadership and was hampered by the disfavour in which it was held by the Administration on account of its assumed communist leanings.

A most significant stimulus to this very modest range of developments was provided by Britain's final transfer of the Haud grazing lands to Ethiopia at the end of 1954. This area of some 67,000 square miles of rich pastureland had originally been included in the Protectorate, but had been excised from it by an Anglo-Ethiopian treaty of 1897 in defiance of prior Anglo-Somali treaties.[10] Since most of the area thus in effect relinquished to Ethiopia was not in fact administered by the Ethiopians before the Italian conquest in 1935 and the subsequent liquidation of Italian rule in 1941, it was only after this time and with the rise of modern Somali nationalism that its control became a vital issue. During the period of British Military Administration of the Protectorate and Somalia, the Haud (along with the Ogaden) was administered by British Political officers on the basis of Anglo-Ethiopian Agreements of 1942 and 1945. The Ogaden was returned to Ethiopian control in 1948, but British administration in the Haud, though gradually reduced, was not finally terminated until the end of 1954. It was only then that the full effects of the 1897 treaty became apparent to British-protected Somalis; and their natural indignation was little molified by the knowledge that attempts would be made to protect their grazing rights by a British Liaison staff at Jigjiga.

The news of the transfer was greeted with widespread public indignation and led to the rapid mobilisation of the National United Front (N.U.F.) in an effort to concert all political interests towards the recovery of the Haud. A most important side-product of this quickening of wider political interests, and one which gathered increasing momentum as moves to secure the return of the territory were at all turns frustrated, was a growing and more articulate demand for fuller local autonomy. In these circumstances, anxious to make amends where it could, the British government authorised the formation of a legislative council with six unofficial members in 1957.[11] Two years later this was modified to include twelve elected members, two nominated unofficials, and fifteen official members with the Governor as President. The elections, which were restricted to male suffrage, were held by secret ballot in a small number of urban constituencies and by acclamation in the rural constituencies.

---

9. For the detailed history of this organisation see The Modern History of Somaliland, pp. 121-128; Castagno, cit. pp. 521-4.

10. For a fuller discussion of this and the issues involved, see The Modern History of Somaliland, pp. 40-62; and John Drysdale, The Somali Dispute, London, 1964, pp. 74-87.

11. These were selected by the Governor from a list of twenty-four candidates proposed after a series of public meetings. The candidates were proposed on a clan and not on a party basis, which reflected current political realities.

By this time, partly due to the failure of its campaign to regain the Haud, the N.U.F. had ceased to be a national consortium claiming the support of the S.N.L. and S.Y.L. and had become a political party in its own right. The S.N.L., now representing the most forward nationalist position in the Protectorate, boycotted the elections since their request for an immediate unofficial majority had not been accepted. This left the field clear for the N.U.F. and S.Y.L. In the event, however, no candidate of the latter party was returned, and of the twelve successful candidates, seven supported the N.U.F., four had no party allegiance, and one was a member of the S.N.L. (despite the party's boycott). This result and the victory of the moderately progressive and pro-Commonwealth N.U.F. could only be short-lived. In response to the growing demand for wider Somali representation, a new constitution allowing for ministerial responsibility was introduced early in 1960. In the new elections (still restricted to male suffrage) the S.N.L. representing most of the Isaq clansmen (with the exception of the Habar Tol Ja'lo who supported the N.U.F.) gained twenty of the available thirty-three seats, the N.U.F. in association with the S.Y.L. one, and the United Somali Party, a new organisation representing Darod and Dir interests and associated with the S.N.L., twelve. Two members of each of the winning parties were accordingly appointed as ministers, with Muhammad Haji Ibrahim Igal, head of the S.N.L., as Leader of Government Business.[12]

This sudden constitutional advance indicated that the British Government at last recognised the extent of public pressure in favour of independence and union with Somalia. There were consequently accompanying and equally precipitate developments in other fields. Although in 1959 there were only two full Somali District Commissioners as well as a handful of District Officers and Assistant Superintendents of Police, by 1960 all six Districts in the Protectorate were in the charge of Somali officials and the Assistant Commissioner of Police was a Somali. Over a hundred Somali students were now studying overseas, some at British Universities, and the territory's second secondary school had been established. The Protectorate had come a long way towards realising Somali nationalist aims; and with British approval for the eventual union with Somalia already indicated in 1957 and expressed more strongly in 1959, seemed set fair on a course of a few years' final preparation for self-government.

b) Somalia

In comparison with the Protectorate, Somalia experienced a much more regular and predictable period of gestation towards independence and union, but one which, despite the much greater impact of colonisation before the second world war, still left the territory far from being economically viable, far less self-sufficient. Unlike British Somaliland which was a protectorate and had no foreign settlers, Somalia was a colony in the true sense and much effort and expense had been expended in the hope of creating an attractive home for some of Italy's surplus population and a worthwhile source of primary products for the mother-country. The main enterprises which Italian settlers developed, with the help of government subsidies and interest, were a chain

12. For further details see The Modern History of Somaliland, pp. 152-155; Castagno, cit. 542-546.

of large banana plantations along the lower Juba and Shebelle Rivers, the Societa Agricola Italo-Somala's fruit and sugar plantations and refinery at Jowhar (villagio Duca delgi Abruzzi),[13] the salt extraction plant at Ras Hafun, and a number of cotton estates. The 'twenties and early 'thirties also saw a considerable expansion in road and building construction and a general enlargement in the purview of government and administration. This was especially the case under the fascists who conceived themselves as colonisers in the Roman tradition.

From a figure of a mere 900,000 lire in 1905 the budget rose continuously, reaching 2,500,000 lire in 1908, and an average of 74 million lire in the early 1930's. Local revenue derived, as in the British Protectorate, mainly indirectly from customs and excise tariffs which produced less than half this figure. The remainder was furnished by grants from the mother country in expectation of the benefits, at least in prestige and glory, which the colony was held to promise. By this time the export trade - chiefly of hides and skins, and cotton and bananas[14] - had at last begun to show some return. The adverse balance of trade had now fallen from a peak of nearly 131 million lire in 1927 to just under 29 million lire in 1934.

The Italo-Ethiopian war of 1935-6 and the subsequent involvement of Italy in the second world war changed the position considerably. The preparations for the Italian conquest of Ethiopia brought a brief period of unprecedented prosperity to the colony, but this was quickly followed by a sharp economic decline as Italian resources were stretched in the global conflict. Trade and commerce were now strictly controlled by a rigid system of governmental monopolies and para-statal organisations and by fascist legislation which excluded the participation of Somalis or other colonial 'subjects' in any sector of the economy where they might compete with Italians. As in the British Protectorate in this period, local Somali personnel were only recruited into the lowest ranks of the administrative services. There was no room at all for such liberal ideas as those of Tommaso Carletti, Governor of Somalia in 1907, who had proposed the formation of Somali municipal councils and eventually of an elected system of government. Education, though considerable, in comparison with the Protectorate, was in any case minimal: under two thousand Somali and Arab pupils were enrolled in elementary schools in 1939.

Nevertheless, in thirty years of direct Italian rule significant developments had occurred. In the decade between 1930 and 1940 Mogadishu had doubled in size to a population of almost 60,000 inhabitants; more than 40,000 Somali recruits had seen service in the Ethiopian campaigns; and the Somali areas of eastern Ethiopia were now incorporated as three separate provinces in the newly expanded colony of Somalia. The first stirrings of local Somali nationalism had also occurred with the efforts made by a number of Somali junior officials and merchants to form patriotic

---

13. Named after the Duke of the Abruzzi who successfully pioneered tropical agriculture in Somalia and was the moving spirit and founder of S.A.I.S.

14. Although the cotton trade was at first promising, the world slump in cotton prices caused the emphasis to shift increasingly towards banana cultivation after 1932.

betterment clubs and associations. And although these were naturally frustrated by the watchful fascist administration, the Italians must at least be given credit, whatever their motives for having laid the foundations of a modern Somali state with a promising export trade and a stronger and more pervasive system of government than was ever attempted or achieved in British Somaliland.

The nine years of British military administration which followed the Italian collapse in Ethiopia and Somalia in 1941 was one of great political turmoil. The new administration which, on the whole, was welcomed by the population at large and made little secret of its admiration for Somalis and contempt for the defeated Italians, brought with it a new spirit of progress, District and Provincial advisory councils were opened in 1946, and by 1947 there were nineteen government elementary schools in place of the thirteen mission schools which the British had found when they assumed control. There was now also a much needed but still inadequate teachers' training centre with an average enrolment of fifty students. And although Somali personnel were not promoted in the civil service to as high ranks as was the practice in Eritrea under British military rule, something of this kind was achieved in the police force (the Somalia Gendarmarie) to which a great deal of attention was devoted. Thus at the end of the British period there was in the police a substantial cadre of well-trained Somali senior inspectors many of whom were destined to achieve high positions later.

In politics the same attitude was evident. The first constitution of the Somali Youth Club, destined to become the major Somali political party, was drafted with the assistance of the British Political Officer in Mogadishu in 1943, and the club's subsequent development in the form of the Somali Youth League after 1947 was watched with sympathy and encouragement by the administration. Its progressive aims for development, educational advancement, and the extirpation of 'tribalism' were all consistent with the administration's general policy as was its wider aim of Somali unification and the creation of a "Greater Somalia". And the sympathy and interest of local officials in this Pan-Somali aspiration was increased rather than decreased after it had become clear in 1947 that, despite the British Foreign Secretary's advocacy,[15] it was not going to win the support of the Four Powers (Britain, France, Russia, and America) who were initially concerned with the disposal of the former Italian colonies.[16] Thus by 1950, when the British Military administration relinquished authority to the new Italian trusteeship administration which had been given a ten years' mandate to prepare Somalia for independence, despite the existence of a number of rival organisations,[17] the League was an extremely well organised movement with

---

15. Ernest Bevin proposed a union of the former British, Italian and Ethiopian Somali territories under a trusteeship administration by Britain, or some other friendly power.

16. The issues involved in the final decision to consign Somalia to Italian Administration for a ten year period under United Nations mandate are discussed in <u>The Modern History of Somaliland</u>, pp. 124-8; see also Drysdale, <u>op.cit.</u>, pp. 65-73.

17. The most important of these was the Hizbia Digil-Mirifle founded in 1947 and drawing most of its support from the Digil and Rahanwin clans of southern Somalia (the 'Sab') between the rivers.

branches throughout the country and supporters in all branches of the civil service and particularly in the police.

Though it had raised Somali hopes of unification which had not been fulfilled, the British interlude had at least opened the door to progressive Somali advancement and prepared the ground for a new era of social development. In economics the record was less encouraging. With its very scant resources in manpower and finances, the military administration had concentrated its energies in this field in making good the ravages of war, in setting the plantation economy on its feet again, and had promoted a wider involvement of local merchants in trade and business. It had not, however, achieved any dramatic or substantial economic development.

This was the mixed legacy to which the Italians returned - despite the opposition of many of the population - in 1950. The new trusteeship administration (A.F.I.S.) which included many former colonial civil servants was instructed by the United Nations to 'foster the development of free political institutions and to promote the development of the inhabitants of the territory towards independence'. The Agreement establishing the Trust Administration's authority which was approved by the United Nations Assembly on 2nd December 1950, also contained in an annex the full implementation of the administration's obligations. In addition, provision was made for the establishment in Mogadishu of a U.N. Advisory Council to act as a direct Liaison with the Italian authorities.

These safe-guards and the definite limitation of the period of trusteeship to ten years - despite rumours to the contrary - helped to temper opposition to the Italian return. After an initial two-year phase of mistrust and recrimination, particularly between the Administration and the S.Y.L., a modus vivendi was reached between the people and their new rulers for general cooperation in all fields of development. The indications, as we have seen, were not unfavourable. For the Italians were returning to a true colony with a settler farming population (a few thousand in number) and an established export industry in bananas, as well as to a population more disciplined and less intractable to modern administration than those in the British Protectorate. While the British took pride in their emphasis on quality in the gradual advancement of the Protectorate, the Italian approach was in all fields based on securing large and dramatic results. In this spirit, with Unesco collaboration, an ambitious general education programme was launched in 1952, new free schools replacing the mission teaching of the past, and by 1957 some 32,000 children and adults were enrolled in schools. In the same year the School of Politics and Administration which the Italians had very sensibly opened on their return in 1950 had produced its first crop of urgently needed Somali officials and was transformed into a Technical and Commercial Institute.[18]

18. For further details of educational developments here and in British Somaliland, see A. Castagno, in Helen Kitchen, Ed. The Educated African, New York, 1962.

In 1954, a Higher Institute of Law and Economics had been created to provide a two-year Rome University diploma course, generally as a preparation for further study in Italy, and in 1960 this was up-graded to become an embryonic university college.

By 1956 when there was still only a single full Somali District Commissioner in the British Protectorate, all Districts and Provinces in Somalia had come under the direct charge of Somali officials - often aided by Italian advisers and clerks. Elected representation on the expanding urban councils was introduced in 1954. Two years later in step with the transfer of administrative authority in the Districts and Provinces, elections were held for a newly established legislative assembly with seventy seats - ten of which were reserved for ethnic minorities (the Arab, Indian, Pakistani, and Italian communities). Ministerial government was introduced with authority in internal affairs, although the Trust Administration held a right of absolute veto and retained control of defence. Candidates for election were required to be literate in Arabic or Italian, and strong electoral campaigns were mounted by all the main parties. Of the sixty available seats, forty-three were won by the S.Y.L., thirteen by the H.D.M.S.*, and the remaining four by two smaller parties.[19] The League's success was a testimony to its wide degree of representativeness as a national consortium of the various main clan-groupings with the exception, effectively, only of the Digil and Rahanwin (some of whom, however, were S.Y.L. supporters).

The first Somali government called to office after the elections was led by 'Abdillahi'Ise (of the Hawiye clan-family), a former employee of the Italian colonial administration and prominent in the leadership of the party since 1947. Two other Ministers were chosen from the same clan-family, one from the Dir, and two from the Darod. The Assembly itself, besides the ten reserved seats, was equally divided between the Darod, Hawiye, and Sab - each group having twenty members. With this basis, Adan 'Abdullah Osman, a leading member of the government party belonging to a small fraction of the Hawiye, was elected as president of the Assembly.

Despite its deep internal divisions which were reflected in the choice of cabinet ministers to represent the main cleavages, the League's dominant position in the country was further consolidated in the 1959 general assembly elections. The Assembly had been expanded to ninety seats (there being now no reserved minority seats) and of these the party won eighty-three. Of the remaining seats, two went to the small Liberal Party, and five to a break-away fragment of the H.D.M.S.

---

19. Whereas the previous municipal elections had seen sixteen parties in the field, in these first national elections wider interests and alliances had reduced the number of competitors to six. For a detailed account of the procedural aspects of the elections see, A.F.I.S., Le Prime Elezioni Politiche in Somalia, Mogadishu, 1957.

* Hizbia Dastur Mustaqil Somali (Somali Independent Constitutional Party)

This party, like the militant new Greater Somalia League, had officially boycotted the elections. This was partly in protest at Government restrictions imposed upon G.S.L. activity after disturbances involving some members of the Party and its electoral allies, the Somali National Union.[20] The Assembly seats were now distributed between the main clan contenders as follows: Darod 33; Hawiye 30; Sab 27. And the S.Y.L. landslide, which had involved intense campaigning amongst the Digil and Rahanwin, as well as the suppression of Darod-Hawiye rivalries within the League, placed a sore burden on 'Abdille 'Ise who had again been chosen to form a government. There were many disparate and competing interests and groups to reward, and it was difficult if not impossible to please everybody. The Prime Minister, however, did his best, and the cabinet eventually formed consisted of four Hawiye, three Darod, one Dir, and one Sab.

This distribution of ministries did not satisfy an important section of Darod membership within the party which criticised the new government for, as they put it, sacrificing principles of ability and efficiency to those of clan expediency. From the formation of the government until independence and union in 1960, the main source of opposition and friction, consequently, came from its Darod members. This was the last election before the merger of the two Somalilands and the first national election to be held on a basis of universal suffrage.[21]

If the line of political and administrative progress was clear and unwavering, advancement in the economic sphere followed a less definite course; although, with generous aid from Italy[22] and the United Nations agencies, more was attempted than in the British Protectorate. In 1954, with scant technical preparation, a seven-year development plan was launched providing for a total expenditure of four million pounds. Over half this sum was to be expended on agricultural and livestock improvement, including well-drilling schemes, the construction of public silos, and the creation of an agricultural credit bank to encourage mechanisation and crop development. In the private sector, mainly in the plantation estates, sugar refinery, and other small industries, Italian concerns had invested three million pounds by 1957. By this time, sugar production at Howhar had risen to the point where it was sufficient to meet most of Somalia's internal needs; and banana exports marketed exclusively through the Italian banana monopoly agency (Azienda Monopolio Banane) were running at 50,000 tons annually, almost five times the volume reached in 1937. Revenue, still almost entirely dependent upon tariff dues, had now risen from one to two million pounds sterling, while expenditure had soared to about five million pounds.[23] In the British Protectorate, in contrast, the budget was running at about one and a half million pounds, over half of which derived from

---

20. For fuller details on the political circumstances at the time, see The Modern History of Somaliland, pp. 157-160; and Castagno, 1964, cit., pp. 536-540.

21. In the previous municipal elections of October 1958, women had voted for the first time in Somalia and shown by the extent of their participation, despite all predictions to the contrary, extreme interest.

22. The annual Italian subsidy in the period 1950-1955 was approximately three million pounds spent mainly on reconstruction and public works, communications, education, and health, and in the initial period on public security.

23. For an excellent study of Somalia economics during the trusteeship period, see Mark Karp, The Economics of Trusteeship in Somalia, Boston, 1960.

British grants-in-aid and grants under the Colonial Development and Welfare Scheme. Exports, still of hides and skins and stock on the hoof now stood at a value of one and a quarter million pounds, while imports were worth double that figure.

Yet however unsatisfactory the economic position in both territories, with its plantation economy and vast fertile southern region between the Shebelle and Juba rivers, and with its longer tradition of more radical political, social, and educational changes, Somalia seemed to possess greater advantages than the more refractory British Protectorate. This was certainly the generally accepted view of the relative positions of the two territories. And while 'Abdillahi 'Ise's government was committed to the principle of Pan-Somalism and actively engaged in preparing a constitution for Somalia which would facilitate Somali unification, it was from the Protectorate rather than from Somalia that the most urgent pressure for the union of the two territories emanated. This was the case notwithstanding the fact that many of the most enlightened northern political leaders and officials felt that they had a long way to go before they could meet with Somalia on conditions of parity in advancement and progress.

In response to a strong surge of public feeling in favour of immediate union following the decision of the United Nations general assembly to advance the date of Somalia's independence to 1st July 1960 (instead of later in the year), the S.N.L. leaders in the Protectorate were forced to throw aside their doubts and hesitations and driven to campaign strenuously for independence and union as early as possible after Somalia's attainment of sovereignty. Abandoning previous thoughts of some form of Commonwealth connection, therefore, the elected members of the Protectorate legislative council on 6th April 1960 unanimously passed a motion requesting that "bold and definite action be taken, and that the date of independence and union with Somalia must be 1st July 1960, the date when Somalia will attain its full freedom." With no reason to delay further the attainment of self-government by what, in relation to its size and utility, had certainly been one of its least rewarding possessions, the British Government readily accepted this request, leaving its local officials a few months of hectic scramble to make the necessary preparations.

The way had already been prepared on the political level by discussions between the party leaders of the two territories at the national Pan-Somali movement conference held at Mogadishu in July 1959. At a further round of talks between delegates from the two territories at Mogadishu in April 1960 it had been agreed that the new state should have a unitary constitution with an elected President as head of state, and should be governed by a Prime Minister and Council of Ministers responsible to a single national assembly formed by the merger of the two territorial legislatures. Until they could be effectively integrated, the existing administrative, judicial and fiscal systems of the two territories, however, would continue to function as before while subject to centralised ministerial control from the capital. Finally, the constitution for the new state - which envisaged further Somali unification and which had already been prepared in Somalia [24] - would be accepted provisionally until it could be ratified after union by a national referendum.

---

24. The constitution was prepared by a series of committees after consultation with other African governments, see G.A. Costanzo, Problemi constituzionali della Somalia nella preparazione all 'independenza, Milan, 1962.

III. Unification

In the event, British rule in the Protectorate was terminated on 26th June, and on 1st July 1960, the two territories formally joined together as the Northern and Southern Regions of the Somali Republic. The two parliaments assembled together at Mogadishu to form the new National Assembly of 123 members (33 from the north; 90 from the south). The southern Assembly president, Adan 'Abdulle Osman, was elected provisional President of the Republic, his place as Leader of the Assembly being taken by a northerner, and the more difficult business of choosing a national government began. The southern premier 'Abdillahi 'Ise failed to gain sufficient support, and leadership passed to the dissident Darod group headed by Abdirashid 'Ali Shirmarke and Abdirazaq Haji Husseyn. The former, with an Italian degree in political science, became Prime Minister; and the latter Minister of the Interior. 'Abdillahi 'Ise himself assumed the important office of Foreign Minister. The office of Deputy-Premier was given to a northerner of the U.S.P., while another U.S.P. leader became Minister of Education; and the S.N.L. leader of government business, Muhammad Haji Ibrahim Igal, assumed responsibility for Defence. The new Minister of Agriculture was also a northerner of the S.N.L. In the final cabinet of fourteen ministers' clan-family representation was as follows: Darod 6; Hawiye 4; Sab 2; Isaq 2. Two of the six Darod and both the Isaq were northerners.

The national jubilation which accompanied this rapid implementation of what had broadly been agreed to before union was increased by encouraging news on the economic front. Britain promised an annually negotiable subsidy which in the first year was to run at approximately one and a half million pounds[25]; Italy engaged to provide three million pounds annually on a similar basis[26]; and there were offers of loans and aid from the U.S.A., Egypt and the Communist block on a scale far beyond previous Somali hopes. Moreover through its association with Italy, the Republic was to enter the Common Market and would thereby become eligible for substantial European aid. Yet there was much to be achieved before this formal political union, however bright its economic prospects seemed, could be fully consumated. Before tracing how events have developed subsequently in the direction of a more binding and organic unification in all spheres, it is necessary to pause for a moment to review the implications of union in relation to the various particularistic interests involved.

However precipitate and incomplete it may have seemed at the time, the formal union of the two territories at once had profound implications for Somali politics. To appreciate what was entailed here it is essential to remember that, despite the patriotic fervour with which the Republic's formation was acclaimed, the most pervasive element in local politics remained

---

25. Britain's interests in the new Republic were restricted to the granting of over-flying rights and to the retention of her powerful BBC Middle Eastern Service relay transmitter at Berbera.

26. Italian interests, apart from those in the well-being of her few thousand farming settlers, were concerned with the maintenance of the Italian monopoly in the banana trade.

that of the loyalty of the individual to his kin and clan. Prior to union, politics in the Northern Regions had been dominated by the numerically predominant Isaq supporting the S.N.L. (with the exception of the Habar Tol Ja'lo adherents of the N.U.F.), while the traditionally opposed Dir and Darod clans combined in opposition as U.S.P. Union with Somalia not only greatly reduced the immediate political importance of the Isaq, but also made it possible for the U.S.P. Darod to acquire new importance through direct association with the Darod wing of the S.Y.L. For the Dir segment of the U.S.P. traditional connexions suggested alliance with the Hawiye wing of the S.Y.L., as well as with the Isaq, and the possibility of an Isaq-Hawiye-Dir 'Iririst'[27] union was by no means remote. For the Sab H.D.M.S. the possibilities of political manoeuvre on all fronts were greatly increased by the new range of possible clan permutations. Indeed, their position, despite traditional animosity, was sensibly strengthened in the enlarged arena of national politics. For any group which could offer a compact block of voters could now exert considerable influence between the principal clan contenders in their search for political security and dominance.

These of course were not the only potential lines of political realignment. As long as the S.Y.L. maintained a moderate and constitutional approach to the central national issue of further Pan-Somali unification (in respect of the Somali territories still under alien rule in French Somaliland, Ethiopia and Kenya) those other parties such as the G.S.L., S.N.L. and U.S.P. which chose to affect a more militant and often pro-Arab stance, or advocated a more thoroughly socialist system of government, might be expected to band together against the League. There was also the possibility of sharp regional cleavages between north and south reflecting the different colonial legacies and other distinctions between the two halves of the state. For despite the underlying cultural, linguistic, and religious unity of the Republic, and the pervasive character of clan ties, the two distinct colonial traditions had left a more profound and lasting imprint than was at first apparent. British exclusiveness and empiricism, the emphasis on quality rather than quantity in educational and social advancement, attachment to British conceptions of justice and ideals of administrative procedure, the strict separation of politics from administration, all contrasted in northern eyes with the apparently less rigorous standards of political and public service morality in the south and with the involute Italian bureaucratic tradition. Moreover, with the lighter impress of colonial rule in the north and no settler population to act as a leaven, the traditional attitudes of a pastoral Somali society were more strongly engrained in the north, while the south seemed, in many respects, more modernist in outlook. To northerners these differences provided a set of standards well suited to express their traditional pride, aloofness and puritanism.

It must be emphasised, however, that these several lines of divergence on different bases of interest and

27. Ultimately in the traditional national pedigree these three groups share a connexion with an ancestor called Irir and the term 'Irirism' had crept into political discussion at this time.

association offered much scope for manoeuvre and also directly contributed to the stability of the new state as a whole. Differences on a regional basis between north and south were cut-across and offset by the wider clan connexions of the U.S.P. Darod with those of the S.Y.L. Similarly, while the isolation of the Isaq clans and their party the S.N.L. in the north might serve to reinforce these regional differences it could also help to surmount them through the possibilities of wider political alliance with the Hawiye on the Irir basis of alliance already mentioned. Equally, fervent supporters of a militant Pan-Somali policy in the north-of whatever clan allegiance-could find many similarly minded politicians in the south. Nor were all those southerners trained in the Italian tradition unattracted by the British administrative tradition with their ten years' experience of it after the war - nor blind to the advantages which the English language offered in comparison with Italian.

IV. The Mechanics of Integration

Against this background it would be difficult to minimise the extent of the problems posed by their dual colonial heritage which confronted the leaders of the Republic immediately after independence. In administration, although the functions of Italian and British trained personnel were similar, each staff operated under different conditions of service and on rates of pay which differed widely. This applied to all officials in all branches of government, including the police and new national army formed by the amalgamation of the former British Somali Scouts unit and the Italian Somali military force. Northern District Commissioners and Assistant Superintendents of Police (now styled captains) received salaries equivalent to those paid to British expatriates and considerably in excess of those received by Provincial Commissioners (Regional Governors) and colonels in the south. Similar outstanding differences existed in the legal field. The northern legal system was based primarily upon English common statute law and the Indian Penal Code; in the south Italian colonial law was followed. And while before union Somalia had her own appelate system, appeals from the High Court of the British Protectorate were heard by the East African Court of Appeal. Hence until a unified judiciary could be established separate sections of the Supreme Court of the Republic had to be created to deal with litigation in the two regions. In fiscal and accounting procedures the position was equally complex since wide procedural differences distinguished the two regions. There were also considerable variations in tariffs and customs dues and in the general structure of trade and trading regulations. Finally, in the northern educational programme English and Arabic were the principal foreign languages and media of advanced instruction, while in the south Italian was the main vehicle.

These distinct linguistic traditions had wide practical implications. Since there was no generally accepted script for Somali itself, English, Italian, and to a lesser extent Arabic, were of necessity the only means of written communication in private as well as public business.[28] Some southerners from their

---

28. On the vexed question of written Somali and the rival claims of the Arabic and Roman scripts as well as of indigenous orthographies see Lewis, 'The Gadabursi Somali Script', BSOAS, 1958, pp. 134-56.

experience and education during the period of British military administration knew some English, but no one in the north had any knowledge of, nor much inclination to learn Italian. These circumstances and its wider utility seemed to favour English in the long term, but did little to alleviate the immediate practical problems created by this polyglot heritage.[29] In some government departments it proved necessary to duplicate English and Italian-speaking personnel. And these linguistic barriers tended to be strengthened rather than weakened by the continued presence of a number of foreign advisers and technical officials in almost all spheres of government. Those several hundred Italian 'experts' whose free services formed part of the Italian aid programme were naturally particularly sensitive to any developments which tended to reduce the status of their native tongue or diminished the strength of the cultural connexion with Italy.

With this mixed legacy and the nature of clan cleavages between north and south, it is hardly surprising that difficulties should have arisen between the two halves of the Republic shortly after independence. Nor is it to be wondered at that in the main these should have been initiated by the north. Although there were four northern ministers in the cabinet and senior northern officials were rapidly gaining leading positions in ministerial departments, the north had sacrificed far more than the south. Mogadishu had retained its position as the capital of the state and as a thriving commercial town, while Hargeisa had been reduced in status to little more than a provincial headquarters and was declining in prosperity with the tendency of business to move south toward the seat of government. These disparities were further aggravated by the unemployment caused by the exodus of expatriates and their families from the north shortly after independence.

All this quickly bred a strong sense of northern resentment which soon replaced the honeymoon period of euphoria of the first months of independence. And here it is important to stress that many northerners, particularly officials and nationalist politicians, began to feel that they had been in effect the victims of a confidence trick, and, what was all the more aggravating, one largely of their own devising. It was they who had pressed for immediate union despite their misgivings over their lack of preparation in comparison with the south. Since union, however, many northerners who had been to the south or were now rubbing shoulders with southern officials and politicians, began increasingly to consider that the southern reputation for progress and advancement which they had hitherto accepted was in many respects unjustified, and that their southern counterparts, far from being better trained and equipped for independence, were in fact in many cases less prepared than they were. Popular southern songs current at this time expressed this northern disillusionment in terms of the marriage of a man with a bride who, on closer acquaintance, turned out to be far less attractive than had been anticipated.

---

29. The foreign advocates of English were the few British officials retained for a short period after independence in the north, the United Nations contingent, and the American Aid mission staff.

30. By 1963 half the heads of departments in ministries were northerners.

This mood of disenchantment was clearly expressed in the national referendum held on 20 June 1961 to legitimise the provisional constitution which had been prepared in the south before independence. In the north this occasion was interpreted as a test of confidence in the government, rather than in the provisions of the constitution itself, and more than half those who troubled to register their view (100,000 men and women) voted against the constitution.[31] The northern ministers in the government were rapidly losing the support of their electors and of the northern party organisation. This trend was expressed more dramatically in the abortive military coup of December 1961. The revolt was led by a group of Sandhurst trained lieutenants who, following the creation of the new national army, found themselves serving under Italian-trained superior officers of the south. As a whole, however, despite its grievances the north was not prepared to take such a drastic step; and although some senior officials and ministers were assumed to be sympathetic, the rising was quickly quelled by the loyal action of a group of non-commissioned officers.

This incident at last convinced the government that the situtation in the north had to be taken seriously and that more effective measures to implement integration more fully were urgently required. Northern and southern personnel in all branches of the civil service, the forces and the police, were posted more widely on a national basis. Other measures took more time to accomplish. The new civil service law unifying salaries and conditions of service throughout the Republic, although already ratified in January 1961, was proving difficult to implement since it required the grading of all personnel from the two regions on some common basis. Moreover, although urgently required, its provisions were regarded by many of those concerned as a mixed blessing. Senior northern salaries were scaled down and southern ones up to a common point (there were a number of northern resignations by senior staff), while the salary scales of lower grades of employee in the north were raised to meet the rates current in the south. Later in 1962 new fiscal and accounting procedures owing much to the British pattern were adopted. The practice of purchasing government equipment and supplies by tender - board was also introduced, to the chagrin of many Italian companies in the south. More attention was also given to the development needs of the north, particularly in health, education, and economics.

Dissatisfaction, however, still continued, and found new political expression after two northern ministers resigned from the government later in the summer of 1962 following a disagreement over government action in the north.[32] The political parties were now in a state of flux and various new alignments were in the air. These moves culminated in May 1963 in the formation of the Somali Congress, led jointly by the former northern chief-minister Muhammad Haji Ibrahim Igal and

---

31. In the south, the only area in which the vote went against the constitution (and the government) was in Hiran province occupied mainly by the Hawiye. As Castagno, cit., 1964, p. 548, points out, this is to be interpreted as a swing of Hawiye opinion against the Darod dominated government led by a former Hawiye Minister.

32. For further details see The Modern History of Somaliland, pp. 175-7.

the former S.Y.L. minister and defeated presidential candidate, Sheikh 'Ali Jumaleh.[33] This represented the final rupture of the uneasy S.Y.L.-S.N.L.-U.S.P. government coalition and left three main parties in the field - the government S.Y.L., and the S.N.C. and Somali Democratic Union in opposition.[34] This latter party had been formed in the summer of 1962 under the leadership of Haji Muhammad Husseyn, and based on the old G.S.L., sought to amalgamate dissident elements of the S.N.L., U.S.P., and H.D.M.S.[35]

These were healthy developments as far as the stability of the state as a whole was concerned since they brought the various currents of north-south antagonism more firmly into the party political arena. The S.Y.L. was now strongly represented in both Regions of the Republic, and so were its opponents, the S.N.C. and S.D.U. This was the position when the country went to the polls in the municipal elections of November 1963. Of the 904 seats at stake, the S.Y.L. won 665 (74%), the S.N.C. 105, and the S.D.U. the majority of the remainder. In the National Assembly elections which followed in March 1964, by which time the perennial border dispute with Ethiopia had flared up into open war and the public was being exhorted to fight with one hand and vote with the other, the S.Y.L. gained 69 seats, the S.N.C. 22, and the S.D.U. 15. The H.D.M.S. campaigning still on the narrower front of their own region, won 9 seats; and other smaller groups the remaining 8. Subsequent party changes by a number of deputies from the smaller groups - a recurring phenomenon in Somali politics - served to increase the strength of the S.Y.L. block in the Assembly.

These results indicated how thoroughly the cleavage between the two Regions of the Republic had now become accommodated to other sectional interests and divisions within the state. The trend was certainly reinforced by the Republic's increasing isolation in inter-African affairs.[36] Associated with increasing resistance by France, Kenya and Ethiopia to the Pan-Somali campaign for further unification! And it was further encouraged by the choice of Ministers in the new government formed after a lengthy period of negotiation following the elections. Abdirazaq Haji Husseyn who, after intense turmoil within the S.Y.L., eventually succeeded in gaining general support and supplanted abdirashid 'Ali Shirmarke as premier, was like him also from the Southern Region. But almost half those whom he invited to join his cabinet were northerners. And these new Ministers, most of whom were former civil servants who had only recently entered politics, were placed in charge of such

---

33. Sheikh 'Ali Jumaleh was Adan 'Abdullah Osman's main rival in the election by the National Assembly for the Presidency of the Republic held in July 1961.

34. The H.D.M.S. remained in its scope mainly concerned with its own area between the rivers and had no national organisation.

35. For further information on the formation of the G.S.L., see Castagno, 1964, pp. 549-50.

36. See <u>The Modern History of Somaliland</u>, pp. 178-202.

crucial departments as Foreign Affairs, Defence, Finance, Information, and Agriculture. This was a notable achievement for the north and one which was warmly welcomed there.

These developments in the political sphere, both within the government and in the opposition parties, were less the result of deliberate integration policy than part of a general trend towards a happier accommodation between northerners and southerners in the central life of the Republic. They marked a growing acceptance of union as an inescapable fact of life and a realisation by northerners that the south offered many attractive opportunities for the exercise of their traditional political and business talents. In commerce, as well as in politics and administration, many northerners were moving south to compete in business and trade with southerners and Italians and opening up new lines of enterprise. Northerners had begun to penetrate the lucrative banana export trade, and some of the most successful business men were founding agencies for the import of foreign goods and machinery on a scale which brought them into immediate competition with Italian concerns. Already some remarkable successes had been achieved. Few, perhaps could emulate that of a former northern clerk in a store in Hargeisa who, some eight years later had come to own a flourishing import and export business and was one of the richest men in the country and an important political influence.[37] Yet although many others have not been so dramatically successful, on a smaller scale this instance could be repeated for a considerable number of other enterprising northerners who have moved their field of business interests south. Figures of the numbers of northerners involved, or of the extent of their capital commitments are unfortunately not available, but the trend is quite clear.

In this situation, many of those northern entrepreneurs who at the time of union were most hostile to the continuation of Italian influence in the south have since found it expedient to learn sufficient Italian to advance their business interests. However, although the tussle between Italian and English-speaking Somalia still continues, it now seems probable that in the long run English will supplant Italian as the dominant foreign language. The cabinet formed by 'Abdirazaq Haji Husseyn in 1964 is largely English-speaking, most ministers and senior officials send their children to schools where English is the principal medium of instruction (and even to schools run by Christian mission societies), and adult classes in English are much more enthusiastically attended than those in Italian. In 1964 English had begun to replace Italian in intermediate and secondary schools in the south, and the impressive new Russian built secondary school at Mogadishu has English as the main medium of instruction. Thus in language as well as in administrative procedures the Republic seems to be moving increasingly towards the English-speaking world, despite the lingering bitterness and hostility towards Britain engendered by Britain's support of Ethiopia and Kenya against Somali interests and the rupture

37. The primary function of well-endowed business interests here is frequency in supporting the electoral campaigns of selected candidates for election to the National Assembly. Business men are often said to have 'built-up' (as the Somalis put it in Somali) particular deputies and ministers.

of diplomatic relations in March 1963.

Other formal measures designed to integrate governmental and administrative practice in the two halves of the Republic must now be mentioned. In June 1963 customs and tariff regulations were established on a unitary basis through the Republic with the effect, at least initially, of raising prices in the north. In May 1964 the International Monetary Fund approved a stand-by agreement enabling the Republic to draw £1.6 million to facilitate the introduction of a unified exchange control system. Already in the previous year, the Assembly had passed legislation extending universal suffrage to the north, and in August had ratified a new local councils bill regularising the system of local government throughout the state. This allows local authorities considerable powers, particularly in such fields as education, sanitation, and town planning, and enables them to maintain their own budgets with a variety of local taxes on housing, land and licenses etc. Finally, integration in the field of law had not been neglected, and in April 1964 legislation was approved introducing a unified code of criminal procedure on which work had been proceeding since shortly after independence. All these measures establishing uniformity between the two regions were prepared with the advice of a Standing Advisory Committee on Integration appointed in October 1960 under the chairmanship of a United Nations legal expert.

These developments, both formal and informal, have finally to be set in the wider context of the total economic situation. As far as external trade is concerned the position remained much as it had been prior to union. The export trade of the two Regions continued to run on complementary rather than competitive lines. The livestock and livestock products traffic of the north, mainly to the Sterling area ran much as before, augmented by some export of the same commodities from the south. The main trade of the south, however, remained the banana crop marketed almost entirely in Italy and shipped by Italian vessels. Efforts were being made, of course to expand production and to improve transport and shipping facilities, and were already showing some success.[38] Thus the value of exports increased from £6½ million in 1961 to £9 million in 1962, while imports rose from £10 million to £13.4 million in the same period.[39]

While the export trade of the two Regions thus continues to be complementary and constitutes an important factor in the diversification of the overall pattern of trade of the state as a whole, the two Region's mutual interdependence in other locally produced foodstuffs is likely to be increased if current trends continue. For although the grain resources of the north will be

38. New arrangements for the export of the banana crop introduced in 1965 have resulted in a widening of the market, Italy being no longer the sole importer. See 'The Banana Crisis' in Dalka: The Homeland, No. 1 Vol. 1, July 1965, pp. 8-9.

39. The principal countries from which imports came in 1962 were in order of importance: Italy, Britain, U.S.A., Japan, and India. Exports went chiefly to Italy, Arabia and Aden.

augmented by the development of a large state farm at Tug Wajale producing wheat and sorghum, it seems probable that the region may still require to import further quantities of grain from outside. If this is the case, this demand will be most readily met by the intensification of agriculture now being planned and already partly in progress in the great arable belt between the Shebelle and Juba Rivers.[40] At the same time, work begun in 1964 on the expansion of sugar production and the modernisation of plant at the Jowhar estates[41] aims at satisfying the whole country's needs and providing some sugar for export. The effects of these developments seem likely to consolidate the trend already noticed in commerce of the intensification of the two Regions economic interdependence. It is too early to forecast how the implementation of the Five Year Development Plan, budgeting for an expenditure of £70 million and launched in 1963, will affect the position. But since the Plan again aims at a general diversification of development projects throughout the country as a whole it seems probable that its execution will support the same trend towards economic interdependence between the north and south.[42] And certainly the considerable developments in north-south road communication which the Plan provides for will greatly facilitate inter-regional trade and mobility.[43]

---

40. This fertile area of some 210,000 sq.km. is at present being subjected to an intensive Agricultural and Water Survey study under the joint auspices of the United Nations Special Fund and the Food and Agriculture Organization. Indications both for the expansion of irrigation cultivation along the rivers and for the improvement of dry-land farming between them are promising. It is estimated that small improvements in farming methods and improved fertilisation and seed types could easily treble present yields and make the Republic self-sufficient in grain. See Agriculture and Water Survey. Somalia. Interim Report on Agriculture and Economics. Afgoi-Bur Hacaba - Hoddur Regions, Mogadishu, 1964. With Russian aid a state farm covering 20,000 hectares of land is under construction between Jelib and Jamama along the lower Juba. This will produce sesame, sunflour, groundnuts and cotton. A cotton gin and an oil extraction plant are to be included.

41. These are now run by a partly nationalised company in which the Somali Government holds 50% of the shares.

42. The main heads of expenditure under the Plan are: Transport and communication, agriculture, industrial development, housing and water-supplies, and irrigation and drainage.

43. In the period up to 1965 road improvement was mainly concentrated in the south. Different sections of a long tarmac road linking the American aided port developments at Kismayu with the lower Juba banana plantations, and these in turn with those on the Shebelle, and on to Mogadishu are under construction by the Germans, Chinese and European Common Market. When complete this road will serve as a permanent memorial to the diversity of foreign aid to the Somali Republic.

Development (from 1963 under the Five Year Plan) is charged to a separate special budget in which expenditure has risen from a figure of £0.85 million in 1962 to £2.7 million in 1964. The resources on which this budget depends derive almost entirely from foreign aid and loans, of which the Republic had received respectively £27.8 million and £26 million by the end of 1963. These sums are made up as shown in the accompanying table.

FOREIGN AID AND CAPITAL [44] LOANS

1. Free Financial Aid (Millions Sterling)

Source	1960	1961	1962	1963
Italy	£1.5	£2.9	£2.8	£2.8
U.S.A.	£0.5	£1.6	£0.8	£3.5
U.K.	£0.8	£1.5	£1.5	-
U.N.	£0.1	£0.6	£3.5	£0.8
E.C.M.	£0.02	£0.6	£0.03	£0.4
U.A.R.	£0.07	£0.2	£0.25	£0.25
U.S.S.R.	-	-	-	£0.25
W. Germany	-	-	-	£0.17
Other	£0.01	£0.19	£0.24	-

2. Long Term Financial Loans (Millions Sterling)

Source	Up to end of 1963
Italy	£1.7
U.S.S.R.	£15.8
W. Germany	£2.2
U.S.A.	£0.7
Czechoslovakia	£1.5
U.A.R.	£4.0

3. Commercial Loans (Millions Sterling)

Source	Up to end of 1963
Italy	£7.1
U.S.S.R.	£2.7

44. Taken from Government Activities from Independence until Today (December 1963), Mogadishu, Somali Government, 1964.

At the same time, with the involvement of the state in a widening range of responsibilities, ordinary budgetary expenditure has risen from a figure of £8.6 million in 1961 to £9.4 million in 1964. A tightening up in fiscal and accounting procedures coupled with increased direct taxation in towns and on the export banana crop has enabled the government to reduce its current budgetary deficit over the same period from £3.1 million to £2.1 million. This gradually falling, but by no means insubstantial, recurrent deficit has been made good by direct grants principally from Italy and Britain up to 1962, by Italy and China in 1963, and in 1964 by Italy and West Germany.

V. Conclusions.

In the first half decade of its existence the Somali Republic has clearly come a long way in welding together its two constituent territories in a much more thorough-going and pervasive union than was achieved at the time of independence. The elections of 1964 seem to mark a turning point, revealing the accommodation of northern and southern political interests in both the government and opposition parties on a truly national basis, corresponding to the developing economic links, both formally and informally, between the two Regions and the increasing uniformity of legislation in all spheres throughout the state. When due account is taken of the lack of any formal preparation for integration before independence, especially in the north, this seems a notable achievement.

That it has been possible to hold and increasingly bind together these two territories without serious trouble, and without the assumption of authoritarian rule or any abandonment of parliamentary democracy, can I think, only be accounted for in terms of the strength of traditional cultural nationalism, notwithstanding its many internal lines of cleavage. The emotive power of traditional national sentiments which has made this possible, strengthened by the Somali commitment to Islam, has undoubtedly been further reinforced by the Republic's increasing external difficulties with her neighbours over the question of further Somali unification.

Their traditional unity has thus given the inhabitants of the new Somali state a national and solid framework which has enabled the form of parliamentary democracy inherited from the Trusteeship period to survive as the essential political life of the country. This derives added vitality from its strong roots in the traditional pastoral social system. But if this traditional pattern is essentially democratic in character, its democracy is of an extreme form in which the shifting character of political alignments and divisions militates against the ready formation of stable policies and inhibits the smooth and efficient working of modern government on a national level. This is no doubt partly alleviated by the omnipresent character and strength of following of the S.Y.L. government party throughout the state. Yet it would be misleading to regard this organisation as a monolithic machine dominating all aspects of life in the state and manipulated from above by an exclusive directorial clique to its own ends and advantages. The party is too loosely structured and encompasses too many divergent interests to have this character; nor is the state's civil service simply an off-shoot of the party. Although the majority of civil servants are probably S.Y.L. supporters, by no means all officials at any level in the hierarchy are affiliates of the government party. Thus, as was evident at the last elections, District and Provincial Commissioners, did not by any means all support the government in a political sense; and the same holds true of the police. Many senior civil servants, indeed, tend to show a healthy scepticism towards politicians and all their works. Moreover, as the present constitution actually works, Somali governments are necessarily highly sensitive to the pressure of public opinion not only from their own dissident members inside and outside the National Assembly,[45] but also from their opponents who have hitherto at any rate experienced little difficulty in voicing their divergent views.

Nevertheless, there have been advocates of a more highly centralised and authoritarian system as necessary to meet the country's internal and external needs; and some leading members of the S.Y.L. have indicated that they would favour a fuller intrusion of the authority of the party into the affairs of the country at large. So far, however, these views have not gained sufficient support or authority to effect any institutional changes. And a substantial body of public opinion, appears to look to the personal dynamism and powers of leadership of the new Prime Minister 'Abdirazaq Haji Husseyn to meet these needs without changes in the political structure.

Certainly his government formed in 1964 marked a distinct break with its predecessors, both in the quality and character of the new Premier's leadership and in the technical qualifications and expertise of his ministers, most of whom were much younger than those who served under Dr. 'Abdirashid. On his appointment which, as had been seen, was initially opposed by a majority in the S.Y.L. caucus but vigorously supported by the President,[46] 'Abdirazaq made it clear that his administration would aim at drastic reforms and improvements in general administration, and would seek to abolish bribery and other forms of corruption and inefficiency - a theme which he had reiterated on numerous occasions. As far as can be seen at present, the indications are that this policy is in fact being pursued. There have already been a number of administrative changes - such for example as the much-needed introduction of in-service training to improve administrative standards - and many changes of personnel, demotions, and dismissals. Some senior officials are awaiting trial on charges of embezzlement.

---

45. It is well-known that the independent-mindedness of many S.Y.L. members of the Assembly proved financially rewarding to them under Dr. 'Abdirashid's administration.

46. The President's detractors claim that his action here was influenced by his desire to secure a Prime Minister favourable to his re-election as head of state: his relations with the previous Premier had sharply deteriorated. Later to consolidate his personal position and also to co-ordinate policy within the League, in and outside the Assembly caucus, the Premier was elected as Secretary of the party in December, 1964.

Those who have been adversely affected by these changes and those of the old government who are excluded from the present administration naturally tend to be hostile to the Premier. And where changes within the ranks of the civil service have led to the replacement of officials belonging to other clans by men of the Premier's own clan-family (Darod), his critics have charged him with tribal favouritism, despite his own vehemently reiterated denunciations of this practice. Where this has resulted in the displacement of northerners of the Isaq and Dir groups it has tended to drive them into the arms of the Hawiye; or at least such of the Hawiye as oppose the government. This has tended to ease relationships between these northern and southern groups where these are strained by conflicts over the language issue, or by increasing northern competition in southern trade. Thus, here again, we see how rivalries based largely on clan cleavages lead to new temporary associations of apparent best-advantage within a common system founded ultimately upon the acceptance of the union of the two territories as a basic fact of life.

At the time of writing (June 1965) the opposition parties are again in disarray, a situation from which they only seem to emerge as solidary groupings at elections, and attempts are being made to transform the Somali National Congress into a new party with a more definetely socialist policy advocating firmer ties with the Soviet block or China. These moves seem to be led by part of the former S.N.C. leadership (while other leading members of the party appear to be on the verge of throwing in their lot with the government), and by those elements within the S.Y.L. who are hostile to 'Abdirazaq's leadership. Whether or not this will result in a radical split within the S.Y.L. as a whole remains to be seen. It would seem a little unlikely, however, since some of those who oppose the present Premier share is clan connexions, and the League has weathered similar storms in the past.

How these trends will develop in the future will certainly depend to a considerable extent on the resoluteness with which the government pursues the issue of further Somali unification. For this will remain the ultimate test of any Somali government's popularity, until public opinion learns to accept the difficulties of the situation and adopts a more fatalistic attitude towards it. As far as the relations between northerners and southerners are concerned, what will certainly also remain a consideration of wide importance is the continuing rivalry between those who support Italian and those who favour English as the main foreign language. It is ironical that it is this fortuitous element in the two colonial traditions which has proved the most intractible problem of all and the least easily resolved.

BIBLIOGRAPHY

Administrazione fiduciaria Italiana della Somalia (AFIS), Le Prime Elezioni Politiche in Somalia, Mogadishu, 1956.

Andrzejewski, B.W. and Lewis I.M. Somali Poetry, Oxford, 1964.

Castagno, A.A., Somalia, Carnegie Endowment for International Peace, International Conciliation, No. 522, New York, 1959.

" " in Helen Kitchen, ed. The Educated African, New York, 1962.

" " in Coleman, J.S., and Rosberg, C.J. (eds), Political Parties and National Integration in Tropical Africa, California, 1964, pp. 512-59.

Costanzo, G.A., Problemi costituzionali della Somali nella preparazione all' independenza, Milan, 1962.

Drysdale, J., The Somali Dispute, London, 1964.

Friedland, W.H. and Rosberg, C.G. (eds.), African Socialism, California, 1964.

Hunt, J.A., A General Survey of the Somaliland Protectorate, 1944-1950. London, 1951.

Karp, M., The Economics of Trusteeship in Somalia, Boston, 1960.

Laurence, M., The Prophet's Camel Bell, London, 1963.

Legum, C. Pan-Africanism - A Short Political Guide, London, 1962.

Lewis, I.M., 'The Gadabuursi Somali Script', Bulletin School of Oriental and African Studies, 1958, pp. 134-56.

" " 'The Somali Conquest of the Horn of Africa', Journal of African History, 1960, pp. 213-30.

" " A Pastoral Democracy, London, 1961.

" " Pan-Africanism and Pan-Somalism', Journal of Modern African Studies, 1963, pp. 147-161.

" " 'The Problem of the Northern Frontier District of Kenya', Race, 1963, pp. 48-60.

" " The Modern History of Somaliland, London, 1965.

Somali Republic, Government of, The Somali Peninsula: A new light on Imperial Motives, London, 1962.

" " Government Activities from Independence until Today, Mogadishu, 1964.

" " The First Five Year Development Plan (1963-67), Mogadishu, 1963.

" " The Utilisation of Manpower in the Public Service in Somalia, Mogadishu, 1964.

Touval, S., *Somali Nationalism*, Massachusetts, 1963.

Journals:

The Somali News, a weekly official newspaper published by the Ministry of Information, Mogadishu.

Dalka: The Homeland, an independent political magazine published monthly in Mogadishu, from July, 1965.

Corriere della Somalia, an official daily newspaper in Italian, published by the Ministry of Information.

L'unione, the official organ of the Somali Youth League, Mogadishu.

II

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

N/VI

ECONOMIC INTEGRATION IN LATIN AMERICA

by

Norberto González

NAIROBI, 13 - 18 DECEMBER 1965

ECONOMIC INTEGRATION IN LATIN AMERICA

by Norberto González

I. Background

The crisis of 1930 produced in the Latin American countries a break with the old scheme of growth which was one of fast increasing exports of primary products to the rest of the world. Since then the purchasing power of exports has been too small to cover the needs for imports of intermediate and capital goods resulting from the development process; the bottleneck in the external sector seriously limited the possibilities of achieving a sustained and fast rate of growth.

As a reaction to the balance of payments difficulties, the countries of Latin America started processes of industrialisation, at first not very clearly defined, that gave way increasingly to a more definite substitution of imports policies.

The maintenance of unfavourable conditions for the traditional exports of the region led to full use of the possibilities of this new scheme for the substitution of imports, particularly in the largest countries of the region; not only the easiest substitutions were made (such as non-durable and durable consumer goods) but also some of the more capital intensive and technologically complex intermediate and capital goods. Latin American countries weakened their links not only with the rest of the world but also among themselves. The high level of protection and the relatively small size of the national markets meant that in many cases competition was not very keen and the level of costs was not favourable in comparison with international standards. The market of one of the largest countries of the region for many of the most dynamic industrial sectors is only one fourth as great as that of any of the biggest countries of Western Europe. This is true for Argentina, Brazil or Mexico, for example, for the metal-transforming industries; their joint annual internal demand for the production of this sector represents a little over 6,000 million dollars; the corresponding figure for Western Germany, France and the United Kingdom reaches about 26,000 million. For each one of the other countries of Latin America whose aggregate market is currently much the same size as that of one of the above mentioned countries, the difference is many times greater.

In these conditions the substitution of imports and the process of industrialisation on the basis of the national markets encounter increasing difficulties in playing their role as the main element in a development strategy, and the possibilities of exporting manufactured products to the rest of the world are very small.

A recent study made by the Latin American Institute for Economic and Social Planning[1] has shown that the external bottleneck is still a very important limiting factor for Latin America. According to that study, assuming that the circumstances that have prevailed in the last fifteen years and that determined the evolution of exports and imports for Latin America as a whole, would continue in future, and that the region increases the product growth by one per cent per annum, by 1975 the region would have import needs that are higher than the capacity to import by 5.5 million dollars per year. That is to say, even if the substitution of imports process continues to be in the future as strong as it has been in the past, the Latin American countries will not be able to solve the balance of payments problems connected with their growth process. The recent UN World Trade Conference discussed the way by which this foreign trade gap could be solved. One of the main ways recommended by the Conference was the achievement of greater cooperation among the developing countries themselves.

The realisation of these facts led the countries of the region to the adoption of policies of integration that were made possible by a long common historical and cultural tradition. Apart from the favourable political and general economic consequences that could be expected from these policies, two main specific purposes were pursued.

One, for the already developed manufacturing and primary sectors of production, to increase the degree of competition and to facilitate the achievement of better conditions of production through better use of the productive resources connected with a certain amount of specialisation. The example of the textile industry in Latin America shows, according to recent studies, that the possibilities of improving production are considerable and that the differences between countries are of great significance. In the case of agriculture, where the efforts to substitute imports have led many countries of the region to produce most of the commodities they need in spite of their unfavourable natural resources position for certain commodities, is another good example of the advantages that could be obtained through specialisation taking into account the resources of the country.

---

1. Latin American Institute for Economic and Social Planning. Effects of a Regional Emports Substitution Programme for the External Sector Gap in Latin America. Mimeographed version, August, 1965.

Second, for those commodities that are still imported from the rest of the world, the possibility of keeping up the substitution of imports process. The widening of the market would mean that the production of some commodities would become economical sooner, the productive capacity of the new establishments would be used more fully and the processes adopted for these new sectors would incorporate economies of scale. Consequently, the needed investment per unit of new production, particularly the investment in foreign exchange, would be reduced, and the increase in productive capacity that could be achieved with the scarce resources available would be enlarged. As an example of this, a recent study on the steel industry shows that by tackling the development of the sector on a regional basis, some three billion dollars of investment could be saved in a span of 10 years. The situation of the sectors producing capital goods is also very significant. Integration in this case would allow an acceleration of the substitution of the imports process and would thus help to make the capital formation process more independent of the external sector difficulties. In the same connection, the enlargement of the market would allow a better position concerning production techniques. Under present conditions, Latin America usually copies techniques developed in other parts of the world and not necessarily suited to the characteristics of its markets or to its productive resources. For reasons related to scales of production, specialisation and economic and financial potential, the regional market might open up possibilities for Latin America to create her own techniques or more efficiently to adapt those borrowed from abroad to its particular combination of resources.

The above mentioned study of the Latin American Planning Institute shows that a substitution of imports programme organised on the basis of a regionalisation of the market could narrow that foreign trade gap by half approximately.

II. INTEGRATION SCHEMES UNDER WAY IN LATIN AMERICA

The two integration processes that are under way in Latin America, namely the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM), have tried to achieve these purposes by two main groups of policy measures. First, the gradual reduction of the trade barriers among themselves to increase their economic links, particularly in the already existing sectors of production. Second, the definition and application of a development policy for the main manufacturing sectors which produce intermediate and capital goods that are still imported; by using the advantages of the regionalisation of the market.

As will be seen in the rest of this paper, the progress that has been achieved until now in Latin America is relatively greater in the first than in the second group of measures.

The Case of the Latin American Free Trade Association

The Latin American Free Trade Association was created by the Treaty of Montevideo signed in 1960 and started operating in 1962. The seven original members (Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay) were joined shortly afterwards by Colombia and Ecuador.

These nine countries represent approximately 180 million inhabitants, that is to say, a little more than 80% of the population of Latin America, and nearly 90% of the gross domestic product of the region.

The programme of liberalisation of trade among these countries aims at the gradual elimination of all the restrictions that affect the essential part of their trade. This elimination will be achieved in twelve years by periodic negotiations through which the countries will grant to each other reductions in the customs duties and in all other restrictions; the commodities in which trade will be subject to this liberalisation will be selected by these negotiations. Two distinctive features of the Treaty of Montevideo are, therefore, the gradualness of the process and the selective character of it that implies the need to make periodic agreements and to take decisions on the kind of goods on which every country will grant reductions to the others.

The number of agreements reached in each of the four years is shown in Table I. It can be seen that there is a clear tendency of reduction in the number of agreements. In the first rounds the countries were granting reductions mainly on commodities that do not compete with any similar domestic production; when these cases began to be more rare and the negotiations affected national interests, the extent of the difficulties increased and the number of agreements decreased drastically. This gives ground to the general opinion that the selective process of negotiations is rapidly approaching stagnation and supports current efforts to change the system.

The increase in inter-regional trade that has taken place from the beginning of the operation of LAFTA is indicated in Table II where it can be seen that in relative terms the increase in this trade from 1961 onwards has been quite high. However, as this trade previously represented a comparatively small proportion of total imports, its significance within the external sector of these countries is still not very great and it only approached the highest relative importance during the first half of the 'fifties when it was based on bilateral agreements.

The composition of this trade (Table III) shows that even in 1963 when the highest relative increases had taken place in metals and chemicals, 72 per cent of the exports within the zone were composed of agricultural commodities, and the manufactured commodities represented only 13.7 per cent.

It should also be noted that the intra-regional trade shows a smaller proportion of manufactures among the group of commodities that have been subject to agreement than those corresponding to goods whose trade has not been liberalised. This fact apparently confirms the reluctance of the countries to grant reductions for commodities that can compete with their own production.

The foregoing facts lead to the conclusion that the process of trade liberalisation through selective negotiations tended to produce, in the case of LAFTA, significant consequences for specific sectors of the economy, but that until now they do not seem to represent an increase in trade nor a diversification of it in such magnitude that it could make a substantial contribution to the removal of the balance of payments problems of the countries concerned.

The opinion is widespread within the region that the selective character of the process has favoured the predominance of vested interests and has tended to slow down the process so that the position within every national market could be endangered. The need for a more automatic tariff reduction has become apparent and several proposals, both inside and outside LAFTA, have been made in this direction.*

Another basic feature of the Montevideo Treaty is the one concerning the complementation agreements for specific industrial sectors.

The complementation agreements were considered in the Treaty of Montevideo as a way of speeding up the process of integration for specific manufacturing sectors. However, until now only two of these agreements were signed and they refer to industries that are not basically important to the economy of the region.

---

* Particularly: Felipe Herrera, José Antonio Mayobre, Raúl Prebisch, Carlos Sans de Santa María, Proposición para la creación del Mercado Común Latinoamericano

It is very likely that one important reason for this lack of advancement was the existence of a most favoured-nation clause according to which the LAFTA countries that did not participate in these complementation agreements could benefit from their advantages. This meant that countries with similar needs could not make agreements of this sort without having to extend them to other countries of the region with respect to which they could be in an unfavourable competitive position. It was only recently, understanding the negative element in this clause for the advancement of the process of integration in this field, that the countries modified it in the sense that the members that do not participate in one agreement can only benefit from the advantages of it after a specific negotiation.

A second factor that may have had an important negative influence on the possibilities of reaching this kind of agreement, was the lack of analysis of their potential advantages for the development of the countries concerned, the problems that could arise from their implementation, the alternative solutions and the implications that these solutions could have for the development of specific countries.

Furthermore, the negotiation of this sort of agreement, one by one, seems to be an important hindrance to the achievement of a satisfactory regional equilibrium in the share of the resultant advantages. A more global approach, affecting a large group of sectors, would be needed in order to make equilibrium compatible with the choice of location of every economic activity taking into consideration the comparative advantages to different countries of the region for the production of specific commodities.

A third important aspect of the integration policy of LAFTA, is the treatment of the countries of a relatively lower degree of development. These countries could receive advantages from the rest that are not extended to others; these advantages are granted without reciprocity and they can consist in reductions of trade restrictions which include additional commodities and speed up normal negotiations. The application of this scheme meant granting these advantages to Paraguay and Ecuador, with respect to a long list of commodities. However, in the case of Paraguay the increase of the exports to the area has been slower than the average increase in inter-regional trade; this fact could be explained by the unfavourable conditions of the Paraguayan productive capacity resulting in an inability to export competitively to other Latin American countries. These differences in degree of development are, of course, more important if the target is not only to increase the exports of the less developed countries, but specifically to give them possibilities to sell manufactured instead of traditional commodities.

The Case of the Central American Common Market

From 1952 onwards several bilateral agreements for the liberalisation of trade between five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) were signed. This liberalisation applied to specific lists of commodities attached to every one of these agreements. During the six following years trade among these countries was doubled.

In 1958 these bilateral agreements gave way to a multilateral treaty that was signed by the five countries. The previous agreements were geographically broadened by this new treaty, but the scheme was still confined to a specific list of commodities. In spite of this limitation, in the next two years inter-regional trade increased fourfold.

Two years later, in 1960, the general agreement for Central American integration was signed. Except for a comparatively small number of commodities that are still subject to special arrangements, all the others were incorporated into a system of liberalisation of trade according to which a complete customs union was to be achieved within five years.

This process of continuous extension and deepening of integration of Central American countries shows that in this case there was a clear determination to use all possible opportunities for advancements; in some cases when the desire of some countries was stronger than that of the rest, agreements that included only these countries were signed; in other instances partial agreements were consolidated into more general ones using the common denominator of existing ones; meanwhile, links between the countries were strengthened and experience gained was applied towards further advancement.

In other words, the road to integration was not built on the result of a unique set of decisions adopted at a certain moment, but was and still is a process of continuous steps not only in the field of free trade but also in the creation of other mechanisms to which the following paragraphs will refer.

Table IV shows the increase in intra-regional trade that has taken place since 1959. It can be seen that trade among these countries has grown from 27.6 to 107 million dollars during that period; this represents an average cumulative increase of trade of 31.1% per annum. It is also evident that the amount of this trade already represents a significant element for the growth of the Central American countries, * and its relative importance for their economy is much greater

* It represents approximately 3% of G.D.P. In the case of LAFTA this proportion is lower than 1%.

than in the case of LAFTA. The same table shows the increase in the relative importance of intra-regional trade on the total imports of these countries; the proportion grew between 1959 and 1964 from 5.8 to 13.8% in spite of the rapid growth of trade with the rest of the world.

The composition of this trade also shows an important change represented by the increasing proportion of manufactured goods. Exports of manufactured goods grew by 22.5% yearly in 1957/60 while during the previous quinquennium the average annual growth had only been 5.2%; non-manufactured commodities have grown during both periods at approximately the same rate of 15%. The available information shows that this tendency continued until 1962*.

The effect of this increase in intra-Central American trade on production in these countries has been important. The increasing trade in manufactures has produced an expansion of already existing industries within the area, and the installation of new industries at regional level. A recent estimate of investments in these new industries assigns a value of 65 million dollars to the total investments made in them up to 1963, a relatively big sum for Central America. The process was intensified during 1964 contributing to an increase of private investment within the region by 10% of the level of the previous year; public investment in infrastructure has also been accelerated as a consequence of the needs created by the Common Market; such is the case of investment in roads, communication networks and ports.

The reduction of internal restrictions to trade was accompanied by the unification of the tariffs of the five Central American countries with respect to the rest of the world. In 1960 the process of adapting national tariffs to the common tariff began. The adoption of a common tariff to the rest of the world has been an important element in avoiding distortions that could impair the strengthening of integration among member countries. It has often been said that a similar feature would be needed in the case of LAFTA but so far it has not been possible to put it into practice.

An important distinctive feature of the Central American Common Market in comparison with LAFTA is the greater attention given in the former to aspects concerning industrial integration by sectors.

Complementing the free trade process, a series of mechanisms have been adopted to give a more definite orientation to the policy towards integration.

---

* Joseph Moscarella. La integración económica centroaméricana. In "Integración de América Latina, experienceas y perspectivas"; Miguel S. Wionzeck, Editor.

One important part of this policy is the scheme for Central American Integration of Industries. This scheme was created in 1958 and incorporated into the General Agreement for Central American Integration in 1960. Its purpose is the establishment of industries whose market is regional in order to procure a better use of the productive capacity and a location for these industries that takes into account the relative advantages of each country and to make these considerations compatible with the achievement of a certain regional equilibrium. The industries involved are those whose minimum plant size demands a regional market in order to operate economically.

These plants receive special treatment with regard to free trade within the region and privileges of a fiscal nature. The decision about the plants to be included in this special system is made in agreements signed in each case; these agreements indicate the minimum capacity and location of the plants as well as all the advantages that will be granted to them and the guarantees to the consumers concerning prices and supply conditions.

The signature of an agreement of this kind does not imply that similar productive units cannot be established in other countries than those to which the plants are assigned, but of course any other plant established outside these agreements will not be subject to special privileges.

Two plants have been established under this scheme. A third is going to begin operating in approximately two years' time, and several others are under consideration.

In spite of the importance of the practical results that these plants represent it could be observed that the application of the scheme has been rather slow. This could be due to the difficulties of satisfying expectations of all countries of the region and of counterbalancing the pressures of specific interests by a process of plant by plant decisions. On this point the advantage of agreeing on some general guidelines for a regional industrial policy becomes evident and the discussion of "package" projects providing specific advantages for every country, would be desirable. We will refer to this point again later.

An institution that plays an important role in the application of a development policy for Central America is the Central American Bank of Economic Integration. It was created in 1960 and began its operation in 1961. Its task is the financing of investment projects, concerning industries of a regional character, projects aimed at the achievement of agricultural specialisation within the region, others devoted to the readjustment of industries that must be transformed because of the integration process, and infrastructure projects for the construction of minimum networks of transport and energy within the region and to create conditions necessary for an economic equilibrium within the region.

By March 1965 the Bank had completed credit operations totalling 34 million dollars, to establish and enlarge 66 industrial enterprises, 21 feasibility studies, and four loans for infrastructure projects and housing. Four additional credit operations for 22 million dollars are also already approved. The operations of the Bank will be substantially increased through the creation of the Central American Integration Fund which will finance projects intended to promote and strengthen economic integration and the development of Central American countries; these projects should aim at the achievement of an equilibrium within the region and should be incorporated into the framework of the development policy and plans of each of the countries.

All these operations are financed by contributions from the Central American countries and loans from the Inter-American Development Bank and the U.S. Government. The Bank is potentially an important element in the mechanism for applying a development policy with a regional orientation and taking advantage of the possibilities provided by integration.

The Central American Institute for Industrial Technology and Research is another important element of an industrial development policy.

A mechanism also exists for the gradual co-ordination of the monetary, credit and foreign exchange policies of the five countries of the region; as part of these monetary and financial arrangements, a payments system to compensate the balances created by inter-regional trade has been in operation since 1961.

It is also worth mentioning that the institutional organisation of the Central American Common Market is stronger than the one of the Latin American Free Trade Association.

This set of instruments helps to give to the Central American process of integration a greater governmental influence and a relatively lower reliance on the free market mechanism than is the case in LAFTA.

A Regional Development Policy

In the previous sections it has been pointed out that in the cases of LAFTA and the Central American Common Market there are several reasons for defining and applying a regional development policy. Briefly these reasons are:

(i) To reap from integration, the maximum advantages for the development for Latin America. More efficient sizes and locations for plants can be obtained if a deliberate policy is drawn up for that purpose. In other words, the free play of the market forces would not guarantee the achievement of these targets anymore than it does within a national market, in similar circumstances.

(ii) Integration is not an end in itself but a means for speeding up the development process. As such, it needs to be harmonised with the other basic ingredients of the development strategy of the countries. The achievement of the aims of integration competes for the use of the scarce resources with the other targets of national development and with the application of structural reforms necessary within each country. The regional development policy should serve to put the integration process in the right perspective so as to make it play the correct role and to be consistent with the pursuance of other necessary targets.

(iii) To get a quicker advance in the integration process, a clear definition of its targets and long-term policies is necessary. The reluctance of many sectors to make stronger integration commitments is based to a great extent on the lack of definition of these targets, and on the uncertainty as to the effect of this process on the general and sectoral development of each country.

On the other hand, as has been the case in some of the LAFTA countries with respect to the reduction of the restrictions already granted, the elimination of the trade barriers alone, as a passive measure, does not produce the increase in economic inter-dependence which could be expected among member countries. It is necessary to adopt measures for the development of relevant productive sectors so that they can export competitively and take advantage of the reductions obtained through negotiations. Development policy must therefore be adapted to giving priority to investment in these sectors. It has been observed that some countries, for lack of production, could not export in spite of the reductions which had taken place.

The idea that a regional development policy of this kind is necessary was resisted for a long time in Latin America by many people who feared that the difficulties in reaching an agreement on the issues involved, were going to have a negative effect on integration. The indirect commercial measures seemed to be easier to apply. However, the experience of LAFTA and the Central American Common Market has led in both cases to an increasing tendency to relate these processes to development policy.

The case of the Central American Common Market, being more advanced, is clearer in this respect. More than two years ago, with the assistance of the Inter-American Development Bank, the Organisation of American States and the U.N. Economic Commission for Latin America in collaboration with the Central American Bank and the Secretariat of the Common Market, a joint planning mission was organised for the purpose of helping the national planning boards to co-ordinate their development policies and to draw up some general guidelines for the region as a whole. The work of this mission was done by considering the potential of the whole regional market for the economic development of the five countries, trying to determine targets that make full use of these potentials and helping every country to define the measures necessary at the national level. This task is not easy and in the special case of Central America the need for prior reinforcement of the national planning boards added difficulties to the problem. However, the five countries are well advanced in the elaboration of national development programmes that take into account several of the main requirements of the integration process. The continuation of this work of co-ordination of plans should allow a greater clarification of the conceptual and technical issues involved, as well as a more explicit and thorough discussion of Central American development prospects and problems and to define the place of each country within the growth of the whole region.

The effective advances of planning, including those of the scheme for Central American Integration of Industries, are still limited. But the steps taken in this direction are important.

In the case of LAFTA the direction of thought within the region seems similar. LAFTA itself passed, in October 1964, the Resolution 100 (IV) which states the need to express the main purposes of the integration process in terms of the economic and social development of the region. To achieve a fair distribution of the results of integration, to pay special attention to the relatively less developed countries and to guarantee them a reasonable place in the industrialisation of the region and to achieve effective advances in the integration process are aims expressed in this resolution. They require, the formulation of regional industrial and agricultural development policies. Some of the basic ideas for those policies are included in the same resolution; besides, the need for co-ordination of national development plans is clearly recognised and some steps are indicated towards that end.

The Secretariat of LAFTA has organised many meetings of entrepreneurs and government officials in order to discuss the problem of the development of many important industrial sectors. Even when the immediate practical results of these discussions have not been very great, they seem to have contributed a great deal towards obtaining a wide basis of support for the design of medium and long-term policies with regional criteria.

On the other hand during the last two years the governments of several of the LAFTA countries expressed the need to intensify the integration process. As a result of one of these demands, four well-known Latin American economists have recently expressed their views on the steps that should be taken for this purpose.* One of the main chapters in their recommendations refers to what they call a "regional investment policy". The contents of this policy would be something like a joint development policy for the main sectors of industry whose markets embrace the whole region, and a similar treatment for the infrastructure that is needed both to provide the minimum links between the member countries and to give an adequate solution to the problems of the less developed countries.

It is often said in Latin America and elsewhere that the Central American Common Market has been a success while LAFTA has been a failure. The greater links already achieved by the former and its relatively more definite planning process might seem to support this view. However, it should be taken into account that the Central American process towards integration began effectively in 1952 while that of LAFTA began ten years later. It seems to be evident that in both cases the measures towards integration were not adopted at the beginning but were rather the result of a process by which the regional links are being continuously strengthened and the definition and application of regional targets and policies are increasingly recognised and put into practice. The case of LAFTA, being one of practically the whole of Latin America, is perhaps more difficult to achieve. But if, in Central America, in spite of the institutional instability producing many government changes since the movement started, it was possible to reach concrete results and to clarify step by step the direction of the process, it is reasonable to be optimistic about the initiatives and discussions that have taken place lately concerning the case of LAFTA and to hope that they will gradually lead to a common market assigning to it a clear role in the development strategy of the region.

Note: The views expressed in this paper are those of the author and not necessarily those of the United Nations.

* Felipe Herrera, José Antonio Mayobre, Raúl Prebisch, Carlos Sanz de Santa María, op. cit.

TABLE I

NUMBER OF AGREEMENTS REACHED BY LAFTA COUNTRIES IN EVERY YEAR

Year	Quantity
1962	3, 246
1963	4, 347
1964	655
1965	226

Source: LAFTA, Síntesis mensual, No. 1, July 1965

TABLE II

IMPORTS OF THE MEMBER COUNTRIES OF LAFTA *

(millions of dollars)

Year	From the rest of the region (1)	From the rest of the world (2)	Total (3)	Relative importance of intra-regional trade (4) $= \frac{(1)}{(2)} 100$
1950	383.8	3, 259.5	3, 643.3	10.5
1951	519.8	5, 162.4	5, 682.2	9.2
1952	452.9	4, 905.7	5, 358.6	8.4
1953	531.1	3, 822.4	4, 353.5	12.2
1954	579.6	4, 424.9	5, 004.5	11.6
1955	576.5	4, 495.2	5, 071.7	11.4
1956	410.0	4, 721.4	5, 131.4	8.0
1957	442.6	5, 191.1	5, 633.7	7.9
1958	403.8	4, 734.5	5, 138.3	7.9
1959	354.4	4, 483.2	4, 837.6	7.3
1960	376.1	5, 312.0	5, 688.1	6.6
1961	361.4	5, 671.9	6, 033.3	6.0
1962	420.5	5, 511.0	5, 931.5	7.1
1963	526.8	5, 226.2	5, 753.0	9.2
1964	638.1	5, 339.9	5, 978.0	10.7

* C.I.F.

Source: ECLA. Evaluación de las negociaciones de la Asociación Latinoamericana de Libre Comercio E/CN.12/717, April 1965.

LAFTA, Síntesis mensual, No. 1, July 1965.

TABLE III

EXPORTS OF THE MEMBER COUNTRIES OF LAFTA BY GROUPS OF COMMODITIES*

(millions of dollars)

Groups	Years 1959/61 (average)	1962	1963
Agricultural commodities	254.91	254.03	296.08
Non-metallic minerals	18.87	21.71	19.29
Non-manufactured metals	19.49	41.52	56.54
Manufactured metals	9.96	18.01	25.88
Chemicals and others	5.08	5.58	14.75

* F.O.B.

Source: ECLA. Evaluación de las negociaciones de la Asociación Latinoamericana de Libre Comercio E/CN.12/717, April 1965.

TABLE IV

IMPORTS OF THE COUNTRIES OF THE CENTRAL AMERICAN COMMON MARKET

(millions of dollars, C.I.F.)

Year	From the rest of the region (1)	From the rest of the world (2)	Total (3)	Relative importance of intra-regional trade $(4) = \frac{(1)}{(2)} 100$
1959	27.6	448.7	476.3	5.8
1960	31.9	482.5	514.4	6.2
1961	43.3	451.4	494.7	8.8
1962	47.9	504.7	552.6	8.7
1963	79.6	567.2	646.8	12.3
1964	107.0	664.0	771.0	13.8

12

INTERNATIONAL SEMINAR

on

ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

N/VIII

THE SCANDINAVIAN EXPERIENCE OF ECONOMIC COOPERATION

by

Sune Carlson

NAIROBI, 13 - 18 DECEMBER 1965

THE SCANDINAVIAN EXPERIENCE OF ECONOMIC COOPERATION

by Sune Carlson

Introduction

How far Scandinavian experience of economic cooperation is of any relevance to a discussion of economic cooperation in general or of economic coöperation in Africa in particular, is difficult to say. With their high level of industrialisation and wealth, their homogeneous populations and their unique cultural and political history, the Scandinavian countries are as different from most African countries as can be. Still, their long experience in piece-meal negotiations with one another, which have seldom been spectacular but have often been successful, may have some features, that may be interesting also to an African scholar of these problems.

Background Information

While the Scandinavian peninsula covers Norway, Sweden and north western Finland, the term "Scandinavia" refers to either the three countries Denmark, Norway and Sweden or to these countries plus Finland. It is in this latter connotation that the term will be used here. Sometimes the term the "Northern" or the "Nordic" countries is used as a synonym for Scandinavia, but, at least in official language, these terms cover the four Scandinavian countries plus Iceland. The Nordic Council, which will be discussed below, is an association of all five countries. Geographically, the Scandinavian countries form a block extending from the Danish-German frontier in the south to the North Cape in the north, and from the North Sea and the Atlantic coast in the west to the Finnish-Russian boarder in the east. In spite of the extremely northern location, the climate is endurable - at least by the natives - because of the Gulf Stream.

To the outside world, the Scandinavian countries are often hard to differentiate. They are all far away, their people look pretty much the same, and they seem to think and act in the same way. The government of the four countries generally co-ordinate their views and actions in international organisations, in which their spokesmen often make statements on behalf of the whole group. Linguistic, cultural and social differences are small. Norwegians, Danes and Swedes understand eachothers languages. While less than 10% of Finland's population have Swedish as their mother tongue, Swedish is widely known in the leading circles.

The main reason for the similarity of the Scandinavian peoples is, of course, their common history. Danish kings reigned over both Norway and Sweden during various periods from the 14th to the 16th century, and Norway remained under the Danish crown until the Napoleonic wars. Against her will, she was united with Sweden by the peace treaty signed in Kiel in 1814, an unhappy union which lasted until 1905, when it was peacefully dissolved. For more than five hundred years Finland was a part of Sweden, and its inhabitants had the same rights and duties as those of the mother country. The association was broken up in 1809 after a war with Russia, when Finland became an autonomous Grand Duchy under Tsarist rule. Finland proclaimed herself independent in 1917.

During the first world war, Denmark, Norway and Sweden declared themselves neutral, and their neutrality was respected by the belligerent countries. The second world war was more disastrous. In spite of declarations of neutrality, Denmark and Norway were occupied by Germany, and Finland was twice at war with Russia. Sweden was the only country to enjoy neutrality and peace. Thus, she has been at peace uninterruptedly since the Napoleonic wars. During the period immediately after the second world war, efforts were made to reinforce co-operation between the Scandinavian countries, in order to break down the isolation of the war years. There were discussions between Denmark, Norway and Sweden on a northern defence community, which would enable the three countries to pursue a policy of non-alliance. But Denmark and particularly Norway felt that their military security could not be guaranteed by such a plan. Instead, they joined NATO in 1948. On the other hand Finland signed in the same year, at the invitation of Russia, a "Treaty of Co-operation and Mutual Assistance" with her powerful neighbour to the east. Only Sweden decided to remain uncommitted- in this she was partly influenced by her concern for Finland. Thus, their different experiences during and immediately after the second world war caused the Scandinavian countries to go separate ways, as regards one very important aspect of their foreign policy. Naturally this fact came to have a certain bearing on their opportunities of future economic co-operation.

As may be seen from the figures given in Table 1, the Scandinavian countries are all small. They have a relatively high degree of industrialisation, a high gross national product per capita and capital formation. Since the years between the wars Sweden has been a net capital exporter. The other three countries are capital importers. Like all small countries, the Scandinavian countries have a high foreign trade ratio.

The present level of prosperity in this part of the world is, however, of relatively recent origin. Basically, it is the result of rapid economic growth in the present century. Finland, which to a considerable extent is still an agricultural country, has a gross national product which is about three-quarters of that of Britain. Sweden, which is the most industrialised of the four, has a GNP per capita about 50 per cent higher than Britain.

The foreign trade of the Scandinavian countries is characterised by their dependence on western Europe, both for imports and exports (see Table 2.). But the position of Finland is a little different from those of the others. She has a much larger trade with eastern Europe, and in particular with the USSR. To a considerable extent, this trade had its origin in the reparation payments which Finland had to make in connection with the peace treaty. These payments included large quantities of engineering products, and since the deliveries required a considerable expansion of Finland's existing production capacity, the Russians declared themselves willing to continue imports from Finland even after the reparations had been paid.[1] In 1963 the USSR took a little more than 16 per cent of the total Finnish exports and provided about the same percentage of her imports. Exports to the countries in the EEC and EFTA blocks amounted to 61 per cent, while the corresponding figures for the other Scandinavian countries varied between 59 and 74 per cent. The figures for imports differ in a similar way. As can be seen from Table 2, Finland also has less trade with the other Scandinavian countries than Denmark, Norway and Sweden have.

The imports of all four countries consist primarily of manufactures. In 1963 goods belonged to SITC[2] categories 5-9 represented 64 per cent of the total Danish, 67 per cent of the Finnish and the Swedish and 70 per cent of the Norwegian imports. Traditionally the exports have been food and raw materials - agricultural products from Denmark. forest products from Finland- fish and fish products. pulp and ore from Norway, and forest products and iron ore from Sweden. To a considerable extent. the Scandinavian countries have been competing with one another in the export field. Their economies have had only a small degree of complementarity. But during the postwar period the traditional exports have shown a relative decline. In Denmark. for example, the proportion of agricultural exports (excluding canned goods) has declined

1. Arthur Montgomery, "From a Northern Customs Union to EFTA", The Scandinavian Economic History Review. Vol VIII No. 1, Uppsala 1960, p. 63

2. The Standard International Trade Classification (SITC) contains ten main categories: 0-4 foods and materials, of which category O is "food and live animals" and category 2 is "crude materials, inedible, except fuels"; 5-9 manufactured goods, of which category 6 is "manufactured goods, classified chiefly by material" and category 7 is "machinery and transport equipment."

by one-third between 1954 and 1963, and the proportion of industrial goods has gone up by one-half. In Norway there has been a sharp increase in the export of metals and machinery and in Sweden of semi-manufactured goods and of machinery. The bulk of Finnish export still consists of forestry products, but within this group manufactured goods are increasing their percentage. The commodity composition of the exports of all four countries is given in Table 3 and 3a.

Co-operation in Other Fields Than Trade

Ever since the end of the last century there has been co-operation between the Scandinavian countries in various fields, such as transport, law, research and social policy. Some of this development is significant for the topic of this paper. Since 1879 there have been the same postal tariffs for mail between the Scandinavian countries as inside the countries. At present work is in progress on the co-ordination of the railway tariffs, and Norway and Sweden have had a combined uniform freight tariff since the beginning of 1965. Preparations are also being made for joint Scandinavian road and traffic regulations. There is a combined grid system for the transmission of electricity between Denmark, Norway and Sweden. Close collaboration in the sphere of legislation has existed for three-quarters of a century, and in such fields as private law and family law the differences today between the Scandinavian countries are less than the differences between the various states in the United States.* At present there are in progress joint reviews of the patent laws, the company laws, the maritime laws, etc. All this has, of course, been of importance in connection with the establishment of subsidiary companies in the Scandinavian area and with the development of a common labour market, to take two examples.

The movement of people between the Scandinavian countries is facilitated by the fact that these countries constitute a single passport area with no control at the common boarders. But this is not all. Under the 1953 agreement on a common Scandinavian labour market, a citizen of one of these countries does not have to apply for any kind of residence or work permit, if he wants to work in another Scandinavian country. Furthermore, since 1955, he enjoys, broadly speaking, the same social security benefits as the citizens of the country in which he works. The effect of all this is

---

* According to a statement by Bertil Ohlin, the vice-president of the Nordic Council, at a conference organised by the Nordic Council in June 1965.

clearly shown in the Swedish employment statistics:

	Number of aliens employed on April 1st, 1964
Danes	18,039
Norwegians	11,363
Finns	58,067
Scandinavians, total	88,069
As a percentage of total aliens	65.4

Source: Statistical Abstracts of Sweden 1964

Today the main agency for co-operation between the Scandinavian countries is the Nordic Council, which was formed in 1952 by Denmark, Iceland, Norway and Sweden. The Council was founded more or less in order to counterbalance the unsuccessful discussions on a northern defence community. There were so many other fields in which co-operation was needed. At first Finland did not take part in the Council for fear of offending her eastern neighbour, but after the death of Stalin, when the international tensions eased, she became a member (in 1956).

The Nordic Council is a parliamentary body for inter-Scandinavian consultation. It can discuss and make recommendations to the respective governments on practically all matters, with the exception of defence and major foreign policy issues. Government members attend the Council meetings but have no voting rights. The recommendations of the Council may lead to inter-state conventions or to legislation or budget appropriations in the individual countries. In a few cases multi-national agencies have been set up. Since its foundation the Council has made around 250 recommendations, of which 50 per cent have led to government action and 30 per cent are still under review.* Thus, the record is not bad. But to an outside observer it seems that the work of the Council is hampered by the lack of permanent staff. That parliamentarians should have a distrust of bureaucracy is natural, but since they themselves have so many other things to attend to, a certain amount of bureaucracy and certain vested personal interests are necessary in order to push things forward.

---

* Ibid.

The Scandinavian Custom Union Negotiations

The idea of inter-Scandinavian tariff co-operation is not new. During the latter half of the last century it was widely discussed and to some extent also practised. Norway and Sweden constituted a free trade area between 1874 and 1897.[1] When Norway was united with Sweden, she had inherited a liberal trade policy from Denmark, and when Sweden gradually introduced a similar policy towards the middle of the century, one of the objectives was close tariff co-operation with Norway. The final goal was a customs union, in which Denmark might also be included, but this goal was never reached. The Norwegians were afraid that a customs union might reinforce the unpopular political union, and in the end political tensions between the two countries were the main cause of the final break of the tariff co-operation. But this break was also influenced by the fact that there had been a certain "diversion of trade", which had irritated the Swedes. Because of the disparity of tariffs, a certain amount of goods - mainly agricultural and textile - had entered Sweden via Norway.

It was to take more than half a century before the question of Scandinavian trade co-operation was to come up again. This occurred in the general context of the Marshall Plan and the OEEC. In connection with early OEEC discussions on the formation of a European Customs Union the four countries Denmark, Iceland, Norway and Sweden, decided in 1947 to examine "the possibility of an extension of the economic co-operation between their countries, including the question of the elimination, wholly or partly, of the customs frontiers between the four countries.[2]" This was the beginning of many years of discussions and investigations. After the establishment of the Nordic Council in 1952 the question of tariff co-operation became one of the most important items on the Council's agenda. Complete plans for a Scandinavian Customs Union were completed by a joint expert committee at the Civil Service level and submitted to the Council in 1957. But both agricultural products and fish and fishery products were excluded for future consideration, and Iceland was not included in the plan. An agreed external tariff covered 80 per cent of the inter-Scandinavian trade. The scheme also contained proposals for a special Scandinavian Investment Bank for the financing of joint projects and projects of joint interest and a common organisation for the steel industry.

The expert report envisaged that the common external

---

1. See Montgomery, op. cit., pp. 45-49.

2. Committee of European Economic Co-operation, July-September 1947: General Report, p. 19. Quoted from Montgomery, op. cit., p. 50.

tariff, which was an average of the existing tariffs in the four countries, should be introduced immediately after ratification, while the internal tariffs should be abolished over a five-year period. Finland and Norway were to be given special transitional privileges for certain goods of up to twelve years in exceptional cases.

In the opinion of the expert committee a Scandinavian customs union would be of value if a European Free Trade Area were to materialise. The influence of the Scandinavian countries in the Free Trade Area would be much stronger if they could speak and act as a group instead of as individual countries. The adaptation process would start sooner and the expanding internal market would attract the interest of other European countries.

But the proposals met with strong objections, particularly from the business community and the opposition parties in Norway. * These objections were of several kinds. There was the argument that a large part of the Norwegian exports to Denmark and Sweden was already duty free, while the imports from these countries were not. The abolition of tariffs between the countries would therefore be of much greater benefit to Danish and in particular to Swedish industry than to Norwegian. Another argument was that a large part of the Norwegian home-market industry would be unable to compete with the Swedish without protection. Thirdly, a Scandinavian customs union might produce counter moves in other countries, which might injure Norwegian export and shipping interests. Finally, there was the old fear that a customs union might lead to an economic and political union. Anyway in Norwegian eyes the Scandinavian markets were too small to justify all the difficulties involved in a transition to a custom union. Against a united opposition the Norwegian government did not find it advisable to press the matter in the Storting (the Norwegian Parliament).

Also in Denmark there were some doubts about the value of the customs union, because of the exclusion of agricultural products, Denmark's leading export. Sweden and Finland, on the other hand, were strong supporters of the union, the latter because of her general desire to develop her contacts with western Europe.

However, when in the summer of 1959 a final decision on the Scandinavian customs union was to be made in the Nordic Council, the situation had changed completely. At that time the negotiations in Paris on a European Free Trade Area had already broken down, and the EFTA discussions were under way. It would have been possible in theory to establish both a Scandinavian customs union and EFTA at the same time, but the practical difficulties made this impossible. The Scandinavian countries decided to join

---

* Cf. the records of the debate in the Norwegian Parliament, January 28. 1957.

EFTA and to put the question of a customs union into cold storage - at least for the time being.

EFTA and the Scandinavian Market

In the Summer of 1959 "the Seven" - Denmark, Norway and Sweden together with Austria, Great Britain, Portugal and Switzerland - which were to become members of EFTA met in Stockholm in order to draw up the convention for a free trade area. Following the ratification of the "Stockholm Convention" by all the seven countries, EFTA was established in May 1960. Finland became an associate member in June 1961. Thus, there was a striking contrast between EFTA and the Scandinavian customs union with respect to the speed of events.

EFTA is primarily an industrial free trade area. Each member country maintains her own external tariff, but the internal tariffs will be fully abolished on December 31, 1966 (in the case of Finland one year later). The first tariff cuts were made on July 1, 1960. At the beginning of 1963 most import duties on trade in manufactures within EFTA had been reduced by 50 per cent and at the beginning of 1965 by 70 per cent. In order to prevent trade diversion, there is an established procedure as regards declarations of origin. A product will in principle qualify for "EFTA treatment" if it complies with one or the other of two rules; either the cost of non-EFTA material must be less than 50 per cent of the product value or the product must have undergone certain manufacturing processes within EFTA. This latter rule is compensatory for textiles. So far, these rules of origin have worked satisfactorily. Organisationally EFTA consists of a Council, in which each member state has one vote, certain standing committees and a small secretariat with headquarters in Geneva.

For the Scandinavian countries, the common Scandinavian market for which they had been striving so long had developed inside the framework of EFTA. But it may be too early to evaluate the effect of this development. The agreed abolition of customs duties between all the Scandinavian countries will not be completed before December 31, 1967. Furthermore, to change trade partners takes time. This is particularly true as regards the suppliers of semi-processed goods and the subcontractors for parts. Many firms did not dare to break their old connections, until they knew what was going to happen in the discussions which started between Great Britain and the EEC in the summer of 1961. The Answer to this did not come until January 1963.

Still, a look at the figures in Table 4, which indicate the percentage growth of exports between 1959 and 1963, shows an amazing development. For all categories of goods shown in the table, the increase in exports to Scandinavia for each one of the four countries has been greater than the increase to the rest of the world. It should be noted that exports to Sweden have increased more than exports to the other Scandinavian countries, [1] and that the increase has been greatest in the field of machinery. That is exactly the field in which Swedish competition was most feared during the discussions on the Scandinavian customs union. The types of goods that the Scandinavian countries are increasingly buying from one another are things which they all produce - furniture, ready-made clothing, instruments and other mechanical products, etc. While the Scandinavian proportions of the exports have increased, there seem to be no similar increases in the proportions of newly established foreign subsidiaries. But statistics in this field are practically non-existent. Only for Swedish subsidiaries abroad and foreign subsidiaries in Sweden are some preliminary data available. [2] They indicate the following development:

Swedish subsidiaries in Scandinavia as a percentage of all Swedish subsidiaries abroad.

Total number existing in 1963	20.7
of which subsidiaries founded before 1945	27.4
" " 1945-1957	20.6
" " 1958-1962	15.7

Scandinavian subsidiaries in per cent of all foreign subsidiaries in Sweden.

Total number existing in 1963	37.9
of which subsidiaries founded before 1946	44.3
" " 1945-1959	34.9
" " 1960-1963	35.8

With respect to the establishment of Swedish subsidiaries abroad during the last few years, it seems that the Scandinavian percentage has gone down.

But the establishment of subsidiaries is only one type of industrial co-operation. There are others. An increasing number of Scandinavian firms find technical and commercial agreements with their Scandinavian colleagues and competitors a useful means of increasing specialisation and efficiency. In some cases direct mergers or establishments of joint

1. This is true also of Finland.

2. These data. which seem to be fairly complete, have been collected by two of my research colleagues at the Institute of Business Studies. Cf. Bo Ekman, "Svenska Dotterbolag i Utlandet". Industriförbundets Tidskrift No. 4, Stockholm, 1964. and Harry Johansson, "Utländskt företagande i Sverige," mimeographed manuscript, Uppsala, 1965.

companies have taken place. SAS is one example. Still, practically all Scandinavian firms are small compared with the industrial giants in the USA, in Britain or on the European continent. To develop larger units is necessary and this requires further economic co-operation. What form this will take is difficult to foresee. To a large extent it will depend on the outcome of the Kennedy Round and the future discussions of a larger free-trade area.

TABLE 1: Background Statistics

	Denmark	Finland	Norway	Sweden
Size 1,000 sq. km.	43	337	324	450
Population 1962, million	6.64	4.52	3.55	7.61
Economic active population in occupations outside agriculture, forestry and fisheries 1960, per cent of total active population	82.5	64.5	80.5	86.3
Per Capita GNP 1962 at constant 1954 prices, USA $	1,203	865	1,126	1,414
Total Gross Capital Formation 1961, per cent of GNP	23	30	31	24
Imports 1962, per cent of GNP	28	22	29	20

Source: Statistical Abstracts of Sweden 1964, Stockholm 1964.

The European Free Trade Association, today and tomorrow, Geneva 1964

TABLE 2: Imports and Exports 1963

	Denmark	Finland	Norway	Sweden
Imports				
Total. million U.S. dollars	2, 120	1, 203	1, 821	3, 391
of which EEC and EFTA %	71.6	62.5	73.4	69.3
Scandinavia %	17.7	*	26.5	11.7
rest of the world %	28.4	37.5	26.6	30.7
Exports				
Total, million U.S. dollars	1, 870	1, 142	1, 073	3, 199
of which EEC and EFTA %	74.3	61.0	69.3	72.1
Scandinavia %	18.7	9.2	22.4	23.1
rest of the world %	25.7	39.0	30.7	27.9

* 1962 - 12.6%, figure for 1963 not available.

Source: EFTA Trade, Geneva 1964

TABLE 3: Commodity Composition of Export 1963

	Total export	Food and materials (SITC 0-4)			Manufactured goods (SITC 5-9)		
		Group total	SITC 0	SITC 2	Group total	SITC 6	SITC 7
DENMARK							
Export, US $m.	1, 875	1, 110	932	120	756	141	396
per cent of total	100. 0	59. 5	49. 7	6. 4	40. 5	7. 5	21. 2
to Finland, US $ m.	36	7	4	3	28	4	15
Norway, "	115	20	13	5	94	18	50
Sweden, "	199	66	42	13	133	37	53
Scandinavia, "	350	93	59	21	255	59	118
per cent of group	18. 7	8. 4	6. 3	17. 5	33. 7	41. 8	29. 8
FINLAND							
Export, US $m.	1, 142	491	40	449	651	468	150
per cent of total	100. 0	43. 0	3. 5	39. 3	57. 0	41. 1	13. 1
to Denmark, US $m.	39	14	-	14	25	23	1
Norway, "	9	3	-	3	5	4	1
Sweden, "	57	15	2	13	42	22	13
Scandinavia, "	105	32	2	30	72	49	15
per cent of group	9. 2	6. 5	5. 0	6. 7	11. 1	10. 5	10. 0

Note: rounded numbers, totals not always equal to sums of parts.

Source: EFTA Trade, Geneva 1964

TABLE 3a: Commodity Composition of Export 1963

	Total export	Food and materials (SITC 0-4) Group total	SITC 0	SITC 2	Manufactured goods (SITC 5-9) Group total	SITC 6	SITC 7
NORWAY							
Export, US $m.	1,073	374	158	155	699	411	150
per cent of total	100.0	34.8	14.7	14.4	65.2	38.3	14.0
to Denmark, US $m.	75	17	3	4	59	21	9
Finland, "	19	4	2	1	15	3	7
Sweden, "	147	45	16	9	102	43	30
Scandinavia, "	241	66	21	14	176	67	46
per cent of group	22.4	17.7	13.3	9.0	25.2	16.3	30.7
SWEDEN							
Export, US $m.	3,199	991	103	861	2,209	841	1,127
per cent of total	100.0	31.0	3.2	26.9	69.0	26.3	35.2
to Denmark, US $m.	246	48	8	33	198	83	83
Finland, "	138	13	4	6	125	35	71
Norway, "	358	39	4	29	319	57	229
Scandinavia, "	742	100	16	68	642	175	383
per cent of group	23.2	10.1	15.5	7.9	29.1	20.8	34.0

Note: rounded numbers, totals not always equal to sums of parts

Source: EFTA Trade, Geneva 1964

TABLE 4: Growth of Export 1959-63 in per cent

	Total export	Food and materials (SITC 0-4)			Manufactured goods (SITC 5-9)		
		Group total	SITC 0	SITC 2	Group total	SITC 6	SITC 7
DENMARK							
Export, total	36	12	12	54	65	32	74
to Finland	-	-	-	-	-	-	-
Norway	83	-	-	-	79	80	56
Sweden	99	69	-	86	114	106	125
Scandinavia	92	58	68	17	99	96	81
FINLAND							
Export, total	38	19	-	19	56	61	28
to Denmark	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-
Sweden	-	-	-	-	200	-	550
Scandinavia	87	28	-	30	148	104	650
NORWAY							
Export, total	33	15	7	16	45	25	138
to Denmark	42	-	-	-	34	32	29
Finland	-	-	-	-	-	-	-
Sweden	88	125	46	29	79	43	234
Scandinavia	66	120	40	27	57	39	109
SWEDEN							
Export, total	45	21	-	19	60	42	71
to Denmark	73	-	-	-	83	48	118
Finland	-	-	-	-	92	-	87
Norway	63	-	-	-	57	39	54
Scandinavia	71	72	-	79	71	49	70

Note: SITC categories or groups of categories with less than 5 per cent of total export 1963 are excluded, as they are sub-items with less than 5 per cent of total export in respective category.

Source: EFTA Trade, Geneva 1964.

13

INTERNATIONAL SEMINAR
on
ECONOMIC CO-OPERATION IN AFRICA

Sponsored by the University College, Nairobi, University of East Africa
and the Congress for Cultural Freedom

N/IV

AID TO AFRICA

Data Paper Prepared by Members
of the Research Staff at the Overseas Develop-
ment Institute, London

NAIROBI, 13 - 18 DECEMBER 1965

AID DATA (BILATERAL AND MULTILATERAL) TO COUNTRIES IN AFRICA SOUTH OF THE SAHARA

OECD Aid

1. The total outflow of resources comprising official aid from OECD[1] countries to the developing world, in 1963, reached a figure of $5, 662 million of this, some $835 million or 11% was channelled towards countries in Africa South of the Sahara[2].

2. The population of African countries South of the Sahara amounts to some 200 million people or approximately 11% of the total population of the developing world excluding mainland China. Africa, therefore is receiving on a "per capita" basis broadly an equitable share of total aid.

Bilateral Aid

3. The major donors to Africa are France, Britain and the United States. These are followed by Belgium, West Germany and Portugal. France, indeed, stands alone and provided nearly 40% of all bilateral OECD aid to Africa in 1963. Britain provided 20% and the United States something over 15%. West Germany, Belgium and Portugal provided approximately 20%; and the remaining countries provided less than 5%. Non-OECD donor countries, are as yet supplying relatively little aid, but accurate detail is difficult to obtain.

French Aid

4. French aid to Africa, which is currently twice as large as that of any other country is concentrated almost exclusively in the ex-French "Africa and Malagasy States"[3]. In these countries there live some 50 million people or about 25% of the total population of Africa South of the Sahara.

---

1. Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom and the United States.

2. Burundi, Congo (Leopoldville), Ethiopia, Gambia, Ghana, Guinea, Kenya, Tanzania, Uganda, Liberia, Malawi, Nigeria, Rwanda Rhodesia, Sierra Leone, Somalia, Sudan, Zambia, UK High Commission Territories, "African and Malagasy States (ex-French territories excluding Guinea") and Portuguese Overseas Territories.

3. Cameroon, Central African Republic, Chad, Congo (Brazzaville), Ivory Coast, Dahomey, Gabon, Madagascar, Mali, Mauritania, Niger, Senegal, Togo and Upper Volta.

5. In 1961 out of a total expenditure by France of £312 million bilateral and to all countries of the world, Algeria received £156 million and the "African and Malagasy States" £99 million or 32% of the total.

6. Similarly, the distribution of French technical assistance personnel shows a very great concentration in Africa. These employed in the whole continent of Africa amounted to 13, 629 and of these 10, 399 were employed in the "African and Malagasy States". In addition, approximately 2, 000 French experts were employed by specialised aid organisations in these countries.

British Aid

7. British aid to Africa is concentrated almost entirely in the Commonwealth African countries[1].

8. Moreover, there is a further concentration of both financial aid and technical assistance in East Africa - Kenya, Tanzania and Uganda, where Britain is the major donor - and to a lesser degree in Zambia and Malawi.

9. These five countries, in 1963-4 received £41 million out of a total British aid programme to Africa of £72 million. This concentration is also shown by the number of appointments which are made in these countries by the Overseas Services Aid Schemes (OSAS) under which by far the largest number of appointments are made. In 1963, 15, 400 were covered by this scheme and of these the distribution in East and Central Africa was as follows: 8, 900 in Kenya, Tanzania and Uganda and 2, 800 in Malawi and Zambia. In 1964, when 10, 000 were working under OSAS East and Central Africa absorbed the following: 5, 390 in Kenya, Tanzania and Uganda, and 2, 510 in Malawi and Zambia.

10. Since 1958, when Commonwealth Assistance Loans were first used, British aid has been increasingly tied. Not only do these loans account for about a third of British bilateral financial aid, but also other types of loan, such as CD & W are now partly or wholly tied. Some of the latter however are tied to "donor or local" procurement and therefore do not inhibit local expenditure to the extent that loans exclusively tied to "donor" procurement do.

11. There has, however, over the past five years been a change in the proportion of grants to loans. For the financial year 1960-1 loans to Africa amounted to £33. 2 million and grants to £23. 5 million. The following year ??

1. Basutoland, Bechuanaland, Gambia, Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Rhodesia, Swaziland, Uganda, Tanzania and Zambia.

more British aid was given in grant form than in loans and this trend has continued. Thus in 1963/4 loans to Africa amounted to £34 million and grants to £38 million.

12. The recent White Paper, "Overseas Development: The Work of the New Ministry" (Cmnd 2736) states that "the terms of development loans provided by Britain have been progressively softened over the last few years". Maturity periods have lengthened and grace periods on the repayment of capital have been granted to an increasing number of countries. In 1963 waivers of interest for periods up to the first seven years of the life of the loan were introduced. Recently, the British Government has stated its intentions of making some loans free of interest. This has, in fact, been the case in the recent £6 million loan to Uganda and the £7.5 million loan to Tanzania. It is likely that as a corollary to this the repayment periods will be shortened.

<u>USA Aid</u>

13. Between 1960 and 1964, American aid under AID, PL 480 and Export/Import Bank long-term loans to Africa has risen from $214 million to $284.2 million. In 1964 the AID total of loans and grants for Africa amounted to $200.5 million whereas Export/Import loans amounted to only $12.8 million. Since AID loans are at an exceptionally low rate of interest, whereas Export/Import Bank loans are made at commercial rates, American loans to Africa have generally been at a low average interest rate.

14. In a similar fashion to British assistance between 1960 and 1964, American loans and grants, have not only increased in absolute terms, but grants have also increased proportionately to loans. Thus in 1960 loans to Africa amounted to $93.4 million and grants to $120.6 million whereas in 1964 grants amounted to $233.1 million and loans to $151.1 million.

15. Between 1960 and 1964 the number of American technicians in the whole of Africa rose from 513 to 759 while the world total dropped very slightly from 3,441 to 3,431.

16. The geographic distribution of American aid is more widely scattered than British aid covering both Francophone and Anglophone countries.

17. Within this wider distribution there has been a heavier concentration of American aid in Congo (Leopoldville), Liberia and Nigeria than in other parts of sub-Saharan Africa.

18. United States aid is more completely tied than that of other donors. In East and Central Africa 90% of the programme must be for direct American procurement. In West Africa, the figure is about 80%. The USA however is also beginning to open dollar credit lines to the value of

the local cost component of the projects it supports - the counterpart funds being available to meet such local costs.

West Germany

19. West Germany's cumulative disbursements on technical assistance up to December 1963 amounted to DM 314.4 million of which DM 100.6 million was spent in Africa. DM 77.1 million being used South of the Sahara.

20. The disbursements of official bilateral aid to Africa by the German Federal Government rose from DM 14 million or 1% of their total world aid in 1960 to DM 266 million or 17% of world aid in 1963.

21. German capital assistance is virtually all tied to projects and over the years 1960/63 project tying increased from 70% to 84%.

22. The Federal Government maintains that 'soft' loans are appropriate only to infrastructure projects, since it is held that to offer soft loans for commercial projects is to encourage the application of resources to non-viable schemes. Commercial projects are therefore financed on terms that fall not far short of ordinary commercial rates. In 1962 about 65% of all capital assistance commitments to developing countries were for infrastructure projects. In 1963, the proportion fell to approximately 55%. In Africa, however, there is a far higher percentage of loans for infrastructure projects.

Other Western Donors

23. Aid from Belgium, Portugal and Italy goes almost entirely to those African countries which were or are in a state of political dependency on the metropolitan powers - in the case of Belgium to Rwanda, Burundi and the Congo; in the case of Portugal to Angola, Mozambique and Portuguese Guinea and in the case of Italy goes to Somalia and Eritrea.

Soviet Aid

24. Between 1954 and 1964 Soviet aid commitments to Africa amounted to $652 million. Little information is available either for the amount actually disbursed (which in many countries differs considerably from the amount officially committed) or for the precise terms of Soviet loans. It seems that they are normally 'soft' with interest rates at $2\frac{1}{2}$%. The period of repayment is, however, extremely short - only twelve years - and with no grace period.

China

25. In 1964 China made grants totalling some $13 million to new nations in Africa. These grants were in convertible currency and not tied to particular projects.

26. In addition, China has also offered loans. In general these appear to be free of interest and there is a ten year moratorium on repayment. They are, however, tied to importations of Chinese goods, which cannot be so readily, utilised as those from more industrialised countries.

E.E.C.

27. Under the terms of the Yaoundé Convention of 1963, eighteen states in Africa - the 14 Afro-Malagasy States together with Congo (Leopoldville), Somalia, Rwanda and Burundi - are entitled to receive aid from the special European Development Fund of the European Economic Community (EDF). This fund supersedes one set up originally under the Treaty of Rome and has at its disposal a total of $730 million covering a five year period. Of this $620 million is available in the form of grants and a further $110 million is in the form of loans. Of this $40 million is at very low interest rates, repayable over a maximum of 40 years and with up to a ten year grace period. The remaining $64 million is also for loans but on harder terms, carrying the rate of interest employed by the European Investment Bank at the time the loan agreement is reached and repayable over 25 years. The fund however in order to soften the terms, may assist in the provision of a rebate of up to 3%. The purposes to which the resources of the Fund can be put have precise financial limits allocated to them. Over two thirds of the total, or $500 million is for economic and social investments and technical co-operation, including $50 million for price stabilisation; and $230 million, or nearly one third, as for assistance to production and diversification.

This $230 million is further broken down on a country by country basis, according to whether the country concerned is considered to be able to move rapidly or slowly into a competitive position with other primary producers. Thus $118 million for both production and diversification is earmarked for eleven countries who are likely to withstand the abolition of price supports only gradually[1.]; $15 million for diversification to these countries[2.] who are

---

1. Cameroon, Central Africa Republic, Chad, Congo (Brazzaville), Dahomey, Ivory Coast, Madagascar, Mali, Niger, Senegal and Togo.

2. Gabon, Upper Volta and Mauritania.

likely to be able to compete with world prices after a short period; and $32 million also for diversification for those[1] who are deemed to be ready now to meet world prices.

Multilateral Agencies

IBRD

28. The International Bank for Reconstruction and Development and the International Development Association are related institutions whose capital is subscribed by their member countries, including developing countries. In addition the IBRD raises capital from commercial sources. The Bank's standard interest rate in 1964/65 was $5\frac{1}{2}\%$ with maturities appropriate to the length of the project or the debt situation of the borrowing country. IDA was founded to alleviate the debt-service burden on developing countries. All IDA's credits have been for 50 years, repayable after 10 years of grace in easy-stages and bearing no interest except a service charge of $\frac{3}{4}\%$.

29. In Africa South of the Sahara the Bank has organised consultative groups of capital-exporting countries for Nigeria and the Sudan. These groups do not, however, engage in annual aid pledge, as do the consortia which have been set up by the Bank for India and Pakistan.

UN Special Fund

30. The United Nations Special Fund programme of pre-investment assistance consists of 522 projects 166 of them in Africa. The Fund seeks to raise the productivity of developing countries by demonstrating where investment is feasible and by creating conditions to make it more fruitful. It undertakes resource surveys and feasibility studies and gives assistance to technical education and training and applied research. The predominant characteristics of special Fund assistance in Africa are opening up of new land areas and the strengthening of educational and training facilities.

31. In general the recipient country is required to provide one third to one half of the total cost of a UN Special Fund project. The Fund provides imported material and international personnel whilst the Government of the participating country provides the local cost of materials and personnel.

---

1. Burundi, Congo, Leopoldville, Rwanda and Somalia.

32. The UN Special Fund takes a special interest in regional projects and is supporting 13 such projects in Africa plus one inter-regional project. It also supports the African Institute for Economic Development and Planning in Dakar, Senegal.

Expanded Programme of Technical Assistance

33. The Expanded Programme of Technical Assistance (EPTA) which is administered by the United Nations Technical Assistance Board is the principal multilateral channel for the provision of technical assistance to developing countries. International staff are recruited and employed by the US Specialised Agencies, FAO, WHO, etc., but the cost of employing them is borne by EPTA and not by the normal budgets of the agencies. Allocations of funds under EPTA are made on a biannual basis; developing countries drawing up their programmes within a ceiling figure provided by UNTAB.

Regional Cooperation

34. Except for the two Special Fund projects, aid on a regional basis has been given only where an institutional framework was already in existence, i.e. EACSO or the University of East Africa. In spite of the existence of the Common Services Organisation and a Common Market, very little aid has been given to East Africa on a regional basis. In general donors appear to be keen on regional projects, but not sufficiently keen to attempt to persuade reluctant recipient Governments to undertake them. An exceptional case is that of the East African Livestock Development Survey. The Special Fund was successful in persuading the East African countries to apply for funds for a joint project, but the project finally agreed on was much less ambitious than that originally proposed by the Special Fund.

LIST OF TABLES

TABLE I

1. FACTS OF AID

Aid* to African countries south of the Sahara from individual OECD countries 1960-1964

(Million U.S. dollars)

Individual Donor countries	1960	1961	1962	1963
Austria	-	-	0.03	0.06
Belgium	86.00	70.50	63.40	75.77
Canada	0.21	0.88	2.02	1.66
Denmark	0.02	0.02	-	-
France	300.30	306.70	316.20	322.50
Germany	5.32	13.35	59.19	54.09
Italy	16.64	18.50	12.53	22.48
Japan	0.06	1.49	0.77	0.21
Netherlands	-	-	-	-
Norway	-	-	0.04	0.12
Portugal	36.61	32.44	40.71	51.12
Sweden	0.28	0.40	0.66	1.75
Switzerland	-	0.06	-	0.38
U.K.	123.59	228.32	172.32	163.49
U.S.A.	39.00	75.00	148.00	142.00
T O T A L	607.99	747.66	815.87	835.63

Source: Flow of financial resources to less developed countries 1956/63. OECD

* Official bilateral net contributions

TABLE II

The net flow of official capital to developing countries from industrial OECD member countries combined plus multilateral agencies by individual recipient countries

(million U.S. dollars)

1960 - 1963 (total)	Net Official Flows					Net Multilateral Flows	
	Grants	Loans repayable in recipient currencies	Transfer of resources	Lending	Total	Excluding UN (1)	United Nations
South of Sahara	2146.46	25.00	53.45	782.24	3007.15	281.56	121.37
Congo (Leopoldville)	253.11	-	28.45	2.50	284.06	8.63	55.29
Ethiopia & Eritrea	52.35	25.00	4.00	1.51	82.86	17.30	4.61
Fed. of Rhodesia & Nyasaland	44.23	-	-	48.41	92.64	13.10	1.25
Ghana	12.14	-	-	16.68	28.82	5.40	3.55
Guinea	11.05	-	11.00	13.01	35.06	-0.20	1.15
Kenya (2)	105.11	-	-	81.36	186.47	3.23	2.58
Tanganyika	81.32	-	-	42.40	123.72	-0.34	1.94
Uganda (2)	43.25	-	-	45.93	89.18	5.12	2.02
Liberia	26.23	-	-	122.48	148.71	-0.68	1.76
Nigeria	56.38	-	-	55.43	111.81	2.30	5.48
Somalia	86.09	-	-	5.78	91.87	3.21	3.66
Sierra Leone	22.12	-	-	16.39	38.51	-0.68	1.07
Sudan	34.80	-	10.00	16.31	61.11	33.39	4.42
Zanzibar	2.67	-	-	-	2.67	-	0.64
UK Colonies & Trust Territories	66.72	-	-	30.06	96.78	3.60	1.47
French Franc Area (3)	1171.40	-	-	137.47	308.87	201.81	20.08
Portuguese Overseas Provinces (3)	18.16	-	-	114.72	162.88	-	0.38

Source: "The flow of financial resources to less developed countries 1956 - 1963" OECD.

(1) IBRD, IFC, IDA and EEC multilateral flows are shown net of subscriptions and repayments.

(2) German grants to Uganda, not available separately, are shown under Kenya.

(3) Including French Overseas Territories and Portuguese Overseas Provinces, not situated in Africa.

TABLE III

U.K. Government Economic Aid – Subdivision of bilateral aid by the main recipient countries

(£ million)

U.K. Financial years	1960/61		1961/62		1962/63		1963/64	
	loans	grants	loans	grants	loans	grants	loans	grants
Africa	33.2	23.5	40.3	44.8	23.5	40.1	34.0	38.2
E.A.C.S.O	4.3	0.5	4.6	4.2	2.1	3.0	1.5	2.7
Federation of Rhodesia & Nyasaland	–	0.6	12.1	0.2	0.8	0.2	2.2	0.2
Gambia	–	0.3	–	0.5	–	1.4	–	1.3
Kenya	8.4	1.2	4.0	11.2	4.5	7.9	7.1	8.1
Liberia	–	3.2	–	3.3	–	3.3	–	3.3
Malawi	0.3	1.8	1.9	2.5	0.4	2.1	2.1	6.8
Mauritius	0.6	1.1	0.1	1.3	0.8	0.6	1.0	0.6
Nigeria	7.9	3.6	6.6	1.3	3.3	1.3	1.2	0.1
Zambia	–	0.2	–	0.9	1.0	0.7	3.5	0.8
Sierra Leone	1.7	1.2	0.1	2.7	1.1	1.1	2.1	0.6
Somali Republic	–	2.5	–	1.5	–	1.0	–	–
Swaziland, Basutoland, Bechuanaland	3.0	2.0	2.8	4.5	2.3	4.9	0.4	5.2
Tanganyika	2.0	1.9	3.9	5.7	2.6	7.3	3.0	3.8
Uganda	3.0	1.3	3.6	3.1	3.7	4.7	2.5	3.0
Other	0.3	2.1	0.6	1.9	0.9	0.6	3.2	1.7
Southern Rhodesia	–	–	–	–	–	–	3.9	–
Sudan	1.7	–	–	–	–	–	0.3	–

Technical assistance is included under grants

Source: Annual Abstract of Statistics 1964

TABLE IV

U.K. Government Technical Assistance

(£ million)

	1961	1962	1963	1964
AFRICA	9,742	13,409	15,554	15,739
West Africa	447	1,012	1,386	1,563
Ghana	82	160	224	307
Nigeria[1]	256	658	764	931
Sierra Leone	46	108	111	166
Gambia	63	80	167	120
Regional	CR 1	6	121	39
East Africa	9,124	10,689	11,951	10,702
EACSO	2,082	4,157	3,124	3,132
Kenya	2,753	2,063	3,690	2,323
Tanzania	2,808	2,562	2,753	3,290
Uganda	1,481	1,907	2,114	1,956
Central Africa	81	1,270	1,826	2,893
Rhodesia	-	-	-	24
Zambia	81	1,270	1,826	1,645
Malawi	-	-	-	1,195
Regional	-	-	-	29[2]
Other African countries South of the Sahara	105	482	453	701
Basutoland, Bechuanaland, Swaziland	67	331	240	430
Burundi	-	-	1	4
Congo (Brazzavile)	-	-	-	4
Cameroon	-	4	17	32
Dahomey		-	-	-
Ethiopia & Eritrea	2	2	5	23
Guinea	5	10	2	3
Ivory Coast	1	4	5	7
Liberia	2	5	9	14
Malagasy Republic	-	-	-	3
Mali	1	3	2	1
Mauritania	-	-	-	-
Mauritius	3	63	91	91
Rwanda	-	-	1	2
Senegal	-	2	1	1
Seychelles	20	26	48	48
St Helena	1	18	12	15
Somalia	-	3	11	2
Sudan	4	3	4	24
Togo	-	8	3	6

1. Excludes disbursements and recoveries in connection with Nigeria Special List Officers and minor receipts

2. Zambia and Malawi only

TABLE V

U.K. Government Financial Assistance

(£ million)

	1963	1964
Africa	52,334	65,648
West Africa	5,792	7,743
Ghana	1,005	2,077
Nigeria	991	3,607
Sierra Leone	2,130	1,305
Gambia	1,666	754
East Africa	21,258	23,449
East Africa (Common Services)	1,261	2,916
Tanzania	3,706	4,648
Uganda	3,756	3,432
Kenya	12,535	12,453
Central Africa	12,256	20,055
Malawi	5,304	9,762
Zambia	1,223	5,985
Rhodesia	3,856	2,250
Malawi & Zambia	-	113
Rhodesia, Malawi & Zambia	1,873	1,945
Other Countries in Africa South of the Sahara	7,453	8,677
Basutoland	1,855	1,874
Bechunaland	1,444	3,032
Swaziland	-	2,556
Basutoland, Bechuanaland & Swaziland	-	87
Mauritius	1,891	609
St Helena & Tristan da Cunha	153	232
Seychelles	180	287
Congo (Leopoldville)	-	25
Niger	-	9
Somalia	134	2
Sudan	-	1,155

Source: idem

TABLE VI

U.S. AID (millions of dollars)

	1960		1961		1962		1963		1964	
	Loan	grant	loan	grant	loan	grant	loan	grant	loan	grant
African Continent	93.4	120.6	140.5	319.4	208.1	290.1	163.7	341.2	151.1	233.1
Burundi	-	-	-	-	-	5.0	-	1.5	-	1.0
Cameroon	-	0.1	-	2.1	9.2	3.8	-	1.4	-	1.9
C.A.R.	-	-	-	-	-	0.2	-	0.7	-	1.1
Chad	-	-	-	0.1	-	0.3	-	1.1	-	0.2
Congo (Brazzaville)		-	-	0.1	-	1.2	0.2	0.4	2.7	0.2
Congo (Leopoldville)		0.1	-	75.5	-	83.6	-	75.0	19.0	24.0
Dahomey	-	-	-	3.0	-	2.3	-	1.0	-	1.2
Ethiopia	-	7.7	29.1	12.3	-	8.8	5.9	8.8	0.7	6.9
Gabon	-	-	-	0.1	-	0.4	-	1.1	-	1.5
Ghana	-	0.9	20.0	2.4	127.0	3.1	-	2.9	-	4.1
Guinea	-	2.1	-	0.2	4.3	6.1	6.7	9.4	9.3	10.5
Ivory Coast	-	-	-	2.1	-	2.5	6.4	0.9	7.5	1.7
Kenya	-	0.2	-	1.8	-	9.9	2.2	3.4	-	3.7
Liberia	0.9	5.8	40.8	6.6	2.9	11.2	35.7	9.6	10.3	8.9
Malagasy Republic	-	*	-	0.5	-	0.6	-	0.9	-	2.4
Mali	-	-	-	2.5	-	2.5	2.1	1.7	1.1	1.7
Mauritania	-	0.1	-	0.1	-	0.1	-	0.2	-	0.8
Niger	-	-	-	2.0	-	1.3	0.5	0.7	1.8	0.6
Nigeria	-	2.3	3.0	10.1	2.0	23.0	21.5	17.5	31.4	18.6
Rhodesia & Nyasaland	-	0.1	-	0.6	-	2.8	-	2.1	-	2.6
Rwanda	-	-	-	-	-	1.1	-	-	-	0.5
Senegal	-	-	-	3.6	-	3.5	0.3	3.0	3.9	2.0
Somali Republic	-	2.9	-	4.1	-	14.8	3.6	4.8	-	4.1
Tanganyika	-	6.1	1.9	2.3	-	12.2	6.9	5.3	3.9	4.9
Togo	-	0.4	-	1.4	-	3.8	-	1.0	-	1.7
Uganda	-	0.3	-	0.1	-	4.2	4.4	2.6	0.4	2.4
Zanzibar	-	-	-	-	-	0.1	-	-	-	0.1
Sierra Leone	-	0.3	-	0.6	-	2.5	-	3.9	10.2	3.6
Sudan	-	12.8	-	7.0	4.3	9.0	6.8	3.1	3.3	4.2
Upper Volta	-	-	-	2.0	-	1.0	-	0.9	-	0.9

*less than $50,000

Source: U.S. Overseas Loans and Grants. Special report prepared for the House Foreign Affairs Committee (Obligations and Loan Authorisations, July 1, 1945 - June 30, 1963)

TABLE VII

SOVIET AID

Soviet economic credits and grants extended to non-Communist less developed countries

	January 1 1954 to June 30 1964
	(million U.S. Dollars)
Total	3,996
Africa	652
Ghana	89
Guinea	70
Mali	55
Somali Republic	57
Sudan	22

U.S.S.R. has also extended a credit of undetermined amount to Kenya.

Source: U.S. Congress, Joint Economic Committee. Annual Economic indicators for U.S.S.R.

TABLE VIII

INTERNATIONAL ORGANISATIONS

a) UNTA (millions of dollars)

Direct project costs under both regular and expanded programmes.

	1960	1961	1962	1963
Africa	5.7	7.0	10.3	21.1
Burundi	-	-	-	0.4
Cameroon	0.1	0.1	0.3	1.0
C.A.R.	-	-	0.1	0.2
Chad	-	-	0.1	0.2
Congo (Brazzaville)	-	-	0.1	0.2
Congo (Leopoldville)	-	0.1	0.1	0.1
Dahomey	-	*	0.1	0.4
Ethiopia	0.6	0.7	0.7	0.9
Gabon	-	-	0.1	0.4
Ghana	0.3	0.5	0.6	0.9
Guinea	0.1	0.1	0.1	0.4
Ivory Coast	-	*	0.1	0.5
Kenya	0.1	0.1	0.1	0.3
Liberia	0.3	0.4	0.4	0.4
Mali	-	-	0.1	0.5
Mauritania	-	-	*	0.2
Niger	-	-	0.1	0.5
Nigeria	0.2	0.2	0.6	1.5
Rhodesia & Nyasaland	0.1	0.1	0.2	0.3
Rwanda	-	-	-	*
Senegal	-	*	0.1	0.3
Sierra Leone	0.1	*	0.2	0.3
Somali Republic	0.2	0.3	0.7	1.3
Sudan	0.6	0.7	0.7	0.9
Tanganyika	0.1	0.1	0.2	0.7
Togo	*	0.1	0.4	0.6
Uganda	0.1	0.1	0.1	0.3
Upper Volta	-	-	0.1	0.4
Zanzibar	0.1	0.1	0.1	0.1
French Community & Possessions	*	0.1	*	*
Portuguese Possessions	0.1	0.1	0.1	0.1

* Less than $50,000

Source: Overseas Loans and Grants (see above)

TABLE VIII (continued)

b) UNSF

	1960	1961	1962	1963	1964	1965
Cameroon	-	1.2	-	-	-	-
Central African Republic	-	-	-	-	0.5	-
Congo (Brazzaville)	-	-	1.8	-	-	-
Congo (Leopoldville)	-	-	-	1.4	7.9	-
Ethiopia	0.9	0.4	-	-	-	4.2
Gabon	-	-	-	2.1	-	-
Ghana	-	0.5	0.8	2.6	1.1	2.7
Guinea	-	-	-	1.1	1.0	-
Ivory Coast	-	1.0	-	-	1.0	-
Kenya	-	-	3.2	-	1.6	0.8
Liberia	-	1.0	-	-	1.0	-
Madagascar	-	-	-	2.4	1.1	1.2
Mali	-	-	2.0	-	-	2.1
Mauritania	-	-	-	-	0.9	-
Mauritius	-	-	-	-	0.6	-
Niger	-	-	-	-	0.9	1.2
Nigeria	0.7	4.2	2.9	3.3	2.5	0.3
Senegal	-	0.5	2.6	0.9	1.0	-
Sierra Leone	-	-	-	-	-	1.3
Somali Republic	-	0.9	0.6	-	1.1	2.1
Sudan	-	3.6	1.7	1.5	1.6	-
Swaziland	-	-	-	-	-	0.5
Tanzania	-	-	-	-	2.4	3.3
Togo	0.7	-	1.3	-	-	0.4
Uganda	0.3	-	1.2	-	0.7	1.8
Upper Volta	-	-	1.0	1.0	-	-
Zambia	-	0.8	-	-	-	-
Regional	-	-	0.6	1.6	4.5	9.5

Source: UN Special Fund Progress Report - June, 1965

TABLE VIII (continued)

c) IBRD	US Fiscal Years				(millions of dollars)	
	1960	1961	1962	1963	1964	1965
Africa	132.7	27.9	85.3	32.7	91.25	123.0
Congo(Leopoldville)	40.0	-	-	-	-	-
Ethiopia	-	-	4.9	-	23.5	-
Gabon	-	-	-	-	-	12.0
Ghana	-	-	47.0	-	-	-
Kenya	5.6	-	8.4	-	-	-
Liberia	-	-	-	-	3.25	-
Mauritania	66.0	-	-	-	-	-
Mauritius	-	-	-	-	7.0	-
Nigeria	-	-	-	13.5	30.0	82.0
Rhodesia & Nyasaland	5.6	-	-	-	-	-
Sierra Leone	-	-	-	-	-	3.8
Sudan	15.5	19.5	-	-	-	-
Swaziland	-	-	-	4.2	-	-
Uganda	-	8.4	-	-	-	-
Zambia & Rhodesia	-	-	-	-	-	7.7
d) IFC						
Africa	2.8	-	-	5.0	4.8	6.2
Nigeria	-	-	-	-	2.2	-
Tanganyika	2.8	-	-	-	1.9	-
Uganda	-	-	-	-	-	3.5
Sudan	-	-	-	-	0.7	-
Ethiopia	-	-	-	-	-	2.5
Ivory Coast	-	-	-	-	-	0.2
e) IDA						
Africa	-	13.0	2.8	18.5	20.1	62.3
Bechuanaland	-	-	-	-	-	3.6
Ethiopia	-	-	-	13.5	-	-
Kenya	-	-	-	-	-	10.3
Mauritania	-	-	-	-	-	6.9
Niger	-	-	-	-	1.5	-
Nigeria	-	-	-	-	-	35.5
Somalia	-	-	-	-	-	6.2
Sudan	-	13.0	-	-	-	-
Swaziland	-	-	2.8	-	-	-
Tanganyika	-	-	-	-	18.6	-

Source: IBRD/IDA & IFC Reports 1960/65

TABLE IX

Proportion of Aid (technical and financial) to Africa and the Rest of the World

1 UK a) Financial Aid

	1963	1964
	(£ million)	
Africa (total)	52,334	65,648
Africa (South of the Sahara)	46,893	61,546
World Total	115,579	148,874

b) Public Disbursements on Technical Assistance

(£ million)

	1961	1962	1963	1964
Africa (total)	9,742	13,409	15,554	15,739
Africa (South of the Sahara)	9,757	13,453	15,616	15,864
World Total	15,599	20,739	24,471	24,978

Source: U.K. Government sources

II USA a) Financial Aid

($ million)

	1963	1964
Africa (total)	504.9	384.2
Africa (South of the Sahara)	227.4	212.4
World Total	5,146.9	5,042.9

b) Technical Aid (no of U.S.A. Technicians Overseas)

	1963	1964
Africa (total)	773	759
Africa (South of the Sahara)	653	660
World Total	3,631	3,431

Source: A.I.D. Operations Reports.

III Germany (Technical Assistance)

Regional Distribution of Commitments and Disbursements for Bilateral Technical Assistance up to 31.12.63.

(Million DM)

	Cumulative Commitments	Cumulative Disbursements
Africa (total)	341.8	100.6
Africa (South of the Sahara)	256.5	77.1
World Total	882.6	314.4

Source: Lutzeyer Handbook of Development Assistance, supplemented and amended by the Ministry of Economic Co-Operation. Vide John White, "German Aid" O.D.I.

PART II

AID TO EAST AFRICA

A. KENYA

UNITED KINGDOM

Pre-Independence (Disbursements)	1960/61	1961/62	1962/63	1963/64*
	U.K. Financial Years			£m.
Loans	8.4	4.0	4.5	7.1
Grants	1.2	11.2	7.9	8.1

*Kenya became independent on 12th December, 1963. Disbursements are shown for the full year

Independence Settlement

(Commitments)	£m.	
Balance of loans and grants outstanding	4.3	
Basic Development (1964/65) Loan	2.0	(1)
Grant	1.0	
Budgetary Assistance Grant (1964/65)	1.25	
Land Settlement to June. 1967 Loan	6.6	(2)
Grant	5.0	(3)
Land Bank & Agricultural Finance Corporation (Commonwealth Assistance Loan)	1.0	(4)
Overseas Service Aid Scheme (over 4 years)	10.0	
Loan for compensation payments and commutation of pensions	13.6	(5)
Cancellation of outstanding loans	6.0	

(1) For 25 years with 6 year grace period for capital repayments (£575.000 E.C.G.D. Section 3).

(2) For 30 years with 4 year grace period.

(3) The total cost of the settlement programme (including the Dundori/Bahati area of the Ol Kalou Salient) is now estimated as £25.5 m. of which the British Government is providing £20.3 m. (£9.7m. as a grant).

(4) For 25 years.

(5) For 25 years. The normal rate of interest for Commonwealth Assistance Loans is ¼% above Government borrowing rate. This loan has. however. now been made interest-free.

Post-Independence

(Commitments)	£m.	
	1964/65	
Ol Kalou Scheme	1.5	(1)
	1965/66	
Land Bank & Agricultural Finance Corporation (Commonwealth Assistance Loan)	1.0	(2)
General Development (Commonwealth Assistance Loan)	3.0	(3)

(1) Includes £225.000 for the Dundori/Bahati area. The balance consists of a grant of £40.000 and a loan of £1.235.000. (25 years with 4 year grace period) for development loans. See also note (3) on previous page

(2) For 25 years.

(3) Interest free. For 25 years with 2 year grace period, 5 years graduated repayment and 18 equal annual repayments.

C.D.C.

Commonwealth Development Corporation interests in Kenya include investments in tea. meat processing. vegetable oils. housing. electricity (£3.5m.). land settlement, hotels and the Development Finance Company of Kenya.

UNITED STATES (commitments)		U.S. Fiscal Years 1961	1962	1963	£m. 1964
A.I.D.	Loans	-	-	2.2	-
	Grants	0.3	3.2	2.6	3.3
P.L. 480	Title II*	1.4	6.5	0.6	-
	Title III@	0.1	0.2	0.2	0.4

*Emergency Relief and Economic Development

@ Voluntary Relief Agencies.

Projects supported include secondary education, agricultural education, Kenya Institute of Administration, Kenya Polytechnic, agricultural credit, credit for African industrialists and housing. The A.I.D. loan is for the Nairobi Water Supply.

WEST GERMANY

Development Loans (1962/65)	£5.5m.
Development Grants (1962/65)	£ .75m.

Projects:- Land Settlement Scheme
Local Government Loans Fund
Agricultural Credit
Irrigation
Kenya Tea Development Authority
Development Finance Company of Kenya.

U.S.S.R.

Grant for Hospital (200 beds) £ .25m. (1)
Technical College (1,000 students)
Management and staffing for two years.

Loan for Textile mill
Fish cannery
Food processing factory
Sugar mill
Pulp and paper mill.

The loan projects are tentative only and will be decided jointly by the U.S.S.R. and Kenya.

(1) To be financed by the sale of 10,000 tons of Russian sugar.

CHINA

Grant	This grant is completely untied	£1.07m.
Loan	For sets of equipment, single equipment and technical assistance. Interest-free. To be repaid in 10 years from 1975.	£5.3 m.

WORLD BANK

		$m.
1961/62	Land Settlement Scheme (20 years, $5\frac{3}{4}\%$)	8.4
1964/65	Kenya Tea Development Authority (IDA)	2.8
	Tea Roads (IDA)	3.0
	Main Roads (IDA)	4.5

IDA loans are normally for 50 years and carry a $\frac{3}{4}\%$ service charge.

U.N. SPECIAL FUND

	U.N.S.F. Contribution	Counterpart Contribution
	$	$
Faculty of Engineering, Royal College, Nairobi (Training of Engineers for East Africa) (UNESCO)	832,600	924,000
Kenya Polytechnic, Nairobi (UNESCO)	1,428,100	880,000
Survey of the Irrigation Potential of the Lower Tana River Basin (FAO)	974,100	323,000
Mineral Resources Survey in Western Kenya (UN)	539,900	365,000
Animal Health and Industry Training Institute (FAO)	458,700	473,000
Surveys and Pilot Demonstration Schemes leading to Reclamation of the Yala Swamp (FAO)	649,000	316,000
Management Training and Advisory Centre, Nairobi (ILO)	756,500	354,000

AID TO EAST AFRICA

B. UGANDA

UNITED KINGDOM

Pre-Independence

(Disbursements)	1960/61	1961/62	1962/63*
	U.K. Financial Years		£m.
Loans	3.0	3.6	3.7
Grants	1.3	3.1	4.7

* Uganda became independent on 9th October, 1962. Disbursements are shown for the full year.

Independence Settlement

(Commitments)	£m.	
Balance of CD & W allocations	0.5	
Special grant for Development Plan	1.5	
Commonwealth Assistance Loan	2.4	
Loan for compensation payments	4.25	(1)
Loan for commutation of pensions	1.75	(2)

Overseas Service Aid Scheme à approx £2m. p.a.

(1) Interest-free. For 25 years with six-year grace period.

(2) 25 years with six-year grace period. Interest rate as for Commonwealth Assistance Loans. (See Kenya - Note (5).)

Post-Independence

Development loan £6m.

Interest-free. 25 years with grace period of 5 years. Approximately two-thirds to be tied to British imports. Tied to projects including roads, sisal development, tractors and sugar development.

C.D.C.

C.D.C. interests in Uganda include the Development Finance Company of Uganda, Kilembe Mines Ltd and tea plantations.

UNITED STATES

(Commitments)		1961	1962	1963	1964
		U.S. Fiscal Years			$m.
A.I.D.	Loans	-	-	4.4	0.4
	Grants	-	3.6	2.5	2.2
P.L. 480	Title II*	-	0.4	-	-
	Title III@	0.1	0.2	0.1	0.2

* Emergency Relief and Economic Development

@ Voluntary Relief Agencies

Projects supported include Secondary Education, Teacher Training, UDC, Tsetse Clearance, Cooperative Training and District Farm Institutes.

WEST GERMANY

Development Loan (1964)		£2.5m.
Local Authorities Loan Fund	£500,000	
Water storages	£140,000	
Cattle quarantines	£ 60,000	

Interest rate 3%. Repayable over 20 years with 3 year grace period.

Contribution to Development Finance Company of Kenya £ .5m.
This is an investment, not a loan.

U.S.S.R.

Development Loan £5.6m.

This is tied to purchase of Russian goods and services and is to be used for the following projects subject to negotiation with the Uganda Government:-

Heavy Tractors (road construction)
Dairy Plant
Fish Cannery
Textile Factory
Training Centre (mechanical agriculture)
Meat Refrigeration Installations.

CHINA

Grant	£1.07m.
Loan	£ .04m.

(For terms see Kenya)

WORLD BANK

1960/61 Electricity transmission network (20 year, $5\frac{3}{4}$%) $8.4m.

U.N. SPECIAL FUND	UNSF Contribution	Counterpart Contribution
	$	$
Aerial Geophysical Survey (UN)	313,500	140,000
Uganda Technical College (UNESCO)	1,159,500	3,953,000
Irrigation & Pilot Demonstration Project, Mubuku (FAO)	655,300	559,000
Feasibility Studies for the Development of Groundwater in Karamoja (UN)	685,500	300,000
Management Training and Advisory Centre, Kampala (ILO)	1,134,600	648,000

EAST AFRICAN COMMON SERVICES ORGANISATION

UNITED KINGDOM	U.K. Financial Years			£m.
(Disbursements)	1960/61	1961/62	1962/63	1963/64
Loans	4.3	4.6	2.1	1.5
Grants	0.5	4.2	3.0	2.7

Commitments include:-	£m.
Loan for compensation (1962)	4.0
Loan for railway stock (1963)	2.05
Loan for railway stock (1965)	3.15

The figure for grants includes approx. £800,000 per annum for the Overseas Service Aid Scheme. The rest is principally for research services.

I.B.R.D

Rolling stock and harbour installations
Loan for railway (May, 1965) (IDA) £13.5m

OTHERS

In recent years other donors have included British Leprosy Relief Association, U.S. Dept. of Agriculture, U.S. Dept. of Health, Rockefeller Foundation, World Health Organisation and Nuffield Foundation.

C. TANZANIA

UNITED KINGDOM

Pre-Independence

(Disbursements)	U.K. Financial Years		£m.
Tanganyika (1)	1960/61	1961/62	1962/63
Loans	2.0	3.9	
Grants	1.9	5.7	
Zanzibar (2)			
Grants	0.1	0.2	0.2 ?

(1) Tanganyika became independent on 9th December, 1961.

(2) Zanzibar became independent on 10th December, 1963. The United Republic was founded on 26th April, 1964.

Independence Settlement

(Commitments)	Zanzibar	Tanganyika £m.	
Balance of CD & W allocations	0.14	5.25	
Grant-in-aid (1963/64)	0.45	-	
Special grant for Development Plan	-	4.0	
Loan for Development	0.16	4.0	(1)
Loan for Compensation payments	-	6.0	(2)
Loan for Commutation of Pensions	-	3.0	(2)
Overseas Service Aid Scheme à approx. £2.5m. p.a.			
Transfer of British rights in Tanganyika Agricultural Corporation	-	1.0	

(1) This was promised as a Commonwealth Assistance Loan if funds could not be obtained elsewhere.

(2) Terms as for Uganda.

Post-Independence

	£m.	
Loan for Nyumba ya Mungu Dam	0.8	(1)
Loan for Land Bank	0.35	(2)
Development Loan	7.5	(3)

(1) 25 years with grace period of 6 years.

(2) Now converted to a grant.

(3) Interest free. 25 years. Over one third for local costs.

C.D.C.

C.D.C. interests in Tanganyika include investments in sugar, tea, cocoa, electricity (£3m.), wattle, mining and the Tanganyika Development Finance Company.

UNITED STATES

(commitments)	U.S. Fiscal Years 1961	1962	1963	$m. 1964
A.I.D.				
Loans	1.9	-	6.9	3.9
Grants	0.6	2.5	1.8	2.2
P.L. 480				
Title II - Emergency Relief & Economic Development	1.6	9.3	2.9	0.4
Title III - Voluntary Relief Agencies	0.1	0.3	0.3	1.3

Projects supported include road construction, water supplies, Agricultural College, University College, teacher training, Community Development Training Centre and electrical equipment.

WEST GERMANY

	DMm.
Development Loan (1962)	
Kilombero Railway	8.9
Development Grant (1963)	
Agricultural Technical Assistance Research into Water resources	16.5
Tanganyika Development Finance Company	5.6

Further offers of assistance from West Germany were turned down after political disagreement early in 1965.

U.S.S.R.

Loan	£10m.

CHINA

Grant	£ 1m.
Loan to Tanganyika	£10m.
Loan to Zanzibar	£ 5m.

The loans are interest free

WORLD BANK

	$m.
1963/64 Highways (IDA)	14.0
Secondary Schools (IDA)	4.6
Agricultural Credit (IDA)	5.0

IDA loans are normally for 50 years and carry $\frac{3}{4}$% service charge.

U.N. SPECIAL FUND

	UNSF Contribution	Counterpart Contribution
	$	$
Survey and Plan for Irrigation Development in the Pnagani and Wami River Basins (FAO)	1,225,300	921,000
College of African Wildlife Management Mweka (FAO)	502,100	536,000
Mineral Exploration of the Lake Victoria Goldfield (UN)	625,500	385,000
Industrial Studies & Development Centre, Dar-es-Salaam (UN)	483,400	170,000
National Institute for Productivity Dar-es-Salaam (ILO)	860,550	325,000
Southern Highlands Sheep-Raising Project (FAO)	964,400	987,000
Training of Secondary School Teachers at the Faculty of Science of the University College (UNESCO)	978,600	3,000,000

EAST AFRICAN REGIONAL PROJECTS

UNITED KINGDOM

Recent grants to the University of East Africa amount to over £1m. of which £200,000 is in the form of technical assistance.

C.D.C.

C.D.C. has taken over the East African assets and liabilities of the First Permanent Building Society.

UNITED STATES

Construction of College at Dar-es-Salaam $1.5m.

U.N. SPECIAL FUND

	UNSF Contribution	Counterpart Contribution
	$	$
East African Livestock Plan (FAO)	238,900	120,000
Lake Victoria Fisheries Research (FAO)	779,000	580,000
Desert Locust Project*	2,475,150	1,390,850

*There are 37 participants, including Kenya, Uganda & Tanzania.

Sources:

Annual Abstract of Statistics, 1964 (HMSO)
British Aid - 2: Government Finance (ODI)
Aid to Developing Countries (Cmnd 2147) (HMSO)
CDC - Report and Accounts 1964
U.S. Overseas Loans and Grants (House Foreign Affairs Committee)
Operations Report - A.I.D., 1965
Kreditanstalt fuer Wiederaufbau - Annual Reports 1961/64
World Bank and IDA, Annual Reports 1960/65
U.N. Special Fund - Progress Report - June 1965
Various non-official sources.

Note:

Aid to East African countries has been shown only for principal bilateral and multilateral sources. A large number of other Governments and agencies, is involved, some of them to a large extent.

They include: -

Australia	UNICEF	Rockefeller Foundation
Canada	EPTA	Ford "
Denmark	OXFAM	Nuffield "
India	FFHC - UK	Wellcome "
Israel	Austria	Miserior "
Italy	New Zealand	
Japan		
Netherlands		
New Zealand		
Norway		
Sweden		
Switzerland		
Yugoslavia		

Since data on aid are not published by all countries as part of a regular statistical series; the information contained in this paper is not claimed to be fully comprehensive.
