The relationship between the European communities and the acp states, with particular reference to east Africa

Aaron Kabweru kudaga Mukwaya

ABSTRACT

NAME: AARON KUDAGA KABWERU, MUKWAYA

TITLE: THE RELATIONSHIP BETWEEN THE EUROPEAN COMMUNITIES AND THE ACP STATES, WITH PARTICULAR REFERENCE TO EAST AFRICA

This study examines basis of the EC-ACP relationship since the Treaty of Rome. It provides the background to the European communities and the developments in the Community. Such developments influence the direction in the relationship between the EC and ACP states. The study deals with the factors that favour the continued relationship between the EEC and the ACP states, especially the East African states. In order to give a broader perspective to the East African states, the relationships have been traced from Part IV of Treaty of Rome, the Yaoundes, and lastly the Lome regime. This work is a new development in the study of East Africa and its external relations. This region has had a shared historial, economic, political and admnistrative background.

This work is an important development in the regional external relationship of the developing as well as developed countries. The East African states illustrate the problems of the least developed countries both in the domestic and external relations. In general the study reveals the issues involved in the process of reducing the gap between the poor South and the rich North.

THE RELATIONSHIP BETWEEN THE EUROPEAN COMMUNITIES AND THE ACP STATES, WITH PARTICULAR REFERENCE TO EAST AFRICA.

D I S S E R T A T I O N

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By

Aaron Kabweru Kudaga, MUKWAYA

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INTRODUCTION

This study is an analysis of the relationship between the European Economic Community and the African, Carribbean and Pacific States (ACP). The relationship is examined by illustrations from the East African States - Uganda, Kenya and Tanzania. Factors that favour the ACP-EEC relationship can be better understood by examining the patterns of negotiations leading to various conventions.

The Treaty of Rome (1957) established the European Economic Community. Part IV of this Treaty provided for the arrangement in which the EEC could extend its external relations with the dependant territories of some of the Six member states. The African dependant states achieved political independence in the early 1960's. A new arrangement had to made if there was to be a continued relationship to cater for these independent African states.

On one hand the EEC wanted the relations to continue as a basis for its external relations with the developing countries; and on the other these newly independent states wanted such a relationship to continue for economic reasons. Negotiations between the EEC and the largely Francophone African states led to the signing of Yaounde Convention in 1963. This convention established the AASM-EEC relations. The Convention covered trade, financial and technical as well as the institutional arrangements. The Convention was renewable after five years. Negotiations for renewal of the Convention were to commence 18 months before expiration of the Convention.

The Second Yaounde Convention negotiations started in 1967 and the convention was signed in 1969 to expire in 1975. During the Yaounde regime 1963-1975, substantial developments took place within the European Community which in turn had an impact on its external relations. In 1973 the United Kingdom entered into the European Community with the signing of the 1972 Treaty of Accession. The United Kingdom, as the mother of the Commonwealth had obligations of maintaining and strengthening the Commonwealth. The negotiations for accession aimed at ensuring that such organisation is not undermined. Trade and aid arrangements existed between the United Kingdom and her former colonies and dominions. Treaty of Accession categorised these countries under associables and non associables. The arrangements in trade and aid between Britain and the Commonwealth on one hand; and those under the Yaounde and Arusha convention on the other were continued uninterrupted.

A Declaration of Intent (1963) of the Council resulted in Nigeria negotiating for association arrangement. In 1966 the Lagos Convention was signed. Negotiations between the EEC and the East African States (Uganda, Kenya and Tanzania) resulted into the Arusha Conventions of 1968 and 1969. These were former British territories and members of the Commonwealth and in the Sterling Area. They signed the Conventions even before the influence of British entry into the EEC. The Arusha convention of 1969 run parallel with the Yaounde conventions.

Negotiations began in 1973 between the EEC and the Yaounde states, Commonwealth associables including the Arusha states. The purpose of negotiations was to reach an agreed arrangement for co-operation between the negotiating parties. The result of such negotiations was the signing of the Lome Convention in 1975. The convention established the ACP-EEC relations.

The study examines the factors that guided the processes of negotiations on the part of both the EEC and the ACP states. The East African States are selected for a number of reasons:- these states were British colonial territories and occupy a contagious geographical area. Historically they were subjected to similar political and social epocs and a long historical, economic and administrative interrelationship during the colonial period through the East African High commission (EAHC) and the East African Common Services Organisations (EACSO). These interrelationships even continued after independence through the EACSO and later the East African Community (EAC). They achieved political independance within two years of each other: Tanganyika (now Tanzania after the Union with Zanzibar in April 1964), became independant in 1961, Uganda in 1962 and Kenya in 1963. This means that they were faced with the problems of economic development and nation-building at the same time under same regional economic arrangements. These countries are members of the Commonwealth and as such Britain's entry into the European Community had impact on their external relations in terms of trade, aid and diplomatic spheres. Lastly, the East African states, save Nigeria, were the only Commonwealth developing countries that signed the conventions with the EEC. The Arusha conventions of 1968 and 1969 were signed during the Yaounde regime as well as before the entry of Britain.

The 1967 Treaty for East African Co-operation signed at Kampala established the East African community. The Treaty provided for a common external tariff, legal, administrative, economic and common services among the three states. The Arusha conventions were negotiated and signed by the three as "Partner States" of the East African Community. Therefore the study of ACP-EEC relationship using these states as a case study helps to demonstrate the factors and problems of integration on the part of developed as well as developing countries.

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The hypothesis of this research work is that although the ACP-EEC arrangements under Lome are aimed at enhancing structural and social changes in the ACP states by encouraging economic and political development to reduce the gap between the rich North and poor South little has been achieved. This is because of the difficulties in existing economic and social structures, institutions and values which were inherited from the colonial situation. Also the effects of the present international economic system vis-a-vis the need for the EEC to increase its economic power and security by signing worldwide agreements on trade and other fields with all developing countries. The ACP states are faced domestically with social, economic and political problems affecting their stability internally and externally. The study examines the efforts in mobilising resources for national developments by the East African states through the negotiations and co-operation arrangements with the Community; and the factors that hinder the achievement of needed development. this entails examining the strategies in negotiations, the limitations in the formal agreements and the problems of implementing the conventions.

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The first chapter of this dissertation will be devoted to a brief account of the factors that prompted the founding fathers in forming the EEC, and the development of EC external relations with the dependent territories of the Member States. Because of Britain's relations with the East African states, the second part of this chapter will deal with the British attitude towards the Community. This includes the British attitude towards EEC association of the Commonwealth developing countries; her attempts to enter the EEC between 1961 and 1973; the processes of negotiations with the EEC. The impact of her entry into the EEC on the Commonwealth Countries, especially the East African states. Without this historical analysis of the community, it is difficult to put the development of ACP-EEC relationship in its perspective.

The second Chapter will deal with the development of relationship between the European Community and the ACP states. Part IV of the Treaty of Rome is the basis of the ACP-EEC relations providing for the legal relationship between the community and the overseas territories of the member states. The role of France in initiating the idea of association and the insertion of Part IV in the Treaty of Rome had effects on the process of negotiations of the East African states and the EEC leading to the Arusha Conventions.

The relations under Part IV did not last long because the African overseas territories gained political independence in the early 1960's. A new arrangement was negotiated between these newly independent states and the EEC establishing the Yaounde regime. During the regime 1963-1975, the East African States negotiated association agreements known as the Arusha conventions. Both the Yaounde II and Arusha conventions ran side by side till 1975.

Negotiations for a new arrangement between EEC and the developing countries commenced in 1973. Since Britain had already become a member state, negotiations involved the African, Carribbean and Pacific states; and the enlarged EC of Nine. The result of the negotiations is the establishment of the present Lome regime. The ACP states include the signatories of the Yaounde, Arusha and Lagos conventions, the associables and other African states South of the Sahara. This chapter therefore sets the East African states in a broader perspective of the ACP states.

The third chapter deals with the relationship between the EEC and the East African states. By examining the East African states' economies, the chapter gives a background to the factors that led the East African leaders to seek association with the EEC under the Arusha conventions and the present Lome regime. The East African states are basically agricultural countries and their problems include agricultural backwardness, poorly developed infrastructure, search for markets for their products, general problems of economic security and political stability. This chapter deals with the stages of economic co-operation between the three states and the role of Britain in bringing about this co-operation.

The chapter examines the influence of the East African co-operation on the process of negotiations leading to the establishment of the EEC-East African states under the Arusha conventions. An attempt is made to answer fundamental questions like why such association arrangements were pursued by the East African states at that particular time and why were they different from the Yaounde arrangements.

Lastly, the chapter examines the EEC-East African states relationship under the Lome regime. The 1975 Lome convention was signed amidst deteriorating relations within the East African Community. This was because the chief decision-making organ of the East African Community, the Authority was rendered more inactive by the coup in Uganda in 1971. The East African Community, an economic umbrella of the States came to an official end in 1977. Therefore, under Lome regime the relationships between the European Community and the East African States are conducted on individual state basis. This part will venture into the trade relations, capital investment, aid, projects, human rights; and how domestic situations of the East African countries like economic instability, drought, ideology, administrative, political and humanitarian issues affect the ACP-EEC relations.

The last chapter will be devoted to the analysis of the findings, trying to explain the results in terms of the East African states' need and the prospects of the ACP-EEC relationship under Lome III (1985-1990) as well as the global problems of North-South relations. This study therefore is an attempt to analyse the impact of the EEC external relations on the development of the ACP states. This involves us into examination of the processes of negotiations, the formal relations and the implementation of the Yaounde, Arusha and Lome Conventions.

CHAPTER ONE

THE EUROPEAN ECONOMIC COMMUNITY

PART 1 - THE BACKGROUND TO THE EUROPEAN ECONOMIC COMMUNITY

PART 2 - BRITAIN AND THE EUROPEAN ECONOMIC COMMUNITY

PART 1

THE BACKGROUND TO THE EUROPEAN ECONOMIC COMMUNITY

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This part examines some factors that made it possible to establish the European Community in 1957. The intention is not to indulge into the historical analysis but to examine the events both in Europe and the rest of the world which fostered the founding of this organisation of nations. An attempt to fuse broad political and economic objectives and to sink narrow differences was not a new idea. But this idea gained momentum after the Second World war. Before the Second World War the idea of a one Europe were based on concepts like peace, stability and Christianity. Proponents including Pierre Dubois, Kalergi, Attlee and Briand saw in European states coming together as the basis for harmony. They wanted to create an economic unity of all Europe. The most notable contribution to the European Community was the famous Briand Memorandum of 1930 which outlined the organisation of a:

> System of European Federal Union by the liquidation of war and customs barriers through peace treaties establishing a common market which will raise the maximum standard of human well being in all the territories of the European Community and the achievement of progressive liberation and the methodological of the circulation of goods, capital and individuals.(1)

This memorandum had a big impact on the ideas that developed after the second world war. While the earlier proponents saw European unity in terms of geographical, moral, intellectual and statesmen proximity, the founders of the European Community had a wide view of Europe. Reasons for the resurgence of the idea of European unity can be found both in Europe and outside it.

The second world war started in Europe and a major part of it was fought on the soils of Europe. Great damage was incurred on human resources, agriculture, industry, infrastructure and in general the political systems. Europe emerged from the war weary and exhausted. In order to restore peace and order among the nations of Europe and also reorganise their economies statesmen and politicians started planning ways in which to achieve some unity. They felt that the two world wars had been a result of individualistic national consciousness, personal and material interests as well as systems of nationalistic commercial policies[2]. In order to deter such tendencies the European states had to come together in order to foster unity.

Both the economics and politics were in disarray. There was a decline in industrial capacity on which Europe had based its world domination. This was coupled by the world recession. As the industries were reconstructed and production increased it became clear that domestic markets were too small for the products manufactured. A new approach in economic, political and social fields was needed instead of the individual nation-state approach. Need for a new approach was emphasised by the fact that the war was fought by different nations side by side. Movements for peace in Europe had the view that "Unity during the war" could be restored in peace-time in Europe. A new Euro-relations could be built by acollectivity of nation-states along supranational lines. They argued that individual nation state approach which had been the basis of Euro-relations since

1648 was unsuitable for the stability and peace of Europe. Since the Treaty of Westphalia of 1648 the world had witnessed two major devastating wars. Spinelli argues that the respect of the public and of the rulers for national sovereignty, administrative, social and economic bodies important for maintaining of sovereignty and basis of national states were in full decline. The nation states were unable to satisfy the most elementary needs of state especially national security(3).

European unity occupied the minds of the European statesmen and politicians because the other cause of the war was the nationalistic tendencies. The NAZI ideology stressed the importance of a German race. The German race was according to ideology a superior race and the war aimed at establishing her overlordship over the whole world by conquest. The German aggressive expansionist policy was confronted by other nations in order to deter her. After the end of the war caused by chauvinistic nationalisms the statesmen wanted to build a strong and stable European society based on a strong European economy. In order for the Western European states to complete with the United States they needed to modermise their industrial technology. Co-operation in industrial ventures would reduce chauvinistic nationalistic tendencies. Before the war the German industrial capacity was very strong and this inevitably backed her aggressive policies. There was a determination of the victorious powers to control the German industry.

After the Second world War, the United States set up an economic recovery programme for Europe. The Marshall Plan of 1947 pumped assistance into Europe for the reconstruction of the damaged industries, infrastructure and social services. Soon the economies of Europe started taking shape again. A new development during this US assistance boom was the creation of the Organisation for European Economic Co-operation as a consultative organ between the European governments on financial and economic matters. These developments on the European continent gave impetus to the statesmen and politicians to look for means to harmonise their relations and build a new economic society.

Outside Europe, the United States and the Soviet Union emerged after the war as the unchallengable world powers. The United States had emerged as the strongest power both in industrial capacity and military strength in the West. This situation put the European countries in a weak competing position for spheres of influence. This new advanced industrial technology put the United States in a position to replace European state in world domination. This United States economic and military muscles acted as a warning to Europe to reorganise themselves in order to face the changed situation.

The emergence of the Soviet Union as a superpower was a great threat to the real existence of Western European states. The Western countries were scared of the spread of Communism from the East. Communism had spread to the Eastern and Central

European states. It became important to the Western European state to develop political, economic and institutional arrangements in order to counter the Communist encroachment. Also the Marshall Plan was the economic wing of the US foreign policy of Communist containment. The Truman Doctrine of 1948 aimed at spreading the fears of Communism using all assistances especially in Europe. The European countries wanted developed political and economic co-operation in order to withstand the pressures from outside[4].

In the field of international organisations the European statesmen and politicians were dissatisfied with the arrangements under the United Nations. While they saw nation states approach as unsatisfactory in the maintenance of peace in Europe, the United Nations were based on the principle of sovereign equality of nation states. The principle of sovereign nation states would encourage global nationalistic tendencies which would inevitably make the UN an illusive peace instrument. The principle of sovereign equality was eroded by the veto powers enjoyed by the US, USSR, UK, France and China. The veto provision established a bulwark of strong states vis-a-vis the small and weak states. In order to avoid nationalistic grievances, the European statesmen want to establish a Europe which would reduce and eventually destroy nationalistic loyalties.

Most of the European powers possessed colonies in Africa, Asia and Central America. After the Second world war the colonial powers were involved with the domestic reconstruction of their economies. They were politically and economically in an unfavourable position to effectively hold on to their colonies. These colonial powers felt that a United Europe could stabilise their economies at home and in turn be able to control those colonies. As we shall examine in Chapter Two the fact that French government insisted on making provisions for her territories under the Treaty of Rome.

After the Second World war there was an upsurge of nationalism in the colonial areas of Africa and Asia. Independence movements and political associations emerged in these territories with the final objective being the achievement of political independence. It was becoming apparent that it was expensive for the colonial powers to reverse the direction of that "wind of change". In some areas the resistance movements became very violent. Kenya and Algeria are some of the examples of the early 1950's violent countries in Africa. The European colonial powers thought that

> economic unity might produce a margin of economic manoeuvre that would allow Europe to provide more aid to those countries and thereby cushion and guide, even as it accelerated their progress to positions of world power.(5)

Under such circumstances, the United States wanted the colonial powers to grant independence to the colonial territories. This would give the United States free access into these areas for markets, investment and control of the spheres of influence.

The Soviet Union's policy was the armed support of the resistance movements of the colonial peoples in the process of achieving self-determination and political independence. Also the United Nations became a major force in influencing the speeding up of the processes of self determination of these colonial peoples. Amidst all these forces the colonial powers gave concessions to the colonial peoples with the view of maintaining their economic control after their independence.

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Against that background, a practical move towards unity among the Western European States came from France in 1950. Robert Schuman's statement of 9 March 1950 put up a French proposal for pooling together the coal and steel industries of France and Germany. The 1951 Treaty of Paris established the European Coal and Steel Community (ECSC) with a High Authority as the Supreme organ. The High Authority acted as a supranational organ with powers to administer their combined coal and steel industries. The founder members: France, Germany, Italy, The Netherlands, Belgium and Luxembourg became the signatories of the Treaty of Rome of 1957. The ECSC aimed at encouraging national distribution of production, increased productivity, encouraging employment and conditions of work in the steel community. This arrangement would reduce the fundamental and persistent differences in the economies of the Member states. This would reduce tensions and eventually lead to economic unity.

The institutions of the ECSC - the High Authority, the Assembly, the Council and the Court - which became the organs under the Treaty of Rome were the tools for achieving the desired goals. The institutions with their respective powers were to ensure

> an orderly supply to the Common Market, equal access to the sources of production, establishment of some price control and improvement of production, promotion of working conditions and improvement of standard of living for the workers in their industries, promote growth of international trade, ensuring equitable limits in export pricing and promoting the orderly expansion and modernisation of production and improvement of quality and competition. (6)

The ECSC was in a way supposed to act as a specialised Community with a supranational High Authority with the view of controlling the production of the energy and armament resources. The community would control the processes of armanents and peaceful coexistence. This process would encourage economic recovery, reduction in German nationalism and eventually establishing peace and prosperity in Europe.

Although the ECSC was a major breakthrough for the founder members there were practical problems that arose. The Common Market for coal and steel could not be separated from the different national economies of member states. The coal and steel industries in the member states continued as part of national economies subject to the controls of respective governments and parliaments. Inside the ECSC the executive functions of the High Authority were restricted by the Special

Council of Ministers. The ECSC Council comprised ministers of the members states.[7] It had the powers to deal with measures that involved the various national economic policies. The Council in most cases had national interests at heart than Community ones. In addition the Assembly had not legislative powers; all the powers remained with respective national parliaments.[8]

In order to encourage European unity a major conference was held in Messina in 1955. The Messina conference set up a commission of experts to probe into the ways of creating a common European market and of an atomic pool. The Commission was headed by M Spaak. It was for the first at Messina Conference that France insisted that the Overseas territories be added to the agenda. This is an important development in the relations between the EEC and developing.[9]

The Spaak Commission presented a report to the ECSC with proposals for merging the various national economies into a common market without touching national sovereignty.[10] Although in practical sense one cannot isolate the two at least there was a great emphasis put on the creation of the Common Market. On 25 March 1957 the Six signed the Treaty of Rome establishing the European Economic Community and the European Atomic Energy Community (EURATOM).

The Treaty of Rome aims at promoting progressive economic integration as a means of achieving greater political unity.

The objectives of the Community are stipulated in the Preamble

> to lay the foundations of an ever closer union among the peoples of Europe; to ensure the economic and social progress of their countries by common action to eliminate barriers which divide Europe; the constant improvement of the living and working conditions of their peoples; that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition; to strengthen the unity of their economies and to ensure their harmonious development .....;.....; to confirm the solidarity which binds Europe and overseas countries and desiring to ensure the development of their prosperity .....(11)

The signatories of the Treaty of Rome were under legal obligation to fulfil those objectives. The Treaty laid down the principles to guide the processes of achieving that vision. The task of the Community was to establish a Common Market and to bringing together the economic policies of the Member States in order to harmonise the development of the economic activities. To this effect the Community was to eliminate customs duties and restrictions on the import and export of goods; establish a common external tarrif and a common commercial policy towards other countries, a common agricultural policy as well as the removal of obstacles to freedom of movement of persons, capital and services. The Community established a European Investment Bank (EIB) to facilitate the economic expansion of the Community by opening up fresh resources. The Community was empowered to establish relations with the overseas territories of the Member States. This was provided for in Part IV of the Treaty of Rome.

The Treaty of Rome came into force on 1 January 1958. The Community embarked on a stage by stage process of removing economic barriers between the Member States and integrating their economies. This process would inevitably remove economic frontiers which split Western Europe into small protected markets and in turn pooling together the resources and energies of the peoples for a better life and greater welfare of Europe. Not only was the Community prepared to handle internal problems but also wanted to be a stronger force for stability and a better source of aid for the world's poor.(13)

In fulfilment of its tasks the European Community has institutions empowered in various spheres with authority to execute the treaty provisions and other laws. The Commission is responsible for the formulation of common policy proposals and the implementation of Community policies. The Commission is entrusted with the responsibility of negotiations on behalf of the Community. Although the Commission is supposed to act independently of national governments influence, this general interest of the Community is undermined by being answerable to Council of Ministers and the European Parliament.

The Council of Ministers is composed of members elected by the national governments. It is the policy making body of the Community. The Council is assisted by permanent committees in a variety of fields of co-operation in fulfilling its functions. The European Parliament is elected by national electorates. The Parliament is a deliberative body which discusses matters of concern to the Community and its relations with the rest of the world. The most spectacular organ of the European Community is the Court. The Court deals with the interpretation of the Law of the Community, hands down rulings which are final and binding on all community institutions, national governments, firms and industries. The Community Law has been respected in Member States sometimes working side by side with the national legislation. The Community staff are international persons and are by no means under obligations to accept instructions from national governments.

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The background to the European Economic Community is important in understanding not only the factors that favoured its formation but also how such establishment affects the developing countries especially the ACP states. The Community established a Common Market with it a common external tarrif and trade relations with other countries. In 1957 the Six member states of the European Community accounted for nearly one quarter of the world trade. This shows that EEC was the greatest economic grouping in the world and therefore an important trading force in world trade. Intra-Community trade quadrupled between 1958 and 1968, and that trade with the rest of the world was rapidly expanding, exports rising by 118 per cent and imports by 108 per cent. In 1968 exports of manufactured goods by the Community countries represented over 50 per cent of the global exports. This testifies to the competitiveness of the EEC industry on the world markets and enabled the Community to run a trade surplus with the rest of the world since that time. The Community has managed to maintain a more or less permanent surplus in its balance of payments.[14]

In the field of agriculture the Community has set up the Common Agricultural Policy (CAP). CAP aims at helping in modernising the agricultural industry and balancing prices between the member states. This policy has not only affected the firms and farmers in member states but also the trade arrangements with the ACP states. CAP aims at increasing agricultural productivity by promoting technical progress and also to ensure the national development of agricultural production by optimum utilisation of all factors of production in particular labour. It aims at ensuring a fair standard of living for the agricultural community in particular by increasing the individual earnings of persons engaged in agriculture; to stabilise markets; to ensure the availability of supplies; and to ensure that supplies reach consumers at reasonable prices.[15] To achieve those objectives the CAP attempts to have common rules of competition, compulsory co-ordination of various national market organisations and eventually having a European market organisation. However regulations of prices, aids for production, storage and a common machinery for stabilising imports or exports has had traumatic effects on the firms and farmers of the member states. The CAP has had tremendous impact on the ACP-EEC trade relations. The CAP stipulates that some products which likely to compete with those of the Community should be restricted. Such products which are regarded as sensitive are produced by the ACP states. These products include sugar, flowers, beef and veal and temperate agricultural products. Such categorisation of products under CAP has limits on the exports of the ACP states to the EEC market.

The Treaty of Rome deals with the free movement of persons, services and capital. Article 48 stipulates the abolition of any discrimination based on nationality between the workers of the Member States regarding employment, remuneration and other conditions of work and employment. The Treaty also stipulates some limitations based on the ground of public policy, public security, public health and employment in public service. For instance, in cases of professional labour the governments remain with the right to validate or invalidate the qualifications. The freedom of labour applies mainly to the manual jobs. The problem of unemployment in the Member States has limited the movement of labour. The provisions on the free movement of labour has been discussed in the ACP-EEC relations. As we shall examine this matter in Chapter Two of this work the major concern of the ACP states is the treatment of nationals and students of these states in the Member States of the European Community.

Another area of the Treaty of Rome is Social Policy which aims at promoting improved working conditions and standards of living of the workers in the Member States. The provisions for harmonising of the social systems are important in the creation of uniformity of working conditions of the

Community as a whole. Social Policy provides for matters relating to employment, labour law and working conditions, basic and advanced vocational training, social security, prevention of occupational accidents and diseases and collective bargaining between employers and workers.(16) This common approach to social problems raises many questions including national security, national resources allocation which are difficult to tackle from the Community level. Since the ACP states are concerned with the treatment of their nationals, workers and students the questions on social policy is important.

In the field of financial and technical assistance the Treaty of Rome provides for the establishment of the European Investment Bank (EIB). This Bank is not only important to internal operations of the EEC but also a source of loans and guarantees which help to facilitate the development of projects and programmes in the ACP states. The EIB helps to supplement the financial assistance by the European Development Fund. The EDF was set up to help financially and technically the developing countries in the development of projects and programmes in agriculture, infrastructure, social services and industry.

The formation of the EEC in 1957 was not only an important development in the relations among the Western European states but also the developing countries the present ACP-EEC relations has its historical legal basis in the Treaty of Rome. This legal basis is stipulated in Part IV of the Treaty.

The Treaty of Rome and the development of the Community has had a substantial impact on ACP states in trade, financial and technical, price stabilisation schemes and institutional and diplomatic relations. All the discussion in this dissertation would be based on the establishment of the EEC and its development both internally and externally.

PART 2

BRITAIN AND THE EUROPEAN ECONOMIC COMMUNITY

PART 2 - BRITAIN AND THE EUROPEAN ECONOMIC COMMUNITY

This part of the Chapter examines the factors that influenced Britain's attitude towards the European Economic Community and her attempts to enter the Community between 1961 and 1972. It also examines the factors that guided her negotiations with the EEC and her eventual entry in the EEC in 1973. This examination is important in analysing the impact of British entry into the EEC on the relationship between the EEC and the developing countries; and that of Britain and the associable commonwealth countries within the framework of the framework of the European Economic Community. In general, we shall examine Britain's attitude to the association of the East African states with the EEC vis-a-vis her responsibility towards the Commonwealth. While Part 1 dealt with the factors that led to the formation of the EEC and its layout, this part examines the enlargement of the EEC and its external relations with the developing which are former colonies of the Member States.

Although Britain did not participate in the negotiations and the signing of the Treaty of Rome in 1957 she was a supporter of the idea of European co-operation. The year following the end of the Second World War, Winston Churchill basing on the shared culture, arts, philosophy and science felt that the creation of the Europe Family was feasible. He suggested that this United States of Europe could start in form of a Council of Europe. He was of the view that such a move would be supported by all the peace-loving nations of the world including the Commonwealth of Nations. Like many of his time, Churchill did not favour to enter a Federal European System.(17) Britain had her interests scattered beyond Europe especially in form of the Commonwealth and Empire. Britain was opposed to any form of co-operation which involved a surrender of sovereignty

> British government were prepared, indeed eager, to co-operate with any and all Governments in the pursuit of economic prosperity and political stability. But co-operation must be at governmental level. There could be no question of any British government surrendering its soveriegnty, and by implication that of the British Parliament, to a supranational organisation ..... integration of this sort would divide the members of the OEEC between themselves and two rival trading blocs, the one discriminatory and inward looking, the other the rump of the OEEC - expansionist and multilateral. Such a division of Europe would be bad economically and dangerous politically since inumerable tensions would result from the deliberate distortion of traditional trade patterns.(18)

Britain felt that the form of European co-operation would affect her role in international affairs especially in terms of economic survival

> ..... We must carry out a plan which relates to foreign, colonial, economic and Commonwealth affairs before we can contemplate a programme at home (Europe) ..... We will look at Europe and the Commonwealth as they appear in the second half of the twentieth century, and then consider what solution is offered Britain today.(19)

Britain wanted to maintain her prestige as a great power capable of defending herself as well as an important single unit in world trade.

Britain were self-sufficient in coal and some agriculture. Her position in the Commonwealth gave her control of the national resources and markets. On the point of agriculture Britain was of the view that unlike industrial production agriculture cannot be exposed to competition. But trade in agricultural products can be negotiated. Another matter was the British possession in the Commonwealth. The Commonwealth is an important market, area of investment to Britain and any negotiations with Europe should take this into account. The Commonwealth members were also members of the Sterling system. Britain saw the situation in terms of choice between Europe and the Commonwealth. However, France saw her French Community in the general framework of the EEC.

By the time negotiations for the formation of EEC commenced Britain had refused the Schuman Plan. Britain could not entertain any suggestion of executive control being exercised by an independent, supranational High Authority.[20] Britain was not interested in the idea of coal and steel Community since she was self-sufficient in coal and got iron from Commonwealth. The absence of Britain did not inhibit the Six to go ahead. Britain decided to pull out of the Spaak Committee in 1955. They pulled out because the Six wanted a customs union while Britain wanted a free trade area arrangement for industrial goods. Under the arrangement would remain autonomous in respect of tariffs on good emanating from outside the free trade area.[21] The Six France, Germany, Italy, The Netherlands, Belgium and Luxembourg went ahead with the negotiations and in 1957 signed the treaty establishing the European Economic Community in Rome.[22]

The Community started implementing the treaty provisions on 1 January 1958. Trade between Britain and the EEC which was about 14% had risen to 20% for both exports and imports in 1970. The growing importance of the EEC in the world trade sent alarming bells to Britain. Britain started examining in precise terms where and how her entry into the Community would affect her agriculture, balance of payments. The growth of the EEC was seen a threat to the British position as a leading commercial and financial power of Europe. The various schools of thought developed in Britain. For instance the British-in-Europe movement and the 'sign-at-any-price' schools saw British entry in the Community as inevitable for her survival as a commercial and financial power.(23)

At accession Britain would have to accept the principle of law making by Community institutions and so far as future regulations and directives were concerned these would become applicable in Britain without discussion in Parliament as they do in the Six. Britain would, of course, be contributing directly to this law making as she would be represented on the Council, the Commisssion, the European Parliament and at the Court of Justice. British legal system would continue untouched; criminal law, police methods, and judicial procedure would not be affected. The existence of the Court of Justice would allow British citizens a freedom at the moment denied them. Although enjoyed by Americans and by most continental Europeans - the right of appeal against an act of Parliament to a constitutional court.[24] They also argued that British accession to the Treaty could bring the much more viable English-speaking states into closer relationship with the AASM enabling Africa's problems to be seen in a better perspective.

In his speech to the House of Commons on 31 July 1961 Harold Macmillan stressed that "the future relations between the European Economic Community, the United Kingdom, the Commonwealth and the rest of Europe are clearly matters of capital importance in the life of our country and, indeed, of all the countries of the free world."[25] He argued that in both economic and political terms the treaty of Rome enhances closer unity within Europe and that such closer relations between Britain and the EEC would enhance British contribution to the Commonwealth. Economically British entry would increase the Expanding European market thus increasing the demand for products from other parts of the world in turn help expand world trade and also improve the prospects of the least developed areas of the world.[26]

By the beginning of 1960 the 'winds of change' were blowing over the colonies of Britain and France in Africa. Already many colonies in Asia had achieved political independence in the 1940's and 1950's. By the time Britain started negotiations in 1961 Ghana, Nigeria and soon Tanzania had become independent. In 1961 the EEC Council of Ministers accepted the formal British request for negotiations.

Britain at the same time made consultations with the Commonwealth, EFTA and the United States to reassure them of her commitments to her existing relations with them. Such commitments were important because there are some of the factors that caused "the failure of the United Kingdom's bid for membership so far (is) due, at least in part, to a fear of watering down that which has already been achieved."(27)

Negotiations were lengthy and show Britain demanded many concessions especially in agriculture and the problems of the Commonwealth associables. All the member states save France were in favour of British entry into the EEC. Britain would be important in expanding the market as well as an encouragement to other countries to enter the Community. France wanted to protect her strong position in the EEC especially in protecting her farmers' interests. France was worried about the influx of tropical goods from the Commonwealth countries into the Community. President de Gaulle believed that British membership would entail radical realignment of relations within the North Atlantic area. Britain would be a rival to France within the EEC framework. France vetoed British entry into the EEC in 1963.

By 1963 many Commonwealth countries had increased their trade with the EEC and some had already entered into trading agreements with the EEC. East African states were investigating prospects in an association with the EEC. In Britain the balance of payments were in constant deficit and the pound sterling under severe pressure. The British opinion on the EEC was divided - some felt that Britain could benefit from EEC while some felt that Britain could go it alone. Once again in 1967 the British government tabled a formal application. This time Britain was of the view that the Commonwealth countries would be in favour of Entry. British negotiations however involved the assurance of the sugar market from the developing Commonwealth and New Zealand exports of lamb and dairy produce. Negotiations did not take long because de Gaulle exercised his veto. He vetoed British application on several grounds; the British economy was in an unstable situation, especially the position of the pound sterling. He was not ready to allow imports of food from Commonwealth temperate agricultural producers especially for the Commonwealth sugar.[28] After this second French veto Britain was likely to apply for the third time only when de Gaulle was out of office.

The third attempt by Britain came in 1970 when M Pompidou was the French President. The negotiations were smooth as major differences had been resolved. For example the Commonwealth issue had weakened. Nigeria and the East African states had already signed association agreements with the EEC. Negotiations concentrated on acceptance of the Treaty of Rome, the AASM (Association of African states and Malagasy) and the special arrangements with the developing Commonwealth. The Treaty of Accession was signed on 22 January 1972 and Britain entered into the Community on 1 January 1973.

The Commonwealth arrangements including Commonwealth Sugar Agreement (CSA), 15-year Meat Agreement and bulk-purchase agreements, were to be continued during the transitional period of five years. Also arrangements between the EEC and the developing countries including the Yaounde and Arusha conventions were to continue up to the end of the transitional period. The Accession Treaty provided for the process of association to the EEC by the associable Commonwealth. The entry of Britain into the EEC was to drastically change the relations between the EEC and the developing countries. The Commonwealth associables (who comprises the Commonwealth Africa, Carribbean, Indian Ocean and Pacific states) were joined by the Yaounde states in 1973 in negotiations with the EEC. The result of the negotiations was the present Lome regime. Lome regime symbolises the negotiated arrangements between the European Economic Community and the African, Carribbean and Pacific states (ACP). This study attempts to examine the processes of negotiations and the dynamics of such relations with specific examination of the East African states - Uganda, Kenya and Tanzania. The entry of Britain does not only initiate internal changes in the EEC but also in new development of relations with the ACP states, many of which are members of the Commonwealth. Chapters Two and Three attempt to examine the developments of relations between the ACP and EEC from 1957 to 1984.

CHAPTER TWO

THE EUROPEAN ECONOMIC COMMUNITY

AND

THE AFRICAN, CARRIBBEAN AND PACIFIC STATES (ACP)

PART 1 - PART IV OF THE TREATY OF ROME: THE COLONIAL CONNECTION

PART 2 - THE YAOUNDE REGIME 1963-1975

PART 3 - THE LOME REGIME 1975-1984

PART 1

PART IV OF THE TREATY OF ROME: THE COLONIAL CONNECTION

PART 1 - PART IV OF THE TREATY OF ROME: THE COLONIAL CONNECTION

Part IV of the Treaty of Rome of 1957 provided for the association of the colonies of the member states of the EEC. This part of the study is an attempt to explain the factors in both member states and their colonies which emphasised the need for the association arrangements in 1957. In the colonies the winds of change were blowing during this period. After the Second World War political and social movements as well as resistance organisations started in the colonies. The colonial peoples were also affected by this war in many forms. Some colonial peoples were involved in the war as gunbearers, labourers and fighters side by side with their colonial masters. The Second World War was fought in order to restore freedom, liberty, equality and self determination in Europe. The colonial ex-servicemen as well as students returning after the war demanded similar rights in their territories from the colonial masters.

Political associations and resistance movements were formed as a basis for organising and mobilising the colonial peoples. They provided social programmes which attempted to identify the social and economic problems that were prevalent in the colonial situation. Land was the major issue that organisations used to appeal for the support from the masses of the colonial areas. These associations demanded increased representation of their peoples in the decision making processes in the territories. As they gained increased support from their peoples they demanded self-determination, self government and political independence. While political independence of these territories was inevitable, the colonial powers were still prepared to maintain the existing relationship by economic means. The nature representation on the legislative councils increased which resulted into a category of independence rulers with sympathy to the interests of their colonial masters.

In 1945 the Charter of the United Nations was signed establishing the United Nations Organisation with its specialised agencies. Based on the principle of sovereign equality the organisation aims at maintaining international peace and security among all nations of the world. The organisation noted that colonial territories were a source of world tension and therefore the charter provides for the administration of these territories. The non-self governing territories and trust territories which were under the League Mandate System were to be under the UN Trusteeship System. These territories were to be administered by the victorious Western allied and associated powers under the overall supervision of the UN. In East Africa, Tanganyika (now Tanzania) became a trust territory under the administration of Britain. Article 73 of the UN Charter provides that member states recognise certain obligations toward these territories

> To ensure just treatment and protection against abuses to develop self-government and take into account of the aspiration of the peoples and assist them in the progress

> in development of their free political institutions, to submit regularly to the Secretary General for information purposes ...., statistical and other information of a technical nature relating to economic, social and educational conditions.(1)

The United Nations became an important channel for the development of the colonial peoples' participation in their countries. The organisation also acted as a forum for the political associations to voice their aspirations for self determimation and political independence.

Another development in the relations between the colonisers and the colonial political associations was the granting of political independence to India in 1947 by Britain. The victory of Indian nationalism became a banner for most of the African nationalists which rallied nationalist movements in the colonial areas. The movements became more organised with great hopes of success. Most of the nationalist movements adopted the Indian philosophy of non-violence in their struggles for self determination and independence.

However in colonies where white settlers were entrenched the resistance movements became involved into violent clashes and protracted wars of liberation with their colonial masters. For instance in 1950's the British colonial administration in Kenya clashed with the MAU MAU resistance movements while the French administration in Algeria was involved in a bloody war with the FNL. Such events inevitably led to the colonial countries to re-examine their relations with the colonial peoples. In order to encourage local participation in the decision making processes the number of natives in the legislatures were increased. The colonial administration in colonies introduced policies that aimed at assisting the expansion of production and agricultural reforms were encouraged. This was emphasised by the after war speech of the British Prime Minister on the 'wind of change' Harold Macmillan stressed that

> the future of the world is in large organisations and not in breaking up in large number of small countries. It is in light of these events that we should think of our future relationship with the colonies as a permanent not a transitory thing .....(2)

Here Harold MacMillan was stressing the importance of forging new economic relations with the territories which were on the inevitable road to political independence. With the increased internal pressures and external factors it became inevitable that new relations had to be developed so that at the time of political independence these new states would continue such relations with their former colonial masters.

For the French the mounting pressures from the colonies meant that she could not ride against the winds of change. Internally the French governments were faced with increased pressure from the organisations, extreme Leftist parties in power gave their colonies freedoms of association, expression and provisions for their elections to the Territorial Assemblies by 1945.[3] By 1950's there was the awakening of national consciousness in the French colonies. As it were the areas where such pressures exploded into violence were those which were economically more developed like the urban centres which were more on the coastal belts. The disparity in development in territories led to peoples moving to urban areas in such for jobs and good services. This led to the weakening of the traditional cultural elites who soon became displaced by the urban modern educated elites.[4]

In French Algeria troubles broke out in May 1945 during what is known as the Setif demonstration. In 1947-48 troubles were witnessed in Madagascar. After these bloody incidents it became clear that the French government had to do something to stop such occurrances. Such political distempers led to the FNL in Algeria to wage a bloody war on the French administration. Also the decision of Guinea to leave the French Community in favour of political independence in 1958 was a big blow to the French colonial policy in Africa. The French had to reconsider their relations with these colonies. It was important to maintain some relations with the colonies which were to become independent. The colonies are an important source of raw materials and markets for the Western manufactured goods as well as areas for investments. During the colonial situation the colonial powers had the monopoly of entrepreneurship in these colonies but such could not be guaranteed after independence.

In order to achieve the objectives which would lead to new forms of relationship the colonial powers had to change their attitudes and approaches toward their colonies. For instance 'local population had no opportunity to learn to establish and run factories, banks, shipping companies or even acquire mechanical and technical skills.[5] It was amidst such mounting pressures from the political associations, political parties, political movements and resistance movements as well as pressures from international organisations and internal pressure, in the metropolitan states, that the European Economic Community was formed in 1957.

The European Economic community was formed among six member states. France, Belgium, Italy and the Netherlands had colonies. To this effect these states that owned colonies wanted some arrangements within the Community which would accommodate their interests in the colonies. These colonies were administered by the metropolitan states and their economies were tied to the 'mother' economies. Such symbiosis between motherland and colonies entailed a number of highly artificial instruments of economic management which had to be taken 'into account'. These colonies depended on their colonial masters for their export markets of crops and minerals.

Part IV of the Treaty of Rome was an important achievement of the Member states that had colonies especially France. Because as early as 1950 the French Foreign Minister Rene Mayer had proposed to Robert Schuman to cater for the colonies in the community arrangements.

> Europe will be able with increased resources, to pursue the realisation of one of her essential tasks, the development of the African Continent.(7)

During the Venice meeting of foreign ministers in 1956 France made association of the colonies a condition to the scheme of a common market. The association of colonies then first appeared on the agenda that negotiates the formation of the Community. By the 1950's Western countries which had no colonies were trading and investing in these colonies. It was therefore not only in the interest of France but also other member states that financial responsibility in the colonies should fall squarely to the Community.

The Preamble of the Treaty of Rome confirms the need for solidarity between Europe and the overseas territories. It also emphasises the desire to ensure the development of their prosperity in accordance to the Principles of the United Nations Charter. In terms of colonial emancipation the Charter provides for achievement of international co-operation in solving international problems of economic, social and cultural nature. Chapter XI and XII deal with non self governing territories and international trusteeship system respectively. The Charter of the United Nations encourages the formation of regional organisations which can solve regional problems.

Member states of the EEC envisaged that such association arrangements would further the interests and prosperity of the inhabitants of these colonies. It was believed that closer contacts between the dependencies and the EEC could encourage advancement in economic, social, political and humanitarian spheres of the areas in question. Part IV of the Treaty of Rome provided for association of the colonies of member states in trade and aid. Such arrangements between the EEC and African colonies operated from 1958 to 1963 before other forms of arrangements were negotiated.

*   *   *   *

In the field of trade the Treaty of Rome provides for mechanisms in which trade between the EEC and the associated states could be carried out.

> Member states shall apply to their trade with the countries and territories the same treatment as they accord each other pursuant of this Treaty; each country or territory shall apply to its trade with member states and with other countries and territories the same treatment as that which it applies to the European state with which it has special relations; member states shall contribute to the investments required for the progressive development of these countries and territories; ..... customs duties on imports in the member states of goods originating in the countries and territories shall be completely abolished in conformity with the progressive abolition of customs duties between member states in accordance with the provisions of this Treaty.(8)

Trade barriers were to be reduced on the basis of reciprocity. According to the principle of reciprocity which is the basis of trade relations under Part IV, goods from the EEC would enter the colonies which are in the association arrangements duty free; and vice-versa. However, the associates could impose some restrictions or levy in the interest of their economic development, industrialisation and revenue. There also existed restrictions on the products entering from the associated states. The products which were sensitive and could increase competition with those of the EEC producers were restricted. The European Economic Community established the Common Agricultural Policy (CAP) which catered for the interests of agriculture of the Community as well as the EEC farmers.

Such restrictions under the association would still leave the colonies with a more favourable treatment than other countries. The problems resulting from the principle of reciprocity made the provisions very controversial. The principle of reciprocity which was 'natural' under Part IV of Rome Treaty was a major matter of disagreement in the negotiations and even the implementation of the Arusha conventions of 1968 and 1969.(9) This principle could not help improve the trading position of the associated state. But since the trade between the colonies and the EEC were reflected in the colonial control, it was difficult to feel the impact of such a principle. Even the safeguard clause which offered the EEC the legal right to stop goods coming into her market if such goods posed a threat to her own was not applied. It is even true that that associated states could levy customs duties for the protection of their development and revenue this was not done. This is because in the first instance these were still colonies of member states of the EEC. Also after their political independence their economies were tied to the EEC member states so such action would result into reactions from the EEC which may jeopardise their economy. The associated states did not therefore introduce such restrictions but the EEC could restrict entry of the goods which would be duty free on grounds of health and other standards.

*   *   *   *

In the field of aid the European Community established the European Development Fund (EDF). EDF was established with the aims of helping reduce the differential treatment between the Metropolitan powers and the other members of EEC; to help strengthen the economies of the associates as a supplementary assistance to that given the metropolitan and the individual EEC member states. The EDF financed development projects and programmes in infrastructure, agriculture and social overheads. The French also financed joint projects and programmes in these states. In 1958 when this part of the treaty, and the treaty itself became operational the fund had a sum of $581.25 million. This amount was to cover five years with each member state contributing portions shown in Table 1.

TABLE 1

Country	Amount ($ million)
France	200
W Germany	200
The Netherlands	70
Italy	70
Italy	40
Luxembourg	1.25
Total	581.25

Source: Richard Bailey, The European Connection

The contribution did not reflect those countries that had or had no colonies but the strength of nations' economies. Out of the $581.25 million, the French territories received around $511.25 million. This shows that the establishment of Part IV and consequently the EDF were important in reducing the colonial financial burden on France. Although the EDF aimed at improving the economic development of the associated territories, there were many technical and administrative problems that make disbursement slow and complicated.

The EDF has its own Secretariat called the DGVIII headed by a Director. However, it is administered as an internal department of the European Commission. The EDF has no legal independent existence which the European Investment Bank (EIB) possesses. The business of EDF can only be operated by means of a qualified majority voting system of the Council. The qualified majority was 67 out of 100, the distribution of votes being as below in Table 2.

Table 2

France	33
Germany	33
The Netherlands	11
Italy	11
Belgium	11
Luxembourg	1

Source: Richard Bailey, The European Connection, p 165

The Commission had the responsibility of drawing up annual general programmes for the distribution of the available funds to social and economic investment projects. The amounts to be provided to each territory and the type of projects were always reached after lengthy negotiations. These type of negotiations took into account the population, actual and potential level of economic development, availability of alternative sources of finance and even the ability of the territory in question to observe the rules of capital investment. They also include recommendations on whether a particular colony's economy can absorb the capital investments allocated to her.

Articles 4 and 5 of the Implementing Convention provides that the Council should determine the amounts to be spent each financial year by a qualified majority; and to make distribution on a rational geographical basis; with funds not allocated during any one year to be carried forward to the subsequent years. The Commission was obliged to ensure that such amounts are utilised in accordance with the purposes decided upon and expended to the best economic advantage. The EDF is an important agency in influencing the direction of the EEC development policy towards developing countries. However, as we have seen the Fund suffers from a highly bureaucratised system, as control and disbursing of funds were subject to all forms of scrutinies. But the EDF provided a financial link between the French colonies and the EEC.

*   *   *   *

A major change in the development of the association relations between the EEC and the associated states was to come in the early 1960's. At this all the African associated states achieved political independence. Part IV of the Treaty of Rome was an arrangement negotiated by the member states on behalf of the colonies in question. The achievement of political independence meant that the former colonies could choose to negotiate for some form of arrangements; and at least negotiate on the basis of legal equality.

At independence the African states inherited underdeveloped economies, and these were characterised by the common attributes as

i) Low life expectancy at birth, high infant mortality rates, poor health, and illiteracy;

ii) low per capita output and poverty;

iii) high level of subsistence production;

iv) non diversified economy and great emphasis on primary production.

v) little or no manufacturing industry;

vi) inadequate scientific and technological know how applying to agriculture and industry.(10)

Faced with such problems of improving their economic, social and political spheres, methods and strategies were to be devised in tackling them. There was need to have a new look at the concepts like nation building and economic development. There was need for major structural and functional changes in their new societies which eventually lead to development of new attitudes, structures and functions.

Inevitably, having been exposed to the Western ideas and systems their views on standards, development, education were measured on western metre-stick. These countries, especially those formerly under the French wanted to continue association. The colonial situation had bred the African politician who admired to remain connected to the former colonial masters. Internationally, these new states were in a weak position both in economic and political terms. They had weak economies which could not compete favourably with the industrialised countries in trade and investments. The abolition of tariffs on their exports and imports, and the removal of quantitative restrictions on their imports, as well as the provisions of financial assistance under the EDF would help alleviate some of their problems.

The economies of the former French colonies were still strongly tied to the French economy.(11) All the franco-phone African states remained at independence in the French Community. Burundi, Cameroon, Central African Republic, Chad, Congo, Zaire, Benin, Gabon, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somali, Togo and Burkina (Upper Volta) most of them members of the French community agreed that they should negotiate with the

EEC. It is interesting to note that Guinea which voted 'No' to being in French Community and asked for independence was punished by France. In 1957 the French government withdrew all financial, technical, manpower assistance from Guinea. Guinea got independence at the verge of total economic and political collapse. Guinea was used by France as an example of her reaction to the rebellious new states. Since France favoured association these former colonies had no better alternative.

By 1963 most of the countries had already accredited representatives to the EEC to cater for the association arrangements. On the part of the EEC the continuation of such arrangement based on Part IV was seen as a model for its external relations with the developing countries. Soon the EEC was to sign association agreements with many developing countries including the Mashreq, Maghreb, Turkey, Israel, Cyprus. For the former colonisers, association was important in maintaining closer relations with their former colonies. Inevitably many African states of the Commonwealth were sceptical about the ideas and intentions of association. As we shall examine reasons for such scepticism in following part of this chapter and in chapter three, it is important to note that association under Part IV was the basis for the present arrangements between the EEC and Lome States (the African, Carribbean and the Pacific states. The immediate consequence of the Part IV association was that after independence the associated states started negotiations with the EEC. These negotiations resulted into the Yaounde regime. We shall examine the Yaounde regime in the following part of this chapter.

PART 2

THE YAOUNDE REGIME 1963-1975

PART 2: THE YAOUNDE REGIME 1963-1975

Negotiations leading to the Yaounde conventions were conducted between the Commission and the 18 (later 19) independent African states. The African states were former colonies of France, Belgium and Italy. Independence for the African countries did not mean being free from problems as was misunderstood by the "illiterate masses", for the politicians were confronted with the problems of meeting their peoples' high hopes of improving the standards of living. They were confronted with the problems of nation-building. Some of the domestic problems were directly related to the relationships among several groups of peoples with different cultural traditions and values lumped together under one new state. In these countries, there were many tribes and during the colonial period the foreign rule was seen as rather 'impartial' in judging various tribal groups. The emergence of African political elites as leaders aroused these tribal biases and as such there was need to get a formula to heal these differences. The African politicians inherited the political and economic structures and functions which were alien superimposed on the societies with different cultural outlooks and values. Their cash economies were dependent on one or two commodities. For instance, Uganda depended on coffee and cotton; Tanzania on coffee and sisal; and Kenya on tea and coffee.

This form of dependence makes these countries vulnerable to factors like price fluctuations and climatic conditions. The newly independent states were one sided, linked to specifically their former colonial powers. This is explained in the association relations endorsed by Part IV of the Treaty of Rome where the concept "special relations" was emphasised.

The strategies in handling these problems involved the need to continue co-operation with the EEC through association. The association arrangements would help the African states in increasing their production, management, international recognition and participation. This is because association would cater for a new search for stable and secure markets for their primary products, need for expert knowledge and finance. The 14 Francophone AAMS were members of the Francophone zone and their currencies were aligned to Communaute Francaise Africaine (CFA) Franc.

The French government was largely involved in determining national monetary policies to the extent of even fixing the exchange parity of the CFA with the Franc and guaranteeing the external payments of the Franc zone members. It follows that the economies of these countries were greatly influenced by what happened to the French economy than say the local conditions in the states concerned. Therefore negotiations for the Yaounde convention was not only a matter of urgency to the AAMS but one of a better alternative. The alternative of non-association meant that the AASM could face similar French reactions as in the case of Guinea. When Guinea voted for non-co-operation in the French Community the French withdrew all forms of assistance. Guinea at independence was at the verge of total collapse. The AASM states had to learn from Guinea not to 'rebel'. These countries were generally too poor to raise enough capital domestically in order to embark on wealth-creating activities and to develop infrastructure, economic and social services. They needed technical, financial and manpower assistance in all fields in order to implement their development plans.

The EEC negotiated with the 18 AASM as a way of continuing ties with these countries with colonial relations with the EEC member states. The economies of these countries were arranged to meet the wishes and requirements of the mother countries - that is suppliers of raw materials and tropical foodstuffs, markets of the industrialised nations.(12) The Yaounde Convention of 1963 was a basis for extension of relations with other developing countries. The Convention was an extension of the established relations under the Treaty of Rome, Part IV.

The first Yaounde convention was signed between the EEC and the 18 AASM on 20 July 1963. It was renegotiated in 1968 coming into effect in 1971. The Yaounde regime established a framework for development co-operation by means of technical, financial, industrial, commercial and institutional arrangements. These conventions recognised the importance of mutual colonial heritage and the sovereign equality of the African signatory states regardless of their economic dependence on their former colonial masters. That is the Yaounde regime constitutes a form of regional co-operation based on both the traditional links and a higher degree of interdependence in trade as partners.

The negotiations leading to the Yaounde brought for the first time those states to realise their similar political, economic and social problems and the means for tackling them. Yaounde was to become a springboard for jointly solving problems of a similar nature. The Treaty of Rome recognised the existence of the colonial legacies and enshrined obligations on the part of the EEC to carry that out. The Yaounde regime attempted to translate such into relations of co-operation based on soveriegn equality and legal parity. Article 131 of the Treaty of Rome states that association is proposed to promote the economic and social development of the countries and territories and to establish close economic relations between them and the community as a whole". To achieve this the Yaounde arrangement provided for structures and functions between the EEC and the AASM.

A development in the Eurafrican relations was the establishment of the joint institutions under the Yaounde. This was to fulfill the demands for recognition of sovereign equality and legal parity of the new states with the EEC. The institutional arrangements was aimed at serving as a platform for dialogue between the EEC and the AASM in the process of implementing the conventions. The Association Council consisted of six representatives of the EEC Council, the Commisssion and one representative from each Associated state. The Associated Council was the institution empowered to inform and make recommendations to the working of the conventions. The Association Committee was composed of ambassadors assigned with the task of assisting the Association Council. This Committee dealt with the day-to-day activities of the Association because ambassadors were stationed in Brussels. By their formal and informal meetings they ensured the continuity in operations in a variety of areas.

The Parliamentary Conference composed of members of the national parliaments of the Associated states and members of the European Assembly in equal numbers. The Parliamentary Conference was a deliberative institution. More specifically it served as a meeting ground for parliamentarians of the AASM and those from the European Parliament. Also the Arbitration Court of Association was established to deal with the task of interpreting the conventions and resolving disputes involving the implementation of the conventions and other related activities. The parties to the Yaounde conventions were supposed to be bound by the court decisions. These institutions established under the Yaounde became the basis for the future Lome institutional arrangements.

* * * *

In terms of trade relations similar conditions existed under the Yaounde as under Part IV association arrangements. Goods from the Yaounde states were to enter the EEC market duty-free. The same applied to those from the EEC to the Yaounde states. The principle of reciprocity and the rules of originating country were maintain as under the Part IV association. Certain exceptions were allowed in the process of elimination of customs duties. There was a possibility for the AASM to introduce or maintain quantitative restrictions or customs duties in order to protect their national economies from pressure of imports from the Community.

In order to protect the interests of the EEC farmers, the CAP subjected some temperate agricultural products from AASM to certain restrictions. In this case there was no duty free entry of AASM products but still these products enjoyed a more favourable treatment than other countries. for instance, when the associated state needed to promote exports of raw and processed agricultural products similar to and likely to be competitive with community products, permission was sought and probably given by a decision of the Community. Although the Yaounde arrangements offers the AASM an opportunity to be consulted by the community, it is rare that such consultations could have been possible on "sensitive products".

Under the association arrangements the following products from AASM and later Arusha[13] were affected by the preferential arrangements resulting from the Common Agricultural Policy (CAP): vegetable oils, beef and veal, cereals, certain fruits and vegetables, tobacco, manioc and fishery. The second convention of association under the Yaounde regime only improved on the level of trade liberalisation and product coverage.

The Yaounde regime also covered technical and financial assistance as a means of supporting and encouraging economic development of the AASM. EEC assistance placed emphasis on infrastructural projects on roads, ports and telecommunications; development of production in agriculture and industry. Aid to the AASM was channelled through EDF as grants, supplemented by loans from EIB.[14] In addition to the community aid the associated states received bilateral aid from member states accounting for at least 60% of all aid from the Six under the financial and technical assistance.

Selection of projects for assistance, amount of assistance and disbursements on projects was strictly under the control of the community. The control and management of funds did not change under the Yaounde regime. Some administration of assistance was a responsibility of both the EEC and the recipient Associate state. But overall the Commission still retained the responsibility of initiating and administering projects. This ensured that "the principle of the unity of the community's political aid is fully preserved."[15] Technical assistance included provisions of experts, technicians and instructors; the undertaking of development surveys and studies and development of vocational training. Community aid both in grants and loans rose from 730 million ECUS in the Yaounde I to 918 million ECUS during the second Yaounde convention. (see table 3 below).

In millions of European unit of account (ECUS)		
	Yaounde I	Yaounde II
EDF Grants	620	748
Special loans	46	80
Total	666	828
EIB loans	64	90
Total for 5 years	730	918

Source: European Documentation, Periodical 1975/1, p5

This assistance was devoted to small projects in clearly defined geographical areas because of the limited scale of the EEC assistance programme. The community aid was mostly offered for short term projects. Long term projects would be greatly affected by the duration of the conventions. The duration of the convention was five years and negotiations for any new convention took place 18 months before the date of expiry. Although the recipient states were supposed to nominate the projects to be financed in their countries, they did it within the scope provided by the EEC. These packages of projects limited the choice, of the recipient states. For instance, most AAMS wanted to industrialise but little assistance was offered for industrialisation (see table below). The community had a view of assisting projects which are profit-oriented. "The loans (risk or special) can only be used in development schemes which are guaranteed to produce profit."(16) The table below (4) shows that more assistance went into infrastructure and agriculture. When the East African states were negotiating the Arusha conventions saw such assistance as a means of maintaining the colonial structures of the economies. Because the assistance continued to make these countries producers of raw materials and buyers of manufactured products from the EEC. The East African states failed to agree with the EEC on terms of financial and technical assistance of the Yaounde-type.

TABLE 4

	First Development Fund	Second Development Fund & Investment Bank
Transport and Communications	Nearly 50%	Under 30%
Agricultural production	Under 20%	Over 40%
Industrialisation	About 1%	Nearly 10%

Source: EEC, Commission, Information Memo.

On the right of establishment, the Yaounde conventions, just as in the Implementing Convention of 1957, provide that nationals and companies from the EEC were to have the same footing in the Associated states as that of the former colonial powers. The principle of reciprocity was supposed to apply to the nationals and companies of Associated state in question.(17) In practical terms, the nationals and companies of the former colonial powers had more privileges. For instance, the French had had nationals and companies in these Francophone AASM for a long time as well as control of the economic and political activities by the French governments, they were at an advantage over other EEC member states. While the AASM had no companies to compete with or to be given the same treatment in the EEC, it was only the question of nationals which has even become a cornerstone for negotiations and agreements under the Lome conventions. The treatment of nationals from the Associated states has been since then high on the agenda of ACP-EEC relations.

The right of establishment also dealt with investments and the movements of capital involving payments of goods and services and the tansfer of the earnings. The AASM pledged themselves not to introduce any new exchange restrictions which might affect the EEC investments. Already laws concerning investments had been modified in Tanzania and Uganda and therefore such a pledge could not be easily acceptable in the negotiations towards the Arusha conventions.(18)

* * * *

The Yaounde regime provided for reverse preferences to the Community by the AASM covering trade, freedom of establishment, freedom of supply services and free movement of capital and payments. The result of such trade arrangements meant that not all the AASM exports were in fact not eligible for preferential treatment on the Community market. Only one-third of AASM exports were eligible for preferential treatment and the remaining two-thirds being products which no duties were levied. The CET Stipulated a zero duty for the following primary products: calcium, phosphates, gum arabic, ores, crude oil, rubber, raw hides and skins, wood.

Exports from the EEC rose from $896 million in 1958 to $1638 million in 1971, indicating a 6.2% a year in the trend of growth in trade. Although according to this percentage trade did not greatly increase, there was a visible geographical diversity in the trade relations. The member states who had no colonies like Germany and Netherlands increased their imports from AASM at a higher rate than the former colonial powers. Tables 5 and 6 show the annual growth rate of the EEC imports from AAMS from 1958 to 1971; and the trade of EEC imports from AASM for 1958 and 1971 respectively.

TABLE 5

Annual Growth Rate of the EEC Imports from AASM from 1958-1971

EEC Countries	%
Italy	12.6
Germany	11.2
The Netherlands	10.7
Belgium-Luxembourg Economic Union	6.8
France	3.1

Source: Analysed from, Commission of EEC, Facts & Figures

TABLE 6

EEC Imports Trade from AASM 1958 and 1971

Member State	1958	1971
Belgium-Luxembourg	175	338
France	563	705
Germany	75	272
Italy	45	203
The Netherlands	38	120

Source: Facts and Figures in the EEC

The EEC exports to AAMS rose at the same from \$668 m in 1958 to \$1401 m in 1971 at an annual growth rate of 6.5% which was higher than EEC exports to all developing countries (5.7%). Geographically, member states which had no colonies increased exports to AAMS at a higher rate than those that had colonial connections (see tables 7 & 8 below).

TABLE 7

Annual Growth Rate of EC Exports to AASM from 1958 to 1971

EEC Countries	%
Italy	14.7
Germany	11.9
The Netherlands	11.2
France	5.1
Belgium-Luxembourg	4.6

Source: Analysed from Commission of EEC Facts and Figures

TABLE 8

Member States Exports to AASM 1958 and 1971

Member States	1958	1971
Italy	25	133
Germany	48	182
The Netherlands	30	187
France	437	941
Belgium-Luxembourg	128	158

Source: Facts and Figures in EEC

In general tables 5, 6, 7 and 8 indicate some increase in trade between the EEC and the AASM. EEC exports to AAMS increased slightly more than the EEC imports from the AAMS. Trade was in favour of the EEC than AASM.

The AAMS were faced with the problems of improving their trade stability and in a way increasing the rate of growth of their export earnings. These problems could not be solved by just trade liberalisation or by means and measures put forward by the EC to improve sales of AASM products on the Community market. The measures included the AASM drawing on the resources of the EDF to promote sales on the Community market through active export promotion in the free trade. But instability in trade is caused by instability in prices caused by fluctuating demand from the industrialised countries, changes in supply as a result of changes in production. Also caused by political instability and weather conditions resulting into heavy rains, high winds or no rain and more to that the inability on the part of producers to determine the prices of their commodities.

The Yaounde regime had only two provisions for controlling this situation and these were quite restricted in the scope and even operation. Article 20 of Yaounde Convention II stipulated that grants-in-aid may be made in exceptional cases notably where a drop in world market prices would otherwise result in "difficulties of a specialised and exceptional nature". The exceptional circumstances did not cover a situation of chronic instability of export earnings which was the major problem of the AASM. Article 21 of Yaounde Convention II provided that advances may be made to the Stabilisation Fund of the AASM through contracts. However these contracts gave rise to more economic difficulties as conditions for payments could not be devised in such a way as to overcome the structural problems in AASM states.

These two provisions were unable to provide a general and lasting solution to the problems of instability of export earnings of the AASM. These countries are among the least developed, whose economies are the least diversified. Since their economies depend on one or two export commodities they are always the victims of fluctuations in export earnings. Fluctuation in export earnings jeopardises investment planning, the equilibrium of public finance and the balance of payments and in turn aggravates the deteriorating terms of trade. These imbalances increase foreign debts and reduction in real income of the producers. This leads to political and social instability in the country affected so perpetuating the conditions of underdevelopment.

In order to improve the financial conditions for industrialisation the firms operating in AAMS were to receive a 15% price preference over other EEC competitors for certain categories of fund-financed projects. Also the EIB was to lend financial assistance directly to those African enterprises. Most of the fund aid was disbursed in grants with only few long term, low interest loans. The AASM could borrow from the EIB up to $90 million at market rates. The Fund also operated an interest rebate scheme for such loans with the aim of reducing the AASM debt burden. The Fund also tried to help the AASM in readjusting their economies to the world market by giving priority to production and diversification. The Fund devoted itself to basic capital projects in infrastructure and social services like roads, rails, water supplies, schools and medical centres.

> EDF acted as an important instrument in carrying out essential activities in the AASM in light of their fundamental needs for financial and technical aid. EDF increased its responsibilities in the areas of planning and carrying out aid schemes, aid programming, regional co-ordination, development of small and medium sized firms, carrying out mini-projects in rural areas and the preferences offered to the poorest countries in the allocation of financial and technical development aid.(20)

The EDF has been a major instrument in the AASM-EEC relations and still plays this role in ACP-EEC relations under the Lome regime.

* * * *

The Yaounde Conventions committed the EEC to waive most favoured nation rights in the interest of furthering African regional groupings. The AASM were free to participate in the global preferential arrangements negotiated under UNCTAD, GATT and other similar auspices. These states as per Yaounde arrangements could apply restrictions to AAMS-EEC trade arrangements in order to protect their infant industries. They were encouraged by the EEC to be more competitive on the world market. As we shall examine this in Chpater three of this work, the exponents of African unity criticised the Yaounde. The Yaounde was seen as a regional approach which favoured the Francophone African states through legalised institutional mechanisms. Such legal parity but not equality between the EEC and AASM only encourages division of Africa into Francophone and Anglophone which does not foster unity.

The OAU Charter calls for the abolition of all forms of colonialism, economic advancement of all the peoples of Africa and African unity. The African states, including the AASM were becoming more dissatisfied with the terms of trade. The prices of primary products had not increased at the same rate as that charged to them for manufactured goods and services from the industrialised countries. Aid through loans, grants and commercial credits given by the developed countries to the African states had not affected the widening gap between the rich North and poor South. This gap daily widens. Therefore such Yaounde type of association would not only stop the process of economic emancipation but may undermine the political independence of those states.

Association under the Yaounde type agreement makes these states aligned to the EEC. This is contrary to the OAU foreign policy line of non-alignment. Also since economic emancipation involves building a viable industry large scale production and improvement of agriculture and social services, structural and functional change in AASM, and Africa in general would be hindered by such alignment with the EEC.

The UN Economic Commission for Africa (ECA) argued that the EEC was likely to continue offering these advantages to the primary products of the associated states only when they continued to provide the same products all the time. Since the EEC through its CET and CAP aims at protection of all its industries the diversification of their economies and imposition of protective restrictions in favour of their infant local industries from the EEC competitive power, would lead to erosion of the Yaounde preferential treatment by the EEC. In this way the Yaounde states would continue to sacrifice their long-term advantages in industrial expansion by accepting short run advantages of EEC tariff concessions.

The EEC would remain the centre of industries while the associated states would remain peripheries producing raw materials for their industries. The continued colonial interdependence was affected by the increased internal production in the EEC. Some raw materials could now be produced within the EEC 'frontiers'. For example, artificial rubber, synthetic fabrics for textiles, petrochemicals, ersatz chocolate. This means that EEC imports in these sectors were reduced leaving the producers of raw materials in a weaker bargaining position. The ECA observed that unless certain precautions are taken "association with the EEC can easily tend to perpetuate economic dependency and thus turn out to be a long term disadvantage to the country concerned."[21]

Since the EEC aims at a union of Western European states and asserting itself as a third force alongside United States and the Soviet Union[22], the association of any sort with the EEC on the basis of Yaounde would weaken the process of Third World Solidarity at international forums. In a speech to the 1962 Commonwealth Prime Ministers conference, the Prime Minister of India J Nehru stressed that

> anything which widens the gap between the richer and the poorer countries is likely to lead to trouble because the poorer and developing countries will feel it is being done at their expense.(23)

The European presence in the Third World and above all in Black Africa under such association was seen as detrimental to the achievement of unity. Emphasising the 'importance of unity the President of Guinea, Seko Toure, stated at the Cairo conference of Casablanca states that

> Unity of African states was very essential in their plight of poverty and underdevelopment, and that there was need for a common economic wellbeing and as a guarantee for genuine political freedom.(24)

In the 1960's the French dominant position in the EEC especially the General de Gaulle's 'NO' to Britain's applications for membership made many African leaders suspicious of the French motives in the EEC. The French foreign policy was based on the idea of economic integration of her former colonies. The association under Part IV of the Treaty of Rome was initiated by France. This was a condition for the French participation in the processes toward the signing of the Treaty of Rome. Because of such reasons the members of the OAU especially the Anglophone states saw the association arrangements as mere extension of the colonial economic relations with France.

Under the Yaounde the Francophone states would remain economically and culturally dependent on the French.

Under the Yaounde the costs of France on her former colonies had been reduced due to the contributions of other member states. This was in a way a condition for access to the markets and sources of supplies of raw materials. But still the French bilateral technical assistance remained dominant, the access of other EEC suppliers did not rise equally rapidly. The contributions of the other members were even greater.[25] France and Belgium formerly with colonies in Africa had larger shares of EDF expenditures that their payments and attempts to reduce the imbalances resulted into slow procedures in allocating of technical assistance contracts among member states. The French were not only determined to dominate the economies of the Francophone AASM but also to use the EEC as a means of achieving such domination.

The Community is a group of free and democratic states of Western Europe committed to pursuing an ever greater degree of unity through common economic rules and policies. To adopt common external tariff in trade and economic relations meant that economics and politics were inseparable in this matter. Politically and economically

> the countries that make up Western Europe are too small today to operate successfully on their own They have to find a unified response to modern problems if they are to control their own destinies.(26)

The EEC was seen as an economic force to strengthen Western Alliance against the Warsaw Pact countries, and as such it was against the foreign policy line of non-alignment. This policy line is a symbol banding Third World Solidarity. Association was not only a threat to African unity and African solidarity but also a real threat to the survival of political and economic independence of the Associated states. For instance West Germany wanted to use association as a tool to prevent the recognition and dealings with East Germany.

During the Yaounde regime, the EEC and the East African states signed the Arusha conventions of 1968 and 1969[27]. The 1969 Arusha convention run parallel to the 1969 Yaounde. Both conventions expired in 1975. The Yaounde arrangements were important to the EEC as a basis for the development of external relations with the developing countries. Yaounde also acted as a basis for the negotiations that involved the African, Caribbean and the Pacific states. The Lome conventions signed after the enlargement of the EEC reflect all the features of the Yaounde regime. The Yaounde provided the AASM with an institutionalised mechanism of acquiring loans and grants. During regime trade between the EEC and AASM drastically increased (see table 9).

TABLE 9

EEC Trade with the 18 AAMS (in $ million) 1958 and 1971

	IMPORTS	EXPORTS
1958	914	712
1971	1638	1401

Source: Eurostate ACP - Year Book of Foreign Trade Statistics
Statistical Abstracts: 1958-72

In addition to the increase in trade these states enjoyed safeguards which put them at a more advantage than the rest of the developing countries. They received aid which helped them to tackle some of their development problems. The protocol attached to Yaounde II specified that AASM were free to engage in trade agreements with organisations. Although it is quite true that the Yaounde offered better conditions to the AASM in commercial and financial arrangements, these countries still remained the poorest of the world. The Yaounde failed to tackle the major obstacles to development. For example the provisions of financial schemes that caters for the effects of fluctuations in prices on the world markets. In a way the EEC just institutionalised the control of AASM through these commodity agreements. Since the Yaounde did not encourage the development of industries in AASM these countries continued to produce the same commodities which was detrimental to the process of diversification. The Yaounde conventions were not attractive to the rest of

African states. It was only Mauritius which acceded to the Convention in 1972. In the following part of this chapter and in Chapter Three, Part 3 we shall examine the factors that led to association arrangement between the EEC and African, Caribbean and Pacific states in general; and association between the EEC and East African states in particular.

PART 3

THE LOME REGIME 1975-84

PART 3: THE LOME REGIME 1975-1984

The Lome regime covers the three Lome conventions: Lome I (1975-80); Lome II (1979-85) and some perspectives on the new Lome III,(1984-90). This part of the thesis attempts to analyse the processes of negotiations leading to these conventions and the dynamics of ACP-EEC relations that developed during this period. Under Part 1 and 2 of this chapter we attempted to explain the factors behind the development of relations between the colonies of member states and the EEC. We have also examined the factors that favoured negotiations between the Independent AASM states and the EEC.

Although the Lome regime is a new arrangement of partnership between the ACP and the EEC, it is based on nearly similar characteristics as the Yaounde conventions. It is an arrangement between the rich and the very poor nations of the world based on the historical relations with the developed countries. The British negotiations for entry were based on the position of Commonwealth countries in the EEC, and the United States relations with UK. The developing Commonwealth depended on the developed Commonwealth especially Britain for trade, financial and other aid. The Commonwealth was the largest organisation related to the colonial situation which offered platform for developing countries to voice their views on major world issues like Namibia, S Africa and NIEO. The entry of Britain in the EEC had to take into account the existing arrangements under the Commonwealth. During the negotiations it was agreed that the relations between the EEC and the developing countries were not to be affected by the accession of Britain. This equally applied to all arrangements under the Commonwealth. The Yaounde and Arusha conventions continued side by side the British trading and other arrangements with the developing commonwealth.

Another factor already discussed in Chapter One, Part 2 is the division of the Commonwealth developing countries. Under Protocol 22 of the Treaty of Accession there were to be the associables and non associables to the EEC. The non associables were the Asiatic Commonwealth and Hong Kong. The associables were the African, Caribbean and Indian and Southern Pacific Islands. These were states with the 'level of economic development comparable to the Yaounde states'. This classification suited the EEC aim of grouping countries with similar cultural and economic levels geographical and historical backgrounds. The result was that the Yaounde, the associable Commonwealth and other poor African countries negotiate with the EEC as a group instead of individual states.[28] One would therefore argue that the entry of Britain led to countries with diverse geographical locations, cultures to come together and negotiate an arrangement with the EEC.

To the EEC this was a major achievement, since a framework for external relations with the poorest countries was established. Bringing together peoples with diverse geographical historical and cultural backgrounds helps to create mutual trust which is the basis of intra co-operation. The EEC organises financial and technical assistance as well as the related projects on regional levels. The Administration and management of such assistance utilises the joint efforts in the interests of many countries. The negotiations leading to the Lome convention began in 1973 between the Commission and the Yaounde states, the Commonwealth associables (including the Arusha states) and Liberia, Sudan, Ethiopia and Guinea.

These negotiations were in the wider conception of the EEC co-operation with the developing countries in terms of geographical, political, cultural and economic dimensions. The negotiations were based on the existing performance of the Yaounde arrangements. The Commission took specific interest in the implications of the commonwealth associables after the British entry into the EEC. The Commission realised the complicated nature of negotiating the Lagos and Arusha type of conventions. This would have meant that the results would be several such arrangements being made between EEC and the African, Caribbean and Pacific states. The Commonwealth associables were not familiar with the arrangements and mechanisms involved in such associations save the Arusha states. Although the Yaounde arrangements were criticised as a 'Paris-type' arrangement for the French-speaking Africa, the Yaounde arrangement would be unacceptable as it would be inconsistent with the OAU principle of African unity.

In preparation for the negotiations with the EEC, the African trade ministers meeting in Abidjan (Ivory Coast) in May 1973 discussed methods and strategies of tackling the incoming negotiations. On the same matter the OAU Summit meeting in Addis Ababa agreed on eight principles that would guide them in the negotiations. The following were the package of principles agreed upon:-

i) the principle of non-reciprocity in trade and tariff concessions given by the EEC;

ii) the extension of non-discriminatory basis, towards third countries, of the provisions on the right of establishment.

iii) the revision of the rules of origin must be formulated so as to facilitate the industrial integration of African countries especially granting status of original products to all food produced in one or several of the African countries or which have been processed with mutually accepted criteria, whether they are members of the African grouping or even those that do not enjoy preferential relations with EEC.

iv) a revision of the provisions for the movement of payments and capital as to take into account of the objective of monetary independence in African states, and need for monetary co-operation among African states;

v) the dissatisfaction of EEC financial and technical aid from any particular form of relationship with the EEC.

vi) free and assured access to EEC markets for all African products, even processed and semi-processed agricultural products whether these are subject to the Common Agricultural Policy of the EEC or not.

vii) the guaranteeing to African countries of stable, equitable, and renumerative prices in the EEC markets for their main products in order to allow them increase their export earnings.

viii) that any agreement with the EEC should not affect adversely intra-African co-operation.(29)

Nigeria was the chief negotiator on behalf of the African, Caribbean and Pacific states while the Commission represented the EEC. In the field of technical assistance, the ACP states needed assistance in restructuring their domestic production by acquiring appropriate technology and applying it to their local conditions. The ACP insisted that the EEC should become involved in the industrial enterprises which favour rapid industrial development. The establishment of industries in the associated states was not in itself enough, there was need to ensure that products from these industries were able favourably to enter the EEC markets. The ACP states urged the EEC to support them in the process of diversification of their economies. This would reduce their existing position as producers of raw materials by encouraging them in industrial production. But still Africa including S Africa remained the biggest supplier of raw materials, including minerals and agricultural products to the EEC. For instance in 1970 47% of Africa's total exports went to the EEC (and when Britain is included come to 60%), while 36% of Africa's imports came from the

EEC (with Britain taken into account came to 50%).[30] The percentages indicate that the EEC was the largest market for Africa; and Africa the biggest source of raw materials. There was need for the ACP states to have strong bargaining grounds to increase the terms of trade.

In addition the United States, Japan, China and Eastern Europe were expanding their trading relations with the ACP states especially those of the Commonwealth. These states were absorbing raw materials from ACP states while supplying consumer and durable goods including motor vehicles, photographic and electronic equipment and spare parts. For instance, the important markets for Tanzanian products outside the EEC and the United States were Japan, China and Eastern Europe.[31]

Negotiations began in November 1973 between the independent African States (South of the Sahara), independent Caribbean and the Pacific States as the ACP States; and the Commission as the negotiating body of the EEC. The North African states - Libya, Algeria, Tunisia and Morocco were involved in the early stage of the negotiations. During the negotiations the Commission emphasised the need for co-operation describing the negotiations as

> an attempt to create a flexible framework for mutual co-operation at regional level, embodying agreed objectives and an appropriate range of techniques for their achievement by the ACP states. (32)

The first phase of negotiations were very slow indeed. One of the reasons for the slowness was the strong bargaining group led by Nigeria. The ACP insisted on more concessions from the EEC while the EEC was not willing to offer such concessions. The negotiations were greatly influenced by the effects of the oil crisis of the 1970's. In addition, the Labour government that came to power in Britain started debates on the future of Britain in the Community. The British position in the Community did not only affect the internal stability of the Community but also its relations with the developing countries. Since the majority of the ACP states were members of the Commonwealth, the position of Britain in the EEC affected the negotiations.

On the question of the Arab oil embargo, the ACP capitalised on that situation giving them a unifying influence; that they could use at one time their raw materials as a weapon against the rich nations. For the EEC the oil crisis caused several internal problems, so it was not willing to offer more concessions to the ACP states. In this connection Nigeria, the chief negotiator of the ACP is not only the most influential and most powerful economically but also a member of the Organisation of Petroleum Exporting Countries (OPEC). Nigeria felt that it was an appropriate time to press for concessions from the EEC not as beggar nations seeking charity and free offers but as nations with substantial resources to offer in return.

Also the strong bargaining position of the ACP at that time is born from the platform offered by the OAU. The OAU's main objectives are to achieve African unity and African development. The OAU therefore provided a sort of umbrella for the African states, Anglophone and Francophone states alike, by providing a sense of oneness and direction in the negotiations with the EEC. This "oneness" of the African states which formed the biggest percentage of the ACP states was a basis for "solidarity" among the African, Caribbean and Pacific states.

In addition to the OAU, the United Nations Economic Commission for Africa (ECA) was an influential factor in the ACP negotiations with the EEC. At the Ministerial Conference of the UN, ECA held in February 1973 at Accra (Ghana), a common approach to the negotiations with the EEC was emphasised. At that meeting the Secretary General of the OAU Mr Nzo Ekangaki stressed the importance of negotiations with the EEC on the basis of a single African bloc. Negotiations en bloc would also promote interactions between the Anglophone and Francophone states cutting across linguistic, cultural, political, administrative and economic lines inherited from the colonial situation. This would also create an atmosphere for mutual co-operation between the African states and the Caribbean and Pacific states.

At the 1974 Joint Ministerial meeting held in Kingston, Jamaica, the EEC formally dropped its insistence on reciprocity.

This meant that all the products from the ACP states would have free access to the EEC markets without having to offer corresponding commitments to the EEC products. This was a major victory for the ACP states and a departure from the Yaounde and Arusha arrangements.[39] The rules of origin and concessions on competitive agricultural goods covered by CAP were to be examined in order to make it easier for ACP products to enter EEC markets with lesser restrictions and taxes. The products covered by CAP were to be examined so that the area of coverage for accessible ACP products could be expanded.

At the same meeting a decision was made to establish a scheme for stabilisation of export earnings of the ACP states as well as a decision to give priority to industrialisation in the ACP states. Other areas of dicsussion were the sugar and the EDF. The ACP states wanted their sugar to freely compete with the EEC sugar in the European Community markets. This would have resulted into the flooding of the EEC market with cane sugar and lowering the prices of EEC beet sugar. To avoid conflict with the member states and especially the farmers, the EEC agreed to buy up to 1.4 million tons of the ACP per year. Each ACP sugar producing state was given quota at the same price guaranteed to the EEC sugar producers.

Regarding the size of the EDF, the Chairman of the ACP states Babacar Ba of Senegal demanded a total aid of 8 billion ECU's during the Lome I: 1975-1980. The chairman of the EEC delegation Jean Sauvagnargues of France taking into account the different positions of member states on financial assistance to developing countries offered only 3 billion ECUS In order to facilitate a smooth conclusion of the convention the ACP states agreed on that amount. On 28 February 1975 the Lome convention which is the basis of the present ACP-EEC relationship was signed in Lome, the capital of Togo.

The Lome convention of 1975 which lasted five years became the basis of the present Lome regime covering 1975-1990. The Lome regime is an important achievement for the EEC. It is a continuation of the EEC relationship with the developing countries which were colonies of member states. Lome is a system of contributing towards the process of interdependence of the Third World and the industrialised states. Lome acts as a framework for co-ordination and harmonisation of the development policy of the EEC towards the developing countries. The Lome became an important development in the relationship between the rich North and the poor South.

*   *   *   *

Like the Yaounde regime, trade occupies a major position in the Lome regime as it is an important instrument for the EEC external relations as well as important for economic development of the ACP. Lome provides for duty free access of the ACP products to the EEC markets with no reciprocal arrangements. All agricultural products from the ACP could enter EEC markets duty free except those labelled as 'sensitive' products. The 'sensitive' products are covered by CAP and can only enter EEC under preferential arrangements. These preferential arrangements only give the ACP products more favourable conditions than products under the same category from other countries.

The products to be considered for preferential treatment were negotiated under each Lome convention. For instance under Lome II concessions were made for ACP tomatoes, carrots, onions, arrow roots, passion fruits, guavas and mushrooms. This list was extended under Lome III to include flowers, fruits and vegetables, oils and some cereals. These products are covered under the CAP and have been controversial issues in the ACP-EEC negotiations. Under Lome I these products were supplied to the EEC on seasonal basis under special arrangements. Special arrangements were made for the entry into the EEC market of Caribbean rum and the ACP rice.[33]

Although the principle of non-reciprocity is not applied under the Lome regime, the EEC products enter the ACP markets without discrimination and on a more preferential treatment than the most favoured nations. The products of EEC were to enter ACP markets at more favourable terms than terms offered to products from the other industrialised nations. Cosgrove[34] argues that the effects of the provisions for duty free access under Lome should not be overestimated because even if it did not exist some 75% of ACP exports would still enter the EEC duty free. Around 75% of the products would meet no duties because of the zero rates under the EEC Common External tariff, EEC generalised scheme of preferences or GATT multilateral trade arrangements. In addition the duty free access would be eroded by the EEC agreements with other countries including agreements with the Mashreq, Maghreb, Israel and Malta.

Cosgrove's argument is concretised by examining the trade between ACP and the EEC as well as that between the EEC and the rest of the developing world. Prior to Lome regime, in 1974 ACP exports to EC amounted to 10.491 million ECU's to 12,460 million ECU's in 1977 and declining to 12,000 million ECU's in 1978. The ACP share of the EC total imports remained stable at 7% while that from non ACP developing countries (excluding the OPEC) rose from 16,420 million ECU's in 1974 to 23,809 million ECU's in 1977 and around 24,000 million ECU's in 1978. The figures show that despite the Lome convention I, non ACP developing countries had a much more dynamic export record of trade with the EEC than the Lome states.

The EC exports to ACP states doubled from 6,065 million ECU's in 1974 to 12,460 million ECU's in 1977. While in 1974 the EEC had a deficit in export trade to ACP, the ACP had a surplus. In 1977 there was an approximate equilibrium, and in July 1978 there was on the surplus in trade with ACP states. The EC imports from ACP fell by 7.5% to 5,944 million ECU's while exports rose by 8.4% to 6,454 million ECU's. The figures give the EEC a positive trade balance of 510 million ECU's.(35)

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The main beneficiary of the ACP-EEC trade were the EEC exporting companies. The reduction of imports from ACP into the EEC cannot wholly be attributed to the operations of the ACP-EEC trade (which includes the transportation costs which is a burden to ACP states) but also to the political and economic problems in some countries. For instance between 1977 and 1978 imports by EEC from Uganda fell by 50%.[36] This was due to the breakdown in the economy resulting from the expulsion of the Asians from Uganda in 1972; the development of malpractices in trade like smuggling; the breakdown in the political and economic order leading to instability; the collapse of the East African Community in 1976, and the international pressures to put sanctions on Uganda and end the military regime due to the abundant evidence of violations of human rights.

Article 1 of Lome I deals with products originating in the ACP states were to enter the EEC market duty free.

Agricultural products originating in the ACP states and covered by CAP have as a rule been imported into the Community under arrangements more favourable than the general arrangements applicable to the same products originating in third country which benefit under the mfn clause. The ACP states wanted the EEC to be taken as a group in the application of the rule of origin. EEC agreed to the request under Lomes II and III.

Article 10 of the Lome Convention has been a matter of great discussion among the ACP states. This deals with the safeguard clause which could be applied by the EEC when their economies are threatened by the trade arrangements. This means that special provisions have to be adopted whereby stipulated quantities can be sold on the Community under some arrangements with the ACP producers. Lome set up trade co-operation sub-committees for the purpose of consultations. The ACP states argue that the sub-committees have been of little value because they met when the Community has already compiled elaborate regulations. Therefore the outcomes of the sub-committee consultations did not affect the EEC arrangements.

The ACP states are still dissatisfied with Lome trade records arguing that the provisions of the Lomes are a necessary step but far from sufficient framework for promoting their exports. They want all products raw materials, semi-processed and processed to enter duty free without limitations like the CAP, safeguard clause and other conditions like quality of goods and health regulations. This means that the EEC must apply the spirit of the Conventions. In a way some member states tend to unilaterally apply limitations or restrictions on the goods from ACP states in turn leading inconsistence in trade arrangements under Lome regime.

The EEC approves the record performance of Lome regime because its trade in exports to ACP states has been gradually and consistently expanding. The EEC argue that cheap labour intensive products from developing countries threaten jobs throughout the Community. This is because the specialised capital intensive industries would be thrown out of business. However, this fear of EEC industrial disruption through 'low-cost' imports came from countries like S Korea, Taiwan and Singapore rather than the ACP states. ACP complained that member states' customs authorities refuse passage of ACP textile shipments which would otherwise be contractually entitled to duty free access under Lome arrangements. In fact regardless of such a complaint, in 1978 the EEC openly announced its intention to unilaterally impose quantitative restrictions on ACP textile imports. This announcement was made when consultations between EEC and ACP Group were still in progress. The EEC decision was made on the basis that investment in textile sector in some ACP states made substantial increases in their textile exports. The EEC was to put a ceiling on ultra-sensitive textile products and was to include ACP quotas for 1979-82 which was calculated on preferential basis.

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The Lome regime not only provides for export-import trade arrangements but also arrangements through trade promotion. Trade promotion is one mechanism for trade co-operation aiming at encouraging the ACP Group to achieve maximum benefit from Lome trade arrangements. Trade promotion involves improving structures and working methods of the organisations involved in trade, active participation of ACP in Community through training trade experts, participation of ACP states in trade fairs or other international trade events, improving contacts between economic operators in ACP and EEC. Such contacts include carrying out and making use of market research and marketing studies, exchange of trade information on regular basis. In addition the trade promotion aims at infrastructural support and development as well as helping the ACP in developing products policy. The ACP apply for aid and other technical assistance from EDF.

ACP-EEC Council of Ministers meeting in Nairobi (Kenya) in May 1980 exchanged views on the importance of trade promotion and agreed that further discussion be continued in Brussels between ACP and EEC. The ACP states at the meeting emphasised the need for more financial and technical assistance to help ACP participate in Trade Fairs and Exhibitions. In response to this meeting, the ACP states set aside resources from their national indicative programmes for trade promotion activities. There was need for more consultations and exchange of information. Trade promotion was seen as one the major channels for achieving such objectives.

In addition to promotion of trade relations, such arrangement would help the intra-ACP trade. The negotiations and eventually the signing of the Lome Convention establishing the present ACP-EEC was a major turning point in the relations between African Caribbean and the Pacific states. Under the Francophone dominated Yaounde regime intra-trade expanded between these states. Expansion is attributed to Gabon which became an oil supplier to West and Central Africa in the mid 1960's. Regional economic organisations like OCAM and UDEAC which established free trade area between member states. Against this background the Lome arrangements is diverse in geographical, historical, economic and cultural coverage. Apart from concentrating on the traditional trade relationship between the developed and developing countries, trade promotion helps to bring a variety of activities and personnel from the ACP under the same ventures. This encourages regular contacts and joint programmes and projects in a variety of field.

Apart from the Lome arrangements, there already in existence regional economic organisations. Some regional organisations came into existence after the signing of the First Lome Convention in 1975. These regional organisations created common markets and dealt with other matters affecting the regions concerned. They helped to expand intra-territorial trade among categories of the ACP states. For instance, the oldest of them all was the common market between Uganda, Kenya and Tanzania. The Treaty for East African Co-operation signed at Kampala (Uganda) in June 1967 established the East African Community and the East African Common market.(38) In 1975 the West African states created a regional organisation known as the Economic Union of West African States (ECOWAS) which came into effect after ratifications by all the member states in 1976. In May 1977 a process of freezing the existing tariffs between them was introduced to be completed in 1987. The ECOWAS incorporated the West African Economic Community established in 1974. There are a number of intra-state joint projects some in the fields of infrastructure, agriculture and services.

In Southern Africa there are two regional organisations. The Southern African Customs Union with the membership of Botswana, Lesotho and Swaziland (ACP states) and the Republic of South Africa. This organisation is dominated by the industrialised South Africa. The other organisation is the Southern Africa Development Co-ordination Conference (SADCC). The organisation has membership from East, Southern and Central Africa. It is involved in the economic, social, political as well as diplomatic issues in central and Southern Africa.

The Caribbean states, Barbados, Guyana, Trinidad and Tobago and Jamaica formed the Economic Community known as CARICOM. They were later joined by the associated states of Grenada, Belize and Montserrat in 1974. CARICOM grew out of the former Caribbean Free Trade Association which had already encouraged the growth of trade between these islands and Guyana. Grenada, Belize, Montserrat, Dominica, St Lucia are members of the East Caribbean Common Market, which had a common currency since 1965.

In case of African group of the ACP states, the OAU attempts to promote unity and economic development through co-operation in industrial, agricultural and commercial activities. In addition to OAU, the UN has regional economic Commissions which help in co-operation and development in various fields including trade co-operation. For instance the UN ECA caters for the African region. These regional organisations help to bring together states under same geogaphical area in solving economic, social and political problems.

Developing countries account for around 25% of the world's trade exports, but over half comes from OPEC countries; and only 1/5 of this trade approximately 5-6% of world trade is conducted between the LDC's themselves. ACP states account for 10% of developing country trade, conduct a lower proportion of their trade amongst themselves at about 7-8%, the adverse balance of trade between ACP and developed states grew. For instance in 1974 and 1976 the ACP found markets in other developing countries for at least 13% of their exports, but imported around 30% of their requirements from developed countries. Therefore a combination of trade arrangements, special arrangements of products like rum, bananas, sugar and trade promotion as well as existing regional/international arrangements is likely to improve the conditions of ACP-EEC trade and intra-ACP trade.(39)

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In the field of industrial co-operation, the Lome regime aims at diversification of the economies and the transfer of suitable technology to the ACP countries from the EEC. In the EEC overall development policy such co-operation is intended to promote division of labour for better economic balance between the rich North and the poor South through industrial programmes and projects. Joint industrial ventures are negotiated and managed on the basis of agreements would help the ACP to formulate strategies for their development plans. Industrial co-operation also involves industrial training, development of indigenous appropriate technology, activating links between small and medium-sized firms in ACP and EEC, stimulating domestic processing industries of ACP primary products and research and development in energy requirements of ACP states.

In order to effectively co-ordinate the industrial activities in the ACP states, financial and technical assistance and investments arrangements tend to go together. The EEC always demands guarantees from the ACP states for expropriation.

The ACP states see this as a compromise to their sovereign independence as it allows the EEC to dictate the terms of investment arrangements. ACP states believe that the EEC investors must adhere to the development objectives and regulations of ACP states. Since EEC Lemaignen Plan holds that industrial development in developing countries require large scale foreign investments under general security code. This was due to the political and economic uncertainties in the 1960 and 1970's at the eve and after independence.

The EEC during the Lome negotiations insisted on a set of safeguards to be included in the Convention. The safeguards were to include freedom of transfer of investment, property, income and capital, and non-discrimination. However, in some ACP states like Tanzania and Uganda, the EC financial investment guarantees would not be compatible with the investment protection policies.[40] Such arrangement would give the EEC investor a more privileged position vis-a-vis other countries' investors. This would compromise ACP's need to elicit investments from other sources. It would contradict their foreign policy philosophy of non-alignment, discourage local investors, limit investment opportunities and limit their policy making options. The local entrepreneurs would also become victims of such discrimination and in turn EC investors would behave like multinational corporations acting beyond national government controls.

African ACP states challenged the EC scheme on another ground, that some of the EC companies involved had investments in South Africa. The issue of investment guarantees soon became involved with racial policies in South Africa and human rights violations in African states. The Uganda case was discussed under violations of human righs. The EC felt that states that had violated human rights like Uganda should lose investment opportunities as well as financial and technical assistance. This was interpreted by the ACP, African states as an attempt on the part of EEC states to interfere in their domestic affairs. However, to resolve this controversial issue, the Lome Convention III endorsed that

> the EEC and the ACP group are committed to researching ways to guarantee European investment as an essential step towards encouraging more EEC private investments for African projects ..... commitments to study ways of linking up the CAP. (41)

Britain and W Germany also criticised the EEC financial guarantees that they were difficult to operate in the ACP states because they entail economic and political stability in the ACP states. This may not be possible in Africa. At the same time the UN criticised such regional arrangements because they are discriminatory to other developing countries. The United Nations advocates for a code of conduct for all foreign companies at a global level.

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The Lome regime established an industrial centre to assist the industrial co-operation committee. The Centre for Industrial Development which opened in 1978 aims at developing contacts between economic agents of the EEC and ACP states. The centre encourages diversification of energies in manufacturing and energy sectors, infrastructures, trade promotion schemes which would in turn help the development of ACP exports and industries. To achieve this the Centre gathers industrial information, updates and re-edits the compendium of investment codes and other regulations governing foreign investments in the ACP countries. The Community took an active part in organising the 1978 Investors' Forum at the Dakar International Fair (Senegal).

To help promote small and medium size firms the Commission in 1977 approved the first financial proposals for special loans by means of which a line of credits was granted to ACP bodies. Some of the financial proposals were linked with supplementary or parallel aid through subisidies for infrastructure, technology and training. The ACP states initiate projects which should be within the scope of national budgets and then the CID selects from that list. For instance, between 1976 and 1980, 40 multiannual training programmes were approved by the Committee and later 10,70 million ECU's projects were prepared for the ACP countries. The CID encourages the initiation of projects by the ACP states in order to take into account the local conditions and therefore to ease implementation, supervision and management of projects.

CID has three departments dealing with its operations: Information; Projects and Technology; and Training. The training department deals with transfer of manpower and skills. Training schemes include scholarships and traineeship of instructors, training public officials and private sector personnel. It organises seminars and short training courses for administrative staff and other participants come from other developed countries and international bodies. Training schemes are linked with EDF assistance as this helps ensure optimum use and the fulfilment of the ACP priorities in projects for idustrial development. Training is done in various fields; education, technology, sciences, agriculture, health and sundry training.

At the ACP-EEC Council of Ministers meeting in Nairobi in 1980 delegates noted that

> industrial co-operation had not attained the results they had expected due to lack of a real ACP industrial policy of labour and industrial reorganisation.(42)

The ACP delegates demanded a new approach to industrial co-operation whereby the ACP governments would have direct authority in selecting the projects in their own view of national priorities. The ACP states wanted their own decision making bodies to give direction to the programmes and projects without interference by a non-national machinery. But the EEC delegates could not agree to such a suggestion because the EEC role in industrial and financial decision making powers would be undermined.

At the same meeting the ACP-EEC delegates noted that CID was very ineffective because it was neither an investment nor a financial institution. CID promotional activities depended largely on the promoters of the industrial programme or projects. In most cases the interests of promoters is incompatible to those of the CID. For instance under Lome I 98 industrial projects were abandoned by promoters while 97 other projects were put into effect by them without the CID's assistance. This means that CID only helps to identify projects but the industrial promoters have their own priorities depending on their financial stand and interests. The industrial promoters wanted to invest in countries like Nigeria which had more industrial projects to carry out. But the policy of the CID was giving priority to the requests of the poorest countries. These poorer countries had little raw materials for exports and therefore no assured investment guarantees are likely. In some cases there no local agents to supervise the progress of the projects, thus leading to stalemate of some projects. The CID have also been rejecting some of the requests from these countries.

ACP-EEC delegates noted that it was essential that risk capital and guarantees needed to be made available in the context of overall incentive measures in a bid to attract the European investors. There was need for CID presence in ACP states as well as local agents to ensure proper evaluation of the profitability of the proposed projects and to monitor the execution of programmes. This would help in setting up and supporting the industrial undertakings which would inevitably provide jobs and advanced economic development in ACP states. The ACP request for the establishment of a Fund for Industrial Development for ACP was rejected as this would have incurred more financial and administrative constraints on the EEC. However, the Commission endeavoured to co-ordinate the activities of CID and that of the EIB and reduction of the bureaucratic red tape. The Committee on Industrial Co-operation later adopted the Financial Regulation of CID on the basis of the draft forwarded by the Community. Financing of the Centre proposals were to be in accordance with EDF recommendations supported by industrial and financial circles, workers, technicians and even business men. This means that industrial programmes were to be expanded to encompass the interests of all the parties concerned.

Lome therefore recognised the importance of science and technology in the economic development. This was to involve technology transfer, adaptation of technology to specific needs of ACP and need to increase research capacity of these countries. Co-operation in such areas would increase in real terms goods and services being made available to human population to satisfy the basic needs, reducing inequality and overall effecting structural and functional changes.[43] All such moves would reduce food deficiencies, low incidence of poverty, low underemployment and unemployment and in turn increase the level of per capita income. The centre for industrial development has not achieved much in this field. The ACP states have continued to supply those products they supplied before the Lome and this way Lome industrial co-operation has not helped to transform the structures and functions in these countries.

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Apart from trade, financial and technical co-operation is a comprehensive expression of the EEC's policy of development co-operation with the ACP states. This arrangement goes back to the association under Part IV of the Treaty of Rome to assist bilateral aid. The first EDF financed projects were drawn up by the colonial administrators with the objective of improving the economic and social infrastructure of Associated States. Between 1958 and 1962 two-thirds of the total EDF expenditure were devoted to projects related to economic and social infrastructure.

The Lome regime attempts to encourage financial and technical assistance in various fields especially agricultural production. Diversification of the economies by introducing and extension of a wide range of cash crops and irrigation schemes, bringing a large plains under cultivation using modern techniques, and local processing of agricultural produce to ensure exports with a high added value.

EEC undertakes through the EDF to finance fully integrated agro-industrial projects. Such integrated projects create jobs, brings higher individual incomes, increase business activities and monetarisation of their economies and in turn helps their balance of payments of ACP states. While diversification of the economies has not been successful, the ACP have concentrated more on cash crops and in turn affecting food productions in these areas. It is important for the ACP governments and EEC to venture into programmes and projects that principally aim at raising food production. EDF finance should be provided in agricultural as well as animal husbandry in the treatment and prevention of diseases and pests; and provision of clean water to livestock.

In order to make the financial and technical co-operation meet the demands of ACP development priorities measures were adopted by the ACP-EEC under the Lome regime. There is a parliamentary authorisation for the continued implementation of the provisions on technical and financial assistance during the interim periods between the different conventions. This means that the provisions of Lome conventions are implemented in advance before even the ratifications. These interim measures were adopted by the Council of Ministers, the Commission and EIB. This was based on the reports on project and programme appraisal by the first programming missions in the ACP states.

Organisationally the Community set up subsidiary bodies to assist the Commission and the Bank in administering aid. Under the auspices of the Bank, the EDF Committee and Article 22 Committee were set up by the 1975 Internal Financing Agreement. Rules governing the execution of projects and programmes were introduced like the Financial Regulations (1975) applicable to EDF. Consequently, the Commission in agreement with ACP governments appointed its Delegates and the Paying Agents to EDF. These were assigned financial and technical tasks in the ACP states. Each ACP state also appointed National Authorising Officers to represent national authorities in all operations relating to projects financed by the Fund.

The EEC Council of Ministers define the policy guidelines and the formulation of resolutions on measures to be taken in the management of such co-operation. While the ACP-EEC Council of Ministers examines measures for aid management, aid proper is managed by EIB and ACP states. Under the ACP-EEC council of ministers meeting in Libreville a resolution was endorsed establishing Article 108(6) Committee and a Subcommittee on Special Problems of Least developed, landlocked and islands.

Article 108 committee came into being in April 1981 in Luxembourg. The Lome partners agreed to work together on the basis of specific difficulties in the application of the conventions. Drawing on the past experience it would be possible to find ways and means of achieving the best possible results in the administration of financial and technical assistance. The committee would also consider questions of political nature that affect economic joint ventures. It attempts to give a platform for active participation to the recipient states on issues like the development of projects, programming of aid, project designs, project implementation, evaluation and appraisal and financial decision making. Such exchange of views helps in producing jointly devised aid programmes which take into account the local conditions of the ACP states instead of the packages of community aid programmes. Such packages have been criticised for not taking into account the local conditions of the ACP states which actually determine the success or failure of the programmes or projects.

At the Nairobi ACP-EEC Council of Ministers meeting the ACP delegates proposed reductions in the bureaucratic red tape involved in administration of assistance. For instance, the process of financing projects involves a financial proposal submitted to the EEC's decision making bodies. Then the decision the proposals goes either to EDF Committee or EIB Committee depending on the type of financing in question. The EDF Committee returns an opinion on financing proposals for projects to be financed by grants or special loans. The EIB Committee deals with projects to be financed by subsidised loans or risk capital. Both Committees take their opinions using weighted qualified majority. These opinions are then submitted to either the Commission (grants and special loans) or EIB Board of Directors (subsidised loans or risk capital) for the final decisions. The Commission is responsible for the administration while the supervisory function is performed by the Commission Delegations in each ACP states. Since the whole process does not involve them, recipient states are just overseers. The immediate result of such a situation is that there are discrepancies in the figures of project evaluation given by the Commission Delegations and these given by recipient states.

The EEC Council of Ministers adopted general guidelines for harmonising aid policies, the process designed to promote

> close co-ordination between the member states and the Community both operationally and with regard to the attitudes to be taken with the competent national authorities on development.(44)

Such co-ordination between national policies of member states and the EEC's development aid policy would help make financial and technical assistance more appropriate to the needs of ACP. Assistance on a regional and inter-regional level would also helpbuild more interactions between the ACP states. Regional projects, special measures in favour of the least ACP states and microprojects are organised to that effect in conjunction with national public contracts in public works, supplies and services. Joint projects on regional or inter-regional levels ensure continued co-operation. The states involved are responsible for the satisfactory running and maintenance of equipments and structural operations of the projects after completion. At the same time the EEC periodically examines the conditions of the projects. EDF under Lome I was 3,500 million ECU's and under Lome II was 5607 million ECU's (later 685 million was added). Lome convention (Lome III) the ACP wanted the amount to be raised to 15000 million (15 billion ECU's).. The EEC could not offer more than 7.4 billion ECU's as Britain and France were already cutting down their financial and technical assistance. However both parties were committed to improving the efficiency of aid. A new mechanism for speeding up aid allocations and spending was endorsed.. Aid programming would coherently be co-ordinated by jointly agreed strategies and timetables.

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Under the Lome regime a new feature in the development of ACP-EEC co-operation was the introduction of a scheme for stabilising export earnings of the ACP states. This is commonly known as STABEX. It is designed to compensate for shortfalls in export earnings of ACP to the EEC by providing financial assistance to help cover decline in production and world prices. Decline is due to climatic or national disasters like floods, drought, diseases, wars as well as competition on world markets.

The list of coverage has been expanding since Lome I to include raw materials like coffee, coprah, cotton, palm, hides and skins, pyrethrum, wood, banana, tea, sisal, iron ore, vanilla, cloves, mohair, beef, copper, fish, gum arabic, perfume oil, phosphates, rubber, tin, zinc, wool and the by-products related to these raw materials.

The EEC offers certain guarantees of stabilising receipts from ACP exports to EEC derived from certain primary products taking into account the extent of dependence of these countries on different products. This is technically done by fixing a reference price by products for specified quantities per country. To offer such a guarantee to a beneficiary country, a transfer of financial resources equal to the difference between the actual value of exports to the EEC. That is world price is multiplied by the quantities exported at their reference value. The reference value is got by multiplying the reference price by the controlled maximum quantities of export of a specified commodity.

The EEC believes that the scheme helps the ACP states in the losses incurred as a result of the competitiveness in international markets. A country can receive a transfer only when her earnings from export to the community of a particular product fell to a specified reference level. These levels are calculated for each country and each product on the basis of average export earnings over four years proceeding the year of application. As a general principle an ACP state is eligible for that transfer if a commodity's export earning from the EEC market in a particular year declined by 6.5% (formerly 7.5%) or more from the reference level. In case of the least developed landlocked and island countries is 2% (formerly 2.5%). Sisal was specifically put at 5% because of continued decline in competitiveness from the synthetics.

In the negotiations ACP demand that not only should the scope be extended to include processed and the raw materials that are not exported to the EEC market but that it should be more practical by making payments more automatic than before. The scheme should also take into account some factors that affect their competitive power. For instance, the surpluses on the world markets for their exports and their limited investment capacity for alternative production. Level of reference is based on the average of the earnings of the previous four years. This is greatly affected by the fluctuations that are involved by the time the transfer is made. The EEC agreed that transfers be made at a faster rate than previous and that all declines of earnings of all commodities from the least developed, landlocked and island states would be considered. These countries would not have to pay back the transfers. Uganda and Tanzania are categorised among that group of least developed, landlocked and island states. Regarding the ACP countries that have to pay back the transfers

> the volume of exports must not be less than the reference level and level of repayment in any one year must not exceed the earnings attributable to price increases for the reference quantity, that is the average volume of exports for the reference period.(45)

Stabex was established to offset the economic burden resulting from fluctuations in export earnings caused by climatic conditions decline in terms of trade and rise in oil prices of the 1970's, if effectively applied would have serious repercussions. Since the least developed, landlocked and island states had preferential qualification and no repayment conditions, stabex would produce a skewed distribution in their favour. These states at least receive more than 50% of EDF and Stabex transfers. In the 1st Lome scheme covered only agricultural products. Iron ore which is important for the iron and steel industries of EEC was the only exception. The ACP countries that depended on copper and other minerals, like Zambia, Zaire were not covered by stabex. EEC's insistence on the exclusion of mineral products was largely due the large sum of transfers that would be incurred. Some member states were affected by the oil crisis for example The Netherlands, whereas some were reducing their aid budget like France and Britain.

Bishnodat[46] argues that stabex which aims at meeting the unstable government revenues, welfare problems, help innovation and sustain investments does not deal with real national and international causes of instability in prices of agricultural and mineral products. Stabex concerns itself with nominal rather than real levels of earnings. This is quite inadequate. The scheme for stabilising export earnings needs to have a broader objective of promoting economic development. For instance, assisting ACP in activities that would increase their import-purchasing power and therefore reducing the steady declines in export earnings both on nominal and real levels. There is need for a new international economic order, and need for EEC involvement in economic and social activities with a view to helping the ACP countries.

At the Nairobi UNCTAD IV meeting in 1976 a proposal to set up an "international stabex" could help reduce the burdens resulting from fluctuations on the world markets. This international stabilisation scheme would be based on a Integrated Programme for Commodities. But such a scheme could not be feasible in the near future. This is because such arrangements entail the unanimous consent of the consumers, who have in the past been very reluctant to agree on operations of world agreements like coffee. In this case the developing countries are in a very weak bargaining position vis-a-vis the developed countries. Fluctuations in terms of trade tend to cause imbalance between imports and exports, a drop in purchasing power and a deterioration in developing countries financial situations.[47] However transfers did not approach 0.5% of the total ACP exports between 1975 and 1978 because of the small coverage. The scheme only accounted for 30% of the total export earnings of the ACP states.

TABLE 10

STABEX Transfers 1975-1978

	1975	1976	1977	1978	1979
Number of countries	18	13	12	29	
Total transfers million (ECU's)	72.8	37.1	39.6	118.9	268.4

Source: Bulletin of the European Communities (Various issues)

In Lome I 375 million and Lome II 550 million ECU's were set aside for the scheme.

Another development is the establishment of a mineral scheme. This is known as Minex or Sysmin. The scheme aims at assisting the promotion of ACP mineral production and stabilising export revenue derived from minerals. Assisting in reviving the decline in production of mineral industry through financial assistance. All the minerals covered under Lome I Stabex were transferred to the mineral scheme. The Coverage includes iron ore and pyrites, bauxite, copper, manganese, tin, alumina and phosphates. However, the EEC refused to include in Sysmin some sensitive minerals like graphite, diamonds, clinker and uranium. Like Stabex, Sysmin operates on the same principles under the administration of the Commission. Qualification for assistance under Sysmin by the ACP is at 15% of ACP state's export earnings during the previous four years and 10% in case of least developed, landlocked and island states. Each ACP state is eligible for a minimum of 50% of the total minex funds allocated each year. Repayments are on long term basis with 40 years with a 10-year period of grace at an interest of 1% per year. Transfers are all in form of soft loans to mining industries, energy resources. The EIB assists in the provision of technical assistance by arrangements through risk capital funds.

The ACP-EEC Ministerial meeting held at Libreville in May 1982 emphasised the need to extend the coverage and the amount of funds and to improve the mechanisms for transfers.

The ACP demanded more financial and technical assistance and the EEC involvement in long term mining investments including transport and export facilities. There was need for more EEC involvement in research and development programme in such fields. However, the economic and political atmosphere in some ACP countries do not offer favourable opportunities for return in the mining industries. Mining is a very expensive and a long term venture which needs a more stable environment in order to realise the results of investment. Guinea, Jamaica, Suriname, Zambia, Zaire, Trinidad and Tobago, Botswana, Fiji, Mauritius depend totally or largely on mineral exploitation. There is need to stimulate the awareness of potential, research and global benefits of mining in these areas. Substantial amounts of money go into mineral exploration in many ACP states.

The present Lome III extended its mineral coverage to include zinc, chrome and uranium. Little change was made in Sysmin under Lome III. While much of the mineral supplies to EEC come from ACP states, EEC involvement is restricted by the sensitivity of governments over such resources. There is a fear of domination of foreign countries on the part of the mineral producing countries. Those states need substantial assistance in the exploration and exploitation of the resources.

Another field of concern is the agricultural and rural development. A large number of ACP states depend on agriculture In addition to the problems involved in agricultural production Africa is confronted with the problems of famine. The agricultural and rural development provisions aim at improving cash and food productivity and development. To reinforce the security of food supplies needs the improvement of quality and quantity of food production. This entails the restructuring of attitudes and mode of agriculture in these countries.

The Lome regime not only deals with agricultural and rural development activities but also the socio-cultural needs of societies. An emphasis is put on the problems of social development and human resources utilisation, improving the exploitation of fisheries and improving transport facilities. The quality and quantity of food production depend on such activities and the related factors. The importation of improved breeds of cattle suitable to the local environment and improving the local breeds are an important step in this direction. The ACP need chemicals to deal with pests, vectors and diseases in animals, plants and people. These questions related to food security are related to the trading patterns, investment as well as CAP

> that in order to contribute to greater food security in the ACP states, it (EEC) will endeavour to implement the investments of the Common Agricultural Policy so as to enable transactions to be carried out through the normal commercial structures in respect to certain essential food products, on conditions which make

possible to achieve greater stability of supplies.(48)

Since EEC is the leading trading partner of the ACP states, it is important to ensure effective outlets of ACP products to EEC markets. In this way the ACP farmers would have jobs and income to sustain diversification both in cash and food production.

In such field the centre for Agricultural and Rural Co-operation was set up with its headquarters at Wageningen (The Netherlands) and an operational branch at Brussels. The centre provides ACP with better access to information, research and training in agricultural and rural spheres, transport, fisheries and other areas relating to research on strategies and food security. The Centre also draws out integrated rural development programmes and projects based on basic principles as well as the local conditions of the ACP state in question.

A Sub-committee on Agricultural and Rural development of Ambassadors set up as a result of the Nairobi ACP-EEC ministerial meeting in 1980 assists the Centre in the day-to-day activities at a political level. Such arrangement is deemed a major step in the long term solutions to food shortages and famine.

At present famine is a threatening problem to all

African states. While in the short run EEC provides food aid in form of cereals, milkpowder, sugar, butter oil, EEC food aid programme involves a wide range of issues. The objectives of EEC is to bring such immediate assistance as in case of the Sudan, Ethiopa, the Sahel region and Uganda, Kenya and Tanzania (in 1970's). Also aims at raising the nutritional levels of the peoples in LDC's in general. Assistance to raise clear water, mobile clinics and community development programmes and educational facilties. The major long term EEC plan is to give direct assistance to the economic and social projects of these countries.(49) This EEC programme of food aid if put into practical terms in the spirit of Lome can greatly alleviate the catastrophe which African countries face.

The Lome regime just like the Yaounde has institutions that help to carry out and interpret the conventions. There are the ACP-EEC Council of Ministers, the Committee of Ambassadors; the ACP-EEC Assembly, and court of Arbitration. Under Lome, each ACP has an ambassadorial level representation at the EEC headquarters at Brussels. These representations form the ACP Secretariat in the ACP House at Brussels. The Secretariat deals with the daily functioning of the Lome Conventions and the co-ordination and consultations involved. The EEC has a delegate representation in each ACP state. These delegations in the ACP states help to co-ordinate EEC policies with the national policies regarding selection, implementation and overseeing of the programmes and projects. The Delegations collect data on the trade between the ACP and EEC. As evidenced from my work of the ACP-EEC relations one controversial issue is the figures given about trade between the ACP-EEC trade. Figures tend to be estimations which only help in observing the trend of trade but which may not be of much use for academic work. One reason for such distortion of figures may be due to the double sources of information. One on hand the permanent delegations collect their data and on the other the ACP states have their own statistics on their national trade with the EEC. These figures are not always the same and therefore it is quite difficult to rely on such estimations for an accurate academic piece work.

The management of the ACP-EEC institutions are a direct responsibility of the EEC. A demand by the ACP states for co-management has received little response from the EEC. In addition, while ACP Secretariat at Brussels is the permanent 'spokesman' of the ACP, it has organisational problems that arise from differences in the ACP national policies as well as linguistic, cultural and regional differences.

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In summary the Lome Convention of 1975 established an arrangement in which relations between the EEC and African Caribbean and Pacific states operate. It is an important arrangement for the EEC because it establishes a basis for relations with the least developed countries of the world. The operation of the ACP-EEC convention however has limitations. We have examined some of the major limitations in trade, investments, financial and technical assistance, stabex, minex, institutional arrangements, rural and agricultural, and social and cultural relations. This study of ACP-EEC relations has attempted to examine the processes of negotiations and the dynamic of relations. This chapter has examined the processes of negotiations from the time of establishment of the EEC of 1957 through the Yaounde to the present Lome regime. We have examined the factors that led to such arrangements under Part IV, the Yaounde and the Lome regimes. We have examined the legal arrangements of Part IV, Yaounde and Lome regimes in the context of both the EEC and the ACP states.

In the following Chapter an attempt is made to examine the factors that led to such association arrangements under the Arusha conventions of 1968 and 1969. We shall also examine the relations of the East African states under the Lome and the implications of ACP-EEC arrangements on the developing ACP countries. These countries are selected because of their historical, economic and geographical relations. As well as the only Commonwealth countries, save Nigeria, which negotiated and signed association arrangements with the EEC before the British entry into the EEC and even the Lome negotiations in 1973.

CHAPTER THREE

THE EUROPEAN ECONOMIC COMMUNITY AND THE EAST AFRICAN STATES

PART 1 THE EVOLUTION OF THE EAST AFRICAN ECONOMIES

PART 2 THE EAST AFRICAN CO-OPERATION

PART 3 THE ARUSHA CONVENTIONS

PART 4 THE EAST AFRICAN STATES UNDER THE LOME REGIME

PART ONE

THE EVOLUTION OF THE EAST AFRICAN ECONOMIES

PART 1: THE EVOLUTION OF EAST AFRICAN ECONOMIES

The attitudes towards association to the EEC have been moving from negative to positive throughout the 1960's. In the early 1960's the East African leaders pressure groups and national groupings were opposed to the idea of association with the EEC. But later in the same decade the E African leaders had changed their attitude and in 1968 they signed the Arusha convention of association with the EEC. In order to understand the changes in attitude of the East African states the background of their economic and political development is necessary. We shall begin by examining the economies of the East African states, then the regional co-operation in terms of commercial, administrative and political development.

This part of Chapter Three attempts to analyse the obstacles to economic development that the countries under this study have confronted from the time of independence up to the present. Tanganyika (now Tanzania), Uganda and Kenya gained political independence in the early 1960's. They formed an inter-dependent economic unit but operated as separate independent states. Their economies were characterised by the predominance of agriculture with some livestock raising, forestry, mining and industry, and a heavy dependence on foreign trade. With such poor economies dependent on agriculture and foreign trade, the economic activities were affected by poor transport and communication; legal mechanisms of land management and property rights; shortage of skilled manpower, managerial skills and entrepreneurship; and scarce capital resources. Therefore the struggle against poverty, ignorance, hunger, disease and underdevelopment needed structural and functional changes in the economic, political and cultural spheres.

Transformation of the societies meant that there was need for radical changes in the use of land and improvement in methods of farming. Production and distribtuion of the scarce resources preoccupied the politicians. For example, in Kenya the land question went hand in hand with the process of independence. The African peasants in Kenya saw independence merely in terms of land transfers. The African leaders saw political independence as a cornerstone for mobilising and exploiting resources for the good of the nation. The distribtuion and utilisation of land, the introduction of better modern methods of farming; adaptations or modifications in the tribal systems of land tenure were essential for the development of national economy. Small-scale family cultivation under tribal African conditions of tenure and using traditional methods would only result in continued low standard of living.

Population was concentrated on the fertile lands around the Highlands and Lake Victoria regions. This situation which still exists has resulted in excessive pressure on land by the people and livestock while larger areas of these states remain underpopulated. Many reasons account for the uneven distribution of population: firstly, there is uneven distribution of seasonal rainfall resulting into some areas receiving rainfall twice a year, some once and others none for a number of years. Secondly, some areas are infested by Tsetse flies like the Miombowoodlands of Southern Tanzania and the Eastern parts of Uganda around Lake Victoria. Thirdly, the colonial administration had an impact on the population distribtuion. Employment, infrastructure and services were mostly available in the agriculturally productive areas and therefore there was migration from rural to urban areas. In Tanzania, such areas are around Lake Victoria and the Highlands around Arusha and Moshi. In Uganda there are around Lake Victoria and Eastern Uganda; while in Kenya the concentration of population is in Central Kenya, Coastal region and the Western region (around Lake Victoria). Table 11 shows the development of land transport facilities by 1967. Roads and rail transport linked mainly the most productive areas of this region. In Tanzania, the Central ('sisal') line connected Kigoma on Lake Tanganyika to Dar es-salaam on the Indian Ocean. It helped in the transportation of sisal from the central areas. It has two branches: one to Lake Victoria and the other to Arusha. The one to Mwanza helps to transport diamonds and gold from the Lake Victoria region in Shinyanga

District, while the other through Moshi and Arusha linked the Tanzanian railway system to the Kenyan railway system. This Kilimanjaro area is the most productive in Tanganyika. The area produces coffee, tea, sugar and most of the foodstuffs.

In Kenya the railway links Western and Central Kenya to the Indian Ocean at Mombasa. There are many branches that connect the productive areas of the Central Highlands especially around Nairobi. There are two lines that link with the Ugandan railway and water systems. The oldest is the line from Mombasa through Nairobi to Kisumu on Lake Victoria and the other is the one from Eldoret (Kenya) connecting Uganda at Tororo. From Tororo the time run across the country through Jinja, the industrial town of Uganda to Kampala. From Kampala the line runs to the Western region at Kasese. Kasese District has been the copper producing area of Uganda. In addition the rail line traverses the rich coffee (robusta) and tea growing areas of the country. From Tororo another line runs to the North West. This line carries cotton, tobacco, hides and skins, arabica coffee and other products.

In addition to carrying goods, these lines are important means of transport for the people as well as tourists. It is important to note that in the region Kenya occupies a very favourable position in terms of transport facilities.

Uganda being a landlocked state uses Mombasa as the only outlet and inlet of her products. Even Tanzania which has a number of ports uses Mombasa for exporting her products from the Kilimanjaro region.

Kenya is not only having an advantaged position in the East African transport systems but also in other areas. Almost all the foreign firms and big business have had their headquarters, warehouses, handling facilities for the bulk commodities and distribution facilities in Nairobi and Mombasa. The natural advnatage of having an entrepot at Mombasa Kilindini, makes Kenya the most beneficiary from the commercial and financial activities that are conducted with the East African states. In this way Kenya has a ready market for her products within East Africa.

At the time of independence the industrial development in East Africa was at an extremely low ebb. The only industries that existed were those that processed agricultural products as well as some mining activities. For instance, the coffee, tea, cotton, sugar and tobacco processing industries developed. Mining was an important area especially in Tanzania. Tanzania produced diamond and good, while Kenya had soda ash and Uganda some copper. Light manufacturing and construction industries developed. These industries produced clothing, beverages, cement, lime, asbestos. In the development of light industries still Kenya was at an

TABLE 11: Internal Land Transport Facilities (1960)

Country	Area km^2	Railways in Kms	Freight railed in million ton km by EA Railways + lake & road haulage	Railways per 1000 km^2	All Roads	Roads per 1000 km^2	Commercial Vehicles	Vehicles per 1000 km^2	Vehicle per 1000 population
Kenya	582646	1600	2745	2.7	15129	26	11180	19	1.4
Uganda	236000	1310		5.4	4827	20	4480	18	0.7
Tanganyika*	940000	2557		2.5	4685	5	9000	10	1.0

Adapted and modified from R H Green and Ann Seidman, <u>Unity or Poverty</u>, Penguin Books, 1968, p 67

*now Tanzania

advantage vis-a-vis her two partners. Kenya is positioned in a favourable situation in terms of external connection as well as at home. The headquarters of the EACSO was in Nairobi. Kenya had a prosperous settler community which provided the financial resources for the establishment of industries as well as providing a market for the products. This is because the non-African community had much higher levels of income.[1] There was also a ready market in the neighbouring states.

After independence the African leaders embarked on programmes for industrial development in order to orientate and boost their economies. Faced with such challenges their tactics and strategies involved mobilising resources from both public and private sectors. This meant that these countries had to acquire technical and scientific skills through training and education. This helps to overcome shortage of trained and skilled manpower, and management skills. In addition to lack of skilled manpower, these countries lacked capital to exploit their resources. Innovation and acquisition of technical knowledge became a priority.

Also after independence these states aimed at diversification of their economies. This meant the growing of a wide range of crops and involvement in industrial activities as well as seeking new sources of aid and investment. New methods and links developed between these countries and the rest of the world. These links help in involving these countries into the international economic activities. For instance in 1968 they signed an association agrement with the EEC.

Trade is an important area that preoccupies the politicians as well as businessmen of any given country. Within the East African states a common market had already been established in the colonial period. The East African Common Services Organsation (EACSO), replacing the East African High Commission (EAHC),was established at the eve of their independence in 1961. The EACSO dealt with trading relations, infrastructure and social services. The Treaty for East African Co-operation signed in June 1967 established the East African Community and the East African Common Market. The East African Community played an important role in initiating, negotiating and signing of the association agreements with the European Community in 1968 and 1969.[2]

These new states were faced with the problems of undeveloped productive resources, meagre economic surpluses, dependence on developed countries especially the former colonial power for technology, expertise and capital requirements, the state machinery had to play a leading role in economic, social and political development in each of these states. The State acts as a powerful entrepreneur establishing businesses, hiring labour as well as extracting surplus from its subjects. Through its departments and Boards the state became the sole buyer of major crops. In this way the state buys cheaply from peasants and sells at a higher price at the world market and thus retain the difference. The State controls political power which in turn is used to control the means of production. The State is prepared to induce the peasants to grow more varied crops through persuasion or outright force.(3)

The East African leaders were and are still faced with the problems of creating sound political climates which facilitate economic and political development. In order to attract foreign investments, manpower, aid as well as generating incentives for local production states need to ensure both economic and political stability. Instability and insecurity are a real menace to the economy of the states, to the lives and property of citizens and foreigners. The first alarm came in East Africa in 1964 when there were army mutinies in Tanzania, Uganda, Kenya. These mutinies were put down by the British forces. This exposed the weaknesses of the institutions inherited at independence as well as the political systems established at independence. It also revealed the extent to which they depended on their former colonial masters. Their leaders embarked upon the reorganisation of most of the political and economic institutions to suit the needs of the newly independent African state.

For instance in Tanzania the ruling party introduced the Arusha Declaration (1967). The Declaration had a great effect both on the structure of society and the flow of aid and investments in the country. It emphasised nationalisation policies introduced in 1965 as well as the process of moving people from their communal tribal homesteads into state established villages. This was intended to enhance the policy of self-reliance. Also Tanzania's foreign policy based on non-alignment and the total liberation of all the African countries still under minority rule resulted into the loss of aid and investments from the West. For instance, after the Unilateral Declaration of Independence in Rhodesia (now Zimbabwe) Tanzania broke off diplomatic relations with Britain in 1965 with it went the British assistance. Also Tanzania recognised East Germany at the same time. This led to the withdrawal of all assistance by West Germany from Tanzania.

Uganda has experienced the most upheaval in East Africa. Political upheavals have affected not only investment opportunities but also the whole economy of the country. For instance after the expulsion of the Asian Community in 1972 Uganda economic conditions rapidly declined. An attempt to counter this by establishing boards and parastatals to handle major economic sectors formerly under the Asian control created even more problems. Mismanagement and corruption both in government and parastatals became rampant due inexperience and scramble for wealth. Trade malpractices including hoarding, overcharging, blackmarketeering and smuggling nearly brought the government to a standstill. With increased killings and destruction of property most investors pulled out their investments as well as nations withdrawing financial, manpower and technical assistance. At the Lome negotiations Uganda was vigorously attacked on the issue of violations of human rights. The EEC was of the view that such assistance and investments should not be extended to such countries as Uganda.

Running a modern state was proving to be more expensive and complicated than Nkrumah of Ghana anticipated when he said "seek ye first the political kingdom and the rest would follow". It involved maintaining law and order, provisions of infrastructure and services, foreign relations and trade relations. Let us now turn to each of the East African states in accordance with issues defined above. This examination of each country helps to show the relations between these countries and why during the negotiations for the Arusha convention only used the East African Community as an umbrella instead of using it as the negotiating body.

UGANDA

Geographically, Uganda is the smallest of the three states both in area and population. It has an area of 236,000 sq km and according to the 1979 population census has

13.6 million people. It is a landlocked state and therefore depends heavily on Kenya for her exports and imports. Uganda lies above 3000 ft above sea level, with loam volcanic soils and most parts receive rainfall above 25 inches. These conditions give her the most favourable environment for agriculture. More than 90% of the population is employed in agriculture, 83% of the exports come from agriculture and around 52% of the GDP is attributed to this field.(3) The importance of agriculture is emphasised by the fact it has provided the basis for the small industries concerned with the processing of raw materials. Table 12 shows the development of agriculture before independence. The situation shown in this table has not changed to the present day. That is agriculture continues to be the mainstay of the economy. Important changes have been in the increase of coffee and the decline of cotton production. The country has not achieved much in diversifying the economy and therefore any fluctuations in the coffee prices on the international market directly affects the economy.

In the early 1960's the International Bank for Reconstruction and Development (IBRD) made recommendations that the country should provide for increased outputs in manufacturing, mining and agriculture. In agriculture technical funds and skills should be availed to the farmers in order to increase the output. The recommendation on agriculture were incorporated in Uganda's First Year Plan 1962/63 - 1965/66. The government concentrated on an agricultural programme that included: Credits and subsidy proposals for providing more working

TABLE 12

Principal Exports by Quality and Value 1938, 1959 and 1960

Export Crop	Quality & Value	1938	1959	1960
Cotton	'000 tons £'000	72 3428	69 15428	59 14930
Coffee	'000 tons £'000	14 328	88 18688	117 16987
Copper	'000 tons £'000		12 2781	15 3689
Cotton seed cake	'000 tons £'000	na	72 1624	72 1661
Hides and skins	'000 tons £'000	32 63	63 924	79 1146
Oilseeds, nuts and kernels	'000 tons £'000	na	7 329	10 550
Tea	'000 tons £'000	1 7	66 1186	77 1453

Source: The Colonial Office List 1962, Centenery Year Edition, HMSO, 1962.

capital to farmers; investment in helping the raising and marketing of livestock; extension services activities to rural areas; training and research. The programme also involved government aid in the process of transformation of land tenure in order to keep with the developing modern market economy and the productive uses of potential new funds and on ways and means of stimulating private economic activity.(4) The government set up central machinery for assessing the availability of resources for developing social overheads in rural areas like schools, hospitals and community development centres. Priorities for the government was the public sector while recommendation for action for developing new sources of funds and private investments took as secondary place.

The role of government in developing countries is that of both manager and controller. The government planned to deal with the expansion of employment opportunities in relation to the growing population so that the employment opportunities for the labour force increases in direct proportion to the population. This means that educational facilities have been increasing to provide skills for academic, professional and managerial posts. The problem of filling the positions with trained manpower was a very big problem at the time of independence. Extension of welfare and community facilities to the people and the provisions of adequate conditions for urban living through provision of housing, electricity, water, drainage systems as well as social, economic and even recreational activities and facilities. This creates a healthy home market for local and foreign products.

With little success Uganda has tried to transform an underdeveloped dependent economy into a more diversified viable economy. The process of transformation involves changes in the structures and attitudes of the whole society as well as changes inthe existing international economic order.

The government's first five year plan envisaged the following investments in the public and private sectors to create improved physical assets (see Table 13). Investments went to repairs and maintenance of the existing productive capacity as well as investments in new ventures. Investments in public sector continued to increase even.

TABLE 13

Uganda: Gross Investments at Current Prices, by Sectors 1961-1966

	1961	1962	1963	1964	1965	1966
	Value (million Uganda Shillings)					
Public Sector						
Government (Central and other)						
Buildings and construction	88	72	74	116	174	
Plant, machinery, and equipment	8	4	8	16	24	
Vehicles	4	6	6	10	20	
Subtotal	100	82	88	142	218	240
EACSO						
Building and Construction	10	14	16	4	8	
Plant, machinery, and equipment	6	2	2	4	6	
Vehicles	6	8	4	2	4	5
Subtotal	22	24	22	10	18	15
Total public sector	122	106	110	152	236	255
Private Sector (+UDC and UEB)						
Building and Construction	106	112	114	100	132	
Plant, machinery, and equipment	116	110	130	188	218	
Vehicles	16	26	46	44	60	
Total private sector	238	248	290	332	410	385
Total gross investment	360	354	400	484	646	640
	Percent of Monetary GDP at current prices					
Total gross investment	14.8	14.8	14.0	15.4	19.4	17.1

Source: Uganda, Ministry of Planning, 1965, Statistical Abstract, Adapted from IMF, Surveys of African Economies, Vol 2, p 299

TABLE 14

Uganda: Value of Major Export Crops

	1965	1973	1975
Coffee	608,427	1346,728	1501,200
Cotton lint	335,233	336,010	210,900
Tea	48,429	109,505	120,800
Copper	159,878	109,520	69,500
Hides & Skins	25,163	33,318	16,600

Source: J Jorgensen, Uganda A Modern History, Croom Helm, London, 1981, P 351

Low income from coffee, cotton in 1965 was a result of the bad weather. However, with the recovery in 1966 the output increased but the world price for cotton was low. This resulted into the declining income from cotton. The income for coffee increased drastically as a result of the 1974/75 coffee boom. The decline in tea in 1973 is attributed to the expulsion of the Europeans and Asians who owned the tea estates in the western and Central Uganda.

Although investment in the private sector dramatically rose between 1962 and 1965, 1966 saw a gradual decline which continued even in the second Five Year Plan 1966-1971.

In agriculture coffee is the leading export crop. Uganda grows more robusta than arabica coffee. In 1960 coffee from Uganda accounted for over half of the total value of exports outside East Africa. Cotton is Uganda's second main export but it has been in decline. The decline is attributed to bad weather, diseases and pests, lack of tools. Cotton is also a time consuming product compared to coffee, tea and groundnuts. Cotton has been competing with wool and synthetic materials. Therefore the price on the world market has been declining steadily over time.

Tea which is the Third export crop has also declined in price on the world market since early 1960's. Even in the country itself the political and economic climates have not been conducive to tea growing. Also the soluble tea produced in Uganda has been facing heavy import duties in the EEC and other countries. Therefore in order to boost production in agriculture the governments have been encouraging peasants to involve themselves in the marketing and processing of their crops. For instance the introduction of coffee, cotton, tea and sugar in Uganda, buying and selling and processing of these crops had been handled by Europeans and Asians. This situation continued after independence. The Asians who only accounted for one percent of the population controlled above 90% of commercial transactions and activities. The Ministry of co-operatives and marketing was established to encourage the peasants to form co-operative societies and unions. This move would help them to share in the processing and buying and selling of their products. The newly formed co-operative societies and unions were confronted with financial, managerial problems. Lack of expert knowledge in co-ordinating resources led to bankruptcy in some co-operative movements. This entailed increased government influence in co-operatives through financial assistance and administrative control.

Marketing Boards for instance Lint Marketing, Coffee Marketing Boards and later Uganda Tea Authority and Produce Marketing Board are concerned with the processing and marketing at local and international markets. These Boards look for markets for the output. Uganda has quotas annually determined by the coffee production in the International Coffee Organisation Nonquota coffee has to find its way out to other countries through bilateral and multilateral trade agreements. Such trade arrangements as the Commonwealth Sugar Agreement were important in maintaining a stable market for the Commonwealth sugar producers.

INDUSTRY IN UGANDA

The opening of the Owen Falls Dam Hydroelectric Power Station in 1954 was the beginning of establishment of industries. Industries for processing raw materials like cotton, coffee, sugar, copper grew up around Jinja (the site of the dam) and

Kampala. Later light, construction and manufacturing industries grew in Uganda. For instance the scrap steel smelting at Jinja, cement and phosphate and fertiliser at Tororo in the East. The consumption of electricity has been expanding since then in both public and private sectors of the country. The production and distribution of electric power is under the Uganda Electric Board (UEB). Uganda exports to Kenya some of the power. There are plans for the construction of two hydroelectricity dams. One at Bujagali falls north west of Jinja on the Victoria Nile; and another at Karuma falls on Victoria Nile between Lakes Kyoga and Albert in the Northern Uganda.

In 1952 Uganda Development Corporation a statutory body was established. The government directly participates in the promotion of industrialisation through the UDC. UDC encourages the participation of Ugandans in small-scale industries in light of the basic industrial strategy of promoting substitution for imports. UDC assists government in industrial programmes and projects by researches and feasibility studies. It also deals with external forms of partnership with the local and foreign firms. This partnership helps in reducing the risks of investors as well as making available the use of local knowhow and labour. UDC and the related parastatals help government and investors co-ordinate and initiate joint industrial ventures in various fields. UDC is helped by the Management Training and Advisory Centre by training small industrial business persons in business techniques and management practices.(5)

UDC and other parastatals are involved in processing and light industries, tourism, agriculture as well as financing. For instance when the Asians were expelled from Uganda many firms, ranches and agricultural estates were put under the control of the UDC and other boards and parastatals. Table 15 shows the share of the UDC and parastatals in the allocated property of the departed Asians. This share produced strains on the already burdened UDC in both managerial and financial terms. The deteriorating political and economic situation nearly paralysed the UDC. The industries faced shortages of spare parts, trained as well as unskilled manpower. The greatest blow to the industries in Kampala was in the aftermath of the "liberation" of Kampala in 1979, when the civilians and the army looted and destroyed property. Since then most industries affected have not recovered.

TABLE 15

Uganda: Allocation of Property of Expelled Asians

Type of Property	Business firms and ranches	Estates
Allocated to individuals	5299	144
Government departments and ministries	169	8
Parastatal bodies	32	1
Charitable organisations	2	0
TOTAL	5505	153

Source: Uganda, The Action Programme 1977/78-1979/80

Ministry of Planning and Economic Development, 1976, p 46
Quoted from Jorgensen p 290

Faced with the lack of technical know how, that is technology and skilled manpower as well as lack of finance industrial development has to rely on foreign investment and assistance. Such foreign ventures depend on both economic and political policies to create a favourable climate. At independence the government policy towards foreign investment was as follows: to ensure that if the foreign investor is more efficient and cheaper than his domestic competitor, neither he nor his customer will be artificially prevented from reaping the reward of his superior ability.[6] The Parlimentary Act of 1964 also gave guaranteed security of investments. The remittance of profits and repatriation of capital were reaffirmed. Adequate compensation for nationalised industrialised property were also reaffirmed in the 1964 Industrial charter.

However in May 1970 the Presidential May Day address (known as the Nakivubo Pronouncements) the government called for a 60% nationalisation of the major firms and banks. This was a big Protection Act in that the investors would be compensated by a reasonable payment. Negotiations for nationalisation became very lengthy and complicated as well as expensive. If compensation for nationalised firms and banks were effected the government would have borrowed too much money to even be able to implement the ongoing second five year Development Plan (1967-1971).

While the Nakivubo Pronouncements were a threat to investments the 1971 coup led to the deterioration of law and order. The 1972 expulsion of the Asian community which was a major local investor and business men led not only to the collapse of the commercial sector but also the discouragement of investments in Uganda. Because of the continued insecurity of both life and property even the Ugandans who had taken over from the Asians were unwilling to reinvest in the country. The Asians were not compensated for the loss of their assets. This state of affairs dismayed foreign investors and governments which led to the withdrawal of investments and assistance. The Americans and British citizens in Uganda were also expelled. The relationship between Uganda and the West continued to deteriorate in both economic and even diplomatic terms. With the lack of experts, financial assistance, spare parts and above all the lack of international support the major economic and industrial activities declined steadily.

TRADE

Uganda heavily depends on foreign trade. Exports constitute more than three-quarters of the GNP. Coffee and cotton are the major export crops, followed by tea, animal feeds, hides and skins, nuts and oil seeds. She was exporting some quantity of copper but mining has come to a halt. Apart from the East African states, Kenya and Tanzania, the principal export markets have been Britain and the Commonwealth, USA, Canada, Japan and the EEC. USA has been the largest single coffee customer buying more than half of Uganda's coffee till the US coffee embargo on Uganda in 1978. Export to EEC was rapidly increasing in the late 1970's while tea is sold to the UK and other EEC countries.

Uganda's imports are machinery and transport equipment, agricultural tools, fuels, chemicals and other manufactured goods. Most of the goods are from UK, EEC, Japan, India.

Trade between the East African states is dealt with in Part 2 of this chapter.

TABLE 16: Uganda - Domestic Exports (net) to Countries OUtside East Africa, by Commodities, 1961-1966

	Value						Percent of Total	
	1961	1962	1963	1964	1965	1966	1961	1966
Coffee	13.9	20.1	27.2	35.4	30.4	34.8	35.5	52.8
Cotton	16.7	8.3	14.3	15.9	16.8	15.3	42.7	23.3
Copper & alloys, unwrought	3.0	3.6	3.6	6.2	8,0	5.8	7.7	8.8
Tea	1.5	2.0	2.0	2.2	2.4	3.2	3.8	4.9
Animal feeding stuffs	1.4	0.9	1.6	1.6	1.9	2.3	3.6	3.5
Hides, skins & fur skins, undressed	0.8	1.2	1.0	1.1	1.3	1.8	2.1	2.7
oilseeds, oil nuts & oil kernels	0.7	0.5	0.6	0.4	0.5	0.6	1.8	0.9
All other commodities	1.1	0.9	1.2	1.6	1.4	2.1	2.8	3.2
TOTAL	39.1	37.5	51.5	64.4	62.7	65.9	100.0	100.0

Source: Background to the Budget 1966-1967 in IMF Surveys of African Economies

TANZANIA

Tanzania is the largest of the three East African states with an area of 94,000 sq km with a population of around 18 million. Around half of the country receives irregular and inadequate rainfall which affects the distribution of population as well as production. The country experiences seasonal droughts which result in famine. The southern part of the country is undeveloped due to the tsetse fly infestation in the Miombo woodlands. Agriculture is the mainstay of the economy employing around 83% of the population; keeps 88% of the population in the rural area. More than 51% of the GDP is derived from agriculture.(7) (See Table 17).

The Table indicates the heavy dependence on agriculture and the effects of the 1965 droughts.(11) 1965 droughts substantially reduced the production of sisal, groundnuts and other staple crops. In addition to encouraging increased cash crop production, the government has advised the people to grow more drought-resistant crops like sorghum, millet, cassava and sweet potatoes.

Government have initiated development plans since 1963 with the aim of mobilising domestic and international resources for national economic development. The Plans aim at tackling the problems of ignorance, poverty and increasing integrity of public life as well as achieving populace participation in

TABLE 17

Tanzania: Gross Domestic Product and National Income 1961-1966

(Value in million Tanzanian shillings)

GDP at current prices	1961	1962	1963	1964	1965	1966
Agriculture	2282	2485	2787	2805	2651	2905
Mining	109	103	88	121	127	141
Manufacturing	139	154	156	194	234	283
Construction	117	122	124	154	151	172
Transport	172	188	188	197	216	247
Public Utilities	27	30	32	35	37	48
Commerce	445	484	517	600	658	766
Rent	167	175	187	222	246	267
Other Services	412	448	468	509	580	615
TOTAL GDP	3870	4189	4547	4837	4894	5444

Source: Tanzania, Background to the Budget, an Economic Survey in IMF Surveys on African Economies Vol 2, p 214 governmental processes. Therefore the plans explicitly deal with economic, financial, educational and other aspects of society. However, as most of the newly independent states these plans tended to be technically and professionally detailed but very ambitious. Influenced by the expectations of the people and the political as well as personal intentions they were unrealistic in implementing. For instance the first Tanzania's Five Year Plan did not take into account issues like preparation of feasibility reports, what projects were needed and how many could be implemented, where the aid would be sought and prospects for success. 80% of capital development expenditures of government in the first plan was expected to be financed by foreign aid but the plan did not offer donors the chance to make their selection of projects. Some projects were not favoured by the donors. The donors claimed that some projects were very sensitive and politically motivated and therefore could not qualify for assistance. Some donors decided to take on projects outside the plan. The present situation is that the plan made should reflect the interests of the donor since it is used as a shopping list for assistance.

The Plan also overestimated the crop outputs during the period. However during this period the country experienced disastrous drought conditions. Such conditions reduced the outputs of many important crops like sisal, coffee, cotton, castor, rice, maize and sunflowerseed. There was also a fall in the sisal and coffee prices on the world markets. Production fell far short of the estimates.

Like her partners Tanzania lacked not only the finance but trained and educated manpower to effectively implement the plan. The small number of personnel in the civil service with administrative and professional grades were expatriates. In Tanzania 187 non-citizens with such grades left in 1965.(8)

The government embarked on the policy of village settlement scheme with the objective of increasing agrarian development. The scheme involved village settlements, irrigation schemes, economic and social projects like schools, water, power supplies, hospitals and community development and recreational facilities. Such arrangements would increase agrarian production and the level of political and social development. This is because sparse and spread out peoples would be brought together to share the services provided by the state. The government provided extra funds for community development, extension and rural services, education and health services. However these schemes took more funds in relation to other areas of national economy and therefore the scheme could not solve the problems of inequality and underdevelopment among the various regions of the country. The aim of government's socialist path of development was equality and justice of all the people of Tanzania. The transformation approach was intended to create small areas with modern techniques and facilities of production. The people who benefitted from this "small island approach" were those already employed in the party, civil service and businessmen. These had the education and were in a position

TABLE 18

Volume and Value of Agricultural Production, Value of Livestock Forestry and Fishing 1961-1966

	1961	1962	1963	1964	1965	1966
	volume (1000 tons)					
Coffee (robusta & arabica)	19.2	26.5	28.3	33.3	33.6	48.6
Sisal	198.0	214.0	214.3	229.9	214.2	221.5
Lint Cotton	33.0	35.1	45.7	54.4	66.0	77.6
Cashewnuts	28.0	50.0	56.4	72.9	73.1	81.2
Groundnuts	3.4	6.4	11.9	11.0	9.3	8.3
Other oilseeds and nuts	35.3	33.6	49.4	36.4	41.6	38.0
Tea	4.4	4.2	4.9	4.7	5.6	6.7
Tobacco	2.6	1.7	2.3	2.1	5.1	5.2
Sugar	28.6	39.2	49.2	60.5	66.3	69.9
Pyrethrum	1.3	1.9	2.3	2.3	3.6	4.4
Wheat	5.4	17.3	18.8	20.8	30.1	32.8
	value (million Tanzania shillings)					
Coffee (robusta & arabica)	104	102	134	172	205	305
Sisal	264	294	440	468	280	254
Lint Cotton	100	120	148	172	212	253
Cashewnuts	14	26	28	40	63	80
Groundnuts	14	24	26	22	10	8
Other oilseeds and nuts	28	26	36	38	28	27
Tea	34	32	36	30	37	44
Sugar (including jaggery)	28	36	48	58	61	64
Other cash crops	40	46	70	78	54	54
Staple food crops	1270	1410	1394	1302	1260	
TOTAL	1896	2116	2360	2380	2210	
Livestock raising	331.8	338.2	359.0	385.0	399.0	453.0
Forestry	52.2	50.2	52.4	54.0	46.0	56.0
Fishing	33.2	37.0	43.0	51.0	50.0	71.0

Source: Surveys on African Economies, pp219 and 218 to easily acquire technical knowledge. They were able to even recruit labour within the settlement because they had the money and other incentives which the rest lacked. The spirit of co-operativeness which the government anticipated was not enhanced. Production did not increase as expected.

*   *   *   *

INDUSTRY

At independence Tanzania had few industries concerned with the processing of raw materials. Tanzania's industrial strategy aims at increasing industrial production in many sectors. There are industries involved in the processing of foodstuffs and beverages - canned meat, vegetable oil products, wheat and maize flour, beer, cans; as well as textiles, paper bags, light metal and wood products, sisal spinning of rope, twine, Tiper oil refinery, portland cement, glass shoes, soap and other products. Some industries are involved in processing of cash crops like coffee, tea, sugar. Since the processed products face high customs tariffs there was need to have some association arrangements with the consumers like the EEC.

In 1963 investment laws were enacted for the protection of foreign investment in Tanzania. The investment incentives include tax relief, import duty exemptions on industrial equipment, raw materials, chemicals and protective customs tariff. The laws enacted protected the approved foreign firms and investors from nationalisation and it permitted the investors to repatriate capital and profits. The laws provided that if there were to be any nationalisation the investor would have a fair compensation.

The government set up corporations and related parastatals to encourage the processing industries, import-substitution industries and the geographical distribution of small scale industries in Tanzania. National Development Corporation (NDC) and National Small Industries Corporation (NSIC) were established in 1965 to help finance and train personnel as well as material assistance to the industries.

The Third (1977-81) and the Fouth (1981-1986) Five Year Development Plans have placed great emphasis on industrial development. The Plans stress the importance of decentralisation of all the industrial activities in order to give a fair share to the rural areas. In East Africa most of the industries are established in urban areas. This is because of the availability of skilled labour, good communication network, social and recreational facilities as well as providing market for the manufactured prodcuts. The rural areas lack most of that and its market size is small because they are poor to afford these commodities. The Tanzanian government through its ruling party (Chama cha Mapinduzi (ccm) - the Revolutionary Party - has attempted to mobilise the populace through self help projects. The ruling party is in charge of political control, socialisation and mobilisation of the resources of the country. Political education of the cadres and the masses is disseminated by CCM through the Kivukoni Ideological College at Dar es Salaam and Dar es Salaam University.

The ruling party is important in reorienting the attitudes of the people towards self reliance and rural development. This has helped to make aware the problems of underdevelopment not only to Tanzanians but other countries. But the party objectives have not been achieved because of difficulties faced in transforming the institutions and attitudes as well as lack of capital and natural resources. The government decision to transfer the capital from Dar es Salaam on the Indian coast to Dodoma in Central Tanzania was to gain quick accessibility by all areas. The move would encourage establishment of industrial projects in areas that had been ignored and even encourage the bureaucratic elites to move into rural areas.

TRADE

As it were the direction of trade at the time of independence was geared towards the metropolitan state - Britain. Trade remained in the direction of Britain as the source of manufactured products while Tanzania supplied the raw materials. Tanzania at the time of independence signed trade agreements with other countries especially those of the West. However, Britain remained the main customer of Tanzania's diamond, gold, sisal, coffee and tea. India purchased cotton and cashew nuts while Hong Kong imported some cotton. Trade with the European Community, USA and Canada dramatically increased immediately after independence in 1961. USA imports most of Tanzania's coffee.

Tanzania imports foodstuffs, mineral fuels, chemicals, textiles, transport, industrial and agricultural equipment, machinery, beverage, tobacco and other manufactured. In 1961 the imports came from Britain but since then it had been at a decline. In 1965 trade and other contacts came to a standstill when Tanzania broke off diplomatic relations with Britain. This was a result of the UDI in Rhodesia (Zimbabwe) in 1965. EEC increased imports in Tanzanian products. This increased EEC share of trade in East Africa coupled with the declining diplomatic relations with Britain was an important factor for diversification of trade relations. As we shall discuss this in Part 2 of chapter two, most of the East African politicians who opposed association with the EEC in the early 1960's had in the second half changed their attitudes and signed the Arusha. In the same part of this chapter we shall also examine the trade between the East African states. This trade is seen under a common market arrangements.

AID

This is another field in which the government needed to diversify by extending relationships with other countries

TABLE 19: Direction of Trade, 1958 to 1966 in Percentage of Total

Country	1958		1959		1960		1961		1962		1963		1964		1965		1966	
	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp
United Kingdom	33.9	38.5	35.8	38.2	31.7	35.1	35.8	37.6	35.9	34.6	32.5	35.6	30.6	25.3	30.2	32.5	29.0	43.6
United States	9.8	2.7	7.5	2.7	9.9	3.5	10	5.5	8.4	7.6	6.8	3.6	8.5	6.2	6.1	5.6	7.8	6.1
USSR	0	0	0	0	0	0	0	0	0	0	0.1	0.04	0.5	0.17	0.4	0.27	0.7	0.26
China	0.6	0.03	0.03	0.02	2.5	0.03		0.01		0.4	5.8	0.21	3.3	0.7	6.8	3.5	4.3	5.8
France	3.3	1.9	1.8	2.6	1.9	3.1	1.8	1.8	1.4	2.5	2.0	2.8	1.6	2.6	1.4	2.8	0.7	3.1
West Germany	10.7	6.1	8.1	6.5	8.8	9.8	9.8	4.7	8.4	5.7	7.4	6.2	8.2	6.4	7.7	8.2	7.0	8.6
Sweden	0.3	0.6	0.3	0.6	0.4	0.6	0.5	0.7	0.5	0.9	0.6	0.8	1.3	1.0	1.2	0.8	1.2	0.8
Denmark	1.6	0.3	1.6	0.3	1.8	0.4	1.6	0.4	1.4	0.7	1.9	0.6	1.5	0.7	1.3	0.7	1.2	0.8
Norway	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.2	1.1	0.1	1.4

Adapted from Nnoli opcit pp 24 and 61

TABLE 20: Tanzania - Trade with Principal Trading Partners 1961-1966

	Value in millions of pounds						% of total	
	1961	1962	1963	1964	1965	1966	1961	1966
			Destination of Demestic Exports					
United Kingdom	17.4	18.4	20.7	21.5	19.0	20.9	34.2	27.3
Kenya & Uganda	2.2	2.4	3.4	5.1	5.9	4.6	4.3	5.5
India	2.5	3.6	2.7	4.3	4.8	5.8	4.9	6.9
Hong Kong	3.3	3.7	4.6	4.5	5.1	6.9	6.5	8.2
Other Sterling Area	4.2	4.1	4.1	4.7	4.1	5.1	8.2	6.1
Total Sterling Area	29.6	32.2	35.5	40.1	38.9	45.3	58.1	54.1
US & Canada	5.6	5.3	6.7	8.2	5.7	8.4	10.0	10.0
EEC Countries	10.5	11.2	13.4	15.4	11.9	13.1	20.6	15.6
Mainland China			3.7	2.4	4.3	3.4		4.1
Other	5.2	4.9	7.7	9.1	7.9	13.6	10.3	16.2
Total	50.9	53.6	67.0	75.2	68.7	83.8	100.0	100.0
			Origin or Imports					
United Kingdom	14.8	13.7	14.1	14.6	16.3	20.0	29.4	24.8
Kenya & Uganda	10.6	11.7	12.5	15.7	16.7	16.4	21.1	20.3
India	2.7	2.8	2.6	2.6	3.4	3.3	5.4	4.1
Other Sterling Area	3.5	3.0	2.7	2.6	2.0	4.8	7.0	5.9
Total Sterling Area	31.6	31.2	31.8	35.5	38.4	44.5	62.9	55.1
US & Canada	2.1	2.7	1.5	2.7	2.8	4.2	4.2	5.2
EEC Countries	6.2	5.8	6.7	7.5	12.3	13.9	12.3	17.2
Japan	4.5	5.2	6.2	7.3	4.6	4.2	8.9	5.2
Mainland China	5.9	6.6	6.6	0.5	1.7	3.7	11.7	4.6
Other				6.2	6.9	10.2		12.6
Total	50.3	51.5	52.8	59.7	66.7	80.7	100.0	100.0

Source: Tanzania, Background to the Budget, An Economic Survey (Annual)
Surveys on African Economies p 278

and organisations. In the period after independence UK ranamed the source of external assistance. Every country that was to attain independence from Britain was given assistance as a part of the independence settlement.

TABLE 21

British Assistance 1961-1965

Time	Amount (shs)	Field
Pre-Independence	90 m	Commonwealth development and welafre to Tanzania
1961	180 m	for compensation for British civil servants in Tanzania
	80 m	special grant for Three Year Development Plan
	22 m	grant to Tanganyika Agricultural Co-operative
1962	2.4 m	to cover Tanganyika's contribution to EACSO
1963	10 m	to University College Dar es Salaam
1964	4.2 m	loan to the construction of Npumbu Ya Mungu Dam
	19.16 m	Grant for pensions of ex-British colonial civil servants
1965	150 m as loan 9.84 m as grant	little was disbursed due to the break of diplomatic relations
	SCAAP - Special Commonwealth Assistance for Africa	
1962-63	230 m	
1965	80 m	assist Zambia and Tanzania to airlift copper and oil after 1965 UDI in Rhodesia

TABLE 21 Contd

1962-67	190 m	
British Technical	2 m	for mapping
Assistance Program	2 m	for training Tanzanians in Britain (annually)
1961-1966 Commonwealth Development Corporation	70 m	for National Development Corporation (NDC) and Tanzania Development and Finance Corporation (TDFC)

Source: Nnoli *opcit* pp 62-63

After the November 1965 UDI in Rhodesia, Tanzania broke off diplomatic relations with Britain and therefore British aid ceased. Tanzania had already diversified her sources of aid both in the West and the East. In addition to the United States aid which came mostly in form of famine relief; and the Nordic council, Tanzania got assistance from China, Canada, West Germany, The Netherlands, Japan and many other including international organisations other than UK, the EEC was increasingly becoming an important trading partner of Tanzania and aid donor. International organisations were increasingly becoming important aid donor, since the LDC's believe that multilateral aid was less tied than bilateral aid. UNDP, UNESCO, IBRD, UNHCR, UNICEF and other organistions were involved in financing of health and educational centres, community development, nutrition and home economics, rural and agricultural projects as well as infrastructure and industrial ventures.

Between 1964 and 1965 the relations between Tanzania and West Germany steadily declined. Tanzania recognised East Germany and both established diplomatic relations. Such a move led to the withdrawal of all W German assistance to Tanzania. Tanzania responded by seeking more assistance from China, Yugoslavia, Bulgaria and Scandinavian countries in order to fill the gap left behind by Britain and W Germany.

TABLE 22

China's Assistance to Tanzania up to 1967

YEAR	AMOUNT (T shs million)	FIELD
1965	10	for currency and equipment
	100	to Zanzibar
	200	to Tanzania mainland for military and technical assistance
	50	Friendship Textile Mill & training management and workers at the factory
1966	100	Ruru area experimental farm and construction of a dam
	10	for the Mabibo radio transmitter station
	30	Tanzanian shipping line
	8	extension of Police Training School at Moshi
	20	grant
	40	interest-free loan

Source: Okwudiba Nnoli, Self Reliance and Foreign Policy in Tanzania, 1978, pp 64-65

Tables 21 and 22 help to illustrate the role of British aid to Tanzania as well an effort on the part of Tanzania to diversify her aid policy espeically after 1965. For instance shs 150 million aid from Britain was discontinued in 1965 at the same time China offered a total aid commitment of shs 380 million to offest that loss. Diversifying of aid was in line with Tanzania's policy of self reliance.

Association with the EEC can only be seen in the domestic terms in the economy of the country as well as its relation with other countries in trade, investment, aid and foreign policy of Tanzania, and East Africa in general.

KENYA

Kenya occupies a key position in relation to Uganda and Tanzania. During the colonial period Nairobi acted as the headquarters of most of the common services in East Africa. Mombasa is the outlet for the overseas trade of the biggest bulk of East Africa's exports and imports. In that context Mombasa is very important for Kenya but more so to the existence of the settler community during the colonial period. Kenya achieved independence in December 1963. Her independence policy as well as the 1965 sessional paper on African socialism in Kenya emphasise private and public entrepreneurship. Such policies and the political stability of the country has encouraged a number of foreign investments into the Kenyan economy.

Kenya has an area of 582,646 square kilometres with over 15 million people with a GNP of around $1850 million. The GNP is the highest in relation to that of her partners: Tanzania has a GNP of $1470 m and Uganda with $1340 m. The climate and vegetation vary but the climatic conditions could be generalised as lowland arid climate. Natural vegetation in most parts of the country is poor grass and barren land. The only areas with vegetation suitable for cultivation are the coastal belt along the Indian Ocean, the Central Highlands around Nairobi and the Western part of the country around the shores of Lake Victoria. It is important to note that the Highlands were the source of African grievances leading to Mau Mau Movement in 1950's. Up to now the Highlands have continued to be the source of political, economic and administrative nerve since the settler community.

At the eve of Kenya's independence the British colonial administration embarked on the policy of resettling the Africans on some parts of the Highlands. One Million Acre Scheme was introduced in October 1962 to deal with the redistribution and resettlement schemes. After independence the Kenyatta government continued with the policy of redistribution of land. Because land was an issue which would stabilise or destabilise the political leadership and economic system, it dominated the Kenyan Development Plans. Much of the financial and material resources were devoted to resettlements in the Highlands leaving most projects in other sectors of the economy underfinanced. For instance in 1969 out of the fifty percent of the funds allocated to agriculture fifty per cent of that went to land schemes in the Highlands.[9] Eventually these schemes created a small African landed class with connections with the party, bureaucracies and business. The small peasants who got lands (plots) in the Highlands also had big families leading to unviability of land acquired. The areas became overpopulated leading to poor living conditions, overgrazing and poor soil structure and fertility. The government encourages private foreign investments in agricultural and industrial fields much of the land is under cash crop production. It is not therefore surprising that shortage of food is not uncommon in Kenya.

* * * *

Agriculture still dominates the economy of Kenya. However, unlike her neighbours agriculture shares around a third of the GDP, employing only one million of the population. Much of agriculture is done on large farms. This is because: (a) most of the land was distributed to 'qualified' African farmers with some capital which they used to mechanise agriculture, (b) the government encourages more investment in agricultural production. Those that received land were eligible for loans from government to develop agriculture, (c) some of the land was allotted to co-operative farms, (d) a programme was introduced to reform the traditional system of land tenure by consolidating and registering titles of fragmented holdings of small farmers.[10]

While the population involved in trade is small the production output is of high quality than that of Uganda and Tanzania. Kenyan government did not only deal with the distribution of land, but implemented development measures for improving cultivation methods. Improved varieties were introduced and agricultural techniques modernised to suit the modern agriculture. However, the production outputs are affected by the weather. For instance the 1965 drought greatly affected production of both cash and food crops.

The main crops are coffee, tea, wheat, pyrethrum, cotton, maize, sisal. The major export crops are coffee, tea, sisal, pyrethrum, cotton. In addition to crops Kenya exports oil products from cashew nuts, groundnuts and pulses, and livestock products. Like her partners, Kenya's major crops are bought by government than Marketing Boards: the Coffee Marketing Board, Tea Development Authority, Cotton Lint and Seed Marketing Board, Maize and Produce Marketing Board and Pyrethrum Marketing Board. The co-operatives are also involved in the buying of products.

INDUSTRY

In comparison, the industrial output of Kenya is higher than that of Uganda and Tanzania. This is a result of many factors. Firstly and most important is the government policy that has provided a good climate for investments. Multinational firms and national firms invest in various projects from agricultural to industrial as well as social fields. Profits from the investments in Kenya could be siphoned out with little government interference. This is not so in Tanzania and Uganda as there are many regulations to expropriation. Kenya has been the most politically stable country in East Africa. This situation helps to create security for life and property of the nationals and foreign investors.

Secondly, the industrial sector which was set up during the colonial period with the strong support of the British administrator to settler enterprises. Industries for processing raw materials like coffee, tea, pyrethrum, livestock products were set up. Thirdly, Kenya's manufactured products find ready markets in Uganda, Tanzania and other surrounding countries. Kenya exports some of her manufactured products to the Middle East. Transportation of these products is by sea route through Kenya's ports of Malindi and Mombasa. Transport is also provided by the rail and road systems which connect Kenya to Uganda and Tanzania. Fourthly, as we shall examine in the following part of this chapter, Kenya had a better advantage in trade over her partners.

Finally, the government has not only encouraged industrial production through tariff protection, special depreciation allowances, refunds on customs duties on raw materials, and other incentives but also established joint corporation with international agencies. In 1966 Development Finance Company of Kenya Ltd was established jointly with an official W German Corporation, the UK-Commonwealth Finance Corporation and an official Dutch agency. Such corporations encourage foreign private investments as well as local enterprises in industrial and commercial sectors. These corporations can help in the distribution of industries and commercial activities in various parts of the country. However, in Kenya the industrial establishment have continued to be concentrated in urban centres including Nairobi, Mombasa, Nakuru, Kisumu which lie in the fertile areas of the country.

Kenya has increased its projects and programmes in construction and building industries. Still these activities follow the old structures for instance more road and housing activities in the Highlands, the coastal and Lake Victoria regions at the expense of the rest of the country. The government has now embarked on an area-to-area approach to development of the country. The EEC assistance in this field will be analysed in Part 4 of this chapter.

To boost industrial production and other sectors of national development Kenya government has invested in the production of hydroelectricity. Kenya Power Company, the East African Power and Lighting Company and Tana River Development Company Ltd are involved in the construction of electricity power schemes and the distribution of power to the country. The problems encountered in the production of hydroelectric power have been the intermittentness of the rivers in Kenya.

The level of water is drastically reduced during the long dry seasons while in the rainy seasons the HEP systems are blocked by fine sands and clays. Power from Uganda is supplied by Uganda Electricity Board (UEB) to supplement that produced in Kenya.

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An important development in Kenya's economy is the Tourist industry. By 1966 tourism came second to coffee as a foreign exchange earner. Railway and road systems connect tourist areas in Central Kenya around Nairobi as well as connecting Kenya to the tourist sites in other parts of Kenya; and Tanzania and Uganda (at present there is no tourism in Uganda). Air transport is also developed to cater for this industry and other sectors of the economy. Government has constructed luxurious hotels and lodges for accommodation and recreational activities. The stability of the political atmosphere makes Kenya more attractive to tourists than Uganda. It is not therefore surprising that tourists that visit Tanzania and Uganda travel back to Kenya for accommodation. In this eay Kenya stands to gain from the industry than her partners. The industry is under the Tourist Development Corporation which has foreign offices in Western Europe, Scandinavia and the United States. These foreign offices provide valuable information about tourism and other activities in Kenya. Association with the EEC only increases the knowledge about tourism and better travel facilities between the EEC member states and Kenya in particularly and East African in general.

FOREIGN TRADE

Kenya's foreign trade is with the UK, Commonwealth, EEC and USA. Britain has remained the leading customer. In 1968 at the signing of the Arusha convention Kenya's exports to Britain amounted to £14.9 m (28% of her exports) and the imports from Britain accounted for 33% (£36 m) of her imports. Britain is followed by W Germany, USA and Canada. The EEC absorbed about 23% of Kenya's exports while EEC supplied products of 19% of Kenya's imports in 1966. Such trading relations were important factors in negotiations leading to the Arusha conventions in 1968.

TABLE 23

Kenya: Direction of Trade with Countries Outisde East Africa

1961 and 1966

	1961	1966	% of total 1961	% of total 1966
	Export			
Sterling area	16.5	22.5	39.6	36.1
Dollar area	6.2	7.5	14.8	12.0
EEC Countries	9.4	14.5	22.5	23.3
EFTA Countries (excluding UK) Japan, Africa (non sterling) Other	9.6	17.8	23.1	28.6
	41.7	62.3	100.0	100.0
	Import			
Sterling area	36.5	49.7	53.0	44.2
Dollar area	4.4	11.8	6.4	10.5
EEC Countries	10.0	21.3	14.5	19.0
EFTA Countries (excluding UK) Japan, African (non sterling) Other	18.0	29.6	26.1	26.3
	68.9	112.4	100.0	100.0

Source: Adapted from IMF, Surveys on African Economies, 1969, pp 200-201

TECHNICAL ASSISTANCE

Since independence Britain has largely remained the source of aid for Kenya. The first aid assignments from Britain were for independent settlement under the Commonwealth arrangements; and also for Land Transfer Programme (LTP). Land Transfer Programme ran from 1963 to 1981, Britain met K sh 660 million (£33 million). The first disbursement in 1964 amounted to £11 million, the second was up to £6.3 m. The LTP was to compensate the settlers for the loss of their property as well as operating development projects (shirika schemes).[11] The schemes were to allocate plots of land to the African farmers. British aid to Kenya accounted for 87.3% of Kenya's external assistance in 1964 but by 1968 had declined to 40.9%. Other major sources of aid are IBRD, IDA, The Netherlands, W Germany and Denmark. In 1972 before the British entry in the Community, Britain, W Germany, Netherlands and Denmark accounted for 59% of total financial and technical aid to Kenya.[12] With such a high percentage of technical and financial assistance from the EEC member states and those accession states (UK and Denmark) concrete form of relations with the EEC could increase trade, assistance and other forms of co-operation.

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The examination of the East African economies from 1960 to the time of signing the Arusha convention in 1968 illustrate the domestic and international factors that favoured association arrangements (including the Lome). Arusha conventions of 1968 and 1969 will be discussed in Part 3 of this chapter. This part of the chapter dealt with the agricultural, industrial, trade and aid aspects of the East African states in general, and each country in particular. It illustrates the relationships between domestic economic and foreign policies of these states and how there are influenced by the dynamics within the international sphere especially in Western Europe. These forces determine the type of relationship that nations develop in trade, commercial, industrial and assistance. Part 2 of this chapter will examine the relationships in the context of regional inter-relations of Uganda, Kenya and Tanzania under a common economic market. It will deal with the role of the then existing economic arrangements among the three East African states in the negotiations with the EEC for an association arrangement under Arusha conventions.

PART 2

EAST AFRICAN CO-OPERATION

EAST AFRICAN CO-OPERATION

This part of the chapter attempts to examine the part played by the activities of economic co-operation in East Africa in building international economic co-operation with the EEC. It examines the development of economic relations between Uganda, Kenya and Tanzania since the colonial period up to the time of Arusha conventions of 1968 and 1969. The role of Britain, as the colonial power, in such development shall also be examined. This part is important in our discussion because of several reasons. These countries shared the same colonial master Britain and most of the political, administrative and economic policies during the colonial period, especially regarding the African peoples were similar. They have shared similar history because of their shared geographical positions. These countries had a common economic market since the first half of the 19th Century. From 1948 these country developed some organisational arrangements which became the basis of the East African Community established in 1967. The East African Community played an important role in encouraging the three states to re-think about some arrangements with the EEC. The East African Community played the role in initiating negotiating and the operations of the Arusha conventions. East African Community did not only bring the East African states together in the Arusha negotiations but also important to the Community development policy. The Community development policy aims at bringing many countries under same arrangements.

Uganda, Kenya and Tanzania are former colonies of Britain. During the colonial period Britain had encouraged and initiated the development of interterritorial economic development and relations among these states. The first form of co-ordination came with the construction of the railway from Mombasa to Kisumu. Co-ordination during the construction of the line was extended to the maintenance of the line. This line was known as the Uganda Railway. Goods from Uganda were shipped to Kisumu and then railed to Mombasa. The Uganda railway provided a cheap and efficient way of movement of people and goods. It also eased the administration of the two countries.

In 1905 the East African Currency Board was set up between Uganda and Kenya. It was responsible for issuing common banknotes and other banking arrangements. This development was important because it eased the transactions of goods, improved financial matters between Uganda and Kenya and eased movement of people. This was followed by the establishment of a postal union in 1911 and in 1917 a form of economic union had developed between them.

Tanzania (then Tanganyika) was a German colony. After the First World War, according to Article 119 of the Peace Treaty of Versailles of 1919 Germany lost all her colonies to the victorious Principal Allied and Associated Powers. Tanganyika was taken over by Britain as a mandate territory. According to Article 10 of the Mandate Agreement Britain incorporated Tanganyika into the customs, fiscal and administrative union of Kenya and Uganda. By 1927 the three territories introduced a common external tariff in regard to the movement of foreign goods. They also ran several services in common including post and telecommunications, railways and harbours and research.

In 1924 an all-party British parliamentary Commission was set up to visit East Africa. It came to be known as Ormsby-Gore Commission. The visit aimed at considering among other things the possibility of closer co-operation between these territories. The Commission was to make a report specifically on "the measures to be taken to accelerate the general economic development of ..... East African dependencies on such matters as transportation, cotton growing, control of human, animal and plant diseases. However, on the issue of federation, the Commission met with hostilities from the white and black communities. The Commission recommended regular conferences of Governors of Tanganyika, Uganda, Kenya, Northern Rhodesia (Zambia), Nyasaland (Malawi) and the Resident of Zanzibar.(13)

The Commission recommended the Governors' conferences to deal with native administration communications, taxation, land policy, labour policy, co-operation in research and a complete customs union. The first East African Governors conference held in 1926 decided to set up a permanent Secretariat in Nairobi. The Statistical Advisor on the East African statistics was appointed and stationed in Nairobi. Kenya's

Governor became the High Commissioner for Kenya-Uganda Railways Special Secretariat. The Special Secretariat administered the rail lines (including the Voi-Kahe railway from Tanganyika) and Mombasa port. The Special Secretariat came to be known as Kenya-Uganda Railways and Harbours Administration. Intra-territorial research stations for agriculture, veterinary research and trypanosomiasis were set up to deal with problems of pests, diseases and vectors in these territories.

The importance attached to common services was emphasised by the fact that in 1928/29 another commission was set up by the British government. The Hilton Young Commission Report made recommendations for effective co-operation. The establishment of co-operation under a central authority to deal with harbours, roads, aviation, posts and telegraphs, customs, defence, research and other related fields. As a result of the Young Report in 1929 the British Secretary of State was empowered to appoint a Governor-General for East African Common services. His responsibility was to act as personal link between the Secretary of State in London and the local East African governments on all matters like the running of the common services as well as the general economic and social development of various native communities. The common services and administration would be cheaper to run and reduce duplications. In addition, joint meetings which produce statements, explanatory notes and resolutions help to concretise relations among the participating states.

A new development in East African co-operation came in 1940 as after war efforts. The Joint East African Income Tax Board, the East African Production and Supply Board and a Joint Economic Council were set up to act as a permanent Secretariat to maintain liaison between the Heads of the Common Services and the civil governments. Following the proposals laid down in the colonial paper No 191 the British government legalised the Central administration which had developed among the East African states around Nairobi as the headquarters.

In January 1948 the East African High Commission was formally established. The supreme power were placed under the three East African Governors. The inter-territorial advisory boards were established in the fields of communications and other common services as well as a basis for a common market. For instance a single customs and excise department and a single railways and harbours were established. According to the 1947 Order-in-Council the British government gave the EACM a wide range of prerogatives in the legislative matters in the aspects of administration, finance, research, transport and communications, collective marketing and commerce, industry and mining, defence and tourism. This meant that an integrated economic bloc with its administrative structures would inevitably develop. It was intended that this would be the basis for the East African federation. The EAHC however lacked the resources to run the various administrative activities. Uganda and Tanganyika were not satisfied with the dominant position of

Nairobi and the Governor of Kenya as the EAHC Chairman.

The British government set up the East African Royal Commission 1953-1955. The Commission report made recommendations on the land and population problems, the agricultural dependency on one or two export crops, urban, water and rural development, education, health, transport, trade and race relations. The report also emphasised the need for overseas capital and investment, trade, manufacturing industries, social and economic co-operation and major areas of economic exploration and exploitation in agriculture, livestock, forestry and mining. There was need for technical, commercial and agricultural training and ecnouragement of local population in all enterprises.

TABLE 24

Sources of Finance for Development Plans

in £1000

	Total	CD and W	Loan funds	Local resources
Kenya	42,450	3,500	23,450	15,500
Tanganyika	24,450	5,349	10,000	9,101
Uganda	28,500	2,500	2,000	24,000

Source: The East African Royal Commission 1953-55 p 95

The table above (24) shows that around half of the funds were from local resources especially in the case of Uganda, and the remaining half of the loans and grants came from Britain. The Royal Commission was of the view that overseas investments would help in developing local resources, increase knowledge and experience in those territories. In order the objectives of regional co-operation the Royal Commission emphasised the importance of institutional and attitudinal changes as well as firm establishment of administrative machinery.

Already the EAHC legislature had in 1949 enacted the Appropriation of the EA Railways and Harbours Act, the EA Posts & Telecommunications Act, the Makerere College Act providing the institution with a new constitution, and other Acts on fisheries on Lake Victoria and the EA Naval Force. These acts were important because they replaced local legislations and were applicable to the EA-states. However, the EAHC had its successes and weaknesses in its operations. It facilitated the formation and consolidation of common services with expert bodies that became the basis for the East African Common Services Organisation in 1961. The EAHC also directly administered the self-financing and non-self-financing services. It was responsible for the equitable industrial distribution programme under the Distributable Pool Fund.

The EAHC lacked the executive powers to enforce its legislations in the territories. The supreme authority laid in the three East African Governors' Conference led by the

Chairman and assisted by the "Executive" chief, the Administrator. The colonial administration in Uganda and Tanzania resented the location of the Secretariat at Nairobi and the concentration of most of the common services and their headquarters in Kenya. They also resented the Governor of Kenya for self-perpetuating himself as the Chairman of the EAHC instead of having a rotational arrangements. Not only were the administrators and politicians dissatisfied with the disaproportionately higher benefits that Kenya accrued from such a privileged position in the EAHC but also thought that a new arrangement would be of more benefit to all the three states. In 1959 the Tanganyika Federation of Labour (TFL) voted for the EAHC dissolution. In the same year the Governor of Uganda filed a formal complaint against the disadvantaged position Uganda found itself within the EAHC.

In 1960 another commission was set up by the British government to probe into the prospects for the East African co-operation after independence. The Commission which was chaired by Sir Jeremy Raisman came to be known as the Raisman Commission 1960-61. The Commission was set up at the eve of Tanganyika's independence in 1961. In view of such development the EAHC was to be either modified or replaced by a new arrangement to accommodate the dependent and independent states. Raisman Commission noted in its report the shaky background of the EAHC both financially and administratively. It recommended the appointment of a local executive responsible to the local governments. Also urged greater political autonomy within the organisation itself and a more equitable distribution of burdens and benefits among the three states. As a result of Raisman's recommendation on distribution a Distributable Pool Fund was established. The Pool Fund was financed by income taxes from companies and customs and excise revenues collected in East Africa. This was intended to make the organisation self-supporting financially and more strong in its decision making processes. In an attempt to reduce the imbalances among these countries, the Pool Fund would provide 50% of the finance to the common services, and the remaining 50% would be shared. The Raisman Commission recommendations formed the basis for more economic co-operation between Uganda, Kenya and Tanzania.

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EAST AFRICAN COMMON SERVICES ORGANISATION (EACSO)

The Raisman Commission report confirmed the need to continue with the existing common services but with major constitutional changes in the arrangements. This was intended to form the basis for an East African federation since the maintenance of the common market and common services is a major step towards such achievement. The Raisman report was supported by Nyerere when in 1960 he proposed the postponement of Tanganyika's independence in favour of an East African federation. In 1961 delegations from the EAHC, Kenya, Uganda, Tanganyika and Zanzibar met the British authorities in London. At London conference all the participating parties confirmed their intentions to maintain the already existing common services. They proposed constitutional changes to accommodate the political changes that were soon to take place in the region. These changes were intended to strengthen the common services and the institutional arrangements. Uganda, Kenya and Tanganyika wanted these relations to continue because they would form a basis for the EA federation. Uganda and Tanganyika wanted the new arrangements to be based on equitable distribution of benefits and burdens amongst the three states.

In 1961 the EACSO was formed with only a few constitutional changes in the EAHC. Its headquarters were at Nairobi. The supreme organ of the EACSO was the East African Authority at first to be composed of the Prime Minister of Tanganyika and the Governors of Uganda and Kenya. The composition later consisted of the three Presidents. The EA Authority made its decisions on the basis of unanimity and assisted by Ministerial Committees. The five Ministerial Committees consisted of Ministers with similar national responsibilities in communications, finance, commercial and industrial co-ordination, social and research, and labour. This dual responsibilities of the Ministers led to weaknesses in the operations of the EACSO. Much attention was paid to national rather than regional matters. Being members of their national parliaments they could not stand firm on regional issues as this may lead to loss of contact with their constituencies.

The EACSO constitution empowered the Central Legislative Assembly to legislate and amend laws which were under its area of jurisdiction. The areas included the Public Service Commission established by its Act of 1962 to make appointments and disciplinary control of the staff of General Services Fund. It also dealt with disputes of the organisation and any matter which was 'incidental' to the execution, performance or enforcement of any function conferred by this constitution, or by an Act of the Organisation, or any authority, officer or servant of the organisation. This general clause demarcated the areas of responsibility of the EACSO and its staff. However, the composition of the CLA reflected national elements for instance a speaker, ministerial committee members, legal and general secretary and the other elected members.

Since the formation of a common market, common services and administrative structures as a form of functional co-operation. For the advocates of federalism hopes that this would be the basis of East African Federation. The commissions set up by the British government analysed the possibilities of such a federation by examining the political, social, administrative and economic factors. The growth of such a political community would deal with defence, law and order, finance and communications and trade relations. The achievement of separate political independence by the three territories was deemed to lead to a set back in the process of federation. Nyerere who in the early 1960's was an exponent of federation felt that Tanganyika could delay her independence in favour of an East African federation. Nyerere realised that due to the problems of nation building the idea of a federation would dwindle away. Separate political independence would as it were encourage institutional differences like legislatures, civil services, administrations as well as attitudes.

There was need for improving factors that affected communications like language, economic development and communications. The size of each country caused problems of integrating the meagre resources of these territories. The population distribution and the rate of population growth has got direct effect on land, employment, education and other resources. The common citizenship and free movements of populations which federation entails results into serious population problems especially population explosions in the urban and fertile lands. Federation would have entailed changes in transportation, urbanisation, educational structures to cope with the large unit.

By 1963 the three states had gained political independence from Britain. Independence as noted by Nyerere in 1960's meant that national issues would take paramount importance to regional matters as federation. The institutions of the East African Common Services Organisation (EACSO) began to come under pressures of domestic problems of each state. These problems affected the meeting and decisions based on unanimity of the East African Authority. The East African

Authority retained the right of veto on any decision taken by the Central Legislative Assembly. There was another problem of the inability of the members to contribute to the budget of the EACSO. The EACSO had established its bureaucracy but remained weak, nation-oriented and dominated by expatriates. At the beginning of 1963, 97 per cent of the 274 most senior posts in the organisation were still held by expatriates.(14) Since the three countries at independence had the problem of lack of skilled manpower and exploitation of national resources, these became issues of paramount importance.

Trade between the East African states steadily increased especially that of Kenya. The common market framework therefore encouraged those in favour of federation to pursue the idea on the political level. Interterritorial trade had trebled in Kenya and nearly doubled in Uganda and Tanganyika.(15)

TABLE 25

Kenya, Uganda and Tanganyika: Interterrirorial Trade as a Percentage of their Total

	1949	1962
Kenya	7	22
Uganda	12	22
Tanganyika	9	16

Source: J S Nye, Pan Africanism p 143

Trade among the East African states involved products like food, tobacco, beverages, clothings, beddings, petroleum products, textile products, cement and chemical products. Because of more industries based on raw materials and her position on Indian Ocean Kenya had a better hand in trade. Tanzania had the smallest share in this trade.

TABLE 26

Value of Interterritorial Trade by Countries

1960, 1963 and 1966 (in million pounds)

	1960		1963		1966	
	Exports	Imports	Exports	Imports	Exports	Imports
Kenya	13.8	7.0	19.8	9.2	28.9	11.1
Tanzania	2.3	9.2	3.4	12.4	4.6	16.4
Uganda	6.7	6.6	8.2	9.9	10.4	16.4

Source: IMF Surveys of African Economics,Volume 2, p 77

It was believed by the supporters of federalism that such imbalance in trade, insufficient fiscal co-ordination, economic foreign policy orientation, and imbalance in location of industries would be resolved by the formation of a federation. However, there existed large pockets of resistance to an East African federation. In Tanzania the trade unions were totally opposed to the idea of a federation. They argued that services on a national basis would be more responsive to their pressures than the federation. The trade unions even wanted Tanzania to withdraw from the East African common services organisation (EACSO) if the services were not decentralised. But the powers of the labour movements were not strong enough. Later these movements were incorporated into the party ideology. The trade unions also realised that it would be expensive to run the common services on the individual state basis.

Immediately after independence national, party and foreign matters dominated the national governments. Nyerere resigned the post of Prime Minister to reorganise the party and also create a Republic. Uganda was confronted with an unstable party coalition (UPC-KY). Kabaka Yekka (KY) the regional political party was totally opposed to federation. Although Uganda Peoples Congress (UPC) favoured closer relations with Uganda and Tanganyika the idea of federation was not popular in Uganda. The pressure for the quick achievement of independence for Kenya was based on need for the formation of an East African federation. Both Tanganyika and Uganda argued that it would be impossible to form a federation when Kenya was still a colony. As the idea of federation diminished by 1964 one could argue that Tanganyika and Uganda only used federation in order to quicken the process of independence in Kenya.

In June 1963 negotiations for an East African federation began in Arusha in Tanzania. On 5 June 1963 Nyerere, Obote and Kenyatta announced their famous intention to federate by the end of the year and also asked the British government to grant independence to Kenya with no delay. A Working Party was formed at that meeting to draft the constitution of the East African Federation. However after the fourth meeting of the Working Party in Dar es Salaam, Adoko Nekyon (from Uganda) revealed many areas of disagreements. They disagreed on the division of power over foreign affairs, agriculture, the number and powers of legislative chambers, citizenship, the civil service, mineral rights, site of capital and residual powers. The United Nations specialists were invited to help on civil service and fiscal problems.

By 1964 it became clear that Uganda was not willing to enter the federation that was anticipated. Kenya and Tanganyika were willing to form a federation leaving Uganda to enter later. Uganda being the smallest and landlocked state was of the view that her role in the to-be-federation would be undermined. Uganda had substantial problems regarding the delicate UPC/KY alliance as well as a general dislike for a federation. The Working Party framed the constitution on the Tanganyikan model - a strong lower house and a weak upper house. The question of a rotating presidency was even discussed but instead suggested a President chosen by agreement. Because of the position of Kenya in East African affairs as well as age, Kenyatta would have been the likely first President. This would increase the role of Kenya in the federation.

The Central economic planning commission was to deal with the co-ordination of the plans of each state. The powers given to the state were circumvented by those of the federal government. Uganda feared such type federation because her interests would be swallowed by Kenya and Tanganyika. Although after the formation of the OAU in 1963 federation was contrary to Addis Ababa resolutions on African unity it remained a matter for debate.

Events in the mid 1960's proved that federation may not be a workable arrangement in East Africa. In 1964 there were army mutinies in all East African states. These mutinies were only put down by the British forces. The problem of defence which was not handled by the Working Party proved a problem on the national level. Kenya had the strongest army and her geographical position and less political problems would have made her very strong in the federal arrangement. Tanganyika has a strong presidency. Tanganyika's links with states south of East Africa would give her little time to deal with East Africa. Such links would have brought in those states' interests into the federation. In 1965 Uganda the quasi-federal independence constitution of 1962 was overthrown after the Palace coup. The federal system was abolished and the powers of the Central government were centralised leading to a republic constitution in 1967. Already in 1964 Kenya had abolished majimbo (regional) schemes. The introduction of the 1967 Arusha declaration in Tanzania and Sessional Paper No 19 in 1965 in Kenya meant that these countries were moving in different ideological directions. The idea and practicality of an East African Federation faded away.

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THE EAST AFRICAN COMMUNITY

After independence many problems relating to domestic and foreign affairs had to be tackled. The higher prices of imported manufactured goods caused substantial constraints on the balance of payments; the exports markets continued to slacken in addition to the falling prices of the East African products; droughts in Tanzania and Kenya forced them to import more foodstuffs adversely affecting their scarce foreign currencies. This in turn affected their intra-territorial co-operation. For instance the placing of restrictions on imports, labour and capital circulations and delays in the transmission of common services revenues to the various headquarters.

In 1961 Uganda's Ministry of Commerce refused to issue maize export licences and in 1962 Tanganyika and Kenya refused maize imports from Uganda. In the same year Uganda put restrictions on Kenyans working in Uganda and heavily criticised a sugar company that invested in the sugar venture in Kenya. Uganda would lose the sugar market in Kenya but Uganda's criticisms interfered in the free movement of capital in the region. Bilateral interterritorial agreements between these states as well as the activities of marketing boards and government development agencies and parastatals greatly affected the free play of market forces at a regional level. For instance agreements had to be signed between Uganda and Kenya to assure a sugar and wheat markets respectively. Kenya's exports in the common market grew more rapidly than that of Uganda and Tanzania. Uganda and Tanzania complained about such trade relations. Apart from bilateral trade arrangements, Uganda and Tanzania signed a military assistance agreement in 1963.

The Distributable Pool Fund which was established in 1961 at the recommendation of the Raisman Commission as a compensatory arrangement could not effectively balance the distribution of benefits. Uneven distribution was due to the effects of some internal duties imposed by governments in order to increase their own revenues. Also the patterns of trade which favoured Kenya than the rest increased Kenya's revenues. The location of industries and enterprises as well as the shares of the visible exports like accounting and advertising, insurance and stock transactions benefitted Kenya.

As the chances for an East African federation diminished the East African states started negotiations on the form of relations which could further regional co-operation and development. The Treaty for East African co-operation was signed in June 1967 at a Kampala meeting of Heads of State of Uganda, Kenya and Tanzania. The Treaty stipulated the importance of maintaining the already existing arrangements for co-operation as well as establishing new institutions to foster such economic co-operation.

The supreme organ was the Authority consisting of the three Presidents of Kenya, Uganda and Tanzania. It was entrusted with all the powers: overall direction of and the performance of East AFrican Community established under the treaty. The Authority was assisted by the East African Ministers appointed by the Authority with no national responsibilities. The Ministers could act in common agreement or individually on a variety of matters. Five councils were established to carry on the various functions of EAC. The councils were: Common Market; the Communications, the Economic Consultative and Planning; the Finance and Research and Social council. The councils were to ensure an effective link between the Authority and other East African Community institutions. The councils were to ensure the functioning and development of corporation by solving the problems arising from treaty implementation, issuing binding directives and recommendations; establish closer economic and commercial links with other states. The East African Common Market (EACM) is an integral part of EAC was an important development in the intertrade and overseas trade. The common customs and excise tariff which existed was maintained and all restrictions were to be abolished. The common external barrier was maintained. Under the EACM the treaty prohibited bilateral trade agreements which would favour one partner state to the disadvantage of others. However trade agreements could be signed by one partner state with foreign countries as long as such agreements do not cause significant diversion in the East African trade relations.

The treaty also stipulated that goods imported into one member country and subjected to duty in that state would not be liable to any such further customs duty. Full and unrestricted freedom of transit was guaranteed for both imports and exports with foreign countries. If any duties are collected by the importing state on foreign goods transferred to another partner state there would be full or 70% refunds to the consuming partner state. A partner state could levy transfer taxes on manufacturers especially in order to help the economy of the member through revenue collections. Also free movement of goods could be restricted if they infringed on security laws and regulations. These included arms, ammunition, precious stones and elephant tusks. The basis foods of a member state could be under restrictions as well as major export crops. All such restrictions were to be applied after consultations in the EACM. The Partner states were to avoid all discriminatory practices likely to jeopardise the aims of EAC. The common market council was in charge of fulfilling the aims of the EACM. It was hoped that EACM would eventually evolve a common agricultural policy in agriculture and trade in agricultural products. The EACM would deal with co-operation and consultation of agricultural policy and trade arrangements. That new development was influenced by the EEC's CAP.

The Communications Council was in charge of the four corporations by giving general policy directives to the boards of directors of the corporations and to put into effect the directions from the East African Authority. The Council also approved tariff changes and individual capital works. The four corporations took over the functions of EACSO self-contained services. The four were: the East African Airways Corporation (EAA); East African Harbours Corporation (EAH) and the East African Posts and Telecommunications Corporation (EAPT).

The Economic Consultative and Planning Council had a forum for consultation among the partner states in national planning. The Financial Council considered and approved financial affairs decisions like expenditure estimates and loans and investment programmes under the EA Community. The last Council was the Research and Social Council designated to deal with research and social matters in the Community (EAC).

The 1967 agreement also established an East African Legislative Assembly to replace the EACSO Central Legislative Assembly. It consisted of 3 East African ministers and their deputies; 27 appointed members (nine from each state); a chairman of the Assembly (instead of EACSO CLA Speaker); the Secretary General; and a counsel to the Community. The Assembly which operated on the same basis as a national legislature passed bills concerning the community matters. After the consent of the EA Authority the bills became 'Acts' of the Community enforcable in the partner states.

The Treaty for East African co-operation also established legal institutions to cater with the disputes of such co-operation as well as interpreting the worlds of the treaty and its 'Acts'. The Court of Appeal of East Africa, the Common Market Tribunal, the East African Industrial Court as well as the East African Tax Board to review the administration of the East African Income Tax Department and the Customs and Excise Department and to assist taxation planning.

The principal executive officer of the EAC, was the Secretary General. The Counsel, the Auditor-General, the East African Community Service Commission and a Secretariat. The headquarters of the corporation were transferred from Nairobi (Kenya) to Arusha (Tanzania). The self-sustained common services were split and their headquarters divided: The East African Airways Corporation (Nairobi), East African Railways Corporation in Nairobi; the East African Harbours Corporation (Tanzania); East African Development Bank and East African Posts and Telecommunications (Uganda). These corporations were to be self-financing. However, when they wanted loans they negotiated on their own individually. The aim of such distribution of the corporations was to reduce imbalances by contributing equitably to the foreign exchange resources. The corporations were also exempted from stamp duties and income tax. The management boards and staffing of corporations were shared among the Partner states.

The non-self-sustaining common services of the EACSO were inherited and expanded by the EAC. These non-self-contained services dealt with revenue collection; economic and statistical; research and services connected with the EA institutions. These included East African Customs and Excise Department, East African Tax Department, East African Tax Board, East African Statistical Department; research organisations in marine fisheries, freshwater fisheries, agriculture and forestry, veterinary, leprosy, malaria, tropical pesticides, tuberculosis and tryponosomiasis. These organisations were important in tackling the problems of human, animal and plant diseases, pests and vectors which are a danger to the resources of the states.

The finances of the EAC come from the tax collected in the activities of the EA transactions; from the distributable pool fund and the general fund of the EAC; and the contribution of the partner states; and customs and excise duties. The East African Development Bank (EADB) was established to help in investments in the partner states; as well as attracting capital in the East African states. The EADB was aimed at facilitating the dispersion of industries among the three countries. The EADB is concerned with the making of international contacts in order to promote inter-territorial and external trade as well as industrial and agricultural promotion.

The establishment of the East AFrican community in 1967 was not only an important development in the East African co-operation but also it was a step that led to the negotiations leading to the association agreements with the EEC. The dream of the East African federation came to an end with the establishment of the EA Community. The EAC was the framework in which relations among the partner states was conducted. It offered institutions and legal procedures for conducting such relations. The continuation of the existing common services and the establishment of corporations was a major development in the East African co-operation. The East African Community was a legal personality which could enter into agreements or contracts with other countries or firms. The EAC was important in the negotiations with the EEC. This is because EEC favoured association of a group of nations that shared common institutional arrangements as well as economic, social and even administrative infra-structure.

The East African states as partner states of the East African community wanted to improve their external trade as well as the prospects of foreign investments. Therefore the negotiations of 1968 and 1969 that led to the association of agreements with the EEC were important in such direction. This part of the chapter examined the implications of a common market in the ACP states of East AFrica. We examined the factors that historically determined the development of a common market in East AFrica up to the formation of the East

African community in 1967. The East African Community played an important role in initiating, negotiating and the signing of the Arusha conventions. The East African common market aimed at facilitating closer economic and commercial links between the partner states as well as with other states. The Financial Council was established to help in co-ordinating joint investment ventures as well as making researches and feasibility studies in various fields. It also helped in making financial contacts within the partner states and co-ordinating financial affairs of the partner states. The EADB was specifically established to help in reducing industrial and financial imbalances among these states. In addition the EADB was to attract foreign investments and assets in the East African Community. In part one we examined the economies of East African states and in part two we examined the process of regional integration.

This part therefore helps us to examine the factors that were behind the discussions for and against the association arrangements. It also helps to examine the form of negotiations and the sort of association arrangements signed at Arusha in 1968. The following part 3 deals with the processes that led to the Arusha conventions of 1968.

PART 3

THE ARUSHA CONVENTIONS

PART 3: THE AURSHA CONVENTIONS

The Arusha Conventions of 1968 and 1969 between the European Community and the East African states were a milestone in the association arrangements of the Community. This part of chapter three examines the factors that favoured the Arusha advanced arrangements at that particular time. It also examines the arguments advanced by the East African states against association with the EEC before 1968. Then it analyses the implications of such arrangements for the East African states within the East African Common market and the East African Community.

The Treaty of Rome that established the European Economic community was a concrete move towards the closer union among the peoples of Europe. With such development the Community needed to establish mechanisms for her external relations. In chapter two we examined such a move towards external relations with the other former colonies of the Member states. We later in the same chapter examined the EEC external relations with the African, Caribbean and Pacific states. This part of chapter three examines the EEC's relations with the East African states. These relations existed before the EEC-ACP relations of 1975.

The Treaty of Rome establishes a common external tariff and methods of harmonising the economic policies of the member states. Aware of such new development and its effects on the relations with other countries, especially the developing countries, the Treaty makes provisions for these relations. As noted in chapter two, the relationship between the EEC and the developing countries is provided for in the Preamble and Part IV of the Treaty of Rome. But such provisions specifically dealt with colonies of the Six member states. They dealt with association in terms of territories under the French, Belgian, Italian and Dutch authorities. There were therefore no such direct relations between the Member states of the EEC and the East African states, as these were British possessions and Britain was not a member state of the Community. The association between the colonies of Member States and the EEC was the same as that offered among the Member States in terms of trade, investments and the movements of capital, labour and firms. In addition the association provided channels for financial assistance to the colonies. Given the establishment of the EEC common external tariff as well as the duty free entry of goods of the associated states, the trading relations of the EEC - East Africa would be affected. This is because some products that the associated states exported to the EEC were similar to those of the East African states, for example coffee.

Important political developments took place between Africa and Europe in the early years of the 1960's. By 1963 all the colonies under the association with the EEC as well as the East African states became politically independent. This meant that a new arrangement, taking account of their independence had to be negotiated. Meanwhile the East African states being politically independent had to form new relations in terms of trade and commerce, financial and technical assistance, and co-operation. They had to make their own domestic and foreign policies which were formerly done by their former colonial master, Britain.

Meanwhile negotiations began between the associated states and the EEC leading to the 1963 Yaounde Convention. This Convention emphasised the existing relations in trade, investments and assistance as well as the new development of institutions. In the same year the EEC Council of Ministers adopted a Declaration of Intent at its April meeting. This Declaration of Intent offered alternative opportunities by which the Commonwealth developing countries could seek association arrangements with the Community. Three options were offered - they could participate in the convention of association of the Yaounde-type or even accede to it; or negotiate association agreements according to Article 238 of Rome Treaty that allows agreements with the third countries, union of states or international organisation; or conclude trade agreements with the view to facilitating the development of trading relations between the EEC and the other country (or countries).

The EEC Declaration of Intent (1963) was intended to bring the Commonwealth African countries into some form of arrangement as soon as possible. This declaration took into account the possibility of British entry into the Community. The EEC was eager for the African Commonwealth countries to come under the Yaounde-type association. This was because the EEC could develop a more global policy of association with the developing countries. By the time Britain entered it was argued that already arrangements with her former African colonies would be in operations. But this was not so. Although the French favoured such arrangements they did not want to weaken this relation between the EEC and the Association of African states and Madagascar (AASM) signatories to the Yaounde convention. Fourteen of the eighteen AASM were former French colonies.

The EEC-AASM relations would continue to offer advantages of a distinctive character than these available to other countries in the fields of trade, financial and technical co-operation as well as joint institutional arrangements. The EEC felt that such Yaounde-type arrangements with other countries in Africa would not only safeguard their aims under Part IV provisions but also the French interests in her former colonies would remain paramount. Already in 1963 the Yaounde states had established permanent representatives at the EEC headquarters at Brussels. These representatives played the role of co-ordinating and carrying out day-to-day activities arising from AASM-EEC relations.

The idea of association in general and a Yaounde type of association in particular was discussed among the East African states in the early 1960's but did not gain support. The rejection of the idea of association to the EEC during that period stemmed more from ideological than economic considerations. The East African politicians considered that association with the EEC would destroy the ultimate goal of achieving African unity. African unity as they conceived it under the Charter of the OAU, would bring all the African states together in relations with the rest of the world especially Europe. The association fostered the differences between the Francophone and Anglophone states of Africa.

Milton Obote, the Prime Minister of Uganda, saw association as a new form of European control. He said

> The principal driving force that motivated our ex-colonisers in their colonial adventure was economic and political power ..... The predominant consideration in their present attempt to maintain their influence in Africa is still the same. (16)

Obote saw such association arrangements with the Community as a direct means of making East Africa an appendage of Europe. This would make their political independence more of a sham than ever before. The same view was held by other Commonwealth African leaders outside East Africa. For instance Nkrumah, of Ghana, called the European Community

> a new system of collective colonisation which will be stronger and more dangerous than the old evils we are striving to liquidate ..... a colonialist plot to irrevocably bind the African economy to that of West Europe ..... to determine and control the pace of Africa's economic development ..... the Common Market was a response to the decline of the imperial powers of Europe, the association was an attempt to re-establish some of those imperial relationships and by linking unequal economies the Europeans would keep the Africans in a dependent status. (17)

In even stronger terms Mwai Kibaki (Kenya) member of the Central Legislative Assembly of EACSO told the members that

> the concept of Eurafrique as it has been called was viewed from objectives which had nothing to do with what should be the objectives of development in Africa. They (sic) originated from people who had other objectives. (18)

The association was an idea initiated by the EEC with foreign interests it was therefore unsuitable to the East African need of economic development and nation-building.

Therefore association in the eyes of these critics would increase than reduce the gap between the rich North and poor South since it groups the poor countries together vis-a-vis the rich countries on an unequal basis. Under such arrangements the poor associated states would remain producers and suppliers of raw materials for the Western industries, markets for the Western manufactured products and grounds for Western investments and exploitation. This woud hinder the process of diversification of their economies as well as the industrial development. It would also discourage local initiatives in investments.

For example, under the Yaounde arrangements it would be difficult to diversify their economies, since diversification would lead to the associates producing goods which would inevitably compete with the EEC products. Yaounde agreement had explicit as well as implicit legal limitations on the part of the Yaounde states which would make them lose the advantages entailed in the convention. Although the goods of the associated states were to enter the EEC market duty free, the principle of reciprocity limited that advantage. There were limitations on the quantity and the number of products that entered the EEC market. In addition there were matters connected with the quality and health regulations that limited the entry of the said duty free products. Taking into account the number of countries involved in the Yaounde and their needs of economic development and nation building, the financial asssistance under the arrangements was not sufficient at all.

The East African states, just like other African states saw problems arising from nation-building directly connnected with the colonial period. For instance, the methods to be applied in meeting the high hopes of their peoples; tools to be used in improving their standards of living; the need to reframe the inherited political, educational and economic structures and attitudes. The domestic problems arising from the various groups of the peoples that form their new nations.

The East African states depended (still depend) on agriculture. Their exports were one or two commodities. Their international or external relations were one sided towards their former master. This means that much of the trade and commercial transactions were with Britain and all the financial and technical assistance come from the same. The East African states wanted to diversify their trading and aid arrangements with the rest of the world especially the developed countries. The East African states wanted any external arrangements to be based on the principle of equality of the participating states. They believed that Yaounde arrangements were manipulated by the colonial powers in the EEC especially France. The East African states however sought preferences for their exports to the EEC in order to maintain and improve their trade with the Community. A sort of special trade arrangements with the EEC would put the East African products in a more fair position in light of the privileges under the Yaounde association.

Other factors that changed the attitudes of the East African states towards association included the Yaounde association of 1963 was to be the basis for a "permanent" EEC-AASM relations. The new convention was to be negotiated 18 months before that of 1963 expired. The AASM had permanent representatives at the EEC headquarters. The 1963 Declaration of Intent by the Council of Ministers gave the Commonwealth developing countries the open opportunity to come into association with the EEC. In addition other developing countries could accede to the Yaounde, for example Mauritius became the nineteenth country of the AASM.(19) This meant that the association arrangements were not limited to the French-speaking Africa but could include the rest of Africa. The East African states wanted to pick up the opportunity as soon as possible.

Britain's application for entry to the EEC as early as 1961 was another factor that encouraged the East African states to re-think the form of arrangements they could have with the EEC. Much of the East African overseas trade was with Britain and the Commonwealth and therefore entry of Britain to the EEC would not only change the British-East African trade relations but also other arrangements under the Commonwealth. The exports and imports between Uganda and Kenya, and Commonwealth and Britain were between 45-50% (see Table 27). But since de Gaulle vetoed the British entry in 1963 the East African states still felt that the British/Commonwealth trade would be affected by accession to Yaounde. However, they considered negotiations with the EEC for an arrangement which would not disrupt the British/Commonwealth-East African trade.

TABLE 27

Uganda, Kenya: Imports and Exports in 1960

	in £m	Britain	Commonwealth	other Countries	Unallocated
UGANDA	Imports 26	34	11	47	8
	Exports 42	15	30	55	
KENYA	Imports 7	34.1	14.9	46.6	0.4
	Exports 35.2	25.1	19.7	54.6	0.6

Source: The Colonical Office List 1962, Centenary Year HMSO, 1962. The figures and percentages do exclude the trade between the three East African states.

In 1963 an exploratory delegation from East Africa visited Brussles to gain information on the possibilities of concluding an agreement of the task of investigating the forms of arrangements especially a "trade association". This meant that a special trading agreement was more preferred to the Yaounde-type association. The delegation had exploratory discussions with the EEC officials. In the same year a formal request for negotiations was made. This was a major change in the policy of the East African states towards association. Then further developments reinforced the process of negotiation in 1965. Several factors explain the changes in attitudes of these countries towards association. We have discussed some of the factors in the first half of this part in general terms. These involved the changes in the EEC-AASM relations; the EEC global policy towards developing countries especially the African states; and the political and economic changes in East African states.

By the mid-1960's the idea of an East African federation had dwindled. This idea preoccupied the East African leaders during the period before and after independence. The national parliaments, central legislative Assembly of EACSO, statesmen and pressure groups discussed the possibilities of forming a federation. But as we examined earlier in this Chapter the idea was overtaken by issues of economic development, nation-building, OAU and other international events. Among such international issues was the association arrangement with the EEC in light of the British application to the EEC. By the time the Arusha negotiations were commenced the idea of a federation had totally died out.

The Central Legislative Assembly of the EACSO started debating the possibilities of an association with the EEC. The Yaounde-type association was not a possible alternative. Since the Youande was seen as a French approach towards her former colonies which belonged to the Franc Zone. The East African states wanted an arrangement which would take into account the fact that they were former British possessions and belonged to the Sterling zone. The East African states wanted an arrangement that would cater for their independence status negotiated on the basis of legal equality. They wanted the arrangement which would liberalise import trade whereas the Yaounde System was controlled by resident French experts who decided restrictions on imports from the European Community. The Yaounde association would favour the Francophone than Anglophone states.

Another major factor in the change of attitude in East Africa was the establishment of the East African Community. While the Treaty for East African Co-operation did not explicitly contain any article empowering the East African Community to enter into agreements with other international organisations, the Community had the status of a legal personality. This meant that the EA Community could legally negotiate agreements with other nations. Already the EACSO had begun debating the association to the EEC. The EA Community which succeeded the EACSO took over that motion and initiated means of megotiating such arrangements. The EA Community which dealt with trade, common services and administration was an important development towards association as it acted as an umbrella for the "East African Unity" during the negotiations and also the Arusha regime 1968-1975. The institutional arrangements and common services helped them to reach consensus over matters concerning trade, financial and technical assistance and other related matters with the EEC.

Also the changes in the foreign policy of Tanzania contributed to the need for association. The good relations between Britain and Tanzania came to a halt in November 1965 after the UDI in Rhodesia (Zimbabwe). All relations including trading and financial assistance broke down between these countries. Tanzania started seeking trading links and sources of aid from China, the Eastern Europe and Scandinavian states. Tanzania, just like her partners increase their trade with the EEC. It became important to them to have an arrangement which would maintain and improve their trade with the EEC. These countries followed a non-aligned policy line and felt that this could be maintained in a multi-lateral arrangement with EEC than with separate states. Already West Germany which is a member of the EEC had withdrawn all assistance to Tanzania. This was due to Tanzania's decision to recognise East Germany. The multilateral arrangements were seen to have weak political stings in comparison with those of bilateral agreements. A stable and non-political arrangement with the EEC could help in achieving their objectives of non-alignment and political independence.

Another factor was the signing of the Lagos Accord between Nigeria and the EEC. In 1964 Nigeria started negotiations for association, eventually an agreement was signed in 1966. This convention was never implemented and ran out in May 1969. This was not ratified because of the Biafran war in Nigeria and the French support for the cessionists under Ojukwu. It is true this accord did not come into force but it was a major development in the EEC-

African Commonwealth countries. Nigeria is a member of the Commonwealth and such accord meant that EEC were embarking on a process of association with non-French-speaking African states. Such arrangements with other African Commonwealth countries would jeopardise EEC-East Africa trade. This change of attitudes of a West African state was important to the East African states.

The Lagos accord was also important to the East African states because it was rather different from the Yaounde agreement. The Lagos accord it not contain the financial assistance under the EDF and the elaborate institutional arrangements of the Yaounde. The accord only had provisions for association council and regular meetings among the signatories. This meant that the East African states could negotiate such Lagos-type agreement that dealt specifically with trade. The EEC-East African association arrangements would then avoid the financial arrangements. They were of the view that the amount of assistance under the Fund was too little in comparison to the number of AASM states that effective contribution to economic development was very minimal. The system was too complicated and too slow.

The Lagos-type association was preferred by the East African states because it avoided the institutional arrangements under the Yaounde convention. The Yaounde institutions were nearly duplications of the EEC institutions.

The East African states were very sceptical about such institutions. They felt that such arrangements only continued to tie the Yaounde as though they were still colonies. In view of their need to maintain political independence and strive for economic independence and their foreign policy line of non-alignment the East African states saw the Lagos accord as the better of the two: Lagos and Yaounde.

The Lagos accord was a major development in Afro-EEC relations and that the East African states had to take this seriously. Nigeria, as a founder member of the OAU was a strong advocate for an African Common Market and regional common markets. The OAU aims at African unity, association arrangements would only enthrone and institutionalise other forms of control perpetuating economic dependence. But Nigeria which is the richest and most powerful of African 'Bloc' states went ahead and signed the Lagos accord. This was seen by the partner states as a threat to their trade with the EEC. Therefore the Lagos accord played a major role in the East African leadership towards association.

The East African states depend on agriculture and the related forms of economic activities including livestock, fishery and forestry. These activites account for a big percentage of national income. Such percentage is even higher when related activities as processing and transport connected with agricultural industries are taken into account. These states had already developed markets with the individual EEC member states but wanted a special trade arrangement to ensure stable market in the context of the Community. There existed the issue of British entry into the EEC. Britain was the major trading partner of the East African states. Her entry would affect the trading and other relations between Britain/Commonwealth and the East African states. They had trading and financial and technical arrangements though the Commonwealth and British Ministry of Overseas and Commonwealth Affairs. These were enjoyed by the EA states but could not be compatible with the EEC common external tariff, the CAP and the common market. For instance, the Commonwealth Sugar Agreement (CSA) and agreements on beef and veal and banana. In changing their attitude they responded to this change of approach to the EEC by Britain in 1961 and 1967. They wanted to safeguard their position from the impact of British entry to the EEC by negotiating some form of association.(20)

Also trade between the European Community and the East African Community partners was steadily increasing during that period. Kenya's exports to the Commonwealth represented the bulk of her export trade but Britain and the EEC was (and still is) very important. Tanzania relied on Britain but trade with the EEC was steadily increasing. For Uganda the EEC was as important as the Commonwealth and Britain.

But the urge for association with the EEC was less strong in Uganda than in Kenya, because Uganda's share in the coffee trade with the community was steadily at a decline. It declined to 54000 cwt in 1964 from 302000 cwt in 1955. There was a significant increase in coffee exports to the United States from 473000 cwt in 1955 to 1412000 cwt in 1964. By 1964 the enalrgement of the EEC meant that only 37% of Kenya's goods would enter EC market duty free while 73% and 53% for Tanzania and Uganda respectively. Kenya would then face EC tariff of up to 10% while Uganda and Tanzania faced only 5%. At least three-quarters of Kenya's coffee was being sold to the EEC while only half of Tanzania's entered the EEC. The association therefore would help in stabilising and improving that market by providing clear and better terms of trade, especially the entry of the East African products.

The table below - 28 - shows that during that period 1960-1964 there was a steady growth in trade between the EEC and East African states. The trade with Britain and the Commonwealth had non-reciprocal preferential treatment to East African products. This ensured a stable and ready market for their goods. Although the enlargement of the EEC would automatically increase the volume of trade with East Africa (Britian being a major trading partner of the three) association arrangements based on the principle of reciprocity was not favoured.

TABLE 28

Exports of East African Commonwealth Countries 1960-1964

	in £ million				
	1960	1961	1962	1963	1964
KENYA: Total	52	56	60	80	77
of which:					
Britain	10	9	12	12	11
East Africa	14	16	18	20	27
Commonwealth	30	32	35	40	47
European Economic Community	11	9	11	12	12
UGANDA: Total	49	48	48	62	76
of which:					
Britain	7	6	8	10	8
East Africa	7	7	7	8	9
Commonwealth	25	23	22	26	28
European Economic Community	9	9	5	8	11
TANGANYIKA (Tanzania): Total	62	56	58	71	80
of which:					
Britain	16	17	18	20	21
East Africa					
Commonwealth	32	30	34	35	43
European Economic Community	11	11	11	14	16

Source: Commonwealth Economic Committee: Commonwealth Trade 1964, London HMSO, 1965

Finally, events in the political arena of Uganda, Kenya and Tanzania favoured co-operation not only among themselves but also with other countries of the world. In Uganda the 1962 quasi-federal constitution had been overthrown and with it went all the traditional feudal systems. The feudal systems as we saw earlier in this chapter were not only an obstacle to federation but also regional co-operation. In 1967 a new Republic Constitution (the so-called "pigeon-hole" constitution) came into force with highly centralised powers around the President. In the same year the Treaty for East African Co-operation was signed at Kampala. The Treaty established the EA Community which played a very important part in the negotiations and signing of the Arusha conventions.

In Tanzania the ruling party introduced the Arusha Declaration in 1967. The Declaration outlined the domestic and foreign policies of Tanzania. For instance, it reaffirmed the need for self reliance; non-alignment; co-operation with the other East African states, and also with the rest of the world, and above all African socialism. The President of Tanzania was also the Chairman of the only ruling party TANU (Tanganyika Africa Nation Union) and therefore had a strong grip on the country's policies. In case of Kenya, the Majimbo (regional) constitution of 1963 which was based on power sharing between the regions and the centre had been by 1964 drastically amended. In 1964 a republic constitution was introduced in Kenya. The constitution centralised power and the government and KANU (Kenya African National Union) party started destroying the opposition parties. In 1965 the national parliament passed an important document which was to guide Kenya's economic and political development. The document is known as sessional Paper No 10 of 1963/65: African socialism and its Application to Planning in Kenya. The paper encourages free and public enterprises and the building the nation on capitalist lines. Such events were important in national as well as international relations. Co-operation with developed countries became very important on the agenda of the East African Community and even the member states on national levels. Those factors discussed came to bear on what type of negotiations and the resulting agreement of 1968.

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There were three rounds of negotiations. The first round began in 1965, and collapsed because of the disagreements on the questions of coffee quotas and the nation of reciprocity. The EA states wanted the coffee quotas increased so that their coffee market would be more secure and stable. But the EEC were very reluctant to increase these quotas because many states of AASM were also coffee producers and exporters. The AASM were to have more favourable conditions for their exports than other associates. On the notion of reciprocity the East African states wanted the principle removed. But since the removal of this principle would mean that trading relations with the East African states would have more favourable treatment than under the Yaounde arrangements it was rejected by the EEC.

The second round started in November 1966 and still was dominated by quotas and reciprocity. On the tariff arrangements, the East African delegation had a one-column non-discriminatory tariff. However, the EEC demanded a two-column tariff: one for tariff margins of the EEC goods; and the other for products from other countries in the East African states. Therefore goods from EEC would receive a more favoured treatment than those of other countries. Although a deadlock developed the EEC could not change its position so East Africa had to yield to it. This is very common in the Lome regime (chapter two part 3).

The EC Commission prepared the report on negotiations in both rounds which was presented to and considered by the EC Council of Ministers in October 1967. Early 1968 the Council mandated the Commission to resume negotiations with East Africa. This final round was based on a two-column tariff arrangement. These negotiations resulted in the signing of agreements in Arusha in July 1968 the headquarters of the EA Community. This was a symbolic recognition of the important role played by the East African Community in both interterritorial and international matters.

The Arusha conventions stipulated the need to develop friendly economic relations, especially in trade and intra-African and international economic relations. It also emphasised the importance of the East African Community in fulfilling the objectives of the conventions. The convention did not come into force because of the short duration. It was to run parallel to the Yaounde I which expired on 31 May 1969. The period involved in the negotiations was quite long involving controversial issues and that there was little time left for ratifications by all member states of the EEC. It was only ratified by the Partner states as well as Belgium and Netherlands. France, West Germany, Italy and Luxembourg had not ratified it.

This convention was to be a cornerstone to the revised Arusha convention of 1969. This ran parallel to the second Yaounde up to 1975. It was in the interest of the EEC to have all association conventions run parallel to the Yaounde because it could manage to co-ordinate its policy toward these associated states. The Yaounde convention was the basis for any future arrangements with the developing countries of Africa.

The second Arusha convention was identical to the unratified version of Arusha I. It contained provisions on trade and right of establishments. In principle the treaty provided for a free trade area. The products originating in the Partner states of the East African Community were to enter EEC markets duty free or at least with charges having equivalent effect. However technically the treaty included entry charges, with full tariffs applicable to non-EEC states and tariff concessions for EEC products. These products included dairy products, drinks, vehicles and spare parts amounted to around 60 different products. The list of products by the EEC contained 220 items, but the East African states offered 29, 60 products was a compromise. The compromise in selection was reached in order not to disadvantage products from other countries into the East African Common Market.

While EEC goods were to enter the EACM duty free under the list of selected products, there were restrictions on agricultural products entering the EEC. These products which belong to CAP had to carry a levy or a tax when imported into the EEC. It seemed as if the provisions in the conventions were contradicted by the real practice. The treaty stipulates that East African goods were to be treated more favourably than those from non-associated states which faced customs duties. But such restrictions limits the volume of exports from the East African states. The East African states were given a special right to introduce quantitative restrictions in respect to the EEC goods. Such measures were aimed at meeting their development needs, industrialisation requirements, in difficulties in their balance of payments and in the development of the East African Common Market. However, these measures were not to discriminate between EEC members or even lead to a ban on EEC exports to East Africa.

The Treaty allows the establishment of customs unions or free trade areas between the Partner States and any other country. Also provisions in case of disturbances in the East Africa's economies were included in the convention.

Emergency protective measures could be introduced in cases of difficulties that may jeopardise their external stability and in conditions that greatly affect their economic situation in the region.(21)

The treaty of association contains protocols which gave benefits to some of the East African major exports. Coffee, cloves, pineapples, cassava, pyrethrum and certain vegetables were to enter the EEC duty free. In addition quotas were set up for the unroasted coffee (5600 tons), cloves (5600 tons) and pineapple preserves (860 tons) per year.(22)

The treaty provided for rights of establishment and services which were similar to those under the Yaounde. There was to be no discrimination between nationals and companies of EEC members in East Africa. But already this principle was in practice in East Africa. The movements of capital and goods into and from the signatory to the Arusha was reaffirmed.

In the Arusha conventions there were not elaborate institutional arrangements as those under the Yaounde. The only arrangement was the Association council. This was composed of members of the EC Council, of the Commission and the governments of the Partner states of the East African Community. The agreement does not stipulate the number of members to be on the Association Council. The Council was empowered to deal with disputes involved in the implementation of the Arusha convention. It also dealt with the interpretation of the Conventions. During the period between 1971 and 1973 the Association Council dealt with more technical issues in the Convention than promotion of trade. Meetings of the Association Councils dealt with matters including rules of origins of products, quantitative restrictions on imports into the EEC. In 1971 a Customs Co-operation Committee was established under Article 31 of Decision No 1/71.(23) The Committee was entrusted with the responsibility of bringing the two sides to exchange information on quantitative restrictions imposed both in the Partner States and the Member States. The Committee emphasised the need for consultations before such restrictions were applied. For example, Protocol No 2 fixed 860 tonnes of pineapples as a yearly quota. But in 1971 the Community imposed protective measures in pineapples when tonnage reached 1680. These mesaures were taken before consulting the East African states.(24) An appeal by the East African states for a more liberal attitude to ceiling by the EEC was another area of the weak bargaining power of the East African states.

In terms of trade, some arrangements were improved through regulations by the EEC Commission regarding certain vegetables, fruits, beef and veal, cereals and rice, raw tobacco, maize and wheat and rye flour. Some of these products were exempted from taxes while others had their levies reduced.(25) Tables 29 and 30 below show the trend of trade between the East

African states and the EEC. The tables saw that trade increased between the EEC and East African states. Imports by the Partner States have increased more slowly than their exports. This was also a result of the low production of some products for example cotton. Cotton production in Uganda was at a decline during this period. Products like cotton and sisal faced strong competition from artificial products and this reduced their competitive power for better prices on the world market. Exports and imports between Kenya and the EEC grew steadily in value terms from 1968 up to the Lome Convention in 1975. The European Community had become a major market for Kenya's goods. The EEC was the most important customer of Kenya's coffee and tea by 1976. 64% of Kenya's coffee and 59% of her tea, 15% of her residual fuel oils were sold to the Community.(26)

In the case of Tanzania the volume of goods imported into the country increased by 22% in 1974. This was because of the increase in oil imports, effects of the prolonged drought in 1973 and 1974. This resulted into reduced domestic yeilds which entailed increased imports of foodstuffs. Between 1972 and 1976 the volume of exports dropped by about 34% due to the shortfalls in the productions of most of the important crops resulting from both the weather conditions and the institutional changes in the agricultural sector. However the main market was the EEC taking a 45% share of her exports.(27)

TABLE 29

Tables 29 and 30 show the East African Imports and Exports with the EEC between 1968 and 1972

IMPORTS $ 1000

	1968	1969	1970	1971	1972
KENYA	66150	67993	80222	105705	111986
UGANDA	29670	27031	25388	44267	23296
TANZANIA	52293	44405	65459	68376	84844

TABLE 30

EXPORTS

	1968	1969	1970	1971	1972
KENYA	32414	36103	37226	36197	51678
UGANDA	17309	14476	18813	30533	46816
TANZANIA	30404	29271	33497	27858	39314

Source: Eurostat: ACP: A Yearbook of Foreign Trade Statistics
Statistical Abstracts: 1968-73, (1975) pp 48-49

In case of Uganda, the Community was the major supplier of products and by 1965 the EEC controlled 65% of Ugandan market. The main exports to the EEC included coffee, cotton, tea and copper. It is also important to note that by the beginning of 1971 relations between the Partner states started deteriorating. This was a result of the 1971 military coup in Uganda. Tanzania refused to recognise the military administration in Uganda. The immediate effect was that the East African Authority, the Supreme organ of the East African Community ceased to meet. Although the common services continue trade arrangements between the Partners declined. Since the Arusha conventions were negotiated and signed by the East African states as independent states the relations between the East African states did not affect their relations with the EEC. Financial and technical assistance which would have involved joint ventures and concrete government recommendations were not provided for in the Arusha arrangements.

It can be argued that without the Arusha arrangements trade would have increased at the same pace because even before the convention came into force trade was developing. Also trade between the EEC and the rest of the world was increasing even more rapidly than with the East African states. There is no evidence to suggest that Arusha conventions increased this rate of the development of trade during this period. The Association Council which was the instrument for implementing the Aursha was only involved in the legal technicality of the convention. For example defining terms like "originating nation", "nationals", "companies". Virtually all the powers lay in the Commission which passed regulations to modify the terms of trade. The East African states were in no way involved in such developments as they were not consulted. The Arusha convention was overshadowed by the Yaounde, as well as the events leading to the enlargement of the EEC. The enlargement of the EEC started a process of changes in the internal structure and mechanisms of the Community. In addition a new approach was sought in dealing with the developing countries, especially the Commonwealth developing countries. The political and economic changes that took place between 1970 and 1975 in East Africa and the world overshadowed the conventions. The military coup in Uganda in 1971 coupled with the decline in political and diplomatic relations between Tanzania and Uganda, the closure of Kenya-Tanzania border by Tanzania; the breakdown in the economy as a result of the expulsion of the Asians from Uganda in 1972; the effects of the oil crisis in 1973/74, all these matters needed more attention than the Arusha convention. It is not because negotiations which started in 1973 for a new arrangement between the EEC and the African, Caribbean and Pacific states reduced the life span of the Arusha convention but it was a convention not desirable at that time.

The final part of this chapter will attempt to put the East African states into the ACP-EEC relations. It is a summary of the chapter on the relations between the EEC and the East Africa states. It will examine the role played by the EEC in various ventures and factors that determine such participation. In a word, how domestic policy influences the performance of the international organisations in East Africa.

PART 4

THE EAST AFRICAN STATES UNDER THE LOME REGIME (SUMMARY)

We have already examined in this chapter the East African economies, East African co-operation and the Arusha Conventions and finally we shall in this part examine the relationship between East African states and EEC in practice. We shall also examine the factors that affect the practical application of the Lome arrangements in East Africa. This is the summary of the East Africa - EEC relations under the ACP-EEC arrangements.

By the time the Lome Convention was negotiated the relations between the East African States were steadily deteriorating. In 1971 there was a military coup in Uganda but Tanzania refused to recognise the military regime. This meant that the three Heads of Government of Uganda, Kenya and Tanzania could not meet as the East African Authority. The East African Authority was the supreme organ of the East African Community. Since the three leaders could not meet as the Authority then the decision making process were rendered impossible. Although the East African Community continued up to 1976 the major decisions remained unconfirmed. The common services and the Secretariat at Arusha continued but under great financial and administrative constraints.

The military coup in Uganda (1971) coincided with deteriorating relations between Tanzania and Kenya which resulted in the border closure between them. The border closure had an adverse effect on the joint activities under the East African Community as well as the national matters. Tourism, transport and taxes, movement of capital and populations were affected. As the relations between Tanzania and Uganda as well as Uganda and Tanzania trade and common services were affected. This led to the poor trading relations, and unwillingness on the part states to contribute to the East African Community which weakened the operations of the Secretariat and the administration of common services. By the time of the negotiations for the Lome regime the relations that existed during the Arusha negotiations had virtually disappeared.

In Uganda the military regime had made a decision which inevitably led to poor relations between Uganda and the other East African states as well as the whole world. In 1972 the Uganda government decided to dismiss the Asian community from Uganda. The relations between Tanzania and Kenya on one hand and Uganda on the other deteriorated even further. Kenya's market was disrupted by such actions. Nyerere of Tanzania called the act racist and inhumane. The relations between Uganda and the West, especially United Kingdom declined. All the financial and technical assistance from UK to Uganda were cut off as well as diplomatic relations. The regime in Uganda later expelled all the citizens of Britain and United States. All such moves affected not only the diplomatic relations as well as the trade, financial and technical relations between Uganda and the rest of the world.

The result of such decisions led to deteriorating economic conditions in Uganda. The government failed to fill the gap left behind by the Asians in commercial and business activities. The parastatals and corporations formed to deal with problems arising from the Asian expulsion were unable to cope with this new situation. This was due to inexperience and shortage of finance which inevitably led to mismanagement and corruption. As the economic conditions worsened in Uganda the East African Community activities deteriorated and the trading links broke down. Furthermore, the military regime in Uganda embarked on mass brutal murders. As a result of insecurity and lawlessness accompanied by murders and loss of property led to the decline in the economic productivity and political instability. As the western world was alarmed by such development in Uganda the investment flows and aid declined. They condemned the inhumane activities and insecurity that threatened the lives and property of the people of Uganda. During the negotiations that led to the Lome conventions in 1973 Ugandan military government was once again exposed. The EEC-ACP states wanted to include the condemnation of all those countries that violated the human rights. Only one year after the signing of the Lome convention in 1976 the East African Community collapsed.

The Lome conventions stipulate trade, financial and technical assistance, stabex and sysmin, rural and agricultural, social and cultural, institutional arrangements between the ACP and EEC.[16] Trade under Lome was based on duty free entry of ACP goods into the EEC with some restrictions and taxes on other goods. In general trade between the East African states and the EEC increased drastically by the 1980's. However in the case of Uganda although trade increased with the EEC the production of export products greatly declined as a result of the increased insecurity and instability. The table below shows the decline in the volume of production of the main export crops leading to low export trade in real terms. Trade between Uganda and EEC was affected by the decline in production.

TABLE 31

Crop Production between 1970 and 1980 in Uganda (in tonnes)

Crop	1970	1980
Coffee	201 000	110 000
Cotton	86 000	3 000
Sugar	144 000	3 000
Tea	18 000	1 000
Tobacco	5 000	500

Source: The Courier No 78 March-April 1983, p 12

In contrast with Uganda the volume of trade between Kenya and the EEC increased after the signing of the Lome I in 1973. By 1977 Kenya was the 5th largest exporter to the EEC and the 6th largest importer from the EEC among the ACP states.

TABLE 32

Kenya's Trade with the EEC 1973-1977 (in '000 ECUS)

	1973	1975	1977
Imports	159 051	177 641	520 471
Exports	222 500	273 305	447 700

Source: The Courier No 53, Jan-Feb 1979, yellow pages VII

"The EEC is Kenya's most important trading partner both as chief client and as a supplier. In 1978 the Community took 43% of Kenya's imports. Kenya's main markets within the EEC is the United Kingdom followed by W Germany. Coffee, tea and refined petroleum products are Kenya's main exports, ..."(28) The terms of trade between the EEC and Kenya were improved for Kenya during the Lome regime. This has strengthened the position of Kenya's foreign exchange earnings and balance of payments. Factors that have contributed to this development are the stability of the political atmosphere in Kenya, liberalise trade policies and increased production expecially in the petroleum products.

Although before the 1968/1969 Arusha conventions there were no special relationship between Tanzania and the Six EEC states there existed some substantial trade flow between them. In 1960's around 15% of Tanzania's exports went to the EEC and 25% of its imports came from the EEC. By that period UK (which was not then an EEC member state) was the largest trading partner of Tanzania. The Arusha arrangements were a limited agreement which did not involve aid provided some special trading rights which included formal quota for some exports like coffee, beef and veal.

Major development in the Tanzania-EEC came in 1975 after the entry of Britain and the signing of the Lome I in 1975. Under Lome I (1975-1980) as a result of the duty free access of Tanzania's export products, the EEC became the largest trading partner. By 1980/81 the EEC bought about 45% of its exports and supplied up to 42% of Tanzania's imports. Like Kenya, Tanzania's most important trading partners within the EEC are the UK and W Germany.

The East African states, Uganda, Kenya and Tanzania obtained quotas for some export products to the EEC. Kenya, Uganda and Tanzania gained agreed quantities in each 12 months' delivery of white sugar of 5000, 5000 and 10,000 metric tonnes respectively. However the supplies of such quantities were based on the principle of <u>force majeure</u>. This principle stipulated in article 7 (3) of the Sugar Protocol of the Lome I Convention means that if the agreed quantities are not supplied then the EEC after consulting the nations concerned could reduce the quantities. This principle was applied to Uganda and Kenya in 1977/78 quota year. Both countries failed to delivery the agreed quantities because of low production in Uganda and higher demand and low production in Kenya, so the EEC Commission made new guaranteed quantity of 93 and 409 metric tonnes for Kenya and Uganda respectively. But later discussions led to restore their quotas. There have been established quotas on meat and fish products.

In relations to trade, the EEC has provided assistance to the East African states in the trade promotion programmes. The assistance help in provision of marketing advisers, financial help to allow these countries participate in regional and international trade fairs. The ACP trade conference held in Nairobi (Kenya) in November 1979 discussed major areas of trade promotion. The areas included the creation of an intra-ACP firms and co-operation in production, financing development, technical assistance and increase in cultural, scientific and education co-operation. The meeting emphasised that they (ACP) did not get what actually amounted to fair trade co-operation. There was need by the ACP states to have some mini trade fairs for only ACP states in order to attract more consumers. They demanded the establishment of an export development unit to run trade information centre for distributing information about ACP states' exports and potential markets for them. The unit also was to link ACP exports organisations with each other and with the financing bodies outside the Community.

STABEX

The East African states economies are based on agriculture and therefore the operations of the scheme for stabilising export earnings would have major effects on those countries. The transfers are based on the fluctuations of prices of export crops to the EEC from the East African states. By 1980 Uganda had signed three transfer conventions with the EC Commission as compensation for export earning losses in 1977/1978 in cotton and tea (see table below).

TABLE 33

Transfers made to Uganda during the First Lome under Stabex

Transfers	Year	Crop	Amount (ECUS)
1st	1977	Cotton	1287985
2nd	1978	Tea	3882924
3rd	1978	Cotton	3125543

Source: The Courier, No 59, Jan-Feb 1980, Yellow Page VI

Transfers were also made to Tanzania both because of the low productivity of her crops due to bad weather, and the declining prices of sisal. Transfer for sisal in 1976 amounted to 5165208 ECUS. In 1978 the Commission under the Stabex scheme transferred 8176614 ECUS because of the poor production of the first request for a stabex transfer for loss of sisal export earnings in 1975 was not accepted by the EEC. This was because the losses were not incurred for all destinations.

Under the Lome I and II losses incurred from trading with other countries would not be compensated but under Lome III rules have relaxed. But still stabex is a complex and slow scheme.

FINANCIAL AND TECHNICAL CO-OPERATION

In this context I will deal with all forms of aid - this will include acquisition of industrial technology and know-how; emergency aid; financial assistance (grants and loans) from EIB and EDF; food aid; agricultural and rural projects and programmes; investments; and education and training. Under the Arusha arrangements there was no provision for aid. Under the Lome regime the East African states have received assistance on both national and regional levels. The assistance from EIB and EDF as well as the Community general assistance programmes to developing countries. The assistance goes into agricultural, veterinary, rural, industrial and regional development. The Community also gives exceptional or emergency and food aid. For instance the EEC gives assistance to Development Finance Companies and national banks, to help them finance local industrial and agricultural projects. Assistance is given in nutritional activities to help mothers and children by promoting health education, disease control and malnutrition in both rural and urban areas. Agricultural Development and industrial projects and programmes get assistance in order to improve agricultural productivity, transport facilities and industrial innovations and development. In Kenya, projects including Kawangware Improvement schemes Upper Tana Reservoir scheme, Kenya cement works at Athi

River aim at creating a basis in modernising and increasing production in agriculture, housing, power and manufacturing fields. In Tanzania the EEC has assisted in improving the coffee production; Morogoro Canvas mill, improving roads that link Tanzania with other countries. EEC assistance to Uganda, was not as large as that to Kenya and Tanzania. This was because of the regime that violated human rights and freedoms. However, after 1979 the EEC gave Uganda more aid in terms of exceptional food and rehabilitational assistance.

The EEC also offers assistance in the training of administrators, academics and people of other professions. For example between 1976-80 under the Youth Training programme EEC provided scholarships and grants for studies in the field of agriculture, technology, social and economic development for both teachers and students. The EEC provides such assistance under its multiannual training programmes to the developing countries. Exceptional or emergency assistance is provided in cases of war (as in Uganda in 1979) drought famine, and floods (as in the case of Kenya and Tanzania). Also this type of assistance is provided as a result of an outbreak of diseases, pests, and vectors. Kenya has a problem of locusts and the EEC assists through other international organisations that deal with the locust problems in Eastern Africa. Assistance is provided in the improvement and promotion of tourism industry in the East African states. Kenya's industry has been promoted vigorously in Europe.

Tanzania's tourism industry is an important factor but not as a big source of income as in case of Kenya. Tourism in Uganda has been disrupted by the political instability prevalent in this country.

The East African states are also involved in activities of the Secretariat of ACP at Brussels. The Secretariat is the 'executive' arm of ACP operating as a centre for the implementation of Lome as well as assisting countries that have problems with Lome. It brings together experts to study, monitor and solve problems encountered by ACP-EEC relations. It gathers data which are used in the process of negotiations. It also co-ordinates the activities of the ACP group. The EEC programming missions visit the East African states together with the EEC permanent delegations help in drawing up national indicative programmes for technical and financial assistance in the various fields. These programmes are drawn up in the context of these nations' development priorities as reflected in their development plans. Indicative programmes stress rural and agricultural development, energy and mining, education and training and transport and communications. Industrial and trade promotion receive less attention. This means that these states still continue to produce raw materials and foodstuffs for the West. Agricultural and rural projects have been of little success including those for improving grain productivity. Several reasons explain such results. These projects are sometimes underfinanced and management is poorly co-ordinated between the donor and recipient states.

During the process of programming local conditions are not taken into account and as such the projects become alienated from the people they aim to serve. Development plans are not only based on economic situation of the country but also are influenced by local traditional farming based on clan land holding and political activities. This leads to projects being set up in places which support the ruling political party or in places which the decision makers come from. This approach has retarded development in areas which still remain less privileged. All these factors affect the implementation of projects and programmes.

The relationship between EEC and the East African states have been influenced generally by the EEC policies towards the third world and ACP states in particular, local conditions in the three East African states, and the international economic system under which they operate. For instance trade continues to retain most of the features of colonial times, revealing an acute imbalance between the producers of raw materials and suppliers of manufactured products. Financial assistance and Stabex have not helped the process of stabilising exports earnings. These countries have continued to borrow from international financial organisations and developed countries to the extent that the debt burdens continue to increase. Tanzania is the best example in East African and African in general. She receives the highest financial assistance per head.

The EEC-East African relationship is also influenced by the vested interests of member states of the EEC. For instance Kenya receives more assistance from the EEC because of substantial private and national investments of some EEC members including Britain, The Netherlands, Denmark and W Germany. Also Kenya receives more assistance because of her domestic liberal economic policies and political stability. Uganda's domestic economic and political instability have discouraged investments and limited financial and technical assistance. In the early period of the Lome regime, it was difficult for the EEC to disburse assistance to projects in Uganda because of the extensive violations of human rights. The relationship between the EEC and Tanzania have been influenced by her radical domestic and foreign policies. Tanzania's investment policy which restricts expropriation of profits have discouraged foreign investors. However as the practical application of Socialism became difficult because of lack of financial resources, management and the bad weather conditions. In my conclusion (Chapter Four) I shall summarise the major factors on national, EEC and international levels that influence relationship between the ACP and the EEC.

CHAPTER FOUR

CONCLUSIONS

CHAPTER FOUR: CONCLUSION

An attempt has been made first to examine factors that led to the formation of the European Community. These factors were important in helping us to analyse the direction of the internal and external policies of the European Community. In the external context we then have examined the development of relations with the developing countries. We started with relations under the Part IV of the Treaty of Rome, the Yaounde and the Lome regimes. This was important in giving a broader perspective to the EEC-East African relations. In Chapter Three we have concentrated on the economic, political and regional factors that led to the Arusha conventions and the East African relations with the EEC under the Lome regime.

In this conclusion we shall examine the findings in trade, financial, technical and other arrangements to assess the ACP-EEC relations, and EEC-East African relations in particular as well as the prospects of such relations. The study examined the processes of negotiations and the dynamics of ACP-EEC relations in general and that of East Africa in particular. The ACP-EEC arrangement under Lome in itself is an important development for the EEC. It brings the least developed countries of Africa, Caribbean and Pacific regions in a group relations with the EEC. It is in the interest of the EEC to have such arrangement because it is an extension of Part IV provisions under the Treaty of Rome. The provisions stipulated forging relations with colonies of member states.

These colonies became independent in early 1960's. Most of the ACP states under Lome arrangements were colonies of the member states.

The East African states are especially of interest in that the EEC were extending their relations to the Commonwealth states in 1968. The EEC-East African relations were the first such relations with the Commonwealth and Sterling area to be put into operation. This relationship not only emphasised the East African states' determination to have a stable external market but also reaffirmed the importance of the East African Community. Although between 1968 and the signing of Lome in 1975 trade slightly increased between EEC and East Africa, the Arusha conventions were important as a step forward in the EC global policy with the developing countries.

Another fundamental feature that affected the EEC external policy was the British entry in 1973. The arrangements for the British entry included the division of her former colonies into associables and non associables. The associables include the African, Caribbean and Pacific states. The East African states although had negotiated arrangements under the Arusha were associables. The Asiatic countries of the Commonwealth belonged to the non assiciables. The ACP states is a group of the most undeveloped countries as a result these countries have been in a weak bargaining position in the negotiations and operations of the Lome conventions.

For instance trade between the EEC and ACP is based on duty free entry into the community market but there still exist obstacles inherent in the arrangements. These include safeguard clause, quotas on particular goods, definition of originating states. The CAP limits the entry of products into the Community especially the sensitive products. The member states individually impose "health" and "quality" principles in order to limit the goods from ACP states. The EEC has signed trade agreements with other developing countries which at least erode some ACP preferences. Trade between the EEC and the non-ACP states has increased more than ACP-EEC trade. All these factors leave the EEC as the main beneficiary in the ACP-EEC. trade. The ACP-EEC trade relations continue to encourage neo colonial relations, where the ACP are the producers of raw materials and the EEC as the suppliers of manufactured goods.

The EEC-ACP arrangements under Stabex and Sysmin offer too little finance in view of the large number of products affected by the deteriorating prices at the world market. The fluctuations of prices of commodities to include coffee, tea, sugar, iron, tin, copper affect the economies of the ACP states. The Stabex encourages ACP to produce the very existing products and therefore tend to discourage diversification. This is because the scheme tend to compensate for the trade losses within the ACP-EEC context. ACP trade aligns with the West in order at least to ensure compensation under the scheme. However, as already noted the schemes are too slow and complicated so that by the time the compensations are disembursed the effects of inflation in ACP override their impact in real terms. Because of the many factors that are considered many applications are turned down. The EC should spearhead the move to allow the ACP states to participate in the fixing of commodity prices in the world market.

There is need for a more fair procedure for financial and technical assistance. Projects and programmes financed by the EIB and EDF should take into account the local needs of the peoples of ACP. The package programmes should be discouraged and appropriate technology should be encouraged to cater for local participation. Also on the part of ACP such assistance means that their political systems must reflect the EEC interests. The EC resident delegations monitor, supervise and continue to maintain these projects; and therefore ACP recipients continue to depend on the EEC even after the projects are completed. There is a need to co-ordinate assistance regionally: Africa, Caribbean and Pacific areas. Such co-ordination helps to explain the cultural and social relations which are the basis for the successes of programmes and projects. Exceptional and food aid to ACP have been important as examined in the EEC - East African relations. This aid at least helped in Uganda after the 1979 war and in the drought and floods in Kenya and Tanzania. But to limit the long term effects of food there is need to encourage agricultural and industrial development. These countries need to be self sufficient in food than depend on food aid.

The ACP Secretariat at Brussels aims at co-ordinating the Lome activities. It has created a group of ACP experts who would have had to work separately in arranging bilateral EEC agreements at their national levels. The ACP Secretariat and regular meetings between the representatives help to increase the interactions among these developing countries. This is important in the diplomatic sense, but there is no evidence of increased trade co-operation among the ACP. The intra-African trade has been steadily increasing especially in terms of the East African states. But there are many factors that we have examined that one cannot attribute this to the Lome regime.

Since the ACP Secretariat, the EEC delegations in ACP states and ACP representatives at Brussels indicate some permanency in ACP-EEC relations, there is little value in spending 18 months renegotiating the Lome Convention every five years. The Lome could benefit both EEC and ACP if it achieved a permanent status. The ACP-EEC structures should have a permanent legal enforcement powers to effect the decisions of the administrative arrangements. The East African states did not negotiate for institutional arrangements under Arusha conventions because of their weakness in the Yaounde regime. This means that changes could be discussed under a permanent arrangements.

Although the Lome enthrones the dependence relations of the ACP states to the EEC, it has helped at least to make some arrangement between EEC and ACP. It provides some liberalised trade, financial and institutional arrangement. These can help in providing a forum for negotiating some of the problems of the developing countries in a North-South context. The EEC should help in reorganising the international economic order which favours developed countries. The EEC should encourage the ACP states to establish a strong bargaining bloc than just remaining as an appendage to it. The benefit to the developing countries if a new international economic order is established. The Lome conventions have been modified to encompass all walks of life: trade, aid, agriculture, stabilisation, human rights and investments. This was seen within the context of East Africa. These fields are important but there is need on the part of ACP states to establish favourable economic and political atmospheres. Most of the ACP states are engulfed into instability that render the operations of Lome impossible. Lome arrangements need stability in ACP states, a generous EEC spirit for implementation and an establishemnt of a new international economic order. The EEC being the biggest trading bloc in the world as well as a major trading partner of the ACP states can play an important role in improving the stability in ACP states and also in reorganising the international system to benefit the ACP states. As we examined the East African states under the Lome regime trade, aid and technical projects have improved but need more political stability in these states. For instance Kenya has benefitted more under Lome because of the political stability while Uganda has not due to continued instabilities.

Tanzania has received more assistance but due to the climatical conditions and her economic policies less has been achieved. Lome can play an important role in stabilising the economic and political conditions both in the ACP and the international system. Therefore the study has exposed the problems of least developed countries in an attempt to forge relations with the developed countries who are also forging new relations among themselves vis-a-vis the world.

FOOTNOTES

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