THE FUTURE OF THE EAST AFRICAN COMMUNITY[+]

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Recent events have starkly brought to the fore that peace and prosperity are indivisible. It is a historical fact that, in man's attempts to forge national governments, he continues to enter into bilateral and multilateral agreements with other governments. The technological advances that we have witnessed since the Second World War have widened the scope for interdependence in direct proportion to the rate at which the world is shrinking. This increasing enlightenment must surely include an awareness of the plight and possibilities of others.

The alternative to interdependence is autarchy and introvert national policies. There may, of course, be instances of nations making progress through such policies though such a possibility is not open to most countries. Indeed, I venture to suggest that even those countries which may have exhibited some propensity to propsper on this basis do so at great risk. Habits once formed are hard to discard; the process, once under way, is not easy to reverse.

There are many types of interdependence. Between issues: that is to say there is a stage which is interdependence par excellence in terms of interdependence between peace and prosperity. This forms the basis of the United Nations system. Instability in one part of the globe leads to instability in other parts. The recent energy situation came as a rude shock but a truism has as a result been exposed. The prosperity of the West depends on listening to the just demands of the Third World. At the same time the development of the Third World depends to some extent on the willingness of the former to adopt policies conducive to development.

Interdependence in the area of money, trade and finance has been discussed ad nauseam in recent world forums. It goes without saying that a growing and fruitful world trade depends on a suitable monetary system; the latter, on the other hand, is intimately tied up with international flow of finance in a manner that brings about equilibrium, and finance is largely connected with trade.

The current international development strategy, more popularly known as the Second United Nations Development Decade, is predicted upon the

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notion of interdependence. Governments' actions, however, do not correspond to this ideology. Governments are simply reluctant to give up sovereignty and reluctant to give up power. There is also failure of perception among many policy-makers to see interdependence in their actions.

Thus, the Third World constantly finds itself in a situation which affects it vitally but in whose development it had little or nothing to do. A good case in point is the monetary situation. Even in this day and age it is not unknown for a handful of established powers, oblivious of the interest of others, to make decisions in the comfortable atmosphere of mutual recognition of power. Recent events have shown that such luxuries cannot be permanent features of the international scene. And some of the largest industrialized countries have been hit hard by the uncontrolled forces that have shaken the value of money. The cycle is a continuing and vicious one and we just do not know whose turn it is going to be next. If these obvious lessons do not teach us to be interdependent, then we shall have only ourselves to blame if catastrophes, which are impossible to predict, suddenly hit us individually, Jointly we would be better equipped.

The necessity, therefore, for economic interdependence among all countries has been and is increasingly becoming a fact of life from which any nation cannot easily escape. But the controversial issue at the moment is what meaningful interdependence or economic relations should exist among developing countries on the one hand and between the developing and the developed countries on the other. Relations among the developing countries should now be concentrated on joint economic efforts so as to accelerate mutual and self-sustaining development in these countries and thus reduce their weak position vis-a-vis the developed countries. On the other hand, economic relations between the developing and the rich industrialized countries should aim at progressively promoting equity in the field of trade and production, money and finance, transfer of technology and many other areas without having adverse effects to the integrated and self-sustaining economic efforts of the Third World. It is in this context, and with a view to finding realistic and acceptable solutions, that the establishment of a New International Economic Order is being pursued in various world forums.

In the actual interdependence between the Third World and the developed countries the latter group of countries have the monopoly and control of technology and specialized skills, surplus investible capital and a preponderant share of the total world market for most of the products traded internationally. The same group of countries also owns and controls most of the physical means of transportation and other infrastructures and facilities which are utilized in speeding up trade and promoting industrial development, among themselves first and foremost and then as a matter of necessity in providing links with the Third World economies. Since the Third World countries do not control similar resources and facilities to any significant degree, their relations with the rich industrialized countries cannot be described as equal in any economic sense. In fact it could better be described as a relationship of subservience; namely the economic dependence of the poor Third World countries on the rich industrialized countries. This state of affairs makes the Third World countries unable to devise independent economic policies in pursuing their own development objectives and, above all, in fixing their priorities.

We cannot continue to accept a deplorable state of affairs which accentuates a position that characterises the economic weakness of the Third World countries vis-a-vis the developed industrialized countries, so we must consider what options are available to us for our salvation. In other words, how can the weak countries become stronger and thus be able to determine their own economic destiny and concomitantly that of the majority of their people. The answer, in my opinion, is for the Third World countries to join forces and decide how meaningfully they can, through interdependence, help themselves on the one hand, and develop realistic relationships with the industrialized developed countries on the other. I should like to dwell on some of the self-help joint efforts that the Third World countries might undertake to alleviate their plight.

The most effective and acceptable form of economic interdependence among the developing or third world countries, after a great deal of soul-searching, admit this as an important tool for the achievement of economic development. Generally speaking, economic integration should lead to to the abolition of separate markets, the pooling of resources (natural and human) and the formulation of joint or co-ordinated economic development policies. This should lead to more rapid economic growth, even for the prosperous. In short, it means having to overcome at least three important bottlenecks to the development process:

- the existence of small national markets;
- the narrow resources base of national geographic areas; and thirdly
- limited bargaining power.

Considerable progress has already been made with regard to the formation of economic groupings among developing countries. For example, we have economic groupings in Asia, Africa and Central and Latin America. The success or failure of meaningful co-operation in these groupings depends very much on how they overcome the three bottlenecks just mentioned. Essentially this depends on the type of economic integration arrangements which each group of countries has entered into and how they deal with industry, trade, transport and communications, monetary and payments issues and tourism. There are, of course, other areas like agriculture, power etc., which can be developed on an integrated basis, depending on the peculiarities of each region.

The other day we had the pleasure at Arusha of a visit by the Commonwealth Secretary General, Mr. Shridath Ramphal. We had long discussions with him concerning the future of the Community. I do not recall his exact words but he said in effect "that the eyes and ears of many parts of the world were focused on East Africa as an ideal example of regional economic co-operation. As such, the results of the deliberations of the Commission which is to review the Treaty will have far-reaching consequences on the efforts of others to develop regional economic integration". It would therefore be true to say that our responsibility does not stop at the frontiers of our three Partner States.

The East African Community has often enjoyed the reputation of being the best example of regional economic integration in the world. Integration attempts in other parts of the world have generally tended to focus on the common market aspect. Ours, however, goes far beyond this; there is no other group in the whole world where three sovereign states own railways, harbours, posts and telecommunications and air travel services jointly, to mention only a few of the common services in the community. At the same time, of course, we are all aware that both the common market and our common services have not been functioning as we would wish.

The early years of independence of our three countries in East Africa were difficult enough in themselves in that we were busy freeing ourselves from a subservient attitude and entering a new era geared to developing national integrity and self-respect. We were clearly placed in the saddle with the supreme task of designing and developing strategies which would best suit our needs. It was at this time that Africa as a whole was groping for unity and many leaders dedicated themselves selflessly to the cause not only of their own problems but to those that confronted countries in Africa which had yet to be freed while the search for a common driving force was being pursued simultaneously to unify the people of Africa. Mwalimu Nyerere and others like him continue to spend sleepless nights seeking solutions to some of these problems, which, as we all know, have reached a decisive point in the history of Africa. The storms that had gathered on the whole continent of Africa are now threateningly hanging over a few remaining countries that need to be liberated. Instead of the energies of Africa being concentrated on what should be the most important goal for

Africa and that is the liberation of what remains to be liberated, we find ourselves dissipating our energies and meagre resources in quarrels which are not always of our own making and which can only lead to disaster. For us in East Africa, it is time, I humbly submit, to cool off.

It was during that period, to which I have been referring in the sixties when newly independent East Africa was trying to forge a truly East African identity. Talks on federation took place in various forums, Presidents and Prime Ministers met, back benchers of political parties got together, political parties called rallies, and there was hope that we would find political solutions to our problems and that these would provide the required stimulus for the birth of an East African federation.

Unfortunately, matters did not develop in that direction. Even the offer to delay our own independence so that East Africa might federate proved fruitless. Discussions therefore led to the much narrower concept of how to continue our efforts in integrating our economies in areas where this was possible. This is not to suggest that there were no leaders at that time who believed that even this narrow concept might be a starting point once again for the building of an East African personality with the ultimate hope that in time wiser counsel would prevail and integration at all levels take place.

And so we went through the process first of all of having an East African High Commission and then the East African Common Services Organization, followed by the signing of an abortive agreement at Kampala and, finally, the signing of the present Treaty for East African Co-operation again in Kampala in 1967.

People often conveniently forget the obligations they enter into and this can be exasperating if there appears no end in sight to such behaviour. The Community therefore has had to walk on a very tight rope, performing a variety of acrobatics and in such circumstances the most committed of East Africans tend to behave parochially. And some of us who have certain weaknesses become more vulnerable when such situations develop. The kind of weaknesses I refer to, of course, are tribalism, racialism, ultra-nationalism and worst of all avarice.

Ever since 1971 the Community has gone through a most difficult period, although disagreement on some aspects of the Treaty began earlier. The environment in which we have had to operate has been one where bilateral relations between Partner States have been seriously strained, while damaging developments were taking place within the Community itself. As such, much restraint had to be exercised by those in positions of responsibility to ensure the very survival of the Community. Within the Community's operations we encountered complex problems which needed to be sorted out and these included among the first the financing of the East African Airways. Then came the need to ensure the orderly passing over of the responsibility for the operations of the Income Tax Department to the Partner States, the extremely difficult and tricky question of evolving a new, albeit interim, formula for the financing of the General Fund Services, since provisions of Article 65 became unacceptable. The financial affairs of the Community Corporations also became more and more intricate and exacting as time passed. There were many other developments too that needed careful handling. There were not and are not easy times and one had to exercise extreme caution in coping with the situation as best as one could in the circumstances.

However, although these problems in the Community have been real, they should not make us despondent and gloomy; rather, while every effort should also be used to contribute positively as an ingredient in building up our experience so that we do not repeat the same mistakes. In my view if the Treaty for East African Co-operation has proved to be imperfect, this is because as human beings we could not foresee everything at the time of drafting. It is, for example, quite possible that several of our assumptions were wrong. Also, many new developments which we could not possibly have foreseen at the time of the Treaty have taken place in East Africa. This, after all, is to be expected in young developing countries and is at the same time the essence of a dynamic situation.

The three East African Partner States are interdependent, not only in the sense expounded earlier but for far more fundamental reasons i.e. their very family-like historical background. In very simple terms, we need each other, perhaps more than we realize; so much so that any contrary views based on short-term gains must, of necessity be shortsighted. In historic perspective economic interdependence in East Africa means that the economies are complementary to each other and in terms of the future that complementum should lead to accelerated growth. If, therefore, we are genuine in our intentions and in our promises to ensure a rapid rise in the quality of life and well being of East Africans, we must aim for three things; a larger market, a larger resources base and better bargaining positions against more powerful third parties. I am sure these sentiments are not being expressed for the first time. Nevertheless, experience here and elsewhere suggests that economic co-operation must be meaningful if it is to be stable, and meaningful co-operation in this sense must be based on equity and long-term prospects. It must also be assumed to operate within a dynamic framework. Equally important, if not most important, it needs to be supported both by political maturity and patience on the part of the general public and by political will from the Governments.

This is perhaps easier said than done but then recent history in Africa provides us with numerous example where hopeful pronouncements have been realities.

When Mwalimu spoke at the handing over ceremony of the TAZARA Railway to Tanzania and Zambia by the People's Republic of China at Kapiri Mposhi on July 14, 1976, he had this to say:

> "There are certain events which a nation remembers every year on the anniversary. I am convinced that the 14th July will be, and ought to be, one such days for Tanzania and Zambia. For today, what used to be a vision, and then became plan, has become reality."

After having made the commitment to build the railway Mwalimu spoke of attempts to seek assistance from our traditional sources and having failed he had this to say:

> "Sometimes we were heard with apparent sympathy; and answered with pleas of povery! It did not occur to us that the great, but poor Third World country of China would be able to help, even if it was willing to do so. So when in 1965 I first talked on this subject with the Chinese leaders, I was doing so as one who talks about his ambitions to a sympathetic but equally powerless friend. I had underestimated the revolutionary commitment, and the internationalism, of the Chinese people under the leadership of Chairman Mao and the Chinese Communist Party. They told me without hesitation: "If Tanzania and Zambia need this Railway, we shall build it for you.' I must admit, to our shame, that we remained a little sceptical. We continued to beg the West to help us to build the Railway, We utterly failed. But from 1965 Chinese engineers had already been doing preliminary work on the project. And in August 1967 the basic Agreement to build this railway was at last signed by China, Tanzania and Zambia. Work began on the design and engineering survey. In July 1970 the loan Agreement was signed".

The struggle to free Africa, particularly in the Southern half, seemed insurmountable. Recent developments have again shown that concerted effort, unflinching determination to pursue the objectives with a commitment to pay the maximum price, if necessary, will bring the desired results.

When answering a question put on me by the Sunday News sometime ago as to how in my view East Africa is likely to look in the next 50 years, bearing in mind the failure of East Africa to federate, since the early 1960s, I replied as follows:

> "To predict precisely the course of events in any part of the world over a period of five years, let alone fifty, would require the extraordinary powers of a clairvoyant. No one at the turn of the century could have contemplated the dramatic changes that have taken place during the last 50 years. Indeed, the period of the last 15 years itself has been one of tremendous development in East Africa. And even now we are witnessing in the southern part of Africa changes which in many respects have brought to a large section of the people the moment of truth. Federation in East Africa probably slipped out of our hands at the time of independence but the solid experience we have since gained must

surely have removed some of the grease. So that I would not be surprised if one day within the not too distant future we were to see a radical movement in this direction. In the meantime we must pursue relentlessly our co-operative efforts in the areas that are open to us."

If we had not defaulted and had taken timely action in implementing certain aspects of the Treaty with necessary modifications, particularly with regard to the subject appearing under Article 86 - Decentralization and Related Measures, I believe we would have forestalled some of the unfortunate developments that have since taken place and averted many crises. The measures outlined in decentralization matters affected the East African Customs and Excise Department, the East African Income Tax Department, the Directorate of Civil Aviation, the East African Meteorological Department, the East African Railways Corporation, the East African Harbours Corporation, the East African Posts and Telecommunications Corporation and the East African Airways Corporation. Perhaps as a result of experience gained, and by obeying the Treaty, at the time of implementing measures to decentralize we could have reconsidered and recast some of these to take account of new developments to ensure that the interests of the Community as a whole and those of the Partner States were fully taken into consideration.

Decentralization of some institutions of the Community offers a number of advantages to the Community. In drafting the Treaty for East African Co-operation, decentalization was seen as one of the means to secure a more equitable distribution of services and benefits than was possible under the Common Services Organization arrangements. But the concept of decentralization goes beyond a fair distribution of benefits to the Partner States and has progressively been proved to produce greater efficiency in the rendering of services, in that decentralization helps to gauge more accurately the needs of Partner States in terms of economic and other services essential to the attainment of national goals and to provide such services in a manner considered best in light of prevailing national priorities. If you look at the Community as a tool for the development of the economies of the Partner States, this is very important indeed. Decentalization, by virtue of distributing the control of the operations of some of the common services operated by the Community, offers a better prospect of selling our services further afield to the very people we are trying to serve, so that they do not see the Community or any of its institutions as an ivory tower that has no relevance to their day-to-day life. The Community can thus become more and more acceptable to the peoples of East Africa and thereby enhance pressure at the grassroots level towards further integration.

I should like to recount one or two instances of the kind of developments that took place in the last few years which contributed to misunderstandings in East Africa. There are those who strongly feel that the East African Income Tax Department should in any case have been a partner state responsibility because the nature of its operations did not lend itself to be operated effectively as an East African institution. Whereas there are others who equally feel that if decentralization on the basis envisaged in the Treaty had taken place with minor additional modifications to take into account the then current developments, the break-up could have been avoided. Be that as it may: let me begin by recounting some aspects of that department's dissolution.

The Income Tax Department was first established in Kenya in 1937 following the Sir Alan Tim Report of 1936. Tanzania and Uganda followed suit in 1940 largely as a result of the commencement of World War Two so that our money could be used by our colonizers to fight the war against the Axis Powers in Europe, Asia and Africa. In the period following the Second World War the tasks of the Departments changed remarkably little but the volume of taxation gradually increased. It was not until the achievement of independence by the East African countries that the need to relate fiscal policies and tax collection to the development of these countries became a foremost priority and income tax became a central instrument of fiscal policy. This was for two reasons: Firstly, new Governments came to power intent upon fullest development of East African resources and peoples. The development programmes required dependable source of tax revenue. Secondly, independence meant gradual, increased participation by our people in the sectors of the economy other than subsistence agriculture. Thus what we may term "the tax base" was immensely widened as well as deepened by economic growth and rising incomes.

These factors are reflected in the rapid increase in collection between 1963 and 1972. I have selected the year 1972, because it was in 1973 that the East African Income Tax Department was dissolved as a Community institution. In 1962/63 the collection of income tax in East Africa was Shs. 426.6 million; in 1971/72 it was Shs. 1,609.2 million - an increase of 377 per cent over 9 years.

At the time of the Treaty for East African Co-operation in 1967, the Partner States decided to retain the East African Income Tax Department for the assessment and collection of Income Tax, although there were sug gestions that legislation and administration should be localised. It is important to note that, at this time, major divergences in fiscal and economic policies between the respective Partner States had not yet become evident; common legislation was not, therefore, burdensome, and the advantages in efficiency and economy of a common East African Department were paramount considerations.

From the coming into force of the Treaty, the decentralization of the Income Tax Department, and the Customs and Excise Department as well received close attention from the Community organs. I refer to Annex XIV of the Treaty under part 2 (a). The last branch which was decentralised was the Investigation Branch, which underwent this process in April 1970 with the introduction of offices in the capitals of the three Partner States. I must therefore stress that decentralization process under the Treaty provision had provided for substantial powers to be given to the State Commissioners. Most of the tax was collected by the Regional Offices themselves, like PAYE and also the bulk of Corporate Income Tax. The contributions for the financing of General Fund Services expenditure were made from the capitals of the Partner States, rather than from the then Head Office in Nairobi. This may also be illustrated by the size of the senior establishment in the Financial Year 1972/73 of Head Office and the Partner States offices: Head Office 38, Kenya 233, Tanzania 196, Uganda 115

This distribution reflected not merely the distribution of the work-load among the Partner States, but also the department's major responsibility as an agency for the collection of tax on behalf of the Partner States. It must be stressed that the Department had not been and was not responsible for taxation policy or tax harmonisation within the Community. The Department was required, to provide such information on tax matters as the Partner States may have required, but for these vital matters of policy and harmonisation within the Community the Treaty established two other institutions namely: the East African Tax Board which reports to the Finance Council and the Common Market and Economic Affairs Secretariat.

Income Tax in East Africa has consisted of two main elements, namely the taxation of individual incomes and the taxation of profits of enterprises. Of these two, only a part of the second element was a source of direct revenue to the Community; this was in respect of the taxation of manufacturing and finance business from which less than ten per cent of General Fund Revenue were derived. The Community derived no revenue, other than costs of collection which were less than two percent of revenues collected by the department from personal income taxation or from taxation of other types of enterprise of which the most important are agricultural enterprises. The Community's interest in the other types of income taxation had been one of co-operation, harmonization and integration, but not as sources of finance for Community operations.

While it was clear that the interests of harmonization and integration were best served by a unified income tax administration, it must be remembered that harmonization of policies is in any case hindered if one or more Partner States believed that the pursuit of their national interests was unduly obstructed by participation in a particular common institution. To accommodate national concerns in Income Tax administration had become increasingly difficult since 1967 - witness the long series of amendments to the Income Tax (Management) Act, and the varying legislation on Personal Tax in each Partner State.

Viewed against this background, the following assessment of the functioning of the Department as it was constituted, may be made. Several factors seem to account for the alleged ineffectiveness of the Department in performing certain functions. These factors are: first, ambiguity over the precise nature of decentralization implied in the Treaty: secondly the shortage of highly qualified personnel, and thirdly, the very many drastic changes in the Income Tax Management Act which were introduced in a very short period. Details varied from Partner State to Partner State, rendering effective implementation of the laws difficult. The Department appeared to be weakest in the provision of services relating to fiscal analysis issues pertaining to changes in the Act, and anticipation to the requirements of the Partner States' Tresuries, and consequently the servicing of Partner States' Treasuries left something to be desired. Criticism was also voiced of the Department with respect to misallocation of tax collections. The question of misallocation has since then been studied by a Committee comprising the Auditor General of the East African Community and the Auditors General of the Partner States and as a result certain adjustments were made. In defence of the E.A. Income Tax Department, it must be stressed that these deficiencies to a large extent were caused by factors beyond the control of the Department, either originating in the past or due to the unavailability of qualified and competent staff to handle the responsibilities of assessing tax liabilities.

Another problem arose out of the fact that Partner States had introduced a Personal Tax System, which differed from Partner State to Partner State. The consequences of all this was that individuals were now taxed by two organs on the same source of income leading to double administrations and inconvenience for the taxpayers.

It was in 1970 that the Finance Council decided to invite the International Monetary Fund to send a Mission to review the tax system. In

1971 at the request of Tanzania Government the invitation to IMF was deferred. Subsequently in January 1972 Kenya announced that it had sent an invitation to the IMF to send a mission. It was at this stage that the Finance Council decided that the Mission should also visit the other two Partner States so that if possible the Partner States' views could be married. The Report of the International Monetary Fund emanating from this study was sent to the Partner States.

The IFM Mission arrived in Kenya in April 1972 and visited the other Partner States and the East African Income Tax Department also. The latter discussions were confined to technical matters only. Subsequent announcements in the National Assemblies of two Partner States referred to this matter.

The whole question of the future of the Income Tax Department had then attracted increasing attention and in fact references were made to it in the East African Legislative Assembly in previous years.

The Finance Council in considering the Estimates for the Income Tax Department at its meeting on the 4th April, 1973 was informed by the three Finance Ministers of the Partner States that they had agreed to the establishment of national income tax institutions. What had not been agreed at that time was how this decision would be implemented in terms of the Estimates for Fiscal Year 1973/74 and in terms of the revenue that would have to be replaced by removing income tax from the ambit of the Community's operations.

On the 17th, 1973 the Finance Council met again and agreed to measures in respect of the financing of the department for the period up to 31st December, 1973 as a Community institution. And as an interim measure General Fund revenue hitherto derived from Income Tax in respect of Manufacturing and Finance Companies would, for the year 1973/74, be contributed by the Partner States by paying an amount equal to the average percentage contribution made by such Partner State during the previous four fiscal years. It was also agreed that these sums would be deducted from revenue accruing to each Partner State from Customs and Excise. A further additional decision was taken, retrogressive in implication, to review the method for financing the General Fund Services during the course of the financial year 1973/74.

The next year when Estimates were presented for approval by the Finance Council, for weeks a meeting could not be arranged because the Partner States could not reach agreement on what steps were needed in order to finance the General Fund Services. Finally after much back stage hard work a meeting of the Council was called to discuss the matter and interim arrangements were made allowing for a fixed percentage of contribution towards the General Fund Services revenue. This was based on the average percentage paid over the previous four years by way of net recoveries by Partner States from the East African Customs and Excise Department in respect of income tax of manufacturing and finance companies and the percentages were: Kenya 48.14, Tanzania 31.32 and Uganda 20.54. To this day the formula is still used for financing the General Fund Services until such time that the review of the Treaty is completed. It was agreed that these recoveries would be drawn from customs and excise duties accruing to each Partner State.

For the record it is important to note that members of the East African Legislative Assembly were bitterly opposed to the dismantling of the East African Income Tax Department, and in 1973 they allowed the budget through only after including a prayer to the Authority to reconsider its decision. Later when substantive legislation came before the Assembly it was defeated. Nonetheless, the de facto dissolution of the Income Tax Department took place and necessary legislation was passed independently by the Partner States.

One of the major problems that the Community faced was with regard to the operations of the Corporations. In the early years of the Treaty, the East African Airways Corporation began to show a deficit. Fresh resources had to be found in order to ensure that the airline was kept in operation. The report of the Select Committee of the East African Legislative Assembly helped identify administrative problems that the Coroperation faced. After a period of fruitless negotiations, agreement was finally reached in the Finance Council to increase the equity of the Coroperation. Fresh funds plus the tightening up of the management have resulted in our having today one of the few viable airlines in the whole world.

As time passed similar problems arose in the Railways, which had been separated from the Harbours. I do not intend to go into the forces which were at play at that time in the affairs of the Corporation which, besides lack of funds, hinged on such matters as the Treaty provision for decentralization, the taking into consideration development programmes in the Partner States and the decision-making processes in the Community; all these factors compounded the difficulties that we were experiencing.

Ever since 1974 we have attempted to find solutions to the question of transfer of funds and although at various times agreements were reached, implementation became difficult.

Although we have now reached agreement on how to meet our external debts, we still have to work out some of the more intricate details in the management of the Corporations. I am not looking for excuses for our failure to implement agreements. What I am saying is that if we had serious problems, the sensible way would have been for the parties concerned to discuss these developments and face them squarely and not allow our efforts to run common services to be frustrated thus causing lasting repercussions. With the passage of time it has become more difficult to resolve these issues but not impossible.

During this period it is important to note that the balance of payments of each of the Partner States suffered considerably mainly because of external forces. The energy crisis and the ensuing period of inflation hit us very hard. Devaluation, revaluation, inflation, deflation, recession, droughts, all had an impact in one form or another on the economies of the Partner States. In particular it is not easy to forget the droughts that have hit us so badly in previous years.

May I now turn to examine some of the areas where economic integration activities need to be strengthened or newly incorporated.

Above all, it is important for us to see that the Common Market is exploited fully as a dynamic tool for the development of the Partner States.

Thus, a free common market, supported by the following should be re-established:

(a) a joint industrial strategy aimed at increasing industrial output in the three countries and in promoting industrial complementum;

(b) an interstate monetary arrangement capable of sustaining a higher level of interstate transfer of funds.

More specifically, integration activities in East Africa should be intensified through:

(i) Trade: The markets should be pooled and the common market strenghthened to facilitate exploitation of economies of scale and industrial rationalization. Similarly, external economic bargaining power should be pooled through joint actions and co-odinated policies towards the external world in respect of external trade agreements, export promotion, purchase of technology, terms of foreign investment and external borrowing. We should also consider what possibilities there are in jointly seeking interests markets for our products;

(ii) pooling of natural resources by adopting co-ordinated development; thus matching as much as possible the composition of regional demand with the structure of regional resources;

(iii) Co-ordinated planning of the productive sectors:

(a) Industry: A joint industrial strategy which may include the establishment of joint ventures; determination of methods of financing and location, etc. seems to me not only plausible but almost necessary. Industries, such as iron and steel, chemicals, pharmaceuticals, machine tool complexes etc., which require the entire East African market for viability should be established on an East African basis, as also should be exploration of lake and sea beds. The location of such industries in the various Partner States would not only assist in reducing the existing trade imbalances but would also generate more interstate trade, thus reducing dependence on imports from other countries. Equally it is important for us to distinguish between goods that are truly locally manufactured and those which have a high content of imported material. We should guard against treating such products as having been manufactured here and therefore need to be protected against the common external tariff.

(b) Agriculture: One of the most important areas for future development on a Community basis and one on which the Partner States have been a little shy in coming forward with proposals that may have quite significant long term benefits in agriculture.

There have been discussions in international forums about the food problem. There have been instances of famine striking millions of inhabitants in the world. In fact at our very doorstep we have had very bleak years in climatic terms which have threatened to lead us to starvation. It appears to me therefore that the Partner States would be doing themselves and the people of East Africa injustice if they did not prepare themselves to tackle this question in progressive stages. To give an example of what I mean: In the Arusha Region, not unlike the Highlands in Kenya, we can grow almost anything that we would normally need. In order to protect ourselves against future uncertainties of climatic conditions and with the basic need to provide self-sufficiency in staples in limited quantities throughout our country, as this would also save transportation costs, it makes sense for us to diversify our crop patterns in Arusha, so that agricultural products are developed on a selective basis in areas most suited to them. If this form of rationalisation holds true for Tanzania, it must surely be equally applicable to the whole of East Africa.

It is important therefore that we should aim at establishing at least a co-ordinated agricultural policy - if not a common one - in order to embrace planning of objective of achieving East African Self-sufficiency and of generating a surplus for world trade. Such a policy should be complementary to the need for co-ordinated reserves in food on an East African basis to guard against the effects of natural disasters. How can we forget Tanzania's dilemma the year before last, when almost the totality of our foreign reserves had to be spent in importing food?

(c) Energy and Power: Having gone through the energy crisis it is incumbent upon us to look a few years ahead. I submit it is of the greatest urgency for the Partner States in this area to lay aside the principles of self-sufficiency and effectively begin to rationalise their domestic primary energy production - in this case hydro-electricity - so as to reduce as much as possible their dependence on expensive imported oil. The whole world is at last beginning to take seriously into account the fact that the supply of oil is finite, Enormous funds are now being earmarked for scientific research to find alternative sources of energy.

Thus rocketing fuel prices and the consequent price rise in consumer and capital goods make it imperative for us as well to look for other sources of energy. Besides hydro-electricity, our efforts also need to be co-ordinated in maximising the exploration of geothermal energy and coal sources.

(d) Transport and Communications: For a common market to function properly and efficiently the provision of a first class transport and communications infrastructure is an important requirement. It is the service upon which our peasants and farmers elsewhere depend heavily. For unless we can move agricultural and other products in the shortest possible time and at the cheapest rate, our capacity to reduce costs for the domestic and export markets will suffer. The existing East African Corporations with realistic managerial modifications to suit the development needs of the vastness of our lands should be strengthened by taking into account the optimum benefits that we can get by decentralization, standardisation and co-ordinated operations.

In the General Fund Services the Community operates several services on behalf of the Partner States. The East African Customs and Excise Department, together with the E.A. Industrial Research Organization, provide supporting services for the common market while the E.A. Directorate of Civil Aviation and the E.A. Meteorological Department provide supporting services for communications. There are, in addition, 12 institutions undertaking basic and applied scientific research. There is no doubt that these institutions and others that I have not mentioned have provided valuable services to the Partner States. By joint utilization of scarce financial and human resources we have benefited from the economies of scale and the cost to us has, in consequence, been less. Some of these services have also contributed to the process of intellectual and cultural integration of East Africa. Therefore these institutions should not only be continued but strengthened. Furthermore, together with the Corporations, any decentralization of these services should make economic sense. Distances, geographical features, local products, management and similar factors need to be kept in mind.

Before I reach my concluding remarks, allow me to take a little time to speak on the subject of enlarging the Community.

The idea of co-operation in Africa is not new. Pan-Africanism dates back to the modern history of independence in Africa, and as has been stated over and over again, the maxim "Unity is Strength" is fundamental to African politics and economics. I just wonder at this stage how much of this has been supported, following realization of independence. It is true, for example, to say that it would be difficult to find a single inhabitant of Tanzania, Kenya or Uganda who is against close links in East Africa. Yet we are all aware that it has not been an easy task. And, therefore it would be foolhardy not to continue to persevere in aiming at our common objectives.

We have not quite realized how much we need each other. If we have, then we have not given ourselves the opportunity to appreciate and acknowledge our interdependence. The views I hold on the AEC are applicable to neighbouring states, and I know this view is widely shared. Recently, Mwalimu Nyerere said that the United States is a world power because of unity. I am sure this view is shared by many, not least by the Americans themselves. But without becoming sentimental about this issue, I wish to point out that there is no evidence to suggest that the size of the EAC is optimal. On the contrary, practices elsewhere indicate that the present membership can be greatly enlarged. A larger economic grouping would have a larger market, a factor which would permit more economies of scale and better use of human and natural resources through specialization etc. etc. It would also promote, within the same framework of a free common market, diversification. Externally it would have greater bargaining power and provide inspiration for unity in Africa and the Third

World as a whole. The Partner States will, therefore, have to consider seriously giving due emphasis to the question of admitting new members to the Community. In step with this, our plans should include deliberate measures to strengthen communication links with neighbouring countries and other supporting infrastructure for greater co-operation. Speaking more selfishly as an EAC Minister, any bilateral conflicts would be diffused more in an arrangement involving more than three Partner States.

While on this subject of the expansion of the Community, I believe it is in our future interests that the three Partner States should actively pursue in the meantime whatever bilateral relations they are able to negotiate with countries that are contiguous to them. If Kenya has discussions for strengthening its economy by bringing closer its ties with Sudan or Ethiopia or Somalia, it should be encouraged to do so. Similarly, if Uganda looks to the North, the West and the South and begins to develop ties with the Sudan, Zaire and Rwanda it too should be encouraged to do so and there is no reason why Tanzania should not seek to develop its ties with its neighbours, be it Rwanda, Burundi, Zaire, Zambia, Malawi or Mozambique and in due course of time farther afield. This too should be done. The operations of the Community and relations with other neighbours are not mutually exclusive. Indeed if one has the vision one can see these relationships acting as a catalyst for enlarging the Community on such terms as may later be agreed. You do not stop looking northwards simply because you are looking towards the south. Although this analogy may not be a good one, in planning a military strategy you cannot afford to stop looking in any direction. And so it is in a strategy to unite in economic and social terms you must look in all directions.

Finally I should like to refer to the Review. In our quest to review the Treaty I submit it would be the height of impertinence and irresponsibility to suggest that this automatically means the winding up of the Community.

The preamble to the decision to set up the Review Commission states inter alia:

> "Having regard to developments since that time and taking into account the practical experience gained in the operation and funcationing of the E.A. Community and its institutions over that period;
>
> Recognizing that the constitution of the E.A. Community, the structure and operation of the various institutions and other areas of co-operation in the Community need to be made appropriately responsive to the requirements and aspirations of the Partner States as well as to the overall East African interest; and

Reaffirming their commitment to strengthening their economic and social relations in the furtherance of the objectives as outlined in the Treaty".

At this point of time when we have so many problems facing us in the running of the East African Community, what needs to be done, and what is intended to be done, is to find reasoned solutions in regard to those areas where we have experienced difficulty in the last few years. To put in more graphically, our efforts should be directed towards removing, as it were, by surgical operation, the cancerous aspects of the Treaty and by grafting more viable and acceptable alternatives. The risk of not doing so would be to allow the cancer to grow. It is precisely for this reason that I believe the review was undertaken so that in effect we would strengthen the Community by ensuring that our efforts were meaningfully directed towards development and not allowing the situation to deteriorate.

It would be well nigh impossible for anyone to predict what the current trends are doing to affect the future of the East African Community. We all suffer from moments of despondency and we begin to ask questions, sometimes even dangerous question, but I respectfully submit this is a necessary mental process in order to arrive ultimately at the right conclusions. And my belief is that the Community will survive and we must do what we can to ensure that it does survive. Short term sacrifices will have to be made by all concerned in the interests of the benefits in the long run.

The heads of state of the three East African countries make up the principal executive authority of the Community. They have signed the Appropriation Act 1976, releasing funds for the General Fund Services to the tune of Shs.689,556,540/- of which a sum of Shs.265,231,740/- is allocated towards development expenditure. What more tangible evidence can anyone ask for in wanting to know whether there is an East African commitment?