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Lack of Economic Cooperation

by Dr Hans Cohn, Port Elizabeth

Early this year, the Economic Commission for Africa celebrated its tenth birthday. ECA was the last of several commissions set up by the United Nations with the aim to raise standards of living in the backward regions throughout the world. Similar commissions for Asia, the Far East and Latin America had been established very much earlier, but efforts to set up such a body in Africa were doomed to failure because of opposition from colonial powers — at least until 1959. This was the year of the establishment of ECA with headquarters in Addis Ababa. It started its work under the slogan: "joint action and joint endeavours toward rapid economic growth" — and had to learn some bitter lessons. As a result of these disappointments a new slogan has been adopted for the coming decade, namely: "self-reliance in an interdependent world".

From the very beginning, it was the great aim of ECA to establish an African economic community comparable with the European "Six". For this purpose it sponsored the formation of an economic alliance in West Africa. It was hoped ultimately to lead to the creation of a common market on the lines of that in Europe. These efforts were, however, hampered by political unrests in Ghana, Nigeria, Guinea and the Ivory Coast. In East Africa things went a bit smoother. There is the aim to enlarge the economic union formed by Kenya, Uganda and Tanzania by inclusion of several neighbouring states, and a standing committee has been formed to carry the project further.

Rather Small Success so Far

Yet, generally speaking, the successes so far achieved are rather small. The best work of ECA was done in the direction of human education, by organising seminars and special courses on a wide variety of state activities, such as how to operate a customs department, how to organise a census, how to conduct a geological survey, etc. For, ECA has come to the conclusion that results cannot be obtained merely by spending

money. Unless there has been a long and careful preparation on the human side and unless the community involved understands the project and is eager to cooperate, all sums spent will be vanishing into the African sands. Another slogan for African progress in the next decade must be: "de-balkanise!".

The present state of affairs is to a large extent the fault of African nationalism which never prepared the masses for the decades of hard toil and revolutionary social changes that will have to be made if the African continent is ever to catch up with the developed world. The leaders made the mistake of staking all their dice on one thing: achievement of independence. They told their largely illiterate audiences that the mere attainment of "Uhuru" (freedom) meant not the beginning, but the end of the road. Thus the real revolution, the genuine sociological revolution that will break down traditionalism, tribalism and especially corruption, is still to come. Last not least one must not forget that more than 180 mn persons gained their independence from colonial rule in the one decade between 1957 and 1967, and that there are now more than 40 independent countries on the African continent. The problem of African development is a world-problem getting more urgent from year to year.

The Demographic Problem

Besides the absence of means of African states to cooperate—which must be considered the biggest obstacle on Africa's road to a better future—there is still a demographic development, namely a rise in population unrelated to the continent's economic resources. What is desperately needed is a curb on the exploding birthrate. (India has already set an example by starting a birth control programme but is not yet moving fast enough.) Furthermore the masses of the population in the country districts are no longer satisfied to live under primitive conditions, but are attracted more and more by city life. A typical example for this development is Kenya, a liberally ruled country with a very democratic outlook.

Kenya's capital Nairobi has about 300,000-odd Africans living in so-called "locations". These locations are entirely monoracial and cannot be inhabited by Europeans or Asians. They are dull acres of uninspired housing looking partly like rows of stables. True, many Africans have moved into the middle class and live in quiet suburbs. But for the majority living in Nairobi still means living in a location. The trouble is that these locations are used well beyond capacity, as in colonial times housing in the city was often provided only for men. The African was only sojourner in the city and really had to live in the Reserve, where his family remained. These conditions have changed in the years immediately preceding independence, and, of course, afterwards. Housing has now been provided for families, that means for the "basic" family. This family pattern has, however, been upset by traditional attitudes and modern developments. According to African ideas, a family is not confined to father, mother and children, but includes grandparents, uncles, aunts and cousins. Although the word "ndugu" means "brother" in the strict sense, it can also be used for kinsman, fellow clan or even for tribe member.

While this conception has already contributed a good deal to overcrowding the locations, another

development has made things still worse. Since independence, schooling facilities have been increased to a large extent, but the quality of schooling has not changed radically enough. The average school-leaver with seven to eight years of education is in no way equipped to be an efficient farmer, trader or smith, and in many cases is not at all interested in doing one of these jobs. His ambition is to be a "karani", a white-collar worker, and—of course—in Nairobi. He has always a cousin, an uncle or a clan member there to provide a roof and food for him till he will find a job. It goes without saying that these unemployed youngsters are dangerously increasing the population of the locations. May be they soon will find jobs. If not, they live on the proceeds of petty-crime, illegal trading or similar "occupations".

It is not uncommon for a two-roomed dwelling to house ten people or even more and the bedrooms are often sub-let in shifts. But these conditions are still not the worst. There are shanty towns consisting of cardboard and tin cans at the outskirts of the city, accumulations of dirt and misery, commonly called "slums". A development like this is nothing unusual for Africa and any

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PUBLICATIONS FROM THE HAMBURG INSTITUTE FOR INTERNATIONAL ECONOMICS

New Publication

STEUERHARMONISIERUNG IN EINER WIRTSCHAFTSGEMEINSCHAFT

(Tax Harmonisation in an Economic Community)

by Ingolf Metze

Within the EEC the harmonisation of the national tax systems is coming more and more to the fore. The present analysis first tries to clarify the ambiguous term "tax-scale harmonisation". This is followed, among others, by a discussion on the possibilities of measuring the influence of state activity. And moreover Metze puts in the centre what had hitherto been missing in similar studies: the inclusion of the long-term effects on the competitiveness of enterprises due to differences in the imposition of taxes.

269 pages, 1969, paperbound, price DM 34.—

V E R L A G W E L T A R C H I V G M B H - H A M B U R G

GERMAN PRISM

Favourable Trend for Consumer Goods

The boom in the Federal Republic is being supported now as before by vivid investment activities. Moreover, foreign demand is continuing vigorously. In its most recent Report on the Economic Situation, Commerzbank states that in the last months also private consumption has been stimulated noticeably. For the first five months manufacturers registered a growth rate of incoming orders of 14.5 p.c. It is true, though, that market bottlenecks so far are not to be noticed in the consumer goods industries.

Boom in the Steel Industry Continuing

There is not yet a prospect of an end to the steel boom. Even at the beginning of the year experts of the steel industry did not anticipate such an expansion of demand from the home market and abroad, exceeding supplies considerably.

All West German foundries are fully employing their capacities. This year a new record production of about 44 mn tons should probably be reached. But even this is not enough to fill the growing supply gaps. This hectic situation will probably continue during the first half of 1970. In view of this situation the steel industry's organisations decided to particularly favour the supply for domestic consumers and the steel trade. With that the West German steel producers forego export transactions which today would yield much better proceeds than the domestic business. Foreign customers are quite prepared to pay higher prices.

Nobody is mentioning anymore the risks of a „stock cycle“, i.e. the possibility that in case of a reversal of the steel boom consumers and steel trade first will live on stored steel stocks and postpone orders. The reason for this attitude is the fact that the steel trade's stocks of rolled steel amounting to 1.5 mn tons and those of steel processors reaching 5.5 to 6 mn tons are not considered to be excessive in view of the strongly increasing consumption and the longer terms of delivery. The automotive industry's sheet iron

stocks are not excessive but rather too small. They hardly suffice to cover the demand having grown through the vigorous increase of vehicle production. A similar trend is to be noticed regarding the supply of West German shipyards with iron sheets for shipbuilding. They are fully employed until 1972.

In this situation the steel industry's organisations' willingness not to increase their listing prices still more in the further course of the year must be appreciated. For the next months steel traders and consumers can therefore expect stable prices of domestic steel although they are fixed at a considerably higher level vis-à-vis the preceding years.

Scientific Research of Development of Modern Society

In order to investigate systematically the technological conditions during the remaining years of this century, the Industrial Institute for the Research of Technological Development Paths (Industrie-Institut zur Erforschung technologischer Entwicklungslinien — ITE), with headquarters in Hanover, has been founded. After the first years of preparatory analysis it will concentrate on research work, paying special attention to the interests of the German Industry. The industry will be the main provider of funds for the yearly budget of over DM 10 mn, but the Federal Ministers of Research and Economic Affairs have also assured their economic support.

World Bank Hoping for Loans from West Germany

The Federal Republic, that last year has become the World Bank's most important supplier of funds, will be one of its main partners in future, too. According to a statement made by the Director of the World Bank's European Office in Paris, on July 8, in Munich, the Bank hopes to be able to raise loans in the German capital market also in the current year and 1970, since the Federal Republic's conditions are rather favourable as compared with other countries.

In the business year 1968/69 the World Bank raised loans to the tune of DM 1,750 mn in the German market. In this period the Bank issued loans to the total amount of DM 7,000 mn. Moreover, the Federal Republic is increasingly participating in orders placed in connection with World Bank projects. A basic instalment made by the Federal Government amounting to DM 512 mn, when it joined the World Bank in 1952, until 1968 has led to orders to the tune of DM 3,800 mn placed in connection with projects promoted by the World Bank.

Foundation of a German- Arabian Chamber of Commerce

Main purpose of this trade organisation, that is to be founded this autumn, will be the promotion of economic and trade relations between the Federal Republic of Germany and the

Arabian states. In detail the following services will be provided: an information centre answering inquiries of interested quarters concerning import and export problems; a mediation service for business contacts, information about suppliers, customers and representatives; furthermore the implementation of market research orders and the organisation of participations in trade fairs and exhibitions; consultation regarding planning and carrying through of advertising as well as the organisation of a press service for the communication of commercial news.

Interested quarters who intend to obtain information on the further development of this organisation will apply to "Deutsch-Arabisches Handelskammer in Gründung", c/o CVW, 12, Kaiserstraße, Frankfurt/Maine.

Leipzig Trade Fair Expanding its Capacity

The Leipzig Autumn Fair 1969 (August 31 until September 7) will this year take place on considerably extended exhibition grounds of approx. 200,000 square meters (1968:

145,000 square meters). A number of 6,500 exhibitors from 55 countries will offer their products. 15 developing countries will be represented with their traditional products and manufactures.

This most important trade fair in the communist part of Germany shows many new aspects. Thus e.g. the trade fair area will be better utilised. Apart from the 16 exhibition buildings in the city, in which most of the consumer goods branches are to be found, 10 exhibition halls as well as extensive vacant plots of the exhibition grounds will be utilised for the display of supplies, for information and trade. It is the purpose of these struc-

tural changes in future to arrange two fairs of the same size in Leipzig. Corresponding with the new profile of the trade fair extensive programmes of scientific and technical arrangements will be offered. The emphasis will lie on discourses about products and groups of goods from the technical sectors, and technical consumer goods. Of particular importance are arrangements serving the exchange of experiences between domestic and foreign experts.

Trend Equali- sation Reserve to Stop Price Increases

The continuing boom—characterised by rapidly growing domestic and foreign demand, a high utilisation of production capacities, rising orders on hand, longer terms of de-

livery and a shortage of labour—made it necessary to check the risk of price increases, caused by this development, not only by cutting expenditure but also by neutralising revenues surpassing the planned amount. For this reason the Federal Government decided for the first time to apply the economic instrument offered by para 15 of the Law for the Regulation of Stability and Economic Growth and to order the Federal Administration and the Lands to form Trend Equalisation Reserves. The sum total of this reserve amounts to DM 3,600 mn; DM 2,400 mn of this total fall to the share of the Federal Administration and DM 1,200 mn to that of the Federal Lands. This way, liquid funds will be withdrawn from the circulation of money for as long as the boom will last and during the following "period of normalisation", and purchasing power will be neutralised.

Incoming Orders of Industry In June

In June new orders booked by industry were 2.7 p.c. below their level in May. Domestic orders declined by 4.1 p.c. and export orders by 1.5 p.c., i.e. they increased less than usual

at this season. New orders surpassed again the simultaneous deliveries. The growth rate of outstanding orders has, however, slowed down.

Orders booked in June, 1968, have been exceeded by 29 p.c. True, in this connection it has to be considered that the month under review had nearly two working days more than June, 1968. Taking the results of May and June together, total industry registers a growth rate of 22 p.c.

In the first half-year, incoming orders exceeded the previous year's corresponding level by 25 p.c. In the first half of 1968 a growth rate of 17 p.c. had been obtained vis-à-vis the first six months of 1967.

authoritarian government could bulldoze the shanties and send the unemployed young men to agricultural work camps. In South Africa an African is considered "permanently urbanised" only if he has severed all ties with the rural area of his origin and is for his livelihood solely dependent upon labour performed by him in an urban area. In 1962 this applied already to 50 p.c. of all Africans living in cities, and in 1967 to the overwhelming majority. In fact, African townships are considered a "tremendous potential market" for consumer goods. The Kenya authorities, however, believe in democracy and do not wish to solve the slum-problem by applying force. They try their utmost to change the shape of education thus creating wider economic and social opportunities for school-leavers and to improve at the same time the quality of rural life.

Yet in spite of these efforts the glitter of city life still attracts young people. There are at present less than 15 p.c. of Kenya's Africans living in cities, but "urbanisation" is growing from year to year. The comparatively passive attitude of the government towards this grave danger was amongst others one of the reasons for Kenya's students' unrests. It was part of the world-wide crisis between the young and the intellectuals on the one hand and the established order on the other.

The Communist Penetration . . .

Accumulation of masses of unemployed people in the cities is, however, not only a demographic, but also a political development and it is still an unanswered question, to what extent communism has achieved a foothold on the African continent. Only a short time ago the British Prime Minister, Mr Harold Wilson, admitted that attempts of penetration by the Chinese into various parts of Africa have been a problem for many years, and that a settlement of Rhodesia involving a surrender of African interests would give the Chinese just the kind of push in Africa that they need.

There cannot be any doubt about the fact that Communist China is making good use of every opportunity to penetrate ideologically into the African continent. Its leaders do by no means underestimate the strategic importance of the Indian Ocean area, and they know that within the next decade they will need all the allies they can muster in this area. This is the reason why Red China has promised to spend 10 mn pounds on building the Tan-Zam railway, the new rail link between Tanzania and Zambia, provided the initial survey has a positive result. And it is also the reason for helping to build the new Friendship Textile Mill at Ubungu on the outskirts of Dar-es-Salaam. This mill which took just two years to complete, has an annual output of 24 mn square yards of cotton material, raw cotton for which is

being grown in Tanzania. It has been stated that the Chinese will gradually be phased out of the mill as Tanzanians become proficient and that there are already only 50 remaining of the 150 who helped supervise the project and the training of its staff. President Nyerere has once again continued his old political line of non-alignment. Yet —there cannot be any doubt—Communist China has gained a foothold in Tanzania.

Also in other African countries communism has made headways in a rather silent manner. Zambia, for instance, had to resort to extraordinary means to combat this invisible enemy. Shortly after the opening of a Chinese embassy in Lusaka, Chinese diplomats started disappearing into remote areas of the country "to know the people". As a result of these mysterious trips, President Kaunda banned all diplomats from leaving the capital without special permission. But this was not the first time that Zambia experienced trouble with the communists. Only a few years ago, President Kaunda recruited a "Ghost Squad" of anti-communist intelligence agents from Ireland. This small group is today the most efficient anti-communist combat force.

. . . and Measures Against It

President Kaunda cannot fight communism in the open, just as the communists cannot start an open propaganda campaign in Zambia. World politics prevent this. Zambia is a non-aligned nation, just as Tanzania, and plays the communists off against the West. It favours officially Communist China's admission to the United Nations and must avoid any trouble with these "friends". Yet the President is well aware of the dangers and he also knows that already two years ago posters in Peking appealed to "Red Guards" to volunteer for work in Zambia.

Other African governments, e.g. President Kenyatta's in Kenya, have taken rather drastic measures against the revolutionary propaganda of red emissaries. Altogether it can be stated that the present rulers of the independent African states have no sympathy for communism. The only chance Communist China has in Africa is the revolution caused by internal discontent. And it goes without saying that there are many reasons for discontent. The lack of economic cooperation amongst the independent African states, the "Balkanisation" of Africa, has resulted in widespread poverty, the cities are crowded with unemployed people in "slums" who are unable or unwilling to work in any other capacity than as "white collar" workers, and the rulers suppress any opposition. There were already student revolts in Tanzania in protest against President Nyerere's one-party state and in Kenya against the way, President Jomo Kenyatta treated the opposition party. If this state of affairs carries on, there is indeed a grave danger of communist infiltration into Africa.