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## Common industrialization policy in small integration schemes: The Central African approach

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# Kieler Arbeitspapiere

# Kiel Working Papers

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Working Paper No. 12

Common Industrialization Policy in Small  
Integration Schemes. The Central African  
Approach

by

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Common Industrialization policy as an instrument of integration

Experiences with small<sup>1</sup> regional integration schemes and their attempts to shift the policy of industrialization, apart from trade policy, from the national to the regional level, hardly give rise to exaggerated optimism.

However, just as it is obvious that increased vertical linkages, "size effects"<sup>2</sup> and external economies of a common strategy of industrialization appear a priori to have positive repercussions on the efficiency of first attempts at industrialization because of the extremely small size of the home market, it is definite that there is a considerable gap between this conclusion and its conversion into actual political measures, for instance, within the scope of regional industrialization planning on the community level.

Up to now such a plan has not been set up by any of the most important integration schemes between the small developing countries, be it the East African Community (EAC), the Central African Customs and Economic Union (UDEAC) or the West African Customs Union (UDEAO). Instead of this regulation, national development plans with correspondingly narrow horizons now determine the direction and the dimensions of industrialization policy within these communities.<sup>3</sup>

Parallel investments, excess capacities, suboptimal dimensions of enterprises, inefficient productions with small radius of markets being sheltered by high rates of protection and transport costs are some of the results of the plans with mainly "national" character.

Furthermore, the dissatisfaction with trade diversion and the fall in customs-duty receipts from substituted third country imports can induce the periphery states within the community to avert im-

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ports from member states by means of internal duties and quantitative restrictions. The danger of an escalation of disintegration measures was realized, not only ex post, but also at the beginning of the integration, however, only these counter-instruments have been set up at the community level which represent a compromise between the required national control and the necessary conceiving of efficient industrialization in a "regional way".

Such a compromise is represented by the "taxe unique" system of the Central African Customs and Economic Union (UDEAC).

It seems to be relevant to subject this system to an analysis, in so far as the recently founded West African Economic Community (CEAO) is going to take over this instrument in the form of the "taxe de coopération régionale" with effect from 1974. On the other hand, however, disappointment about the existing results of the "taxe unique" system was aired by the UDEAC.<sup>4</sup>

The following analysis tries to show whether this disappointment could be justified and where the weakness of this system could be located.

The legal basis of the "taxe unique" system of UDEAC and its functioning:

UDEAC's "taxe unique" system<sup>5</sup> is based on the similar system of its predecessor, the Equatorial African Customs Union UDE.<sup>6</sup> The legal basis for the UDE-system was the "Codification et Réglementation de la taxe unique dans les états de l'Afrique Equatoriale"<sup>7</sup> of 17.5.1960, which covered the four succession states of "French Equatorial Africa": Gabon, Congo-Brazzaville (later P.R.Congo), Central African Republic and Chad. The T.U.system of the UDE stipulated that

- on the application of individual companies, industrial products, with markets which covered or ought to cover several countries of the customs union, should be exempted from import duties and

- other import charges on inputs. (Art.1 and 2),
- no further internal taxes on imported inputs and manufactured products should be assessed (Art.3),
- industrial products should instead be subjected<sup>8</sup> to a single tax, the T.U.,
- the proceeds from the T.U. should be distributed to the member countries according to their share of imports. (Art.4),
- the decision of admission to the T.U.system should be transferred to a common authority, the "Comité de Direction" (Art. 1),
- the tax rates for a specific product should be assessed irrespective of the producer country and
- goods determined for third country exports should be excluded from the T.U.system (Art.17).

The main effects of these stipulations with regard to the increased regionalism of trade with domestic industrial products had been:

In the first place a common authority had been charged with the admissions to the T.U.system and the assessment of the amount of tax rate, so that at least formally the T.U.system could have served as a basis for a coordination of the national industrialization plans on a regional level.

Secondly, tax rates for individual goods had been assessed uniformly for all countries, irrespective of the location of the manufacturing industries, so that the system did not offer any fiscal incentive for a shifting of location for manufacturing industries situated in peripheral regions.

Thirdly, domestic consumption and exports had been charged with the same tax rates.<sup>9</sup> This proved problematic, in so far as a possible conflict of interest between the producer country and the import country had not been taken into account. While it could

be essential for the import countries to be compensated at least partially for diminished customs-duty receipts from third country imports (trade diversion), the producer countries pleaded for a growth-promoting tax allowance for their production and exports into member states. A splitting of the regional market into partial markets which would have been differed from each other by effective rates of protection was therefore avoided in the UDE-phase.

From 1960 until mid 1965 thirty-one enterprises received the T.U. privilege: during this period it was noted that a regional as well as a sectoral centre<sup>10</sup> with foods, beverages, cotton and leather products was built up in Congo (Table 1). Gabon had a special position in so far as it remained strongly connected with third countries in regard to its exports, a consequence of its isolation concerning the traffic within the UDE as well as the export structure which was only based on mineral and agricultural primary goods.

Effective rates of protection of T.U. industries during the UDE phase (1960-1965)  
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If one considers the T.U. as a substitute for an average import tariff<sup>11</sup> levied on all imported inputs, the nominal and effective rates of protection<sup>12</sup> of T.U. goods can be compared vis-à-vis competing products from third countries, provided that a constant share of imported inputs (M) in the production value is assumed.<sup>13</sup> This offers the opportunity to calculate the regional preference which the T.U. goods enjoy as a basis for further calculations concerning the intra-regional trade incited by the common policy.

With regard to the nominal rates of protection analysis, it has to be taken into consideration that since 1962 a dual import tariff had been relevant for the UDE, i.e. besides an import duty levied on all third country imports which was dating from the colonial period, a common external tariff had been in force since 1962. However, the latter had not been applied to imports from France and the francophone states of Africa, and was suspended on imports from the remaining EEC members with regard to the exist-

ing association regulations. In view of the dominating share of UDE imports from France, the remaining EEC countries and from the francophone African states (1963: 73.7 percent) it appears quite sensible to restrict the analysis of nominal protection to the common import duty.<sup>14</sup> As, in this connexion, only the preferential tariff and customs duties are of interest, which were agreed upon within the scope of the customs union on the community level, national import duties on particular products (e.g. on luxury consumer goods) were not taken into consideration in the calculation.

Table 2 shows that goods<sup>15</sup> with a relatively high effective rate of protection or with a high coefficient of effective and nominal protection (escalation effect) also had relatively high shares in the total supply on the regional market. This is valid for cosmetics and hygiene articles, as well as for cotton, bicycles and small tools (nails and bolts). However, it would be too early to deduce from this a generally valid causal relationship between protection and sales prospects on the regional market. Transport-intensive and transport-sensitive products such as beverages (lemonade) interrupt this relationship, since they enjoy additional competitive protection vis-à-vis third country products.

Products of a higher degree of manufacture such as clothing, shoes and furniture had been less protected because of high T.U. rates than was supposed under nominal protection. However, the low shares of domestic production in the total supply of these goods cannot simply be ascribed to the high incidence of taxation and thus the lacking protection. With increased manufacturing maturity the heterogeneity of these goods is rising, transport costs are relatively decreasing and, therefore, the chance for third country products to penetrate the regional market despite high effective protection of domestic products is growing. With regard to durable consumer goods such as radios and furniture, the preference of domestic consumer for imported goods have to be taken into consideration



as well as the fact that the UDE states were in the first phase of industrialization and, if at all, produced durable goods which were at the very beginning of the product cycle.

In general, a lower cross price elasticity could be assumed for such domestic consumer goods rather than for simple manufactured goods such as cotton products. As disaggregated data about the development of intra-regional trade with T.U. goods during the UDE phase are only available for the last year, 1965, no conclusion can be drawn on how far changes in the shares of domestic industrial products in the total supply have taken place since 1960 and if so, whether these changes could rather be attributed to higher price (tariff) - than to income-elasticities.

On the contrary, as a summary of T.U. industries during the UDE phase it can be presumed that successes in import substitution strategy depended essentially on the shares of transport costs and on the preferences of natives and foreigners with higher incomes to spend on high-quality imported manufactured goods. If this hypothesis was right, limits to import substitution policy on a regional level would be established more rapidly than presumably could be the case with respect to relations of factor costs and rates of protection.

#### The reform of the T.U. system after 1966

In 1966 a fundamental reform of the customs union, as well as the T.U. system based on it, took place. Cameroon was admitted to the customs union and thus created a second more important regional centre for industrial products apart from Congo. (Table 3). The import duty deriving from the colonial period was substituted by a considerably higher common external tariff which includes apart from a customs duty (Droit de Douane), an import duty (Droit d'entrée), and the turnover tax an additional non-compulsory import duty (taxe complémentaire) which can be claimed by the members as a substitute for abolished national import duties on various goods at varying amounts.

On account of the "taxe complémentaire" the customs union nominally expanded into an economic union (UDEAC) is neither an economic union (as yet no harmonisation of tax systems) nor a customs union (no uniform external tariff on imported goods from third countries into the member states), but a free trade area.

The different tariff burden of imported goods according to import countries is as essential for the analysis of the community tax system as the new regulations,<sup>16</sup> valid since 1966, according to which the T.U. rates could differ for the same product according to the producer country until 1.1.72.<sup>17</sup> In the same way, the domestic consumption of a T.U. article can be subjected to a different tax rate than if it were to be exported to member states. The above mentioned conflict of interest between the consumer and producer countries is taken into account by this rule.<sup>18</sup> Both, the external tariff and the T.U., provoke a splitting of the regional market into partial markets with various effective rates of protection. The new T.U. system makes a fiscal incentive for production in peripheral regions possible.<sup>19</sup> It is, however, controversial whether the new system can also contribute to compensating diminished customs duty proceeds from substituted third country imports or even to compensating further reaching integration losses.

The point of view that "the device is primarily to be considered as a means of restoring the domestic tax base rather than as a means of providing fiscal compensation for the cost of integration"<sup>20</sup> and "that the tax unique does not, in itself, provide compensation for the real loss involved in buying its partner's higher priced products"<sup>21</sup> is in opposition to the opinion that "the tax /taxe unique has a similar objective to that of the Solidarity Fund, i.e. to effect a degree of equalisation in the benefits and charges accruing to the individual member states as a result of the UDEAC"<sup>22</sup> or "in other words the more products subject to the "taxe unique" that a country consumes, the larger is its share in the proceeds. The country of

consumption can thus recuperate an amount equivalent to the revenue duties it loses by buying the product from a regional partner country."<sup>23</sup>

The existing results<sup>24</sup> for the UDEAC clearly confirm that the T.U. can only partly compensate for the diminished customs duty proceeds resulting from trade diversion, since, on the other hand, provided there are "high cost producers" within the union, competitiveness of domestic products would be jeopardized. Furthermore it seems to be clear that real income losses from trade diversion have been accrued by all UDEAC partner countries.<sup>25</sup> A preliminary answer to the question, whether the differentiating of T.U. rates promoted an intra-regional specialization or whether it only sanctioned "national" import substitution on the community level, can be given by the analysis of effective rates of protection of T.U. goods on the markets of producer and consumer countries.

Thus, two factors influence the determining of the difference in the rates of protection: on the one hand, the different fiscal treatment of domestic consumption and exports into partner countries by the T.U., on the other hand, the different external tariff burden on competing import goods according to the import country of the UDEAC.<sup>26</sup> A calculation including both factors can lead to an answer whether the trade policy of UDEAC not only built up barriers against external imports but also promoted intra regional trade.

#### Effective rates of protection of T.U. industries in the UDEAC

Following the method applied in the UDE case ( $M = 0.5$ ) effective rates of protection have been calculated for most of the important UDEAC goods, according to whether the products have been consumed in the producer country or whether they have been exported into partner countries.<sup>27</sup> These rates of protection have been related to each other. A coefficient larger (smaller) than one thus means that the effective protection of domestic consumption is larger (smaller) than the protection on markets of partner countries. A coefficient of one means that the protection of the market in the producer country is the same as on the market in the import country.

Algebraically this could be shown as follows:

Let  $t_o^{ca}$  be the import tariff for the manufactured product in Cameroon, and  $t_o^{car}$  the import duty for the manufactured product in the CAR. Correspondingly, let  $t_i^{ca}$  be the T.U. rate for the manufactured T.U. product on the consumption in the producer country Cameroon, and  $t_i^{ca, car}$  the T.U. rate for the manufactured T.U. product on the export of the producer country Cameroon into the CAR.  $R^{ca, car}$  is the coefficient from the effective rates of protection for the Cameroon product on the domestic market ( $r^{ca}$ ) and the CAR market ( $r^{ca, car}$ ).

$$R^{ca, car} = \frac{r^{ca}}{r^{ca, car}} = \frac{t_o^{ca} - t_i^{ca}}{t_o^{car} - t_i^{ca, car}} \cdot \frac{M}{M}$$

This calculation was carried out for all (until 1968) five member states<sup>28</sup> and for all possible import export combinations (Tables 4 & 8).

As Cameroon is the industrial centre of the UDEAC, the analysis of the rates of protection of its industries appears to be especially relevant (Table 4). With the exception of its cotton-product exports to the CAR and the essentially less important exports of refined vegetable oil to Congo, the rates of protection of Cameroon's T.U. industries are always higher on the domestic market than on the markets of member states. However, as Table 5 shows, the protection of the domestic cotton-manufacturing industry of CAR with 131 percent is just as high as the protection of competing Cameroon exports into the CAR.

If the extent of the deviation of the coefficient from one is evaluated as indicator for a deviation from an "optimum integration area" in which imports from partner states are not discriminated against in favour of domestic production ( $R = 1$ ), the example of Cameroon shows how far the UDEAC is from such a status. Instead, the "national" import substitution is fiscally sanctioned on the

community level representing "a means of limiting inter country competition in the product in question."<sup>29</sup> If transport costs are regarded as additional internal duty on imports, T.U. system and transport costs will act together in the direction of a splitting of the regional market into partial markets. In the case of Cameroon it must be added to this that the external tariff protection is mostly higher than that of the other partners because above all, Cameroon is assessing the additional import duty (taxe complémentaire) and thus protects its markets more strongly than the other member states.

The unweighted average values in Table 4 show that the deviation from the optimum status affects all Cameroon's partner countries to almost the same extent apart from the T.U. relations between Cameroon and Chad which have been revised since 1968. However, it might be noted that the transport costs between the partners distort this homogeneous picture.

The results of CAR and Congo, being industrially the most important UDEAC states besides Cameroon (Tables 5 and 6), appear less homogeneous.

The T.U. goods of CAR enjoy, on an average, a higher protection on the Cameroon market than on the domestic market. Disregarding once more the transport costs this would contribute to intensify the intra-regional competition on the Cameroon market. A restriction has to be made in so far as such a promotion of the intra-regional exports is not valid for two of the most important CAR industries, the cotton manufacturing and the bicycle industry.

The coefficients concerning the trade of CAR with Congo show slightly discriminating distortions in favour of CAR's domestic consumption, again with the exception of the cotton manufacturing industry, where the consumption of domestic goods is clearly preferred. The T.U. trade with Chad (until 1968) and Gabon is quantitatively unimportant.

The results of Congo's T.U. trade (Table 6) show analogies to the T.U. trade of CAR in so far as the T.U. industries of Congo enjoy on average a higher effective protection on the Cameroon market than on the domestic market. It is, however, open to question whether these preferences granted by the Community can compensate for the competitive advantage of domestic Cameroon industries which is due to high transport costs of Congo goods.

Objections against the effectiveness of T.U. export preferences arise because Congo's exports of T.U. products to Cameroon amounted up to only 3.6 percent of all T.U. exports in 1970 and that exports of Congo's T.U. products into the CAR amounted to 21.2 percent although the coefficients Congo-CAR mostly had the value of one, thus neither intra regional exports nor domestic consumption are discriminated or preferred essentially. The exception is again the cotton-manufacturing industry. It can be presumed that the trade Congo-CAR enjoys an advantage in transport costs since the traditional transport system, the "voie federale" directly connects the industrial centres of both states. Unfortunately, the coefficients of the trade Congo-Gabon and Congo-Chad cannot support the thesis that trade is influenced by transport costs rather than by T.U. rates. On the one hand, Gabon has only a few T.U. industries at its disposal and is situated peripherically with regard to transport facilities within the UDEAC region, and on the other hand Chad's T.U. privileges to T.U. industries were canceled two years after the beginning of UDEAC because of its withdrawal from the Union.<sup>30</sup>

If the information contained in Tables 4 - 8 is not classified regionally, but sectorally, it will be possible to compare the effective rates of protection of domestic consumption with rates of imports from neighbouring countries and to make statements about the intensity of the intra regional competition with industrial products. This all the more since all member states

produce labour intensive and raw material intensive consumer goods which are typical for the first phase of industrialization: e.g. cotton manufacturing (NDB. 5509), clothing (6101), shoes (6401), furniture (9401) and bicycles (8710). In the special case of the UDEAC paints and lacquers (3209) as well as cosmetics (3306) must be added. While the regional "view" does usually touch the producer's statement of problems as to how far the T.U. grants incentives for the export or the domestic consumption, the sectoral view of the effective rates of protection (not of the coefficients from the rates) takes into consideration the consumer's statement of problems as to how far imports are discriminated against compared with domestic supply. Above all it could be clarified whether facilitated access possibilities to the markets of partner states have been granted to the peripheral states Chad and CAR or, vice versa, whether the access to markets of peripheral states has been rendered difficult for industries of the central states, thus introducing quasi internal duties on intra regional trade.

With regard to cotton-manufacturing products (Table 9) the first question can be partially denied, since all imports on the CAR market as well as on the Gabon market, including the domestic supply enjoy the same protection. However, a preference for domestic supply does exist on the Congo market. The same is true in Cameroon with the only restriction that the products of CAR enjoy the same protection as the domestic supply of Cameroon. Until 1968 the cotton products of Chad, a dominating sector for Chad's industrialization process, profited by the T.U. protection vis-à-vis the competing imports from CAR and Cameroon.

Results for men's clothing seem to refute the thesis of fiscal incentives by the T.U. system in favour of peripheral states. Until 1968 imports from Chad had been allowed only a lower protection on markets of Cameroon and CAR than the domestic supply of the respective partner states.

A similar picture with respect to the structure of rates of protection for cotton is given by shoes (6401). In each case the domestic supply is not discriminated against in favour of imports, in the case of Cameroon and CAR it is even obviously preferred. On the other three, more unimportant markets, imports and domestic supply are being equalized by the T.U. system.

Concerning cycles the products of CAR enjoy on all partner markets at least the same or even higher protection than the products of the importing country. The competing goods from Chad which achieved the same (owing to transport costs even actually higher) protection only on the domestic market, suffered from these preferences. The structure of protection regarding furniture products (9401) contains elements of clear fiscal preference for domestic supply (Chad) as well as those of non-discrimination of imports (Cameroon). With respect to cosmetics (3306), Chad had a privileged position, while with respect to paints and lacquers (3209) the products of CAR, Gabon and Congo have been fiscally put on one level.

If one measures the preferences of production in peripheral regions taking access possibilities to the main market of Cameroon into consideration, then obviously only cosmetics (privileged: Chad) and lacquers and paints (privileged: CAR, Gabon, Congo) fall in between this category.

In all other cases domestic products of Cameroon have been granted either a higher (clothing, shoes) or the same protection, mostly with imports from the CAR (cotton, bicycles, furniture, varnishes and lacquers).

So the importance of the T.U. system lies primarily in the promotion of national import substitution and only in the second place in the expansion of intra-trade (export promotion) or the allowance of fiscal incentives for peripheral areas.



This policy can be seen in analogy with the passing of time in the industrialization process which can be observed in the world economic division of labour. Import substitution is regarded as a "training field" for export intensification. Of course, regarding such narrow national markets as the partial markets of the UDEAC, the efficiency limit of import substitution is attained rapidly, also with regard to typical labour intensive products with low internal economies of scale.

Therefore, it must be carefully considered, how the T.U. system could be reformed, after finishing the first phase of protection of the domestic production, in a second phase of gradual abolition of these privileges.

The present handling of the T.U. is to be put on the same level as the introduction of internal duties on intra regional imports of industrial products, and therefore, it is comparable to the "transfer tax" system of the East African Community. The essential difference in the handling within the East African Community, however, is that of the introduction of internal duties by countries whose intra regional trade with industrial products shows a deficit, whilst in the case of the UDEAC these internal duties have been imposed mainly in favour of the industrial leader Cameroon.

The contribution of import substitution of T.U. industries to the growth of finished goods production within the UDEAC

As ascertained above, the T.U. system has up to now mainly favoured the domestic consumption at the expense of exports into partner states. This was shown most clearly with respect to Cameroon's T.U. industries. It has to be clarified whether the import substitution and the contribution to the increase of industrial production connected with it was to the debit of extra-regional or intra-regional imports, i.e. which protection was more effective, that of

the external tariff or that of the T.U. system.

The lack of input-output statistics about manufacturing processes in the UDEAC means having to fall back on the Chenery-model which does not take into consideration the import substitution of inputs required for the production of manufactured goods and thus reduces the extent of import substitution.<sup>31</sup> The extent is thus underestimated; however, in case of the analysed sectors the mistake is not as important because it is a matter of production of mostly simple consumer goods with relatively few manufacturing phases and required input goods.

To show the extent of the substitution of intra-regional imports, extra- and intra-regional imports in the period of 1966 - 1970 (with Chad till 1968) on the one hand and only extra-regional imports on the other hand, have been included in the total supply. Both amounts of import substitution resulting from the application of the Chenery model have been related to the absolute growth of the domestic consumption<sup>32</sup> of all domestic T.U. products within this period, in order to illustrate their contribution to this growth. The difference in both percentages is identical with the share of intra-regional import substitution in the growth of domestic production and there are the following possibilities:

- 1) The difference can be positive and larger (smaller) than the percentage which is allotted to the extra-regional import substitution, i.e. in the passing of time more intra-regional (extra-regional) imports have been substituted by domestic production than extra-regional (intra-regional) imports.
- 2) The difference can be positive and equal to the percentage for extra-regional import substitution i.e. just as many intra- as extra-regional imports have been substituted.

3) The difference can be negative and absolutely smaller (larger) than the positive percentage of the extra-regional import substitution, i.e. the share of intra-regional imports in the total supply has increased. Extra-regional imports have been substituted and the positive effect of the extra-regional import substitution for the growth of domestic production has been larger (smaller) than the negative effect of an increased share of intra-regional imports. In the case of the increase in intra-regional imports absolutely exceeding the extra-regional import substitution, the result would be "trade creation".

4) The difference can be negative and absolutely equal to the positive percentage which is allotted to the extra-regional import substitution. This would be the case of pure trade diversion. All extra-regional imports would be substituted by intra-regional imports. The sum of extra-and intra-regional import substitution would be nil.

5) The difference can be nil. Neither decreases nor increases of shares of intra-regional imports in the total supply have taken place. The growth of domestic production was consequently based solely on the substitution of extra-regional imports.

Table 10 shows the contribution of extra-regional and total import substitution to the growth of domestic consumption as well as the difference between them (Column 3,6,9,12,15).

According to this, the following results can be deduced:

a) The share of total import substitution in the growth of domestic production was, on average, the highest in Chad and Gabon. That speaks well for the "backward" situation of these countries, as far as their industrialization process with manufactured goods is concerned. The CAR, however, seems to have reached the limits of import substitution more rapidly than the industrial leader Cameroon, whose production of T.U. goods shows the biggest growth

rates of all countries during the period 1966 - 1970 (apart from Gabon).

b) The substitution of intra-regional imports was mostly unimportant for the growth of production in Cameroon so that only extra-regional imports have been substituted. On the contrary, however, the domestic production of CAR had to face more intra-regional imports than all other member states. So the CAR proved to be the most stimulating partner on the import side of intra-regional trade.

c) For the three other members intra-regional imports did not have either an essential influence on stronger competition or stimulation of intra-regional trade or on promotion of production growth by import substitution. Only Chad's sugar industry (till 1968) and, not as important, Chad's and Congo's beer industries must be exempted from this conclusion. Mainly in the case of sugar Chad substituted considerable amounts of imports from Congo.

d) With the exception of the CAR the cotton-manufacturing industry contributed the highest share to the growth of the domestic T.U. production in all countries by substituting extra-regional imports. Soap (CAR), Cigarettes (Cameroon) as well as paints and lacquers (Gabon) decreased in importance and fell back behind this leading sector.

e) "Trade creation" effects in the above mentioned sense - where the increase in intra-regional imports exceeds the decrease of extra-regional imports - could only be noted with regard to the imports of men's clothing and bicycles in the CAR. With respect to the latter only an insignificant substitution of extra-regional imports took place (0.04 percent of the domestic consumption of T.U. goods), since CAR could meet the domestic demand for bicycles almost completely with own production as far back as 1966.

f) "Trade diversion" effects however, exceeded "trade creation" effects as far as the size was concerned, but they remained relatively low. The imports of shoes as well as paints and lacquers in the CAR, imports of soaps in Cameroon, imports of cotton and perfumery

in Congo as well as paints and lacquers in Gabon fell into this category.

These "diversion" effects are in all cases partial, and least of all regarding imports of shoes in the CAR, i.e. only a small percentage of extra-regional imports has been substituted by imports from partner states, by far the largest amount by own production.

The fundamental result of the calculation of effective rates of protection that the T.U. system promotes domestic consumption to the debit of intra-regional trade, has not been refuted by the measurements of import substitution. If one arranges these results according to countries, a confirmation can be seen. Cameroon, being the member state with the clearest protection of domestic production vis-à-vis imports from member states, is practically excluded as stimulating element for the intra-regional trade. On the other hand, stimulating influence came from CAR, whose production of own T.U. goods was not as strong. These differences however, appear marginal if one compares them with the preference of the substitution of extra-regional imports: more important national differences can be seen here. Partner states which had e.g. cotton - and leather-manufacturing industries at their disposal even before 1966 (Cameroon and CAR) appear to have approached the limits of import substitution by 1970, while Congo and Gabon established these industries only after 1966 and thus show higher growth rates in the period of observation. A similar fact is valid for Chad where the cotton-manufacturing sector clearly dominates.

### Conclusion

After the markets of the partner states have largely been closed by their own production, the question of expanding the national markets beyond the limits of the UDEAC has to be put by the more developed partners in an urgent way. It is shown that the instruments of T.U., in spite of its reform in 1966, did not contribute to a

coordination and specialization of national industrialization plans on a community level, but on the contrary, favoured the accumulation of small handicraft businesses. However, it remains open to question whether this development is the result of the opposing interests of the central- and periphery regions. Certainly, a regional concept had to face unfavourable conditions of infrastructure and employment at the beginning of the UDEAC so that priority had to be granted to protect small manufacturing enterprises with a very limited market radius.

In any case, the T.U. system has promoted the third country imports of inputs at the expense of intra-industrial specialization and simultaneously subventioned the domestic production of homogeneous goods. When, at the end of 1972, reflections<sup>33</sup> within the UDEAC, taking the clothing industry<sup>34</sup> as an example, have been made with a view to,

- demanding a minimum percentage for delivery into partner states as a prerequisite for the allowance of the T.U. privilege,
- refusing new enterprises the T.U. privilege,
- excluding small handicraft businesses from the T.U. privilege,
- stimulating the use of regional inputs in such a way that the price of these inputs may exceed the price of third country inputs by 15 percent and not as is the case now by 10 percent<sup>35</sup> in order to delete inputs from the list of exemptions from duty,

it will be quite clear that the T.U. system should in future primarily serve the intra-industrial specialization rather than as up to now, the subvention of every quasi-industrial activity without regional reference.

Table 1: Sectoral and regional<sup>a</sup> distribution of "Taxe Unique" industries<sup>b</sup> in the Equatorial African Customs Union  
(1960 - 1965)

Products	Congo	Chad	CAR	Gabon	Total
Sugar	1	1			2
Beverages	2		1		3
Tobacco	1				1
Soap and Perfumery	3	1			4
Chemicals	2				2
Synthetic Material	1		1		2
Leather	2				2
Cotton Products	1		1		2
Clothing			1		1
Footwear	1	1	1		3
Furniture	1				1
Aluminium	1		1		2
Bicycles and other vehicles	1	2	1		4
Radios		1			1
Ammunition	1				1
Total	18	6	7	0	31

<sup>a</sup> The location of production has been taken as a basis and not the place of business.

<sup>b</sup> Number of enterprises.

Source: Journal officiel de la République du Congo, Brazzaville, current years.

Table 2 - Nominal and effective rates of protection of T.U. industries  
within the UDE in percent

Products	NDB <sup>a</sup>	Common Import Duty	T.U.	Rate of Protection at M = 0.5	Effective Rate of Protection at M = 0.5	Escalation Effect (+) <sup>b</sup> De-escalation Effect (-)	$\frac{P}{S}$ <sup>c</sup>
Lemonades	2202	20.0	20.0		20.0	0	74.7
Hydrogen, Rare Gases	2804	12.0	9.0		15.0	0.25	90.6
Perfumery, Cosmetics and Toilet Preparations	3306 <sup>d</sup>	31.7	11.2		52.2	0.65	46.1
Articles of plastic and synthetic rubber Materials	3907 <sup>e</sup>	18.0	12.0		24.0	0.33	1.0
Travel Goods of Leather	4202	12.0	15.0		9.0	- 0.25	11.9
Cotton Products	5509 <sup>f</sup>	12.0	7.0		17.0	0.42	51.6
Boy's and Men's Clothing	6101, 6103	15.0	15.5		14.5	- 0.03	19.2
Footwear	6401 <sup>g</sup> , 6402	12.0	16.0		8.0	- 0.33	6.7
Iron and Steel Constructions	7321	5.0	6.0		4.0	- 0.20	0
Nails	7331 <sup>h</sup>	12.0	-		24.0	1.00	48.7
Radios	8515 <sup>i</sup>	14.0	10.0		18.0	0.29	3.1
Cycles not motorised	8710	20.0	10.0		30.0	0.50	66.2
Furniture	9401, <sup>j</sup> 9403	12.0	15.0		9.0	- 0.25	8.7

<sup>a</sup> Nomenclature Douanière de Bruxelles

<sup>b</sup>  $\frac{\text{Effective tariff} - 1}{\text{Nominal tariff}}$

<sup>c</sup> P = domestic production (domestic consumption + export into the UDE-states)  
S = total supply (imports + domestic production). The year of reference is 1965

<sup>d</sup> Sub-headings 330607, 330608, 330631, 330641, 330642, 330651, 330652, 330690

<sup>e</sup> Sub-heading 390739

<sup>f</sup> Sub-headings 550902, 550903, 550904

<sup>g</sup> Sub-headings 640111, 640201, 640221, 640222

<sup>h</sup> Sub-heading 733101

<sup>i</sup> Sub-heading 851512

<sup>j</sup> Sub-headings 940111, 940321, 940331.

Sources: Journal Officiel de la République du Congo, Brazzaville, current years; Bulletin International des Douanes, Exercice 1958-1959, Fasc. 76/6<sup>e</sup> Edition), Bruxelles 1958.



Table 3 : Regional and sectoral distribution of T.U. industries<sup>a</sup> 1966 - 1970  
within the UDEAC

Products	Cameroon	Congo	CAR	Chad <sup>b</sup>	Gabon	Total
Foodstuff	6		1	1		8
Sugar		1		1		2
Beverages	2	3	1	1		7
Tobacco	1	1				2
Soap + Perfumery of vegetable oil	5	4	2	2		13
Chemicals (inorganic) (organic)	3	2	2		1	8
Synthetic manufactured Goods	2	1	1			4
Wood manufacturing, Paper + Paperboard	5	1	2	1	1	10
Cotton manufacturing	1	1	2	1	1	6
Clothing	13		1	1		15
Footwear	2	1	2			5
Iron and Steel	5	2		1	2	10
Constructions						
Aluminium	4	1	1			6
Cement	1					1
Vehicles /Spare Parts, Bicycles	3	1	2	1		7
Radios	1			1		2
Furniture	2	1				3
Ammunition		1				1
Total	56	21	17	11	5	110

<sup>a</sup> Number of enterprises, Deprivations of the T.U. privilege have not been considered.

<sup>b</sup> Since Chad withdrew from the UDEAC in 1968, its industries lost the T.U. privilege.

Source: Journal Officiel de l'UDEAC, Bangui, current years 1966-1970

Table 4 - Effective rates of protection of Cameroon's T.U. industries with respect to domestic consumption and exports into partner states in percent in 1969

Products	NDB <sup>a</sup>	Cameroon's Import Duty on EEC products	r <sup>ca</sup>	r <sup>ca,car</sup>	r <sup>ca,co</sup>	r <sup>ca,ga</sup>	r <sup>ca,ch</sup>		R <sup>ca,car</sup>	R <sup>ca,co</sup>	R <sup>ca,ga</sup>	R <sup>ca,ch</sup>
Perfumery, Cosmetics	3306	109	193	185	185	190	185		1.04	1.04	1.02	1.04
Atomizers, Powder Sprinklers	8421	66	129	83	83	83	83		1.55	1.55	1.55	1.55
Cotton Products	5509	61	119	131	97	101	116		0.91	1.23	1.18	1.03
Enamelled Basins	7338	58	106	74	84	74	43		1.43	1.26	1.43	2.47
Household products of Aluminium	7615	58	104	79	73	74	73		1.32	1.42	1.41	1.42
Under Garment	6004	61	104	86	76	84	76		1.21	1.37	1.24	1.37
Men's and Boy's Garments	6101 6103	61	104	96	82	80	98		1.21	1.27	1.30	1.06
Footwear	6401 6402	61	102	83	83	84	83		1.23	1.23	1.21	1.23
Furniture	9401 9403	58	101	81	81	82	66		1.25	1.25	1.23	1.53
Macaroni, Spaghetti	1903	54	99	68	86	80	68		1.46	1.15	1.24	1.46
Cycles, not motorised	8710	54	93	90	90	92	86		1.03	1.03	1.01	1.08
Radios	8515	53	91	70	75	71	68		1.30	1.21	1.28	1.34
Articles of Plastic and Synthetic Rubber Materials	3907	48	87	77	86	76	77		1.13	1.01	1.14	1.13
Motor Cycles	8709	53	86	61	61	65	61		1.41	1.41	1.32	1.41
Trailers, Animal-Traction Vehicles	8714	46	84	67	67	68	67		1.25	1.25	1.24	1.25
Varnishes and Lacquers	3209	46	81	68	72	71	68		1.19	1.13	1.14	1.19
Vegetable Oils	1507	46	78	76	80	78	76		1.03	0.98	1.00	1.03
Iron and Steel Constructions	7321	42	78	58	58	58	58		1.34	1.34	1.34	1.34
Waters	2201	42	76	58	71	60	58		1.31	1.07	1.27	1.31
Wrought Plates, Sheets + Strip, of Aluminium	7603	42	75	60	54	55	54		1.25	1.39	1.36	1.39
Hydrocarbons	2901	38	67	66	66	66	58		1.02	1.02	1.02	1.16
Hydrogen, Rare Gases	2804	38	67	66	66	66	58		1.02	1.02	1.02	1.16
								∅	1.22	1.21	1.23	1.32

<sup>a</sup> Only the 6-digit sub-headings in question have been taken into account.

Sources: Bulletin International des Douanes, Union Douanière et Economique de l'Afrique Centrale, Fascicule 66 (1<sup>re</sup> Edition), Bruxelles 1966; Journal Officiel de l'UDEAC, Bangui, current years.

Table 5 - Effective rates of protection of CAR's T.U. industries with respect to domestic consumption and exports into partner states in percent in 1969

Products	NDB <sup>a</sup>	CAR's Import Duty on EEC products	r <sub>car</sub>	r <sub>car,ca</sub>	r <sub>car,co</sub>	r <sub>car,ga</sub>	r <sub>car,ch</sub>		R <sub>car,ca</sub>	R <sub>car,co</sub>	R <sub>car,ga</sub>	R <sub>car,ch</sub>
Cotton Products	5509	69	131	119	98	101	115		1.10	1.34	1.30	1.14
Boy's and Men's Garments	6101, 6103	64	110	100	96	86	108		0.98	1.02	1.14	0.91
Cycles, not motorised	8710	54	97	93	97	97	86		1.04	1.00	1.00	1.13
Vegetable Oils	1507	49	90	82	82	83	82		1.10	1.10	1.08	1.10
Footwear	6401, 6402	54	89	98	83	84	- <sup>b</sup>		0.91	1.07	1.06	- <sup>b</sup>
Household Products of Aluminium	7615	48	88	118	78	78	78		0.75	1.13	1.13	1.13
Furniture	9401, 9403	49	84	101	84	85	80		0.83	1.00	0.99	1.05
Cheese and Curd	0404	43	84	84	84	84	79		1.00	1.00	1.00	1.00
Motor-Cycles	8709	43	75	86	75	75	61		0.87	1.00	1.00	1.23
Trailers, Animal-Traction Vehicles	8714	43	75	85	75	75	64		0.88	1.00	1.00	1.17
Varnishes and Lacquers	3209	43	74	84	80	74	74		0.88	0.93	1.00	1.00
Base Metall Fittings and Mountings	8302	43	72	82	72	72	- <sup>b</sup>		0.88	1.00	1.00	- <sup>b</sup>
Hydrocarbons	2901	38	71	67	71	71	58		1.06	1.00	1.00	1.22
Hydrogen, Rare Gases	2804	38	71	67	71	71	58		1.06	1.00	1.00	1.22
Linen	6202	43	68	94	70	54	54		0.72	0.97	1.26	1.26
Builder's Carpentry and Joinery	4423	38	65	65	65	65	65		1.00	1.00	1.00	1.00
Wood, planed	4413	38	65	65	65	65	65		1.00	1.00	1.00	1.00
Waters	2201	36	58	76	71	60	58		0.76	0.82	0.97	1.00
Bodies for Motor Vehicles	8705	32	54	84	54	54	54		0.64	1.00	1.00	1.00
								∅	0.92	1.02	1.05	1.09

<sup>a</sup> Only the 6-digit sub-headings in question have been taken into account.

<sup>b</sup> These industries have been established after 1968, when Chad had already left the UDEAC.

Sources: See Table 4

Table 6 - Effective rates of protection of Congo's T.U. industries -  
with respect to domestic consumption and exports into part-  
ner states in percent in 1969

Products	NDB <sup>a</sup>	Congo Import Duty on EEC products	r <sup>co</sup>	r <sup>co,ca</sup>	r <sup>co,ga</sup>	r <sup>co,ch</sup>	r <sup>co,car</sup>		R <sup>co,ca</sup>	R <sup>co,ga</sup>	R <sup>co,ch</sup>	R <sup>co,car</sup>
Perfumery, Cosmetics	3306	109	193	185	189	185	185		1.04	1.02	1.04	1.04
Cotton Products	5509	54	105	115	101	- <sup>b</sup>	131		0.91	1.04	- <sup>b</sup>	0.80
Vegetable Oils	1507	54	96	82	87	82	82		1.17	1.10	1.17	1.17
Nails	7331	48	94	94	84	84	84		1.00	1.12	1.12	1.12
Under-Garment	6004	54	90	90	84	- <sup>b</sup>	90		1.00	1.07	- <sup>b</sup>	1.00
Articles of plastic and synthetic rubber Materials	3907	48	87	87	77	77	77		1.00	1.13	1.13	1.13
Furniture	9401, 9403	49	85	101	86	80	85		0.84	0.99	1.06	1.00
Travel Goods of Leather	4202	49	84	94	80	84	84		0.89	1.05	1.00	1.00
Footwear	6401, 6402	54	83	96	84	83	83		0.86	0.99	1.00	1.00
Varnishes and Lacquers	3209	46	80	84	74	74	74		0.95	1.08	1.08	1.08
Household Products of Aluminium	7615	43	78	118	78	78	88		0.66	1.00	1.00	1.00
Waters	2201	42	71	76	60	58	58		0.93	1.18	1.22	1.22
Hydrocarbons	2901	38	66	67	66	58	66		0.99	1.00	1.14	1.00
Hydrogen, Rare Gases	2804	38	66	67	66	58	66		0.99	1.00	1.14	1.00
Iron and Steel Constructions	7321	32	58	78	58	58	58		0.74	1.00	1.00	1.00
Trailers, Animal-Traction Vehicles	8714	32	57	83	57	57	57		0.69	1.00	1.00	1.00
Bodies for Motor Vehicles	8705	32	54	84	54	54	54		0.64	1.00	1.00	1.00
Railway + Tramway Goods Vans	8607	27	50	80	50	-	50		0.63	1.00	- <sup>b</sup>	1.00
Ships, Boats	8901	19	34	34	34	34	34		1.00	1.00	1.00	1.00
								∅	0.89	1.04	1.07	1.03

<sup>a</sup> Only the 6-digit sub-headings in question have been taken into account.

<sup>b</sup> These industries have been established after 1968, when Chad had already left the UDEAC.

Sources: See Table 4

Table 7 - Effective rates of protection of Gabon's T.U. industries  
with respect to domestic consumption and exports into  
partner states in percent in 1969

Products	NDB <sup>a</sup>	Gabon's Import Duty on EEC Products	r <sub>ga</sub>	r <sub>ga,ca</sub>	r <sub>ga,co</sub>	r <sub>ga,ch</sub>	r <sub>ga,car</sub>		r <sub>ga,ca</sub>	r <sub>ga,co</sub>	r <sub>ga,ch</sub>	r <sub>ga,car</sub>	
Cotton Products	5509	54	101	115	101	- <sup>b</sup>	131		0.88	1.00	- <sup>b</sup>	0.77	
Containers (Reservoirs, Tanks)	7322	43	75	76	95	75	75		0.99	0.79	1.00	1.00	
Varnishes and Lacquers	3209	43	74	84	84	74	74		0.88	0.88	1.00	1.00	
Iron and Steel Constructions	7321	32	64	59	59	- <sup>b</sup>	59		1.08	1.08	- <sup>b</sup>	1.08	
Tugs	8902	10	18	18	18	18	18		1.00	1.00	1.00	1.00	
Light-Vessels	8903	10	18	18	18	18	18		1.00	1.00	1.00	1.00	
Ships, Boats for breaking up	8904	10	18	18	18	18	18		1.00	1.00	1.00	1.00	
Plywood	4415	38	65	97	64	64	64		0.67	1.02	1.02	1.02	
Ships, Boats	8901	7	13	13	13	13	13		1.00	1.00	1.00	1.00	
									Ø	0.94	0.97	1.00	0.99

<sup>a</sup> Only the 6-digit sub-headings in question have been taken into account.

<sup>b</sup> These industries have been established after 1968, when Chad had already left the UDEAC.

Sources: See Table 4

Table 8 - Effective rates of protection of Chad's T.U. industries<sup>a</sup>  
with respect to domestic consumption and exports into partner  
states in percent in 1968

Products	NDB <sup>b</sup>	Chad's Import Duty on EEC Products	r <sup>ch</sup>	r <sup>ch,car</sup>	r <sup>ch,ca</sup>	r <sup>ch,co</sup>	r <sup>ch,ga</sup>		R <sup>ch,car</sup>	R <sup>ch,ca</sup>	R <sup>ch,co</sup>	R <sup>ch,ga</sup>
Perfumery, Cosmetics	3306	109	199	199	199	199	199		1.00	1.00	1.00	1.00
Boy's and Men's Garments	6101, 6103	69	120	106	100	100	86		1.13	1.20	1.20	1.40
Cotton Products	5509	64	124	131	118	101	101		0.95	1.05	1.23	1.23
Radios.	8515	54	94	114	104	104	94		0.82	0.90	0.90	1.00
Cycles, not motorised	8710	54	86	86	93	86	89		1.00	0.92	1.00	0.97
Parts and Accessories of Motor- Cycles	8712	54	86	86	86	86	86		1.00	1.00	1.00	1.00
Furniture	9401, 9403	49	86	84	96	86	86		1.02	1.14	1.00	1.00
Prepared or preserved Meat	1602	43	79	68	87	77	68		1.16	0.91	1.03	1.16
Trailers, Animal-Traction Vehicles	8714	39	71	70	85	71	71		1.01	0.84	1.00	1.00
Vegetable Oils	1507	38	69	69	69	69	69		1.00	1.00	1.00	1.00
Waters	2201	36	60	58	76	71	60		1.03	0.79	0.85	1.00
Iron and Steel Constructions	7321	32	58	59	76	60	60		0.98	0.76	0.97	0.97
								∅	1.01	0.96	1.02	1.06

<sup>a</sup> until 1968.

<sup>b</sup> Only the 6-digit sub-headings in question have been taken into account.

Sources: See Table 4.

Table 9 - Effective rates of protection of competing T.U. manufactured goods in the intra-regional trade of the UDEAC in percent 1968

Product	Producer Country	Importing Country Consumers				
		Cameroon	CAR	Congo	Gabon	Chad
Cotton Products (5509)	Cameroon	119	131	97	101	116
	CAR	119	131	98	101	115
	Congo	115	131	105	101	-
	Gabon	115	131	101	101	-
	Chad	118	131	101	101	124
Boy's and Men's Garments (6101, 6103)	Cameroon	104	96	82	80	98
	CAR	100	110	96	86	108
	Chad	100	106	100	86	120
Footwear (6401, 6402)	Cameroon	102	83	83	84	83
	CAR	98	89	83	84	-
	Congo	96	83	83	84	83
Cycles, not motorised (8710)	Cameroon	93	90	90	92	86
	CAR	93	97	97	97	86
	Chad	93	86	86	89	86
Furniture (9401, 9403)	Cameroon	101	81	81	82	66
	CAR	101	84	84	85	80
	Congo	101	85	85	86	80
	Chad	96	84	86	86	86
Perfumery, Cosmetics (3306)	Cameroon	193	185	185	190	185
	Congo	185	185	193	189	185
	Chad	199	199	199	199	199
Varnishes and Lacquers (3209)	Cameroon	81	68	72	71	68
	CAR	84	74	80	74	74
	Congo	84	74	80	74	74
	Gabon	84	74	84	74	74

Sources: See Table 4

Table 10 - Import Substitution of important T.U. Goods in the Central African Customs and Economic Union

Products	NDB <sup>a</sup>	C A R			CAMEROON		
		Import Substitution 1966-1970 in percent of the Growth of Domestic Consumption in T.U. Products of C/R			Import Substitution 1966-1970 in percent of the Growth of Domestic Consumption in T.U. Products of Cameroon		
		Substitution of Extra-Regional Imports (1)	Substitution of Extra- and Intra-Regional Imports (2)	Substitution of Intra-Regional Imports (3) = (2) - (1)	Substitution of Extra-Regional Imports (4)	Substitution of Extra- and Intra-Regional Imports (5)	Substitution of Intra-Regional Imports (6) = (5) - (4)
Refined Sugar	170111	-	-	-	-	-	-
Beer	220300	- 0.4	- 0.7	- 0.3	+ 2.1	+ 2.1	0
Cigarettes	240204	-	-	-	+ 8.5	+ 8.5	0
Varnishes and Lacquers	3209 <sup>b</sup>	+ 2.0	+ 1.9	- 0.1	+ 0.6	+ 0.6	0
Perfumery, Cosmetics	3306 <sup>c</sup>	-	-	-	+ 0.9	+ 0.9	0
Ordinary Soaps	340101	+ 2.0	+ 3.8	+ 1.8	+ 0.5	+ 0.3	- 0.2
Cotton Products	5509 <sup>d</sup>	- 4.3	- 8.7	- 4.4	+ 9.0	+ 8.7	- 0.3
Boy's and Men's Clothing	610100	+ 1.1	- 3.2	- 4.3	+ 1.8	+ 1.8	0
Footwear	6401 <sup>e</sup> 6402	+ 4.8	+ 0.8	- 4.0	+ 1.7	+ 1.8	+ 0.1
Iron and Steel Products	732119	-	-	-	+ 0.6	+ 0.6	0
Bicycles, not motorised	871000	0	- 0.7	- 0.7	0	0	0
Furniture	9401 <sup>f</sup> 9403	0	0	0	+ 0.2	+ 0.2	0
Products	NDB <sup>a</sup>	CONGO			CHAD		
		Import Substitution 1966-1970 in percent of the Growth of Domestic Consumption in T.U. Products of Congo			Import Substitution 1966-1968 in percent of the Growth of Domestic Consumption in T.U. Products of Chad		
		Substitution of Extra-Regional Imports (7)	Substitution of Extra and Intra-Regional Imports (8)	Substitution of Intra-Regional Imports (9) = (8) - (7)	Substitution of Extra-Regional Imports (10)	Substitution of Extra- and Intra-Regional Imports (11)	Substitution of Intra-Regional Imports (12) = (11) - (10)
Refined Sugar	170111	0	0	0	+ 0.2	+19.5	+19.3
Beer	220300	+ 4.1	+ 6.5	+ 2.4	+ 4.5	+10.6	+ 6.1
Cigarettes	240204	- 0.6	- 0.6	0	-	-	-
Varnishes and Lacquers	3209 <sup>b</sup>	+ 1.9	+ 1.7	- 0.2	-	-	-
Perfumery, Cosmetics	3306 <sup>c</sup>	+ 3.1	+ 3.0	- 0.1	- 0.3	- 0.8	- 0.5
Ordinary Soaps	340101	+ 2.4	+ 2.4	0	-	-	-
Cotton Products	5509 <sup>d</sup>	+15.0	+15.0	0	+74.7	+74.8	+ 0.1
Boy's and Men's Clothing	610100	-	-	-	-	-	-
Footwear	6401 <sup>e</sup> 6402	- 0.1	- 0.8	- 0.7	-	-	-
Iron and Steel Products	732119	+ 3.1	+ 3.1	0	+ 5.1	+ 5.1	0
Bicycles, not motorised	871000	-	-	-	+ 0.6	+ 0.7	+ 0.1
Furniture	9401 <sup>f</sup> 9403	- 1.2	- 1.2	0	+ 1.1	+ 1.1	0



Table 10

Products	NDB <sup>a</sup>	GABON		
		Import Substitution 1966-1970 in percent of the Growth of Domestic Consumption in T.U. Products of Gabon		
		Substitution of Extra-Regional Imports (13)	Substitution of Extra- and Intra-Regional Imports (14)	Substitution of Intra-Regional Imports (15)=(14)-(13)
Refined Sugar	170111	-	-	-
Beer	220300	-	-	-
Cigarettes	240204	-	-	-
Varnishes and Lacquers	3209 <sup>b</sup>	+ 15,3	+ 15,2	- 0,1
Perfumery, Cosmetics	3306 <sup>c</sup>	-	-	-
Ordinary Soaps	340101	-	-	-
Cotton Products	5509 <sup>d</sup>	+ 41,6	+ 41,6	0
Boy's and Men's Clothing	610100 610300	-	-	-
Footwear	6401 <sup>e</sup> 6402	-	-	-
Iron and Steel Products	732119	+ 2,3	+ 2,3	0
Bicycles, not motorised	871000	-	-	-
Furniture	9401 <sup>f</sup> 9403	-	-	-

<sup>1</sup> The last two digits refer to the UDEAC tariff.

Sub-headings 320911  
320921

Sub-headings 330601  
330602  
330611  
330631  
330632

Sub-headings 550902  
550903  
550904  
550906

Sub-headings 640101; 640111; 640201; 640221; 640222; 640229.

Sub-headings 940101; 940321; 940331; 940390.

Sources: UDEAC, Statistiques Générales, Commerce Extérieur, Brazzaville, 1966, 1968, 1970, current years; Secrétariat Général de l'UDEAC, Bulletin des Statistiques Générales de l'UDEAC, Brazzaville, 1966, 1968, 1970.

## Footnotes

- 1 The term "small" regional integration schemes applies to the African in contrast to the Latin American communities. In this connexion "small" is related to market and not to geographical size.
- 2 See for the evaluation of the relevance of size-effects: P. Robson, Economic Integration in Africa, London 1968, pp 90 - 91.
- 3 See République Centrafricaine, Plan de Développement Economique et Social 1967 - 1970, (Bangui 1967), p.248. See also Bulletin d'Information de l'UDEAC, Bangui, No 14, Juin 1973, p. 20.
- 4 Secrétariat Général de l'UDEAC, Bulletin des Statistiques Générales de l'UDEAC, Brazzaville, No.33, Janvier 1971, pp.80 - 81.
- 5 In the following an abbreviation for the French term "taxe unique" will be used.
- 6 Union Douanière Equatoriale.
- 7 Journal Officiel de la République du Congo, Brazzaville, Vol.3 (1960) pp.442-444.
- 8 The selling-price ex factory was the base of "ad valorem" tax rates. (Art.16).
- 9 The document did not explicitly determine that the tax rates for domestic consumption and exports had to be identical, but in practice they were. The only exception was ammunition (nomenclature of Brussels: 9307), where the exports to Chad and Central African Republic were charged with a higher T.U. rate than the consumption in the producer country P.R.Congo and the export to Gabon.  
  
See Journal Officiel de la République du Congo, Brazzaville, Vol6 (1963) p.207.
- 10 The formation of a central regional is mainly conditioned by history and transport system, since Brazzaville was the administration centre of "French Equatorial Africa" until 1960 and the starting point of the only traffic axis Brazzaville - Bangui - Fort Lamy (voie fédérale).
- 11 This supposition is all the less restrictive, the larger the relative import content.
- 12 The effective rate of protection is calculated by the usual formula  $r = \frac{t_o - M \cdot t_i}{1 - M}$  by which  $t_o$  is the nominal external tariff for the manufactured product from third countries,  $t_i$  is the external tariff for imported inputs and  $M$  is the relative import content. In the following the T.U. rate is used instead of  $t_i$ .

- 13 Regarding Central- and West African import-substitution industries, empirical case studies show values between 0.4 - 0.5 for M on sectors of textile- and leather manufacturing industries, so that for the following calculations an M-value of 0.5 will be assumed.

See R.Güsten, Erfolgsbedingungen für Imports substitution und Exportdiversifizierung als Entwicklungsstrategie in Afrika. Paper prepared for the conference on "Problems of International Division of Labour" sponsored by the Verein für Socialpolitik (The German Economic Association) and the Institut für Weltwirtschaft an der Universität Kiel (Kiel Institute of World Economics), Kiel, July 12-15 1973, p.19.

- 14 The "Tarif des Droits d Entrée" was taken as a basis for "Afrique Equatoriale Francaise" (Bulletin International des Douanes. Exercice 1958-1959, Fasc.76 (6<sup>e</sup> Edition), Bruxelles 1958), as well as tariff amendments up to 1963.
- 15 The calculation only contains T.U. goods with an "ad valorem" tax rate, not goods with a specific tax rate. Affected by this restriction are beer, sugar and soaps charged with a specific tax rate in the UDE.
- 16 See Art.62 of the "Traite instituant une Union Douanière et Economique de l'Afrique Centrale" of 8.12.1964, "Journal Officiel de la République Gabonaise", Libreville, Vol. 7 (1965) p. 352 as well as Acte No 12/65 - UDEAC - 34 about the "Taxe Unique", "Journal Officiel de l'UDEAC, Bangui, 1966 No 2.
- 17 This date was not kept. The T.U. rates also differ after 1.1.1972.
- 18 These new rules can be explained by means of the following example:  
If T.U. enterprises produce clothing in Cameroon, the tax rate will be 18 percent for the part of production which is consumed in Cameroon, 28 percent for the export to Gabon, 32 percent for exports to Chad (until 1968), Central African Republic (CAR) and Congo respectively. At the same time, the T.U. rate for clothing is 18 percent if it is produced and consumed in the CAR, for exports from CAR to Congo also 18 percent, as well as for exports into the remaining partner states 22 percent respectively.
- 19 "Firstly an enterprise producing a product new to the region could be offered a more favourable tax rate, if it were to agree to locate in say Chad rather than Congo." P.Robson, Economic Integration, op.cit.p.234.

- 20 P-Robson, Current Problems of Economic Integration. Fiscal Compensation and the distribution of benefits in economic groupings of developing countries, UNCTAD, TD/B/332 Rev.1, New York 1971, p.33.
- 21 Ibidem.
- 22 M.J.van den Abeelen and D.C. Hammond, The Fiscal Aspects of International Cooperation in Africa. The Experience of the UDEAC and the EAC, Bulletin for International Fiscal Documentation, Amsterdam, Vol. 23 (1969) No 3, p.100.
- A.M.Akiwumi gave his opinion in a similar way. See A.M. Akiwumi, Judicial Aspects of Economic Integration Treaties in Africa, in: J.Rideau (Ed.) Les aspects juridiques de l'intégration économique, Leiden 1972, p.57.
- 23 UNCTAD, Trade Expansion and Economic Integration among Developing Countries. TD/B/85/Rev.1, New York 1967, p.26. Author's emphasis.
- 24 See Secrétariat Général de l'UDEAC, Etudes Statistiques, Supplément au Bulletin des Statistiques Générales de l'UDEAC, Brazzaville, No 6, Avril 1968.
- 25 See R.Langhammer, Handelsliberalisierung oder gemeinsame Entwicklungsplanung beider Integration von "least developed countries" Das Beispiel der Zentralafrikanischen Zollunion. Kieler Diskussionsbeiträge, H.30, Kiel 1973, Table 8, p.15.
- 26 According to the used formula for the effective rate of protection  $t_o$  as well as  $t_i$  are different for each member state.
- 27 The common external tariff of the UDEAC has been published in: Bulletin International des Douances. Fasc. 66, 1<sup>re</sup> Ed., Bruxelles 1966, whereas the T.U. rates are mentioned in: Journal Officiel de l'UDEAC, Bangui 1966-1970, current years.
- EEC-imports have again been regarded as competing products on which no "Droit de Douane" is levied. Besides the "Droit d'Entrée" and the "Taxe Complémentaire" the turnover tax is taken into account. The total external tariff  $t_o$  (in percent) is thus resulting from  $t_o = t_e + t_a \left(1 + \frac{t_e}{100}\right) + t_c$  with which  $t_e$  is the "Droit d'Entrée",  $t_a$  the turnover tax (taxe sur le chiffre d'affaires) and  $t_c$  the "Taxe complémentaire". Chad's results are only valid until 1968, because of its withdrawal that year.
- 28 The abbreviation for Cameroon is "ca", for CAR "car", for Congo "co", for Gabon "ga", for Chad "ch".
- 29 P.Robson, Economic Integration . . . ., op.cit., pp.183-184.
- 30 See Journal Officiel de la République du Congo, Brazzaville Vol.12 (1969) S.315.

31 If the imports of a product  $i$  in the periods 0 and 1 are represented by  $M_0^i$  and  $M_1^i$  resp.  $V_0^i$  and  $V_1^i$ , however, is the total supply (domestic production + imports) in the corresponding periods, so the import substitution in the Chenery model is defined as

$$\left( \frac{M_0^i}{V_0^i} - \frac{M_1^i}{V_1^i} \right) V_1^i$$

See H.B. Chenery, Patterns of Industrial Growth, The American Economic Review Menasha, Vol. 50 (1960) pp. 639-640.

32 Usually the growth of domestic production and not the growth of domestic consumption is taken as reference variable. Because of Chad's withdrawal, the amounts of production in 1966 and in 1970 cannot be compared without excluding Chad from the calculations. This is especially relevant for Congo because of its sugar exports to Chad under T.U. privilege. Since the domestic consumption amounted to 83.3 percent of the total production of T.U. goods in 1970 within UDEAC, the loss of information resulting from this restriction is not essential.

33 See 'Première Session de la Commission de l'Industrie de la confection, Bulletin d'Information de l'UDEAC, Bangui, No 11 Novembre 1972, pp. 5 - 11.

34 The accumulation of enterprises favoured by T.U. is shown most clearly in this sector (Table 3).

35 Decision No 4/67-CD 129, Journal Officiel de l'UDEAC, Bangui, 1967, p. 256.