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East Africa (Kenya, Uganda, Tanzania)

Submitted by

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Concurred in by the

UNITED STATES INTELLIGENCE BOARD

As indicated overleaf

2 MARCH 1967

Authenticated:

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EXECUTIVE SECRETARY USIB

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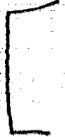


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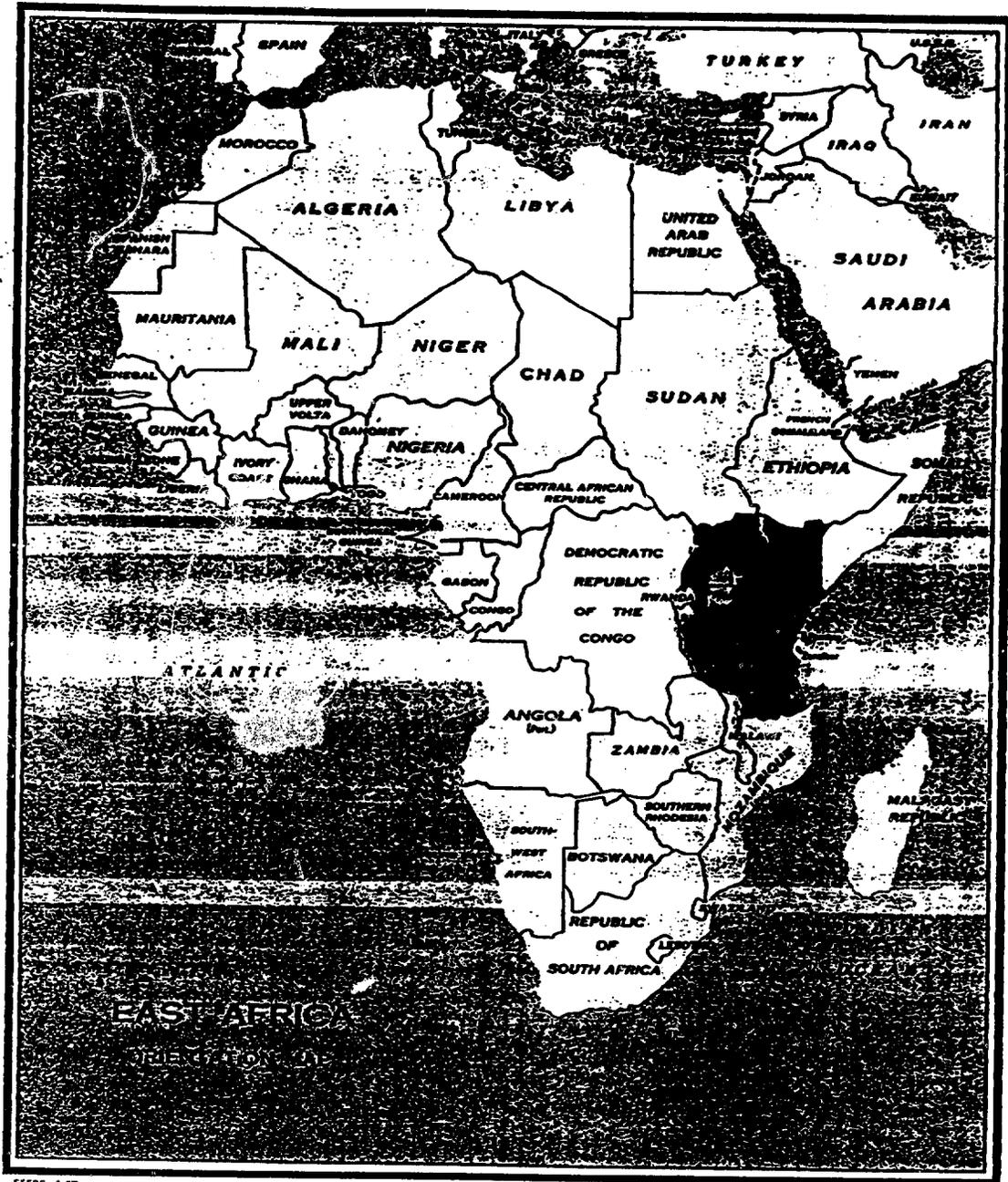
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ANNEX:

THE EAST AFRICAN COMMUNITY
Summary of Key Proposals of the Philip Commission







EAST AFRICA (KENYA,
UGANDA, TANZANIA)

THE PROBLEM

To estimate the prospects for regional cooperation and political stability in East Africa.¹

CONCLUSIONS

A. During the colonial period, Kenya, Uganda, and Tanzania shared reasonably effective regional economic institutions. Since independence, these have been whittled down. To halt this decline in cooperation, the three countries have been considering the establishment of an East African Community (EAC) which would encompass the existing common services and customs union and a new regional development bank.

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C. Even if the current trend of events were to be reversed and the essence of the EAC arrangements adopted, East African regionalism

¹Mr. Thomas L. Hughes, The Director, Intelligence and Research, Department of State, while joining in the estimate, believes that its focus and terms of reference, concentrating on the traditional geographic area of British East Africa, tend to subordinate developments of potential significance which do not fit easily into this increasingly artificial framework. He considers that the evolving political and economic relationship between Zambia and Tanzania is a case in point, adding dimensions which cannot readily be reduced to the interplay of current prominent personalities.



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would still not run smoothly. The national leaders could, if they chose, find many pretexts to delay or disrupt the progress of any regional system. In particular, Tanzania's problems and Nyerere's impulsiveness would tend to bring difficulties

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DISCUSSION

1. THE REGIONAL SETTING

1. Under British rule, Kenya, Uganda, and Tanganyika² were bound to one another by important regional ties. Regional economic institutions included a customs union, a common currency, and a common services organization for transport, communications, and various other activities. Most of the industry and commercial farming of the region was concentrated in a relatively compact area served by reasonably well developed lines of communication. Within this "core area" (see map), commercial intercourse among the three territories was substantial. Among the educated people of the region, a common language and similar governmental institutions and problems had encouraged political as well as commercial exchanges. Indeed, in the early 1960's, as the colonial period drew to a close, considerable support developed for the formation of an East African political federation.

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4. Kenya does, in fact, reap the largest direct benefits from East African economic cooperation. Most of its manufactures gain free entry into the markets of the other two states, with which it ran a favorable balance of trade of \$50 million in 1965.³ The headquarters of most regional organizations are in Kenya.

²Tanganyika federated with Zanzibar in 1964 to form the state of Tanzania. Zanzibar, however, participates to only a minor degree in regional organizations. Its relations with mainland Tanzania and with East Africa generally are discussed in paragraph 29.

³Throughout this estimate, dollar figures mean US dollars.





Tanzania and Uganda, nonetheless, also receive important advantages. The savings in scarce capital resources and trained manpower which are inherent in joint ownership and operation of basic services are more vital to the economic well-being of the less developed partners. The latter, moreover, receive various indirect subsidies that compensate for their losses in revenue on duty-free Kenyan goods. The operating losses of the railways and other common services in Tanzania are covered by profitable operations in Kenya, while the favorable rates on rail shipments of agricultural products to the Kenyan port of Mombasa are of particular benefit to landlocked Uganda.

EAST AFRICAN INTRAREGIONAL TRADE, 1965

	MILLIONS OF US DOLLARS		
	Exports	Imports	Balance
Kenya	82.4	32.8	49.6
Uganda	27.2	46.7	-19.5
Tanzania (excluding Zanzibar)	18.6	46.7	-30.1

5. Tanzania, as the poorest partner, probably has the most to lose economically from a breakup of the regional system. Yet it was at Nyerere's insistence that the East African states decided in 1964-1965 to permit restrictive quotas on trade in industrial goods within the customs union and to establish separate national currencies. Nyerere claimed that these measures were needed to enable Tanzania to control its economic development. Kenyatta responded with threats to pull Kenya out of the common services and terminate East African cooperation altogether.

6. In August 1965, however, the three Presidents agreed to establish a special commission (the "Philip Commission") to recommend measures to preserve and strengthen regional ties.⁴ By early 1967, considerable progress had been made on a treaty which would establish an East African Community (EAC) encompassing the common services, the common market, machinery for co-ordination of national monetary policies, and a new regional development bank. (See Annex for a summary of the key proposals of the Philip Commission.)

7. The proposed treaty had gained considerable backing from the economic and finance ministers of the three countries. They appeared to believe that more private foreign investment and assistance from Western governments and international lending institutions would be forthcoming if regional ties were strengthened and a regional market for their industries assured. The East African presidents, on whom acceptance of the treaty ultimately depends, had not yet revealed their attitudes on the Philip Commission recommendations. But there was a growing feeling that the remaining differences between the countries would soon be ironed out and that the presidents would approve the treaty during the first half of 1967.

⁴Its formal title is the "Commission on East African Cooperation," but it is commonly called the "Philip Commission," after Dr. Kjeld Philip of Denmark, the chairman.



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II. NATIONAL DEVELOPMENTS

A. General

9. The East African governments, while trying to deal with their regional concerns, have been preoccupied with the enormous problems of nation building common to all African states. The details vary from country to country, but the general imperatives are much the same. Politically, each government is attempting to extend and maintain its authority over disparate tribal, ethnic, and special interest groups. Economically, each government faces seemingly limitless requirements and demands, while working with severely limited resources. The small base of the modern economy restricts the volume of capital accumulation and government revenues. The dearth of trained Africans and the pressures against non-African entrepreneurs and civil servants restrict the efficiency of the economy. So far, the record of achievement of the East Africans—relative political stability and modest economic progress—has been reasonably good by the standards of black Africa. Yet within each of the East African states, continued stability and progress are far from assured.

POPULATION BY RACE IN EAST AFRICA, 1 JULY 1965
(Estimates of the East African Statistical Department)

	THOUSANDS OF PEOPLE				Total
	Africans	Europeans	Indians and Pakistanis	Arabs and Others	
Kenya	9,097	41	186	41	9,365
Uganda	7,452	9	28	4	7,551
Tanzania (excluding Zanzibar)	10,046	17	86	30	10,179
TOTAL	26,595	67	358	75	27,095

B. Kenya

10. The political and economic disabilities of Kenya are at present less severe than those of its East African neighbors. Although the bulk of the population still is engaged in subsistence agriculture, Kenya has fairly well developed sectors of commercial agriculture, industry, commerce, banking, transportation, and tourism. Moreover, relatively large numbers of non-Africans continue to reside in Kenya, where their skills buoy the efficiency of the modern economy and the government services. European farmers, for example, produce three-fourths of Kenya's commercial crops. Seconded British officers and British





training missions help shape the Kenyan security forces into reasonably competent organizations.

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14. Kenyatta's government is also subject to growing economic pressures. Kenya's economy has expanded only slowly over the past decade, largely because of the decline in capital investment which was brought on by the political uncertainties surrounding independence. At the same time, independence stimulated popular expectations. Now, in greater numbers than the economy and government programs can accommodate, tribal farmers call for more land, students for places in secondary schools, secondary school graduates for posts in the bureaucracy. Meanwhile, unemployed and underemployed urban residents seek jobs and those with jobs clamor for higher wages; this is more apparent in Kenya than in the other two states.

15. These demands from Kenya's impatient Africans are forcing a modification of Kenyatta's policies on multiracial cooperation. The Asian community of about 190,000 is immediately vulnerable. The Asians (Indians and Pakistanis) predominate in small-scale commerce and occupy many of the middle positions in the governmental and industrial bureaucracies—the posts the Africans now de-



mand for themselves. Most Asians have not become Kenyan citizens. [redacted]

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[redacted]

16. The Somali insurgency in Kenya's remote and sparsely populated North Eastern Province is adding new pressures to the government's already strained resources. The province is occupied almost entirely by some 130,000 ethnic Somalis, mostly nomads; its border with the Somali Republic runs 420 miles. The insurgents are trained, armed, and supported by Somalia, which hopes to force Kenya to cede at least part of the territory. Since early 1966, the hit-and-run raids of the insurgents have increased in frequency and boldness. In response, the Kenyan Government has launched a "pacification" program, preempting funds and manpower from other areas. [redacted]

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Consequently, pro-Somalia sentiment in the area probably is growing.

17. The prospect of a prolonged Somali insurgency places a heavy burden on Kenya's small security forces. About 3,000 men, one-half the total forces of the army and paramilitary police, already are engaged in the North East. In order to prosecute the anti-Somali campaign as effectively as possible, Kenyatta is maintaining British officers in key posts, despite protests from African officers. [redacted]

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C. Uganda

18. Unlike Kenya, where Kenyatta already has established the authority of his government, President Obote in Uganda is struggling to consolidate his control over a badly divided nation. Obote's principal antagonist has been the Baganda tribe, the dominant political force during British rule. The independence constitution established a federal form of government and permitted the Baganda aristocracy to retain control over a territory which contains more than 25 percent of Uganda's population, along with the richest farm lands and the national capital. The Baganda are Bantu, as are 75 percent of Ugandans, but the other Bantu tribes either fear or resent them, and the Nilotic tribes of Northern Uganda view all Bantu with suspicion. Religious and partisan divisions, often crossing tribal and ethnic lines, further complicate Ugandan politics.

19. Obote, a Nilotic, became Prime Minister by skillfully playing off rival political groups. By early 1966, however, not only the Baganda aristocracy, but also several of his cabinet ministers and the Bantu leaders of the army were plotting against him. Obote took advantage of their lack of resolve to jail the ministers and replace the disloyal officers with Nilotics. He then decreed



a unitary constitution, establishing himself as executive president and abolishing the special status of the Baganda. In May 1966, when the Baganda tried to reverse the tide through armed resistance, Obote crushed their forces, killing several thousand and forcing their leader to flee the country.

20. Obote still lacks a sufficient base of political or popular support with which to legitimize his regime and establish effective control of the countryside. Many Ugandans, including the more moderate of the Baganda, approve the general direction of his constitutional changes, but nearly everyone abhors his arbitrary methods. Motivated largely by fear, the parliament solemnizes his legislative measures, and the national bureaucracy, run by Baganda, keeps the government services in operation. Most Baganda tribesmen seem content for the moment to express their opposition to Obote by nonpayment of taxes. But some traditionalists are engaged in antiregime plotting, and there was a recent attempt to assassinate the President.

21. Obote also faces major economic difficulties. Uganda's economy is fairly soundly based on productive small-scale farms and exports of cotton and coffee. But recent declines in world prices for cotton and mismanagement of the funds set up to insulate the economy against price fluctuations have caused heavy strains on the government budget and foreign currency reserves. Nonpayment of taxes and flight of capital because of political difficulties exacerbate these stringencies. Obote has chosen to move forward with an austerity program to relieve financial pressures. But his boldness on the economic front probably is creating additional sources of political discontent.

22. In these circumstances, Obote must rely heavily upon the support of Uganda's security forces. The army of some 5,000 men is badly disciplined, split by tribal animosities, and led largely by poorly qualified former noncommissioned officers. The police force, in contrast, is reasonably well disciplined and competent and is led by loyal officers. In matters requiring a show of force, Obote turns first to its 1,000-man paramilitary unit. 113(a)
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(4/5) Small numbers of military technicians from Communist China visit Uganda from time to time, possibly to service the weapons Peking has been providing under a 1965 agreement.

D. Tanzania

23. Julius Nyerere presides in mainland Tanzania without serious challenge to his position or significant tribal problems. His efforts at national development are frustrated nonetheless—by the poverty of the country and 113(a)
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As compared with its East African neighbors, Tanzania's population is more dispersed and its lines of communication less developed. Its agricultural output is restricted by unfavorable natural conditions; its nonagricultural resources are little developed. As a result, Tanzania's tax base is small and it is more dependent than its neighbors upon foreign assistance to finance not only development projects but the ordinary costs of government services.





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27. Nyerere has been expanding Tanzania's security forces. He is almost entirely dependent upon external assistance for training and equipment. A Canadian mission trains the army and the air force, and Nyerere from time to time professes interest in additional military aid from the West. But the buildup of the security forces over the past year has been sponsored mainly by China. Nyerere probably has favored the Chinese partly because they respond quickly and generously to his requests for help. More important, he almost certainly believes that China is more likely than any Western power to continue its assistance in case of a confrontation with Portugal.

28. The Chinese already train the paramilitary police and provide a short course in military drill to the regular police. They are supplying the army with modern weapons and will probably soon begin to train some units. They have delivered patrol boats and instructors for a marine police unit. Finally, they are helping to train civilian militias and to organize several fortified villages along the Mozambique frontier. The USSR, perhaps in order to lessen Chinese



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influence, has also provided some weapons for the army and has agreed to supply motor torpedo boats and instructors for a coastal navy.

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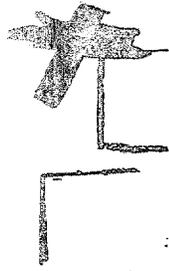
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III. EAST AFRICA AND THE WORLD POWERS

30. Before independence, East Africa looked to the West, particularly the UK, for economic, technical, and military assistance, as well as for export markets. Soon thereafter, all three states sought to expand relations with Communist countries, in order to manifest their political independence, to lessen their economic dependence upon the West, and to obtain greater total benefits by capitalizing on Cold War rivalries. The Communist countries responded by establishing diplomatic relations and extending offers of assistance in all fields.

31. The USSR's activities in East Africa probably reflect its general policy to expand its influence in the former colonial world, to reduce whenever possible the position of the West, and to counter any possible upturn in China's prestige. We believe that China's interest in East Africa is essentially similar to that of the USSR, but is infused with greater messianic zeal for destroying Western influence, countering Soviet "revisionism," and spreading Peking's own brand of Communist revolution. Both the Soviets and the Chinese probably attach some importance to Tanzania's position as a headquarters for African insurgents and nationalists. The Chinese may see some strategic significance in establishing a position on the Western littoral of the Indian Ocean. Their growing financial generosity with Tanzania also may reflect the fact that, since most other African countries currently are unwilling to deal with them, Tanzania offers the best opportunity for a significant political breakthrough in Africa.

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33. In 1964-1965, Uganda signed agreements with the USSR and China for a total of about \$30 million in economic assistance. The only obligation to date has been of a \$3 million grant from China. Nevertheless, Obote, in response to growing economic difficulties, may now be seeking commitments for specific loan projects. He has recently been pressing for emergency assistance from the West, the traditional source of Uganda's foreign aid. Under military agreements signed in 1965, Uganda has received some weapons and supplies for the army from China. Prospective Ugandan air force pilots are training in the USSR and Czechoslovakia, which presumably are to supply jet aircraft at the completion of the training. Obote almost certainly attempts to keep tabs on the activities of all foreign representatives in Uganda, including Communist diplomats and technicians.

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36. Nevertheless, the great bulk of mainland Tanzania's export trade is with non-Communist countries. Moreover, Western governments and international agencies sponsored by the West have continued to provide much of the main-





land's economic aid. In particular, the West is the principal sponsor for construction of modern lines of communication between Tanzania and Zambia. For improving the Great North Road, the principal link between the two countries, the US has already obligated some \$2 million (in Tanzania)* and the IBRD (World Bank) some \$10 million (in Zambia), and further assistance is in prospect as engineering studies are completed. Italian banks have pledged \$45 million for an oil pipeline from Dar es Salaam to Zambia's Copperbelt. The Chinese have done a feasibility study for the Tanzanian half of a Tanzania-Zambia railway, but have not, so far as we know, agreed to build it.

37. The Communist countries have obligated no assistance to East African regional organizations or to the East African countries jointly. China probably opposes any expansion of regional cooperation as a threat to its growing position in Tanzania. In contrast, since 1964, the UK, the US, and the IBRD have obligated some \$70 million in loans and grants in support of East African regional institutions.

IV. OUTLOOK

A. Regional Cooperation

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39. It will be difficult for the three countries to reestablish a workable scheme for regional economic cooperation. Until now, all three East African currencies, have been maintained at par value with the pound sterling. But the impact of nationalization of the banks is likely to cause Tanzania's currency to depreciate in value. Western banks and exporters already are withholding credit, and private investments are being cancelled. Meanwhile, Kenya and Uganda are establishing their own exchange controls to guard against accumulation of Tanzanian shillings. In consequence, the volume of regional trade will decrease.

* This and all other US aid projects in Tanzania could be in jeopardy if Tanzania refuses to compensate an American citizen for property it expropriated in October 1966. Under existing US aid legislation, the US may be required to suspend its aid in April 1967.





perhaps substantially. Moreover, though some of the common services are likely to continue, their efficiency will probably decline, at least temporarily.

40. Even if the current trend of events were to be reversed and the essence of the Philip Commission recommendations adopted, the course of East African regionalism would still not run smoothly. The national leaders could, if they chose, find many pretexts to delay or disrupt the progress of any regional system. In particular, Tanzania's problems and Nyerere's impulsiveness would tend to bring difficulties.

41. With or without regional cooperation, the East African countries will be indefinitely dependent upon foreign private investment and foreign governmental assistance for the bulk of their development funds. Even if these are forthcoming, the individual countries will probably run into periodic difficulties in their foreign payments, since exports outside the region still consist very largely of agricultural products subject to sharp fluctuations in price on the world market. The pace of Africanization will also be a matter of continuing concern; the number of trained Africans is increasing only slowly, and any sudden exodus of Europeans and Asians would have an upsetting effect on economic stability.

B. Political Stability

42. In Kenya, political tensions will probably not be essentially eased, at least until the issue of succession to Kenyatta is settled.

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that the odds still favor an eventual rupture of Kenyatta's multitribal political alliance over the succession issue. In this case, there would be a danger that political controversy would become so bitter as to lead to widespread unrest and impair seriously the effectiveness of the government. There would be some chance of major tribal violence. Political pressures against European landholders and civil servants would probably intensify.

43. In Uganda, we think Obote has no better than an even chance to survive in office over the next two years. Much will depend upon the boldness of his enemies; he has few reliable friends. Although he may attempt to rebuild a wider base of political support, at least for some time his regime is likely to continue to be arbitrary and his control of the country shaky. He probably will seek to handle minor political disturbances through the police. If he is compelled to use the ill-disciplined army against the Baganda, major tribal bloodshed would probably result. Also, once called out, the army might turn against his regime.

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C. Foreign Relations

45. *Kenya* will probably retain its close ties with the UK and the West over the next two years. A continuance or intensification of the Somali insurgency would lead to increased reliance on the West and antipathy toward the USSR and China, both of whom extend military assistance to the Somali Republic. Over time, effective East African cooperation would probably improve the prospects for preservation of Western influence in Kenya and for a tolerance of Western interests in East Africa generally.

46. In *Uganda*, President Obote will probably continue to court the favor of both the UK and the US in order to strengthen his position at home, although not to the exclusion of some additional Communist assistance. If, however, he came to believe that the West rejected his regime, he would turn for assistance wherever he could come by it.

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ANNEX

THE EAST AFRICAN COMMUNITY

Summary of Key Proposals of the Philip Commission

I. GENERAL

The East African Community (EAC) is to replace the existing East African Common Services Organization and the East African Common Market, and is also to include a Development Bank and machinery for coordination of monetary policy.

II. COMMON SERVICES

The jointly owned and operated services, more or less as at present, will include:

1. *Corporation Services (Self-financing)*: Railway Corporation; Harbors Corporation; Airways Corporation; Posts and Telecommunications Corporation.

2. *General Fund Services (Financed by the EAC from the portion of taxes and customs duties allotted to it under the treaty)*: Income Tax Department; Customs and Excise Department; Directorate of Civil Aviation; East African Court of Appeals; Meteorological Department; research institutes (e.g., agriculture and forestry, fisheries, tropical diseases).

III. COMMON MARKET

1. EAC member states will maintain common external tariffs. Internal quantitative restrictions on trade in industrial products will be permitted only during a crisis in a member state's international payments.

2. In order to equalize industrial development within the EAC, a member state running a deficit in regional trade in industrial products will be permitted to charge a "transfer tax" or protective surcharge against industrial imports, provided that: the category of goods taxed is actually produced or about to be produced and the rate charged does not exceed 50 percent of the corresponding external tariff.





IV. DEVELOPMENT BANK

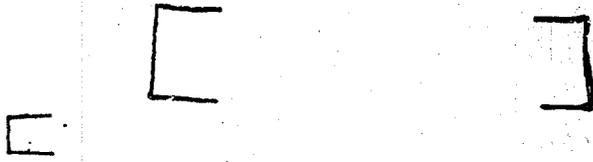
The bank's objective is to equalize the levels of industrial development within the EAC. It is to be capitalized through transfers from the pension fund of the Common Services, equal subscriptions by the member states, and external loans and grants. Drawings will be for industrial projects that serve the entire EAC market and will be apportioned as follows: Tanzania—38¾ percent; Uganda—38¾ percent; Kenya—22½ percent.

V. MONETARY POLICY

The member states will exchange national currencies at par value and permit free movement of currency on current account. The governors of the national banks will meet regularly to harmonize monetary policies.

VI. RELATIONS WITH ZAMBIA

The treaty provides for possible Zambian association with the common market or with any of the self-financing common service corporations.



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