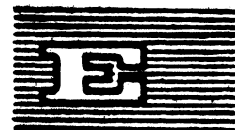


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Lusaka, 26 October - 6 November 1965

REPORT

of the

COMMITTEE ON INDUSTRY

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1. The Committee on Industry met from 26 October to 2 November 1965. All participating countries were represented. Hon. J. Tembo (Malawi) was Chairman, and representatives of Ethiopia, Kenya, Rwanda, Uganda and Zambia were elected to serve on the drafting committee.

General discussion

2. The programme of industrial co-ordination and development proposed for East Africa in various documents presented to the Conference was briefly reviewed, in the opening session, by the secretariat, prior to the discussion of the various studies. The principles used in the proposed scheme for the purpose of arriving at an equitable distribution of industries were stated. The results obtained were accepted in principle, as exhaustive, useful and sufficiently practical to serve as a basis for negotiations and discussing industrial co-ordination in the sub-region.

3. It was noted that a sub-regional approach to industrial development was likely to result in a significantly faster rate of industrialization than would be the case if the process was undertaken on an isolated, country basis. The various additional sources of industrial opportunities in a sub-regional scheme were noted, although it was agreed that the additional requirements of technical and managerial personnel might be a bottleneck.

4. It was explained by the secretariat that the studies, notwithstanding the gaps, completed the pre-feasibility stage of ECA

industry studies, and that this would need to be followed up, on request, by detailed feasibility studies in selected areas.

Appreciation was expressed to the secretariat for the quality and volume of work achieved.

Iron and steel, mechanical and electrical engineering

5. The consultants explained the basis adopted for comparing the relative advantages of various locations for iron and steel manufacture, and the ECA representative commented on the specific plants proposed, namely, integrated plants in Rhodesia, Uganda and Zambia and re-rolling plants in Tanzania, Ethiopia and Madagascar, in accordance with a phased programme of development. Appreciation was expressed of the methods used and the ECA proposals in regard to their countries were accepted in principle by certain countries. Other delegates also welcomed the proposals which would establish an inland steel industry and so reduce transport charges. The Committee was informed of work being done in some countries, particularly Zambia, with a view to developing an integrated industry. Reference was made to the proposal to establish an iron and steel industry in Uganda. It was noted that this was not new and had been shown to be profitable. The secretariat was asked to explain why the re-rolling mill proposed for Dar-es-Salaam would only provide about one-third of the total requirements of the sub-region for sheet. It was explained that it was considered desirable to establish rolling mills of economic size in Uganda and Rhodesia as well as Tanzania. Appreciation was expressed of the flexibility of the ECA proposals in regard to a phased development of the iron and steel industry, and the consultants were asked to provide estimates of the extra capital costs that the dispersion of the industry would entail.

6. The papers on mechanical and electrical engineering were introduced at the same session (documents E/CN.14/INR/90 and E/CN.14/INR/89, respectively). Reference was made to the low scale of output considered as economic in the production of bicycles and it was explained that while factories of this size were in fact operating

profitably in other countries, there would be an advantage in operating on a larger scale. It was considered that further study of the electrical engineering industry was required.

Radio manufacture

7. A short paper on radio manufacture was submitted by the Zambia delegation. The paper outlined the developments concerning the establishment of a plant for radio manufacture in Zambia. It is anticipated that full production will commence before the end of 1966. A number of delegations informed the Committee that small plants for radio assembly were being set up in their countries. It was noted that plants were to be established in Malawi and Tanzania. The Tanzania plant will also supply the two other East African countries, Kenya and Uganda, in accordance with the Kampala Agreement. Information was given on plants in Rhodesia and Rwanda.

8. It was agreed that the ECA secretariat should be requested to undertake a study in depth on the existing and future possibilities for radio manufacture on a national and sub-regional basis.

Non-ferrous metals

9. The possibilities of manufacturing aluminium based on the bauxite deposits in Malawi were outlined and the delegate of Malawi said that their Government was already conducting a feasibility study to exploit these deposits. They would be glad to discuss with other governments proposals to establish rolling mills based on supplies of aluminium from Malawi.

10. The considerations involved in establishing copper fabricating plants were outlined. In the course of the discussion, the need to establish such plants both for the African market and for exports was emphasized, particularly in countries such as Zambia. The secretariat was requested to undertake a detailed investigation.

Chemicals and fertilizers, petroleum and pharmaceuticals

11. Discussion was based on documents E/CN.14/INR/83, E/CN.14/INR/81 and E/CN.14/INR/91.

12. The methods used in E/CN.14/INR/83 were detailed and attention was drawn to certain modifications of and amendments to plant proposals, as made in the final document on industrial co-ordination. Further study on production and transport costs of fertilizers was requested.

13. In the course of a lively discussion, the significant role of these industries was fully endorsed, and various viewpoints were additionally offered on resources available in particular countries and on questions of methodology in treating transport costs. There was general agreement that the study prepared (E/CN.14/INR/83) was comprehensive and would serve as guidelines for the expert group to be formed under the proposed Interim Council of Ministers.

14. It was agreed that the proposals made on the pharmaceutical industries merited serious consideration by the countries of the sub-region. On petroleum it was agreed that further study was required. The Committee noted that facilities existed in Rwanda for producing a wide range of vaccines which could meet the demands of the whole sub-region.

Cement and allied industries

15. The delegates next considered the secretariat report, Document E/CN.14/INR/84, on the cement and allied industries. They noted the rapid progress that has taken place in the industry within the sub-region since the early 'fifties. Nevertheless, the sub-region as a whole has not yet attained self-sufficiency and in fact depends on imports of the order of 30 per cent to cover total domestic needs. Further, the demand projection indicates that the present shortfall of the sub-region could increase to nearly two million tons annually by 1975. The Committee appreciated the need for launching the expansion of the industry according to the pattern elaborated in the document.

16. While the development of the industry within the framework of national projects was noted to be feasible, it was also pointed out that the promotion of industry within a sub-regional framework has clear advantages. There is scope for existing and new units to supply countries within the sub-region, which might not be able to set up their own cement plants for reasons of high costs of production or even lack of basic raw materials. The Committee also emphasized the need for phasing the development of the industry taking into account sub-regional co-operation in supplies.

Glass

17. The Committee also discussed the secretariat report on the glass industry, Document E/CN.14/INR/93. It noted the feasibility of national projects for the production of glassware. Insofar as sheet glass was concerned, the need for multi-national projects was appreciated. The Committee took note of the three multi-national projects recommended in the document. The Committee noted that Kenya has advanced plans for the establishment of a sheet glass industry in Mombasa.

Tea industry

18. The Committee considered the paper (E/CN.14/INR/98) on the tea industry in the East African sub-region presented by the secretariat, which recommended closer collaboration between the Tea Research Institutes of East Africa and that of Malawi in elucidating the mechanisms of reactions involved in rolling and fermentation and in scientific evaluation of the C.T.C. and Rotovane systems of bruising leaf claimed to yield higher quality made tea.

19. The paper further discussed the principles of manufacture of instant tea directly from green leaf and recommended that a factory for its manufacture be established in Tanzania and one in Malawi with an annual output of 500,000 pounds in each country. The Committee noted that a factory already exists in Uganda and plans are advanced for two factories in Kenya.

20. The Committee was informed that tea is now being grown in Rwanda and that it was intended to expand tea production to 4,000 hectares by 1970. Burundi has already a very advanced tea cultivation and the first factory will come into operation in 1967 and Burundi envisages reaching 5,000 hectares of tea cultivation in 1970. It was also noted that Zambia intends growing tea for local consumption. The importance of the tea industry to Malawi was emphasized, and it was noted that Malawi would be willing to co-operate with other countries in the sub-region and their tea research institutes in order to further improve quality by research into processing methods. The secretariat was requested to undertake further studies with a view to co-ordinating the development of the tea industry in the sub-region.

Clothing industries

21. Discussion was based on Document E/CN.14/INR/95. Two aspects of the operation of the clothing industries were recognized: namely, the prolific pattern of heterogeneity in their end products and the comparatively modest size of optimal technical and economic scales. The role of clothing industries as large industrial employers was recognized. In the course of discussion, attention was drawn by some delegations to additional items of production presently being undertaken in the factories of their countries. Attention was also drawn to the integration of a textile mill to the clothing stage in one of the countries of the sub-region. The conflict, as it were, between the interests of the larger textile units which are technically better off when the production runs are large and the interests of the clothing industries, in whose case production runs are small and which desire a wide variety of fabrics as their own raw material input, was recognized.

22. It was widely agreed that a sub-regional approach in the matter of textile production would go a long way in meeting the demand for a wider range of fabrics from clothing industries, although the output of clothing industries themselves was likely to be, for the major part, country-oriented. However, the scope offered by heterogeneity

of consumer demand as well as possibilities of specialisation in certain items of production (such as raincoats, overcoats, etc.) was recognized.

Cordage, bags and bagging materials

23. The discussion on cordage products, Document E/CN.14/INR/88, emphasised the pre-eminence of the sub-region as a producer of sisal. However, it was noted that the sub-region had only made small beginnings in the matter of manufacturing cordage products for the international market, a position which contrasted with fibre-producing countries like Mexico, and non-fibre producing countries like Portugal, Denmark, etc. The major stepping up of production of cordage products visualised in the secretariat document was noted, both in terms of its spread of such production in all hard-fibre producing countries of the sub-region as well as in terms of its implications for higher and relatively more stable earnings of foreign exchange.

24. During the discussion on bags and bagging materials, it was pointed out that the overall demand for bags and bagging materials was being inhibited (and will continue to be inhibited) by the adoption of recent trends in packaging and in bulk handling. The Committee also noted that a considerable part of the demand for bags and bagging materials was being met, on a country basis, from production that could often be justified in terms of larger economic benefits and extra-economic considerations, but which also required considerable assistance from the state in one form or another. Further plans and prospects of expansion were also noted.

25. It was stated that the production of bags and bagging materials on a sub-regional basis would afford the requisite scale of production on the basis of imported soft fibres, to set up a competitive sub-regional industry without adversely affecting the packaging cost of goods exported out of the sub-region. It was emphasised that while many hopeful elements were present in the situation, competition with established producers of these products was not likely to be always easy. It was noted that industries already existed in Kenya, Ethiopia and Tanzania and that Zambia had plans to establish a plant. It was also noted that the Kenya and Tanzania plants would be greatly extended.

26. The Committee requested the secretariat to make further studies on the production of soft fibres.

Leather and leather shoe industry

27. The secretariat, in introducing the paper on leather and leather shoe industry, Document E/CN.14/INR/85, directed the attention of the delegates to the considerable prospects for the development of the industry in the Eastern African sub-region. The cattle, sheep and goat populations of the sub-region are extensive and slaughter-house outputs of hides and skins constitute important export commodities. In recent years, over 40,000 tons of raw hides and skins and another 40,000 tons of tanning extract were exported annually. On the other hand, the sub-region resorts to imports of the order of 40 per cent of the demand for leather footwear.

28. At the same time, the impact of accelerated industrialization would no doubt bring about dramatic increases in the demand for footwear. Although leather footwear today faces competition from substitute materials, such as canvas, rubber and plastic shoes, nevertheless, the countries of the sub-region would wish to exploit their abundant resources in hides and skins rather than turn to substitute materials.

29. The secretariat pointed out that 29 large tanneries and shoe factories, four medium and 51 small-scale enterprises were being recommended for the sub-region in the next decade. This development is visualized within a framework of sub-regional co-operation and, moreover, is aimed at changing the present-day export pattern to make it possible for the sub-region to export leather goods rather than raw hides and skins.

30. Comments were made on tanneries that were closed down in some countries of the sub-region, and some delegates wondered whether there are lessons to be learned from this in view of the expansion recommended by the secretariat.

31. It was noted that Ethiopia and several other member countries attach great importance to the leather and leather products industries, and the secretariat was requested to undertake more detailed studies concerning the proposed leather institute for the sub-region. It was agreed that there was need for a more thorough investigation of the industry, particularly in view of the fact that the countries of the sub-region might continue to experience difficulties in marketing their leather products overseas. These products might be considered sub-standard. The secretariat was invited to undertake further studies which would take all aspects of the industry into consideration and define the problems and prospects of the industry in precise terms.

Plastic goods manufacture

32. The delegates considered the paper E/CN.14/INR/97 presented by the secretariat. The present consumption of plastics in all forms the paper estimated at 10,000 tons of which PVC and polyethylene constituted 7,200 tons. Rhodesia was most advanced in this industry and consumed 5,000 tons, with Kenya the next in importance with a consumption of 1,000 tons.

33. The paper formulated a five-year plan instead of a longer term projection for the development of this industry and recommendations covered the consumption of 20,000 tons of plastics per year by 1970. The expansion was preferentially distributed to countries which are in the early stages of development.

34. The Committee noted the recommendations and the distribution of industrial units in all countries of the sub-region. At the request of Tanzania, it was agreed that ECA should undertake a study on sub-regional specialization in plastics.

Textile industries

35. It was pointed out on behalf of the secretariat that production in the sub-region covered only about a quarter of current demand. The rationale of import substitution was welcomed in the context of these industries, and it was pointed out that the scale of heterogeneity

in end products was very large in the textile industries, and that satisfaction of the product mix of consumer demand was an important element in textile development. The development would be greater - although the economic and technical scale requirements were not prohibitive - in a sub-regional context than it would be on the basis of isolated, country-based developments. The Committee noted that the integration of the cotton and rayon industries presented certain difficulties which should be studied.

36. It was agreed that Ethiopia would assist the secretariat in evolving an estimate of handloom cloth based on "homespun" yarn.

The recommendations of the paper (E/CN.14/INR/86) were noted.

Agro-allied industries

37. A full discussion of this item was not possible as the background paper has still to be finalized. The brief statements given received some comment from the delegates underlining the need for a thorough study in this important branch of economic development.

38. It was promised on behalf of the secretariat that a detailed study of agro-allied industries will be made available in the near future for deliberation by the proposed Interim Council of Ministers. It was suggested that the study should be comprehensive in its coverage of countries as well as industrial branches.

Pulp and paper and forest-based industries

39. Discussion was based on Document E/CN.14/INR/80 prepared by the FAO and introduced by an FAO representative and a consultant. Resources for the rapid development of the forest industries already exist and even greater resources are being created through quick growing forest plantations. Various delegates referred to projects, plans and prospects for forest development suitable for pulp and paper production. Where available forest resources already exist plans may be made for immediate industrial development, while in other areas development will follow the maturing of forest plantations. It was recognized that the advantages of co-operation are very pro-

nounced in the development of pulp, paper and fibreboard industries and that all other branches of the forest industries would gain from the establishment of a sub-regional market. It was agreed that the secretariat should undertake further studies of forest and forest-allied industries. The Committee noted the establishment of the FAO/ECA Regional Advisory Group on Forest Industries Development.

Small-scale industry

40. The Committee noted in the course of the discussions the importance of small-scale industry in the industrial structure, and stressed the importance of taking active, bold steps to raise the proportion of entrepreneurs, both in industry and business, from the nationals of the countries concerned. The proposal for a sub-regional institute for small-scale industry development was noted. The study in question, E/CN.14/INR/99, was received for onward transmission to the intergovernmental machinery to serve as guidelines.

Rubber industry

41. The Committee considered Document E/CN.14/INR/92, "The Development of Rubber Goods Manufacture in the East African Sub-region", submitted by the secretariat. The paper discussed the plantation industry in Africa and the severe competition offered to natural rubber by synthetic rubber and concluded that new plantations of rubber can only face this competition if yields of 1,000 pounds per acre can be attained. As the older plantations in Eastern Africa, principally in Uganda and Malawi, have become derelict and yields uneconomic because of soil and climatic factors, the paper suggested that countries of Eastern Africa purchase their requirements of rubber from West Africa, where rubber has been grown economically, rather than grow their own.

42. The review of the consumption of rubber indicated that the total consumption in Eastern Africa, excluding Rhodesia, where consumption per head is much higher, was only 0.35 pounds per head; this included direct consumption of raw rubber of 0.07 pounds per head and imports of tyres and rubber goods of 0.28 pounds per head. By 1970, it

proposed direct consumption of rubber of 0.6 pounds per head, which is the present attainment of the United Arab Republic. In attaining this consumption, the sub-region will establish both tyre and other rubber products factories to utilize an additional 14,700 tons.

43. Six tyre factories were proposed - in Tanzania, Madagascar, Zambia, Kenya, Ethiopia and Uganda - to be established in that order by 1970. The paper also recommended eight shoe factories, seven bicycle tyre factories and three mechanical goods factories.

44. In discussion it was pointed out that in Uganda the total acreage under rubber was 12,837 and that this old rubber only yielded 20 tons. The Uganda Government has consulted experts from Malaya and is intending to open up 4,000 acres under new high yielding rubber. It therefore requested that the recommendation in the paper describing plantations in Eastern Africa as being uneconomic not be transmitted.

45. Some delegates suggested that tyre plants of larger output than 200,000 tyres per annum might be more attractive to investors who may then be persuaded to establish factories. The consultant stated that a number of tyre plants are working profitably at a level of 60,000-75,000 tyres per annum in South America and Israel and that a plant of 200,000 is economically viable and more than profitable. He pointed out that ECA, in making recommendations, looked at the interests of the countries of the Eastern African community and not to the profits of individual overseas companies.

46. Some delegates expressed the view that larger units might cause competition which may be disruptive to the overall Eastern African economy and its co-ordination. It was suggested that consideration should be given to the production of carbon black using methane gas.

Industrial research

47. The Committee considered the paper, E/CN.14/INR/94, on industrial research in Eastern Africa, prepared by the secretariat.

48. The paper recommended the establishment of an autonomous Eastern African Industrial Research Council vested with the powers and duties of institutes established by it or vested in it. The Council is to consist of representatives nominated by each of the countries in which a specialized institute was proposed and provision was made for other countries to join in the scheme, and for the Council to determine what other institutes may be established in those countries.

49. In the first instance, it was proposed, five institutes should come under this Council:

- (a) The Building Research Institute in Ethiopia, established a few years ago with the assistance of the Swedish Government;
- (b) The East African Industrial Research Organization (EAIRO) laboratories established in 1942 in Kenya to operate as a general industrial laboratory in the chemical and process development field;
- (c) A Rubber, Plastics, Fibres and Textiles Laboratory to be established in Tanzania;
- (d) A Food Research Laboratory to be established in Uganda; and
- (e) A Metals Laboratory to be established in Zambia.

50. The paper discussed different types of research and concluded that applied and adaptive research were the types most needed in the sub-region. It emphasized the importance of industrial extension and the dissemination of industrial and technological knowledge gathered from the specialized institutes under the Council and from developed countries. Each institute would consequently have a team of officers who would extend this knowledge to entrepreneurs and industrialists in the country and solve production problems.

51. The Committee was informed that the United Kingdom Government had for many years been providing financial assistance to the East African Industrial Research Organization to the extent of £30,000 per year and that the United Kingdom Government will sympathetically consider any requests for assistance to the proposed Council.

52. The Committee was also informed of the newly established Industrial Research Centre for Central Africa in Congo (Leopoldville), which receives technical assistance from the Governments of Italy, France, Germany and Belgium. This Centre is expected to have 40 research workers and will cost 16 million U.S. dollars.

53. The proposals were accepted as a right approach.

Standardization

54. The Committee considered Document E/CN.14/INR/101 on standardization, prepared by the secretariat. The paper recommended the establishment of an Eastern African Standards Institute, the siting of which will be determined after further detailed study.

55. The paper proposed that the Eastern African Standards Institute would work in close co-operation with existing standards organizations and the research institutes proposed in Document E/CN.14/INR/94.

56. In discussion it was suggested that the metric system be adopted by the whole sub-region. It was noted that the East African Common Services Organization (EACSO) has under consideration recommendations by an expert for the changeover to the metric system in Kenya, Uganda and Tanzania. It was agreed that this report to EACSO should be made available and a request should be addressed to the Secretary-General of EACSO in this matter.

Investment and finance

57. The papers on financing and investment, E/CN.14/INR/96 and E/CN.14/INR/103, were introduced by the secretariat and a consultant. Delegates pointed out that tax holidays vary among the various member countries and that a very liberal tax holiday curtails revenue to governments and implies larger transfers of foreign currency. It was suggested that the subject be further reviewed and a study made on the co-ordination of investment codes and incentives. In this connection, the attention of delegates was drawn to the study of the Centre for Industrial Development.

Industrial co-ordination

58. Discussion was based on the document, E/CN.14/INR/102.

59. At the outset, the considerations guiding the input-output analysis, evaluation of projects and target-setting on a country basis, were detailed. It was pointed out that in drawing up the scheme, attention had been paid to several objectives - such as the improvement in balance of payments, re-orienting the structure of industrial output so as to make it potentially more productive in the future and the balanced growth of various economies of the sub-region. Attainment of all the objectives had been generally satisfactory; nonetheless, in the view of the secretariat, additional work had to be done in the case of a few countries.

60. The interrelationships between light and heavy industries were recognized; and it was felt that limited complementarity in the structure of agricultural output among the countries of the sub-region might make for difficulties in the planning of industries based on agricultural raw materials.

61. Some delegations were of the view that demographic pressures were higher in their countries than the secretariat study allowed for, and it was agreed that this matter should be looked into.

62. It was pointed out by several delegations that reduction of the handicaps in the industrialization of small, densely populated, land-locked countries, as well as meeting of the demographic pressures in these countries, should become a conscious, possibly over-riding, objective in their industrialization. Several approaches were referred to in this connection, and it was argued that reservation of a range of light industries might be one possible solution. Uniform prices for a range of basic industrial products throughout the sub-region were suggested as another solution.

63. It was widely felt that the study broke new ground and that the secretariat might want to consider consulting a small group of international experts about the methods and principles employed.

The paper itself, however, should not be given a wide circulation. There was general agreement that the technical co-efficients used needed to be looked into more closely in co-operation with individual countries. Stress was also laid on the complementarity of an industrial programme, among other sectors, with agriculture, and in the revision of this and the individual industrial studies an attempt should be made to place the economic evaluations on a comparable basis, particularly with respect to the measurement of the rate of return on capital.

64. Considerable stress was also laid on the need to balance growth geographically in terms of industrial investment per caput in order that all countries would have an equal opportunity in the development programme proposed.