66071

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

E

PROVISIONAL

E/CN.14/C.1/SR.10(V)
27 February 1963

ENGLISH
Original: FRENCH

ECONOMIC COMMISSION FOR AFRICA
Fifth session
Leopoldville, February-March 1963

COMMITTEE I

PROVISIONAL SUMMARY RECORD OF THE TENTH MEETING

held at the Palais de la Nation, Leopoldville,
on Wednesday, 27 February 1963, at 9.30 a.m.

Chairman: Mr. Lissouba (Congo, Brazzaville)

Secretary: Mr. Nomvete

CONTENTS:

Monetary, Financial, Trade and Commodity Problems (continued)

Representatives wishing to have corrections made to this provisional summary record are requested to indicate them on a copy of the record and send them, by 1 May 1963 at the latest, to the Translation Section, ECA, Africa Hall, P.O. Box 3001, Addis Ababa, Ethiopia.

63-LEO-94

MONETARY, FINANCIAL TRADE AND COMMODITY PROBLEMS (continued)
(E/CN.14/174, 190, 205, 206, 207, L.153)

Mr. CARNEY (Sierra Leone), continuing his statement of the previous day on trade, said that it would be advisable to work out a price policy for the purchase of primary products in order to stimulate production.

Turning next to the effect of the system of monetary zones on intra-African trade, he said that the paper submitted by the United Kingdom delegation had by-passed the question. A monetary system did not in itself constitute a barrier to foreign trade, but there were several monetary systems in the same sub-region in Africa, and that was unquestionably an obstacle. Where neighbouring countries had different monetary systems, problems of exchange rose immediately and that hampered trade.

He then referred to paragraph 28 of the Report of the first session of the Standing Committee on Trade (E/CN.14/174) which mentioned that many lines of production in Africa were competitive. That was true, but he had a reservation to make: the countries of the same region as a whole were anxious for complementarity rather than competition. Trade in Africa was carried on not so much in the same sub-region as between different sub-regions, where competition was not so direct.

Referring to the proposal to establish a standing committee on transport, he said that his delegation, like that of the United Arab Republic, would prefer that committee to be independent of the Standing Committee on Trade. However, these two committees ought to maintain close contact.

Mr. SHUMBUSHO (Rwanda) said that intra-African trade must be increasingly stimulated, without neglecting the numerous problems relating to the continent as a whole, particularly those of industrialization and transport. Multilateral trading was a necessary evil for Africa.

Mr. GEORGES (France) replied to several representatives who had expressed anxiety as to alleged restrictions applied by monetary zones to third countries, including African countries. An out-of-date and incorrect picture of the Franc Zone had been built up. Like every system born of an economic crisis, it had been of a centralized nature but had changed rapidly upon the return of the pilot currency to convertibility.

The monetary zones were tending to become zones of influence and guiding factors in economic development and trade. It was a decentralized system, and the procedures for belonging to it were laid down by bilateral or multilateral agreements.

There were a large number of issuing institutions, some of which were connected with the French Treasury by an "operations account" convention, while others were completely autonomous. There were also a large number of currencies having several features in common: in particular their parity was defined in relation to the franc and it was a fixed parity. The reserves of the issuing banks were kept in French francs. There was thus an unlimited internal system of convertibility.

In its external aspects, the Franc Zone had developed in a similar way. It had a central exchange market on which all financial operations with foreign countries could be negotiated. The centralization of its foreign exchange resources stemmed solely from the operation of the exchange market. There was no mechanism limiting the access of the countries of the zone to that market. Explaining that the "drawing right accounts" should not be regarded as a restriction, he stressed that the fact that many African countries belonged to the Franc Zone, which was after all a zone of monetary co-operation, by no means hampered the development of trade with outside countries. The countries concerned were in fact completely free with regard to trade negociations. In 1962 they had concluded more than 60 trade agreements with various countries. They were gradually establishing trade relations with all the countries of the world. Moreover, statistics showed that the relative share of France in the zone's trade had appreciably

diminished during the last few years. France's share of the exports of African member countries had decreased from 78 per cent in 1949 to 49 per cent in 1962. Its share of the imports had decreased from 71 per cent in 1951 to 61 per cent in 1962. The trade of the overseas countries of the Franc Zone with France had appreciably diminished, but it had greatly increased with outside countries.

It followed from all those facts that the Franc Zone had not prevented the member States from diversifying their international trade. In practice they could trade with any third country. The reason why intra-African trade had still not developed very far, assessed in monetary terms, was because of the lack of complementarity in the economies concerned and not because of the existence of the Franc Zone. The African countries produced mainly agricultural commodities and industrial raw materials for which no markets yet existed in Africa. On the other hand, only the industrial countries could meet their needs for manufactures and capital goods.

If those African states traded with countries, belonging to a different monetary zone, that would not be unprofitable for the latter countries when the State concerned was following a sound monetary policy and its currency had a undisputed exchange value, as was the case for the countries of the Franc Zone which had an "operations account".

He then explained the danger of clearing agreements which led to an unfavourable bilateralization of trade and to an artificial imbalance in trade at the lowest level. If that system were applied to Africa, it would entail a monetary balkanization of the continent, a narrow partitioning of the economies and the establishment of very complicated bilateral relations which might constitute an instrument of pressure and discrimination.

With regard to a payments clearing mechanism between the different African countries, he pointed out that a system of that kind only had meaning for currencies that were convertible into each other, and if it was applied to the continent it would deprive a large number of African countries of the advantages they derived from the fact that their currency was convertible.

In conclusion, he stressed that the fact that African countries belonged to the Franc Zone facilitated the diversification of their trade.

Mr. MENSAH (Ghana) submitted a draft resolution on the establishment of an African common market. The whole world endorsed the idea of such an association, because although it would, no doubt, meet with many obstacles, it would be much less complicated than a whole series of trade agreements which would rapidly become indispensable in the absence of that common market. The ECA secretariat, being the only institution common to all the African States, should help then immediately to lay the foundations for that association which would take a long time to achieve.

Mr. BABALOLA (Nigeria) said that his country regarded the European Economic Community as a challenge to African solidarity. All the other large countries wanted to become members of the group of Six. One aspect of the Community was to provide financial assistance to the associated states so as to encourage them to diversify production, but its prices were above the world level. The European Common Market was trying to inaugurate a new colonial era in Asia and Africa, and must be regarded as an attempt to separate the associated African countries from the non-associated countries. So long as some countries on the African continent saw in the Community their hope of economic emancipation, African solidarity would be nothing but a myth. All the African countries which were associated with the group of Six ought to know that it was labouring under a disadvantage from the beginning and was sacrificing the prospect of a harmonious economic development for the sake of temporary assistance. One of the Community's aims was to make the associated States a perpetual source of raw materials and life long importers of manufactured products from the Community. If it succeeded, it would be raising its level of living at the expense of that of the African States. The production of raw materials involved many requirements and few advantages, whereas the production of manufactured commodities was much more profitable. The demand for primary commodities was inelastic, while that for manufactured goods

was elastic; if the prices of the latter fell, the manufacturers managed to maintain prices by concerted action, as was the case within the context of the Community. All the member countries of the group of Six had relegated agriculture to the background for the benefit of industrialization, and it was entirely against their interest to help the associated countries to diversify their economy. But Africa could not go on having a primitive agriculture, it must modernize it. It needed a balanced economy in which trade, industry and transport could play as important a role as agriculture. Africa would have to unite if it did not want to continue to be exploited: the diversification of its economy was a question of life or death for it. The qualified personnel which Africa had available must not go abroad to exercise its skills.

His delegation would like each of the 18 associated States to consider whether it was really in its interest, in the long run, to maintain its association with the Community, or whether it should not rather join the other African countries and insist on obtaining reasonable prices instead of merely financial aid or subsidies.

The Nigerian delegation had a second suggestion: that the ECA should also set up three customs unions for North Africa, Central Africa and West Africa, taking as a model the East African Customs Union. Lastly, it should devise machinery for establishing an African common market.

Mr. HANSEN, Chairman of the Preparatory Committee of the United Nations Conference on Trade and Development, said that he hoped that that Conference would make a turning-point in history by giving a new direction to international thinking and by adjusting various policies to the modern idea of world solidarity.

The Conference was to seek specific solutions for the problem of trade considered in the light of the countries'economic and social growth and in the context of the General Assembly resolution on the Development Decade.

There was no need to stress the importance of a close collaboration between the Preparatory Committee, the ECA and all the governments. The Preparatory Committee would pay great attention to the voice of the African peoples and would endeavour to ascertain their real needs and take the steps needed to create outlets for their present and future lines of production. The Preparatory Committee asked the African peoples to guide it in its work so that the Conference would result in world-wide integration.

Mr. KATZ-SUCHY (Poland) considered that a problem of integration should be thoroughly studied: unfortunately the document prepared by the secretariat did not entirely meet the needs of the members of ECA. While the statistics it contained were valid, it did not sufficiently analyse the effects of integration on the trade of African countries with the other continents. Moreover the statements made to the Committee and to the Commission tended to give too optimistic a view of the effects of integration. In his opinion the process of integration entailed serious dangers for the development of countries which had just achieved independence. Instead of bridging the gulf that separated those countries from the developed countries, it might contribute to increasing the divisions in the world.

Similarly, it was not correct to say that the countries of Western Europe did not know Africa well: that continent had been their favourite hunting-ground. By associating the African countries with their economic grouping, they were trying to subordinate Africa to the industrialized Western countries. One could hardly speak of balance and reciprocity in an association between countries producing raw materials and highly industrialized countries. The African countries were inevitably in an unfavourable position.

It had been pointed out that the socialist countries also advocated integration. That was true. The socialist countries' plan of mutual assistance granted all the participants the same rights and the same advantages. Its aim was to solve the trading problems and to diversify production so as to enable the participants to supply the capital goods which Africa might need.

As to whether African trade should be developed on a bilateral or a multi-lateral basis, he thought that, at the present stage of development of the African countries, bilateral trade was preferable because it made possible a greater diversification of production. Multilateral trade offered great advantages provided it was placed under the auspices of a new organization which could prepare long-term plans and protect African countries from price fluctuations. That was the aim of the forthcoming United Nations Conference on Trade and Development.

Mr. TSHILUMBA (Congo, Leopoldville) pointed out that the Republic of the Congo (Leopoldville) had inherited a multilateral foreign trade pattern and continued to practise an open-door trading policy both with regard to the destination of its exports and as to the origin and provenance of its imports. With a view to keeping its trade on a world-wide scale, Congo (Leopoldville) was still applying the provisions of the General Agreement on Tariffs and Trade to all the contracting parties of GATT, provided that reciprocity was granted.

The document submitted by the secretariat (E/CN.14/174) mentioned the difficulties which the African countries were meeting in exporting manufactured commodities to markets in the industrialized countries. Those difficulties arose from the fact that the African countries could not for the moment manufacture large quantities of goods capable of competing on equal terms with those of the industrially developed countries. Their prices, encumbered with transport costs, were too high.

In the raw materials sector, where the competition of import substitutes was most to be feared, the European Economic Community had adopted a realistic principle by providing for the duty-free importation of some commodities such as cotton, rubber and copper. In becoming associated with the EEC, the Congo (Leopoldville) was not trying to obtain a relatively greater expansion of its trade to the detriment of its African friends or other developing countries; it was simply trying to maintain its trade with the six European countries of the Common Market.

In the field of intra-African trade relations, the Congo (Leopoldville) intended to conclude trade agreements with its friends in the Equatorial Customs Union and subsequently with the other African countries. The relatively high cost of coastal shipping transport was preventing the rapid extension of that trade. As for the existing monetary zones in Africa, the Congolese Government did not think they constituted an obstacle to intra-African trade, but he would like to see a formula which would solve the problems involved.

His delegation supported the recommendation of the Expert Panel on Transport Traffic in West Africa concerning the adoption of the Brussels Nomenclature by the African countries which used a different system.

Referring to the report of the African Meeting on Commodity Stabilization (E/CN.14/205), he thought that stabilization funds and marketing co-operatives were preferable to statutory marketing boards, since they left the responsibility to the producer and thus stimulated interest on the part of the private sector. With regard to international stabilization measures, he considered that the problems raised by the fundamental imbalance between primary commodity prices and those of industrial products, to the detriment of the former, could only be resolved by measures applied on a world-wide scale.

Mr. ZERRAD (Morocco) stressed that intra-African trade was insufficient. Morocco's foreign trade was geared to the industrial countries; that was a traditional pattern which would be very difficult to change, despite all the efforts which Morocco was making to that end. The African countries should endeavour to "buy African", even if that entailed sacrifices. His delegation supported the draft resolution (E/CN.14/L.153) submitted by Ghana and other countries concerning the establishment of an African common market. That was the only way for Africa to achieve its economic independence and to industrialize. The secretariat should undertake studies in that connexion.

The CHAIRMAN invited the Commission to discuss the draft resolution (E/CN.14/L.153) concerning the African common market.

Mr. KIANO (Kenya and Zanzibar) supported the draft resolution, which showed a real spirit of co-operation. Economic balkanization ought to disappear from the African continent, and in that connexion the African common market would be extremely useful. The future members of that association should avoid taking steps at present which might, a year or two later, comprise obstacles to its establishment. If an African country became a member of another regional common market some of the provisions of which might conflict with the African common market, it would be making a great mistake.

Mr. RÁZAFINDRABE (Madagascar) said that he had no major objection to the draft resolution, but he stressed that the establishment of the African common market would require a great deal of time even if Africa moved fast. It seemed to him that to require countries not to make commitments with other economic groupings, as the representative of Kenya had advocated, was asking too much.

Mr. BAILA (Senegal) supported the draft resolution, saying that his delegation wished to be a co-sponsor. Concerning the statement of the representative of France, he considered that the payments at present made through the French exchange market ought to be made directly between producing and consuming countries. If the African countries could harmonize their legislation, that would eliminate many obstacles.

Mr. RAFFET (Dahomey) supported the draft resolution; he agreed with the representative of Senegal that the monetary institutions should be africanized.

Mr. WEEKS (Liberia) endorsed the draft resolution; it would be very useful for the Executive Secretary to institute intensive studies on the major problems of an African common market. He proposed that, in the third preambular paragraph, the words "differing monetary systems" should be inserted after the word "customs", and the words "and other relevant matters" after the word "legislation".

Mr. MANIRAKIZA (Burundi) warmly supported the draft resolution and asked for his country's name to appear as one of the co-sponsors.

Mr. CURTIS (Guinea) also endorsed the draft resolution. However, he proposed that, in the second preambular paragraph, the words "desirability of" should be replaced by the words "need for"; and that the words "next May" should be added at the end of operative paragraph 1.

Mr. SHEMILAH (Libya) asked for the name of his country to appear among the co-sponsors of the draft resolution. He proposed that the words "and other matters" should be added at the end of the third preambular paragraph, so as to show that the list was not restrictive.

He pointed out that the Commission at its third session had asked the secretariat to prepare as detailed a study as possible on the effects of monetary zones on intra-African trade. As that study did not appear among the working documents of the current session, he asked the secretariat to have it circulated as soon as possible.

Mr. NGANDO-BLACK (Cameroun) indicated his support for the draft resolution, since his Government favoured the establishment of an African common market.

He had some comments in reply to the statements made by certain representatives. All the African countries wanted African unity in the political and economic fields. They were all endeavouring to raise their people's level of living as quickly as possible. But one had to be realistic: the establishment of a common market required a long preparation and a careful study of the various problems confronting Africa. It would be futile to suppose that such an undertaking could be successfully completed in a short time. It was because they were realistic that some African countries had become associate members of the European common market pending the setting up of an African common market. Various speakers had asked those countries to give up that

association. He wished to reply to them that those countries had joined that economic grouping in full awareness of its implications and that they could not go back on their word. He therefore asked the speakers concerned to change their attitude and to consider the matter objectively.

Mr. BABALOLA (Nigeria) said that the members of the Committee seemed to be in agreement on the need for establishing an African common market. As the representative of Cameroun had said, that kind of undertaking was a long-term one. Hence it was important not to under-estimate the advantages that the African countries derived from their associations with certain metropolitan countries and the disadvantages that they would suffer during the transition period.

Mr. BAYONNE (Congo, Brazzaville) also supported the draft resolution. He drew the Committee's attention to the fact that the association of certain African countries with economic groupings outside Africa could not be an obstacle to the establishment of the African common market.

Mr. TSHILUMBA (Congo, Leopoldville), warmly supported the draft resolution, but said that the establishment of that market must not have the effect of partitioning Africa.

Mr. ZERRAD (Morocco) proposed the addition, at the end of the first and fourth preambular paragraphs, of the words "and of the Standing Committee on Industry and Natural Resources".

Mr. MENSAH (Ghana), on behalf of the co-sponsors of the draft resolution, accepted all the amendments that had been proposed.

The CHAIRMAN declared the draft resolution E/CN.14/L.153 adopted unanimously, with all the amendments proposed. The names of the following countries would be added to the list of co-sponsors: Burundi, Libya and Senegal.

<u>The meeting rose at 12.40 p.m.</u>