

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



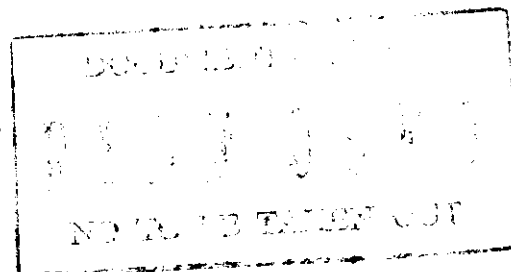
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ECONOMIC COMMISSION FOR AFRICA



REPORT OF THE CONFERENCE ON INDUSTRY AND FINANCE

(Addis Ababa, 25-27 March 1968)

M68-488

TABLE OF CONTENTS

		<u>Paragraphs</u>
PART I	ORGANIZATION AND ATTENDANCE	1 - 11
	A. Terms of reference	1
	B. Attendance	2 - 7
	C. Agenda	8
	D. Organization of the work	9 - 11
PART II	ACCOUNT OF PROCEEDINGS	12 - 44
	Opening meeting	12 - 31
	A scheme for the creation of sub-regional industrial promotion centres in Africa	32 - 34
	The sub-regional approach	35
	The relationship of the IPC to national promotion agencies	36
	Overseas offices	37
	Personnel	38
	Co-operation with international agencies	39
	Preliminary estimates of expenditure	40
	Specific offers of assistance	41
	Suggestions	42
	Closing session	43 - 44
ANNEXES		
I	AGENDA	
II	LIST OF PARTICIPANTS	
III	LIST OF WORKING PAPERS	
IV	OPENING STATEMENT BY MR. ALLISON AYIDA, CHAIRMAN OF THE EIGHTH SESSION OF THE ECONOMIC COMMISSION FOR AFRICA	
V	OPENING STATEMENT BY H.E. ATO ABEBE RETTA, MINISTER OF COMMERCE AND INDUSTRY, ETHIOPIA	
VI	OPENING STATEMENT BY MR. R.K.A. GARDINER, EXECUTIVE SECRETARY OF THE ECA	

ANNEXES (Cont'd)

VII

Statements by other participants:

- Dr. C. Akhras, Representative of UNIDO
- Mr. Rafik Asha, Senior Financial Adviser to the
Administrator of the UNDP
- Dr. Mohamed Ali Rifaat, Representative of the Afro-
Asian Organization for Economic Co-
operation

VIII

Statements offering assistance to the proposed industrial
promotion centres:

- Mr. Ingvar Anderberg (Sweden)
- Mr. F. Taylor Ostrander (United States of America)

PART I

ORGANIZATION AND ATTENDANCE

A. Terms of reference

1. The Conference on Industry and Finance met at the headquarters of the Economic Commission for Africa in Addis Ababa, Ethiopia, from 25 to 27 March 1968, in accordance with the decisions taken at the eighth session of the Commission by its resolution 153(VIII) which requested the Executive Secretary:

"to initiate immediate consultations with African Governments and donor countries for the setting up of sub-regional industrial information and promotion centres to advise member States on the execution of the necessary feasibility and investment studies, negotiations on multinational projects, and on techniques for combining most effectively the various sources of capital and types of management needed for the development and execution of an investment programme".

B. Attendance

2. The meeting was attended by delegates from the following member States of the Commission: Burundi, the Central African Republic, the Republic of the Congo, the Democratic Republic of the Congo, Ethiopia, Ghana, Ivory Coast, Kenya, Libya, Morocco, Nigeria, Senegal, Somalia, the Sudan, Tunisia, Uganda and the United Arab Republic. Malawi participated as an observer. The following associate member States were represented: Equatorial Guinea and Spain. Representatives from fifteen industrialized countries participated.

3. The following United Nations bodies were represented: the International Labour Organisation (ILO), the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO).

4. Representatives from the following inter-governmental organizations participated: the Commission of European Communities, the European Investment Bank, the Maghreb Permanent Consultative Committee and the Organization of African Unity.

5. The following non-governmental organizations were represented: the Business and Industry Advisory Committee to OECD, the Afro-Asian Organization for Economic Co-operation and the International Association for the Promotion and Protection of Private Foreign Investments.

6. Chambers of Commerce in the Republic of the Congo, Ethiopia, Ghana, Mali, Nigeria and Togo were represented.

7. A list of participants is attached as Annex II to this report.

C. Agenda

8. The agenda is reproduced in Annex I

D. Organization of the work

9. Mr. Allison Ayida, Chairman of the eighth session of the Economic Commission for Africa, and Permanent Secretary in the Ministry of Economic Development of Nigeria, acted as Chairman of the Conference.

10. Documents prepared by the ECA secretariat were presented to the Conference. They are listed in Annex III.

11. The main discussion centred on the document, A scheme for sub-regional industrial promotion centres in Africa (IND/IF.2/WP/2). The Conference afforded a frank exchange of views on the operation, functions, financing and staffing of sub-regional industrial promotion centres.

PART II

ACCOUNT OF PROCEEDINGS

Opening meeting

12. The formal opening of the Conference took place on Monday, 25 March at 3.00 p.m. in the Plenary Chamber of Africa Hall under the chairmanship of Mr. Allison Ayida, Chairman of the eighth session of the ECA. The opening address was delivered by H.E. Ato Abebe Retta, Minister of Commerce and Industry in the Imperial Ethiopian Government.
13. After welcoming participants to Ethiopia, and expressing the belief that their deliberations would bring about an accelerated industrial development in the continent of Africa, the Minister observed that African countries were very much interested in collaborating with industrialists and financiers who would be willing to enter into long-term economic partnership. As an example of this long-term co-operation industrialists should be willing to set aside a reasonable proportion of their profits for reinvestment.
14. An important aspect of development was that financiers and industrialists from developed countries should direct their efforts to the establishment of export-oriented processing and manufacturing enterprises where, in co-operation with local enterprise, they would have special advantages in operating units and in marketing products.
15. While recognizing that technical know-how and entrepreneurial skills were essential factors of production, the Minister expressed the view that, African countries could not afford to postpone industrial development until such skills had been developed and that these should be transferred during the working process itself.
16. It was an important objective of the Conference to assist in channelling the limited technical, entrepreneurial and financial resources into viable industrial projects.

17. The Chairman then called upon H.E. Mr. Diallo Telli, Administrative Secretary-General of the Organization of African Unity, to address the meeting. He stressed the importance which his Organization attached to the meeting and their intention of continuing to work closely with the ECA on this and other matters of economic policy. He complimented the secretariat on their work and pointed out that while the OAU was fully committed to the multinational approach, their work in this field, through their Economic and Social Division, was complementary to that of the secretariat.

18. The Chairman's opening statement which followed dealt with the problems of industrial development in Africa and with the need to make the maximum use of their own human and natural resources. He drew special attention to two problems, first, the smallness of national markets and, secondly, to shortage of capital funds. In regard to the first of these, the ECA had demonstrated the economic benefits of co-operation and some multinational groupings were already in operation. With regard to the second, African countries were making considerable efforts to create an appropriate investment climate and win the confidence of investors. The relatively faster rate of industrial growth in Africa was an evidence.

19. Two essential facts should be recognized in appraising this relatively faster rate of growth in the last decade. First, that it started from a low level and, secondly, that it was unbalanced, being largely confined to light industry supplying consumer goods. Over the last three years there had been a welcome trend towards investment in intermediate and capital goods industries but their progress depended mainly on the establishment of multinational and sub-regional industries. It was the object of the Conference to set up machinery which would promote the establishment of such industries.

20. Referring to item 2 of the provisional agenda the Chairman proposed that in view of the shortness of the meeting it was not necessary to elect officers and that they could proceed with the business of the

Conference. The secretariat would produce a record of the discussions and this record would form the report. With this proviso the agenda was adopted and the Chairman called on Mr. R.K.A. Gardiner, the Executive Secretary of the ECA, to make a statement.

21. Mr. Gardiner recalled that the Conference was called in response to a directive from the Commission that consultations should be initiated with African Governments and representatives of industrialized countries, for the setting up of sub-regional industrial promotion centres.

22. He pointed out that from its earliest days the secretariat had advocated a sub-regional approach to industrialization and that the first steps in this direction had revealed the need to prepare a comprehensive plan for the industrialization of the continent and to provide machinery to facilitate negotiations on the location of industries and the removal of trade barriers. The various documents circulated to the meeting showed what progress had been made on these two issues.

23. He asked the Conference to concentrate its attention on the document entitled A scheme for sub-regional industrial promotion centres. This document set out in broad terms the principal aspects involved in the establishment of these centres and was meant to facilitate discussion and a free and frank exchange of views. There must be some system at the sub-regional level which would ensure the orderly progress from project identification through the search for financing to complete execution and the various elements out of which such a system could be built were represented at the meeting.

24. General statements were then heard from the representatives of the UNDP, UNIDO and Afro-Asian Organization for Economic Co-operation.

25. The representative of the UNDP expressed the view that this Conference would once more provide an opportunity of informing African countries on the types of assistance available to them. It was, however, impossible to provide all the assistance required from government sources and recourse must be had to private finance. In this regard the availability of sound feasibility studies was vital and the centres would play

a useful role. He expressed the view that the catalogue of activities allocated to the centres might be limited in certain respects and that their relation with the Councils of Ministers was not clear. It was also most important to avoid duplication of effort in this field.

26. The representative of the UNIDO pointed out that to maintain a rate of growth of 6 to 7 per cent it was necessary to invest from 18 to 20 per cent of the national product but that, in fact, the current rate of savings in developing countries averaged only about 10 to 12 per cent. UNIDO was therefore making efforts to help these countries to obtain finance and was giving particular emphasis on the provision of consultative service to the promotion of institutions for this purpose. It was important that there should be an integration of effort in this field and UNIDO supported the proposal to establish industrial promotion centres in this context.

27. The representative of the Afro-Asian Organization for Economic Co-operation welcomed the initiative of the ECA in calling the Conference and said that the proposed setting up of industrial promotion centres offered a close parallel to the activities carried out by his Organization. Their membership related to National Federation of Chambers of Commerce and Industry and as such they attached the greatest importance to the current proposals. They had found it desirable to rely primarily on self-help and to a secondary extent on mutual assistance at the sub-regional level. External aid was no substitute for this but was a valuable supporting factor. In this context AFRASEC welcomed the establishment of IPCs and promised its co-operation and support.

28. The Chairman pointed out that items 3, 4 and 5 of the agenda were background documents and suggested that for the rest of the day they should hear general comments on these documents and on statements already made. They should reserve detailed comments for discussion of item 6 the following day.

29. In the course of the subsequent discussion reference was made to the sense of careful realism which permeated the language and concepts of the

paper on industrial growth in Africa, but attention was drawn to the ambitious goals set for African countries in the document on economic co-operation in Africa.

30. The view was expressed that private investors would be ready to make their contribution as soon as any proposals for viable projects were available. It was also suggested that the most crucial factor in determining the future inflow of foreign resources was the treatment accorded to existing foreign investors.

31. Reference was also made to multinational projects in the UDEAC countries, including the refinery at Port Gentil and the proposed establishment of an industrial promotion centre.

A scheme for the creation of sub-regional industrial promotion centres in Africa

32. The discussion of the document, A scheme for sub-regional industrial promotion centres in Africa (IND/IF.2/WP/2) commenced with introductory remarks on behalf of the secretariat. Various steps involved in the preparation of the paper, such as the collection of information about the existing industrial promotion machinery operating in the different countries and examination of the information by an experienced official of an international financial corporation, were enumerated and the main features of the proposals evolved by the secretariat were presented. It was emphasized that the secretariat viewed the document as a basis for free and full discussion.

33. Most participants (from African countries) accepted the need for sub-regional industrial promotion centres, hereinafter called IPCs, as having been established by the relevant resolution of the Lagos (eighth) session of the Commission. One delegation had reservations in regard to the establishment of IPCs as separate entities in view of the general paucity of financial resources and limitations on the availability of personnel in the countries of Africa, and in view of the possible conflicts that might arise. It was feared that the proposed IPCs will duplicate some of the activities to be undertaken by the secretariat

of the sub-regional economic communities and it was urged that either the ECA or the proposed sub-regional secretariats could adequately perform the tasks set forth for the IPCs. Almost all the participants from the investor countries felt that the determination of the proper promotion machinery lay entirely and exclusively with the Governments of African countries.

34. Several larger issues were deemed relevant by the participants and as such were placed before the meeting. Thus, the need for a restructuring of current patterns of trade by the developed countries in favour of developing countries was urged, and a case made for enhancing the export potential of traditional raw materials (by further manufacture or processing in the countries of origin). In the view of one participant, the development of entirely new manufactured products for export to the developed countries was a promising field of endeavour, if such manufacture was undertaken on the basis of joint ventures with knowledgeable partners from the developed countries. In another view, the current paucity of resources for investment in Africa was a direct result of the colonial heritage, enhanced further by the continued withdrawal of profits and capital from the developing countries by expatriate investors. In this view, an enlarged State sector and State control of industry were essential elements in the attainment of real economic development in the countries of Africa. This view was challenged by several other participants who stressed the importance of the private sector in the industrialization of African countries.

The sub-regional approach

35. The general acceptance of the need for a sub-regional approach in major sectors of industry was elaborated in various directions:

- (a) The need for a sub-regional point of view (as distinct from the individual points of view of the countries involved) was largely accepted, although it was recognized that inter-governmental differences, the possibility of differences about the desirability of locations on the part of prospective investors, difficulties in arriving at the required guarantees about markets and in the actual implementation of agreed projects were difficulties to be expected and would have to be faced as such.

- (b) It was pointed out that the sub-regional communities proposed by the ECA had not made the desired progress, and as a consequence the IPCs would not be in a position to function effectively.
- (c) It was suggested that the ECA document concerned itself exclusively with the guarantees, incentives and protection needed by the foreign investor. As such, it ignored the possibility of wrongful exploitation of African countries by foreign investors, particularly large international cartels. In this context, the fear was expressed that the proposed overseas offices and the unavoidable (in the initial stages, at any rate) preponderance of expatriates among the staff of the IPCs might prove focal points of undesirable influences in decision-making. Therefore, some means of protecting African countries from such dangers should be seriously considered. On the other hand, some participants felt that this would not present a problem and they pointed out that means were available to provide protection to both sides of the investment equation.
- (d) The meeting was of the view that one sub-regional IPC was adequate in each sub-region, although in actual practice some flexibility might be called for.
- (e) It was felt that the proposed scope of activities of the IPCs was too large, both in relation to the proposed staff resources and in relation to advisory and planning functions. It was the general consensus that in matters requiring inter-governmental negotiations and agreements the IPC should undertake the advisory functions, but the executive functions should be carried out by appropriate organs of the sub-regional communities.
- (f) Stress was laid on the need for arriving at quick decisions on the part of the sub-regional machinery, if the IPCs were to be truly effective.
- (g) It was emphasized that the sub-regional IPC should concentrate on all aspects of the twin tasks of information and promotion and should not generally be involved in preparing detailed feasibility studies of sub-regional industrial programmes.

The relationship of the IPC to national promotion agencies

36. The consensus was that the IPCs should be supplemental to and not substitutive of the effort made by national promotion agencies, whose objectives were similar. It would be necessary to strengthen the latter.

In this connexion, note was taken of the suggestion, based on the experience of AFRASEC that the co-operation of national chambers of commerce and other institutions should be enlisted.

Overseas offices

37. The meeting emphasized the need for a cautious approach to setting up overseas offices. Some doubts were raised about the utility of having these offices at all. It was suggested that the question of whether the functions assigned to them could be better performed by the African Development Bank and other development banks should be examined. Some participants thought that the correspondents in developed countries could also assist in the main function proposed for the overseas offices, namely, the establishment of contact with potential investors.

Personnel

38. It was recognized that in the staffing of these centres, recourse should be had to the experience of both the developed and the developing countries. Such personnel should have an awareness of the technological modifications required for industrial development in the African context.

Co-operation with international agencies

39. The representatives of the ILO, FAO and AFRASEC explained the activities of the respective organizations and generally assured the support of their organizations for the activities of any sub-regional machinery for industrial promotion which might be eventually set up. The meeting laid stress on the need for utilizing the facilities and expertise of the UNIDO, the UNDP and the ADB, among others.

Preliminary estimates of expenditure

40. The first figures set out in the document were generally regarded as modest. At the same time, it was recognized that the level of expenditure will be determined, in the main, by the range of activities and the size of the staff. Various ways of economizing expenditure - more

intensive use of the correspondents, strong links with the UNIDO, restriction of technological and engineering staff to minimal levels, the use of ECA facilities, the diversion of some functions to the ADB, among others - were indicated.

Specific offers of assistance

41. Among general indications of assistance from member States, developed countries, United Nations bodies and international organizations, the following specific offers were made or reiterated, and should be followed up by the secretariat:

- (a) The delegate of the Democratic Republic of the Congo reiterated, in principle, the offer originally made at Lagos by his Government, to open the doors to the ECA of the Centre for Industrial Research of Central Africa, located at the University of Lubumbashi, and which works in co-operation with the Lovanium University at Kinshasa.
- (b) The representative of the African-American Chamber of Commerce (United States of America) indicated that technical assistance personnel could probably be made available to any IPC by the USAID for specific projects. He also pointed out that the International Executive Service Corps (of retired executives) might be in a position to offer the services of some executives. He also drew attention to the new, experimental Inter-American Investment Development Centre established in New York to facilitate United States investment in South American countries. If desired, his organization would be willing to recommend to USAID the setting up, in the United States, of a similar centre for a similar purpose in Africa, and to request USAID to provide the required initial financing.
- (c) The participants from Sweden indicated the possibility of favourable consideration by the Government of Sweden of a request for finance to support activities allied to the IPCs.
- (d) The Afrika-Verein, as correspondents for the Federal Republic of Germany, agreed to put its organization and its many years of experience at the disposal of ECA and organizations recommended by ECA to promote further German investments in Africa.

Suggestions

42. The following suggestions were considered by the Conference during the examination of the document A scheme for sub-regional industrial promotion centres in Africa (IND/IF.2/WP/2):

- (a) In keeping with resolutions of the General Assembly and the special responsibilities with which the UNIDO is charged, any arrangement made within the context of this Conference must be co-ordinated with the schemes and programmes of the UNIDO.
- (b) On request, the proposed sub-regional IPCs should assist with requests for help from multinational groupings in the matter of industrial promotion, and in this respect should be considered as furthering the United Nations effort. The number of such centres should be one in each sub-region, to be established when the conditions and the requirements of the development of sub-regional machinery in each sub-region permit.
- (c) The IPCs will deal with projects which are properly regarded as multinational and sub-regional. However, it was recognized that the delineation between these projects and purely national ones might be fluid in some borderline cases, where national projects may serve or may be developed to serve multinational purposes.
- (d) The IPCs will deal largely with multinational or sub-regional projects which have government support from the countries involved. Projects which fall wholly in the private sector will be dealt with by the IPCs only if the governments involved indicate their approval of the projects. The IPCs may also work with national projects if requested to do so by the governments.
- (e) The IPCs should develop close relationships with national centres, sub-regional and regional development banks, and international organizations, especially the UNIDO. It was stressed that the IPCs should not be rivals to existing organizations and that they should not be considered as substitutes for them. The IPCs should function as part of a co-ordinated system embracing adequate national, sub-regional, regional and global machinery.
- (f) The IPCs should look to African countries, to the UNIDO, to specialized agencies and to other United Nations bodies for their initial nucleus of staff. The provision of counterparts from among the nationals of African countries was regarded as an essential element, given the long-term objective of staffing the IPCs with such national personnel. Therefore, the indications of willingness on the part of some donor countries to assist with staff training and interim staff assistance were welcomed.

- (g) The Executive Secretary should bring to the attention of member States the results of contacts made with donor countries who had indicated their willingness to assist with facilities - staff and funds - in the setting up of the IPCs at the appropriate time.
- (h) An important function of the IPCs, and perhaps their raison d'être, will be to assist in ensuring a favourable climate for investment and co-operation, which is essential to rapid industrialization.
- (i) Requests for United Nations assistance for IPCs should be channelled through the appropriate UNDP Resident Representative.
- (j) The determination of the location of the IPCs should be allowed to emerge from consultation among interested member States.
- (k) The Executive Secretary should, in undertaking further steps towards the setting up and operation of IPCs, solicit the co-operation of appropriate international and regional organizations, especially the UNIDO and the Afro-Asian Organization for Economic Co-operation.

Closing session

43. The meeting expressed its appreciation to the Government and people of Ethiopia for their hospitality and adopted by acclamation the motion that a message of thanks be addressed to His Imperial Majesty, Haile Selassie I.

44. The meeting also expressed its thanks to the Chairman, Mr. A. Ayida, for the successful conduct of the Conference; and commended the Executive Secretary, Mr. R.K.A. Gardiner, and, through him, the secretariat, for the efficient organization and arrangement of the Conference.

ANNEX I

AGENDA

1. Opening addresses
2. Adoption of agenda and organization of the work of the meeting
3. Report on the follow-up action taken by the ECA since the Conference of Industrialists and Financiers held in January 1967. (Document: IND/IF.2/WP/3)
4. Progress made in the establishment of machinery for sub-regional co-operation in 1967. (Document: E/CN.14/UNCTAD II/4)
5. Industrial growth in Africa: current situation and prospects. (Document: IND/IF.2/WP/4)
6. A scheme for the creation of sub-regional industrial promotion centres in Africa. (Document: IND/IF.2/WP/2)
7. Any other business
8. Adoption of report and resolutions

ANNEX II

LIST OF PARTICIPANTS

Chairman of the eighth session of the Economic Commission for Africa
Mr. Allison Ayida

MEMBERS/MEMERES

BURUNDI

S.E. M. Joseph Baragengana
Ambassadeur en Ethiopie

M. Ernest Basita
Premier Secrétaire
Ambassade du Burundi
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CENTRAL AFRICAN REPUBLIC/
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Ministère de l'Economie

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Director, Industry Department
Ministry of Commerce and Industry

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Deputy General Manager
Investment Corporation

Mr. Amare Felleke
Head, Industrial Division
Development Bank

GHANA

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Ministry of Industries

Mr. Maxwell E. Badu
Secretary
Capital Investment Board

IVORY COAST/COTE D'IVOIRE

Mr. Moise Bognini
Administrateur de la Société
"Abidjan Industrie"

KENYA

Mr. Joseph B. Wanjui
Executive Director
Commercial Development Corpora-
tion

LIBYA/LIBYE

H.E. Mr. Tarek El Baruni
Minister for Industry

Mr. Abdulaziz Kamal
Under-secretary
Ministry of Industry

Mr. Munir Hawisa
Deputy Director, Laboratory Section
Ministry of Industry

MALAWI (Observer/Observa-
teur)

Mr. R.H. Banda
Third Secretary
Embassy of Malawi
Addis Ababa

MOROCCO/MAROC

S.E.M.H. Boubeker Boumahdi
Ambassadeur en Ethiopie

NIGERIA

Mr. P.C. Asiodu
Permanent Secretary
Federal Ministry of Industries

Mr. S. Daniyan
General Manager
Nigerian Industrial Development Bank
(Also representing the Association
of Commerce and Industry in Nigeria
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tion of Commerce and Industry du Nigeria)

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SUDAN/SOUDAN	Mr. Hamad El Nil Ahmed Mohamed Third Secretary Embassy of the Sudan Addis Ababa
TUNISIA/TUNISIE	M. Nouredine Fourati Conseiller Secrétariat d'Etat au Plan et à l'Economie Nationale
UGANDA/UGANDA	MR. E.L.K. Mateega Chief Accountant Head of Finance and Accounts Division Uganda Development Corporation Mr. K.M. Patel Senior Executive, Development Division Uganda Development Corporation
UNITED ARAB REPUBLIC/ REPUBLIQUE ARABE UNIE	H.E. Mr. Amin Helmy Kamel Vice President General Organization for Industrialization
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Ambassador to Ethiopia

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Special Adviser
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Embassy of Canada
Addis Ababa

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Ministry of Finance

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Department for Foreign Relations
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Swedevelop AB

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Deputy Manager
Swedish Bankers' Association

Mr. Jan Frykholm
Manager
Swedish Export Association

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ROYAUME-UNI DE GRANDE-
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UNITED STATES OF AMERICA/
ETATS-UNIS D'AMERIQUE

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President
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Mr. G. Weinstein
Executive Director
African-American Chamber of Commerce, Inc.

YUGOSLAVIA/YOUGOSLAVIE

Mr. Ranko Radulovic
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Embassy of the Socialist Federal
Republic of Yugoslavia
Addis Ababa

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Chairman, Board of Directors
Jugoslovenska Banka

SPECIALIZED AGENCIES/AGENCES SPECIALISEES

INTERNATIONAL LABOUR ORGANI-
SATION/ORGANISATION INTERNA-
TIONALE DU TRAVAIL

Mr. K.A. Ghartey
Senior Regional Officer
ILO Regional Office for Africa
Addis Ababa

Mr. A. Major
Regional Adviser, Small-Scale
Industries

FOOD AND AGRICULTURE ORGANI-
ZATION OF THE UNITED NATIONS/
ORGANISATION DES NATIONS UNIES
POUR L'ALIMENTATION ET L'AGRI-
CULTURE

Mr. S.M. Taylor
Chief, Africa Branch
Economic Analysis Division

UNITED NATIONS BODIES/ORGANES DES NATIONS UNIES

UNITED NATIONS DEVELOPMENT
PROGRAMME/PROGRAMME DES NATIONS
UNIES POUR LE DEVELOPPEMENT

Mr. Rafik Asha
Senior Financial Adviser to the
Administrator

Mr. Jean Michel de Lattre
Special Adviser to the Administrator

Mr. R. Gachot
Resident Representative of UNDP
in Ethiopia

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION/
ORGANISATION POUR LE
DEVELOPPEMENT INDUSTRIEL

Dr. Chafic Akhras
Chief, Industrial Policies and
Industrial Financing Section

INTERGOVERNMENTAL ORGANIZATIONS/ORGANISATIONS INTERGOUVERNEMENTALES

COMMISSION OF EUROPEAN COMMUNITIES/COMMISSION DES COMMUNAUTES EUROPEENNE M. André Huybrechts
Chef du service des études de développement

EUROPEAN INVESTMENT BANK/
BANQUE EUROPEENNE D'INVESTISSEMENTS M. H. Leroux
Conseiller économique à la Direction des Etudes

MAGHREB PERMANENT CONSULTATIVE COMMITTEE/COMITE PERMANENT CONSULTATIF DU MAGHREB M. Hachemi Baghriche
Délégué de l'Algérie

BUSINESS AND INDUSTRIAL ADVISORY COMMITTEE TO (OECD)/COMITE CONSULTATIF ECONOMIQUE ET INDUSTRIEL AUPRES DE L'OCDE Mr. Karl Wildi
Mr. Gerrard Janssen

ORGANIZATION OF AFRICAN UNITY/ORGANISATION DE L'UNITE AFRICAINE Mr. S.U. Yolah
Assistant Secretary-General
Mr. Farah Warsama
Chief, Economic Section

NON-GOVERNMENTAL ORGANIZATIONS/ORGANISATIONS NON GOUVERNEMENTALES

AFRO-ASIAN ORGANIZATION FOR ECONOMIC CO-OPERATION/ORGANISATION AFRO-ASIATIQUE DE COOPERATION ECONOMIQUE Dr. Mohamed Ali Rifaat
Secretary-General

INTERNATIONAL ASSOCIATION FOR THE PROMOTION AND PROTECTION OF PRIVATE FOREIGN INVESTMENTS/ASSOCIATION INTERNATIONALE POUR LA PROMOTION ET LA PROTECTION DES INVESTISSEMENTS PRIVES EN TERRITOIRES ETRANGERS Mr. Ahmed Atabani

CHAMBERS OF COMMERCE/CHAMBRES DE COMMERCE

REPUBLIC OF THE CONGO/
REPUBLIQUE DU CONGO M. Germain Tohikaya
Secrétaire Général
Chambre de Commerce
Brazzaville

ETHIOPIA/ETHIOPIE

Mr. Debebe H. Yohannes
Managing Director
Addis Ababa Chamber of Commerce

Mr. Tedla Desta
Managing Director
Tedla Desta and Company Ltd.

Mr. Tafara Deguefe
General Manager
Commercial Bank of Ethiopia

Mr. R.L. Fara
Managing Director
Société des Salines d'Assab

Mr. H.B.B. Oliver
General Manager
Investment Corporation

Mr. M.D. Palaria
General Manager
Bahr Dar Textile Mills

Mr. A.H. Pittalwala
Managing Director
Lion Insurance Co.

Mr. R.L. Chatur
Managing Director
Indo-Ethiopian Textiles S.C.

Mr. Abdullahi Mohammed
Assistant General Manager
Ethiopian Sewing Thread Company

Mr. A.D.H. Patterson
Managing Director
Mitchell Cotts and Company and
Cott's Holding Ethiopia, Ltd.

Mr. Bekele Wolde Semeyat
Deputy Secretary General
Chamber of Commerce

Mr. Tesfaye Yemane
Chief, Marketing and Research-Department
Chamber of Commerce

Mr. Godfried Awuku
Managing Director
G.E.B. Awuku and Company Ltd.

Mr. Dossolo Traore

GHANA

MALI

MALI (cont'd/suite)

Mr. Bonota Touré
Secrétaire général de la Chambre
de Commerce

TOGO

M. Dovi Boniface
Agent Immeublier

ECA SECRETARIAT/SECRETARIAT
DE LA CEA

Mr. R.K.A. Gardiner
Executive Secretary

Mr. P. Rajaobelina
Deputy Executive Secretary

Mr. Y.S. Pandit
Acting Director
Industry and Housing Division

Mr. Sebhat Hable-Selassie
Deputy Director
Industry and Housing Division

Dr. R. Robson
Regional Adviser

Mr. J.E. Lewis
Senior Industrial Economist

Dr. S.D. Mehta
Economic Affairs Officer

Mr. Makonnen Alemayehu
Economic Affairs Officer

ADVISERS/CONSEILLERS

Mr. Robert Freeman

Dr. Jones Ofori-Atta

ANNEX III

LIST OF WORKING PAPERS

1. A Scheme for the Creation of Sub-regional Industrial Promotion Centres in Africa (IND/IF.2/WP/2)
2. Report on the Follow-up Action Taken by the ECA Since the Conference of Industrialists and Financiers Held in January 1967 (IND/IF.2/WP/3)
3. Industrial Growth in Africa: Current Situation and Prospects (IND/IF.2/WP/4)
4. Progress Made in the Establishment of Machinery for Sub-regional Co-operation in 1967 (E/CN.14/UNCTAD II/4)

ANNEX IV

OPENING STATEMENT BY MR. ALLISON AYIDA,
CHAIRMAN OF THE EIGHTH SESSION OF THE ECONOMIC COMMISSION FOR AFRICA

1. We are all familiar with the present low level of industrial development in Africa. The economies of African countries are heavily dependent on agriculture, of which over 30 per cent is subsistence agriculture. In many countries, single primary commodities, for which world demand increases slowly, constitute the bulk of export earnings. The situation is aggravated by the persistent downward trend of world commodity prices in contrast to the rise in the prices of industrial goods. Capital for development which was already scarce, is becoming scarcer.
2. The problem and its possible solutions have recently gained articulate exposition mainly through the UNCTAD. At this very moment the second conference of UNCTAD is coming to a close in New Delhi after two months of deliberations on issues crucial to the developing countries. Let us hope that in spite of the reported frustrations, UNCTAD II will reach those decisions which will open a new chapter in the history of international economic relationships.
3. Important as these decisions will be, we must nevertheless recognize that they form only part of the total effort required to ensure rapid growth. It is the actions of the sovereign African States singly and in unison, that will set the pace and rhythm of their economic development. This is not to understate the value of external capital and technical know-how. It is necessary to stress the point that it is of crucial importance for us in developing countries to increase our absorptive capacities so that we can derive the maximum benefits from external co-operation.
4. We must develop our human and natural resources. Education, conceived on a broad basis, must be expanded and a skilled manpower base created to meet the urgent needs of our economies. Our educational system and priorities have to be reordered to meet the manpower requirements of our new industries. We must speed up the survey and inventory of our natural resources and, equally important, safeguard against the rapid depletion of resources that are already being exploited.
5. Agriculture, which presently employs the vast majority of the populations of our continent, must naturally command our major attention. The population of the African region is estimated to be rising at a rate of approximately 2.6 per cent per annum. This would mean a doubling of our populations in just over 25 years. Unless food output also rapidly goes up, an increasing share of our scarce resources of foreign exchange will have to be diverted from importing goods and services for economic development, to food imports.
6. Africa's heritage of transport and communications facilities from her colonial past hardly answers her present-day needs and objectives. Existing systems must therefore be improved and new ones built up, so as to facilitate

fuller integration of national markets which can provide a basis for modern industrial units. Meaningful actions for development require suitably conceived administrative, organizational, institutional and research framework. These are pervasive elements in economic development, and national effort must be directed to them in full measure. All these are familiar grounds. They bear repetition only to provide the general framework within which we are to consider concrete proposals for the industrial development of African economies.

7. When considering the problem of industrialization, we are at the outset encouraged by the resources endowment of Africa. The continent is an important producer and exporter of a varied range of raw materials: iron ore, bauxite, copper, timber, nickel, zinc, manganese, asbestos, tin ore, crude petroleum, tropical and temperate agricultural products and so on. There already exists therefore a sound basis for industrialization in the form of natural resources. It is conceivable that African countries might, as a result of deliberate policy, develop comparative cost advantage in a number of industries as they already have absolute advantage in the quality and quantity of a wide range of raw materials. Africa could thus increase her foreign exchange earnings through exports of manufactures and semi-manufactures. In any attempt to export manufactures, we have of course to recognize the handicaps and the obstacles such as tariff barriers and the restrictive measures in the markets of the industrialized countries. In the context of regional economic co-operation, Africa should first try to develop intra-African trade in manufactures. That is the first priority in our effort to rationalize and co-ordinate industrial development efforts on the continent. The second order although important, priority is for us to shift away from exporting raw materials to semi-manufactures or semi-processed goods from our abundant natural resources.

8. The practical difficulties and constraints that face African industrialization are indeed many but I would like to draw special attention to two problems: first, the smallness of national markets and, secondly, the shortage of capital funds. My object in singling out these two factors is not so much to stress their determinant roles as to point out the practical steps which we are taking to overcome them. All African Governments should collectively guard against any attempt at the fragmentation of even the small national markets already too small for many modern industrial units.

9. The low level of income, the uneven distribution of population, the imbalance in natural resources endowments and the inadequacies of capital and skills make it imperative for African countries to come together and to pool their resources for economic development. However arduous the task, however painful and demanding the decisions for achieving effective economic integration, there is no alternative to multinational economic co-operation for accelerated development. Of this the Governments and people of Africa are convinced, and on this hinges the main thrust and strength of their efforts. All genuine friends of Africa should help in the process of integration rather than disintegration of African economies.

10. The sub-regional industrial co-ordination studies undertaken by the ECA have demonstrated the economic benefits of co-operation and indicated an overall plan and strategy which will ensure, as far as possible, a balanced industrial growth. For example, in the West African sub-region, it was estimated that the maximum rate of industrial growth possible would be only 5 per cent per annum if national markets alone were considered, rising to 9 per cent if exports outside the sub-region and, in particular, outside Africa were developed. On the basis of sub-regional co-operation this was expected to go up to 14.2 per cent.

11. The advantages of co-operation are not limited to providing markets for the establishment of intermediate and capital goods industries only. In consumer goods also, while national demand alone may economically justify a plant, multinational markets would facilitate specialization and improve efficiency.

12. Machinery for sub-regional and multinational co-operation is gradually being evolved in all the four sub-regions of Africa. Articles of association for the establishment of the Eastern African and West African Economic Communities were signed in 1966 and 1967, respectively, and the requisite machinery, composed of a Council of Ministers and various economic committees for each Community, is expected to be operational in the near future. This will facilitate and speed up negotiations and agreements on multinational projects. In fact, some multinational groupings are already in operation. They include the Maghreb Consultative Committee, the East African Economic Community, the Union known as UDEAC, the West African Customs Union, the Organization of the Countries of the Senegal River Basin and the Lake Chad Basin Commission, and others -- all aimed at co-ordinating the economic development efforts of the member countries.

13. The ECA studies as well as those undertaken by other organizations notably by the EEC for its associated African countries and by African Governments themselves, have brought out sizable industrial possibilities of Africa. A prima facie case has been established regarding their economic viability. In the ultimate analysis, the pace of industrial growth in Africa will be determined by the inflow of capital from both private and public investors and their technical know-how. One of the crucial elements lacking in the industrial revolution of Africa is enterprise, public and private enterprise, foreign and indigenous enterprise -- all have to go hand in hand. The priorities and combination most suitable for each African country cannot be determined a priori. These should be determined by the historical experience and economic circumstances of each country.

14. African countries are also making considerable effort to create appropriate investment climate and win the confidence of investors. This seems to have achieved a measure of success on the whole particularly in the last decade. We must recognize, however, that winning the confidence of foreign investors in Africa is a complex exercise, sometimes an uphill task which must be energetically tackled. For example, many public investors have ideological bias in their investment programmes overseas and this may prevent

them from participating in viable industrial projects in some countries. Similarly, many private investors are unnecessarily scared of ideological or political 'labels' in African countries although they are prepared to live with and thrive under regimes with similar labels in non-African countries. An American investor will invest in Socialist Ruritania in Europe but not in Socialist Ruritania in Africa. Political changes and conflicts in Africa are exaggerated as threats to foreign investment. My appeal is that we should all leave this Conference with the conviction that the African Region is not necessarily the most unstable part of the world today. Compared with the conflicts, struggles and upheavals and the historical experiences of other parts of the world at one time or the other, the African Region is basically one of the most promising areas for foreign investment both public and private. In any case, it is a mistake to think that what is happening in one corner of the continent necessarily affects the entire vast continent in one African bushfire.

15. Two essential facts must be recognized in appraising relatively faster rate of industrial growth in Africa in the last decade: first, that industrial development in Africa is starting from a low level and, secondly, that it is unbalanced, the progress being largely confined to light industry supplying consumer goods and the exploitation of minerals. Over the last three years, however, the trend towards investment in intermediate and capital goods industries as well is increasingly in evidence. A number of industrial works producing iron and steel, chemicals and fertilizers, non-ferrous metals, agricultural implements, electrical machinery and engineering goods, etc., have either been established or are under construction. These have been made possible largely through the active participation, with or without equity, of foreign investors both public and private.

16. If industrialization is to acquire a greater momentum on this continent, as it must, and if the vast opportunities available are to be fully and properly utilized, systematic and concentrated effort is called for. Foreign capital and technical know-how have an important role to play in the fulfilment of this effort. The sizable investment opportunities which exist in Africa are now generally recognized, but the Conference of Industrialists and Financiers held last year, as some of you who attended it would recollect, drew pointed attention to the fact that adequate information on the subject was not available to the investors. The conference therefore stressed the need for the creation of effective industrial information and promotion machinery and many African countries are taking measures to strengthen their national industrial promotion agencies, or to establish new ones. These, however, would be concerned mainly with the promotion of industries catering for the domestic markets. Multinational and sub-regional industries which alone would make a powerful impact on African industrialization are still largely uncared for.

17. It is the object of the present conference to consider steps for removing this constraint. The secretariat has placed before you a document on this subject as a basis for discussion and exchange of views. It is possible

to have differences of opinion on the nature and scope of the functions to be assigned to these centres and on other operational matters, but there cannot be any differences over the importance and urgency of setting up these centres. They will prepare and present well-documented pre-feasibility studies to potential investors and help in the execution of feasibility reports. Simultaneously, they will expedite multinational negotiations and agreements and provide appropriate facilities both at the national and multinational levels for the purpose. In fact, the sub-regional industrial promotion centres can be seen as the operational arms of the sub-regional economic communities which are evolving. Your contribution to the deliberations of the conference would therefore be of invaluable assistance to those who will be called upon to take the decisions on these Centres.

18. I do not wish to anticipate the Conference discussions. I would like all participants to be frank and forthcoming in their contributions, particularly those who are representing interests and organizations which are in a position to invest in Africa if given the right type of information on the potentialities and opportunities available in Africa. Some of you have practical experiences on the difficulties of getting adequate information on investment opportunities and it is for you to tell us how you would like to see the vacuum filled. There is the fundamental question of whether the proposed Investment Promotion Centres are the best agencies for industrial planning and implementation in the sub-regions of Africa. We must remember, however, that the Industrial Investment Promotion Centres are to supplement, and not to supplant, national efforts in their fields of operations.

19. The Report on the first Conference of Industrialists and Financiers shows convincingly that this gathering can provide a unique opportunity for a fruitful dialogue between industrialists and financiers from the industrialized countries and their African counterparts and representatives of African Governments and other Governments sympathetic to the rapid industrialization of African economies. Our dialogue can only be as fruitful as last year's if we proceed to consider in detail in the next two days, the proposals before us and some of the practical ideas which some of you will bring forward for our consideration.

20. I would like to conclude by summarizing the guidelines which could influence our discussions. The Lagos session of the ECA has provided a clear mandate on the establishment of sub-regional industrial promotion centres in Resolution 153 (VIII) reproduced at p. 2 of document IND/IF.2/WP/2 as follows:

"To initiate immediate consultations with African Governments and donor countries for the setting up of sub-regional industrial information and promotion centres to advise member States on the execution of the necessary feasibility and investment studies, negotiations on multinational projects, and on techniques for combining most effectively the various sources of capital and types of management needed for the development and execution of an investment programme".

This Resolution marks the point of departure for this Conference. We should at this Conference consider and improve on the details which the Executive Secretary has ably worked out in pursuance of this Resolution as in that document.

21. The Lagos session of ECA also mapped out the broad lines of action on Economic Co-operation in Africa. There have been other significant developments in the forming of sub-regional economic groupings in Africa. We should explore at some length how the formation of these regional economic groupings will affect the investment climate and the possibilities of industrialization in Africa. We can solve the basic problem of the smallness of national markets in Africa through these regional economic groupings.

22. As for the perennial problem of the shortage of capital funds, this Conference is singularly placed to expose some of the myths commonly associated with African investment climate notably rapid political changes as if this were something new in human experience. In my view Africa has concentrated too much on competitive legislative incentives for attracting foreign private investors. We have not fully explored what to do with the foreign investor when we have got him. This is one of the main reasons why we are here for this Conference. African countries should organize themselves to receive all types of foreign investment for their industrialization programmes, not just the classical private investor guided by the profit motive. This Conference can help by reviewing the problems involved from the viewpoint of both the African Governments and the investors both public and private. I think we are all convinced now that whatever we do, in the field of industrialization as in other fields of development, African countries will only succeed if they depend first and foremost on their own national efforts supplemented by the fruits of sub-regional economic groupings and continental and international co-operation.

ANNEX V

OPENING STATEMENT BY HIS EXCELLENCY ATO ABEBE RETTA,
MINISTER OF COMMERCE AND INDUSTRY OF THE
IMPERIAL ETHIOPIAN GOVERNMENT

On behalf of His Imperial Majesty's Government and the people of Ethiopia as well as on my own behalf I want to express a warm welcome to Ethiopia, to you distinguished participants of the Conference on Industry and Finance.

It was an honour and privilege for me to be called upon to open the Conference of Industrialists and Financiers which was held at this city in this Hall in January 1967. It is with the same sense of privilege that I have accepted again the invitation of the very distinguished Executive Secretary of the Economic Commission for Africa to open this important Conference, today.

I am aware that the purpose of this Conference is to find ways and means of accelerating industrial development in the African countries. I am also aware that the participants in this noble task are the Governments of African countries, financiers and industrialists from the economically advanced countries, as well as representatives of business circles. I believe that this distinguished, practical and experienced group of men imbued with mutual purpose and confidence, will be able to bring about an accelerated industrial development to the continent of Africa.

Distinguished delegates,

It will not be right and proper for me to pass without congratulating most warmly, Mr. Gardiner, the Executive Secretary of the United Nations Economic Commission for Africa, for his sustained and tireless efforts towards the economic progress of Africa; the convening of this meeting is an example.

Here in Ethiopia, as I believe in other African countries, we are very interested in collaborating with industrialists and financiers who would be willing to enter into long-term economic partnership and with those investors who would be willing to work towards mutual economic gains and benefits. It is not enough to invest only in a project where quick profits are obtained in order to quit the country after having gained enough out of an enterprise. It is very important for developing countries and I believe also for the investors that co-operation be based on long-term basis. For instance, if a reasonable proportion of profits realized by foreign capital invested in a developing country is re-invested in the country where the investment has originally been made greater progress could be expected. This approach would encourage the creation of more economic activities and would ease the foreign exchange requirements of that country. I also believe that it would be to the advantage of the foreign investors in the long run since it creates effective demand and larger market as well as mutual trust and benefits.

Another important aspect for development and co-operation is that financiers and industrialists from developed countries may seriously consider to direct their efforts and resources to the establishment of export-oriented processing and manufacturing enterprises. It has been said again and again that the foreign exchange earnings of developing countries are inadequate compared to their needs for capital and consumer goods. This is because the value of primary goods which are the main export items of developing countries have been declining while the values of manufactured goods in general have been climbing up, so much so that even if the quantity of exports of primary goods increase, the foreign exchange earnings will not be adequate because of the declining and negative price trends of the primary commodities.

Then utmost attention must be given to the establishment of export-oriented industrial enterprises. Investors from advanced countries in co-operation with local enterprises, will be in a better position to establish and operate export-oriented industrial units and also in marketing the products in their own countries or in the world market. We believe that such an approach would be advantageous, in the long run, to both the developing and advanced countries. This would increase the flow of trade between the industrialized and the less developed countries. This also ensures the permanence of benefit to both parties.

I want to reiterate that Ethiopia, as other African countries, welcomes industry and finance from the advanced countries. It is stated that technical know-how, entrepreneurial skill, and financial resources in many of the developing countries are scarce. Technical know-how and entrepreneurial skill are essential factors of production which cannot be developed independently within a short period of time in the less developed countries.

It is sometimes suggested that time is needed as it took many of the industrialized countries generations or even centuries to reach a state of development. This theory would hold true if other things remained equal. But present advance in communication and exchange of knowledge has enabled man to know of other's technological advances in no time. That he desires to benefit immediately from such technological advances is only natural. So industrialization must start now.

We cannot afford to postpone industrialization until indigenous technical know-how and entrepreneurial skill become developed. Technical know-how and entrepreneurial skill that can be transferred during the process of work are more sure of taking root quickly in a new fertile ground. In this, as in the proverb, "example is better than precept".

Ethiopia has examples of some agro-industrial enterprises where foreign capital and technical know-how have played important roles in the development of natural and human resources. These are very modest starts. If there is the spirit of co-operation and the spirit of adventure to plan and work in new grounds there will be greater achievements for all concerned. The standard of living of our peoples will be improved and foreign private investors

will be rewarded with economic benefits from their activities. The Investment Law which gives especial privileges to investors is another example of Ethiopia's earnest desire to work in partnership with foreign capital.

Government organizations engaged in industrial planning and programming, industrialists and financiers from developed countries as well as participants from African and other developing countries are here engaged to give adequate attention to the formulation and implementation of industrial projects so that the limited technical, entrepreneurial and financial resources available will be channelled to viable industrial projects; and to those projects which would have an impact in stimulating the creation of other economic activities. The thoughts of so many people are with you so that your efforts may be crowned with success.

Mr. Chairman, distinguished delegates,

In conclusion I want to express the sincere hope that your stay in Addis Ababa will be pleasant and fruitful, and that your deliberations will be of great assistance to the accelerated industrial progress of Africa that will also bring meaningful economic gains to each and every one of you as investors and financiers.

Thank you for your attention.

ANNEX VI

OPENING STATEMENT BY MR. R.K.A. GARDINER,
EXECUTIVE SECRETARY OF THE ECONOMIC COMMISSION FOR AFRICA

1. We have gathered together in accordance with the resolutions adopted by the Economic Commission for Africa, at its eighth session, held at Lagos, in February 1967.
2. Many of you will recollect that the previous meeting - the Conference of Industrialists and Financiers - held here just over a year ago in January 1967, fully supported the view that the sub-regional approach offered the best hope of rapid economic development for African countries and recommended, among others, the creation of sub-regional industrial information and promotion centres for the development of sub-regional industries. This recommendation was endorsed by the eighth session of the Commission and the Executive Secretary was asked to initiate consultations with African Governments and representatives of industrialized countries for the setting up of these centres. The present conference has been convened in response to this directive from the Commission.
3. To assist our deliberations, the secretariat has prepared and circulated a small number of background documents. Before referring to them I think it would be useful if I gave the background to these background documents. From its earliest days, the secretariat, conscious of the very limited markets offered by almost all the African countries individually, adopted a sub-regional approach to industrialization. Calculations made for the West African sub-region indicated, for example, that with co-operation, industry could develop much more rapidly than it could without it. The first steps to enlist such co-operation were taken at the Conference on Industrial Co-ordination in West Africa, held at Bamako, in October 1964, when proposals to establish a limited number of industries, notably iron and steel, on a sub-regional basis, were discussed. This meeting revealed two things: first, that the African Governments were not in a position to negotiate on the location and establishment of individual industries in isolation but wished to see a comprehensive plan for the total industrial development of the sub-region; secondly, that it was necessary to provide a proper machinery to facilitate such negotiations. The Industry and Housing Division of the secretariat accordingly embarked on a programme of investigations, now on the verge of completion, with the object of preparing for each of the four sub-regions a plan of co-ordinated industrial development and of identifying, in particular, the sub-regionally based industries, indicating investment, employment, location, etc. The results of these investigations, including preliminary data for North and Central Africa, were presented to the Conference of Industrialists and Financiers in the document Apparent Opportunities for Sub-regional Industrial Development (IND/IF/WP/5). At the same time, the secretariat began to promote the establishment of inter-governmental consultative machinery, briefly referred to as Council of Ministers, for the purpose of negotiating the location of industries and the removal of impediments such as trade barriers to the development of sub-regional industries.

4. Coming now to the documents before you, the first viz., Follow-up Action Taken by ECA Since the Conference of Industrialists and Financiers in 1967 (IND/IF.2/WP/3), is, as the title clearly indicates, simply a record of action taken by the secretariat since the first Conference.

This falls under two main categories: (a) a quick survey of the nature and range of promotional activities, undertaken on a national basis, if any, and the agencies responsible for them; and (b) efforts to enlist the co-operation of Governments and business organizations in developed countries, for nominating 'correspondents' who would be the liaison between the ECA and the country concerned, in all matters relating to the development of industries in Africa. The document gives a list of the 'correspondents' in industrialized countries nominated so far for purposes of consultation and advice. The countries which have responded favourably to ECA's approaches in this respect are, Belgium, the Federal Republic of Germany, the Netherlands, Norway, Poland, the United Kingdom, the Union of Soviet Socialist Republics and the United States of America.

5. The paper Economic Co-operation in Africa (E/CN.14/UNCTAD II/4), which was submitted to the recent UNCTAD session in New Delhi and which has also been circulated to this Conference as a background document, brings out the steady progress being made in the direction of multinational and sub-regional co-operation so vital for the rapid economic development of the African countries and their industrialization. The signs are clear that the increasing awareness of the need for co-operation is supported by active efforts on the part of the African Governments to adopt concrete measures for its realization.

6. The third background document, Industrial Growth in Africa: Current Situation and Prospects (IND/IF.2/WP/4), gives a succinct account of the overall trend of industrial progress in Africa since 1950 and furnishes a comprehensive but illustrative list of about 200 major projects, established or in course of construction, during 1965-1967. Though, in relation to the aspirations of the African people and from the point of view of catching up with the industrialized countries, the pace of development is far from encouraging, compared with the rate of growth in the rest of the world it may not be considered unsatisfactory. Between 1964 and 1967 industrial production is estimated to have gone up by about 30 to 32 per cent. Largely, this reflects import substitution. But, a close look at the list of projects under construction or established during 1965-1967, in different countries, shows that the range of growth is spreading to intermediate goods, capital goods and export-oriented products as well. This is a heartening picture indicative in some measure of both the investment climate and investment opportunities in Africa and should serve to dispel apprehensions and doubts, if any, on the part of the investors.

7. Although the secretariat will be glad to answer any questions arising out of the three background documents to which I referred, the main theme of discussion on which I would like the Conference to concentrate its attention is sub-regional industrial promotion centres. The document entitled A Scheme for Sub-regional Industrial Promotion Centres in Africa (IND/IF.2/WP/2),

which has been circulated, sets out, in broad terms, the principal aspects involved in the establishment of these centres: their role in the African context, services to investors, relationship to the proposed sub-regional machinery, responsibility to the proposed Council of Ministers, location, requirements of staff, relations with other organizations and need of overseas offices. The document is meant primarily to facilitate discussion and a free and frank exchange of views.

8. While addressing the Conference of Industrialists and Financiers, the predecessor of this one, in January 1967, the Honourable T. J. Mboya who presided over it, said that "the debate as to whether Africa should industrialize at all is over" I should like to think that the debate whether sub-regional industrial promotion centres are necessary for securing rapid industrialization in Africa is also over. I would therefore urge that the participants discuss as fully and freely as possible, but in a constructive spirit, all the matters raised in the scheme for sub-regional centres submitted to this Conference. It is my hope that at the end of the discussions we will be able to produce a document embodying the considered views of African Governments and experienced financiers and industrialists on this important matter. The green light necessary for action would then be on.

9. Everybody tells us that the key to industrialization is in the finding of good projects. Some experts go further to suggest that good projects sell themselves. The purpose of this meeting is to determine how to find good projects and to have them accepted by financing agencies.

10. If African states have not found or have not been able to present economically viable projects, it is not for lack of trying — they are making efforts through their national development banks, national development corporations, international technical assistance, the UNDP, UN Specialized Agencies (UNIDO in particular), the African Development Bank, sub-regional Development Banks and sub-regional Economic Communities. The World Bank Group and bilateral donors are also engaged in preparing pre-feasibility studies. This multiplicity of effort can be wasteful and confusing.

11. There must be some system which will ensure orderly progress from project identification through the search for financing to complete execution. The elements out of which such a system may be built are represented at this meeting: National delegates who may be said to reflect the views of Development Banks and Corporations, UNDP, the Specialized Agencies and UNIDO, the African Development Bank, the World Bank Group, and AFRASEC. I am sure that this group will be able to devise a structure for effective industrial promotion in Africa as part of the UN — and specifically the UNIDO — effort. For UNCTAD we have an OAU/ECA Working Party which services African countries. For UNIDO, I hope we shall evolve an AFRASEC/ECA Working Party which will work very closely with African Chambers of Commerce and Industry.

12. I welcome you all to this fascinating and fruitful exercise.

ANNEX VII

STATEMENTS BY OTHER PARTICIPANTS

Statement No. 1

DR. CHAFIC AKHRAS,

REPRESENTATIVE OF UNIDO

Mr. Chairman, Mr. Executive Secretary, distinguished participants,

It is superfluous to recall the important part played by foreign contributions to the industrialization of the developing countries. May I, nevertheless, be allowed to outline that part in the following terms, in order to define more exactly the place and role of the promotion centres in the machinery necessary for industrial development:

If it is considered that a reasonable rate of economic growth in the developing countries should be not less than 6 to 7 per cent annually, in order for that growth to result in an increase of approximately 3 to 4 per cent in per capita income; and if, moreover, it is accepted that the capital/output ratio is, on an average, about 3:1 in the developing countries, then the rate of investment required to achieve the rate of growth we have mentioned, would be 18 to 21 per cent of national income.

In the majority of developing countries, however, the rate of savings scarcely exceeds an average of between 10 and 13 per cent of national income. Hence, there is a difference of some 8 to 10 per cent between the effective rate of savings and the requisite rate of investment; and this difference represents exactly the deficit found in financing development of the economies of countries in the Third World, at a reasonable rate of 6 to 7 per cent per year.

This simplified outline of the problem of development financing for the economies of the developing countries demonstrates and gauges the large dimensions of the foreign contributions necessary to complement national savings. In this sphere, other aspects of the problem must also be considered, especially in connexion with the effects that the provision of foreign financing may have upon the balance of payments during the initial stages of development.

Being aware of the importance of this problem, UNIDO has given it a special place in its programme of work aimed at promoting industrial development in the developing countries.

In the choice of methods designed to promote industrial development, UNIDO has allotted an important place to institutional action. Did not a Chinese sage once say: "If you give a man a fish, you help him to eat; but if you teach him to fish, you help him to live"? UNIDO indeed considers that it is of prime importance to provide the developing countries with the institutions necessary for their industrialization, and among these the promotion

centres assume an important position. For that reason UNIDO has organized an advisory service responsible for assisting developing countries in the establishment of such centres and/or in strengthening those that already exist. An aide-memoire relating to this service has been handed to the secretariat for distribution.

Several projects for the establishment of national promotion centres are at present in process of fulfilment in various developing countries with the assistance of UNIDO; and others are planned in its programme of work for 1968 and 1969.

Furthermore, UNIDO has established a special department at its central headquarters at Vienna, with an office in New York, whose responsibility it is to promote industrial investment in the developing countries in various ways, and in particular:

- By informing foreign investors as to the opportunities for industrial investment in the developing countries;
- By advising the developing countries on the appropriate sources of foreign financing for specific industrial projects.

UNIDO will remain faithful to this policy and especially to its institutional activities; and it will exert every effort to ensure the success of the regional promotion centres for industrial investment. Together with the other United Nations agencies concerned, UNIDO will contribute to the necessary co-ordination of activities by the said agencies in this realm.

Mr. Chairman, in conclusion I should like to express our appreciation of the work performed and the efforts exerted by ECA, which have made it possible for us to meet today; and allow me to convey to the Conference the wishes for its success of the Executive Director of UNIDO.

Thank you, Mr. Chairman.

Statement No. 2

MR. RAFIK ASHA,

SENIOR FINANCIAL ADVISER TO THE ADMINISTRATOR OF THE
UNITED NATIONS DEVELOPMENT PROGRAMME

Mr. Chairman, distinguished delegates, Mr. Executive Secretary,

Ladies and Gentlemen,

As this is my first intervention, allow me to convey the greetings and best wishes of the Administrator of the United Nations Development Programme, Mr. Paul G. Hoffman, who has requested that Mr. René Gachot, Resident Representative of the UNDP in Ethiopia, and Dr. Jean Michel de Lattre, Consultant to the Administrator, and myself should represent him at this very important meeting of ECA. Mr. Hoffman has also requested us to convey to all participants his appreciation for their attending this Conference and for bringing with them experience and competence which they have gained in their countries and abroad over a great number of years.

The aims and objectives of this Conference are far-reaching and it is the earnest hope of the UNDP that the deliberations and discussions will contribute to speeding the solution of many important problems of industrialization on the great Continent of Africa, and help ensure an orderly and sound development of its vast economic resources.

This Conference will again provide an opportunity to draw the attention of African Governments to the various types of assistance available to them, not only from multilateral sources, including UNDP, but also from the major bilateral programmes. The series of sub-regional conferences which have been organized by ECA over the past three years have brought into sharp relief the impossibility of satisfying all of the most urgent needs and requirements from purely public sources of assistance. UNDP therefore, welcomes the fact that ECA and its member Governments are apparently well aware of this problem and of the fact that some of the needs in question can best be satisfied by having recourse to non-governmental sources of finance and experience in the developed countries.

One of the most essential prerequisites for the successful operation of Industrial Promotion Centres is the availability of sound investment projects and adequate feasibility studies in all the sub-regions of Africa. So far, we are not sure if that is the case. In our opinion, no progress can be achieved without a sizable portfolio of such projects and studies, complete in every sense of the word. This certainly will avoid disillusionment among potential investors.

Mr. Chairman, UNDP appreciates the approach of sub-regional co-operation to fostering an integrated African economy. We believe that the sub-regional industrial information and promotion centres may play a useful role in this context.

We support the cautious line taken in paper IND/IF.2/WP/2 to establish only one centre for each sub-region for the time being. On the basis of the experience gained, further centres might be created if the need arises.

The paper states in paragraph ten that the tasks attributed to the centres are of a "rather comprehensive nature". We feel that the catalogue of activities which the centre is supposed to undertake is extremely vast and perhaps further exploration on limiting and concentrating the scope of the centre's activities to certain major fields may prove necessary.

With respect to the relations between the Council of Ministers and the Industrial Promotion Centres as described in paragraph twelve of the paper, those relations are not altogether clear. We express the hope that this question will be further discussed and clarified.

We appreciate the modesty of the staff requirements provided for the Centre in the present draft. We feel, however, that experience will prove the adequacy or inadequacy of the staff envisaged. Perhaps the proposed level is sufficient for the very early stages of the Centre. It is clear that the question of staffing will have to be reconsidered in the light of experience.

But while we are in favour of the creation of the IPCs to serve the various sub-regions of Africa, we consider it to be urgent that assistance from organizations in the United Nations family be provided in a coherent and integrated manner. Also, in this age of proliferation of agencies and programmes, harmonization of activities of non-United Nations bodies must also take place. Otherwise, waste and confusion will occur because different organizations are engaged in the same work, perhaps even helping to set up rival institutions for nearly identical purposes. Could not these activities - those emanating on this continent and overseas, mainly in Europe and North America - be suitably co-ordinated? In our view all parties should avoid any duplication of activities, and of course, conflict of interest.

As to the creation of overseas offices for Industrial Promotion, we feel that although they are an essential part of the whole programme, they should, as a general rule, be left alone for the time being. It would be better to set up the home offices first. Only if these function satisfactorily will they be able to give their offices abroad the necessary support, information, material and the instructions needed to be effective, provided that no international organization has created similar centres.

With respect to the financing of the costs of the IPCs, we are glad to note that ECA will be in a position, in the formative years, to secure assistance from friendly Governments towards the annual recurring costs of establishing and operating IPCs, and that the major part of their expenditure will be met by member Governments concerned, until such time as the Centres become well established and are in a position to levy a charge on industry for services rendered by them.

Mr. Chairman, I do not need to remind this august body that in the harmonizing of national interests and endeavours, international organizations of the United Nations family - which are impartial and disinterested by their very nature - can play an especially valuable role.

Finally, may I convey to you the most sincere good wishes of the UNDP's Administrator for the success of your efforts, on which so many hopes for speeding the industrial progress of the Continent have so rightly been placed.

Statement No. 3

DR. MOHAMED ALI RIFAAT, REPRESENTATIVE OF THE
AFRO-ASIAN ORGANIZATION FOR ECONOMIC CO-OPERATION

1. The Afro-Asian Organization for Economic Co-operation - AFRASEC - welcomes the initiative of the United Nations Economic Commission for Africa in organizing a special Conference on Industry and Finance. This initiative is at once commendable and timely. It reflects an imaginative approach seeking practical solution to a complex problem that had plagued the relationship of developing and developed countries and undermined many serious efforts to achieve purposeful international technical co-operation.
2. It is noted that the focal point of discussion at the Conference is the setting up of sub-regional industrial promotion centres. Clearly, the establishment of these centres and their proper functioning must be conditioned by the relevant factors of environment in each sub-region. No wonder, therefore, that the scheme proposed for this purpose, "will deal with their nature and functions, relationship with national promotion machinery, relationship with sub-regional industry committees when established, staffing pattern, resources for financing, location, contacts with developed countries and the institutional machinery required for identifying investors in foreign countries".
3. The AFRASEC and its members are keenly interested in this exercise, inasmuch as it constitutes a very close parallel to what they have been pursuing in the past few years. Its policy and programme, which successfully stood the test of practical application and yielded positive results, may furnish useful hints for similar action. It should be noted, however, that although AFRASEC experience involves many issues and problems falling outside the concern of the present Conference, it may, nevertheless, indicate the relevance of important institutional aspects that must be taken into consideration.
4. AFRASEC is thus encouraged to offer its experience, for what it is worth, the more so since it enjoys the consultative status of ECOSOC, has always co-operated purposefully with ECA and considers the objectives which the ECA is now seeking to realize are identical with its own. Additionally, AFRASEC, whose membership is confined to national federations of chambers of commerce and industry and similar institutions in African and Asian countries, welcomes the decision to invite representatives of African chambers of commerce and industry to participate in the Conference, and attaches very great practical importance to such participation.
5. It should be mentioned at the outset that AFRASEC is a voluntary, non-political and non-profit-making association. It is an autonomous body seeking, through collective action of its members, to promote economic co-operation both within the two great continents and with the world outside.

6. In pursuit of its objectives, it has evolved a comprehensive policy and an overall integrated programme with many and varied components to suit the requirements of specific programme areas. But in all cases, three cardinal principles have been observed, namely:

- (1) the primary responsibility of developing countries is reliance on their own efforts or the observance of self-help;
- (2) mutual assistance at the sub-regional or regional level, as appropriate, can greatly reinforce national efforts; and
- (3) external aid is no substitute for self-help, or for sub-regional and regional mutual assistance, but largely a supporting factor.

7. Using national chambers of commerce and industry as focal points of mobilization and as media of operation, AFRASEC has developed two major programme areas both of which appear to have close affinity to the scope and contents of the present Conference agenda and particularly to the establishment of sub-regional industrial promotion centres. These programme areas concern (a) promotion of sectoral collaboration, and (b) development of appropriate national institutions to assist in the improvement of the organization and administration of intra-regional and international technical co-operation. A brief account of these programmes and the machinery employed for their fulfilment will suffice to show their practical significance to any scheme which the Conference on Industry and Finance may wish to recommend for the establishment of sub-regional industrial and information promotion centres in Africa.

ANNEX VIII
STATEMENTS OFFERING ASSISTANCE TO THE PROPOSED
INDUSTRIAL PROMOTION CENTRES

A. Mr. Ingvar Anderberg (Sweden)

Mr. Chairman,

In accordance with the decision taken before lunch, I shall devote my attention to the practical administration and conduct of the promotion centres. But before I do, I would like to state, in view of the discussions in the morning, that our delegation considers the decision to create the promotion centres as definite and that the appropriate starting point for remarks is that we limit ourselves here to discussion of how to attract and not how to close out outside investment resources. This means not only money, but also, perhaps most important, know-how and management.

I want, then, to repeat what our delegation said in January of last year. We found it advisable that the centres in the beginning be kept rather small and that some years' experience would be needed before deciding on what to do in the future.

A rather limited set-up of people is now proposed, but it seems that the tasks set before them are very, perhaps too, ambitious. In line with the remarks earlier presented by our delegation, we would like to suggest, therefore, a concentration of the personal resources available.

The promotion centres should function primarily as collectors of basic data about markets, manpower and production resources, in brief, the bases upon which you can build a complete project study. As soon as a regional project is judged plausible, indicative information could be channelled to prospective investors with the necessary analytical techniques and capital. At the same time, the centre could work "inwards" and initiate the preparatory discussions and negotiations necessary among the African countries affected by the idea. This could be the second big task for the centres. By the time the practical studies in co-operation with the interested outsider start, preparations would have begun to define some of the prerequisites for the project: market combinations, tariff cuts, division of ownership, etc.

When it comes to attracting the attention of prospective investors in Europe, North America and - of course, in certain respects - also Asia, we want to suggest an alternative to the proposed representative offices. You may know that today perhaps too many delegations and representatives from certain regions, even in Europe, tour the most developed countries telling about investment prospects and incentives. It does not seem advisable to compete with them and with their method. We believe that a new and more efficient way would be to have the information from the centres distributed through some unit in ECA to the reference groups that are being named in many

of the European countries. Reference is made to these in the paper about follow-up actions. These committees could select the normally rather restricted number of industries having the know-how and capital for the regional projects that are being identified and could actively sell the idea that they should turn to the centres for further information and contact.

This procedure would, in our view, also facilitate financial support from outside for these centres. We in the Swedish delegation would propose that financial support from the industrialized countries for the establishment of the machinery for industrial promotion in Africa should be given to ECA. It would then be up to ECA and the African countries to decide how best to utilize this support. We believe that the Swedish Government might be prepared to consider positively financial support given in this way, if from the African point of view it would be desirable. Also, we will certainly organize a suitable centre in Sweden for this purpose.

B. Mr. F. Taylor Ostrander (United States of America)

Mr. Chairman,

It had been my intention to congratulate Mr. Leech for the tact and skill with which I thought he had dealt with a potential red herring that seemed about to be drawn across the path of our deliberations this morning - if I may use an old Anglo-Saxon idiom that does not refer to a domestic animal!

But seriously, I feel I must note that the shortage of capital is one of the most all-prevailing problems faced by all nations and all regions in our world today. In such a world of capital shortage it is truer than ever before that it is not possible for nations needing overseas capital simultaneously to attract foreign capital and to offend it.

At the opening of UNCTAD II in New Delhi last month, The Honourable Eugene V. Rostow, United States Under-Secretary of State for Political Affairs proposed, among other things, a specific UNCTAD effort to deal with the problem of protection that was raised this morning - protection for both sides of the investment equation. He said,

"We believe that one of the important achievements of this Conference could be to launch an inquiry into the legal and policy framework within which private investment and private entrepreneurship are drawn into the development process. Such a study might lead to widespread agreement on a fair code defining the rights and the obligations of foreign business enterprise in the developing countries - a balanced and agreed code, which could simplify and speed up the process of investment".

Finally, on this same subject, I would like to recall the statement I made at the January 1967 Conference of Industrialists and Financiers, when I spoke as Observer for the International Chamber of Commerce, a function which I am informally performing again this year, (this is statement No. 13 in Annex IX of the Executive Secretary's Report - E/CN.14/392 - on last year's conference). When Mr. A. K. Watson, now Chairman of the ICC, and of course, Chairman of the IBM World Trade Corporation, reported at the ICC Congress in New Delhi in 1965 on "Problems of Industrialization" he stressed that "foreign investors have certain obligations which should be exercised more effectively. These include being good corporate citizens in the country in which they are operating.... On the other hand there are responsibilities of developing countries".

Mr. Chairman, now let me discuss working paper No. 2. I shall not make any detailed comment on the proposed scheme for sub-regional industrial promotion centres or on the various opposing or critical views which have been voiced here today. It seems to us that this is your problem, something to be worked out between the various African states and the ECA.

It is appropriate for me to say, however, that promotion centres, whether national or sub-regional, can be of considerable assistance to outside investors. If they are established, we will applaud a move that may be most helpful.

Most of the functions of these investment promotion centres set forth in paragraph 8 of working paper No. 2 are entirely appropriate and could be most useful. Speaking for the outside investor, I would, however, say one word of caution: namely, that under no circumstances should investment promotion centres, whether national or sub-regional, come to be thought of as exclusive channels of communications between outside investors and African Governments. If that should happen they might well become "investment dis-incentive centres".

Paragraph 22 of the document before us refers to the assistance that friendly Governments might offer towards meeting the annual recurring costs of operating sub-regional centres should they be established. Although I cannot speak for my Government, I doubt that this would appeal. I am able to state, however, that the Administration for International Development would certainly be willing to consider making available specialized personnel as consultants to the investment promotion centres on specific projects. In some cases, AID might make available technical experts, as for example, executives of the International Executive Service Corps, on longer term assignments to any investment promotion centre.

Mr. Chairman, paragraph 13 and 14 of the document under discussion refer to the need for overseas offices, initially in the United States of America and Europe, to assist ECA's industrial promotion efforts. The African-American Chamber of Commerce in New York, of which I have the honour to be President, has been named 'correspondent' for ECA in the USA. Mr. Weinstein, our full-time Executive Director of the Chamber, who is also participating here today, is responsible for our work as ECA's correspondent. We hope to be able to make known to American industry interested in Africa ECA's work in the field of multinational industrial projects. We would be delighted if the African-American Chamber of Commerce can be of any further assistance to ECA in respect to the establishment of an ECA office in the USA.

At this point, I should also like to mention the wide range of work which the United States Government's Agency for International Development is doing in providing American investors with information on the investment climate in African states, as well as AID's work in identifying investment opportunities in Africa and in trying to facilitate and stimulating the matchmaking process between the American investor and the viable project in Africa. This work is a product of the United States Government's commitment to the private sector where most of the productive resources of the United States are to be found, and its commitment to finding imaginative new practical means of attracting larger flows of private resources from the industrialized countries to the task of development.

One of the new government-sponsored ideas in this field is an interesting attempt to catalyse financial institutions and business advisory consultants to do a better job in identifying opportunities and matchmaking. For

example, AID is encouraging Edge Act subsidiaries and investment houses to place their men or sub-contractors in Africa in order to pinpoint investment opportunities which are then shown to the clients of these financial institutions. If the clients are interested, they in turn undertake an investment survey of the opportunity and this may specifically lead to investment. AID finances the expense of the men from these financial institutions who work in Africa but does not finance their promotional effort or any profit-making activity.

Another type of activity that AID is supporting is more specific - though so far it is limited to Latin America. I refer to the Inter-American Investment Development Centre in New York, a most promising new project in this field of matchmaking. Because of its unique interest and pertinence to our discussion I will take the liberty of quoting at some length from the brochure of the Centre. Unfortunately, I have only one copy, but I will leave it with the Executive Secretary.

"The Inter-American Investment Development Centre is a private business organization, specifically created to bring United States private investors face-to-face with selected and potentially profitable Latin American business opportunities. In practice, the Centre functions as a United States based investment 'clearing house' for plausible opportunities presented by Latin American institutions and entrepreneurs.

The Centre is an autonomous, non-profit division of the Council for International Progress in Management (USA), Inc. It is operating with initial support from the Agency for International Development (AID)"

Now let me describe in some detail how the Centre operates:

"An entrepreneur in Latin American country seeking US participation submits his project to an affiliate of the Centre in that country, accompanied by a processing fee.

The local affiliate prepares a "Project Plausibility Summary" which must include such relevant basic data as market potential, competition, availability of local capital and facilities, raw materials, skilled manpower and general evaluation of the investment climate.

Upon completion of the Project Plausibility Summary the affiliate submits it to the Centre accompanied by the processing fee.

The Centre thoroughly analyses the project, obtains additional data from the local affiliate or elsewhere as necessary, and accepts the project for promotion if it is considered plausible. (A project rejected for promotion by the Centre is returned to the affiliate with the processing fee).

The Centre prepares a pre-investment document for private placement promotion and arranges for face-to-face presentation to US investors.

Through working arrangements with banks, Edge Act corporations, international accounting firms and established professional US management consultants, the Centre undertakes a selective marketing programme within the US private sector to give the opportunity carefully directed exposure to potential investors.

When a potential US investor expresses serious interest, the Centre arranges for direct contact with the project originator in the host country.

The potential US investor is free to make any desired market, economic feasibility or other study. The local affiliate of the Centre can, in most cases, be of valuable assistance in providing further data and services.

The Centre continues to provide liaison assistance to the potential US investor in his dealings with the Latin American entrepreneurs as desired and as practicable."

Now, Mr. Chairman, I would like to make one specific suggestion for consideration by ECA and this Conference. If this interesting procedure of the Inter-American Investment Development Centre is seen to have promise and merit for possible application to Africa, the African-American Chamber of Commerce is prepared to recommend to AID that it consider sponsoring and providing initial financing for a similar centre and activity in the USA for investment in Africa. Such a centre might be proposed to operate jointly with our Chamber or with some other base. The proposal could be specifically related to the ECA or the African Development Bank or to some other base in Africa.

Thank you Mr. Chairman.