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Distr.  
LIMITED  
IND/IF.2/L.2  
25 March 1968  
Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA  
Conference on Industry and Finance  
Addis Ababa, 25-27 March 1968

OPENING STATEMENT OF MR. ALLISON AYIDA,  
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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 cooperation.
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 cooperation, Africa should first try to develop intra-African trade in manufactures. That is the first priority in our effort to rationalize and coordinate 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 cooperation 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 coordination studies undertaken by the BCA have demonstrated the economic benefits of cooperation 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 cooperation 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 cooperation 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 coordinating the economic development efforts of the member countries.

13. The BCA 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 sizeable 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 sizeable 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 Cooperation 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 cooperation.