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SPEECH BY THE CHAIRMAN OF THE ECONOMIC COMMISSION FOR AFRICA
THE HONOURABLE TOM MBOYA
MINISTER OF ECONOMIC PLANNING AND DEVELOPMENT, KENYA,
AT THE OPENING OF THE
INDUSTRIAL SYMPOSIUM, CAIRO, 27 JANUARY, 1966

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The convening of this Symposium reflects the radical change in thinking about the economic development of Africa within recent years. Not more than five years ago it was still thought that the continent was condemned to remain indefinitely a supplier of raw materials to the developed world and an importer of manufactured goods. Now this approach has been wholly discredited both within Africa and even by some of the people and agencies who previously believed in it.

The decision to set up a U.N.Organization for Industrial Development has set the seal of international approval on the new approach to the economic development of Africa and other developing areas and to the division of labour between the different countries of the world. But industrialisation would not happen of itself: we must plan and prepare for it. This Symposium is an appropriate moment for us to take stock of the extensive work carried out by ECA on industry in the last four years and to set our course for the future on the basis of co-operation and African solidarity.

Africa's basic problem is to remove widespread poverty and the economic insecurity caused by dependence on the exports of raw materials. In its initial stages economic development can proceed for a long time through the export of agricultural and mining products. But experience shows that in relation to the increase in the world prosperity, markets for agricultural products grow relatively slowly. Meanwhile, we in the poorer countries are faced with a rapid growth in population and with the standards of life demanded by the masses. It has been calculated that a 1% increase in the per capita income of an industrialised country increases the demand for food and raw materials by only 0.6%, but that the same increase in per capita income in a country importing manufactured articles will lead to an increase of 1.8% in the demand for imports. Superimposed on this has been a tendency for the terms of trade to move against the less developed countries. Unless we in Africa build up quickly our domestic services of supply for enough of the industrial products which are required for the modernization of our countries, we will either become increasingly indebted to - and hence politically dependent on - foreign countries, or have our progress undermined by balance of payments difficulties.

Our countries have a need to increase the production of agricultural commodities, both food and raw materials, for domestic food markets, for domestic industrial enterprises, and also for export. But both history and contemporary experience teach us that exclusive dependence upon agriculture is not a viable basis for development policy. Industry must play in Africa the same part that it has played elsewhere in

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raising standards of living and providing increased employment opportunities for the masses. We do not face a choice - we do not have to choose between industry and agriculture. There is no contradiction between agriculture and industry and we must reject those who come to tell us that our future lies only in agriculture. We must equally reject those who try to pursuade us that it is not yet ripe for industrial development in Africa. We must plan for a balanced development of the economy so that these two sectors support and reinforce each other. It is particularly unacceptable for African countries with such a large proportion of their labour employed in agriculture to to get into balance of payments difficulties through importing food to meet the growing demands of the population: such situation clearly demonstrates a failure of public policy on the part of our countries. But industrial development has so long been neglected that a supreme effort is needed to correct the lopsided structure of the African economies.

I should particularly like to draw your attention to the importance of heavy industry which can produce machines capable of producing more machines and thus augment steadily the real capital of a country while making its economic development less dependent upon external influences. Irrespective of economic and social systems, the pattern of successful industrialisation everywhere has shown the rapid development of the heavy industry sector.

Our knowledge of the state of industry in Africa - what is being done or planned. and the future perspectives - is still steadily growing. Nearly four years ago the ECA launched its industrial programme with a study entitled "Industrial Growth in Africa." In this paper it was argued that Africa could reach broadly the present levels of economic development of Western Europe by the end of the present century by approximately doubling its agricultural output per head and by a 25-fold increase in industrial production per head. The implications of such a structural transformation of Africa are that the share of agriculture would fall from 35% in 1960 to 20% by the end of the century and that of industry rise from 20% to 40%. It is only required that total industrial output increase at about 8% from 1960 to 1980 and thereafter at 9% for this target to be reached. Considering the small base from which we start, it is apparent that the objective of bringing Africa's industrial potential to the projected level should be fairly easy to achieve given sound policies and a steady will. In fact, when judged by the targets in some development plans in Africa these growth rates appear to be quite modest. In the scheme for co-ordinated industrial development in the East African Sub-region discussed recently at Lusaka, it was implied that with realistic planning the level of gross domestic product in that area could increase from a little under 5½ billion US $ in 1961 to over 10 billion in 1975 and that gross industrial output could increase by nearly 3½ billion dollars. A scheme implying similar orders of magnitude of growth is put forward by the recent ECA mission on economic co-ordination in Central Africa. I have cited these figures to illustrate the vast yet perfectly realisable perspectives.

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How far such expansion will go towards closing the gap between Africa and the developed countries by the end of the century naturally depends on the rates of growth achieved by the developed countries themselves. Our main concern however is to grow as fast as we can and not just being worried about the date when the gap will be closed.

Whatever industry we attempt to build, the same sort of problems arise. An accurate knowledge of natural resources is required. Although there is much more to be learned, we already know that we have in Africa the natural resources to feed a vast range of industries. Cheap energy has to be obtained. While Africa is rich in energy resources, only a fraction of them have been harnessed. Industry cannot grow without efficient transport. But we can get ourselves out of the vicious circle since new transport links can themselves be justified in strictly commercial terms by the specific development possibilities now opened up. These three subjects - natural resources, energy and transport - are vitally important, but they are not on the agenda of this Conference.

We need technical studies to establish the economics of specific industrial projects and their relationship to other projects. We have to acquire and apply the most appropriate techniques which means partly creating channels for transferring technology from other areas to Africa and partly a substantial increase in applied research on African problems. Industrial projects have to be fitted within a programme which in turn should be woven into the national development plan. Projects have to be developed in a sequence, from the preliminary study through the economic and technical feasibility studies to the engineering studies on the basis of which tenders can be invited and the building of the industry can start. Manpower at all appropriate levels has to be trained. Finance has to be found and incentives provided, including frequently tariff protection, so that new projects are profitable - and this applies just as much whether it is the state or a private entrepreneur which is building the industry. And here we have to distinguish between commercial profitability and national, or even multinational, profitability during the whole revenue-earning life of the industrial equipment. But at all times adjustments can be made from the point of view of national economic profitability allowing for the fact that the real cost of a project to the economy may be greater or less than the cost to the enterprise. A variety of policy devices can be used in assisting industrialisation including pricing policy, protective duties, taxes and subsidies.

There is yet another major consideration which lies at the heart of ECA's thinking on industrialisation and which should, I suggest, be a major theme of this Symposium. African development plans have so far been drawn up largely in isolation one from another. There are those who argue for an all-African plan to be drawn up immediately. But at the present stage most of us believe this approach to be unworkable. There is of course much scope for the development of small and medium scale industry to serve national markets. But there are many industrial projects which are not feasible on a national scale but become so when undertaken for groups of countries, owing to the advantages of international specialisation and the importance of economies of scale. This is the essence of the case for sub-regional integrated development. But this should not be confused with common markets in the European sense of the term. In part of Western Europe a common market has been established, grouping together advanced economies whose established industries can gain wider markets and where the removal of barriers to trade can facilitate further growth. In Africa our main problem is not the liberalisation of trade: we have to promote the development of industries which do not now exist, by co-ordinating the efforts of groups of countries.

The ECA has carried out comprehensive studies on industrial development possibilities in each of the four sub-regions of Africa, and there have already been meetings to discuss these and more are planned. The Maghreb countries have established common institutions at the ministerial and expert level which they are running themselves, although with assistance from the ECA. They are not only carrying out industrial studies in greater and greater depth, but are actively and regularly negotiating among themselves on their industrial development. The recent conference in Lusaka recommended the establishment of similar institutions for the East African Sub-region, the Governments of which are now in possession of a most comprehensive series of preliminary industrial studies covering almost all sectors. These countries also are counting on continuing help from the ECA secretariat.

Five of the six countries of Central Africa have also, through the Treaty of UDEAC, established their own permanent institutions and it is to be hoped that a way will shortly be found for the association of the sixth country in the sub-region, the Democratic Republic of the Congo. The ECA through its recent mission has prepared a comprehensive report now in the course of being finalised for consideration at a meeting of the Central African Sub-region to be held in April.

At Bamako in October 1965 the countries of the West African Sub-region examined a number of preliminary studies and have subsequently made progress in the iron and steel sector, again by the setting up of their own machinery. The ECA secretariat is now in the course of preparing a further series of sector studies which will be considered at a conference of the West African Sub-region to be held in May, when it is hoped that permanent institutions for economic co-operation in West Africa will also be established. The picture which is emerging is of four sub-regions which have or will shortly have their own permanent institutions. Moreover, each sub-region is already or will shortly be in possession of a comprehensive series of preliminary industrial studies. Some of the projects cut across sub-regions, e.g., copper fabrication. The secretariat hopes to prepare before the end of 1966 a continental inter-industry balance on the basis of the sub-regional balances. The Commission has also established a Working Party on Industry which will make an annual review of the sub-regional activities with a view to ensuring that these are not in conflict with eventual economic co-operation and integration on a regional basis. The phase of preliminary study will soon be over and it will be possible to concentrate efforts and resources on the next steps. I should like to consider these briefly.

First of all a massive effort is required to prepare feasibility and engineering studies. Africa has to acquire its own machinery for this purpose and train its own personnel. Meanwhile it requires, and will continue to require for some time, extensive assistance from outside the continent. This can be done partly through the United Nations Special Fund and partly by approaches to countries with bilateral aid programmes, many of whom have shown themselves ready to help. Within the sub-regional approach requests for feasibility and engineering studies have to be grouped, since a number of the industries are being planned to serve the markets of several countries for related products. In addition, whether it is for small or large scale projects, we need access to reputable organizations and for this purpose much more could be done by the World Bank and the United Nations development programme to establish industrial promotion and advisory services both at the national level, as has been done in Tanzania, and at the sub-regional level, as is being done in the Mahgreb.

We need to augment rapidly facilities for training African manpower for industrial development at the managerial and professional-technical level, at the middle level and for the production line. At the highest level we shall continue to take advantage of the overseas training facilities offered by the developed countries. But at all levels we can do much more within Africa by making increased use of training facilities which already exist in a number of countries, by building new institutions to serve several countries, especially in advanced technological training and by training within enterprises.

Industrial development on the scale now envisaged will require massive capital formation. Much more can be done to generate savings domestically and indeed in large measure an increase in domestic savings is the automatic by-product of growth. Yet we must continue to obtain for a long time to come external finance, particularly at the earlier stages of our efforts at industrialisation. Furthermore, if the burden of indebtedness is not to rise to impossible levels, the proportion of grants and soft loans in total capital assistance will have to be increased. The sub-regional approach and the grouping of countries for the building of the larger industries will increase the attractiveness of such projects for external finance. There have been other recent improvements towards this end, e.g. the World Bank's Convention for the Settlement of Investment Disputes, the scheme proposed by the OECD for a multilateral guarantee of foreign investment against non-commercial risks, and the World Bank scheme being worked out for compensatory development finance. National investment guarantees and investment codes can also be useful. The ECA has already published a preliminary survey and the harmonization of the different national schemes is now likely to be discussed at a sub-regional level.

We in Africa must avoid a competitive scramble for foreign capital. In this connection I should like to refer to the proposed African Council for Economic Co-operation which was first mooted at the Seventh session of the ECA. Detailed proposals are now being examined by African governments. I hope we can co-ordinate and stand vis-a-vis foreign capital through such a body.

I do not think this Symposium need spend too much time on discussing Africa's relationship with other economic unions such as the European Common Market and the Commonwealth. The relationships of some African countries to these economic groupings have been valuable to the countries concerned. Yet it is inevitable that there will be changes as the African industrialisation and sub-regional integration gathers force. Meanwhile the climate for growing co-operation between African countries and the developed countries is such that there are very good prospects indeed of increasing assistance, particularly for industrial development, whether through technical advice, training or finance. What we need to do now is to define much more closely what we want and above all develop our mechanism for co-operation among ourselves.

I should now like to make some suggestions about what I think we should try to get out of this Symposium. First of all I believe the time has come when we can define precisely and comprehensively the basic strategy of industrial development in Africa, basing ourselves on the main pillars of co-ordinated development in the four sub-regions as a step towards an eventual all-African approach.

Secondly, while I do not believe this is the right forum for a detailed discussion of each industrial sector-since this can be pursued more fruitfully at the sub-regional level - we can take stock of the opportunities for co-operation between sub-regions which must be identified with the concrete possibilities in each sector.

Thirdly, we should try to arrive at specific recommendations on the steps to be taken on the different aspects of industrial development at both the national and the sub-regional level; notably feasibility and engineering studies and the training of Africans in this field; the transfer of technology and applied research in Africa: training industrial manpower at all levels; financing, domestic and external standardization; incentives for industrial development; industrial promotion and institutional arrangements for co-ordinated industrial development.

Fourthly, since this is one of a number of regional symposia to be followed later by a world symposium, we should before we separate define clearly the position Africa should take at the World Symposium.

It is sometimes argued that the programming of industrial development and the training of manpower are such vast problems that nothing serious can be done for a long time. This is wholly wrong. In not more than a decade the UAR has worked out a comprehensive national plan with detailed industrial programmes as part thereof and has already achieved extensive industrial development. Ghana, Ivory Coast and Tunisia are making rapid strides in the same direction. Africans who a few years ago were unknown and regarded as untrained are now in charge of vast projects. We are only at the initial stages of iron and steel production but we can see from India's experience how within the period of construction of an iron and steel works virtually all

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the types of manpower which are needed to run it can be trained. It used to be thought that it took three years to train a skilled worker, but the UAR is now doing this in about six months. Similarly it is sometimes argued that a blue print for the whole of Africa has to be drawn up before real industrialization can get under way. This is also wrong. Thanks largely to the work recently done by the ECA, all the elements are now available for a rapid move forward in the industrialization of Africa.

Let me conclude therefore by asserting once again that Africa cannot hope to narrow the gap between the nations of the haves and those of the have-nots without accepting fully the urgent need for public policy that will promote an effective programme of industrialization. Nor do I believe that we can exert enough pressure on the development nations and the various agencies that they still control unless we are committed to co-operation in development planning within Africa. The ECA together with the OAU Economic and Social Commission can help us meet this challenge.