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ECONOMIC COMMISSION FOR AFRICA
First Meeting of the Follow-up Committee
on Industrialization in Africa
23 to 24 September 1974, Addis Ababa

**REPORT OF THE FIRST MEETING
OF THE FOLLOW-UP COMMITTEE ON INDUSTRIALIZATION IN AFRICA**

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6. The Committee also agreed on the organization of work and its working hours. It established a drafting committee comprising representatives of the three sponsoring organizations to draw up the conclusions and recommendations of the Committee.
7. With reference to the methods of and arrangements for the work of the Committee, Mr. Nyynneque observed that paragraph 16 of the Cairo Declaration establishing the Follow-up Committee gave a flexible and wide mandate to the Committee. It would seem that the Follow-up Committee should not only review what had taken place but should also use its good offices to remove obstacles to the speedy implementation of resolutions. Consequently, he suggested that the Committee should be the focal point (a) in all work relating to industrialization in Africa; (b) in strengthening the link between Governments and the sponsoring organizations; (c) in acting as a clearing house for the endorsement of multinational industrial projects and in mobilizing UNDP support therefor; and (d) in playing an instrumental role in implementing the recommendations of the biennial Conferences of African Ministers of Industry.
8. Mr. Nyynneque recalled OAU resolution 363, adopted at Mogadiscio in June 1974, entrusting the Follow-up Committee with the task of revising and up-dating the African position for the Second General Conference of UNIDO in the light of recent developments and particularly of the programme of action adopted by the sixth special session of the General Assembly on raw materials. It would be necessary to relate the activities of the Committee to the scheme of preparatory work envisaged for the Second General Conference of UNIDO and particularly the work of the African Group at Vienna and the forthcoming meetings of the Group of 77. In conclusion, he reminded the Committee that it would need to decide how frequently it should meet in the light of the international conferences planned and the consultations required before and after the Lima Conference. In any case, the methods and organization of work suggested would need to be re-examined by the Third Conference of African Ministers of Industry on the basis of the recommendations of the present meeting, particularly with respect to giving the Committee the status of a Standing Committee, with clear-cut regional and international roles in the field of industry.
9. Mr. Gardiner in reviewing recent international developments, pointed out that there were limits to industrialization through concessions from the industrialized countries. Before entering the international area, African countries should give thought to procedures and machinery for investment promotion. The lack of bankable projects was proving more problematic than the lack of capital. He cited the difficulties encountered by the African Development Bank, SIFIDA, the international finance houses and the growing Afro-Arab funds in locating viable investment opportunities in African countries. At the national level, greater effort was needed to strengthen project development activities and to streamline investment promotion services.
10. The national markets of African countries were, however, too small and fragmented to attract investment beyond a narrow range of import-substitution industries. National markets had to be integrated in order to create large-scale viable industries. For this purpose serious thought should be given to initiating multinational consultations on specific multinational industries.

Priority should be given to such industries as fertilizers and petrochemicals, metals, engineering and electronics and pulp and paper. ECA studies had already identified a number of multinational industrial project proposals which, if implemented, would have absorbed investments of the order of \$US1,200 million, created numerous jobs and laid a sound foundation for the restructuring of African economies.

11. Other consultations which needed to be maintained and intensified were those with the transnational corporations. It was through the "investment package" which those corporations were in a position to supply that Africa could develop its export and multinational industries. African countries should pinpoint their difficulties and clarify their positions on the role that the transnational corporations could play in African industrialization.

12. The Second Conference of African Ministers of Industry had recommended the establishment of an African Mineral Development Council. For the least developed countries, it was particularly important to survey and locate natural resources so that they could also benefit from the establishment of a new international economic order. ECA would intensify its actions so that the Council, when established, would play an important role in the achievement of industrialization objectives.

13. He concluded by stressing that it was only when African countries were able to offer definite projects that they could derive immediate and full benefits from international concessions. ECA welcomed the focus on industrialization and efforts being directed to integrating regional initiatives in global strategies for industrialization under the auspices of UNIDO.

14. A member of the ECA secretariat introduced document CMI.2/FCIA.1/WP/2 which summarized actions taken at the national, regional and international levels to implement the decisions of the Cairo Conference. This document would be supplemented by the inclusion of action taken by UNIDO since its publication in June 1974. At the national level, the main difficulty encountered by the sponsoring organizations was the absence of a mechanism for monitoring progress in the field of industry. The approval by UNDP of the inter-country project proposal relating to the advisory team for review and appraisal in Africa in the field of industry should enable ECA and UNIDO to keep progress in the implementation of the resolutions of the Conferences of African Ministers of Industry under close and constant review.

15. Contacts were particularly needed in the area of multinational co-operation. The support and constant involvement of Governments was a prerequisite for the promotion and implementation of multinational industries. In response to the recommendation of the Cairo Conference, the sponsors had elaborated an inter-country project proposal, entitled "Multinational industrial co-operation in the African region" and submitted it to UNDP so that multilateral consultations on multinational industries could be launched at the earliest date possible. Other proposals submitted to UNDP related to the establishment of an ECA/UNIDO advisory group on industrial technology and the creation of an African Institute for Industrial Management Development.

16. The representative of the secretariat further reviewed recent international developments and pointed out their implications for the work of the Committee,

particularly with respect to the common African position for the Second General Conference of UNIDO. He stated that the strength of the African negotiating position, whether relating to transnational corporations or within the framework of an international division of labour, depended on the practical programmes and projects African countries pursued and implemented at the national and regional levels.

17. Elaborating recent international developments, Mr. Abdel-Rahman drew attention to the fact that the share of Africa in world industry was only in the order of one half of one per cent. Even if the targets of the International Development Strategy were to be achieved, it was unlikely that the present pattern would alter significantly. The traditional structure of the world economy did not offer prospects for real improvement. There would have to be fundamental changes in the world economic system to raise Africa's share of world industry. To double this share in the next 15 years, industry would have to grow at a minimum rate of 12 per cent per annum. The basic question facing African countries was how to achieve that rate of growth.

18. There was today greater awareness in the industrialized countries of the need to stabilize the consumption of raw materials and to adopt a global approach to the supply and rational utilization of energy and food resources. The Second General Conference of UNIDO should also create a structure of international co-operation for raising the share of industry in developing countries. The current state of the world economy called for a re-examination of international issues. The cost of armaments was increasing at an alarming rate. These resources could have been used elsewhere for the overall welfare of mankind. Inflation in the industrialized countries had been growing at over 12 per cent per annum and African countries were suffering from a problem which was not of their own making. African countries should tackle these problems effectively and speak with one voice to improve the prospects of industrialization in the continent. He stressed that the Third Conference of African Ministers of Industry scheduled to be held at Nairobi, Kenya, in 1975 should address itself to these issues, taking into account the recommendations of international conferences convened in the intervening period.

19. With reference to agenda item 4, he reviewed preparatory arrangements for the Second General Conference of UNIDO. Two regional conferences, the Second Conference of African Ministers of Industry and the Third Arab Conference on Industrialization, had already been held. By the end of November 1974 similar conferences would also have been held in Asia and Latin America. These would be followed by a series of meetings at Vienna to harmonize positions within the Group of 77 and subsequently to consult with the industrialized countries. UNIDO was also preparing a draft plan of action for international co-operation for consideration by the Second General Conference of UNIDO, scheduled to be held at Lima, Peru, in March 1975.

20. Mr. Abdel-Rahman concluded by suggesting that the Committee should take part in the forthcoming series of consultations in Vienna, New York and Lima with a view to (a) up-dating the African position; (b) integrating it with the recommendations of the Group of 77; and (c) reaching agreement with the industrialized countries. It was important to stress the glaring facts, the need

for special recognition of the African position and the necessity of setting quantitative targets in the framework of a new international arrangement for co-operation in the field of industry.

21. Mr. Faly Ba stated that, in addition to the lack of bankable projects, there was also a lack of appropriate contacts with potential investors. He noted that useful work was being done by ECA and UNIDO to identify industrial projects but it was also necessary to carry out the requisite feasibility studies. ECA and UNIDO should extend assistance in this area as well as in facilitating negotiations with international corporations and international financing institutions to expedite the realization of viable projects. With respect to multinational industries, ECA and UNIDO should strengthen their co-operation with African intergovernmental organizations for economic co-operation so that the technical work which they carried out complemented the political objectives of the participating countries.

22. It was recognized that industry was the determining factor for growth and consequently intensified efforts were needed to increase the share of industry in the GDP. This objective was unlikely to be achieved if past trends were to be maintained. The desirable rate of growth was in the order of 8 to 9 per cent per annum for the manufacturing sector, but this implied the mobilization of immense financial and skilled manpower resources. ECA and UNIDO should conduct a study to assess the implications of setting higher quantitative targets. He drew attention to the conclusions of the Bucharest Conference on Population and stressed the need to examine the population problem in the context of overall development efforts and prospects.

23. Mr. Babu Wood noted that progress in the promotion of multinational industries since the Cairo Conference was discouraging. The proliferation of small-scale plants had continued and the rising costs of raw materials and industrial intermediates were discouraging new investments. On the other hand, investors were also demanding concessions from host countries which were generally beyond the capabilities of those countries. He called upon the sponsoring organizations to direct their efforts towards alleviating the terms and conditions demanded by potential investors. Such assistance could help countries to pursue an industrial strategy aimed at the development of labour-intensive and export-oriented industries.

24. In the discussion on intersectoral priorities, the view was expressed that the case for agriculture should not be neglected. African countries faced serious employment and food shortage problems. The economic prospects of African countries were not likely to improve unless serious thought was given and action taken to raise agricultural output and productivity. It was in agriculture and related industries that African countries had better prospects for higher prices and for changing the factor mix. These justified a strategy for an integrated approach emphasizing both agriculture and industry. Despite the "Green Revolution", agricultural output had been declining; the cost of food items had increased substantially, leading to political and social tensions; and unemployment had been rising. These factors justified the re-examination of agricultural policies.

25. Mr. Abdel-Rahman stressed that there was no contradiction between the development of agriculture and that of industry and there was no question of neglecting agriculture by diverting resources to industrial development. The setting of intersectoral priorities entailed sharing out limited resources among competing sectors and resulted from a passive acceptance of the rigidities and constraints of the existing economic order. The purpose of the meeting was to examine the long-term prospects of industrialization and growth and not the methods for tackling immediate problems. There were examples of countries which, in a span of 30 years, had managed to transform their economies from purely agrarian to ones in which industry predominated. Ways and means to increase the share of Africa in total world industry had to be found. International co-operation would be the determining factor for a more equitable international order in the field of industry. UNIDO estimates clearly indicated that a 6 per cent rate of growth of the economy would not significantly raise the share of industry in Africa; but one should not be discouraged by these prospects. ECA with its vast experience of the African continent and its problems could construct a model for growth based on higher quantitative targets. Mr. Abdel-Rahman proposed that the conclusions of such an econometric study should be submitted to the Third Conference of African Ministers of Industry.

26. Mr. Gardiner agreed that ECA would attempt to produce such an amplification and work out a model to analyse the implications of increasing Africa's share of world industry to 2 per cent per annum and formulate proposals aimed at increasing the share of industry in GDP from its present level of 17 to 25 per cent.

27. With regard to the methods of and arrangements for the work of the Follow-up Committee, there was general agreement that the Committee should be the focal point for strengthening and maintaining contact between the Governments and the sponsoring organizations; for reviewing progress in the implementation of the recommendations of the Conferences of African Ministers of Industry and for briefing the African groups at various international conferences. It was suggested that more frequent meetings of the Committee would improve the prospects for implementing programmes and projects that would promote industrialization in Africa. It would also be useful to draw up terms of reference for the Committee and to give thought to converting its status to that of a Standing Committee on Industry.

28. The discussion on the modalities and procedures for the Follow-up Committee was based on the time table for preparatory meetings envisaged in connexion with the Second General Conference of UNIDO, the preparatory work for the Third Conference of African Ministers of Industry and on the role that the Committee was expected to play in up-dating the African position in accordance with OAU resolution 363, paragraph 4(a) and (b). Mr. Abdel-Rahman indicated that the calendar of meetings preparatory to the Second General Conference of UNIDO at Lima was as follows:

- 2 to 14 December 1974: Preparatory Committee, fifth session, first part at Vienna;
- 5 to 10 December 1974: Meeting of the Group of 77 (during the Preparatory Committee recess), at Vienna;
- 20 to 27 January 1975: Preparatory Committee, fifth session, second part, at Vienna.

29. The Chairman of the meeting of the Group of 77 at Vienna informed the Committee that it had been decided to hold a ministerial conference of the Group of 77 at Damascus, Syria, from 15 to 18 February 1975. Hosting arrangements for the conference had been finalized with the Syrian Government. He further indicated that a document outlining the African position should be prepared for submission to the conference.
30. The Committee was of the opinion that such a document should be made available, but this did not imply that changes were to be made to the Declaration on Industrialization adopted by the Cairo Conference. What was needed were recommendations by the Committee based on recent international developments that could be annexed to the Declaration as additional guidelines for African countries in their negotiations at the various meetings preparatory to the Second General Conference of UNIDO. The Committee therefore decided to transmit to African Governments whatever additional observations were made in the course of its deliberations at Addis Ababa.
31. It was further suggested that the Committee should hold two meetings after the Lima Conference, the first to be held immediately afterwards at Lima to assess the results of the Conference and the second to be held at Addis Ababa in August/September 1975 for the purpose of making preparations for the Third Conference of African Ministers of Industry. It was agreed that the Third Conference of African Ministers of Industry should be held in December 1975 and the sponsoring organizations were invited to consult with the Government of Kenya in due course to set a precise date.
32. The Chairman stressed the importance of making all the documentation relative to the meetings of the Follow-up Committee and the biennial conferences available to African Governments well in advance of the meetings themselves. This would enable Governments better to prepare themselves and thus participate effectively in the discussions. He further recommended that documentation and other correspondence should be sent directly to Ministries of Industry as the practice of channelling correspondence through Ministries for Foreign Affairs was likely to delay exchanges between the Governments and the sponsoring organizations.
33. The Chairman of the meeting of the Group of 77 at Vienna extended an invitation to the Administrative Secretary-General of OAU and the Executive Secretary of ECA to attend the preparatory meetings for the Lima Conference and in particular the ministerial conference of the Group of 77 at Damascus, Syria. Mr. Gardiner stated that he would endeavour to attend these meetings and that ECA would assist and service the African Group.
34. The Committee concluded its work by adopting recommendations, which are reproduced in Part III of this report.
35. The Chairman thanked members of the Committee for the very fruitful work that they accomplished in such a short time. He also thanked all those concerned with the organization of the work of the Committee. He then declared the meeting closed.

III. RECOMMENDATIONS

Methods of and arrangements for the work of the Committee

- 1) The Committee should be the focal point for strengthening and maintaining contacts between Governments and the sponsoring organizations through the intermediary of the Chairman.
- (ii) The Committee should use its good offices to act as a clearing house for the endorsement of action on multinational industrial project proposals emanating from the sponsoring organizations.
- (iii) The Committee should examine and advise on intercountry technical assistance proposals drawn up by the sponsoring organizations for submission to UNDP and other donor agencies.
- (iv) The Committee should assume the role of relating the activities of African groups in international conferences to the decisions of the biennial conferences of African Ministers of Industry.
- (v) The Committee should be the main instrument for devising and promoting practical ways of implementing conference recommendations.
- (vi) The Committee should endeavour to participate actively in all meetings preparatory to the Lima Conference.
- (vii) The Third Conference of African Ministers of Industry should be held in December 1975 at Nairobi, Kenya; the Committee should hold its second meeting at Lima at the conclusion of the Lima Conference to assess the results of the Conference and its third meeting at Addis Ababa in August/September 1975 to draw up recommendations for the Nairobi Conference. The sponsoring organizations should prepare the provisional agenda of the Nairobi Conference and consult the Committee thereon.
- (viii) Thought should be given to raising the status of the Committee to that of a Standing Committee on Industry; to this end, ECA, OAU and UNIDO should be invited to draw up proposals for the consideration of the Third Conference of African Ministers of Industry.

B. Implementation of the Cairo decisions

- (i) UNDP should accord high priority to the implementation of the following intercountry technical assistance proposals which have been formulated by the sponsoring organizations and endorsed by the Committee:
 - (a) Advisory team for review and appraisal in Africa in the field of industry,

- (b) UNIDO/ECA joint advisory group on industrial technology,
 - (c) African Institute for Industrial Management Development,
 - (d) Multinational industrial co-operation in the African region.
- (ii) High priority should be given to measures aimed at improving the procedures and machinery for project development and investment promotion.
 - (iii) Interested groups of countries should be requested as a matter of urgency to initiate multilateral consultations on multinational industries already identified in past studies.
 - (iv) Intergovernmental organizations should intensify their co-operation with the sponsoring organizations in order to clear the way for the earliest establishment of multinational industries.
 - (v) ECA, OAU and UNIDO should draw up specific proposals relating to the establishment of an African Mineral Development Council for consideration and endorsement by African countries.
 - (vi) Thought should be given to the setting up of a regional centre for the transfer of technology and the promotion of investments, initially to operate out of the Joint ECA/UNIDO Industry Division.
 - (vii) Governments should promote measures aimed at harmonizing incentive policies and at co-ordinating industrial development programmes with neighbouring countries.

C. Common African position in respect of the Second General Conference of UNIDO

- (i) The contribution of Africa towards the formulation of a plan of action in the field of industrialization at the Lima Conference has been set out in the Cairo Declaration and endorsed by the OAU Heads of State and Government. In the light of more recent developments and of the mandate given to the Committee, certain additions and elaborations should be adopted by the African Group.
- (ii) A common set of principles and specific targets should be adopted by the African countries in formulating their position for the Lima Conference. These should be embodied in the conclusions of the meeting of the Group of 77 which will take place at Vienna in December 1974 and subsequently in the negotiations between developed and developing countries which are scheduled for January 1975 at Vienna and at the Lima Conference itself.

- (iii) The share of Africa in world industrial production stands at the infinitesimal figure of 0.5 per cent and has not changed during 15 years and more of African independence. A quantitative target should be set whereby this share could rise to, for example, over 2 per cent by the year 2000. ECA and UNIDO should amplify this target, spelling out its implications in a scheme for the industrial development of the African region during the next 25 years which should be submitted to the Nairobi Conference of African Ministers of Industry. In this scheme special attention should be paid to a more even distribution of industrial activity within Africa itself.
- (iv) The low share of African countries in world industrial output and the fact that they are the latest starters in industrialization indicate the need for special consideration to be given to them in the implementation of the United Nations resolutions on the establishment of a new international economic order adopted by the General Assembly at its sixth special session in May 1974.
- (v) As the only effective means of strengthening the position of the African countries within the new international division of labour, the international community should help to create a stronger base for industrialization in Africa including the manpower and machinery required for the implementation of industrial projects, appropriate industrial policies and programming and the co-ordination of the plans of neighbouring African countries in the field of industry.
- (vi) Africa should support recommendations of the Lima Conference aimed at implementing the objectives and fulfilling the corresponding commitments that have already been made in support of the International Development Strategy for the Second United Nations Development Decade.
- (vii) At the same time, the African Group should support the concept of a new international division of labour and a corresponding programme of action going beyond those envisaged in the Strategy. Recent events have imposed the need for a new international economic relationship, specifically with regard to the utilization of raw materials and natural resources.
- (viii) Africa and the other developing regions should be in a position to gain easier access to the resources needed to secure a higher share of world industrial output. To achieve this, some quantitative limitations should be placed on the level of usage of non-renewable natural resources and the rate of increase therein in the more advanced countries. The calls that are still being made on these resources, both material and technological for increasing military use is particularly unjustified.

- (ix) Africa must co-operate with the other regions working towards a new and more rational world order in order to harmonize the objectives of the different countries and regions. As part of the new pattern of industrial co-operation, a common search should be made for new technology aimed at increasing the supply and economizing on the use of raw materials and energy in place of the past tendencies to regard these resources as being cheap, available in unlimited quantities and to be exploited simply in response to the profit motive. The resources of the sea should be developed primarily to serve the interest of the majority of the world's population and should not be exploited indiscriminately for private benefit. The Governments of the world must subscribe to a more rational allocation of the world's resources based on the elemental needs of people rather than on the present distribution of purchasing power among them. Priority in research and development in industrial technology must be given to the consumption and other welfare requirements of the masses of people in all countries.
- (x) A new international economic order can be worked out only through a system of continuous consultations between the Governments and industrial interests in both developed and developing countries. It should be based on the principle that the industrialization of the developing countries, which will account for more than 80 per cent of the world's population by the end of the century, is in the interest of the developed countries themselves. Such a large majority of the world's population, if left at the present level of poverty, must constitute a brake on the whole world's capacity for industrialization and trade. It cannot therefore be in the interest of the developed countries that this poverty should continue and industrialization should be a prime vehicle for reducing mass poverty in the long run.
- (xi) African countries can no longer follow the policy of trying to meet their requirements for even the most basic manufactured products by way of the export of raw materials. Their national markets and their existing endowments of manpower and raw materials should enable each country to embark on the road towards industrialization with a view to satisfying a reasonable portion of its demand for manufactured goods. The processing of food, the provision of the requisites for agricultural modernization, the production of construction materials and household goods, clothing, shoes and materials for culture and health offer opportunities that can be used by each developing country as a starting point for the development of a national industrial economy.
- (xii) International agencies should help to organize the processes of consultation and negotiation. They should define a common technical basis for the dialogue, assemble information on the

respective plans and targets of member countries and help with the implementation of agreed decisions. It is their special responsibility to help to strengthen the position of the weaker partners in the programmes of industrial co-operation.

- (xiii) African countries should aim to participate increasingly in the international industrial economy as exporters and importers of manufactured goods. They would then represent better and no less lucrative markets for the present advanced countries while being assured of a more equitable share in the benefits of international economic co-operation.
- (xiv) An African Industrial Development Fund should be created to support the new role envisaged for Africa in world industry.
- (xv) There is a need to survey and locate new natural resources in the least developed countries so that they may participate effectively in and benefit from the establishment of a new international economic order.

LIST OF DOCUMENTS

1. Notes on Arrangements for the Meeting..... CMI.2/FCIA.1/INF/1
2. Provisional Agenda..... CMI.2/FCIA.1/INF/2
3. Annotated Provisional Agenda..... CMI.2/FCIA.1/INF/3
4. List of Participants..... CMI.2/FCIA.1/INF/4 Rev.1
5. Summaries of Replies Received from International Organizations on Follow-up Action on the Recommendations of the Second Conference of African Ministers of Industry..... CMI.2/FCIA.1/INF/5
6. List of Selected Multinational Project Proposals Emerging from Past ECA Studies..... CMI.2/FCIA.1/INF/6
7. Summaries of Replies Received from Governments on Follow-up Action on the Recommendations of the Second Conference of African Ministers of Industry..... CMI.2/FCIA.1/INF/7
8. List of Documents..... CMI.2/FCIA.1/INF/8
9. Methods of and Arrangements for the work of the Committee..... CMI.2/FCIA.1/WP/1
10. Recent Developments and Action in Industrialization..... CMI.2/FCIA.1/WP/2 Rev.1
11. Note on the Preparation for the Second General Conference of UNIDO, Lima, Peru, 12 to 26 March 1975..... CMI.2/FCIA.1/WP/3

