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ECONOMIC COMMISSION FOR AFRICA

REVISED FRAMEWORK OF PRINCIPLES FOR THE IMPLEMENTATION OF THE  
NEW INTERNATIONAL ECONOMIC ORDER IN AFRICA  
1976 - 1981 - 1986

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## SUMMARY OF FINDINGS AND RECOMMENDATIONS

Although the New International Economic Order is conventionally associated with Resolutions taken at the VIth and VIIth Special Session of the General Assembly, its main features are, and continue to be, spelled out in a large number of other declarations and resolutions emerging from conferences held within and without the United Nations system. It will be recalled that many of the principles defining the New International Economic Order were, insofar as the African Region is concerned, first set out in the Declaration on Co-operation, Development and Economic Growth adopted by Heads of State and Government of the Organization of African Unity in May 1973.

The main theme of the New International Economic Order is the restructuring of international economic relations in such a way as to make it feasible for countries of the Third World to initiate or accelerate internally located and relatively autonomous process of growth, diversification and integration. These processes are to be designed in such a way as to enable Third World countries to mount effective attacks on emerging internal crises, principally mass poverty, mass unemployment, and growing food deficits. Emphasis is therefore placed on ways and means of ensuring, through trade and aid, increased net inflows of real resources to the developing countries. However, experience in the Region and elsewhere clearly indicate that access to external resources does not, of itself, guarantee the initiation or acceleration of these processes of growth, diversification and integration. Neither the policy of increasing production and exports of one or two major agricultural products, nor of diversifying the range of such agricultural export products, nor import substitution industrialization can be said to have laid the foundations for viable self-sustaining socio-economic systems or to have substantially removed the geographical and commodity constraints on the Region's external trade. It is not obvious, either, that the adoption of a policy of concentration on manufacturing for extra-African export will, by itself, do what earlier policies have failed to do. It is not, therefore, unreasonable to believe that conventional theories, policies and instruments of economic development are not working well and that new concepts and approaches are urgently required.

The strategy as spelled out in this document focusses on the development of a structure of basic industries which in addition to their capability for mutual re-inforcement exert strong growth-promoting effects on other industries and sectors in particular on agriculture and on rural transformation, which then react positively on each other and on the industrial sector. Thus, agriculture is subject to demand pressures from industry and public works in the rural sector; industry is subject to demand pressures from agriculture and public works in the rural sector and public works in the rural sector is subject to demand pressures from both agriculture and industry.

These developments are unlikely to take place in the foreseeable future without deliberate policies, deliberate planning and the design of specific instruments to promote them. These will include more intensive evaluation of the natural resources, more realistic and imaginative measures for the development and deployment of skilled manpower, effective control over inflows

of technology as well as far-reaching measures for fostering their adaptation, use and development. In addition it will include measures for expanding effective demand and creating mass markets. These latter objectives are such as closely tied to measures for the modernization of agriculture and the integrated development of the rural sector. In particular the development of rural infrastructure - including the development of rural townships as part of a policy of planned urbanization - is seen as performing four roles. The first is that of expanding employment opportunities in the construction of rural road networks, telecommunications, housing, power, the construction or improvement of rural townships, waterworks and irrigation canals; in the provision of health and education services; in rural industries and the implementation of conservation measures, re-afforestation schemes and the like. The second has to do with the impact on agriculture and especially on food supply of the demand engendered by this increased employment. The third role played by the development of rural infrastructure is that of opening up the market for industrial expansion and orientation; and the fourth involves its contribution to the physical integration of the national socio-economic system.

Of the 47 independent African states twenty-six have populations of 5 million or less, nine populations of between 5 million and 10 million, nine populations of between 10 million and 30 million and only two have populations of over 30 million. When we take account, in addition, of the dominance of subsistence output in most of the African economies, of the small and fragmented national markets for industrial products, of the limited use of money by the unemployed and the poor it becomes obvious that multi-national co-operation in the production and distribution of many inputs critical for initiating or accelerating the processes of socio-economic change described earlier is virtually inevitable. Such co-operation then becomes a necessary condition of the successful pursuit of national socio-economic goals for least-developed, land-locked and some island countries whose potential for diversified development are not fully known. Such co-operation is of great importance both to them and to other neighbouring states.

The obstacles to effective co-operation may be classified under three headings: conceptual inadequacies, institutional deficiencies and inadequate attention to instrumentation. Included under the first heading are assumptions justified in models derived from advanced countries but untrue in the region such as an ample supply of highly motivated entrepreneurs with an extensive knowledge of markets for financing, inputs, and products; who are capable of exploring new economic opportunities as they arise at home or abroad. Thus, the removal of national tariff barriers under a treaty of co-operation leads to entrepreneurial activity across national boundaries, increased efficiency and an increase of aggregate gains. The benefits of co-operation are also usually distributed fairly among the countries covered by such treaties because the capacity to derive benefits from co-operation depends on the supply of entrepreneurs, skills, technologies and capital, which are in general equitably distributed among the advanced countries.

In contrast, conditions in developing African countries are characterized by an inadequate supply of competent entrepreneurs in both the public and the private sectors, scarcity of skilled manpower; limited familiarity with the sources of raw material supply, range of choice of technology, production processes, and product markets; limited inter-industry integration; large imports of inputs; small output mix (including poor utilization of by-products); limited domestic markets relative to plant sizes.

Under the second heading it is argued that the efficiency of machinery at the multinational centre and at the national level are mutually dependent. In regard to instrumentation it is proposed that African multinational corporations should be set up to deal with the creation or development of strategic and associated industries and services such as mining, banking, insurance, business consultancy and so on. It is needless to stress the importance of a regional intermodal transport network (roads, railways and inland waterways) or of the role of airfreight and of improved postal services or of efficient and flexible clearing house arrangements for regional co-operation.

The issue of the distribution of net benefits does not seem insoluble when conceived in dynamic terms, when account is taken of the gestation period required to bring many strategic industries into full and efficient production and when, in addition to such arrangements as joint ownership, complementarity and specialization agreements, special provisions are made for and genuinely applied to weaker partners.

Relations with the mature market economies can be classified under broad headings:

(i) gaining easier access to their markets for agricultural products whether processed or unprocessed, and for manufactures and obtaining more equitable returns for these exports, as well as for exports of industrial raw materials, taking account of the impact of inflation.

(ii) containing the external drain of resources from developing to developed countries partly by internalizing the ownership of service industries such as maritime shipping, civil aviation, banking and insurance and partly by substitution of local for external factor inputs such as skilled manpower, business consultancy and so on; under this heading would be included efforts to arrest and reverse the external brain drain.

(iii) securing more substantial and technical assistance in real and more relevant terms, and

(iv) gaining access to technology on less restrictive and costly terms and in such a way as to promote dynamic growth, diversification and integration of the economy.

It is argued that in all of these close co-operation among member States is more likely to secure particular objectives and resources than individual action, for example it is urged that African States should supplement gains attained through international trade negotiations through the establishment of multinational import and export enterprises, the multinational pooling of key imports and the aggregation of marine cargoes, the setting up of appropriate co-operation links among existing state trading agencies and the adoption of multinational purchase and supply commitments based on the response of the Region's trading partners to its demands for effective access to their markets.

Economic relations with socialist countries will require longer range perspectives and planning than seem to be usual at present in approaches to extra-African trade, aid and technical assistance, joint ventures and so on, as well as a better understanding of the modalities governing such relations.

As in the case of economic relations with Socialist countries, economic relations with other developing countries and regions will confront problems of information, institutional mechanisms, communications and transport. In particular it may be necessary to avoid or reduce dependence on foreign corporations for promoting and maintaining dynamic relations with these countries and regions.

It seems clear that at the national, the intra-African and the extra-African areas of action the realization of the objectives and targets of strategy will depend to a considerable extent on the supply and quality of entrepreneurship and management conceived in the broadest sense both within the public and the private sectors. Whilst the availability of increased not external resources is of great importance, for the purposes of the strategy defined under the New International Economic Order it is the vision and competence of governments and communities in selecting particular technologies, types of skill, capital goods and services and combining them with local resources that is likely to determine the results achieved. In this context there are rarely any 'have' and any 'have-not' countries, whether developed or under-developed.

No attempt, it will be noted, has been made to treat the subject of agriculture and food in this summary as they deserve to be read in full in the main text.

## I. Introduction

1. Resolution 256(XII) adopted in Nairobi on 28 February 1975 introduced into the work programme several propositions derived from General Assembly Resolutions 3201(S-VI) of 9 May 1974 and 3202(S-VI) of 16 May 1974 on the New International Economic Order. However, the concept of the New International Economic Order and the evaluation of the problems of the international economy continued to develop. Such developments, including in particular those reflected in the Declaration and Plan of Action adopted by the Group of Seventy-Seven at the Second General Conference of UNIDO held in Lima, Peru, from 12 to 26 March 1975 and affirmed by Economic and Social Council Resolution 1953(LIX) of 1 August 1975 and General Assembly Resolution 3362(S-VII) of 19 September 1975 necessitate a review of the structure of the work programme and its conceptual basis. This basis was laid down by Resolution E/CN.14/RES/218(X) taken in Tunis in February 1971 and modified by Resolution E/CN.14/RES/238(XI) taken in Accra in February 1973. Even while Resolution 238(XI) was being discussed in Accra new perspectives on African development were emerging leading to the African Declaration on Co-operation, Development and Economic Independence embodied in Resolution CM/SE.12(XXI) taken by the Heads of State and Governments at the Tenth Ordinary Session of the OAU on 25 May 1973 at Addis Ababa. Seven months later the Second Conference of African Ministers of Industry greatly expanded the consideration of industrial development problems and policies examined by the First Conference in 1971 and took account of the Addis Ababa Declaration.

2. In April 1974 and May 1974 the first formulation of the New International Economic Order was given shape in the General Assembly Resolutions referred to in paragraph 1. These were supplemented by, among others, General Assembly Resolutions A/3281(XXIX) of 12 December 1974 on Charter of Economic Rights and Duties of States, A/3311(XXIX) of 14 December 1974 on Special Measures Related to the Particular Needs of the Landlocked Developing Countries, A/3338(XXIX) of 17 December 1974 on Developing Island Countries, A/3344(XXIX) of 17 December 1974 on World Population Conference, A/3348(XXIX) of 17 December 1974 on World Food Conference. The Dakar Declaration on Raw Materials (including an Action Programme) adopted in February 1975 by the Group of 77 was followed a little more than a week later by the Declaration and Plan of Action on Industrial Development and Co-operation drawn up by the Group of 77 in Algiers. Almost at the same time that Resolution 256(XII) was being formulated by the ECA Conference of Ministers in Nairobi the Algiers Declaration was succeeded by the Lima Declaration and Plan of Action adopted at the Second General Conference of UNIDO at Lima, Peru, in March 1975. Far-reaching concrete recommendations have now been put forward by the 4th OAU Conference of Ministers of Trade held in Algiers from 24-28 November 1975 and the 3rd Conference of African Ministers of Industry held in Nairobi from 17-22 December 1975. They also include recommendations of the Group of 77 contained in the Manila Declaration and Programme of Action (January - February 1976), and resolutions taken at UNCTAD IV, Nairobi, May 1976. Major contributions, in terms of United Nations decisions, are also incorporated in General Assembly Resolutions A/3523(XXX), A/3524(XXX), A/3505(XXX) and A/3490(XXX).



3. Meanwhile subsidiary but important motifs in the new pattern continued to be worked out, e.g., in respect of world food production and supplies, of technology transfer and use, of trans-oceanic shipping, of the nature, objectives and behaviour of transnational corporations, of the impact of inflation, of invisibles and of population and unemployment. Special attention was directed towards identifying the particular problems and potentials of least developed, landlocked and island countries and a programme designed to assist them. A major development is reflected in General Assembly Resolution 3362(S-VII) which seeks to extend and combine many elements into a single comprehensive pattern.

4. It is noteworthy that most of the later resolutions and declarations include a plan of action. This is to emphasize the determination of participant States to see that specific concrete actions follow these decisions and recommendations. This consorts well with the self-examination now in progress within the United Nations system in relation to the challenges of the future and proposals for improving the impact of the United Nations system as a whole at the regional level. These decisions and the policy and institutional changes they specify or imply reflect the conviction that not only was the structure of international economic relations, as it had existed, an ill-suited framework within which to attempt solutions of apparently intractable world social and economic problems but that the solutions proposed or attempted were no more than palliatives of decreasing effect. Perhaps, nowhere is this more obvious than in the area of international monetary and financial relations.

5. It will thus be clear that repeated additions to and modifications of the work programme are not only unlikely to bring it into line with the major shift in understanding, perspectives and decisions just described but tend to destroy whatever unity it had. Reconsideration of the whole basis for the formulation of the work programme has therefore become necessary.

6. Before the basic assumptions for revising the work programme can be determined it will be necessary to see what lessons can be learned from the past by a broad examination of trends in socio-economic policies and programmes in the fourteen years since 1960. This should provide guidelines for considering the regional interpretation to be given to the propositions of the New International Economic Order taking into account recent policy decisions by African Heads of State and Governments and ministerial conferences.

## II. Review of policy and programme trends in Africa (1950-1974)

7. When the Governments of the newly independent States in Africa were established, they were faced with the need to fulfil the promises they had made during the pre-independence period to improve the standard of living of their people and to diversify their economy. However, the constitution and administrative machinery they had inherited were of limited scope. They had been designed primarily to establish a framework of law and order within

which it would be possible for agents of production and distribution from the respective metropolitan countries to organize and direct economic activities to their own interests.

8. The African countries also inherited theories of development and economic growth, some of which linked the rate and direction of internal socio-economic change with export markets and with imports of skills, technology and capital goods and services and modern consumer products. Discussions centred on trade gaps, savings gaps, investment gaps with insufficient attention to natural resources availability, local entrepreneurship, skilled manpower and technology and the domestic market. Most Governments, in seeking to put these theories into practice and to accelerate economic growth and diversify their economy, reinforced the existing pattern of production, exportation and the import of factor inputs from abroad. This led to, what was thought to be, the first major crisis in socio-economic policy-making and implementation in Africa: instability in export volumes, prices and export proceeds and their impact on planned economic growth, intensified by the limited range of export products on which each economy depended for financing imports. In countries dependent on exports of minerals and hydrocarbons, foreign ownership and control placed narrow limits, until the 1960s, on the financial and other contributions of exports to economic growth. The elements in this crisis may be summarized as follows: the relatively low elasticity of demand for agricultural export products; the attempt of many developing countries to expand production and exports in an effort to compensate for falling prices; the differing elasticities in the production of tree crops and annual crops in response to changes in export demand; the fact that for products such as beverages the volume of consumption was habit-determined; a shift in consumption pattern in developed countries in favour of consumer durables; the emergence of synthetic substitutes; the slow growth of population and various cyclical factors in the advanced countries. The expanding demand in the developing world for manufactured goods from the advanced countries at a time when internal factors in those countries tended to produce an upward shift in costs of production caused the prices of manufactures to rise and weakened the terms of trade of the developing vis-à-vis the developed countries.

9. To halt the shrinkage in the foreign exchange earnings of individual developing countries, a policy of diversifying the production of agricultural export commodities was accepted without taking account of the geographical and commodity constraints on exports from the whole of the developing world to advanced countries. This policy was based on the argument that developing countries were monocultural; i.e., that they were excessively dependent on the production and export of only one or two crops, such as coffee, cocoa, tea, groundnuts, rubber, sisal, cotton, palm kernel and oil and bananas. Within a few years this policy resulted in a greater number of agricultural export commodities in surplus supply on the "world" market (i.e., the market in the advanced countries).

10. These problems were worsened by inflation and periodic recession in developed countries, rising payments to factor incomes abroad, and by the impact on the imports of developing countries of a grossly unbalanced internal distribution of effective demand within the developing countries.

11. Economic experts argued that the solution to these problems lay in multinational arrangements for commodity management and price stabilization. Experience quickly revealed the limitations of such policy arrangements, first, because of the high cost involved; second, because many of the products concerned were susceptible to quality deterioration and third, because non-members driven by necessity, undermined the pricing formula by increasing production and selling below the price floor agreed upon by participants. In addition, the developed countries seemed to be lukewarm about the effectiveness of these arrangements. In the meantime, the foreign exchange reserves of the developing countries were being rapidly eroded, and Governments sought to cope with this crisis by obtaining financial aid in the form mainly of grants, technical assistance and loans.
12. The next stage in the evaluation of socio-economic policy-making in developing Africa was the adoption of import-substituting industrialization. In Anglophone Africa, its roots lay partly in a well-meant belief of colonial administrators that some effort should be made to encourage small-scale local industries. The pattern of distribution of effective demand, the poverty of national transport and communications systems and of the network for the distribution of both capital and consumer goods, the unbalanced internal specialization of production for exports and the large and growing absorption of resources by the capital and a few other cities practically determined the structure and location of this phase of industrialization: a concentration on small-scale consumer goods production for national urban markets that were not only small but highly fragmented, encouraged by fiscal and other concessions and protected by tariffs. Soft drinks, textiles, soap, canvas shoes, furniture, beer, matches, and tablets gave way to cement, paint mixing, glass cutting, welding as the building and construction industry tended to expand, and finally to liquor, assembly plants, printed textiles, leather and plastic footwear.
13. The heterogeneous character of these industries, their interminable need for subsidies in one form or another, the considerable dependence of many of them on imported factor inputs and their failure as a whole either to mitigate unemployment or to provide a dynamic thrust to the economy are not now seriously questioned.
14. The conjuncture of inadequate foreign exchange resources (whether from exports, loans or aid) combined with the global expansion of large firms in search of efficient production and marketing opportunities laid the grounds for the next shift in policy: the encouragement of local manufacture for export, originally based on the highly particular experience of a small number of developing countries in encouraging the local manufacture of components by transnationals for export, assembly and world-wide distribution. The transnational was supposed to offer a unique and vital package of benefits to developing countries: managerial and technical skills, technology, finance capital and access to world-wide markets. The conditions under which this package could substantially contribute to the generation of internal dynamic growth and diversification and to increasing self-reliance in planning and executing such expansion are not yet the subject of full study within the region. What seems clear is that there is no necessary connexion between the claims and the facts. The transnational may well represent the most advanced form of monopoly and its local operations the most enervating type of enclave.
15. A by-product of this phase was the emergence of the argument for the mobilization of domestic resources. Properly conceived this concept would include manpower, natural resources, R & D facilities, institutional as well as financial resources. However, in the actual discussions, 'resources' was defined to mean financial resources and much

attention was given to the development of savings banks and similar institutions with little regard to the fact that firstly savings must be convertible into capital goods and services; secondly, the pattern of such transformation would be determined by the pattern of local capabilities in creating capital goods and services, especially where convertibility was limited or complementary foreign exchange was unavailable. Inevitably, the expansion of infrastructure and of the building and construction industry absorbed a large proportion of savings whilst dependence on foreign sources of supply for simple tools, spare parts and components increased. The global expansion of transnationals in banking introduced sophisticated approaches to local financial resources mobilization and facilitated the deployment of such resources to supplement the needs for local finance of transnationals in the extractive, manufacturing and other sectors. Clearly, therefore, the approach to industrial development through conventional import substitution would require a considerable 'natural' expansion of demand for consumer goods in order to induce viable backward linkages with basic industries.

16. During this period the concept of trade as the engine of growth underwent a number of changes which were for some time unrecognized. The first was the major shift of consumption demand in developed countries from basic necessities - associated with imports of tropical agricultural products - to a demand for consumer durables largely dependent on minerals and, in consequence of the plastics revolution, on petroleum and natural gas. A further shift in demand followed in favour of services rather than more goods. At the same time, the continuing technological revolution greatly increased the capacity of advanced countries to produce goods. Associated with this have been improvements in the technology of agricultural production. The combined effect of these shifts, of the revolution in technology and of generally low rates of population growth has been to reduce dependence on agricultural imports from developing countries, a change in the composition of imports in favour of producers of minerals and hydrocarbons (including, currently, producers of nuclear energy resources) and a tendency to saturation as advanced countries expanded production of consumer durables for sale to each other.

17. A phenomenon of this period was the rise of the transnational corporations equipped with, or having access to, massive financial assets, commanding considerable resources of managerial, technical and marketing competence and gradually attracted by the possibilities of exploiting specific comparative advantages in different locations in order to achieve least cost production for global markets, or of exploiting large national or multi-national markets. Transnationals therefore tended to integrate backwards in order to establish control over raw material supplies or to undertake pre-emptive investment to establish a hold on potentially promising markets. They were supposed, in a manner rarely spelled out, to be capable of conferring permanent benefits to host countries. This would ordinarily mean the equipping of local people with managerial and production skills over and beyond the needs of the individual transnational; making technology available either at lower cost or on easier terms to the economy not only for the transnational's own operations but also to meet the host society's needs for accelerated and diversified growth; promoting supplier services through local purchase policies; taking initiatives in recognizing and establishing backward and forward production linkages; deliberately considering and choosing technologies that would increase labour employment; encouraging local R & D; contributing towards the supply of foreign exchange and towards increased public revenue. This is not an exhaustive list. For example transnationals, as users of the end-products of the educational system, are in an excellent position to contribute to curricula reform and to teaching resources both within and without the educational institution. These activities did not take place in any systematic way partly because host

countries tend to be pre-occupied, in negotiations with transnationals, with the financial aspects rather than the substantial, real and permanent gains which could be obtained. Partly it was due to the fact that transnationals do not yet fully recognize the scope of their commitments if they wish to grow with, rather than at the expense of, host countries. Few African States have established mechanisms for monitoring the extent to which the capabilities of which the transnational is a carrier are in fact being transmitted to nationals.

18. From the point of view of developing countries transnationals could be divided into four groups: those with interest in the manufacture of components in several developing countries (based on specific comparative advantages) for assembly and sale on world markets; those engaged in the production and sale of metals and engineering goods and interested in establishing secure supplies at reasonable prices of mineral ores and those interested in the nurturing and exploitation of large national or multinational markets for a limited range of manufactures for local sale; those engaged in the exploration, extraction, processing and sale of crude petroleum and natural gas.

19. The present size of national markets for manufactured products makes it inevitable that transnationals concentrate in the extractive industries and in areas of mass market potential such as pharmaceuticals and the soft drinks industry.

20. As regards multinationals in the extractive industries the challenge to strategy and policy lies in the fact that transnationals in metals and engineering are seeking to integrate backwards into mining whilst mineral producing countries are seeking to integrate forward through increased local processing and participation in downstream operations.

21. In the case of transnationals engaged in manufacturing for export the critical issue is the extent to which such activities contribute substantially to the local development and relatively free use of skills, technology and other components of dynamic local growth in return for access to the special comparative advantages offered by the host country. In general the issue of effective participation (whether by host governments or indigenous businesses) and of the establishment of strong links with the national economy turns partly on the strategy pursued by the transnational and partly on the perceptions as well as the bargaining strength of the potential host country, and its advantages vis-à-vis other potential host countries. Where, for example, highly classified technological or design information is critical or where downstream operations can only be safeguarded by exclusive access to raw materials, the transnational places emphasis on sole ownership of subsidiaries. Where production operations are highly routinized, opportunities for innovative skill development and for experimentation in design and materials are limited. These illustrations do not cover more than a few characteristics of transnationals and their operations. They are merely intended to illustrate a point. The claim, therefore, that transnationals inevitably confer advantages in terms of managerial and operative skills, technology, additional financial resources and access to markets requires concrete interpretation in each case and special measures to ensure that these advantages accrue, in fact, to the national community as a whole.

22. The synthetic description of the development of the region's economy set out in the preceding paragraphs is disputed on two counts: firstly that the terms of trade, when analysed ex post, do not reveal persistent adverse movements against developing countries collectively (and it is sometimes postulated, individually); secondly that similar

analyses disproves the thesis of instability in export earnings and the impact of such instability on planned development. The debate appears unresolved both on grounds of conceptual differences and of statistical methodology. However, this debate is irrelevant to the issues to which attention is drawn in this chapter. The first issue is that policy-makers inherited from colonial administrations socio-economic development policies of a particular style and with particular implications not fully or even mainly in correspondence with the declared objectives of the leaders of the newly independent States. It must be borne in mind here that apart from the dominance of the interests of former metropolitan countries, the available pool of knowledge and experience of how economies grow and how socio-economic changes can be managed was limited.

23. The second issue is that even after independence policy-making in Africa took the form, in most cases, of successive responses to diagnoses of social and economic ills as well as prescriptions for those ills originating outside the region. Both the diagnoses and the prescriptions were greatly influenced not only by a firm belief in the efficacy of international trade and associated economic relations as an engine of desirable economic growth and social change, but also by strong adherence to a particular interpretation of the genesis of international trade. Reformulations of trade and growth theories were believed to be universally valid whereas they were historically and culturally conditioned and highly particularistic. Each reformulation led to shifts in diagnoses and prescriptions which were then urged upon and often adopted by policy-makers in developing regions with the consequence described in the preceding and the following paragraphs. An illustration of the misconceptions that underlie international economic relations and the concept of economic inter-dependence is provided by the categorization of developing countries as 'have-nots' and developed countries as 'haves'. This in no way corresponds to reality but has provided the philosophical framework for both sides in international negotiations for over two decades.

24. As technological and social changes occurred within the advanced countries, their demand for financial and real resources expanded, and this led to a gradual substitution of loans for grants to developing countries and, as time went on to a hardening of loan terms. The internal demand in advanced countries for real factor inputs, some of which resulted from policies designed to promote full employment, affected the cost of such inputs to developing countries. Developing countries were therefore urged to rely more on attracting foreign private investment through fiscal and other concessions than on aid, but the size and structure of markets in developing Africa made it inevitable that such investments should, as has just been pointed out, be directed towards industries producing high-cost goods behind high tariff barriers for narrow, fragmented markets. In many cases the bulk of factor inputs (management, technology, equipment, production and marketing skills) were imported. The lack of sophisticated local capabilities in designing and implementing major public projects severely altered the shape of national plan investment, affected plan targets and frequently involved substantial cost overruns in national development plans. Furthermore, most national development plans assumed that the private sector (especially the indigenous business sector) could, without difficulty, identify investment opportunities in the plan, had the capabilities required for responding to these opportunities and was sufficiently motivated to do so. These assumptions were not often justified in the outcome. The Governments of the developing countries soon found themselves over-burdened with mounting external debts and were frequently forced to embark on costly refinancing operations and protracted negotiations over the re-scheduling of debt payments. The cumulative effect of these trends was to divert an increasing share of export earnings to meeting debt-service charges.

From the post-war boom until 1974, it could be said that long-period cyclical changes were super-imposed on a major shift in the pattern of demand for imports in advanced countries. Exporters of minerals, petroleum and tropical timber tended to benefit whilst exporters of many other agricultural products suffered.

25. Up to this point the crises which tended to absorb the talents and energies of political leaders, policy-makers and planners were largely externally induced. In the meantime an internal crisis was taking shape. It arose out of the disparity between the rate of population growth and of net additions to the labour force on the one hand and the rate of expansion of employment opportunities on the other. This, by itself, would probably have remained unrecognized but for the increasing flow of rural migrants to the few large cities and towns, especially the capital city, for whom employment opportunities could not be generated within the existing structure of the urban economy. This structure was characterized by the limited size and fragmented nature of domestic demand; the use of capital-intensive methods encouraged by generous financial incentives to foreign private enterprise, which had the effect of altering the relative cost of labour and capital; the paucity and limited competence of entrepreneurs; and the repeated failure of public sector projects to take shape with the result that potential private sector projects dependent on such public sector projects were aborted. Moreover, the nature of import-substitution industrial production was such that it could not generate the intra-sectoral and inter-sectoral linkages and effects which would have given rise to additional employment.

26. No strategy or set of policy formulations can be expected to be widely adopted or even considered unless governments, advisers on economic and social policy and planners perceive a need for change and are sufficiently familiar with their national socio-economic structures. Because government policies in newly independent States were largely influenced by external factors, insufficient attention was paid to the inherited structure of the national economy. This structure was made up partly of a vast rural population engaged in subsistence production with a relatively small surplus for sale; partly of foreign-owned and operated plantations, mines and banking, financial and trading institutions; partly of a few large towns and cities functioning as administrative, mining and trade centres, which were basically extensions of the marketing system of the metropolitan powers. This enclave-dominated structure affected transportation networks, communications links, research institutions and even the educational system.

27. The statistical and other information on which planning was based tended to be markedly affected by the outward orientation of national strategy and policy-making. For example, the natural resource base (and its ecological aspects); the range and quality of research capabilities; population characteristics and distribution; the nature and functioning of internal markets; the sectoral distribution of productive resources; the volume and pattern of investment and the motivations for investment choices; the characteristics and provenance of agents of production and distribution; the structure, purposes and functioning of financial institutions, and the impact of imported technology received less attention than is now seen to have been needed.

28. Social factors, as either determinants or results of planned economic growth, received too little a recognition in planning concepts and procedures; and the manipulation of uncertain aggregate statistics was substituted for an understanding of the dynamics of social and economic change in rural societies and its impact on plan targets and on project design and implementation. The dominance of policy and planning

by a limited range of statistical and other information aggregates also tended to deflect attention from the spatial and qualitative aspects of development and economic growth. The majority of populations continued to be engaged in activities of relatively low productivity, low incomes and low bargaining power.

29. Well before the recent proposals aimed at the formulation of strategy and policies were adopted under the heading of the New International Economic Order, African Governments had come to realize that a substantial measure of economic independence was a necessary concomitant of political independence: but neither an adequate conceptual framework nor a set of tested policies or institution to achieve this objective existed. A great many resolutions and recommendations adopted at international and regional conferences dealt either with the general desirability for accelerated, self-reliant growth and diversification or with particular topics of relevance to that issue, such as agriculture, industry, manpower and technology, raw materials, transport and telecommunications, unemployment, rural development and the mobilization of domestic resources.

30. Gradually, the main features of individual African economies as they had evolved until the 1960s came to be recognized: a high level of unbalanced internal specialization developed in response to the behaviour of demand in the metropolitan country and -- to some extent -- its trading partners; the effect of the choice of location for investment by metropolitan companies from among colonial or otherwise dependent territories; the limited volume and range of technical skills locally developed; the fact that the technologies employed were mostly restricted to export crops and minerals and their application contained within narrow channels; the fact that managerial and marketing competence was confined partly to the foreign company's headquarters and partly to imported management; consequently that infrastructure and such complementary institutions as banks, insurance companies, shipping services had taken shape to serve the needs of production and exports based on this narrow basis of specialization; that no mechanisms existed for promoting spill-overs of technical skills, production and marketing management, technology and supporting services into other parts of the economy; the relative economic and social isolation of the rural sector.

31. The relative impact of external economic relations and the level of development they have now reached differed from country to country partly as a function of the time over which these relations have persisted and partly as a function of the specific interests of former colonial powers. This is most clearly seen, as is shown later, in the case of the 18 countries now described as least developed. Even in respect of others not included in the classification many are characterized by overdependence on one or two agricultural export products or minerals and since e.g., beverage crops, oilseeds, fibres differ in their potential for spreading development it is not surprising that different countries have reached different levels of development.

32. Considerable effort was put into internalizing the ownership of sources of finance, such as banks and insurance companies, and services in such fields as civil aviation and shipping. In several countries far-reaching measures were taken to substitute indigenous agents of production and distribution for foreign ones. Some governments implemented successful programmes aimed at nationalizing or securing majority control of foreign enterprises and foreign-held mining and mineral processing rights. This provided considerable elbow room for redesigning the socio-economic growth and diversification. Only in a few countries was it recognized that massive internal social and economic changes usually precede and accompany this process and that such changes must constitute a major issue in



economic and social policy and planning. In particular they require a carefully evaluated expansion of the role of government (including local government) with special attention being given to the re-organization of machinery and procedures and a re-ordering of relations with the private sector.

33. Thus an inevitable pre-occupation with externally induced problems and the inherited socio-economic structures made it difficult until recent times to design national policies and strategies and sufficiently effective plans for utilizing domestic resources more fully for self-sustaining growth and diversification. In spite of heroic investments of resources in infrastructure, education, and rural development in many African countries, many of the constraints noted earlier (e.g., inadequate supply of skilled manpower, extensive dependence on foreign agents of production and distribution, poor knowledge of natural resource endowments, external orientation of transport and communications, fragmented domestic markets, reliance on external supply of capital goods and services, mounting external debts, the slow development of technology) continued to impede planned development and economic growth.

34. Gradually it became clear to political leaders, policy-makers and planners within the region that in spite of ample natural resources, a favourable population to natural resources ratio, generous and even indiscriminating incentives to foreign private enterprise, in spite of participation in numerous conferences, of adherence to orthodox theories and prescriptions, neither high rates of growth nor of diversification nor an increasing measure of self-reliance and dynamism seemed to be much nearer achievement.

35. Yet foreign companies continued to immigrate into the region; transnational corporations continued to earn substantial incomes from the extraction and export of natural resources or from the oligopolistic exploitation of national markets behind protective barriers. Disparities in income levels grew with grave effects on the composition of imports (and import substituting industrialization) and on the balance of payments. The region exported agricultural products at low prices to finance imports of food, simple tools, implements and spare parts and components for almost all types of equipment.

36. The importance of the unfolding of the conceptual basis of the New International Economic Order seems to be firstly that it crystalized doubts about the old order and secondly that it outlines the features of the new order and indicates how it may be brought into being. Considerable emphasis is placed on the extent to which the exploitation (requiring exploration and inventory) of natural resources can provide an important part of the platform for take-off. Since the region is believed to be amply endowed with such resources the New International Economic Order opens up extremely significant perspectives for international trade. By linking natural resources to the structural development of industry and linking industry to other sectors it seeks to provide an engine of growth and diversification long missing in the region. Considerable emphasis is also laid, directly or indirectly, on two critical matters: co-operation among developing States and regions and firm, self-reliant decision-making and implementation by governments.

37. As agricultural products for export expanded, as new hydrocarbon and mineral resources were discovered (whilst it was at the same time recognized that the region's energy and mineral resources were still little known and exploited), as the small number of foreign and indigenous entrepreneurs prospered, the concept of a poor, as distinct from an insolvent, region, became difficult to sustain.

38. As with all global prescriptions, the action proposed under the New International Economic Order must be interpreted and applied in the light of social and economic realities and objectives at the national and regional levels.

III. Action proposed under the New International Economic Order and its implications for accelerated development in Africa

39. The set of resolutions adopted in different forums and aimed at the establishment of a New International Economic Order have as their major objective a rearrangement of the international economy in such a way as to remove constraints on international trade which now affect both advanced and developing countries, to facilitate the acceleration and diversification of economic growth in the Third World and to lead to the design of a framework of policy and action within which critical problems which beset the Third World (such as rapid population growth, mass poverty, unemployment, uncontrolled urbanization, underutilization of resources, neglect of the development potential of women and youth) can be handled with greater facility and greater certainty of success. Special emphasis is laid on the adoption at the international, regional and national levels of policies and measures which lead to dynamism and self-reliance in social and economic development.

Restructuring international trade

40. The importance to the region of extra-African trade for obtaining the means of dynamic self-sustaining growth requires that the subject be closely examined. International discussions on international economic relations in the late 1950s and early 1960s were dominated by the North-South problem, the threat of open conflict between the rich and the poor. In the 1960s the rapid expansion of trade among advanced countries gradually led to the placing of emphasis, in international negotiations, on the means of accelerating and facilitating such trade and on the substitution of consideration of problems of military, political and trade relations between the East and the West for consideration of trade and economic relations between the rich and the poor. This did not dispose of the problem of international economic relations as a whole.

41. One of the major objectives at the international level, therefore, is the restructuring of international trade to enable developing countries to export increasing quantities of traditional (agricultural) products to advanced countries at remunerative prices in what are implicitly conditions of potential over supply. The removal of these barriers would be extended to agricultural products processed locally and to manufactures. On the part of developed countries, this would require the removal of tariff and non-tariff barriers against imports, including imports of manufactures, from the developing countries; the expansion of the Generalized System of Preferences (GSP) and the restructuring of the internal economies of the developed countries to accommodate an increased volume of imports from the developing countries. These measures would be supplemented by the establishment of commodity management and stabilization schemes and by linking, through indexation, changes in the prices of primary products exported by developing countries to changes in the prices of manufactured products imported by the developing countries from the developed countries. Developing countries for their part, would be expected to participate in commodity management schemes, to increase their production of processed products for export, to diversify their production of manufactures, to orient their industrial production towards markets in advanced countries and to encourage such exports by subsidies and other measures, to establish and support producers associations and to participate fully and effectively in international trade and monetary negotiations.

Processing and manufacturing for export

42. These proposals would seem, at first sight, to imply a structure of international trade in which the large number of countries constituting the Third World would continue to export increasing quantities of the same products (as determined by the import demand of the advanced countries), whether processed or unprocessed, to the relatively small number of industrialized countries. This remains true even when account is taken of the relatively high per capita demand in the industrialized countries. They conceal the same fallacy that characterized the policy to diversify agricultural production for export purposes and it is possible that the same commodity and geographical constraints which resulted in agricultural surpluses may now affect processed agricultural products and manufactures.
43. Secondly, the accrual of substantial gains to the developing economies as a result of increased local processing of agricultural products for export would depend largely on the extent to which local processing industries depended on internal factor inputs. This is a matter of particular importance to the 18 least-developed countries in the region.
44. The prescription of expanded manufactures for export - the second of the major recommendations at the level of international economic relations - deserves special attention in view of the frequency with which it is stressed. It is implicit in the proposition that such manufactures should be directed, in the first instance, to advanced industrial countries since the object is to earn foreign exchange to finance imports of skill, technology, capital goods and services which advanced countries can supply. When it is taken into account that the economies of advanced countries already find it difficult to accommodate imports of manufactures from such sources as Japan, Hong Kong and India, which are now described as areas of 'abnormal' or 'disruptive' competition and account for only a small share of the imports of manufactures into the developed countries, the difficulties of applying this prescription to the whole or most of the Third World become obvious. It should be noted that in the case of Japan, for example, exports of manufactures account for only 10 per cent of total production. Develop 3 countries already encounter difficulties in producing increasing quantities of the same manufactured products for export to each other and trade discussions among them include the avoidance of increased protectionism and the imposition of voluntary restraints on exports. In respect of exports of manufactures from developing countries, they would be required to make political, social and economic adjustments to accommodate these on a large and increasing scale, particularly where the impact of such adjustments might fall on labour-intensive industries in developed countries which become exposed to competition from labour-intensive industries in developing countries. Moreover, manufactures from developing countries would have to stand up to competition in terms of quality and price from products manufactured in advanced countries.
45. It would be helpful to review the relations between extra-African trade, intra-African trade and dynamic growth and diversification by considering the pattern of exports of manufactures to advanced countries. On the basis of recent studies by UNCTAD, developing countries exporting manufactures to advanced countries may be divided into four groups: those with an already broad industrial base such as Mexico, Yugoslavia and the Arab Republic of Egypt; those whose exports are mainly dependent on the processing of one or two major natural resources such as petroleum or copper; those dependent on the local manufacture or assembly of components of fixed design and quality standards organized by

transnationals; those producing traditional manufactures such as textiles, leather goods, forest products and the like. Even in respect of textiles the overall picture of exports from developing countries shows the dominance of fabrics and clothing manufactured from imported man-made fibres.

46. The experience of the African region may be considered in terms of the association of 18 African countries with the six EEC countries over a period of more than ten years. The conclusion is briefly stated; the products of the 18 that experienced expansion in exports to the Six enjoyed no preferential treatment (copper accounted for an estimated 40 per cent and lumber 12 per cent). On the other hand, for a variety of reasons, the share of the 18 in the EEC market for products enjoying preferential treatment declined. The Preferential System could not compensate sufficiently for the effects of massive shifts in the consumption pattern in advanced countries. (It may be noted that a definition of 'manufactures' which included unwrought metals contributed to the distortion of the changes in exports from the 18 to the Six). In effect the forces which determined the pattern of trade between the 18 and the Six before association persisted in spite of the Yaoundé Conventions. The Generalized Systems of Preferences which are expected to correct this pattern suffer from defects of coverage, minimal cuts, low ceilings, too limited quotas and are subject to unilateral definitions of sensitivity and temporary institutions of protective measures. It will, therefore, be necessary to evaluate the extent to which improved arrangements such as the Lomé Convention are likely to effect fundamental changes in this pattern and in the distribution of gains between trading partners.

#### The Lomé Convention

47. The Lomé Convention represents an important pattern of economic relations between developing and advanced countries and in view of the likelihood that this pattern may be extended to cover wider General Systems of Preference a brief analysis of its implications seems necessary. The Convention contains all the principle components of dynamic self-sustaining growth and diversification: infrastructure, mining, manufacturing industry, technology, skill development, markets, industrial promotion bodies, credit facilities, linkages, finance, small, medium and large firms, participation by nationals, national sovereignty. Close reading suggests that there are two modes of acquisition of these components each with consequences very different from the other. According to one mode industry is linked with agriculture and other sectors [Art.26(c)] including mining [Art.43(2)] and the processing of raw materials (Art.29) (this presumably includes agricultural raw materials). Finance will be provided (although finance by the Bank is limited to mining, industry and tourism [Art.43(2)]). In terms of operations small firms will be linked to medium size firms and the latter to large firms, presumably through sub-contracting and joint subsidiaries (Art.32). The whole (i.e., mining, processing of agricultural raw materials, manufacturing industry plus technology, advisory services, training plus small, medium and large firms) is then tied to the Community through new industrial and trade links [Art.26(b)] operated through Community firms which will be encouraged by the Community and the ACP States [Arts.25(b), 38(2), 62]. It is possible to interpret this pattern as one which will have the effect of tightening vertical relations between the ACP States and the Community far more efficiently and far more extensively than at any time in the past. The results may well be to extend the number, variety and scope of enclaves and the strengthening of the position of foreign transnationals in the economies of the ACP States.

48. The alternative mode of securing these components is based on the basic assumption that the ACP States wish to develop within themselves internally located and relatively autonomous processes of growth and diversification and therefore need to identify the resource components they require from the Community and other sources, to marshal those that are available locally and to combine them for the purposes defined. The difference in mode of acquisition will therefore depend on the terms on which and the purposes for which components are acquired. Technology and capabilities for the metal and metal-working industries may be secured but only for the manufacture by transnationals of automotive components for assembly and sale abroad. In contrast, they may be available for the production of agricultural machinery, tools and implements for the domestic agricultural sector. Minerals may be mined to meet wholly exclusive sales contracts which have the effect of denying supplies to local metal and engineering firms. The training of ACP nationals within the Community may - in the absence of certain safeguards - lead to an external or internal brain-drain. The test therefore lies in the day-to-day application of the terms of the Convention and here it may be noted that there is a marked asymmetry in the capabilities of the ACP as compared with the Community States in capabilities for day-to-day negotiation. In these circumstances the strengthening of horizontal relations among developing countries and regions would require an uncommon measure of self-restraint, mutual confidence and firmness. It would also demand mechanisms for consultation and joint negotiation of priorities and projects more extensive and more technically oriented than those employed in negotiating the Convention itself. Perhaps more than anything else it will require a degree of generosity of the stronger towards the weaker among ACP States and, in general, an unusual grasp of economic diplomacy.

49. It will be noted, at this point, that the Convention firmly places responsibility for project selection, design, negotiation and management on the ACP States and their nationals. But it is also well known, at least in respect of African States, that this is precisely where their capabilities are limited. In effect therefore the appraisal which gives preference to the longer term perspective of self-sustaining, dynamic growth would, it is believed, place high priority on the development of African technical and entrepreneurial resources widely defined, on long-term planning for structural change and on closer and more effective co-operation among ACP States than may be foreseen at present. Priority will thus centre less on the early development of production capabilities than on technical assistance, widely and dynamically defined from the Community judiciously combined with technical assistance among the ACP States. Practically every project in technical assistance will include an effective local manpower training component.

50. The bargaining strength of the region lies partly in the fact that it is endowed with considerable but as yet little exploited natural resources in dynamic demand in traditional markets in the advanced countries (and elsewhere) and partly in the potential markets which integrated national development, together with multinational co-operation, can create. It must clearly be central to strategy in international economic relations to secure by negotiation the most effective combination of imported components of growth in return for access to the region's natural resources, domestic market opportunities and other advantages (e.g., cheap hydropower for manufacturing for export, offshore tax concessions and the like).

51. An immediate challenge presented by the Convention is the opportunity to export processed raw materials. The capability to design the necessary projects and to organize the finance and factor inputs are likely to be a severe test to most African countries, particularly the least developed, without imaginative and far-reaching assistance from United Nations and other sources in forms which will contribute to the development of local capabilities. There is a risk that the ACP States will be attracted more readily by the financial aspects of the Convention (the Stabex arrangements and the financial aid provisions) than by opportunities for gaining real advantages in skill development, technology and the like.
52. The object in presenting this treatment is to emphasize the implications of different components of proposals for restructuring international trade set out in the New International Economic Order, particularly those which relate to the development of vertical economic relations among developing countries and advanced countries.
53. The pattern of manufactures for import-substituting industrialization and/or for exports of manufactures does not necessarily establish a dynamic, inter-locking industrial structure capable of self-sustainment and of exerting important growth promoting impact on other sectors of the national economy and it is at least questionable whether the policies, measures and institutional arrangements which have brought about this pattern of industrial development can be relied upon to induce rapid, dynamic change in industry including structural relations with the rest of the national economies. The conditions in which the processing of agricultural products and the production of manufactures for export to advanced countries can be linked to the development of industry and agriculture and to rural transformation will be indicated later.

#### Transfer of real resources

54. The third major policy proposition - the large-scale transfer of real resources to developing countries - is reflected in three recommendations: indexation, technical assistance and technology. The first calls for the use of indexation to ensure greater equity in the relationship between the price of raw material exports from developing countries to developed countries and the price of manufactured imports from developed to developing countries. This involves not only deep conflicts of interest even though indexation is an attempt to reduce the damaging impact of the transmission of inflation from developed to developing countries and even though this transmission and its effects are recognized by the developed as well as the developing countries. Similarly proposals regarding the increased allocation of SDRs and even the recycling of petrodollars have been the subject of acrimonious debates, manoeuvres and counter-manoevres.
55. The problem of making technical assistance more relevant to the objectives of increased self-reliance and internal dynamic growth is as yet unresolved. For example, until educational institutions are oriented to produce African counterparts specialized in appropriate disciplines, the transmission of skills to developing countries in Africa through technical assistance will not accelerate. Some idea of the effect this drawback has had so far may be had by considering the extent to which the region relies on the services of foreign consultancy firms supplied under multilateral and bilateral assistance in carrying out pre-feasibility and feasibility studies and in the installation and management of projects both in the public and in the private sector. In the

meantime the external and internal braindrains continue to weaken the very basis of self-reliance. The role of economic co-operation in negotiating the appropriate forms of technical assistance and in creating the atmosphere and the opportunities for retaining and attracting back highly skilled Africans (who now contribute to the advancement of already advanced countries) does not seem to be yet fully appreciated.

56. Recommendations regarding the regulation of imports of technology and the terms under which imported technology is made available should not present any difficulties since models and precedents exist, but those relating to the growth of national technological capability may, in the context in which they are advanced, obscure the fundamental issues of the conditions under which technology can be most effectively domesticated and applied and of the inputs which are essential to the local development of technology.

#### Economic co-operation

57. Among the proposals which genuinely reflect a will to change the pattern of international economic relations is, first, the one which urges closer economic ties among developing regions and States and stresses possibilities for increased trade and technical and economic co-operation. Another such proposal is the one calling for co-operation with the socialist economies. Clearly, the extent to which horizontal relations among developing countries and regions can be strengthened will depend on far-reaching changes in habits of thinking, on the quantity and range of general and special information directly supplied by these countries and regions to each other, on the establishment of marketing and distribution agencies, clearing house arrangements, commodity exchange markets, links among trade associations and the like as well as on the strength of existing and prospective vertical relations between developing and developed countries and regions. Among elements to be considered are the pattern of transportation and communication and the degree of reliance on foreign entrepreneurship for production and trade.

58. Among the measures proposed to achieve co-operation at the regional level are: the co-ordination of economic policies in a system of consultative machinery; the conduct of research into new forms of co-operation, e.g., producers associations; the establishment of long-term agreements concerning product specialization and of product-sharing systems through complementarities; the adoption of special treatment of the least developed countries; the promotion of intra-regional trade and the utilization of local human resources and raw materials.

59. Recommendations concerning these measures may be divided into two groups in terms of the readiness with which governments may be expected to accept them. For example, there seem to be ground for believing that African Governments may be more likely to co-operate in the establishment of producers associations; the exploration and evaluation of natural resources, the fuller utilization of human resources, the promotion of intra-African trade and the provision of assistance to the least developed countries than in the co-ordination of economic policies and in product specialization associated with long-term purchase agreements and industrial complementarities. However, for the purposes of the implementation of the Plan of Action adopted in Lima, it is the latter areas of action that are of major importance, and this would seem to indicate that some priority should be given first to a new understanding of the imperatives and objectives of economic co-operation and second to research into new forms of co-operation. In this connexion particular attention will need to be given to opportunities for technical co-operation among developing countries and regions which are expected to be opened up with support from within and without the United Nations system.



60. The region is not without experience of attempts at economic co-operation, many of which have been only partially successful. In the case of those which were directed towards limited concrete objectives this was because the machinery for co-operation was sometimes inadequate and the gains to be made from co-operation were too long-term or too indeterminate when compared to other pressing economic problems or objectives of participant States. In the case of generalized co-operation arrangements, the existence of concepts and models in some parts of the world seems to have inhibited sufficient consideration of the concrete objectives to be attained and the manner of their attainment. In consequence greater stress has been laid on treaty-making than on the reality assumed to lie behind the treaties. Moreover, the machinery design for achieving the objectives of co-operation has frequently been restricted to the function of interpreting treaty provisions and to duties which are largely secretarial in nature. Thus, many economic activities which are normally carried out or should be carried out at the national level to sustain and improve economic organization and performance have been overlooked in the arrangements actually envisaged and effected at the multinational level. Such activities include the laying of or the improvement of the legislative foundation for the formation and operation of companies; the adoption of legislation, machinery and policy relating to the registration of patents and trade marks; the harmonization of policies towards foreign private enterprises and monopolistic business groupings (including financial institutions such as banks and insurance companies); the working out of technical quality and design standards; the orientation of research policy, institutions and priorities, and the regulation of transport, to name only a few. Moreover, it is not often recognized that the level of competence and efficiency of the machinery at the multinational level depends on the level of competence and efficiency of the machinery at the national level, and vice versa.

61. For economic co-operation arrangements to be effective, there must be agents of production and distribution which are able and willing to exploit the opportunities which the arrangements provide. In terms of increasing self-reliance these must now more and more be interpreted to mean indigenous agents of production and distribution and is a matter which must be given close and early attention since it is the agents of production and distribution who determine whether co-operation is a success or a failure.

62. Finally there have been open disputes over, and latent resistance to, the location of basic industries in circumstances where the precise amount and character of net benefits accruing to individual partner States have not been convincingly demonstrated. As a result, the establishment of such industries on a multinational level has been repeatedly postponed. It is possible that a re-examination of the bases of these disputes and the devising of special arrangements may remove the difficulties which hamper progress.

63. It is frequently argued that two other factors of even greater significance need to be taken into account: the political will to co-operate i.e. to pool sovereignty in order to advance commonly perceived interests, and the powerful and persistent vertical links with former metropolitan countries and traditional trading partners. There are, however, sufficient examples of the existence of the will to co-operate not only in general terms on such issues as those considered by international conferences on trade and development or the negotiation of the Lomé Convention but on more concrete matters such as river basin development, cartographic centres, clearing house arrangements. Broadly put, the scope and firmness of the political will to co-operate would seem to be markedly influenced by the clarity and speed with which policy-makers are able to define, on the one hand, the alternatives to co-operation and, on the other, the point at which a balance can be struck between retaining individual national identities and protecting individual national interests and accommodating the economics and politics of scale.



Least developed countries

64. During the past few years there has emerged a gradual recognition that a number of developing countries have remained at a lower level of development achievement than others. On the basis of selected indicators, it has been established that 18 out of the 27 least developed countries in the world are located in the Africa region.

65. Of these 18 countries, 10 are land-locked. Any attempt to apply the concepts of self-reliance and dynamic growth to least developed countries must begin by a consideration of the characteristics which distinguish them from other developing countries and of the broad factors which cause them to lag behind the others in socio-economic change and economic performance. The first of these factors appears to be that their former colonizers perceived relatively few opportunities for economic production for export. The second broad factor, which is not wholly independent of the first, seems to be the degree to which they were suitable for European settlement. In the case of those that were land-locked, the effects of these factors were reinforced by the high cost of transporting products from them to the coast, which seriously diminished their net earnings of foreign exchange. High transport costs also affected their imports of capital and consumer goods. Even today, when concessions permitting local processing of agricultural products before export are being negotiated with advanced countries, transport costs continue to put the land-locked least developed countries at a serious disadvantage compared with their coastal neighbours.

66. In general, the effect of the benign neglect to which least developed countries were subject is reflected, to varying degrees, in somewhat rudimentary administrative machinery, in markedly less well developed infrastructure than other developing countries and in a minimum amount of investment in manpower development and research.

Action at the national level

67. At the national level the recommendations primarily concern transforming internal socio-economic structures, ensuring a higher local content of value-added in production; adopting an integrated and multi-sectoral approach to planned growth and, in particular, fostering the complementarity between agriculture and industry, developing basic industries and providing improved and expanded training opportunities more closely geared than in the past to needs for skilled manpower. Priority is also given to sovereignty over natural resources, agrarian reform, increased food production and institution building.

Sovereignty over natural resources

68. The proposals for the establishment of the New International Economic Order lay renewed emphasis on effective control by developing countries over their natural resources and on the harmonization of policies for the exploitation, conservation, transformation and marketing of those resources as being indispensable for the economic and social progress of the countries concerned. That sovereignty over natural resources is included in many recent resolutions and declarations suggests that substantial difficulties may lie in the way of its exercise. Sovereignty would, in the African context, require increased knowledge of the object over which it is to be exercised, increased capability to determine when, how, why and by whom these resources are to be exploited and the terms and conditions of such exploitation. Finally, sovereignty would imply the capability to protect such resources, particularly those located offshore, from unauthorized or wasteful exploitation. Important components

60. The region is not without experience of attempts at economic co-operation, many of which have been only partially successful. In the case of those which were directed towards limited concrete objectives this was because the machinery for co-operation was sometimes inadequate and the gains to be made from co-operation were too long-term or too indeterminate when compared to other pressing economic problems or objectives of participant States. In the case of generalized co-operation arrangements, the existence of concepts and models in some parts of the world seems to have inhibited sufficient consideration of the concrete objectives to be attained and the manner of their attainment. In consequence greater stress has been laid on treaty-making than on the reality assumed to lie behind the treaties. Moreover, the machinery design for achieving the objectives of co-operation has frequently been restricted to the function of interpreting treaty provisions and to duties which are largely secretarial in nature. Thus, many economic activities which are normally carried out or should be carried out at the national level to sustain and improve economic organization and performance have been overlooked in the arrangements actually envisaged and effected at the multinational level. Such activities include the laying of or the improvement of the legislative foundation for the formation and operation of companies; the adoption of legislation, machinery and policy relating to the registration of patents and trade marks; the harmonization of policies towards foreign private enterprises and monopolistic business groupings (including financial institutions such as banks and insurance companies); the working out of technical quality and design standards; the orientation of research policy, institutions and priorities, and the regulation of transport, to name only a few. Moreover, it is not often recognized that the level of competence and efficiency of the machinery at the multinational level depends on the level of competence and efficiency of the machinery at the national level, and vice versa.

61. For economic co-operation arrangements to be effective, there must be agents of production and distribution which are able and willing to exploit the opportunities which the arrangements provide. In terms of increasing self-reliance these must now more and more be interpreted to mean indigenous agents of production and distribution and is a matter which must be given close and early attention since it is the agents of production and distribution who determine whether co-operation is a success or a failure.

62. Finally there have been open disputes over, and latent resistance to, the location of basic industries in circumstances where the precise amount and character of net benefits accruing to individual partner States have not been convincingly demonstrated. As a result, the establishment of such industries on a multinational level has been repeatedly postponed. It is possible that a re-examination of the bases of these disputes and the devising of special arrangements may remove the difficulties which hamper progress.

63. It is frequently argued that two other factors of even greater significance need to be taken into account: the political will to co-operate i.e. to pool sovereignty in order to advance commonly perceived interests, and the powerful and persistent vertical links with former metropolitan countries and traditional trading partners. There are, however, sufficient examples of the existence of the will to co-operate not only in general terms on such issues as those considered by international conferences on trade and development or the negotiation of the Lomé Convention but on more concrete matters such as river basin development, cartographic centres, clearing house arrangements. Broadly put, the scope and firmness of the political will to co-operate would seem to be markedly influenced by the clarity and speed with which policy-makers are able to define, on the one hand, the alternatives to co-operation and, on the other, the point at which a balance can be struck between retaining individual national identities and protecting individual national interests and accommodating the economics and politics of scale.

### Least developed countries

64. During the past few years there has emerged a gradual recognition that a number of developing countries have remained at a lower level of development achievement than others. On the basis of selected indicators, it has been established that 18 out of the 27 least developed countries in the world are located in the Africa region.

65. Of these 18 countries, 10 are land-locked. Any attempt to apply the concepts of self-reliance and dynamic growth to least developed countries must begin by a consideration of the characteristics which distinguish them from other developing countries and of the broad factors which cause them to lag behind the others in socio-economic change and economic performance. The first of these factors appears to be that their former colonizers perceived relatively few opportunities for economic production for export. The second broad factor, which is not wholly independent of the first, seems to be the degree to which they were suitable for European settlement. In the case of those that were land-locked, the effects of these factors were reinforced by the high cost of transporting products from them to the coast, which seriously diminished their net earnings of foreign exchange. High transport costs also affected their imports of capital and consumer goods. Even today, when concessions permitting local processing of agricultural products before export are being negotiated with advanced countries, transport costs continue to put the land-locked least developed countries at a serious disadvantage compared with their coastal neighbours.

66. In general, the effect of the benign neglect to which least developed countries were subject is reflected, to varying degrees, in somewhat rudimentary administrative machinery, in markedly less well developed infrastructure than other developing countries and in a minimum amount of investment in manpower development and research.

### Action at the national level

67. At the national level the recommendations primarily concern transforming internal socio-economic structures, ensuring a higher local content of value-added in production; adopting an integrated and multi-sectoral approach to planned growth and, in particular, fostering the complementarity between agriculture and industry, developing basic industries and providing improved and expanded training opportunities more closely geared than in the past to needs for skilled manpower. Priority is also given to sovereignty over natural resources, agrarian reform, increased food production and institution building.

### Sovereignty over natural resources

68. The proposals for the establishment of the New International Economic Order lay renewed emphasis on effective control by developing countries over their natural resources and on the harmonization of policies for the exploitation, conservation, transformation and marketing of those resources as being indispensable for the economic and social progress of the countries concerned. That sovereignty over natural resources is included in many recent resolutions and declarations suggests that substantial difficulties may lie in the way of its exercise. Sovereignty would, in the African context, require increased knowledge of the object over which it is to be exercised, increased capability to determine when, how, why and by whom these resources are to be exploited and the terms and conditions of such exploitation. Finally, sovereignty would imply the capability to protect such resources, particularly those located offshore, from unauthorized or wasteful exploitation. Important components

of sovereignty would include special competence in the design and application of royalty and tax systems, in the economics and legal aspects of natural resources and in the analysis of market information. In particular sovereignty may involve reforms of the national mining code or of laws relating to forest, fishery and other resources and of company law. Where sovereignty is interpreted to include the gradual assumption of responsibility by national authorities for all phases of natural resources exploration and development, all agreements with concessionaires should provide for a closely worked out programme of counterpart training of Africans particularly where it is intended to establish national participation or control over the exploitation of new resources. Unless, therefore, governments develop their capabilities in the location, evaluation and exploitation of their resources, African countries will continue to depend increasingly on foreign companies for the information base for national development planning and for determining natural resources policy. Similarly, unless they considerably improve their competence for negotiating the terms on which such resources are extracted, processed and exported, African economies may fail to secure the maximum benefits from these activities. Unless governments develop their capabilities in the location, evaluation and exploitation of their resources, African countries will continue to depend increasingly on foreign companies for the information base for national development planning and for determining natural resources policy. Similarly, unless they considerably improve their competence for negotiating the terms on which such resources are extracted, processed and exported, African economies may fail to secure the maximum benefits from these activities.

#### Agriculture and food

69. At the World Food Conference it was decided that all governments should accept the goal that within a decade no child would go to bed hungry, no family would fear for its next day's bread and no human being's future and capacities would be stunted by malnutrition. It was further decided that the main cause of under-nutrition and malnutrition was poverty and that the main remedy for poverty was economic and social development. Thus the Conference brought out the need to link the expansion of food production to rural transformation and to the development of other economic sectors. This could be considered as closely related to the priorities viz: (i) work on high-yielding varieties of basic food crops; (ii) filling the protein gap; (iii) a war on waste; (iv) mobilizing human resources for rural development; and (v) earning and saving foreign exchange, adopted by the Council of the FAO at its fifty-first session in Rome in October 1968. Some of the major constraints to increasing food production and productivity were identified as being inadequate socio-economic structures, insufficient investment funds, paucity of trained manpower, weak administrative capacity on the part of the governments, inadequate rural infrastructures including agricultural extension and communications, absence of family welfare services and unfavourable trade relations between the urban and rural sectors.

70. The contribution of the agricultural sector to GDP in African countries is only around 30 per cent, whereas it provides a livelihood for almost 90 per cent of the population of the continent. Thus it is characterized as having a low level of productivity and as being a poor producer of revenue. Moreover, only in rare cases is it capable of stimulating the rest of the economy. Furthermore, the secondary sectors are still too weak to subsidize the agricultural sector as they do in many developed countries.

71. Agricultural production has managed to keep pace with the population growth rate, and in the majority of African countries food production has increased very slowly. Natural disasters, and particularly the recent drought in the Sudano-Sahelian countries, have seriously affected crop and livestock production. Urbanization has also affected agricultural production either directly or indirectly. The rural exodus has lowered the number of producers, turning them into consumers with limited monetary income. This combination of factors has resulted in increasingly complex food problems in many African towns.

72. In this context, urban pressure groups, such as trade unions and civil servants' associations, are in a better position to influence economic policy than are the rural masses. Hence, the policies adopted are clearly biased towards the towns as can be seen from the fact that urban salaries and wages are raised to cope with increases in the cost of living. This trend is also reflected in high taxes on agricultural exports and low operating budgets for agricultural services, the granting of credit mainly to urban investors, the confining of road infrastructure to major highways, and so on. External aid, for its part, has until recently been more concerned with rapid and tangible achievements than with long-term, costly and unspectacular agricultural projects. Such policies have produced results which are contrary to officially stated objectives.

73. The price of foodstuffs is rising without any corresponding increase in food output; countries are more and more dependent on food imports, and agro-industries have made little progress in many countries. Agricultural production is unbalanced because not enough attention is paid to the production of food crops or to their storage and marketing. Over-exploitation of the soil leads to erosion and desertification and makes countries more susceptible to drought. The lives of small-scale farmers and nomad cattle raisers who receive limited assistance are becoming more and more difficult. The lack of investment in rural areas together with a badly conceived educational policy leads to a substantial exodus from rural areas, and this aggravates unemployment in the urban areas. This situation cannot be remedied until policy-makers become aware of its dangers and deliberately alter plan priorities and resource allocations.

#### Institution building

74. As was pointed out earlier, the structure of and procedures followed by governments were not designed to cope with problems of internal social and economic change on the scale implicit in the proposals for the establishment of the New International Economic Order, particularly when account is taken of the extensive socio-economic and technological discontinuities present in many African countries. If, therefore, the New International Economic Order is to be actively and effectively pursued, the building of a considerable number of new institutions and the reorientation of many existing ones are likely to be required in such areas as local government, research, finance, marketing and distribution and public enterprise.

#### Conclusion

75. It is obvious, therefore, that the proposals to restructure international trade, promote co-operation at the regional level and transform national domestic socio-economic structures constitute important elements in a more realistic strategy for growth and diversification and the reduction of mass poverty in the decade beginning in the second half of the 1970s.

76. It has been considered necessary to review not only trends in socio-economic policies and programmes from the 1960s to the early 1970s but also the reformulations made under the heading of the New International Economic Order so as to stress the fact that where self-reliance is concerned, general social and economic policy proposals need to be closely examined to ensure that when they are applied to regional or national realities, they do not produce effects opposite to or divergent from those intended.

77. The strategies, policies and programmes adopted in the 1950s up to the early 1970s did to some extent succeed in coping with short-term problems. They also made possible considerable investments in infrastructure, industry, agriculture and government services. However, they often paved the way for later crises. This led to the recognition by governments that for most countries in the region, a sufficient degree of self-dependence or capacity for self-sustaining growth and diversification has not emerged. As the result of a series of crises, African economies are now more than ever dependent on external markets for their products and/or on external sources of managerial and technical skills, raw materials, finance, technology and, in recent times, food.

#### IV. Recommended priorities for 1976-1981-1986

78. Economic and social development strategy as now established by the African States may be said to rest on the following basic aims: (i) the deliberate promotion of an increasing measure of self-reliance; (ii) the acceleration of internally located and relatively autonomous processes of growth and diversification; (iii) the progressive eradication of unemployment and mass poverty.

79. The principal elements in a strategy designed to achieve these objectives would include increased substitution of domestic for imported factor inputs in terms of both current and potential economic activities; measures to improve the quality and increase the supply of such factors to permit growth and diversification to meet the needs of a larger population with a higher standard of living; the installation of basic, key or strategic industries and the deliberate engineering of economic and structural links between the industrial sector and other sectors; the restructuring of domestic markets through the transformation of agriculture and the development of rural areas and through the diminution or removal of social, economic, technological and political discontinuities in national structures; the regulation of imported technology and the encouragement of local development of technology; the enlargement of markets through close economic co-operation or integration among States and, finally, the restructuring of trade between Africa and the outside world. Above all the adoption of such a strategy would mean that the formulation of national strategies and policies would derive mainly from African perceptions of African needs and potentialities and that the direction and pace of socio-economic transformation would depend on local capacity to conceive, design, install and manage productive enterprises successfully.

80. These far-reaching measures are the focal point of the Plan of Action adopted at Lima in which emphasis is placed on the promotion of integrated industrialization based on the potential of each country with the object of achieving the highest degree of interaction between industry and the other sectors of the economy, in particular, agriculture. In this connexion, the Plan of Action recommends "that developing countries should pay particular attention to the development of basic industries such as steel, chemicals, petrochemicals and engineering, thereby consolidating their economic independence...". These elements of dynamic growth and increasing self-reliance have been highlighted in recent policy statements agreed upon by Ministers and Heads of State and Government in various meetings. The main concerns of the proposals which follow are therefore the transformation of agricultural production, rural transformation and the promotion of industry, including basic industry.

#### Agriculture

81. The conventional approach to farm production has been to devise ways of inducing farming units to produce particular products for export or even for local consumption. Because food output has barely kept pace with population growth and because food imports constitute an increasing drain on foreign exchange earnings, policy makers may be inclined to give high priority to the production of specific foodstuffs. However, if self-reliance and self-sustaining farming are to be achieved, farm policy should be aimed at improving farm organization, management and incentives to enable the farming unit (the farm family) to adjust to dynamic changes in demand.

It should also mean that special effort will be required in the production and distribution of technical inputs into farming viz. improved seeds, agricultural chemicals, agricultural machinery, implements and tools associated with expanded credit facilities, innovative arrangements for training in the efficient use of such inputs and for promotion what might, in general, be called the production demonstration effect -- a method of encouraging imitation now effectively and widely used in the Peoples Republic of China. Conventional concepts of the nature, design and function of extension services may need radical change.

82. This means that agricultural policy and practice should centre around the development of effective agricultural communications which are well adapted to the circumstances of farmers so that they may be kept informed of new inputs and techniques and of the feasibility and profitability of utilizing them even if the object is to increase food output.

83. A substantial part of such a communications system would of course be devoted to training in the use of new inputs. If these inputs are to be applied by farmers there must be arrangements guaranteeing that what is produced will have a market outlet. It is now well established that for the design, production and distribution of agricultural chemicals, machinery, implements and tools, highly specialized organizations and functions must be located immediately adjacent to the farmer's production centre.

84. The intention to transform agriculture would therefore be reflected in wide-spread vigorous long-term programmes for the establishment of such industries. Since the viability of many of these industries depends on multinational markets, consultations among Governments must begin on (a) the design and implementation of projects; (b) the need for common technical design standards and (c) agencies for the implementation of projects, bearing in mind that the widespread adoption of new technical inputs in farming is often promoted by producers and distributors who undertake demonstrations, training, post-sale servicing and sometimes the provision of credit. The existence of such producers, their willingness to undertake the necessary expansion and the terms on which they would be prepared to do so should not be taken for granted.

85. It is well established that the pattern of land tenure and the associated size distribution of individual farms often impede efforts at transformation. Indeed, where the use of improved seeds, agricultural chemicals, irrigation water and power equipment is essential, the predominance of small farms may constitute a barrier to modernization. Owners of large farms are thus able to take advantage of supplies of such inputs and other arrangements and rapidly establish a widening technological, income and social gap between them and small-scale farmers. The reform of agrarian structures is no longer a matter for studies by research specialists but of urgent practical importance.

86. Power is an important input which requires special consideration. Much individual and isolated experimentation is being conducted to find ways of supplementing human power in crop production. The use of ox-drawn equipment should be expanded and its efficiency improved. Also, early attention should be given to research on intermediate technology and to making information about successful intermediate technologies available as well as promoting their use.



87. Similarly, the existing deficiencies in hydrometeorological data-collection and analysis and in the exploration, evaluation and management of water resources (including underground water resources) would seem to call for early action, particularly in determining the extent to which improved seeds, which need substantial inputs of water as well as fertilizers can be adopted. This is particularly important where the drier areas are concerned. It may also be necessary to redouble work on soil type and structures and on soil mapping in many African countries.

88. The importance of the storage of agricultural products has long been recognized and has increased as problems related to food supply and drought have arisen. Work on farm storage techniques and facilities needs to be greatly intensified and food preservation, processing and packaging must be combined. Improved techniques and facilities should therefore feature in agricultural development and communications programmes.

89. Experience in the organization of the marketing of export crops suggests that national strategy should also call for arrangements which would relieve farming units of the burden of marketing their products. The outward orientation of marketing structures and skills has engendered institutions which are ill-suited to the promotion of an efficient internal marketing system for local products. A strategy for the future would therefore provide for the design of effective institutions and policies to serve this purpose. This should include price policies aimed at increasing the real income of the farmer. As mentioned below such machinery may well take the form of a special ministry for the development of internal trade.

90. Hopes have sometimes been expressed that a Green Revolution may significantly contribute to transforming agriculture. The pre-conditions have not been fully spelled out in terms of agronomic research related to e.g. major food crops, carried out in research institutes located within appropriate eco-systems (linked to improvements in existing farming systems, production patterns and practices) and liaising effectively with major research centres such as the International Institute of Tropical Agriculture; the effective mechanisms for the communication of research results to farmers side by side with the organization of production of the required inputs including improved seeds, agricultural chemicals and water. Priority should also be given to the formulation and implementation of effective programmes for the production, certification, multiplication and distribution of improved and hybrid seeds as an integral part of the programmes for the supply of other necessary inputs.

91. The establishment of the International Livestock Centre for Africa reflects the potential of the region for the development and production of livestock not only for internal consumption but also for export. There is therefore a need to expand the activities of the Centre rapidly to integrate them with those of production centres. In this connexion, high priority should be given to the implementation of the resolutions on the eradication of tsetse fly and trypanosomiasis adopted at the World Food Conference. The policy for the improvement of livestock production should be centred on upgrading the production practices of the mass of small livestock owners with a view to increasing their productivity and income. Special

attention should be given in this respect to pasture improvement and to the co-ordination or integration of livestock production with crop production, to the supply of livestock feed and to the expansion of the use of animal-drawn equipment in crop production where necessary. The improvement of livestock marketing, including the establishment of ranches for livestock fattening, should constitute an essential part of this programme.

#### Rural infrastructure and rural transformation

92. The immediate interaction between industry, agriculture and rural transformation is likely to be expressed principally through the expansion of rural infrastructure. In this context, the development of rural infrastructure is conceived as performing four critical roles. The first is that of expanding employment opportunities in the construction of rural road networks, telecommunications, housing, power, the construction or improvement of rural townships, waterworks and irrigation canals; in the provision of health and education services; in rural industries and the implementation of conservation measures, in re-afforestation schemes and the like. The second has to do with the impact on agriculture especially the impact of demand engendered by this increased employment on food supply. The third role to be played by the development of rural infrastructure is that of opening up the market for industrial products and therefore for industrial expansion and orientation; and the fourth involves its contribution to the physical integration of the national socio-economic system. Thus, agriculture is subject to demand pressures from industry and from public works in the rural sector; industry is subject to demand pressures from agriculture and from public works in the rural sector and public works in the rural sector is subject to demand pressures from both agriculture and industry.

93. Agriculture provides at once the source of supply of agricultural raw materials for industry as well as the most promising market for industry. In many cases it also, as agricultural productivity rises, may provide surplus labour as well as investible resources for industry and other sectors. The rural sector also provides a potentially large and expanding market for both industry and agriculture, absorbs surplus labour from agriculture and is a beneficiary of resources earned in both sectors. It occupies the unique position of having close structural relationships with both agriculture and industry.

94. The transformation of the rural sector as part of national strategy also requires a reduction in the flow of migrants to a few large cities, which, in order to provide social and economic services, are now obliged to absorb resources which could have been used for rural development. What is envisaged is a deliberate programme aimed at promoting a network of rural development focal points, partly to divert the flow from the large cities, partly to act as relay centres for transmitting development and economic growth impulses and partly to generate the type of urban and semi-urban employment associated with rural industrialization. This will require the organization of information on population growth rates, spatial distribution and movement and on natural resources and will require the selection of potential development nodes based on regional physical planning. It will affect the organization of distribution as well as of marketing and the structure and orientation of the building and construction industry. It will also raise problems of the feasibility and economics of the dispersal of industry in terms of transport costs, structural

linkages and general overhead. It will be obvious that the development of rural infrastructure (including rural township building) will require a considerable expansion of the building materials industry. In particular, attention will need to be concentrated on the exploration for, evaluation and processing of raw materials for building and construction if the costs of such infrastructural development are not to become prohibitive. Much more attention will also have to be paid to research in building design and construction processes. A major effort will be required in several countries to break the urban-based building industry out of its present mould.

95. A rural industrialization programme will require much more attention than is customarily given to small-scale industries. Critical points will include types of rural industries, their raw material base, linkage with major industries, equipment supply and maintenance, design and quality standards, marketing and rural industrial extension. It will clearly be necessary to strengthen considerably the capacity of governments to deal not only with large-scale industries but also with programmes concerning rural industrialization and small-scale urban industries. It is necessary here to refer to the concept of rural industries based on sub-contracting of components production. The concept itself seems to have had little impact on industrial policy-making and practice. Greater familiarisation with sub-contracting in practice will reveal the entrepreneurial requirements in organizing production according to tight time schedules and in conformity with fine design and quality specifications.

96. A comprehensive programme aimed at research into micro-economics and the micro-sociology of rural societies and at the effective utilization of the findings of this research in planning and project design is essential to correct the deficiencies of macro-planning and to avoid the crises to which these deficiencies lead. At the national level, it will be necessary to intensify studies on e.g. ways of making innovations readily adaptable to conditions and attitudes in rural communities; ways of harnessing traditional values and institutions with a view to promoting socio-economic change; cultural factors determining the allocation and use of labour time; the impact of income changes on consumption and investment. There is not much evidence at present that the role of women and children in agriculture, particularly food production, processing, and marketing is seriously taken into account by policy-makers and planners, who continue, mistakenly, to treat this subject and associated nutrition problems for infants as peripheral.

97. Socio-economic research will also be required in regard to income disparities. It is noted that the introduction of new production techniques and inputs into agriculture and the promotion of rural industrialization tend to lead to disparities in rural incomes and to social stratification. Income disparities, some of them generated by rural-urban migration, also exist within urban areas. These are, of course, supplementary to the well-known disparity between urban and rural income levels. It may also be necessary to take into account the effect of the high cost of local industry on the internal terms of trade in agriculture and industry. It must be borne in mind, however, that income distribution is less pertinent in Africa than is the distribution of the capability to generate income and the prevention of income concentration.

98. In order to improve the standard of living of the peasant farmer and to guarantee incentives for production and innovations it is essential to improve his capabilities to expand output in response to dynamic demand and thus to increase both his real and money incomes. In regard to the former, governments in developing countries have frequently found it necessary to provide a variety of goods and services at less than cost. Where money incomes are concerned, in addition to such devices as tax remissions, direct subsidies, grants and the like, governments have also paid increasing attention to the efficiency and equity of marketing and distribution systems, particularly where there is the risk of excessive transport levies, unhealthy dependence on local money lenders or on middlemen for credit or for the organization of supplies of capital and consumer goods or for marketing the farmers produce. It is therefore considered necessary to intensify research into the different factors affecting the rate of growth of real and money incomes in the rural sector and the distribution of effective demand so as to determine which package of measures can be adopted in particular circumstances and what effects this package or components in it has on the total economy e.g. the impact on savings and investment propensities. Observations and studies suggest that there can be no once-and-for-all solutions. Unexpected and undesirable developments often arise from planned desirable changes. Patterns of maldistribution of income, for example, tend to display great resilience and adaptability to policy changes designed to eliminate them. There is therefore a need for continual monitoring of the effects of such packages.

99. In essence, the fundamental requirements of policies, strategies and programmes for rural transformation are that they identify particular target groups; evaluate their needs, problems and potential for development and ensure that the resources allocated to them actually reach them. The main objective is to place these groups in a position where they can identify and exploit development opportunities and benefit substantially from such exploitation.

100. The pursuit of a strategy of integrated rural development will require a reconsideration of the structure and functions of a substantial part of government. In particular, current studies reveal problems of co-ordination of policies at the centre, of integration of programmes in the rural areas and of communications between the centre and those areas. They also suggest the need for re-allocation of authority and resources so as to make local participation in decision-making meaningful.

101. Integrated development at the local level also requires institutions for effective participation which make possible the emergence of informed opinion on, and the clarification of, local priorities in relation to overall national needs and problems. This should, for example, make it easier to correlate local self-help projects with national plans and resources.

#### Industry

102. The critical role of industry (including basic industry) has already been recognized by African Governments in resolutions and declarations taken over the past four years, which anticipated the Lima Plan of Action in many respects. The essence of the Lima Plan of Action would seem to be its emphasis on industries which provide other industries with basic inputs (such as metals, basic chemicals

and petro-chemicals, fuel and power) and on industries which, by virtue of their potential for forward, backward and lateral linkages, can exert powerful growth-promoting effects on other industries, such as those producing agricultural machinery, implements and tools; water pipes and pumps; equipment used in transport and telecommunications; building and construction, the distribution of electric power, food processing, preservation, packaging and storage (including refrigeration) and mass consumption goods, especially consumer durables, the market for which is expected to grow as incomes increase on a broad front.

103. The minimum requirements for the establishment and operation of such industries include: raw materials, such as mineral ores, petroleum, natural gas, coal, limestone and clays; power sources; skilled manpower at both the high and middle levels; technology; managers capable of organizing the production package, the marketing of products and in some cases, essential R and D, and capabilities in the mobilization and deployment of financial resources. The mere presence of these industries does not, however, guarantee either not advantages to the economy or dynamic growth. For interaction with the agricultural and rural sectors to operate, they must be conceived and directed as part of an integrated programme of industrial, agricultural and rural development.

104. It will be necessary at the national and multinational levels to organize and develop indigenous ability for identifying and selecting, from a range of available technologies, the most appropriate technology for these industries as well as the ability to negotiate the conditions and terms on which the technology selected is to be made available and used. Few industrial planning agencies in Africa seem, for example, to be aware of the potentialities of the mini-steel mill. Similarly, the opportunities for exporting processed agricultural products raises the problem of access to information on ranges and types of technology available for such processing.

105. The problem of manpower for industrial development may be dealt with on two levels. First an assessment must be made of the way in which the output and quality of post-secondary institutions relate to the manpower requirements for natural resources exploration, evaluation, extraction and general management and planning and for converting raw materials into semi-finished and finished products. It is difficult to see how any large-scale development of industry can be promoted if post-secondary educational and training institutions do not produce specialists at both the high and the middle level in such fields as the science and technology of materials, engineering design, machine building, foundry technology, plastics technology, food technology, business management with emphasis on business finance, marketing and market research, to name only a few. It may therefore be necessary to evaluate existing facilities for the education and training of African manpower in the light of the industrial expansion (at both the national and the multinational levels) foreseen in the Lima Plan of Action.

106. The second level at which industrial manpower should be dealt with is that of a special programme designed to meet, at least, some of the manpower needs associated with those industries which it is agreed are basic industries. Within the existing business and production structures, there may be skills which are not specific to particular enterprises or industries and which may be broadened and redeployed. This would apply, for example, to general business management, business finance, marketing, production planning and even to such technological fields as

foundry technology, plant assembly and electrical engineering. The competence of personnel now equipped with such skills may be improved in specially designed re-training programmes. It has, for example, been pointed out that the repair and maintenance facilities of the East African Railways and of the Zambian Railways already provide considerable opportunities for the production of capital goods. There is little doubt that other possibilities (e.g., repair and maintenance facilities for maritime and coastal shipping) for initiating the development of capital goods industries can be identified in several African countries. The main points here are that the development of particular kinds of specialized manpower cannot be undertaken in a vacuum and that where nuclei of training opportunities exist; they should be exploited on a national or multinational basis. Indeed, as a matter of long-term general policy, co-operative arrangements ought to be forged between post-secondary educational institutions and producing units within the economy.

107. In cases where there is no local pool of skilled Africans available for retraining, arrangements can be made for Africans to be trained abroad in developing as well as developed countries where facilities exist. These arrangements may be negotiated with foreign participants in joint ventures, with bilateral aid agencies or even as part of large equipment purchase agreements. All such agreements should make provision for the training of trainers and specialists on job evaluation and analysis and, where necessary and feasible, for the establishment of new training institutions or the improvement of existing ones. Where such negotiations are conducted on the basis of co-operation among several member-States, the prospect of success are much higher than where individual states try to secure such advantages on their own. Caution would have to be exercised in ensuring that Africans trained abroad have reasonable expectations of improved income, status and job satisfaction (or, in general terms are motivated to learn and return) if the result is not merely to be an enlargement of the external brain drain.

108. If self-reliance is to be included among the objectives of decisions regarding the development of these industries, attention must from the beginning be given to the concept of State-owned African multinational corporations set up to undertake the establishment of basic industries and therefore capable of designing and installing them or of supervising their design and installation, as well as of managing them. These corporations will need authority and competence to negotiate joint-venture agreements, bargain for technology, secure supplies of raw materials and carry out R and D. Their activities may also include co-operative efforts in respect of sub-contracting and complementation agreements.

109. With a view to long range planning, consultations should be initiated on the possibilities of long-term purchase and sales contracts, particularly where such contracts contain broad provisions for centralized government purchasing and common technical-design and quality standards.

110. Although the African Ministers of Industry have interpreted the Lima target for Africa as an increase in the Region's share of world industrial production from the current 0.6 per cent to 2 per cent by the year 2000, it must be clear that the emphasis is on accelerated structural change, however useful the target may be. At the heart of the process lie the engineering industries which serve several critical functions: the supply of the means of production for their own expansion; the supply of the means of production to other sectors; the carrier of technology and the principal medium for technology transfer, adaptation and development. A study by the Economic Commission for Europe points out that regrettably the share of the Region in world output of metals and engineering products remained unchanged

in the fifteen years between 1955 and 1970 at 0.2 per cent. Even worse, the share of metals and engineering products in total industrial output in the Region appears to have declined. The study goes on to point out that of all developing regions, Africa had the lowest rate of engineering production to engineering imports. The rapid development of the engineering industries is thus a major condition of achieving the target set or indeed any other target. For accelerated growth and diversification on the scale envisaged the Region will need an enormous expansion of the mining sector and of the building and construction industries, and in the supply and distribution of fuel and power. It will also clearly need a set of interlocking revolutions: in knowledge (i.e., a combination of know-what, know-why and know-how); in information; in the development of entrepreneurial/managerial resources (entrepreneurs, businessmen, managerial cadres, business consultancy services and other business support institutions); in transport and communications; in the spatial organization of economic activity; in marketing and distribution; and in both material and social technology.

111. In the implementation of such a policy, it may be found that the pattern of industries established in the era of import-substitution presents obstacles which might have to be overcome. It may therefore be necessary for Governments first to conduct detailed surveys on the existing structure of industries, on their impact on public revenue, foreign exchange resources, the use to which trained manpower is put and the extent to which they depend on imported factor inputs. It has already been established that such industries are in general characterized by high establishment costs; high unit costs of production and disadvantageous financing patterns, in that financing is largely provided by foreign or quasi-foreign sources and the debt-to-equity ratio is high. This is true not only of mining but also of industrial enterprises. The patterns of profitability of such industries are also disadvantageous in that many of them rely on monopolistic market conditions or there is a high incidence of unsuccessful enterprises. Moreover, these industries are often characterized by higher working capital requirements, paucity of repair and maintenance facilities, absence of spare parts and components, excess capacities, limited utilization of by-products and waste materials and longer gestation periods. Several Governments already conduct industrial surveys, but their scope and frequency may have to be increased, and more substantial bilateral and multilateral aid for developing adequate machinery for such surveys may have to be sought.

112. What is clear is that there is need, of the national level, for well defined policies and instruments for industrial development whose aims, objectives and targets are less casually determined than at present. Without these it is unlikely that the objective in setting up multinational basis and strategic industries will be achieved. Broad but concrete and carefully considered policies must be decided upon and applied to such areas of industry as choice of technology and labour employment, to the local processing of raw materials before export, to forward and backward linkages, and to industrial protection and regulation. At present policies in these areas seem to be idiosyncratic and unrelated to any end save the expansion of the industrial sector no matter what its composition or its structural and strategic significance.

113. Much more attention needs to be paid to small-scale and rural industries which today seem to be treated as awkward step-children. An innovative approach is required to support institutions such as business information centres, industrial estates, industrial extension services, industrial credit, industrial project design and analysis facilities and centres for raw-materials and product testing. Almost certainly a standardization and quality control service will be required.



### Transfers of resources

114. The reference to net transfer implies a double approach reducing outflows and promoting inflows. At any given moment, the total amount of financial resources available to an economy may be distributed between domestic and foreign purchase of goods and services. The broad categories of external payments include payments for imports of capital goods and services (including spare parts and components) payments for imported raw materials; payments for imported consumer goods and services including food; payments for imports of skilled manpower and, on an increasing scale, for consultancy services; payments for shipping and aviation services and payments for banking, insurance and re-insurance services. External Payments also include transfers abroad concealed as intercompany transactions often in the form of payments for the use of technology.

115. There are sometimes opportunities for containing the outflow of financial resources within some of these categories. In the short run, therefore, the mobilization of financial resources must begin by a reappraisal of present and future commitments in such categories as those listed above to determine the extent to which the outflow could be contained and measures for containing it. Whereas governments have already taken steps to effect some reduction in the outflow of financial resources related to banking, insurance and civil aviation, insufficient effective action has as yet been taken in regard to shipping.

116. Outflows in respect of factors payments for skilled manpower, consultancy services and technology deserve special attention. The first is aggravated by the external brain-drain, a problem which seems to be receiving less concrete attention than it merits. However, effective measures to recall highly trained Africans from abroad are less pressing in general than effective measures of import substitution of a large and increasing range of specialized skills (including middle-level technicians) for which the region now depends on external sources. Proposals to expand and diversify the economies of the region will doubtless enlarge this channel of outward resources flows. Similarly, the region's dependence on foreign consultancy services, believed to be large and increasing in spite of bilateral and multilateral technical assistance, may well grow at an exponential rate unless early, vigorous and imaginative steps are taken to develop local consultancy services. In this connexion the need for institutional facilities for developing capabilities in project design, analysis and planning is seen as being of over-riding importance.

117. Payments for imported technology are likely in the absence of adequate policies and machinery for regulating technology inflow and its costs and terms, to constitute an even more rapidly expanding external drain on resources than payments for consultancy services with which the former are often associated.

118. It is not, however, only the sheer bulk of resource inflows but also the value in use of particular forms of imported resources that is important. In practice this would mean the appropriateness of particular resource choices, the efficiency with its acquisition, emplacement and use are programmed and the significance of the use to which specific resources are put in bringing about dynamic self-sustaining growth. An increase in the flow of expertise or technology for the manufacture of soft drinks or cosmetics may be desirable but can rarely be said to contribute significantly to such growth. If therefore real resource flows are to correspond



to a strategy of accelerated development and diversification of the rural economy of integration of the national socio-economic system as a whole of establishing strategic industries and promoting interactions among sectors. This must clearly be reflected in changes in the composition of imports. The broad categories derived from SITC classifications which show for example a decline in the region's imports of food, beverages and tobacco in favour of machinery and transport equipment convey very little, particularly in terms of end-uses. It is therefore expected that the composition of the region's imports will change in favour of such items as stockpiles of basic equipment for small-scale urban and rural industries, small diesel engines for pumping water for irrigation and domestic use in rural areas, tool and dye shops, foundries, equipment for mobile health units and mobile training units, equipment for the manufacture of artisanal tools, farm tools and equipment, equipment for the manufacture of raw film and the production of documentaries, equipment for the manufacture of inexpensive radio and television transmission units and receiving sets, and of domestic utensils, spare-parts and components for electrical, electronic and mechanical engineering equipment, equipment for tanneries, food processing, printing and paper making, plastic goods, small-scale hydro-power generation, small-scale building materials production, ceramic and glass products. This illustrative list is set out for two reasons to indicate the scope of monitoring of changes in the composition of imports and to consider what factors account for significant lags or departures and to provide some idea of the logistic requirements of delivery of such imports to a large and expanding number of locations in the rural sector.

119. A policy aimed at containing financial outflows will not of itself be sufficient. It will also be necessary to adopt new and imaginative policies and instruments (such as unit trust, social security funds and the like) for mobilizing domestic financial resources and effective arrangements for redirecting them to the high priority sectors of agriculture, infrastructure and strategic industries. At the national level greater attention than in the past should also be paid to the effects of fiscal and monetary policies on the broad pattern of financial resource allocations. In this connexion, it would be advisable not to overlook company policies towards undistributed profits and depreciation funds and their re-investment. Close attention similarly needs to be paid to inter-company transactions associated with transnationals.

120. In respect of strategic industries requiring large financial resources, it may be necessary to establish multinational mining and industrial investment banks to undertake the organization of financial packages beyond the capacity of national financing organs. Structural relations may need to be forged between such multinational financial institutions and indigenous transnational corporations engaged in the production and distribution of strategic goods and services.

121. If a policy of fostering self-reliance is realistically interpreted, it is not inconsistent with foreign financing playing a substantial role in the development process, either directly or indirectly. What is essential is for foreign funds to flow inwards and for them to be identified with imports of goods and services not available within the domestic economy directed to high priority projects.

122. The extent to which intra-industry and intersectoral linkages are realized will depend on the scope and efficiency of the marketing system, at both the national and multinational levels. Common design and quality standards may have to be adopted, and marketing arrangements should allow for the holding of fairs and exhibitions, the provision of adequate after-sales services, the expansion of wholesale and retail outlets and the provision of credit. In the context of this strategy, marketing systems cannot be left to take care of themselves.

Other priority areas

123. Attention has hitherto been concentrated on the development of the industrial, agricultural and rural sectors and on forging links among them; but it must be recognized that an operation of this kind will involve action on a much wider base including such areas as population, finance, natural resources, foreign trade, transport and communications, human resources, technology, entrepreneurship, planning, economic co-operation, and government.

Population and socio-economic development

124. The ultimate aim of economic and social development in any country is the improvement of the standard of living of its people. The population is both an agent and beneficiary of development programmes. Realistic planning for economic and social development must, therefore, take into full account the characteristics, distribution, dynamics of growth, spatial distribution, and future trend of the population.

125. Available demographic estimates show that in terms of absolute population size, Africa contains many countries with small populations and that population densities are relatively low as compared with those in other continents. Other main features of the population are high rates of natural increase due to high and constant fertility, high but declining mortality, rapid rates of rural-urban migration, and a marked uneven distribution of population within the countries. Current indications are that most of these features and their attendant problems will prevail at least up to the end of this century.

126. In the final analysis, resource development is more a function of other prevailing demographic characteristics than of the absolute population size to which many African countries have tended to pay greater attention. Principal among these characteristics are the rate of population increase and the resulting changes in the age structure which in any plan period influence the rate of growth of the per caput level of resources available. The high fertility associated with the rapid rate of population growth creates a high proportion of children and therefore a heavy dependency burden. This, in many African countries, leads to heavy expenditures on education, medical care, and other family welfare services. Moreover, the successful pursuit of integrated rural development is likely to reduce high infant mortality rates. As is well known the economic burden of high dependency ratios is, in developing countries, intensified by the generally low quality of labour and by low labour productivity due to severe limitations on opportunities for employment in activities of high productivity.

127. Increases in the rural population are likely, in the absence of far-reaching measures for transforming the socio-economic system (in particular the rural areas) to lead, in time, to increased migration to the few large urban centres, thus adding to the problems of peripheral groups in these centres and of the spatial deployment of available development resources. On the other hand, the generally low densities and uneven concentrations of population suggest that the cost of infrastructure for rural development may be high per unit of area. This makes the subject of regional planning a matter of greater importance than in the past.

128. Recently, especially during the last decade, some improvement has been made in the collection and analysis of demographic data as well as in the training of personnel for work in the population field. This improvement has in turn led to a growing tendency to integrate systematically more and more demographic factors in development planning. Despite these developments, much still remains to be done. Greater national and international effort should, therefore, centre on further improvement of data collection including vital statistics; the proper analysis of such data, in-depth studies of the intricate relationship between population and economic and social development, and on the training of demographers. Also important will be the development of population policies appropriate to the aspirations and development needs of each country, formulated and implemented as integral parts of national development plans. The attainment of these objectives will be greatly enhanced by promoting greater economic and technical co-operation among countries and international organizations.

Health, education and other services for rural development

129. The deficiencies in infrastructures and services (such as roads, telecommunications, postal services, health and medical facilities, education, improved housing, water and electricity) which, apart from unemployment, account for low living standards cannot, as argued earlier, be remedied by conventional concepts, measures and instruments, particularly in the light of the probable continuation of population growth and the effect of inflation on the provision of such infrastructures and services as at present. In the case, for example, of medical and health services there appears to be in several countries a lack of guidelines and strategies, incapacity to mobilize local resources and failure to provide for participation by local communities. The regions should thus face the need for innovation. System analysis for example has been used for the development of rural health services which involves systematic identification of a country's priority health problems, the determination of operational objectives and their translation into programmes. Plans should be made to encourage community participation in finding solutions and in managing services. With the help of technicians village communities should be organized for concerted health action.

130. Similarly many of the biological and pathophysiological changes that occur after exposure to physical or chemical hazards are reversible if noticed quickly and dealt with promptly. It is necessary therefore to intensify research aimed both at a better identification and characterization of hazardous environmental factors and at a clearer understudy of the response of man to such influences in order to provide a sound scientific basis for the assessment of the risks and benefits of modern ways of life. In addition environmental health monitoring is essential for the taking of decisions on the environmental quality needed to protect, improve and maintain health and well-being. One major concern in the Africa region should be with certain factors in the human environment which result in bad hygienic conditions giving rise to a succession of communicable diseases. More conscious attention and effort ought, therefore to be given to alternative realistic strategies for the development of health services bearing in mind that this would also relate to water supplies and to food and nutrition.

### Natural resources

131. The most pressing requirements in securing effective control over natural resources and obtaining the maximum benefit from their extraction, processing and use is to increase knowledge of their existence, exploitability and potential end-uses. New and improved technologies, which facilitate every stage of these activities, are now available. These include facilities for remote sensing by satellite, total systems for low-altitude surveys, new geochemical and geophysical methods, sampling, marine geology, and improvements in the techniques of topographic surveying and map production. Some of these techniques require co-operation among a large number of African countries if the cost of their acquisition and use is to be justified. The availability of high- and middle-level manpower is central to their effective use. Here much can be gained by the early development of specialized third-level courses after existing facilities and current output have been evaluated. In this connexion Governments should more readily support existing and proposed multinational centres and institutions for natural resources development. Special attention must be paid to the latent or emerging needs of the least developed countries.

132. In developing countries, the general policy with regard to benefits which might be obtained from the extraction, processing and export of minerals is to seek to integrate mining enclaves with the rest of the economy. Thus, in addition to seeking increased net contributions to their public revenue and foreign exchange reserves, Governments also take account, in conducting negotiations, of the possibilities of increased employment; increased local purchases; forward, backward and lateral linkages; access to technology and the development of skills. The practical implications of each of these contributions can be spelled out, and the package negotiated with each subsector or enterprise in the field of mineral resources will depend on the possibilities the particular resources offer (e.g. precious stones, unlike petroleum, have no significant industrial linkages). Sometimes the advantages to be gained may extend to transportation and marketing, and special studies may be required to determine what advantages could be secured from downstream operations. The main point on which stress is placed here is that from the point of view of self-reliance and integration, real benefits are as important (and may be more important in particular cases) than increased financial benefits in the form of additions to public revenue and foreign exchange reserves.

133. Particular attention and a high priority need to be given to the subject of fuel and energy, in particular to the following: the accelerated development - where necessary on a multinational basis - of the region's considerable hydro-electric power resources in partial substitution for costly imports of petroleum; the development of the region's petroleum and natural gas resources for the petrochemical industries and, where no alternative is feasible, for fuel and power; more concentrated effort on finding ways of economically exploiting solar energy. It is noted that a substantial programme already exists for studies on the utilization of geothermal power.

134. As regards coal, in addition to attempts to evaluate the region's resources more exactly, member States may need to be briefed from time to time on the impact of technological research on alternative uses of deposits of different thermal and chemical characteristics with a view to improving the prospects of their utilization. It may be necessary to begin consultations at an early date on energy policy at the regional and subregional levels.

135. The role of rural transformation makes the study of problems of rural electrification in particular and of the availability of fuel and energy in rural areas a matter for greater concern than at present.

136. The systematic extraction of natural resources, especially minerals, for local use cannot be left to the initiative of foreign mining companies, which may have little or no interest in the subject. It may, therefore, require the creation of African multinational mining corporations. Indeed, irrespective of whether the resources extracted are for local use or export, such corporations may be necessary if resources of vital interest to particular countries are to be exploited without undue dependence on foreign transnationals.

137. As suggested in paragraph 120 multinational mining investment banks might be needed to support the operations of African multinational mining corporations. An important function of such banks would be to assist state and local governments in securing effective majority control of on-going mining enterprises not only by providing those governments with funds for that purpose but also by negotiating the financial aspects of their participation.

138. Other policy areas requiring action are the modernization of legislation governing the exploration and extraction of natural resources, company law and the definition of local participation.

139. A programme for natural resources would, it is suggested, include an examination of the adequacy of the legislative basis of sovereignty, institutional capabilities in exploration, evaluation, extraction, processing and marketing; machinery for negotiating and monitoring agreements with foreign and indigenous companies. It would also include studies of the potential contributions of particular forms of natural resources, at each of the stages just mentioned, to employment, local purchases, linkages, technology and skill development as well as to foreign-exchange supply and net public revenue earnings. Such profile studies should assist governments in deciding on packages of net benefits which can be negotiated with both foreign and indigenous companies operating in the field of natural resources.

140. The potential for the development of minerals, petroleum and natural gas resources in the region suggests that a specialized advisory service and a carefully designed programme of seminars and workshops are necessary to place member States in a better position to derive the maximum benefits from exploration for, evaluation, extraction, processing and marketing of natural resources.

149. The question of the role of consultancy services in supplementing the competence of the African entrepreneur is of wider significance than merely ensuring the achievement of production targets. A great deal of discussion on unemployment appears to have ignored the fact that the supply and performance of entrepreneurs is of equal importance in reducing the unemployment problem as the availability of capital; and that the performance of entrepreneurs is dependent on such factors as the scope and quality of specially designed support services and institutions.

### Entrepreneurship

150. The advance of any economic system depends on the quality and number of persons working individually or as business entities who are capable of successfully conceiving, designing, installing and managing productive enterprises in the modern sector. In the African region these functions have been carried out by the State, by foreign private enterprise and, to a much lesser extent, by African businessmen. The role of government in this regard will be discussed later. Here attention is turned to the substitution of the African for foreign entrepreneurs, as called for in a policy of indigenization. In achieving self-reliance and accelerated growth and diversification, an increasing burden will be placed on African entrepreneurs as well as on State enterprises. This raises the question of the adequacy of existing mechanisms for ensuring communication between the State and the African entrepreneur. Foreign entrepreneurs are capable of scanning a national development plan and seeing the business opportunities explicit or implicit in it, in a way which few African entrepreneurs can emulate, and not much effort appears to have been made to help them in this regard. This is a deficiency which should be corrected as soon as possible.

151. Over and above this challenge is the much larger one of placing African entrepreneurs in a position where they can actually assume increasing responsibilities for promoting dynamic growth and diversification. To help them meet this challenge it is necessary to consider the fact that African entrepreneurs frequently start out as traders and face certain problems inherent in their transition into industrialists. Secondly, consideration must be given to the environment in which they operate and which determines their access to business information, finance, technology, markets and so on. It is on the basis of such considerations that effective support institutions and services can be designed. These should include not only the supply of reliable business information and market intelligence but also one or more national centres for materials and product testing; centres for the repair and maintenance of industrial equipment (including foundries); quality control advisory services, and general support services relating to production, marketing, plant layout and the like. Where access to financing is concerned, it is felt that some orientation of existing development banks and other State lending institutions in the region might be needed and that for this purpose a study of the philosophy, structure and operational procedures of the Japan Development Bank, the Industrial and Mining Development Bank of Iran and the National Financiera, S.A., of Mexico would be most helpful.

### Technology

152. It is not unusual to think of technology as a piece of equipment, or a process formula or a set of blueprints or even as being made up of highly specialized knowledge in the heads of engineers and technicians; but these fail to account for the very large number of other inputs included among the activities associated with the popular concept of technology, and without which neither equipment nor formulas would work. Thus, technology must be thought of as being a system which extends from such activities as the identification and selection of equipment to its installation, operation, maintenance, improvement and reproduction; and there can be dependence at any point along this chain of activities and physical inputs. The significance of dependence could be judged on the basis of the extent to which it is present in particular sectors or subsectors. Thus, the search for relative independence should start with an evaluation of the significance of dependence. Thus the significance of dependence would be measured by the extent of dependence of the region, at the present time, on externally supplied technology for, say, the fertilizer and engineering industries as compared to externally supplied technology for the soft drinks industry.

153. Hitherto discussions of the availability and use of technology by developing countries have centred on costs but there has not been sufficient recognition of the need to determine (i) the uses to which technology should be put; and (ii) to whom it should be transferred. The first point leads to a set of issues which deserve greater attention from governments: the extent to which the technological component of national plans and public projects is identified; national capabilities for regulating the inflow of technology and ensuring its use in high priority areas; the degree of freedom accorded to both the foreign and indigenous private sectors to negotiate technology contracts without public surveillance.

154. Discussions of the character and purposes of recipients of transferred technology in the region have not yet seriously begun: the public utility, the joint enterprise; wholly owned State enterprises; branch firms of highly integrated transnationals or subsidiaries of conglomerates, medium-scale or small-scale indigenous private enterprises. Clearly an economy the modernizing sector of which is dominated by some types of recipients presents different opportunities for adaptation and development than an economy dominated by other types. An issue of no less significance for adaptation and development is the inclusion of provisions in licences and agreements which prevent the licensee from making free use of the technology and may even exclude exports of the products resulting from the use of the technology to other markets. In other words entrepreneurs in one African country who hold a licence to technology making it possible for them to manufacture certain products may be forbidden to export those products to a neighbouring country although both countries are members of the same "economic community". Since technology for practically all modern manufactures in Africa has to be imported, since the bulk of such imported technology is likely to be obtained under licence and since the bulk of technology is acquired from a large number of other firms, the effects of such restrictions, if widely applied, are likely to be paralyzing.

155. A licensee may, by an even more crippling restrictive clause, be required to reveal to the licensor, any improvements he makes in the technology before it is used by him or disclosed to anyone else. If such a clause is rigorously applied, it destroys the incentive to experiment and improve, which is the starting point of the local development of technology anywhere.

### Human resources

141. It is not possible to deal in any adequate sense with the problem of human resources development here, especially when it is recognized that, as has been pointed out, a less developed country is almost by definition a country characterized by general underdevelopment of its human resources, and is notably short of skills critical in designing, initiating and sustaining development and economic growth processes. Only a few key aspects are, therefore, treated here.
142. The first aspect is that the socio-economic changes implied in strategies of accelerated growth and diversification when associated with measures for increasing self-reliance imply widespread and continuous innovation. When economists speak of 'linkages', 'spread effects', 'balanced and unbalanced growth', they refer to different ways of looking at the process of innovation. Unless inclinations towards innovative thinking and action are built into educational systems (whether formal or non-formal) it is unlikely that the acceleration and diversification sought after can take place. It is even more unlikely that any meaningful degree of self-reliance can be achieved. Reform of formal education (particularly third level education) must be directed therefore as much to content of the curricula and the organization of teaching and learning as to deficiencies in the subject structure.
143. Another aspect is that in the foreseeable future it is unlikely that the whole of the population of Africa, especially those in the rural areas will be able to take substantial advantage of formal education. This makes it necessary to re-examine the definition and role of non-formal education in preparing the masses to participate in the broad forward movement of the economy and society. In this connexion, much more attention should be given to new mass communications technologies (including low-cost radio and television sets) and to the design and content of mass communications programmes. This is a subject which ought to receive as much attention in policy-making, planning and resources allocation.
144. The growth of large urban peripheral populations, which is expected to continue for some time, raises questions as to the means by which their members can be fitted for urban employment. At present, studies on the problems encountered by workers in transition from rural to urban living and employment seem to be carried out less for socio-economic policy purposes than because of the interest and initiative of research specialists, many of whom are non-Africans. A more structured approach to this subject is now necessary.
145. In the light of the need to make fuller use of human resources, ministries of industry and of labour may need to know more about job analysis and breakdown, the use of audio-visual techniques in industrial training, and open-ended skill development. This may require the development of specialists not yet commonly encountered in these ministries.



146. It has frequently been argued that science and technology must play a significant role in development and economic growth. A shift from the traditional preoccupation with grammar-school type education to science and technology oriented education raises both the local and foreign exchange costs mainly in the form of laboratory and other teaching equipment and materials. It would seem essential that, as in a number of countries which have faced this problem, intense effort should be made in the development and manufacture of local substitutes. It also raises the question whether the modifications required imply increased doses of science (pure and applied) and mathematics or the introduction of technology into second level education for two reasons: firstly, to provide an increased measure of independence of second from third level education, to increase the potential pool of middle-level technicians and to lay the foundation for the class of technical entrepreneurs which has played an important role in technological invention and innovation in advanced economies.

147. At a more specific level it is necessary to point out the fact that many countries in the region are becoming increasingly dependent on imported consultancy services and are spending more and more of their foreign exchange resources on them. Any serious effort to accelerate the transformation of the socio-economic system without a parallel and deliberate effort to develop local capabilities in business consultancy is likely to increase this dependence and intensify the drain on foreign exchange resources. The extent of this dependence is at present masked by the great volume and range of technical assistance provided to developing Africa by multilateral (e.g. UNDP, IBRD, ADB, specialized agencies of the United Nations) and bilateral agencies in feasibility and engineering studies and in project design, installation and even management. In addition to this, governments spend large sums on the direct purchase of consultancy services. Furthermore, without a wide range of support services, including business consultancy services, indigenous business is unlikely to be able to play a substantial role in the implementation of national plans and the strategies and policies on which they are based. Measures for developing consultancy services at the national and multinational levels need to be examined, adapted and applied as soon as possible.

148. The dependence of the region on external sources for high-level manpower extends to middle-level manpower. No programme for accelerated growth and diversification on the scale envisaged can be mounted without a considerable expansion of the supply of indigenous technicians. Firstly, there will be a need to spell out the manpower profiles for the projects constituting the programme of change and expansion. Large numbers of middle-level technicians will, for example, be required for the design, installation, operation and maintenance of the greatly expanded national infrastructure. Again, very highly skilled middle-level technicians will be required for the mining, ore-processing, engineering, petrochemical and other industries suggested as forming the core of a dynamic industrialization programme. It may not be too much to say that at present many Governments in Africa have only a conventional view of the range of middle-level specialists required to design, install and sustain an industrializing economy and that appropriate ministries could benefit from acquiring even a general familiarity with these requirements.

156. It will be obvious that concentration on cost in the conventional sense and proposals by developed countries to mitigate such costs to developing countries by subsidies leave the problem of promoting the development of technology on a national or multinational basis untouched. For the technological multiplier to work at the national level there must first be effective machinery for formulating policies and measures which relate technology to development plans and to major sectors and subsectors; secondly, there will be a need to reorientate existing research capabilities, which in most of developing Africa today are dominated by agro-biological problems of agricultural export crops, towards research on food crops and research in industrial technology (including those involved in the processing of agricultural products). As was implied above, steps will be required to develop appropriate manpower for such research with special attention given to the science and technology of materials and to engineering design and power engineering.

157. The role of governments in technological development is not restricted to promoting research but also includes the active encouragement of technological innovation and diffusion. The role which innovations in social and material technology are expected to play in the decade to come therefore makes it necessary that political leaders, policy-makers and planners and African entrepreneurs should become familiar through appropriate seminars and discussions, of what this role has been and can be and how the processes of innovation in these two fields work.

158. An important element in promoting the adaptation and development of technology is the existence and effectiveness of devices for focussing attention on areas in which such adaptation and development is needed and of inducements for R. & D to be undertaken. This goes somewhat beyond the establishment of advisory councils and even of research institutes. It is suggested that this subject deserves fuller study and action than it presently receives in some member States.

159. It is suggested that governments which have not done so should, as a matter of urgency set up working groups which include legal experts, economists and technologists on patents and trade marks and on the proposed code of conduct for the transfer of technology. These are subjects on which governments are likely to be required to take firm decisions based on adequate prior examination of the issues involved on which dilatoriness or commitment based on inadequate preparation is likely to be risky.

#### Environment

160. Very broadly environmental problems may be divided into two not wholly distinct groups: activities which upset or destroy ecosystems; activities which lead to serious pollution of the environment. Again, very broadly, it could be said that whilst the latter is most noticeable in advanced industrial countries, it is the former that constitutes a major immediate threat in the region. Two outstanding examples of upset of ecological balance in Africa deserve notice: the extensive spoliation of forests through the application of a technology of extraction of farmers and nomadic herdsmen to the drought problem of the Sahel Zone countries. The crisis of the Sahel-Sudan merely reveals more starkly and unpleasantly than is tolerable the consequences of the uncritical adoption or imposition of socio-economic religions derived from quite different social and physical environments. The consequences are less obvious in supposedly more robust ecosystems but can, for that reason, inflict damage beyond repair before the alarm goes off. All ecosystems are, from one point or another, delicate, but the particular form and degree of delicacy that is recognized depends on the perceptions of the human agents participating in it.

161. Shifting cultivation has long been castigated as a major factor in the destruction of forest cover and in soil deterioration but even such sensible proposals as the eradication of tsetse fly may conceal serious ecological consequences. The critical requirement would therefore seem to be the establishment, as part of natural resources policy and management, of effective means of monitoring environmental changes and evaluating and applying measures of adjustment or correction. It is here that earth resources satellites can play a major role and that multinational co-operation may be imperative.

162. The prospective development of the mining, chemical and petrochemical and engineering industries promises to add pollution problems to problems of ecological balance. Governments may, today, discount lightly the fearsome cost of coping with environmental pollution now faced by advanced countries. It may thus be that a singular contribution of the United Nations Environment Programme would be a success in the visual education of policy-makers and planners in the specific forms and consequences of pollution engendered by particular types of industrial activity.

#### Trade

163. The propositions on trade in the New International Economic Order may be divided into extra-African trade with what might be called traditional trade partners, extra-African trade with other developing regions and countries, extra-African trade with socialist countries and intra-African trade.

#### Extra-African trade with traditional export markets

164. The most striking features of Africa's trade with traditional export markets i.e., with former metropolitan powers are firstly its persistence and secondly the impact of changes in investment and consumption patterns in advanced countries and thus on the patterns of import demand.

165. In respect of agricultural export products the Generalized System of Preferences should be extended and strengthened to reduce or remove tariff and non-tariff barriers to imports from developing countries. This raises questions not only of the defects of the existing Generalized Systems but also of the meaning and determination of non-tariff barriers and even of the structure and effects of the Brussels Tariff Nomenclature itself to both of which closer attention needs to be paid. Opportunities for improvement in these agreements are expected to arise in the multilateral trade negotiations now proceeding in GATT and other forums. The advantages in widening the market in advanced countries secured through tariff and non-tariff modifications are expected to be augmented by concessions permitting increased processing of agricultural products before export. The package of capital, technology, management and operational skills required and the gestation period for organizing significant local processing taken together with readjustments to inland and ocean transport modes suggest that in countries lacking in the appropriate entrepreneurial and other resources and dependent mainly on agricultural exports a larger role will, at least initially, be played by foreign enterprises and factor inputs. The negotiation of such packages will be important in determining the financial and non-financial benefits accruing to the exporting country. This, as pointed out later, is a matter of particular significance for least developed countries.

166. A third element in this group of policy issues is participation in commodity stabilization schemes and producers associations. The aspects under consideration such as a common fund and multi-commodity stabilization, are similarly critical for many least developed countries. There are different cost implications where the object of stabilization is to compensate for fluctuations in supply about a trend in demand from the case where output shows a rising trend compared to demand and where the exporting country is obliged to contribute to the support measures of several export commodities.

167. In the long run the possible solution seems to be a search for markets outside the traditional areas combined with a major shift in the structure of production. This shift will require early attention to, among other things, the search for other exploitable natural resources suitable for export.

168. Another policy proposal for improving foreign exchange earnings from trade is the establishment of sovereignty over natural resources. It is pertinent to draw attention here to recent studies undertaken by industrialized countries on their future import requirements of industrial and energy raw materials on the one hand, and the relatively limited exploration and exploitation of the region's mineral and energy resources, on the other hand. The implications of these two sets of factors for the operational aspects of sovereignty, for the role of foreign transnationals in the extraction and processing of particular forms of natural resources, require to be spelled out as a matter of urgency and made familiar in policy-making circles and planning offices in the region. This applies equally to resources of the continental shelf and of the deep sea. In this connexion it is noticeable that between 1970 and 1973 the share of 11 principal mineral exports in total African exports rose from 49.3 to 54.8 percent. It is likely that this trend will continue as new discoveries are made, new technologies of extraction are developed and long-term world demand continues to increase.

169. Manufactures for export are considered to offer great promise of earnings from trade with industrialized countries. It was pointed out earlier that exports of manufactures to industrialized countries may be divided into four groups: those with an already broad base of fairly sophisticated manufacturing industry in which domestic markets and factor inputs play a significant role; those dependent on the processing of one or two major raw materials e.g. petroleum, copper, bauxite; those mainly dependent on the local manufacture or assembly of components, chiefly organized by transnationals, and those producing and exporting mainly traditional products such as textiles; leather goods, furniture and the like. Since the object of strategy in Africa is to increase self-reliance and establish dynamic interactions within industry and between industry and other sectors it is not unreasonable to conclude that what is envisaged is a movement from the present structure of industry based on import substitution or on exports of traditional products (as in the fourth group) to a broad-based industrial structure such as characterizes the first group.

170. The second group of exporters may, from this point of view be broken up into two. The exporters of petroleum are now engaged in a tremendous effort to advance processing before export as far as possible. At the same time they are engaged in attempts to reduce dependence on oil and oil products by an intensive search for, and exploitation of, other natural resources partly for export and partly to broaden the base of dynamic self-sustaining growth. It is not insignificant that for most

of these countries this broadening seems to include the development of the metals and engineering industries as well as the transformation of agriculture and the rural sector. Strong efforts at economic co-operation have also figured in their policies.

171. In Africa the exporters of unwrought metal seem to lag behind the exporters of petroleum in moving to the next stage i.e., converting metals into engineering products before export to industrialized countries. It is possible that this leap encounters far more obstacles than the development of petrochemicals and that the advance needs to be built on primarily exploiting the possibilities of the domestic market (enlarged through economic co-operation) and building up not only the capital installations, high-level skills, financial and technical services and so on, but the industrial atmosphere required for innovation.

172. The exporters of mainly assembled products tend to depend considerably on the import of factor inputs. Whilst it is true that industrial skills are developed it must be recognized that there is a marked disjunction between the types of skills required for the assembly of, say, motor vehicles and those essential for the manufacture of the many components of such vehicles. In such countries it is essential to move into the manufacture of components but this requires not only the development of additional types of skill but the establishment of basic metals and chemicals industries.

173. Whilst it may be said that the exporting countries so far described are at one point or another on the route to establishing the strategic industries referred to in the New International Economic Order (particularly in the Lima Declaration and Plan of Action on Industrial Development and Co-operation), this may be doubted in the case of exporters of traditional manufactures (textiles, leather goods and so on). It is not the contention here that comparative advantages in the export of manufactures must be foregone. The main proposition is that where such manufacturing is not conducive to the establishment of a structured (national and multinational) industrial sector capable of directly exerting significant transformation effects on other industries and sectors, industrial policy as a whole requires urgent reconsideration.

174. It was noted earlier that the provisions of the Generalized System of Preferences (including the Lomé Convention) call for measures by advanced countries to liberalize the importation of semi-processed and processed products, including those from African and other developing countries. African countries signatory to the Lomé Convention and similar arrangements should, for their part, assist the process of restructuring Africa's export trade by taking a number of steps, including the establishment of multinational import and export enterprises, the multinational pooling of key imports and the aggregation of marine cargoes, the setting up of appropriate co-operation links among existing State trading agencies and the adoption of multinational purchase and supply commitments based on the response of the region's trading partners to its demands for effective access to their markets.

#### Extra-African trade with socialist countries

175. The most striking feature of the region's overall trade with socialist countries of Eastern Europe and the USSR is the increase in the absolute value of such trade (roughly a threefold increase in exports from the region and a rise of two and a half times in imports) accompanied by a decline in the percentage share of both imports and exports of these countries in the region's trade.

176. In commodity terms this trade is dominated by crude materials, oils and fats, food, beverages and tobacco, other manufactures, in that order. The main characteristics of this trade have recently been described as follows: "the range of products traded and, in particular, despite certain exceptions of processed and semi-processed products, continues to be fairly limited. As regards the structure of trade, the number of partners holding a substantial share of the trade both on the African side and on the European side is somewhat limited despite certain recent breakthroughs."

177. The difficulties identified include: inadequate African capabilities in trade promotion; the hold of foreign companies on African export and import trade; the strength of brand images in Africa; the bilateral arrangements for trade preferred by socialist countries including the central compensation arrangements for settling trading accounts; the poverty of transport and communications links. The nature of some of these problems and their solutions are not dissimilar to those of trade among developing regions and intra-African trade nor, as is argued later, are they independent of certain aspects of import trade policy. It would seem that to some extent common solutions underline some of these problems.

178. Within the framework of policies and measures to restructure Africa's foreign trade, deliberate and sustained efforts should be made to establish trade, financial, technological and industrial co-operation agreements with socialist countries. It will be necessary to devise and establish efficient mechanisms and procedures for formulating and implementing such agreements. Early attention will need to be given to the impact which extended economic relations with socialist countries is likely to have on ocean and civil air transport and especially to the need for, and role of, multinational shipping lines and multinational airfreight services.

179. Finally, it is necessary to point out that, access to the markets of the advanced countries by itself does not guarantee, as numerous experiences show, the development of socio-economic changes and accelerated growth and diversification. Access to markets may be interpreted to mean access to the components of dynamic growth and diversification and this calls for discrimination in the choice of particular forms of skills or capital equipment or technology and for discrimination also in identifying the particular source from which the most suitable form can be obtained by trade negotiations. Approaches to trade in the future cannot be designed mainly on the basis of securing large foreign exchange reserves but on competence in deciding on special advantages that can be secured by particular trade negotiations.

#### Extra-African trade with other developing regions

180. The problems of trade and other economic relations with other developing regions and countries and those of intra-African trade are not dissimilar: the need for changes in production structures; paucity of information; grossly deficient transport and communication links; inadequate and limited competence in trade promotion; the dominance of foreign companies (including transnationals) in export trade. Special concrete efforts will therefore be necessary to identify possibilities of co-operation in trade, finance, technology, industry and agriculture.

181. The question of changes in production structures has already been discussed. Within the region it is argued that with few exceptions this will require a degree of economic co-operation not yet sufficiently recognized or accepted.

Intra-African trade

182. The most widely recognized barrier to intra-African trade is the fact that production for export in all member States was organized to meet extra-African needs. Not only was there a monotonous similarity in the pattern of export production, the whole machinery of marketing, transportation and communications, banking and insurance and even business information and specialized skills was geared to serve this end. The development of intra-African trade required a massive orientation of part of that machinery or of newly designed machinery to match supply and demand, to exert influence on production patterns, to make feasible the movement of goods and persons among the countries of the Region, to facilitate dealings in intraregional currencies and enable inter-country balances to be cleared or managed. Developments are thus envisaged in transport (including airfreight) and communications, in clearing house arrangements, in mechanisms for matching supply and demand (commodity exchange markets, contacts among trade associations), marketing (State owned export/import enterprises).

183. In particular it is expected that the creation of African multinational corporations with powers to arrange production and distribution, sub-contracts across national frontiers as well as long-term contracts for supplies of raw materials will effectively and substantially alter the present under-nourished state of intra-African trade. Special hopes are attached, in this connexion, to the potential regional market for automobiles, for equipment for power generation and distribution, for telecommunications equipment. But it is possible for impatience with the constraints and difficulties of multinational co-operation, the influence of foreign transnationals, habitual disregard of any other but national or private group interests to destroy these unique opportunities for major breakthroughs in regional industrial development.

Policy formulation, institutional development and skilled manpower in the field of trade

184. Today, participation in international trade negotiations - whether intra-African or extra-African - requires a level of skill which is hard to find in most African countries. Only in recent years have Africans been emerging as consultants in major trade and financial talks. Trade is no longer a simple matter of barter or even of exchanging commodities, for foreign currency; increasingly, it is being viewed as an integral part of a whole range of strategies and instruments aimed at the achievement of economic independence through regional and intraregional co-operation. Even traditional diplomatic relations are being used to promote national economic strength. Yet the fact remains that African Governments and commercial agencies lack indigenous personnel that have been specially prepared by formal education and experience in the world of business to specialize in trade, financial affairs, taxation, marketing and related disciplines, and can cope with the intricacies of tariff and non-tariff barriers, quotas, rules of origin, escape clauses and so on. If they are to play the role which is due to them in trade policies, trade negotiations, international financial arrangements and related affairs, African countries must have their own corps of specialists in these fields who can speak the same language and have the same understanding of the relevant problems and issues as their counterparts from the industrialized countries. It is therefore clear that facilities for institutionalized training are urgently required in such subjects as international trade and international finance and financial management and internal and external marketing. Reliance can no longer be placed on commercial staff in embassies with little formal training or business experience. Dusty and faded trade exhibits in obscure corners of embassies would also seem to serve little positive purpose.

185. It will be obvious that several pressures may reasonably be expected to develop on national capabilities for the organization and analysis of data covering such subjects as the direction of commodity, composition of trade flows, transport capacities and costs, insurance, markets and marketing arrangements, export credits.

186. The conventional institutions designed to deal with trade at a time when foreign trading companies and marketing boards accounted for the bulk of exports and the former for the bulk of imports, associated with a high degree of concentration on relations with former metropolitan countries may need considerable structural modification and qualitative improvement. This qualitative improvement will depend to a great extent on the quality of specialized manpower.

187. The main issues relating to the breakdown and replacement of the international monetary system are now so beclouded by ad hoc solutions and their failures and by increasingly esoteric jargon that, at the risk of over-simplification, some attempt must be made at a re-statement. The general proposition may be stated as follows: the international monetary system exists fundamentally to facilitate the international exchange of goods and services. As such the shape and functioning of the mechanism cannot be conceived independently of dynamic changes in international trade. For as long as these changes are in process of development, i.e. are unsettled, for so long will it be impracticable to determine the permanent shape and functioning of international monetary arrangements. Nevertheless, it is recognized that whilst international trade fundamentally determines international monetary arrangements, the latter also influences the former to some extent.

188. From the point of view of developing countries it may be argued that part of the present difficulties arises from the fact that the trade of developing countries with advanced countries was subject to serious geographical and commodity constraints which have only now fully emerged. A major consequence has been the concentration of world effective demand for internationally traded goods and services in advanced countries. This concentration is to a considerable extent the result of the developing world attempting to produce and sell increasing quantities of the same set of primary products to the peoples of one-third of the world living in developed countries. Saturation is bound to occur. There exist no automatic means by which the forces determining the pressure for production and export in developing countries as a whole can be brought into balance with the forces determining needs in developed for imports from developing countries. In other words, there are limits to the capacity of advanced countries as a whole to absorb the exports of developing countries as a whole - whether this refers to agricultural products or minerals - and irrespective of whether they are exported in an unprocessed or processed state.

189. Similarly, the balance of payments problems of advanced countries cannot be solved by each trying to export more to, and buy less from, the other, especially of products which are broadly the same. The solution to the problems of both the developed and the developing countries is a redistribution of world effective demand in favour of developing countries. This will have the effect of raising the level of employment of productive factors in developed countries in response to demand pressures from developing countries, and will lead to a more or less continuous expansion of the volume of international trade, particularly where positive efforts are made to improve the volume, quality and technical mix of skills in developing countries, where technology is made available to them on less restrictive terms, and where policy and planning are directed towards the transformation of their socio-economic system as a whole. Such redistribution of effective demand can be effected by higher prices for raw material



exports from developing to developed countries, through increased local processing before export, through the re-allocation of new internationally created money such as SDRs, through increased flows of untied aid funds, through indexation and through the internalization of ownership of factor inputs in developing countries. It would not be substantially effected through further accumulation of debt on conventional market terms, particularly in the case of least developed countries and of countries which have been the victims of grave natural disasters.

190. From the point of view of advanced countries the arguments seem to be much shorter. Advanced countries will not be in a position to spare increased financial and real resources for assistance to developing countries or to undertake substantial adjustments of their domestic economies in order to accommodate increased imports of processed products and manufactures from developing countries, until the linked problems of domestic inflation and balance of payments disequilibria have been solved. Policy must therefore be directed to measures which will avoid or mitigate the grave social and economic effects of short and medium term monetary instability both domestic and international. This thesis was advanced as far back as 1961 and continues, in one form or another, to inform a miscellany of devices for reforming the international monetary system. As has been suggested above, balance of payments disequilibria among advanced countries are in part due to the concentration of world effective demand in those countries and to the induced intensification of efforts to exploit this concentration by trade with each other, especially where a marked convergence in consumption patterns has led to a marked convergence in the commodity composition of production. The problem of inflation has been credited partly to post-war Keynesian policies of full employment, partly to the failure to bring about a substantial redistribution of wealth (i.e. of the factor generating income) and partly to weaknesses in the instruments for controlling the supply and behaviour of money (including near money and substitutes).

191. What is clear is that these arrangements cannot constitute the basis for any long term strategy for the transformation of the socio-economic systems of the Third World and has clearly not proved efficacious in unlocking the trade manacles by which the advanced and the developing countries are held. A level of virtually total disillusionment has now been reached in the design and management of international monetary arrangements based on conventional concepts partly as a result of the destruction of a basic thesis of monetary policy: the incompatibility of inflation with unemployment, and partly as a result of the dissolution of the combined floating arrangements involving Denmark, France, Italy, Holland, West Germany and the United Kingdom. Nor is it likely that the United States dollar can, single-handed, carry the burden not only of serving as the primary world reserve currency but of coping with currency movements in the Eurodollar and the petrodollar markets. The state is now set for a complete re-examination of the basic assumptions on which an international monetary system should rest and the objectives and methods of its management. It is essential that African governments participate fully along with other countries of the Third World in designing a new system but it must be on the basis of a clear understanding of the basic issues.

#### Least developed countries

192. The immediate issues in regard to least developed countries are firstly a more systematic exploration and evaluation of their resources, in particular natural resources in dynamic demand in export markets. This means that exploration and

evaluation, for example, mineral and energy resources will have to be stepped up utilizing modern technologies operated on a multinational basis. Considerable support services in negotiating the extraction and export of these resources associated with intensive training programmes of local counterparts will be required.

193. Bearing in mind the need to overcome shortages of water and power for mining operations, a very high density of exploitable deposits of minerals must be established in order to justify the large investment and operating costs of their extraction and exports. Problems are likely to arise in settling nomadic populations near mining areas and in getting them habituated to the discipline governing mining operations. The development of food products for export is likely to require considerable capabilities in determining the resources base for agriculture and animal production and in modernizing such production as well as in organizing and marketing food products. For example, consideration must be given to food storage, processing, preservation and quality control and to the negotiation of trade and foreign exchange arrangements with countries, both within and outside Africa, in which the markets are located.

194. For land-locked countries the principal questions may be divided into three: those which pertain to the existence and improvement of transport links with the sea and of port and harbour facilities available in coastal States for the specific purpose of accommodating the imports and exports of those least-developed countries that are land-locked; second, the effectiveness of the legal and organizational bases of arrangements for facilitating the rapid transit of exports and imports to and from extra-African markets; and, third, the development of alternative access routes to the sea.

195. The question of alternative physical means of access and routes to the sea turns on three factors: (i) the existence of navigable international inland waterways and the readiness of States bordering these waterways to shoulder the cost of their development and maintenance; (ii) where such waterways do not exist, the readiness and ability of coastal States to extend national surface transport infrastructures to their borders with land-locked States and of land-locked States to connect these terminals with major production and distribution centres within their territories. This depends on the relative advantages of extending or inter-connecting railways (and maintaining them) or of constructing and maintaining trans-national road networks; (iii) the possibilities of development of airfreight services.

196. As regards roads the evolving programme for a trans-African highway network with feeder links encounters three critical problems. The first is firm commitment to priorities for individual links at the national as well as at the multinational level; second is problem of international agreement on legal and administrative measures to facilitate through traffic on international highways; third is agreement on international machinery for dealing with international highway improvement, maintenance and traffic regulation problems. In regard to maintenance in particular some form of common funding must be devised if the burden is not to fall disproportionately on some transit countries.

197. Railways present somewhat more complex problems not so much of extension as of linkages which have been extensively explored by the secretariat in the past and which now fall within the field of activity of the Union of African Railways. Their importance for the long distance movement of bulk industrial and agricultural raw materials and semi-processed products suggest that the Union's programme of activities should be of close concern to planners and policymakers as well as to railway administrations. What seems clear is that railway extensions and linkages will increasingly depend on the density of discoveries of exploitable natural resources referred to earlier and on the rate of growth and differentiation of national production structures.

198. In the case of maritime transport, the image as well as the reality of strong vertical relations between individual African States and former metropolitan powers and pre-occupation with conference lines, appear to be impeding positive action in the development of trans-oceanic shipping. Few countries seem to have given adequate policy consideration to the practical implications of the 40:40:20 rule set out in the Code of Conduct for Liner Conferences. Efforts at setting up multinational shipping lines seem to founder easily. A fresh attack on the factors obstructing this development is needed. This is even more so in the case not only of intercontinental but in intra-African civil aviation. There is every likelihood that intra-African air cargo development, which offers the readiest and least costly mode of intra-African trade at present may, in the absence of early and constructive policies and actions by governments, be appropriated by foreign carriers.

199. The importance of the development of these modes of transport for the Region as a whole is widely recognized but their particular importance for land-locked States tends to be overshadowed by purely transit problems. There seems to be a tendency for coastal States to regard maritime shipping development (and co-operative ventures in this field) as peculiarly appropriate only to maritime States. A great deal of co-operative work on the standardization and compilation of shipping statistics, and on the development of capabilities in their analysis and use for policy making, on problems of cargo consolidation and freight booking, on shipping economics and management, on the construction and testing of costing models and on manpower development is urgently required.

200. The exploitation of underground water resources is also of vital importance in tackling the immediate problem of providing adequate water supply for nomadic populations both for human consumption and for livestock. The provision of watering points needs to be undertaken on a sufficiently wide scale to avoid over-concentration around the watering points and consequent damage to pastures and livestock. As a long-term policy, the provision of water supply should be seen as part of a policy for the settlement of nomads for livestock breeding and related activities. Such a programme is facilitated when there are constraining factors like the recent drought which deprived many of the nomads of their livelihood and forced them to seek other means of sustenance.

201. In the longer term, the sources of dynamic and self-sustaining growth in the least developed countries, whether land-locked or coastal, may shift increasingly from extra-continental economic relations to relations with neighbouring States organized within economic community-type arrangements. In such circumstances the transit facilities which serve the present and transitional needs for access to the sea should naturally become essential parts of the infrastructure for economic co-operation and the cost of construction and maintenance of such links should become easier to share with economic community participants and less costly per unit of goods carried on them.

202. The challenge for strategy, policy and programmes in least developed countries is, in effect, to maintain a continuous search for new dynamic comparative advantages and to devise the institutions for exploiting them. This entails giving high priority to human resources development and especially the development of personnel and institutions for the design and implementation of policies and programmes relating to the processing of agricultural raw materials; to food production, processing and packaging; to the exploration and exploitation of mineral and hydrocarbon resources and to transportation and marketing.

### Economic co-operation

203. In the past the role of economic co-operation in the development of national economies has been obscured by a misunderstanding of the objectives and modalities of co-operation in Africa. This has led to frustration and the near collapse of existing economic groupings and has made it difficult to create larger economic entities. Economic co-operation ventures in Africa have been oriented primarily to trade facilitation. This would suggest that complementary production structures already existed, but in fact existing production structures reflect international specialization and trade between developing primary-commodity producing countries and advanced countries. Moreover, trade-oriented co-operative ventures favour the more highly developed of the countries participating in them. This has meant that the signing of treaties of co-operation, the establishment of secretariats and the removal of tariff barriers have been viewed as the major means for generating gains and distributing them among countries.

204. This interpretation of economic co-operation is based on models borrowed from advanced countries, which differ markedly from developing countries both socially and economically. In developed countries it is assumed that there are many units of production each producing and selling a relatively small share of the national output. It is also assumed that the economy is operating at near full employment and that plants will operate at the margin so that new investment is also marginal by comparison with current productive capacity. These countries have an ample supply of highly motivated entrepreneurs with an extensive knowledge of markets for financing, inputs and products, who are capable of exploring new economic opportunities as they arise at home or abroad. Thus, the removal of national tariff barriers under a treaty of co-operation leads to entrepreneurial activity across national boundaries, increased efficiency and an increase of aggregate gains. The benefits of co-operation are also usually distributed fairly among the countries covered by such treaties because the capacity to derive benefits from co-operation depends on the supply of entrepreneurs, skills, technologies and capital, which are in general equitably distributed among the advanced countries.

205. In contrast, conditions in developing African countries are characterized by an inadequate supply of competent entrepreneurs in both the public and private sectors; scarcity of skilled manpower; limited familiarity with the sources of raw material supply; range of choice of technology, production processes, and production markets; limited inter-industry integration; large imports of inputs; small output mix (including poor utilization of by-products); limited domestic markets relative to plan sizes. The market size problem arises from the fact that, on the basis of recent demographic data, 26 out of 47 independent African States have a population of five million and under, 10 a population of between five and ten millions, 9 a population of between ten and thirty millions and only 2 a population of over thirty millions. Moreover, as is well known, economic activities and output are dominated by subsistence production, effective demand is restricted and fragmented.

206. Thus the objectives and modes of co-operation are bound to differ considerably from those of co-operative arrangements organized in developed countries. Whilst in general terms national policy may be said to be aimed at self-sustaining growth and diversification (associated with the reduction of mass poverty and unemployment), in practice it means co-operation in the creation and utilization of new productive capacity especially in production of goods and services for use as further inputs for other industries or for consumption. This particularly refers to basic industries such as those named in the Lima Plan of Action. Put more bluntly multinational co-operation is a necessary condition of the effective pursuit of national socio-economic goals. The significance of trade among participant States then depends not merely on the absolute volume or value traded but on its composition.

207. Since the supply of entrepreneurs to organize these new production capacities is inadequate at the national level reliance must be placed either on foreign multinationals pursuing global production and marketing strategies and profits, or on the principle of co-production embodied in African State-owned multinationals competent to organize large-scale industrial production, negotiate for raw materials, technology and equipment, arrange large-scale training, promote and support sub-contracting companies, set up group consultancy and research services and encourage innovation. More than this, the institutional structure needs reconsideration at both the macro and the micro levels. This is necessary for two reasons. Firstly, many institutional devices essential to the functioning of modernizing economy are missing or insufficient at the national level, e.g., business associations, institutions for industrial research and for promoting technological innovation; legislation relating to the formation and operation of companies; legislation and machinery for dealing with patents and trade marks; institutions for prescribing quality and technical design standards; legislation and mechanisms for regulating the inflow of technology or the behaviour of monopolistic entities; institutions for dealing with regional development policies such as the Liptko-Gourma Authority. Secondly, even where such machinery exists at the national level, treaties of economic co-operation imply that absolute national sovereignty in these matters must be modified and responsibility for the multinational aspects of these areas of activity entrusted to multinational organs. This would apply, for example, to sectoral policy institutions (agriculture, industry, energy and technology). Where this is not done an institutional gap emerges at the macro level. In short, therefore, at both the national (micro) level and the multinational (macro) level, serious institutional gaps exist.

208. An institutional gap which calls for an immediate remedy relates to co-operation machinery at the multinational and national levels. It must be recognized that countries are mutually dependent in the level of competence and efficiency of such co-operation machinery. The problem may be dealt with partially through the establishment at country level of ministries of economic co-operation.

209. Three main propositions are argued here. Firstly, the economic incentive for co-operation is determined largely by the perceived role of co-operative ventures in the solution of current national development crises: inflation, balance of payments, deteriorating terms of trade, unemployment, relative poverty and squalor in rural and urban peripheral areas, rising food imports, increasing payments abroad, a widening gap in technical development, the social cost of national protective tariffs (i.e., the reduction of real incomes due to higher prices of domestic production behind high national tariffs). It is in the solution of these national problems that the major gains in economic co-operation are to be found. The size of aggregate and national benefits may also be determined by the role which a country assigns to co-operation in facilitating local processing, high local value added and a guaranteed and stable supply of raw material inputs for use in domestic production. Gains may also be made by transforming economic dependence on advanced countries into dependence on neighbouring developing countries, which are more or less of equal strength. It is clear, however, that securing these gains will depend primarily on the imagination and energy with which participant States use the goods and services multinationally produced for the purpose of effecting transformation of the national socio-economic system. Clearly a considerable degree of close programming of national production changes with planned output of multinational industries will be required, preferably embodied in long-term purchase arrangements. Secondly, it has been asserted that models derived from advanced countries are not only inadequate but may even be irrelevant to the task of designing economic co-operation arrangements in Africa. Thirdly, major institutional gaps at the micro and macro levels need to be identified and repaired to enable these arrangements to work satisfactorily.

210. From the discussion above of the least developed countries it is clear that it will be necessary formally to incorporate in economic co-operation treaties special provisions designed to assist such countries to overcome their present difficulties and enable them to exploit fully the resources that are made available to them under economic co-operation arrangements for national socio-economic development. Such provisions would include generous technical assistance from stronger to weaker partners; multinational institutions for natural resources exploration and evaluation financed, in the initial stages, mostly by stronger partners (this should also apply to applied research institutes of common interest); access for the least developed countries to training institutions and other facilities located in partner States; generous support by strong partners for multinational institutions providing development finance; and agreement that the least developed countries should be granted preferential access to such resources.

### Planning

211. Whilst it has for some time now been recognized that inadequate capabilities in sectoral and project planning account for many failures to achieve plan objectives and targets it is only recently that it has become obvious that planning for multiple objectives such as the reduction of employment and of mass poverty in addition to increases in the total output of goods and services must incorporate other elements than 'economic' aggregates and parameters. Moreover, these 'economic constants' and 'variables' tend to conceal powerful social factors that determine whether and to what extent plan objectives and targets can be achieved. Planners are thus faced with the problems of incorporating social, technological and organizational as well as economic factors in plan models and processes, at the same time that capabilities in sectoral and project planning are being improved. There is, therefore, an urgent need for recognition of the many-sided character of realistic planning, for research, experiment and innovation in planning techniques and procedures and for extensive and intensive exchanges of experience in planning. Among the many dimensions that are now due for recognition is the spatial structure of the socio-economic system. Regional (or sub-national) planning which takes full account of the spatial aspect of planning (including the development of growth poles and their integration with the rest of the economy) is of particular importance for integrated rural development and for policies of planned urbanization. Another is the significance of the age and income structures of populations on plan objectives and on resource allocations. A third is the existence of mining and industrial banking, insurance, shipping, and other enclaves occupying critical positions in the socio-economic system and the need to effect their integration with the rest of the system.

212. A fourth dimension is the pressing need to establish effective institutional, communications and programming linkages between the public and the private sectors.

213. In general terms planning must now deal with those extensive social, economic and technological discontinuities in African socio-economic systems noted earlier. Accordingly considerable changes may be required in the content of, and in the methods of organizing training courses for planners. It is not unreasonable to argue that the time has arrived for planning teams to include such other specialists as geographers, surveyors, demographers, sociologists as well as economists and technologists and for governments to encourage a multidisciplinary unified approach to planning.

### The role of governments

214. It will by now have become obvious that if substantial meaning is to be given to self-reliant dynamic growth and diversification, governments are expected to play a larger part in the process of socio-economic transformation than they have explicitly and formally agreed to play so far. In view of the multiple objectives of socio-economic

policy, governments will inevitably find themselves performing several roles. They will act as planners, instituting State-wide planning networks, linkages, plan monitoring facilities, control mechanisms, information systems and feedback effects; as entrepreneurs running State enterprises, mainly through State-owned national and multinational enterprises, public utilities, and enterprises in which ownership is shared with foreign or indigenous business; as developers and promoters of social and technological innovations (as a result of their activities in problem identification and solving) and as allocators of national resources through fiscal and monetary policies, incentives and disincentives. These functions will require genuine self-appraisal preparatory to altering philosophies, structures and procedures, including those governing the quality and orientation of personnel, and gearing them to clearly defined functional objectives. In this process, the higher echelons of the public services must come to recognize themselves as a major segment in the corps of national managerial cadres responsible for promoting the massive socio-economic changes inherent in the process of dynamic economic growth and diversification. Since self-reliance implies the energetic and imaginative participation of the rural masses, the search for effective forms of participation must be conducted more comprehensively than seems to be the case at present.