

# UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL

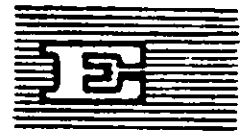


Distr.  
LIMITED

E/CN.14/LU/ECOP/L.1  
26 October 1965

Original : ENGLISH

#00159



ECONOMIC COMMISSION FOR AFRICA  
Sub-regional Meeting on Economic  
Cooperation in East Africa  
Lusaka, 26 October - 6 November 1965

## OPENING STATEMENT

by the  
Executive Secretary

The origin of this Conference lies in the preliminary mission in 1963 on Industrial Coordination in East Africa, which was followed by a decision taken by the East African countries during the Sixth Session to hold a meeting on Economic Coordination in Lusaka. This decision was confirmed at the Seventh Session. Meanwhile work was put in hand in 1964. The Seventh Session also decided that similar meetings should be held in each of the other three sub-regions and these will be convened in Leopoldville, Tangier and Niamey in February, April and May, respectively, of next year.

The agenda before the meeting, Document E/CN.14/LU/ECOP.1/Rev.1 falls into three substantive parts: Section I puts forward proposals for the organization and modus operandi of inter-governmental machinery for sub-regional cooperation; Section II deals with industry; and Section III with other elements of economic cooperation.

I suggest that the present meeting should concentrate on Sections I and II and for this purpose you may find it convenient to set up two Committees of the Whole. The first of these would examine the agenda items in Sections I and III, and the second the agenda items in Section II. This arrangement might also be convenient since the first Committee would be the precursor, on the basis of the machinery the secretariat proposes, as I shall outline later, of the Council of Ministers and of the First, Third and Fourth Committees, and the second the precursor of the Second Committee. It might also be useful if the first Committee were to set up a sub-committee of planners. This would give effect to Resolution 145 adopted at the Seventh Session.

The decision to set up inter-governmental institutions to organize economic cooperation in each of the four sub-regions in Africa is based on a number of considerations which are well known to you. I will refer only to the most immediately relevant ones. African countries

0344408694

have consistently held the view that the desired economic future of this continent can be assured only if the limitations to economic opportunity imposed by the political boundaries which we have inherited from history can be overcome by coordinating the development processes of the individual states. Africa can aspire to the highest levels of economic and social progress if the resources of the different parts can be pooled and used in a cooperative effort in development.

In working towards this goal it has become obvious that we must move in stages. The first is to bring together the economies of neighbouring countries in the different natural zones of the continent and install at the most advantageous points within each zone multinational enterprises to supply the countries with commodities and facilities which, standing individually, they could not provide for themselves. In the light of the physical and economic facts, it was decided that by grouping the continent into four sub-regions we could establish economic units of manageable and efficient size in a large number of countries, though not in all.

The countries which belong to each sub-region have to learn to coordinate their economic policies and development activities. They have to get together to agree on a number of projects which will promote the progress of the sub-region as a whole. And they have to create institutions able to assure the scheduled implementation of these projects. The arrangements between the countries of each sub-region must ensure that as far as possible the pattern of development instituted by the countries of the area is the most economical, efficient and dynamic that can be designed given the sub-region's endowment of natural resources and the appropriate creation of skills, man-made capital and economic institutions. No less important, they have to ensure that the rate of progress benefits all the countries of the sub-region according to an agreed pattern, and that the prospects for economic advancement of each country are substantially enhanced by participation in sub-regional arrangements beyond what they would be in the absence of such cooperation.

Systematic large-scale cooperation in economic development is a new field of activity for the African countries. In fact all over the world economic integration among a number of independent sovereign countries is a process whose benefits are intellectually quite obvious but with whose practical details many statesmen and economists have little experience. Moreover it is readily apparent that a process of integrated development such as the East African countries are now being invited to embark upon is one that will take a long period to show its full results and during that period will throw up expected and unexpected problems and opportunities in a constant stream. Nobody can provide ready-made answers once and for all to guide the whole process to its close. What we have to do is to set up permanent machinery through which the governments can regularly consult with each other and make decisions based on their enlightened national interests and on the spirit of African solidarity.

The decisions that have to be made to govern the long-term development of the countries of the sub-region are decisions involving the most intimate functions of each government. The future of the people to whom each government is responsible is bound up with these decisions. Therefore the governments need to know clearly what their respective obligations, opportunities and rights will be under this cooperative arrangement. At the same time, since inter-governmental cooperation for economic development is so new, each government will want to preserve enough scope for the exercise of its own national responsibility in this most important field. The suggestions made in document E/CN.14/LU/ECOP.8 for inter-governmental institutions to be set up in the East African countries attempt to reflect the wishes of the countries of the sub-region, so far as the Secretariat has been able to ascertain them concerning the major principles which should govern economic cooperation between them. This meeting is invited to agree on a final set of principles. It is suggested that following such agreement, arrangements be made to translate these principles into a formal Treaty between the countries of East Africa under which will be set up an Economic Community for East Africa.

The recommendation of the Secretariat of the ECA is that this Treaty should provide for an inter-governmental consultative body composed of ministers, supported by four principal technical organs to deal with the most immediately important aspects of joint action. It is suggested that a Council of Ministers be set up charged with the responsibility for administering the Treaty and for reaching final agreements on all specific proposals for cooperative development. It is further suggested that this Council of Ministers be advised on matters of general policy by an Economic Committee consisting of senior planning officials from the countries of the sub-region. This Committee should also prepare the negotiations under the Council of Ministers and between it and governments and other bodies, and for the present deal with all aspects of economic cooperation which are not remitted to special committees. It is further suggested that specialist technical organs be set up to deal in particular with Industry, Transport and Communications, and Trade - the three areas in which, on the basis of the studies so far carried out, the countries of the sub-region can most likely proceed in the near future to concrete decisions and actions.

In the field of industry, the documents to be discussed at the present conference provide the basis for the East African countries to proceed immediately to the drawing up of technical blue-prints for the setting up of a number of major basic industries to serve the whole sub-region or various groups of states which form convenient markets for a single plant. Let me emphasize, however, that industrial development in the sub-region should be as much concerned with the promotion of viable small- and medium-scale industries as with the setting up of large-scale industries. The major part of the benefit, especially to the smaller countries, of membership in such institutions should be that the creation of a new large market area such as the one that would be embraced by the East African Economic Community, with

nearly 70 million inhabitants, adds increased strength to and hence opportunities for national industrial development.

Economic cooperation in the East African sub-region will be strengthened insofar as goods, capital and management can move freely between the countries of the area together with greater mobility of labour. There already exist transport networks covering the countries of the former British East Africa and of the former Federation of Rhodesia and Nyasaland. These existing systems must be linked up, and the other countries of the sub-region must be connected to them to form part of the infrastructure of a truly sub-regional economy. Modern means of telecommunications must also be installed between the Member countries of the Community to facilitate their trade and industry. The proposed Committee on Transport and Communications can proceed immediately to decide on, and jointly promote the implementation of a number of obvious links that are already required to serve the existing complex of trade and production in the sub-region. As the pattern of the location of new industrial and agricultural development is further defined through sub-regional agreements, new transport links and additions to the existing network will have to be constructed. It is of the utmost importance that progress in the development of a transport network keep sufficiently ahead of the development of agriculture and industry so that a smooth process of economic expansion can be achieved in the sub-region.

The reality of the existence of the Economic Community of East Africa should also be signified by the intimacy of the trade relations that grow up between the countries of the sub-region. The new enterprises in agriculture, industry, power, transport and telecommunications which are set up as a result of inter-governmental agreements should be assured of economic viability through suitable trading agreements which permit these enterprises to take full advantage of mutual exchange of goods and services within the sub-regional market. It is therefore suggested that the countries of the sub-region proceed in the near future to an agreement on the basic principles of the trading régime that will subsist between them as the essential and central institution of the Economic Community.

Let me emphasize, however, that the responsibility for setting up and running inter-governmental institutions to promote the development of the sub-region belongs to the East African governments themselves. The ECA and other United Nations agencies will help the governments to achieve whatever concrete tasks or general objectives they agree on. But the negotiations needed to define, and agree on, these tasks as well as the efforts required to secure their implementation should clearly be understood to be the responsibility of the governments themselves.

It is neither feasible, nor really necessary at this stage, for the governments of the sub-region to create anything analogous to a civil service apparatus to run the Economic Community. It is suggested that the East African countries nominate a group of four senior

officials each to serve as secretary to one of the principal sections of the work programme of the Community.

Section II falls into three parts. The first two parts consist of a series of studies on heavy and light industries. I do not feel that you will wish to examine these papers in detail during the Conference. Together they form a comprehensive series of documents on almost all branches of feasible East African industries. These documents have been prepared during the last year or so by the Secretariat and consultants, including specialists put at our disposal by some of the bilateral donor countries, to whom I would like to express our sincere thanks. You will, however, wish to examine in detail the papers in Part 3 on Industrial Financing and Investment Legislation, Industrial Research, Standardization, and in particular the document which, drawing on the individual studies, sets out on a comprehensive basis proposals for integrated industrial development throughout the sub-region and the benefits, direct or indirect, which would accrue to all countries.

The scheme put forward for the coordinated industrial development of the sub-region implies increasing the level of GDP from a little under 5½ billion US dollars in 1961 to over 10 billion in 1975. The annual growth rate over the whole period would be 4½ percent, and in fact over 5 percent from 1964-1975. This is not an unduly ambitious rate of growth. Gross industrial output would increase by nearly 3½ billion dollars, value added by over 1.3 billion dollars and employment from 550,000 to 650,000. Investment in fixed capital required is rather more than 3½ billion dollars. For some industries the optimum scale of output is very large and a limited number of plants, sometimes only one, are proposed, e.g., iron and steel, fertilizers, viscose rayon and polyethylene.

It is demonstrated in the course of the papers that an integrated pattern is essential not merely in the case of industries like iron and steel, fertilizers and viscose. Large product groups, like textiles, clothing, pharmaceuticals and food products are characterized by an immense range of end products, and no country in the sub-region by itself could hope to produce viably more than a part of its requirements. This handicap could be larger in the case of smaller countries and somewhat smaller in the case of others.

A further source of cooperation is to be found in the miscellanea of current industrial imports, which are often not even reported fully in the statistics of the countries concerned. These items are individually small in absolute volume, but are numerous enough to become a significant source of industrialization if tackled on the sub-regional level. A paper on small industry brings out the possibilities in this field.

Throughout, proposals put forward take into account the advantages of international specialization on all products of an industry or on one or two major products within an industry. A deliberate attempt has been made to show how industry or branches of industry can be shared throughout the sub-region to the benefit of all. These proposals are not put forward by the Secretariat in a spirit of dogmatic assertion. But it is hoped to show, perhaps indeed prove, that each country will grow faster on the basis of a scheme of this kind than it would if it

were to plan industrial development on a strictly national basis. At the same time provision is made for the weaker countries to grow faster than the rest so as to counteract the tendencies to inequality.

At present national development plans in East Africa have been drawn up independently. If a comprehensive sub-regional industrial development scheme of the kind suggested is accepted, national development plans will have to be adjusted accordingly.

The papers on financing are intended to show first that a much greater effort to provide domestic finance is required and that this is possible. Secondly, it is shown that an immense amount of external finance is required particularly at the early stages of the effort. Furthermore, if the burden of indebtedness is not to rise to impossible levels, the proportion of grants to loans will have to increase. In this context a sub-regional approach to the creation and expansion of export industries is required to match the growing burden of indebtedness.

A marked effort will have to be made to increase absorptive capacity of the poorer countries and this should be the most urgent goal of foreign aid. In particular this means high domestic finance and tax revenues, general stability, the creation of debt service capacity and improvement of infrastructure, in particular through training of manpower of all kinds.

One of the papers discusses the important problem of attracting foreign development finance and recent improvements in this direction, e.g., the World Bank's Convention for the Settlement of Investment Deposits, the scheme proposed by the OECD for a multi-lateral guarantee of foreign investment against non-commercial risks, and the World Bank's scheme being worked out for compensatory development finance. The systems of investment guarantees and investment codes are also discussed. The sub-regional industrial schemes proposed are bound substantially to increase the profitability of investment and therefore the attractiveness of investment for foreign finance.

Another paper recommends the establishment of three new institutes in the field of industrial research: for food; metals and light engineering; and fibres, rubber and plastics; together with the take-over of the existing Building Research Institute in Ethiopia and the FAIRO and Materials Testing and Research Laboratories in Kenya, all to be administered and directed by an East African Council of Industrial Research and Development. The United Nations Special Fund is likely to assist if requested in promoting such a scheme. Associated with it as is examined in another paper might be the establishment of a Sub-Regional Standards Institute or Association, the main functions of which would be to coordinate the work of the national standards bodies and carry out studies on standardization. Such a sub-regional Institute would also be able to coordinate the work of the already existing or planned multi-national bodies, e.g., the Standards Association of Central Africa and a possible institute for Kenya, Tanzania and Uganda.

Before leaving industry one last point should be made. If multi-national and sub-regional industries are to be set up at all it will be necessary, given the wide differences in industrial and commercial legislation, to negotiate a Convention for a common type of East African Company.

The documents listed under Section III of the agenda are essentially of a background character. To the extent that you wish to examine them during the Conference this could conveniently be done in the first Committee of the Whole suggested.

Work is proceeding in the ECA Secretariat on the different topics covered by Section III of the agenda. If called upon we shall be in a position, in the course of next year, to contribute to the work of the Council of Ministers for Economic Cooperation in East Africa and its supporting committees.

We are pursuing, in the light of the Conference held last year in Addis Ababa on air transport, the possibility of consolidating the airlines in East Africa. A study on maritime transport in East Africa is almost completed. As part of a series of studies on inland transport links among groups of African countries being carried out largely through groups of experts put at our disposal by some of the bilateral donors, we hope by the middle of next year to put forward substantial proposals for East Africa. Work is continuing on the ITU/ECA Telecommunications Plan.

Sub-regionally integrated development cannot, of course, be based on industry alone and (as indicated in E/CN.14/LU/ECOP/6) a major working paper on the prospects for supply of and demand for food in East Africa will be prepared in the course of 1966. Agriculture is still the largest industry in the sub-region, employing two-thirds of the population and accounting for more than 40 percent of GDP. There is large scope for import savings and for earning foreign exchange. Food is required for the growing population and to match rising incomes. It should be remembered that the population of East Africa is expected to rise by some 24 million in 1975 compared with 1961, and that industrialization can provide employment outlets for only a fraction of this increase. Agricultural development is also required for industrial development. Savings are not absorbed; on the contrary they rise and contribute to the manufacturing process. Finally, there is substantial scope within the sub-region for agricultural specialization.

We are ready if required and in the light of decisions taken to promote integrated agricultural and industrial development, to examine in detail a possible code of rules governing a Common Market for East Africa as a whole. It would comprise proposals for interim internal and external duties and ultimate common external duties and related problems. We are also ready if required to work on problems of monetary and fiscal cooperation in East Africa including the development of a common investment code.

Energy is another field where there is scope for integrated development in East Africa. A paper has already been prepared on petroleum and we are working on problems of electric energy.

Manpower and training is another field where there is much to be done and much to be gained from cooperation. We have circulated two background papers and are ready to continue our work.

Apart from work still to be done along the lines I have indicated much more is required if the proposals for industrial development before this conference are to be translated into reality. The studies we have made are essentially of a preliminary character. The next steps are specific studies on economic and technical feasibility, engineering studies, and financing. Much of the work to be done is beyond the present resources of money and manpower of the East African countries and of the ECA Secretariat. What we can do, however, is to seek the assistance of the United Nations Special Fund, the International Development Association and other international financing agencies, as well as bilateral donors. We are ready to work with individual governments and especially with whatever new inter-governmental machinery may be established, in working out rapidly a detailed and concrete plan of action.

Before you close your deliberations here I should like to ask you to set out in fairly precise terms the assistance of all kinds that you would like the ECA to provide or procure from other sources on behalf of the new Organization for East African Cooperation which I hope you are going to establish.

Finally, I think it is necessary to pin-point certain facts in connection with the tasks which we are about to set ourselves:

- 1) Neither the United Nations, its Specialized Agencies, nor the ECA should be regarded as a substitute for colonial governments and to be blamed for lack of progress in newly independent states. One fact about independence is that there is no one to blame except the government in power.

The United Nations and other international agencies appreciate the formidable challenge to newly independent states and stand ready to help, but heaven helps those who help themselves.

- 2) International economic cooperation is no substitute for national effort. In other words, the responsibility rests with individual countries to take initiatives for economic advancement. When objectives and specific projects have been defined these can be coordinated with those of participating countries in a cooperative effort. We are here to harmonize interests and to determine a programme which will satisfy the needs of all participating countries.



- 3) It is possible to gain immediate advantages by maintaining links with more advanced non-African economies. Individual countries need to earn foreign exchange to finance their economic development but have to strike a balance between indefinite dependence and a programme of investment which will bring about basic structural changes. Difficulties encountered by the sponsors of the Latin American Free Trade Area should be a warning to us. Mexico, for example, finds it immediately more profitable to do more business with the United States than with her Latin American neighbours. For some time production and transport costs may make it difficult to justify the institution of industries in Africa to compete with the more advanced countries. I would like to plead with this meeting not to waste time discussing the association of some African countries with the Common Market or the imperial preference system. A pragmatic approach to such problems will be more rewarding. From the results of our deliberations if concrete developments emerge, we will then be in a position to negotiate difficulties.
- 4) The documents submitted to this conference will be of considerable interest to foreign industrial concerns who may be tempted to induce individual countries to insist on the realization of their immediate parochial interests. The integration of the motor industry in Latin America, for instance, is now being crushed by foreign corporations who have production or assembly facilities and guaranteed local markets. It has been estimated that there is room for only one or two car factories to serve the whole of Latin America but, at present, there are forty plants owned by a dozen or more foreign companies operating in six countries. All of them are of course operating below capacity. This can happen to African countries in practically all the major developments which this conference will discuss.
- 5) There are technical difficulties which can be overcome. Manpower shortages may make it difficult for us to come to grips with the realities of the situation. Then there is the question of finance. I have already mentioned the difficulty which may arise from foreign interests, but I feel that the hardest problem will be concerned with our efforts to overcome national and individual selfishness.