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ON-GOING PROJECTS AND PROGRAMMES:  
BASIS FOR INITIATING INDUSTRIAL CO-OPERATION

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION .....	1
II. ACTIVITIES UNDERTAKEN IN SOME OF THE PTA PRIORITY AREAS AND FOLLOW-UP ACTIONS PROPOSED .....	2
A. Iron and Steel Industry .....	2
B. Engineering Industry .....	4
C. Chemical Industry .....	5
D. Building Materials and Construction Industries .....	7
E. Food Processing Industry .....	8
F. Forest Industry .....	9
III. RESOURCE AND OTHER IMPLICATIONS .....	9
IV. AREAS AND MECANISMS FOR CO-OPERATION .....	10
A. Areas for Co-operation .....	10
B. Mechanisms for Co-operation .....	12

ON GOING PROJECTS AND PROGRAMMES:  
BASIS FOR INITIATING INDUSTRIAL CO-OPERATION

I. INTRODUCTION

1. The objective of the Protocol on Co-operation in the Field of Industrial Development is to "promote self-sustained industrialization within the Preferential Trade Area designed to expand trade in industrial products and effect structural transformation of industry for the purpose of fostering the overall social and economic development of the member States." <sup>1/</sup> This objective is to be attained, through among other things, co-operation in:

- (a) the development of industries, particularly those characterized by economies of scale, those that produce capital and intermediate inputs, or those dependent on external factor inputs, and
- (b) the creation and operation of institutions for research and development, training and industrial development and operation (joint ventures, corporations).

2. In order to achieve the above objective, the PTA member States agreed, inter alia, to:

- (a) adopt common industrial co-operation programmes;
- (b) rational and full use of existing industries;
- (c) promote co-operation in the establishment of basic and heavy as well as other industries, including those related to:
  - (i) metals;
  - (ii) chemicals and petrochemicals;
  - (iii) engineering (mechanical, electrical and electronic), and
  - (iv) durable and non-durable consumer goods which, by implications, include building materials, processed foods and forest based products; and
- (d) establish and promote multinational enterprises.

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<sup>1/</sup> Treaty for the Establishment of the Preferential Trade area for Eastern and Southern African States. P. 137

3. These priority areas for co-operation conform to the letter and spirit of the Lagos Plan of Action (LPA) and the Industrial Development Decade for Africa (IDDA).

4. The co-operative industrial activities undertaken in recent years in the sub-region are in line with the above objective and priorities. They are detailed in Part II with the anticipation that the PTA member States will use them as basis for future actions, for which suggestions are included.

## II. ACTIVITIES UNDERTAKEN IN SOME OF THE PTA PRIORITY AREAS AND FOLLOW-UP ACTIONS PROPOSED

5. In the Eastern and Southern African subregion a number of follow-up missions were carried out and the following meetings organized:

- The First Intergovernmental Meeting of Experts on the Establishment of Iron and Steel Industry in Eastern and Southern African Subregion (Addis Ababa, 25-29 May 1981);
- The Second Intergovernmental Meeting of Experts on the Establishment of Iron and Steel Industry in Eastern and Southern African subregion (Addis Ababa, 30 November - 4 December 1981);
- The First Meeting of Intergovernmental Committee of Experts on Chemicals for Eastern and Southern Africa (Addis Ababa, 14-18 September 1981); and
- The meeting of the Directors of African building and building materials research institutions (Bujumbura, 30 April - 3 May 1980).

6. The activities carried out in relation to the above meetings and the priorities of the PTA as detailed in the Protocol on Co-operation in the Field of Industrial Development as well as proposals for future actions, are described hereunder.

7. The remaining part of Part II of this document should be read in conjunction with Part II dealing with core industries in "The Industrial Development Decade for Africa" (INR/PTA/CIC/I/1).

### A. Iron and Steel Industry

#### 1. Activities undertaken

8. "A preliminary Report on the Development of the Iron and Steel Industry and Related Metallurgical Facilities in the Lusaka MULFOC countries (ECA/MULFOC/Lusaka/IV/6)" comparing two parts prepared by ECA at the request of the Lusaka MULFOC Council of Ministers at its third meeting was presented to the Fourth Meeting held in Maseru, the kingdom of Lesotho, from 19 to 22 January 1981. The Council of Ministers referred the report to an inter-governmental meeting of experts which met twice in 1981. The report of its second meeting (ST/ECA/INR/7) was considered by the Fifth Meeting of the Council of Ministers (Lusaka, 23-25 March 1982) which adopted the report which among other things, recommended that:

- (a) member States should make arrangements to utilize pig iron, billet etc. from ZISCOSTEEL in Zimbabwe as inputs for their re-rolling mills;
- (b) member States should start consultations leading to negotiations on collaboration in the exploitation, supply and exchange of energy, raw materials and intermediates; and
- (c) an Eastern and Southern African Steel Development Committee (ESASDC) should be established with responsibility to implement the recommendations.

9. Pursuant to the above decisions of the Council of Ministers, the first meeting of ESASDC is scheduled to take place in Harare, Zimbabwe from 8 to 12 November 1982 following visits to iron and steel and engineering industrial plants in Bulawayo, Gweru and Kwekwe between 3 and 7 November. At this meeting it is expected that member States will initiate consultations with Zimbabwe with a view to obtaining their iron and steel supplies from Zimbabwe for their re-rolling mills requirements, as well as move a step forward in regard to co-operation in the development of new iron and steel and refractory and ferroalloy production facilities.

10. In this connection, it should be noted that Angola, Kenya, Madagascar, Mozambique, Tanzania and Zambia have projects for crude steel (primary steel) production facilities. ESASDC is expected to assist member States in harmonizing the development of the iron and steel industry based on complementarity and specialization and minimizing duplication of efforts and resources. Preliminary suggestions at harmonization made in the "Proposed Programme of co-operation in the Development of the Iron and Steel Industry in the Eastern and Southern African Subregion" (INR/I&S/2/WP.4) with a view to meeting a good part of the 3.5 and 8.3 million tons (rough estimated demand for 1990 and the year 2000 respectively) from local production.

11. A number of assumptions were made in arriving at Annex 1. These include that national steel plants will be designed primarily to meet local demand for merchant products; that some national plants will specialize in flat products (Zimbabwe and Kenya), tubes and pipes (Zimbabwe and Kenya); rail and heavy sections (Zimbabwe and possibly Mozambique), ferrochrome (Madagascar and Zimbabwe) and ferromanganese (Botswana); and that the units to be established during the period 1985-1990 will be expanded during the 1990s in order to meet the projected demand for the year 2000 or thereabout. It should be noted here that these assumptions will need to be revised in the light of better up-to-date information that may be available with the passage of time.

## 2. Follow-up actions proposed

- (a) Short term option- rational utilization of existing production facilities. This short-term option approved by the Council of Ministers would enable member States to mutually benefit through full capacity utilization of the Zimbabwe Iron and Steel Company which could be in a position to supply member States with inputs for their re-rolling mills.

- (b) Long-term option - continuing consultations on the long-term aspect of the development of the iron and steel industry, most likely based on the following alternatives:
- (i) implementation of national projects incorporating some basic links among them; and
  - (ii) implementation of integrated projects based on sponge iron made in a location offering efficient utilization of iron ore, coal, gas and electricity.

12. Alternative (i) may involve certain changes in the product mix, capacities and other parameters of the national projects so as to accommodate requirements of other member States with or without own projects. In view of the complexity and financial and other constraints, this approach is unlikely to materialize in the near future.

13. Alternative (ii) is based on one or two central sponge iron production units designed to provide inputs to national and/or multinational electric arc furnaces cum rolling mills. This alternative which is highly recommended would enable member States to achieve collective self-sufficiency in iron and steel with minimum investment and skilled manpower and in a relatively short time.

## B. Engineering industry

### 1. Activities undertaken

14. In the engineering industries, priority has been given to the promotion of engineering branches that provide essential inputs to food production, processing, storage and transport. The Document entitled "Preliminary Conceptual Framework for Co-operation in the Agricultural Machinery and Transport Equipment in the Lusaka MULPOC", prepared with this objective in view, was presented to the Fifth Meeting of the Council of Ministers (Lusaka, 23-25 March 1982). Recognizing the importance of the subject matter, the Council decided that a Subregional Committee on Engineering be established to promote standardization and development of the engineering industry.

15. As a follow-up to this decision the first meeting of the Committee is planned to take place concurrently with the first meeting of ESASDC referred to above.

16. Here it would be opportune to recall that the UNIDO/ECA/OAU/FAO sponsored First Regional Consultation on the Agricultural Machinery Industry in Africa was held in Addis Ababa, 5 to 9 April 1982. From presentations made by participants from some of the member States of the subregion, it became clear that there are field tested and successfully operating designs and production facilities for agricultural tools and implements relevant to other member States. In view of this, the first meeting will focus its attention to the exchange of information and experience in the design, field testing and actual performance of agricultural hand tools, implements and equipment. This exchange, it is hoped, will, in the first instance, lead to arrangements being made among member States for supplying/securing agricultural tools and implements.

17. Production of agricultural and, for that matter, any engineering product, requires a core of basic support facilities such as foundry, forging, heat treatment, machine shop, tool room, fabrication shop and metal coating. The development of a combination of any of these commensurate with the stage of economic development of every African country is a prerequisite. In view of this, project profiles on these basic support facilities will be presented and discussed at the meeting.
18. In respect of the long-term aspect, the meeting is expected to make a start in identifying areas and modalities for co-operation. In this connection, the earlier the subregion decides what engineering activities ought to be developed in the subregion, the easier will it be to decide with regard to rationalized and integrated development of the iron and steel industry.

## 2. Follow-up actions proposed

- (a) Survey of metal castings, handtools, agricultural implements, hardwares, fixtures, fittings, weld-fabricated products, parts and components and review of existing national basic support facilities (engineering core industries) including those in railway workshops, dockyards and large industrial establishments - The purpose of this exercise would be to find out what products can be produced by rationalizing existing facilities as well as by installing new facilities, if required. In this connexion, the profiles referred to above could serve as basis for this activity.
- (b) Optimum use of existing field tested agricultural tools and implements and other relevant engineering products and/or their designs - This should be achieved through continuing exchange of information, experience and expertise as planned for the first meeting of the engineering committee.
- (c) Continuing consultations with a view to identifying, standardizing and promoting the production of essential and sophisticated engineering products whose market and production require co-operation at the multinational level. In this connexion, it should be noted that specialized production facilities can be established for the manufacture of parts and components for vehicles, agricultural machinery and industrial establishments such as flour, vegetable oil, sugar and textile mills and cement plants.

## C. Chemical industry

### 1. Activities undertaken

19. As one of the follow-up actions to the chemical mission undertaken in 1978 to some selected African countries and the subsequent regional expert meeting in 1979, "Project Profiles on Chemical Industries" (ECA/MULROC/Lusaka/IV/7) were prepared and presented to the Fourth Meeting of the MULROC Council of Ministers referred to above. Following the decision of the Council to establish an intergovernmental chemical expert committee responsible for the promotion of multinational chemical projects in the subregion (paragraph 67 of the Council's report, ECA/MULROC/Lusaka/IV/23), the First Meeting of Intergovernmental Committee of Experts on Chemicals for Eastern and Southern Africa was convened from 14-18 September 1981 in Addis Ababa.

20. In view of their crucial inputs for increased production of food and agriculture, reduction of food losses and improving the health of the peoples as well as animals, the Expert Meeting identified fertilizers, pesticides and pharmaceuticals as the priority groups within the chemical subsector. It recommended the urgent establishment of production units in locations to be selected from among the following countries (shown in parenthesis):

- (a) one natural gas-based ammonia plant (Tanzania, Mozambique, Angola and Ethiopia);
- (b) two phosphoric acid plants (Uganda, Tanzania, Zimbabwe, Malawi and Angola);
- (c) one potash plant (Ethiopia); and
- (d) pesticide and pharmaceutical active ingredients (types and potential locations to be determined).

21. Recognizing the need for a mechanism to implement the above recommendations, the Expert Meeting proposed the undertaking of a study on the feasibility of establishing an autonomous subregional multinational corporation which was considered as the best option among a number of modalities for co-operation proposed at the meeting.

22. The above and other recommendations of the Expert meeting were presented to the Fifth Meeting of the Council of Ministers which approved the recommendations. The meeting also requested ECA to contact the United Republic of Tanzania and Ethiopia to find out the possibility of other member States' participation in the ammonia and potash projects respectively, and proposed the revitalization and expansion of the phosphoric acid and phosphate fertilizer plants in Uganda, Zimbabwe and the United Republic of Tanzania and the establishment of new ones elsewhere. In this connexion, the Ethiopian Government is currently taking follow-up actions to the market survey prepared by ECA. These include issuing in July 1982 bids for undertaking a full fledged feasibility study and steps to sound potential partners for the venture.

23. Country papers designed to cover topics and areas which have been the subject matter of the above recommendations, model pre-feasibility studies for the formulation of pesticides and pharmaceuticals, a study on chemicals from biomass and a report on the feasibility study on a multinational corporation will be considered by the Second Meeting of Intergovernmental Committee of Experts on Chemicals for Eastern and Southern Africa scheduled from 1 to 5 November 1982 in Lusaka, Zambia.

24. The above meeting is expected to come out with more concrete proposals in respect of the ammonia and potash projects and the expansion of phosphoric acid and phosphate fertilizers as well as an institutional framework in the form of a chemical multinational corporation.

## 2. Follow-up actions proposed

- (a) Co-operation in and expediting the implementation of existing fertilizer projects (ammonia in Tanzania, potash in Ethiopia as well as phosphate in Uganda, for which a study is reported being carried out by the World Bank);<sup>2/</sup>
- (b) Increasing production of phosphoric acid and phosphate fertilizers, particularly through expansion of existing facilities in Zimbabwe and Tanzania using local phosphate rock;
- (c) Expansion and/or establishment of new formulation units for pesticides and pharmaceuticals after feasibilities of such units have been established using, in the first instance, the model pre-feasibility studies referred to earlier; and
- (d) Undertaking further studies in regard to the development of production facilities for pesticide and pharmaceutical active ingredients.

## D. Building Materials and Construction Industries

### 1. Activities undertaken

25. Priority has been given to optimum utilization of locally available resources and production capacities, promotion of new capacities based on diversification, decentralization and locally-appropriate technologies, supported by appropriate policies and institutional services. Missions were undertaken to Botswana, Burundi, Djibouti, Kenya, Lesotho, Mozambique, Swaziland and United Republic of Tanzania with a view to identifying short and long term programmes to be taken in respect of raw materials, optimization of production, promotion of local products, research and manpower training. At a meeting of the Directors of African building and building materials research institutes convened in Bujumbura in 1980, the priorities for research and areas for research co-operation were identified. A feasibility study was completed on setting up a joint subregional centre for building and building materials research in CEEGL countries (Burundi, Rwanda and Zaire).

26. Experts from Ethiopia, Madagascar, the Sudan, and the United Republic of Tanzania participated in a study tour and in-plant training organized in India in 1981 by BCA to study small and medium scale production of building materials, research and training facilities, low-cost housing techniques, etc. and examined their relevance to African conditions. As a follow-up to this, a national seminar was organized in Tanzania in 1982 and specific proposals for development of local building materials industries were made. Proposals were also made for the development of a sound indigenous construction sector at a meeting of an ad-hoc group of experts organized by UNCHS (Habitat) in Nairobi in 1981. All these activities directly relate to specific elements of the Industrial Development Decade Programme for this sector.

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<sup>2/</sup> According to European Chemical News, Vol. 37, No. 1009, page 30, Fluor is carrying out a study on the setting up of an ammonia/urea project based on Pande gas in Mozambique.



2. Follow-up actions proposed

- (a) Strengthening building and building materials research and information facilities including reactivating and transforming the existing lime plant in Tanzania into subregional pilot cum demonstration project;
- (b) Promoting the establishment of a subregional centre for development of local clay-based industries;
- (c) Promoting pre-investment activities with a view to increasing cement production;
- (d) Promoting the adoption of unified building materials standards (aimed at facilitating the trade of materials within the subregion) as well as of new and common building rules and regulations.

E. Food Processing Industry

1. Activities undertaken

27. The FAO/ECA Advisory Group on Food and Agricultural Industries in Africa (AGFI) and ECA proposals on converting the Institute of Food Technology in Dakar, Senegal, and the Food Research Centre in Khartoum, Sudan into regional institutes for millet and sorghum respectively was endorsed by the Fifth Meeting of the Lusaka Council of Ministers.

28. Following other decisions made by the Council, AGFI and ECA are undertaking activities related to the feasibility of establishing one or two similar regional centres based on maize and cassava; the possibility of converting Uganda's Serere Research Station into a subregional centre for development of technology for the processing of sorghum, millet and cassava; and possibility of establishing a subregional research and development centre for processing animal by products.

2. Follow-up actions proposed

- (a) Promotion of the establishment of a subregional research and development centre for processing animal products;
- (b) Promotion of the establishment of a subregional research and development centre for processing food (non-animal) and agricultural by-products and wastes;
- (c) Supporting the conversion of Uganda's Serere Research Station into a subregional centre for development of technology for the processing of sorghum, millet and cassava, if feasible; and

- (d) Continuing consultations among member States, including exchange of information, experience and expertise in food policies, preservation, processing, storage and transport and in identification and promotion of co-operation in these areas among member States.

## F. Forest Industry

### 1. Activities undertaken

29. The FAO/ECA Forest Industries Advisory Group (FIAG) has in the past carried out and continues to carry out missions to member States of the subregion. These included missions to Kenya to examine progress on the rebuilding of the Forest Industry Training at Nakuru (with a view to examining its potential as a subregional training centre) and to Madagascar to analyze the development of the primary forest industry sub-sector.

30. FIAG's activities related to the possibilities for exports of furniture and joinery products from East Africa to the Socialist People's Libyan Arab Jamahiriya and the Persian Gulf States was the subject matter for discussion at the fifth Meeting of the Lusaka MULO Council of Ministers. Following the decision made at that meeting, FIAG at the time of writing this report, was trying to find finance to undertake the required consumer and supplier market surveys as well as hold the Fuelwood and Energy Seminar for East African countries in Zambia.

31. Other areas in which FIAG is involved and are of interest to the subregion are computerized model for cost and profitability calculations (already completed) and the regional survey up-dating and revising production and trade in forest products.

### 2. Follow-up actions proposed

- (a) Conservation of wood through innovative and efficient use of fuelwood;
- (b) Identification of areas and, whenever practicable, reversing the process of substituting wood by other materials such as metals and plastics;
- (c) Promotion of the development of the furniture and joinery industry, particularly for export to Libya and the Persian Gulf Countries; and
- (d) Co-operation in the development of pulp and paper, viscose rayon fibre and chemicals from wood.

## III. RESOURCE AND OTHER IMPLICATIONS

32. Natural resources (raw materials and energy), infrastructure, manpower, technology and finance are among the major inputs for developing the PTA priority industries. The Subregion as a whole is endowed with most of the natural resources required. What is needed is for member States to make better use of those resources that are currently being exploited; commence exploiting those that are commercially feasible; undertake activities to ascertain the feasibility of exploiting those resources for which occurrences are known; and systematically explore resources not yet discovered.

33. In respect of infrastructure, member States need to take cognizance of the fact that infrastructure could prove to be a major constraining factor for the development of basic and core industries. Because of the high volume of their inputs and outputs and relatively high consumption of utilities, these industries require transport, systems and the supply of energy (fuels and electricity) and water at a much higher level than is available in member States at present. In other words, improvement of infrastructure should be carried out concurrently, if not before, the setting up of the basic and core industries.

34. In regard to manpower, member States should start training the type and number of skills needed as soon as decisions are made to set up specific industries. This, of course, includes the establishment of appropriate training institutions.

35. As for technology and related areas, the technological complexity of basic and core industries warrants that member States handle this aspect of industrial development through a central body staffed with capable and experienced nationals. This function can be carried out by an Industrial Consultancy Organization proposed in "Mechanism for Promotion of Industrial Development (INR/PTA/CIC/I/4)".

36. The last but not least industrial input, finance, is expected to prove to be one of the main problems at the national level. National projects on the major basic and core industries, particularly metallurgy, chemicals and heavy engineering, are unlikely to interest financial institutions. It is, however, likely that finance can be mobilized provided member States collectively plan and promote such projects.

#### IV. AREAS AND MECHANISMS FOR CO-OPERATION

37. From the studies undertaken so far and the subsectoral expert meetings held (see part II), it has become abundantly clear that member States have a lot of options for co-operation in industrial development, particularly in basic and core industries. Some of the main areas of co-operation are briefly reviewed hereunder.

##### A. Areas for Co-operation

##### 1. Exchange of raw materials and energy

38. Usually an individual member State does not possess all the raw material and energy it requires for its industrial development. Resource-based internally oriented industrial development policy, therefore, dictates that member States secure their inputs from other member States and/or jointly explore and exploit natural resources.

## 2. Production and exchange of intermediate industrial inputs

39. For industries characterized by economies of scale, and therefore beyond the capacity of individual member State mainly due to national market constraints, there is no alternative to the exchange of intermediate industrial inputs. Examples of such inputs from the basic and core industries are:

- (a) Sponge iron and scrap for electric arc furnace and rolling mills producing steel (blooms, billets and slabs);
- (b) steel (blooms, billets and slabs) from electric arc furnace for rerolling mills;
- (c) merchant products from rerolling mills for fabrication shops;
- (d) steel (including special steels/alloys) for making engineering parts, components and products, particularly for agricultural and transport equipment in engineering core industries (basic support facilities) such as machine shops and toolrooms;
- (e) ammonia, phosphoric acid and potash for manufacturing fertilizers and other chemicals; and
- (f) pesticides and pharmaceutical intermediates for manufacturing active ingredients which in turn serve as inputs for formulation plants.

40. The above examples illustrate the many options available for co-operation at the various stages of processing and fabrication. Take the example related to iron and steel. The sponge iron economically produced in a location endowed with iron ore and fuel could be used in member States with electric furnace and rolling mill facilities to produce blooms, billets and slabs as well as merchant products. Part of the blooms, billets and slabs may be used by other member States with rerolling facilities to produce merchant products. Those member States whose requirement may not justify rerolling mills could use merchant products from other member States for fabricating metal products. It should be noted here that the sponge iron route, by doing away with the need for individual member States to establish primary steel production units which are very expensive to establish and run and take a much longer time to realize, would solve the problem that has been impeding the development of the iron and steel industry in the subregion. In view of this, member States are urged to give serious consideration to the sponge iron route.

41. In regard to chemicals, consider the ammonia and phosphoric acid approach as another illustration. Ammonia economically made from natural gas and phosphoric acid from phosphate rock and sulphur or cheap electric power in locations endowed with these resources, would solve the problems posed by economies of scale so crucial under the conditions of an individual African country. Most of the ammonia and phosphoric acid so produced could be transported to fertilizer plants located near the consumption centres in other member States. Some of the fertilizers produced in such plants may, in turn, find its way for further processing and mixing in other member States whose demand cannot support fertilizer units. It is clear that this approach obviates the many constraints that have been hampering the development of fertilizer industry in the sub-region.

### 3. Subcontracting

42. Subcontracting for production of engineering parts and components as well as certain fine chemicals for assembling and further processing respectively fits very well into the co-operative approach of industrial development. Here it should be noted that engineering goods comprise hundreds and thousands of parts and components, most of which are made by specialized small scale industries receiving technical and financial assistance from the assembling or parent firm.

### 4. Other joint undertakings

43. Many industry-related activities and areas lend themselves to joint actions resulting in minimizing constraints, particularly in areas pertaining to capabilities and capacities. The advantages to be gained through joint undertakings include:

- (a) optimum utilization of resources and time;
- (b) relatively fewer and more efficient facilities for project design, promotion and implementation, financing, training and research and development;
- (c) negotiating from strength and obtaining/procuring better terms and conditions from suppliers of consultancy, management and training services, know-how, technology, machinery and equipment, materials and supplies, contractors, marketing firms, partners and financial institutions.

### B. Mechanisms for Co-operation

44. The type of industrial co-operation between member States depends upon the activities involved. This may range from a simple arrangement for the supply/purchase of raw materials, intermediates or finished products to the most complex involving organizations corresponding to holding or parent companies.

45. Although there are possibilities for different kinds of arrangements, particularly between two or a small group of countries, the main emphasis, in as far as the basic subsectors are concerned, is on a multinational subsectoral corporation whose objectives functions and organizational structure are detailed in the document on multinational industrial enterprises.<sup>3/</sup> Such a corporation should be completely autonomous with functions similar to those of a transnational corporation. In other words, in making decisions and undertaking activities it should only be guided by business principles and practices, if it is to be competitive and successful.

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<sup>3/</sup> "Draft Charter of Multinational Industrial Enterprises" (Document