THE ASSOCIATION

OF THE AFRICAN STATES

AND MADAGASCAR

WITH THE

EUROPEAN ECONOMIC COMMUNITY

AND THEIR

INDUSTRIAL DEVELOPMENT

THE ASSOCIATION OF THE AFRICAN STATES AND MADAGASCAR WITH THE EUROPEAN ECONOMIC COMMUNITY AND THEIR INDUSTRIAL DEVELOPMENT

One of the criticisms levelled at EEC by the adversaries of association is based on a serious misapprehension: it is alleged that the inescapable consequence of any association between countries producing raw materials and highly industrialized countries must be to perpetuate the colonial relationship whereby basic commodities are exchanged for manufactured goods. The industrialization which the primary producer countries long to achieve, and which is indispensable to their economic growth, would, it is claimed, be doomed from the outset.

The purpose of our study is to help to dispel this misapprehension by giving some factual information on:

a) The real position with respect to the industrialization of the overseas countries since the entry into force of the Treaty of Rome and of association;

b) The provisions of the Treaty and the Implementing Convention in their bearing on the industrialization of the associated countries;

c) The industrial development policy followed by EEC through the medium of investments by the European Development Fund;

d) Plans for this sector when the association is renewed with effect fro.n 1963.

I. THE FACTS

The inadequacy of the available statistical material makes it difficult or well nigh impossible to establish an exact scientific comparison between the degree of industrialization of the associated overseas countries as a whole before the Treaty of Rome and their present situation.

Nevertheless, the usual criticism of the Common Market is based on the premise that association is by its very nature a handicap to the industrial development of the associates. We are therefore entitled to examine whether it has had any such retarding effect in those associated States which, even before the Treaty of Rome, were already to some extent industrialized.

As examples we will take, on the basis of the information available, the cases of Senegal, Ivory Coast and Madagascar.

1. SENEGAL

According to a study published by the *Commissariat au Plan*[1] the turnover of Senegal's industry (320 enterprises with a total labour force at present of 27 000 (has developed as follows:

1956: Frs. CFA 43 000 million
1959: Frs. CFA 57 500 million
1960: Frs. CFA 66 200 million
1961: Frs. CFA 75 000 million

Thus, from 1956 to 1961 the country's total industrial turnover increased by about 75%. Its output now covers internal demand in the following proportions: oils, flour, biscuits: 100%; confectionery, brewing, tobacco, cement: 80%; footwear: 65%; sugar, chocolates, spinning and weaving: 20-30%.

[1] *Commissariat général au Plan du Sénégal; Service de la statistique et de la mécanographie:* "La structure de l'industrie sénégalaise d'après la comptabilité économique 1959-60", Dakar, *novembre 1961.*

It also feeds a considerable export trade, both with other African countries (oil, flour, biscuits, beer, textiles, footwear, cement) and with the rest of the world (oils, tinned fish, by-products of milling).

2. THE IVORY COAST

Industry is in full expansion in the Ivory Coast and its turnover has trebled in the last eight years[1]:

1954: Frs. CFA 4 000 million
1958: Frs. CFA 7 000 million
1959: Frs. CFA 8 500 million
1960: Frs. CFA 10 600 million
1961: Frs. CFA 12 000 million

Since the Treaty of Rome came into force (1958), progress has been roughly the same as in Senegal: over 70 %. Among the new factories recently put into commission are: a plant for treating latex (October 1961), a plant for making soluble coffee (April 1962), a cannery for tunny fish (December 1960), a flour mill with a capacity of 600 000 tons of wheat (1961), a plastic footwear factory (early 1960), a match factory (end of 1961), a cellulose plant built by a German-Swiss group (*going into* production at the end of 1962), a cycle assembly shop, a plant producing aluminium sheet from rolled strip imported from Cameroun (early 1962). The first vehicles of the *Société africaine de fabrication des automobiles Renault* came off the production line in Abijan in April 1962.

3. MADAGASCAR

A recent study[2] gives the following figures for added value and the index of the country's industrial output.

Added value (millions CFA at 1960 prices)

1950	1953	1956	1958	1959	1960
1 450	2 020	2 750	3 400	3 570	3 790

[1] Source: "Bulletin mensuel de la Chambre de commerce de la Côte d'Ivoire", n° 5 *mai 1962.*

[2] CINAM: "Situation de l'emploi et de l'industrie à Madagascar", *janvier 1962.*

Production index					
100	139	190	236	247	262

Madagascar's industry employs a labour force of approximately 30 000 and covers internal demand up to about 46 % for oils, 18 % for soap, 20 % for beer, 60 % for tobacco and cigarettes, 30 % for cotton fabrics, 60 % for sacks and bags, 10 % for footwear, 20 % for cement and 95 % for metal packagings.

From the three examples quoted (Senegal, Ivory Coast, Madagascar) there is only one inference: in these countries, which already before the Treaty of Rome had begun to industrialize, association with the European Common Market has not held up the process in any way. At a time of far-reaching political upheavals when private capital might have been expected to be somewhat chary of new ventures, the figures show that, far from marking time, the industrialization of the associated States has gone ahead.

During this period, moreover, actual work began with assistance from IBRD, on the big mining projects for heavy industry: (manganese in Gabon, iron in Mauritania, phosphates in Togo and Senegal) while for other schemes on which a start might be made during a second phase of the Association (iron in Gabon, copper in Mauritania, etc.), studies are proceeding. It is interesting to note that private capital from North America and from Western Europe (France, Germany, Italy and even the United Kingdom) is behind these vast undertakings.

II. THE TEXTS

It would admittedly be going too far to claim that the industrial development of the salient features which have just been mentioned, is the indirect consequence of the association of the overseas States with EEC. On the other hand, there is no denying that the Treaty of Rome and the Implementing Convention contain clauses which are particularly favourable to such industrialization.

1. THE SAFEGUARD CLAUSE IN ARTICLE 133(3)

" The countries and territories may, however, levy customs duties which correspond to the needs of their development and to the requirements of their industrialization or which, being of a fiscal nature, have the object of contributing to their budgets ".

This provision is commonly overlooked. It has not been sufficiently emphasized that the Rome Treaty, although based on the ideal of free trade, makes this important exception to the rule of free trade, for the express purpose of allowing the associated States to protect by tariffs the first halting steps of their infant industries.

Moreover, the safeguard clause written into Article 133 of the Treaty is not just academic: it was actually applied by Senegal at the time when the breaking off of relations with Mali threatened grave difficulties for Senegalese industries which traditionally have a natural outlet on the neighbouring country's market.

Senegal therefore imposed customs duties on imports of competing industrial products from member countries of EEC and even added to this tariff barrier by imposing import quotas. For, although it does not expressively authorize the weapon of quotas, Article 133(3) of the Treaty, contains no formal prohibition of its use. This set of measures taken in conjunction with the statistics in the preceding section, clearly demonstrates that in Senegal, a country associated with EEC, industry was able to ride out without mishap a market crisis which in other circumstances might have proved extremely perilous.

2. EXTERNAL OUTLETS FOR AFRICAN AND MALAGASY INDUSTRIAL PRODUCTION

As a result of their association, the African States and Madagascar form with the EEC Member States not a customs union but a free-trade area, just as they constitute an inter-African free-trade area among themselves. This broad pattern of their economic relations holds several important consequences for their industries.

A first advantage is the free entry of African and Malagasy industrial products to a rapidly expanding European market of 170 million consumers. At present this advantage is one-sided: although the associated countries may protect their industries by customs duties [Article 133(3)], this cannot be done the other way round.

Secondly, as the associated States apply between themselves the same customs and quota disarmament measures which they apply to Member States, the conditions are fulfilled for forming a genuine "African economic area". This disposes of the "balkanizing" tendencies often denounced as another congenital defect of association with EEC.

Thirdly, it is clear, that such an "African economic area" constituted by the associates themselves can be the prelude to and a nucleus for, wider groups for, being grouped in a free-trade area, they do not apply a common external tariff towards non-member countries. This, again, disposes of the accusation that EEC is "splitting Africa".

III. THE ACTIVITIES OF THE EUROPEAN DEVELOPMENT FUND

With the financial resources at its disposal in the European Development Fund (581 million units of account for five years) the EEC Commission is helping to promote industry in the associated African States and Madagascar. Such action can take four different but usually interrelated forms: pre-investment studies; indirect steps to supply the infrastructure required for industrial projects; direct intervention in the execution of actual industrial projects; and vocational training schemes and programmes for the supervisory personnel to be employed in industry.

1. PRE-INVESTMENT STUDIES

Where EEC finances general or regional development studies likely to lead to detailed planning or programming (Rwanda-Burundi, Congo (Leopoldville), Somalia, Central African Republic, Togo), such studies naturally contain a special chapter dealing with industrialization prospects and targets.

The EEC may also shoulder the cost of studies which do no more than explore the industrial possibilities of a country or a region (e.g. the work on the possible industrialization of fisheries at Port Etienne in Mauritania) or establish an inventory of a State's mining resources (e.g. Dahomey, Rwanda and Burundi).

Incidentally, the EEC is not alone in backing such studies in the associated States, for the six Member States themselves finance others under their bilateral programmes. We may mention the surveys of industrial prospects in Cameroun, financed by the *Fonds d'aide et de coopération* (France), and also the sector studies paid for by the same Fund in Madagascar (major hydro-electric schemes, textiles, fats, hides and skins).

These last should be related to the regional development studies, financed in Madagascar by the EEC Commission, by which 14 regions were singled out; at least three for industrial development (Antsirabé, Fianarantsoa and Manakara).

We should stress the concrete value of such research, because it may lead to direct local action. For instance EEC has financed a survey of the limestone deposits in the region of Arlan (Dahomey), and it is not impossible that a cement works will be built to use these formations. The Federal Republic is at present considering the possibility of providing the finance. Similarly the study of the industrialization of the fisheries at Port Etienne included direct canvassing of 100 enterprises (shipowners, canners, cold storage operators or specialist traders) in 19 European countries, in the USA and in Japan. At least 19 important private firms (including Belgian, German and French interests) have indicated that they are interested in the Mauritanian schemes.

2. INFRASTRUCTURE IN CONNECTION WITH INDUSTRIAL PROJECTS

Where industrial projects are sizeable, action may be particularly complex, i.e. it may include very different elements, such as the production unit itself, the requisite infrastructure, and even the social facilities. But in such integrated schemes no one part is less valuable than another for the success of the whole. It may therefore be said that by financing infrastructure in connection with industrial building schemes EEC exerts an influence on the development of the industries concerned which is none the less essential for being indirect. The following examples may be quoted:

a) Fishing ports: at Port Etienne, Mauritania (industrial harbour installations), building of a public cold storage plant and a covered market for the catch (outlay: 2 876 000 units of account); at Dakar, Senegal (building of a specially equipped fish wharf and earth platform of 30 000 sq. metres for the installation of one or two high-capacity processing units (outlay: 661 000 units of account); at Abidjan, Ivory Coast, (building of a 400-metre unloading quay, a 72-metre fitting-out quay and a covered sorting depot and market (outlay: 1 390 000 units of account).

b) Mining ports like the Nouakchott Wharf in Mauritania (outlay: 2025000 units of account) which will be the vital link in the scheme for opening up the copper mines at Akjoujt (13000 tons yearly of 70% concentrated ore). In the same category is the construction in the harbour area of Pointe-Noire (Congo, Brazzaville) of two new berths specially equipped for handling manganese ore under the COMILOG scheme (cost to the Development Fund: 3241000 units of account). Finally, the Commission is preparing to launch two studies closely linked with the Mekambo iron ore scheme in Gabon: a hydrographic, technical and economic survey of the future port of Owendo, and a study of the possibilities of reducing the Mehambo iron ore locally.

c) Railways serving mines: in Senegal, relaying a 22 km. section of the track from Thies to Tivaouane, to permit the evacuation by heavy ore trains of the annual output from the Tiba mines of 600000 tons of phosphate from 1962 onwards (outlay: 1830000 units of account, of which only a part is for this section).

d) Service roads for industrial schemes: in Madagascar the construction, now completed of the Amboanio road (outlay: 365000 units of account) giving access to the Amboanio cement works are financed and managed by Belgian interests (present annual production capacity, 20000 tons).

e) Finally, agricultural equipment that will in its turn enable industrial schemes to be launched. Thus, in Madagascar the irrigation scheme for the Lower Mangoky (10000 hectares of cotton and rice) will be financed by the Development Fund (outlay: 17.4 million units of account) while a semi-public corporation is to build a ginning plant and a cotton oil unit to process the crops (cost: 1.6 million units of account). A private group is studying the possibility of establishing a spinning mill.

3. INDUSTRIAL PROJECTS PROPER

Lastly, EEC directly finances industrial schemes which more often than not form part of agricultural projects, since it attaches high priority to balanced agricultural and industrial development. The following are examples:

i) The establishment of selected palm plantations (4 000 hectares) and of an oil mill in the Mono (Dahomey district) (total cost of the scheme: 3 241 000 units of account, including 1 360 000 for the industrial portion).

ii) The establishment of village palm plantations (2 500 hectares) of plantation units (2 200 hectares) and of two oil mills in South-East Ivory Coast (total cost of the scheme: 4 340 000 units of account, including 1 500 000 for the industrial plant installations).

iii) A tea plantation unit of 500 hectares in the Mulindi Marsh in Rwanda, with a tea factory attached (total cost 932 000 units of account, including 480 000 for the factory). More similar projects are likely to be financed shortly, in the shape of a tea plantation of 500 hectares and a factory at Schungugu (Rwanda), and a further 1 000 hectares and at least one more factory in Burundi);

iv) The building of an abattoir and refrigerating plant at Bamako, Mali, with a slaughtering capacity of about 8 000 tons per annum (outlay: 1 782 000 units of account).

To these industrial projects directly financed by EEC must of course be added those which the European States finance, either through private channels or with public bilateral aid credits. It may be noted that in some cases industrial investments of this type may be made in co-ordination with EEC, which first provides the infrastructure. As examples we may mention the schemes under study in the German Federal Republic to build a plant for canning tunny fish at Dakar, Senegal and to help establish a Senegalese fishing fleet. These schemes are fairly closely linked with the financing by EEC of the extensions to the fishing harbour.

4. VOCATIONAL TRAINING SCHEMES AND PROGRAMMES

Out of EDF credits, EEC finances a number of schemes for the vocational training of industrial supervisors and technicians. Among these schemes, involving a total capital outlay of more than 3 million units of account, we may mention three apprenticeship centres in Gabon, two accelerated vocational training centres in Libreville and Port Gentil, extensions to the technical lycée in Libreville and, finally, the vocational and technical training centre at Fort-Lamy, Chad.

In addition, EEC annually finances a scholarship programme from its own ordinary budget. Under the 1961-62 programme at present being implemented, a total of 358 scholarships have been awarded. Of these, 127 are for technical training, about 25 for training with a bias towards agricultural industrialization and a dozen for training in management. We may therefore say that 160 scholarships, or about 45% of the whole programme, are intended to supply supervisory personnel for industry.

It is a fair comment that if, as we so often hear, the hidden aim of EEC were to prevent the industrialization of the associated overseas countries, such action as the above would be, to say the least, illogical.

IV. THE OUTLOOK

The Implementing Convention on Association annexed to the Treaty of Rome was only valid for the period of 5 years ending on 31 December 1962. With effect from 1963 it is to be replaced by a new system taking account of the far-reaching institutional changes which have come about in Africa and Madagascar with the accession to independence of at least 18 countries associated with EEC.

Since the end of 1961, the definition of this new system has been the subject of negotiation between sovereign States and the outcome cannot be definitely stated at the time of writing. Nevertheless, certain general lines already seem sufficiently clear for at least three consequences to be predicted in the sphere of industrialization :

a) The safeguard clauses for the benefit of African and Malagasy industry are likely to be confirmed ;

b) The training of supervisory staff will be intensified ;

c) Direct action by the EDF in the industrial field will be widened in scope.

1. CONFIRMATION OF THE SAFEGUARD CLAUSES

The final resolution of the Brussels Conference at ministerial level between the African States and Madagascar and the EEC Council (10 April 1962) provides that the Community and the associated States " shall be able to have recourse to safeguard clauses and – particularly in the case of the associated States – the tariff and quota measures for their national industries ".

Compared with Article 133(3) of the Treaty of Rome, this text calls for two observations :

a) From now on the safeguard clauses can be invoked reciprocally : the Member States of EEC wished to reserve the possibility of protecting themselves against industries which might develop thanks to a low wages policy. Such an eventuality is doubtless unlikely, but the reciprocity of the safeguard clauses clearly indicates the equality as between partners which was basic to this negotiation, where each side had to make concessions.

b) The right of the associated States to have recourse to the weapon of quotas – a right not expressly written into Article 133 but tacitly admitted – is officially confirmed.

2. INTENSIFICATION OF THE TRAINING OF SUPERVISORY STAFF

Whether the necessary credits are allocated in future through the European Development Fund, or each year in the Commission's ordinary budget, one thing is in any case certain: the policy of training supervisory staff, which aims notably at providing industry with the technicians it urgently requires, is to be intensified.

EEC had already submitted to the Council a programme of 1000 scholarships for the year 1962-1963. The guiding lines of this further programme are not substantially different from those of the present one so that priority for the training of industrial supervisors is still a salient feature.

3. GREATER DIRECT ACTION BY THE EDF IN THE INDUSTRIAL FIELD

As we have seen, the activities of EDF in the industrial field are far from negligible. It is clear, however, that their greatest importance is in the provision of infrastructure equipment for industrial projects. The direct execution of industrial projects by the Fund is the exception rather than the rule.

It is easy to see why this should be. An industrial project which results in the sale of products or services is the very type of scheme which a healthy investment policy demands should be financed by loans and not by subsidies, for this is the only real guarantee that the scheme will be appraised in terms of its own profitability and the sales price of the products and services established on the basis of operating accounts making due allowance for normal depreciation.

By definition, however, the EDF could apply only a policy of grants. And this requirement has sometimes placed it in the paradoxical position of being barred from financing certain schemes or portions of schemes because they were too profitable.

This system will be completely transformed under the new association regime, for it has been agreed, as stated in the final resolution of the ministerial conference in Brussels (10 April 1962), that "loans on normal terms may be granted for productive schemes of a normally profitable nature" and that there may be "subsidies and loans on special terms for economic and social infrastructure and for productive schemes in the general interest".

This diversification of the ways in which the EDF can act offers wide possibilities for the direct financing of industrial schemes. These are being afforded at a time when the same Brussels resolution recognizes the need for "aid to improve structures and to diversify as far as possible production in agriculture and industry and in commerce".

This idea of diversifying or even re-directing economies based on a single tropical crop, and therefore subject to uncontrollable cyclical swings, is indubitably basic to the new Association. However, if we examine the matter carefully, we see that agricultural conversion and diversification of crops are possible in some cases, but that these are very probably rare. The real solution to the problem of switching and diversifying is to industrialize.

V. CONCLUSION

The accusation that EEC slows down, and even prevents, the industrialization of the associated African States and Madagascar will not hold water.

An objective analysis of industrial development since the Treaty of Rome came into force proves, that in three States already industrialized in some measure, association has not jeopardized development. From 1958 to 1961 the turnover of these industries rose by about 75 %.

The importance of the safeguard clauses provided in the Treaty of Rome for the protection of these industries does not alone account for such a rise. But it is proved in the case of Senegal that the effective implementation of these clauses – incidentally liberally interpreted by EEC – has enabled African industries to get over an internal market crisis without slowing down progress.

Through the EDF and the ordinary budget, the EEC Commission also exerts a direct influence on the growth of African and Malagasy industries. It carries out studies to find positive openings for industrialization in the associated countries. It builds port, rail and road facilities directly linked with industrial projects, large or medium. It even finances the carrying out of certain industrial schemes under a policy of balanced agricultural and industrial development to which it attaches particular importance. Finally, it allocates nearly half its scholarship programmes to training for the technicians without whom any industrialization would be but one more activity imported from abroad.

Considerable as these activities are, it is certain that the prospects of the new Association beginning in 1963 point the way to even greater efforts. The safeguard clauses will be retained and they will be reciprocal; the training of managerial personnel will be expanded. Greater variety in the operational procedure of the EDF, by way of normal and special loans, will permit direct contributions to the financing of productive industrial schemes which up to the present have been the exception. Thus the diversifying and switching of economies exposed to the risks of tropical single crop operation will assume their full importance.