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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

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1. [illegible]

2. [illegible]

3. [illegible]

4. [illegible]

5. The changes [illegible] effect should shape them properly and lead to better results in the future.

6. Developing countries must industrialise if peace is to be hoped for in the world. This they should do in a way helping them to develop instead of pushing them back into dependence on other countries. This suggests that their development must be built up on their own national peculiarities here included all the environments, conditions shaped by their own history, natural factors and behaviour of men.

7. Such considerations should not be taken as a political slogan. They are meant as a method of approach and the author used it wherever he felt it of importance.

[illegible]

[illegible]

[illegible]

It should not be surprising to [illegible], how plant owners themselves [illegible] do not know what the capacity of their plant may be, nor where the [illegible] are. They know how much they earned or lost at the [illegible] of their plant, but are often unable to say how much they produced, particularly if their product consisted of several articles, each sold at a different unit of measure (number of pieces, weight, surface, length) not to speak of quality.

It is of course possible to convert one unit into another using definite conversion factors. These, however, seldom have a universal and permanent significance; they vary with time and from one country to the other. This does not lessen their importance for macro-economic considerations, being our only means to compile aggregates.

More perplexing is the quality of raw materials in some African countries. With the exception of a few materials which attracted the attention of foreign companies early enough, developing countries will seldom display an adequately developed raw material base on which a fast growing industry could rest. Their natural resources are mostly still in a natural state and the traditional way of their utilization yields raw materials less fit for industrial processing

[illegible]

13. [illegible]

14. [illegible]

[illegible]

15. A very important item of African trade are hides and skins, mostly exported in raw or a semi-processed state. An insignificant portion of the total is being locally tanned into various leathers sufficing to cover the local demand on leather manufactures, mostly shoes, leggings, some saddlery and harness.

16. A number of African countries arrived at the conclusion, that they might considerably increase their gains in foreign currency if they exported finished leather instead of exporting raw hides and skins. Some of these countries went directly into action creating new tanning capacities, while some other preferred to have the case thoroughly investigated since protests arose that sufficient capacities already existed in the country, operating under conditions of non-utilisation.

17. Investigations were based on reports submitted by the tanners themselves and checked by comparison with all available official data regarding local consumption of leathers, production of raw hides and skins as well as foreign trade statistics.

[illegible]

[illegible]

[illegible]

[illegible]

The survey proved that the average weight and size of hides and skins was generally [illegible] than in Europe. Considerable differences were found to exist between [illegible] and other African countries in regard to these materials. [illegible] from industrialised countries were mostly [illegible] the sheep from tropical lowlands [illegible] and that cattle existing on overgrazed pastures can never attain the size of a well fed animal.

[illegible]

[illegible]

[illegible]

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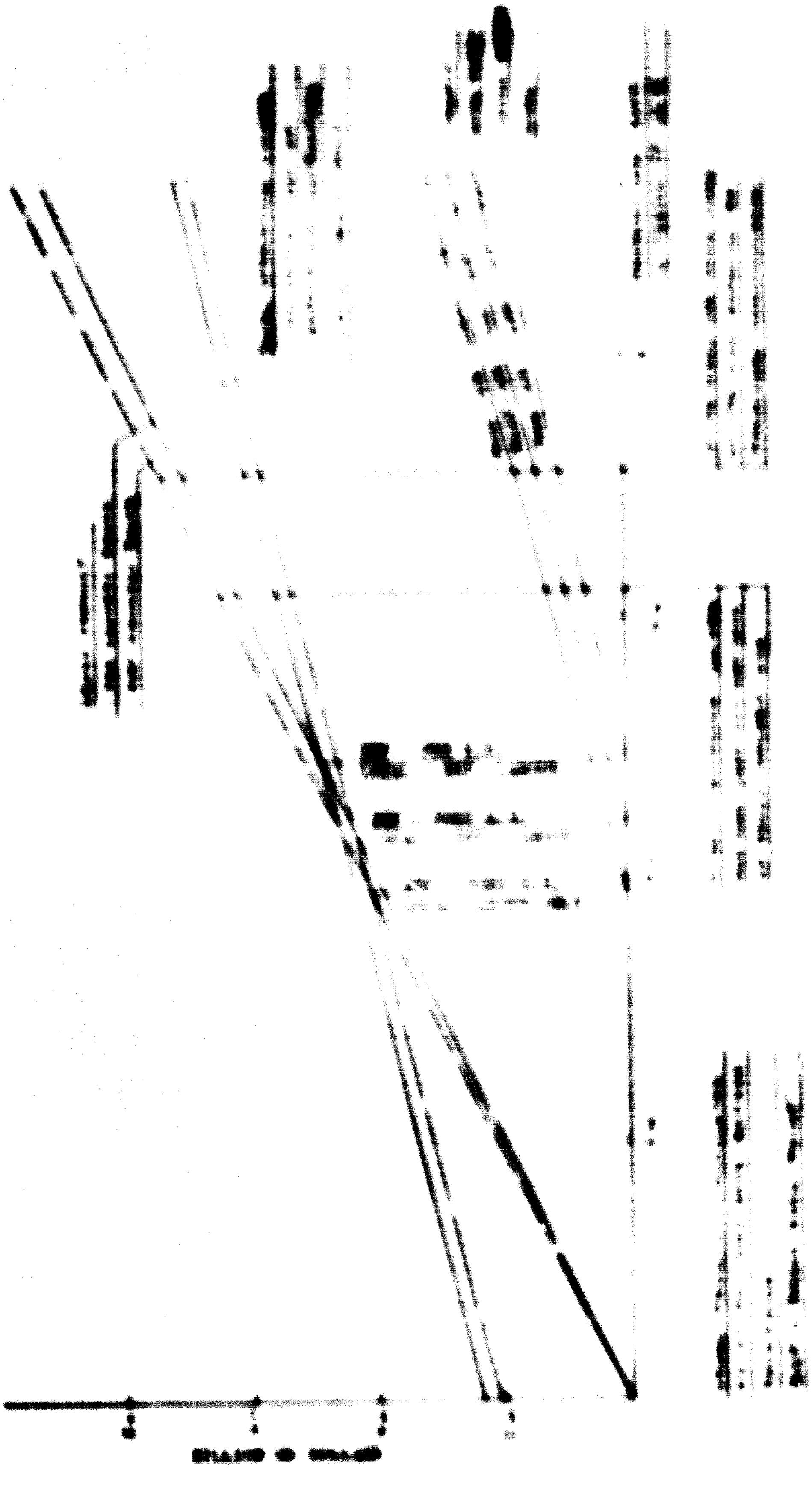
[illegible]

[illegible]

Figure

Operational characteristics of a tanning establishment in a typical African country, operating exclusively on [illegible]



15. This indicates, that to obtain the 15 million sq.ft. of leathers from actually available raw materials required a considerably bigger tannery than one the one designed for one thousand hides and four thousand skins a day, whose actual capacity was under the circumstances not more than 11 million sq.ft. with a correspondingly lesser profit. The graph also shows, that such a tannery would have its break even point at [illegible] per cent capacity which is too high to be safe and would cause it to fail as soon as slight changes in the price of raw materials or in the value of leather occurred.

16. Even so, the tannery would fare much better if foreign tariff barriers were lowered as promised, if local labour was fully trained and in particular if the quality of local raw materials were more convenient. Operating without foreign instructors and exporting leathers under improved tariff conditions the break-even point would drop to 64 per cent which may be considered as safe enough. Cattle production and conversion improvement in the country would contribute very much to the profitability of the plant and would allow it to arrive at the conditions expected by the consultant. The tannery would arrive at a break-even point of 53.5 per cent and a profit of some 17.5 per cent of project costs or 24 per cent of sales which should be judged as very satisfactory considering that all calculations have been made very conservatively.

17. It should be noted, that the tannery could earn more selling on the local market than exporting the leather. Besides the difference in the price level of leather between local and foreign markets there are both foreign customs duties and taxes as well as transport and packaging costs responsible for it.

18. A strengthening of the local market could be achieved only by the establishment of additional conversion facilities using leathers to manufacture footwear, garments, bags and a number of other goods which could in one part substitute present imports and in a much greater part serve for export. In that case much could be saved on transport costs but maybe even more lost on higher tariff rates prevailing in importing countries, which tend to protect their own manufacturers of finished goods. On the other hand, if the tannery had to remain at the leather manufacturing alone, it would have to be much bigger if it wanted to be profitable. Some 20 million sq.ft. of various leathers could be a safe enough capacity under the circumstances.

39. Coming back to the question of local marketing it should be emphasized that in some African countries, not to say in all of them, conditions are essentially different from those encountered in, say, Europe. There are much greater differences in the income level existing in African where the expatriate minority enjoys salaries equalling or surpassing those in their own country of origin, while the native population still lives at the level of subsistence economy or slightly better. In consequence, thereof, there are at least two basically different markets existing, having nothing in common, the one being mostly supplied from abroad and the other from local sources. The few comparable items found here and there are moving on price levels distant by some 500 per cent, more or less.

40. Such markets do not readily respond to price level changes. The affluent part of the population will not consume more if prices went down, except for luxury items, while the other part of the population remains unimpressed by changes lesser than is the distance separating the two markets.

41. In the case of footwear, the majority of population is more interested in the price movements of canvas, rubber and plastic shoes costing 1 dollar a pair than in the price of leather shoes costing 5 dollars and more.

42. This indicates that most locally produced industrial articles although having a well priced but limited market at home will encounter difficulties at any attempt to extend those limits, which should normally result in an endeavour to place those goods in export.

43. this was observed to happen, for instance, with glass bottles and sugar. Having made good profits at the home market, but still remaining with free capacities on their hands, sugar mills and glass works started exporting their surplus products into neighbouring African (and Near East) countries achieving much lesser prices but still high enough to make the exercise pay. As soon as local markets could absorb those commodities in greater quantities, manufacturers understandably dropped the export and turned back to the better priced local market.

44. It is quite evident, that the home market must pay for the export and that this will always happen in the reverse proportion to its strength. With a small market in view any industrial manufacturing will pay only if its break-even-point of operation (BEP) is sufficiently low and this means correspondingly

higher home market prices. An industry having surpassed its BEP on the home market will easily find export business profitable, but building up export sales starting anywhere below BEP is a very hard job indeed, unless particular circumstances, as for instance availability of very cheap raw materials, exceptionally good skills, particular attractivity of the product or other factors could make it probable.

UTILIZATION OF CAPACITIES IN VIEW OF ADEQUATE SUPPLY OF RAW MATERIALS

45. As evident from previous paragraph, the conditions and characteristics of locally available materials may cause a technical capacity to be much lower than expected which will result in an apparent underutilization of the facility. Other conditions may cause the technical capacity to remain unutilized in spite of a good demand on the general markets.

46. This is occurring in some African countries in the field of livestock production and meat canning. There is plenty of livestock in some African countries, particularly where climatic, hydrological and pedological conditions favour it. Nomadic way of living is a result of it. The cold climate of African highlands provides conditions leading to a sedentary way of life and this is the reason why those lands are the most densely populated ones. The more temperate climate of middle altitudes with its lesser rainfall forces the peoples dependant on their cattle to wander after water and grass. The same, but to a higher degree, happens in the hot zone of the lowlands, where the rainfall is very scarce and the nomadic peoples are forced to cover incredible distances in order to keep their livestock alive.

47. Under the conditions, the livestock puts on weight very slowly and living on grass and brush never attains the same size as elsewhere. It takes it more than ten years to mature for slaughtering which compels the peoples to keep oversize herds resulting in overgrazed pastures and very low offtake rates.

48. These facts alone already suggest a very low average weight of the cattle and long distances required to collect a sufficient quantity of livestock on which to base a decent meat industry. Better feeding would obviously bring about a lessening of herds at a greater yield on meat.

49. The oversize herds of livestock found in some African countries induced many investors and several governments to try to establish meat canning industries on it, but they met catastrophic results. In one of the respective countries, a recently erected slaughterhouse could not be operated at all because of total lack of cattle although the country is reputedly living on livestock and agriculture as any world almanac or encyclopedia could tell. The enterprise even tried smuggling livestock from neighbouring countries without meeting with success. Driving livestock for hundreds of kilometers over waterless and roadless areas is not a good business proposition indeed.

50. In another African country, notorious for its wealth on various cattle, a foreign company established a slaughterhouse set up for slaughtering 60,000 heads of bovine cattle a year. Although located in an area which allegedly contained 5 million heads of cattle, the slaughterhouse never succeeded procuring more than 50 per cent of what it needed and after losing its initial capital thrice over had to go into bankruptcy.

51. The general idea that abattoir was to export frozen boned meat to another country, where it could be canned and re-exported effacing underways its place of origin since this latter did not maintain its veterinary services at the proper level. Disregarding the irregularity of this method which was bound to become known and cause failure of the enterprise anyway, we will dwell upon other conditions which made it impossible for the enterprise to operate at the expected capacity and actually caused its failure.

52. As later investigations proved, the slaughterhouse had its break-even-point at its nominal capacity, whereby 60 per cent of all costs were to be incurred within that African country while the remaining 40 per cent were to be expended abroad. This would have secured a decent profit for the foreign investor abroad, with no profits left behind in the livestock supplying country, without forcing the enterprise into bankruptcy.

53. The 60,000 heads of cattle could never materialize, anyway not at the expected price. Buying at the rate of 10,000 heads per annum, the cattle price was of the order of some 6 US cents per kilogram on the hoof. Doubling the offtake to 20,000 heads per annum the average price went up to 12 cents.

54. Discussions ensued, and the wildest theories were invented to find an excuse for miscalculation. The most popular theory was, that people possessing

the herds were keeping them as a symbol of status and did not want to sell them for fear of losing their social position.

55. Such and other wrong ideas were put forward, backed by misinterpretation of African tradition. In fact, the African rancher, whether nomadic or not, made nothing more mystical than using common sense. He needed a quite definite number of cattle to survive and sold only as much as he safely could. Asked for more, he had to go into other areas in order to fetch it from there, thus incurring certain risks (exorbitant grazing fees underways, use of roundabout ways to make sure of watering possibilities, loss on weight, infections diseases caught underways, loss caused through wild animals, robbery and accidents and so on), which the cattle seller converted into money and added to the original price.

56. The foreign investor miscalculated the real conditions and did not pay sufficient attention to the problems of the local population. The interests of his enterprise were in contradiction to those of the economic environment in question.

57. Instead of leaving all the problems to the population and the government of that country (the government participated at the investment) and instead of believing that he did his part of the job by delivering a sophisticated slaughtering and freezing equipment, the foreign investor should have made some calculations, very popular with modern economists, which would have convinced him that the cattle offtake rate in that region, due to feeding facilities, was not more than 4.7 per cent, that the economic distance of supply was scarcely more than 100 kilometres and that due to very low average weight of cattle, a greater number of cattle than available would have had to be slaughtered to make of the enterprise a business proposition.

58. The calculation would have disclosed to the investor that the required quantities of cattle did not exist and that they could be procured either by the construction of an extensive grid of all-weather roads or through a complete change in the cattle feeding habits, introducing artificial feeds. Let us mention by the by that the country is rich in oilseeds and that all the oilcake produced in that country is either being used for fuel or exported to Europe.

59. With the intent to rescue the failing company, its creditors invited other investors to take it over and try to run it profitably.

60. The next to put forward her proposal was a large international corporation which made some rather simplistic proposals, offering to increase the slaughtering capacity to 250,000 heads of cattle per annum and to go over to canning instead of having to take the meat frozen over a distance of about 1,000 kilometres to the nearest port, to which point, if frozen, it had to be taken in heavily insulated containers only to be kept in cold storage at the port itself until a boat with refrigerated holds could take it over.

61. The corporation promised to make the enterprise profitable after seven years' operation, under the condition that the price of cattle would not go up, nor the world market price for corned beef and extract drop from what they are now. A further condition was that the government should undertake to construct several hundred kilometres of all-weather roads and a number of cattle holding areas in various parts of the country.

62. The proposal was rejected only after very dramatic discussions at which a very respected personality put the question whether the two dozen million bovine cattle of which the statistic boasts in reality existed or did not exist. Of course, they did exist, only they were underfed and inaccessible by road. In a certain sense it was well for the nation that the cattle was inaccessible. Raised as it is, it just serves the population to survive. If the cattle was slaughtered away there would be famine induced. The only way out of the predicament was, and still is, to improve the livestock production itself, by modernizing it, and to consider statistical data only as a proof that environmental conditions were favouring livestock production in that country.

63. It should be noted, that investors are persistently transgressing against that rule and that the two abattoirs mentioned above are by no means the only ones that failed. Many more went broke for the same reason and it would be useless to repeat the tale. Within little more than a thousand miles from where these lines are being written, three large and recently established meat canning plants are idling with their gate closed and its labour, which recently settled in the area and got trained at the plant, now looking for help from heavens.

64. Another foreign investor, in still another African country adopted the method of slaughtering small quantities of cattle in several points of the country,

taking the dressed carcasses to a central canning plant and leaving everything else behind. An expert, looking at all that waste (hides, casings, blood, horns, hoofs, etc.) asked the man financing the enterprise whether he thought this was in the interest of the country. It looked more like depletion than anything else. The financier answered that his only interest was to see the company operating profitably even if it meant wasting the offal.

65. It is difficult to disagree completely with the man. Buying cattle in quantities not disturbing its price is actually an incentive in itself, and it is also good to see people getting employed at the slaughterhouses and the canning plant. It is also most important to preserve the invested capital and to ensure the operation of the whole by allowing the company to make encouraging profits. It means indubitably a development but anyway not all of the development needed. A true development would include improvement of the herds, elimination of waste and modern economy-of-size plants producing high-valued end-products. It is the only way to development there is.

CAPACITY UTILIZATION AND KNOW-HOW

66. An African country used to import some 4 million US dollars worth of pharmaceuticals from about 35 different countries, some of them much smaller and on the whole economically weaker than itself.

67. This seemed to be a good opportunity for industrial investment and, in consequence, a quite well reputed foreign company was invited to participate at the investment and to take over the management of a brand new factory producing a long list of generic pharmaceuticals. The plant was quite as it should be with the exception of a few architects' errors of no great consequence.

68. After about two years' operation, the new national company lost more than 50 per cent of its capital and got into serious trouble. Credits were withdrawn, phones disconnected, raw materials stopped at the customs-house and foreign experts licensed. The foreign partners gave up the job and parted company. Departing experts burnt the contents of all filing cabinets and the two hundred and odd local workers remained jobless overnight.

69. This all could happen to a certain point. What should not have happened is the way the rescue operation was and still is being handled, as will be shown later on.

70. An analysis of the company's doings showed clear enough why it had to fail. Setting up the factory, the country's government had its economic development in mind, while its foreign partners felt attracted, as is normal, solely by the business outlook the venture offered. The government's intent was to create employment and to reduce imports. Foreign company's speculation was not contrary to that, it was only different.

71. The foreign company calculated, that the main consumers of the factory's products will be government-owned hospitals, whose consumption on pharmaceuticals accounted for some 25 per cent of all imports. The foreign company calculated that the government will protect its interests in the enterprise by forcing the hospitals to buy national products.

72. In reality, things happened otherwise. The hospitals joined forces, set up a common purchasing organization and decided to meet their requirements by wholesale purchases upon advertised tenders. Hospitals were anyway entitled to duty-free imports of pharmaceuticals in the same way as the national factory was.

73. At the biddings, the national facotry found itself protected by a bare 10 per cent preferential against big foreign manufacturers who simply adjusted their prices to the circumstances forcing the local factory to yield ground and the big ones won the contracts.

74. It must be noted, that hospitals are purchasing generic pharmaceuticals in packages of 1,000, 5,000 or 10,000 pills each. At the import of goods, packaging containers are going duty and tax free, and are anyway not costing much in comparison with what they contain if bulk pharmaceuticals are considered.

75. The local factory had to import the tins and pay taxes on them, or, it had to purchase them locally at very high prices. On the other hand, dealing with bulk packaged pharmaceuticals, the local factory could hope to make earnings exclusively on cheaply purchased raw materials and their careful handling, to avoid spillage and wastage of the costly materials. A starter in this business sticks to pilling, vial-filling and packaging and there sure is not much value added afforded to make savings on if packaging is eliminated.

76. The foreign company running this African factory decided, that if raw materials were purchased in greater quantities, they were bound to be cheaper under any circumstances. It proceeded to make purchases for several factories

in various lands, took the goods to its European site and doled them out to the several users. This required repackaging, repeated taxation, increased transport costs, a commission to the stepmother company and other things, making the price exorbitant. And what is worse, the contact between the raw material supplier and the factory that had to process those materials was broken, which resulted in lack of information about their proper processing.

77. In consequence, the African factory had to find out by itself how to make good pills out of those materials. At the time the factory was investigated by the author, some of these materials were still being repeatedly re-processed without apparent result while considerable quantities of those materials still remained stored unredeemed at the Customs House. Some of them for more than a year. Remembering that at such a type of manufacturing, the raw materials cost can easily surpass 80 per cent of total production costs, it will be easily understood why the factory could not stand it.

78. Pharmaceutical factories must inevitably obtain their raw materials directly from their producer with every batch accompanied by processing instructions. To that aim, it is absolutely required that agreements should exist between suppliers of active ingredients and the factory using them to produce pharmaceuticals. Tests in the buyers factory should precede such arrangements and in some cases even a specific training of the buyers personnel will be advisable.

79. On the other hand, it is absurd to expect a starting drug manufactory to be able to make earnings on bulk sales. A pharmaceutical factory can start making its earnings by repackaging bulk deliveries of good drugs into retail packs, going over to pill making and injections where pills are containing cheap fillers and vials much distilled water. There the factory stops for a while gaining experience and doing some research work in order to find a possibility for the manufacturing of some specifies of particular interest in respect to local pathology. African countries developed traditionally popular drugs based on locally avaialble herbs or fruit, which helped them in the past to fight the most aggressive local indigenous diseases and parasites. These basic materials can be properly examined, the active ingredients extracted or at least quantitatively and qualitatively determined in order to allow a correct dosage of these items in their original form and the like.

80. In fact, a pharmaceutical factory at its beginnings is nothing else than a packaging industry and cannot operate profitably if it is not so conceived.

81. In our case, the factory, after squandering half of its capital, got a board of commissioners and a foreign expert for a general manager. The new manager, being an over-all pharmaceutical expert succeeded in introducing the manufacturing of some twenty articles which were not a loss, but their total quantity did not suffice at all to make of the company a paying proposition. The output attained a value of some US$200,000 whereas 1 million would be needed to have the factory running profitably. To attain such an output, more than 100 various items should have been manufactured and retail-packaged. For this neither the know-how nor packaging facilities were available.

82. The factory management was advised to try contacting definite European manufacturer of pharmaceuticals to obtain from them offers for raw material deliveries, together with manufacturing prescriptions regarding their mechanical conversion into finished products. Several offers were obtained, some large manufacturers even offering delayed payment terms.

83. Still, nothing happened. The factory management remained irresolute and no decision was made. The foreign expert, having no authority to act, did his best introducing at snail's-pace new articles and steadily reducing the losses, having a very long way to go before he could feel on the green.

84. The main reason for indecisiveness on the part of the management was somebody's suggestion that only 100 per cent private enterprises could be made profitable, and that the government should get rid of this one. Following the suggestion, the government disregarded offers proposing to make the factory viable and invited private overseas companies to take it over. The reaction was what it could be expected. Nobody wanted to buy the factory and whoever showed interest in it wanted to have it for nothing and a monopoly in the bargain. Although some specific advisers insisted that the government should not own industries, not a single foreign private company, whether big or small, wanted to run a local industry without the government's partnership in it.

85. In that manner, a purely business matter was turned into a political problem. Where the factory needed technical know-how, a few thousand dollars' worth of packaging machinery and a modest marketing organization, it was offered an ideological problem instead. A thorny way to make a factory go.

86. A particular type of generic pills, sold in 5,000-pills packages attained at a bidding for hospital supplies the price of [illegible] per 1,000. Local factory could not produce these same pills for less than [illegible] for the same quantity and dosage, which made it lose the contract. These same pills of identical make were simultaneously having a retail market price of [illegible] for a package of 20 pills.

87. A subsequent calculation, based on real offers, showed how the local factory, in spite of its higher production costs, could still have remained on the market making considerable profits, had it only shifted to retail packaging.

88. It should be noted, that these same generic pills from other sources (of world reputed brand names) were sold in retail at [illegible] and more. Local regulations are in the meantime limiting the wholesalers commission to [illegible] per cent and the retailers commission to 40 per cent. Such conditions allowed a neighbouring African country to export some of its pharmaceutical products (cold pills) to this country selling them profitably over grocers' counters, after paying considerable import tax and duty. Some local pharmacists are meanwhile dispensing for the benefit of local population parasite cures made from ground dried leaves and flowers of a local herb, packaging them in capsules and paper bags for [illegible] 0.60 a cure consisting of six capsules.

89. The capacity of the factory we are speaking of, is presently utilized to 25 per cent. Going over to commercial prices even such a utilization rate could make it profitable. Expecting a general drop in prices if it seriously started operating let us assume that a 50 per cent utilization would be required for safe operation and these 50 per cent would cover not more than some 15 per cent of that country's current import on pharmaceuticals.

ANOTHER CASE FOR KNOW-HOW

90. What mess the lack of know-how could create is seen from the case of textile mills. Investigating in 1963 a tottering African textile mill having 20,000 spindles and 400 looms at its disposal, it was found that in its production cost breakdown local labour was amounting to 5.64 per cent while foreign labour amounted to 15.20 per cent. The factory was producing loss, and in order to avoid it, the foreign management tried to make up for it by reducing the local labour's wages which caused them to strike.

91. Strange to tell, the company had a perfect cost accounting introduced and it was the easiest thing in the world to find out what was wrong with it and how to remedy it. The cost accounting put clearly in evidence that the productivity of local labour reacted unproportionately to the wage level and that a rise would have produced much better effect than the cut-down.

92. On the other hand, the loss amounted to [illegible] per cent which was more than the total of local labour cost. Even if the workers had not been paid, the factory could not have been saved. Much easier it was to make some savings on the 15.2 per cent of foreign labour costs and clear enough it was to see how.

93. The mill was operating on one shift only. Had a second shift been introduced, the loss would have disappeared if foreign labour costs were kept on the same level.

94. This was, however impossible to do, because the factory, with all its plentiful foreign labour, was unable to produce a better assortment of fabrics than prevalently a muslin like type of fabric, much used by local population. Since a dozen textile mills already existed in the country, producing that same type of fabric, the market was over flooded and the prices were kept down. The factory under investigation was moreover outdistanced by all other textile mills by some 600 kilometres in regard to the marketing centres.

95. Cost accounting data indicated, however, that basic yarn and muslin-like fabrics were manufactured at a loss, anyway, and so were grey drill and similar unfinished items. What produced profits were bleached drill, bed sheets and similar more finished products. Surprisingly, the factory management did not observe that bed sheets [illegible] inch wide, were making a profit, while those of [illegible] inch wide, made a loss. This was due to the fact that difference in the quantity of raw cotton required to make those broader sheets cost more than the difference in the sales price of the two items.

96. Another source of loss was found to exist in the overstocking of the factory with raw materials. If these were kept within reasonable limits, the loss would have been greatly reduced. Also, the factory used pure first class cotton to make the second class fabrics, while everybody else was using for the same type of fabrics much cheaper staple fibre.

97. It was very easy to rescue that factory which is at present operating without causing too much trouble as to losses. Much more trouble is caused

by textile mills in the country through their high tariff protection while turning out bad fabrics.

98. All these factories, and some of them have existed more than fifteen years, are unable to produce fabrics which could be used for the manufacturing of European style garments and these are steadily being imported from the Far and Near East.

99. Ready made clothes are an item the manufacturing of which does not require much capital while offering plenty of employment opportunities. One should actually ask himself whether a developing country should not protect rather those garment manufacturers than the semi-product producer.

100. The respective country decided to the semi-product manufacturer producing second rate fabrics, leaving the garment makers to their own fate. Forced to buy heavily protected fabrics, they are unable to compete with garments imported from Hong Kong and China Mainland and several of them had to close down, because the government advised by people imagining that they were defending the holy cause of certain principles, felt itself compelled to keep its market open for free trade, as if everybody else was keeping it open.

101. In all of these cases the respective industries would not have got into predicament had they only had proper people to run them. The owners were prepared to hire the necessary [illegible] and to pay them well.

102. Before trying to find out the reasons of such a situation, let us mention one particular case of bad management [illegible] and that is the case of [illegible] mentioned before, [illegible] was regularly [illegible] The factory was practically turning [illegible] thus having

to do with permanently unskilled manpower. This was also reflected in the fact that each loom was operated by one man. It will not be believed that the factory was fully owned and managed by Europeans although it will be more easily believed that the factory went bankrupt after only a couple of years' operation, drawing along much of the African creditors' monies. It goes without saying that the plant's capacity was never utilized for more than 50 per cent. The management, however, firmly believed that its policy kept the labour costs down.

[illegible]. Other textile mills were not in a much better position and staffs surpassing by 100 to 400 per cent the number normally needed for the running of identical plants in Europe were no rarity. During the past two or three years things started very much improving. Labour fluctuation is reduced and wages are better. In some mills one man operates from [illegible] to [illegible] looms getting the [illegible] of 1½ salary of what was usual with the one-man-per-loom method.

[illegible]. As to the quality of expatriate personnel, it will be discussed later in the course of this study.

[illegible]

[illegible] The author does not want to go so far as to say that this is a characteristic of African economy. He observed it to happen on other continents too, [illegible], but there is no doubt that certain African countries [illegible] of [illegible]. The case is maybe [illegible] but it absolutely deserves attention.

[illegible] [illegible] industrial enterprise, there will invariably [illegible] thinking that what is good for [illegible] is good enough for the other. [illegible] a very limited market [illegible] the advantages of economies of size [illegible] the other, one starts [illegible] whether it is better to allow [illegible] private investors to establish [illegible] or to allow the government to set up [illegible]. The [illegible] plants will [illegible] each other and the [illegible] anyway, [illegible] having a possibility to turn to export under "economy-of-size" conditions, if the nature of its product allows it.

107. These are no empty words. One African country, of the less well-off ones, disposes of no less than 32 large oil mills not counting several hundred quite small ones. A recent survey estimated their utilization in 1967 to one third on the average (some 25 per cent other 40 per cent). In spite of this, this same country can see not less than five new large oilmills actually under construction and two new capacities recommended for implementation. These seven new plants will more than double the expected consumption increase within the next five years. Experts will be able to tell what the export outlook for edible oil from Africa are.

108. In another case, no less than five paint factories were established upon a total consumption of a couple thousand tons *per annum*. New investors are submitting proposals for the establishment of additional paint mills under investment promotion benefits.

109. There is a city in Africa which had very bad bricks, and it was clear that whoever started making good bricks will carry the market since the nearest good bricks had to be brought from one hundred kilometres away.

110. There were already no less than five brickyards existing in the zone and the respective owners considered carefully whether to modernize their facilities or let them be as they are, particularly because of growing interest in cement blocks which started overflowing the market.

111. While these five considered their decision, there came an energetic sixth embarking on a high-capacity modern brickyard capable of pushing everybody else from the market. This made the others make up their mind and two of them followed with a reconstruction seeking for support from a bank. The new plant, as well as the two reconstructions, are still under way to implementation but the results will show soon. Bricks cannot be exported and somebody will lose money, at a [illegible] going to be the same, whose means might be employed so far elsewhere to provide for [illegible] etc.

112. Another case of concern are printing presses. One African country has got no less than 30 of them, some closed, some sitting and some outright sinking. On the other hand, the country imports plenty of printed matter from abroad which makes everybody believe there is a good market for it. An offhand examination proved that one of the printing presses had on its premises an unused [illegible] equipment for the production of copy books having a capacity of

84,000 copy-books per day. The country imported 10,121,000 copy-books in 1967 with all that capacity idling because of lack of an expert to operate it and keep it in working order.

113. While this is happening in some more popular industrial branches mostly oriented to local markets, quite a different situation is occurring in others more exposed to the international markets. Whoever proposed to set up factories destined to substitute imports, or facilities aimed at an upgrading of presently exported raw materials, will be earnestly disadvised of doing it, particularly if the smallest of capacities, however inadequate and incompetent, already existed in the country.

CUTTING THE PRICES

114. It is a well known fact that the limitations of local markets do represent one of the most effective hindrances to the utilization of industrial capacities in developing countries and so it is in Africa, too.

115. Contemplating the pattern of imports of some African countries one gets the impression that during the colonial rule they got a certain orientation which later on started changing under various influences, some of them political and some of them of other nature. The fact is, that the number of countries exporting to Africa greatly increased and one should not wonder finding in one African country alone, not a dozen, but thirty and more foreign countries selling one and the same kind of product. Judging from the number of business representatives from all parts of the world, coming to Africa to offer their goods and services, one would think that it is one of the most coveted markets in the world or that in other parts of the world business is not any more what it used to be.

116. Regarding the eastern part of Africa one could say that it was for a long time subject to the penetration of goods coming from the Near, Middle and Far East. This tendency was very much intensified by the closure of the Suez Canal which handicapped European exports to Africa and opened the doors to eastward and south-eastward oriented trade consisting prevalently in exports to Africa.

117. It is well known, that European, and maybe American as well, industrialists, started some time ago establishing industrial enterprises in Asia in order to benefit of low wage rates prevailing in these countries and gain a more competitive

position on the international markets. This is the type of product the African industrialist has got to compete with.

118. As if this were not enough, there came the goods from China (mainland), Taiwan and other places having unaccountable prices, bearing no proportion to those production costs a financing banker would accept.

119. What the result is, is easily imagined. A ruler (for schoolboys) imported from China costs not more than 1.2 US cents. The same size and quality ruler imported from Europe costs 4 cents. Produced in a certain African country it costs 6 cents. The same ruler costs at the wholesaler's 6 cents regardless of origin. It costs 20 cents in retail.

120. The government tried to protect the local producer by a rather high import duty ad valorem, but forgot, that the raw materials, to make those rulers and squares and what not, which equally had to be imported, were taxed by the same rate of duty, only that at the import of raw materials, taxes had to be paid, quite naturally, also on that part of material which at the conversion went into offal.

121. On the other hand, a high protection on a low cost item does not help much. The 30 per cent duty of 1.2 cents made out only 0.36 cents and brought the competitors price to 1.56 cents against 6 cents local production costs. The short and long of the story is, that the African producer now contemplates closing down his shop and devoting himself to trading. Dumping prices enhance merchant's profits, since merchants do not think it reasonable to drop their earlier prices. Since those rulers are anyway being retail sold at 20 cents, it would not help anybody to drop that price for two or three cents, as the difference between the Chinese and the European price would allow it.

122. The example with the ruler, which equally could be applied to most school and office supplies is maybe not very impressive and, in the end, what actually happened is, that a 50,000 dollars worth of capacity will have to close down and that any new investor willing to embark into a similar kind of business will be turned down by the bank if asking for a development loan. It is however to be taken in evidence as illustrative of artificial conditions choking industrial development and utilization of capacities, equally applicable to small industries as to big ones.

123. Coming back to the already mentioned vehicle tyre manufacturing let us note that particularly after the closure of the Suez Canal, European manufacturers started losing the market in eastern African countries in favour of Asian and Mid-Eastern ones. This they would have lost anyway because of the difference in price, which is all very well, only that any Eastern African country, wanting to establish its own production of tyres will have to fight a market dominated by cheap Asian products with practically no protection whatever on the part of their own countries.

124. It is a hopeless situation, since nobody could expect a rather small African tyre plant to be able to compete on the technology and productivity alone with a, say, big Japanese manufacturer.

125. Surprisingly, a great number of foreign experts advises the various African governments to "keep their market open" arguing that protective tariffs are penalizing the consumer. Whether the consumer gets more penalized through unemployment and deficitary of balance of payments or through a selective tariff protection remains to be seen. If foreign currency is scarce, the law of demand and supply says that it will get more expensive, and the difference will have to be paid for, in one case in favour of the country itself and in the other in favour of everybody else.

126. It would be a very short-sighted policy to expect that things are going to remain what they are. Most African countries are in a position where unlimited imports cannot be any more maintained for the simple reason of lacking means of payment. Reverting to cheaper foreign goods does not help much and harms more, because of not giving the country a chance to develop its own industrial production nor to utilize its own capacities and resources.

127. An industrially developed country imports more, not less than a developing one, so there is no question of avoiding imports altogether. The problem is only to shape imports rationally in order to enhance development and that is all.

CAPACITIES AND FOREIGN LOANS

128. Lack of capital forces the developing countries to make use of foreign assistance on a bilateral basis in the form of various loans and grants. It

has been heard many times that such forms of assistance had "strings attached" to them without going into much detail explaining what those "strings" were. It was mostly assumed that they were of an obscure political nature and therefore not to be discussed in public. The fact is that they are quite generally of a most open and obvious nature, heavily influencing the recipient country's economic development.

129. It seems paradoxical to say, that economic assistance in a number of cases turns out to be something opposed to it. The reason for it is opportunism and selfishness. Executing an economic assistance agreement, both parties start in the best of spirits, getting with the progress of negotiations always more and more selfish until the agreement starts very much resembling an ordinary business contract, with the developing country worse off than the other party. Why that is so will be easily understood if considered that newcomers are usually more readily believed than earlier partners and that any expert advising to the contrary is charged with partiality even if only asking for caution.

130. A striking phenomenon with such negotiations is the lack of co-operation between assistance giving countries. Every single one of them considers every other country a competitor. If they all really had assistance in mind as their principal objective they would rather try to fit their contribution into a general plan, instead of trying to minimize, delete, or slander whatever any other country did in the way of assistance.

131. There is no doubt that some assistance giving countries established or constructed in various African countries a number of plants which subsequently proved to be complete failures, because of lack of local marketing opportunities, lack of capability for a break-through and lack of working capital. It often happens when one government makes to another a present of a factory and this latter one does not like the trouble of operating it, but still wants to keep the management in its own hand. Some of these factories have been closed down, some are operating beneath capacity and everybody is unhappy about them. The assistance giving countries are unhappy because they gave away good money, only to be blamed for it by the same country that obtained the value of it. Bad fame spreads quickly creating unwanted publicity and political ill-effects. Political competitors are of course trying to make the most of it by helping those unfortunate factories to drown completely.

132. The blame is to be put on all and everybody but first of all on that country which in the name of assistance erected a dairy industry in a country where expatriates preferred to have dairy products imported from West European countries and local population could not find any use for them. The same goes for slaughterhouses with no cattle to slaughter in or brickyards in areas where bricks were not used. Governments surely could do something about it as is obvious from the case of a West African tyre plant which could not use its capacity until lack of foreign currency forced the respective government to put a ban on the import of tyres. This it did simultaneously for a number of other commodities. In consequence, most of the local food industries proved to have inadequate capacities since earlier imports of processed foodstuffs in some cases held up to 90 per cent of the local market covered.

133. The case is related to a country which at an earlier stage obtained plenty of assistance from everywhere only to find that whatever assistance was given, it carefully avoided to infringe on imports.

134. Most, not to say all, forms of technical assistance supplied to developing countries in this part of the world are having one characteristics in common and that is crediting of deliveries from assistance giving countries. This excludes crediting of local works which invariably creates a trouble for the recipient country. In order to minimize local currency requirements, the respective governments are favouring inclusion in the loan agreement of all possible kinds of goods, including such items as are normally being produced locally, thus lessening the prospects for a better utilization of existing capacities. This refers in particular to steel structures and the writer knows of a case where during the last five or six years all industrial projects implemented under bilateral agreements involved steel structure deliveries from abroad, although this same country had half a dozen steel structure making enterprises in operation. Local enterprises were of course underutilized.

135. What has been said for steel structures is equally true for other building materials herein included: doors, windows, glass panes, roof claddings, paints, floor and wall tiles, furniture, fixtures, fittings and even cement. Thus, new capacities are being created disregarding proper utilization of the existing ones.

136. New investments, at their implementation, are representing a particular market enlargement helping the developing country to strengthen an initially weak market. Industrial development provides in itself a market for construction materials on which new industries could be based. Personal income resulting from construction works contributes to the strengthening of market. What this means for developing countries is easily understood if remembered that a developing country as a rule lacks the base on which an industry could rest.

137. It might be said that it was up to the loan receiving country to purchase those items under loan conditions or to leave it be and have it purchased locally. This is, however, only partly true. The developing country is actually compelled to utilize the loan or else the project could not be financed, only that such practices are very much lessening the value of the assistance preferred.

138. There is one western country who agreed to finance local project costs for up to 50 per cent which seems very forthcoming and laudable indeed. On the other hand, understandably enough, this same country wanted to rationalize local expenditures which it normally does by appointing an evaluator to appraise local costs and also to examine the project having possible savings in view. Evaluators, probably feeling that their task was to cut down the expenditure as much as they could, are inclined to mutilate the projects and failing this, to make under-estimations not bearing comparison to reality. The operation results in lessening the loan beneath the promised proportion which is not the worst part of it. The local investor, naturally concerned about his part of the expenditure blames afterwards his own consultant seeing the costs transgressing over the limit unrealistically set up by the evaluator. The effect of the whole is trouble and dissatisfaction combined with stoppage of works for lack of finance.

139. Lack of financial means that could produce a better employment of local capital goods manufacturer, here included building materials, led to believe, that calling foreign private investors in, could provide for the required monies.

140. This again did not prove to be a panacea, since most African countries simply do not want the foreigners to own industrial enterprises by 100 per cent. Any lesser contribution on the part of foreign capital creates absolutely the same problem as economic assistance loans covering foreign deliveries only. This holds good in all cases where an African controlling interest in the equity is requested.

141. Wherever such partnerships appear, the foreign partner will invariably keep the management of the enterprise in his own hands, and for good reasons. He will also endeavour, and normally succeed, to keep also all the purchases of capital goods for the new factory in his own hands until his countribution will ressemble what is called a "contribution in kind". It is only to be expected that such contributions will be made devoting more care to the foreign investors benefit and to the productivity of his particular part of the investment. Cases are known where very obsolete machinery and equipment, including elsewhere dismounted steel structures, piping and wiring, else easily furnished by local contractors, were supplied under such arrangements and estimated beyond and above their market value. This, of course leads to a different capital productivity for the two partners, a higher one for the foreigner and a lesser one for the African.

142. But this is perhaps of less interest for the topic we are discussing. The main point is that the investment activity loses its strengthening effect on the local market. Instead of building up a market for locally produced capital goods it remains limited to low-level wage-workers' salaries for site works and construction, with scarce effect on the utilization of existing and future capacities.

143. As to the consumer goods market it should be remembered that with modern technologies the rate of investment per job gets very high and mounting. Millions of dollars are sometimes required to create a few dozen jobs. The better paid ones will be anyway reserved for expatriate experts, mostly used to the consumption of imported goods or else repatriating one part of their earnings, thus withdrawing them from local markets. The output of such new manufacturing facilities will be of certain beneficial effect on the country's economy through a lesser foreign currency expenditure and so on.

144. Considering however, that any loan or foreign capital participation must be paid off in foreign currency anyway, and that foreign capital will not participate where repayment prospectives are slow, it will be easily seen that the execution of a development project or any industrial investment for that matter could be of greater benefit for the country than the operation of the new facility itself, if only a greater part of the project could be executed by local manufacturers and enterprises.

145. With the progress of technology, these conditions will further deteriorate and an early solution of the problem is indicated. Or else, all those repatriations of capital, pay-offs and sending the earnings home will be simply made im-[illegible]

EXPATRIATES IN AFRICA

146. Speaking about textile mills it was observed that a particular African mill had on its production costs breakdown 5.64 per cent for local labour costs and 15.20 per cent for expatriate labour costs. The two components added up to 20.84 per cent which was at the time nearing the same proportions as found, say, in a western European plant, where the productivity was understandably enough on a much higher level. The case might be said to belong to the past since it was assessed six years ago, but then again it might not.

147. About scarcely more than a year ago, an African bank obtained an application for a loan to finance the erection of a small mill destined to manufacture textile trimmings, tassels and similar items made of imported synthetic fibres for a total of some US$300,000. The new plant was scheduled to provide employment to 40 local workers getting US$4.800 per annum and one expatriate expert getting a salary of US$12,000 per annum.

148. A similar proposal came in recently regarding a small metal working shop, which, if it could subsist on exclusively indigenous labour force, might have been expected to make a net profit of some US$13,000 per annum. These would be entirely consumed if only one foreign expert had to be hired to run the shop technically.

149. Big plants are faring better and fifty-fifty ratios as to cost of foreign and local personnel respectively, are often encountered. Still bigger plants might even achieve a thirty-seventy ratio in favour of local personnel, but those are not many.

150. Enterprises having to deal with such conditions are eliminated in advance from international markets, unless they are processing exceptionally convenient raw materials. They might be of some positive effect for the country's economy if substituting imported goods on the local market, particularly if most of the earnings could remain in the country. With small-scale industries and small business in general they might be of quite a negative effect and cause a greater loss on foreign currency than if the respective goods were imported.

151. So far as the eastern part of Africa is concerned things are very much worsening in that regard and it is of some interest to see why. There is no denying the fact, that in the past there were plenty of small-scale industries and business enterprises flourishing, which are now simply fading away. Let us try to find out what is killing them.

152. To explain and understand it will lead us into history since the first question to be answered at the investigation will be: Who were the people who established and operated those plants? Who else could they have been than people coming from other continents settling down in eastern Africa, bringing with them certain skills, far above those found on the spot but not so much superior to the average level of skills in countries they left. They were people of very much differing type and quality, ranging from highly efficient administrators, farmers and artisans down to dismissed soldiers, fugutives, wanderers, unemployed and displaced persons. Some of them established themselves in business well enough and others again did not do so well.

153. As change came over Africa, the ones having nothing to lose by it promptly left the country and settled elsewhere. The ones tied in one way or another to the place they were living in stayed on and faced the consequences.

154. People that remained were mostly old-timers who sent their sons back home to secure a better future for them. The ones that remained were simple men who could keep floating under the conditions of rough environment. As soon as the environment started changing they felt unable to cope with the change which unexpectedly tore them away from their one-sided orientation towards their mother country and hurled them at the mercy of quite a new set of people invading from all parts of the world.

155. Some of them are waging a last-ditch battle to keep the ground. It is distressing to see an old artisan in his sixties or even seventies still trying to work with trembling hands on a safelock in his ramshackle workshop, in the company of a few local workers willing to stay with him for what they could earn. Other artisans retired. I know of a man who was at a time the only man in the country to repair a steam-boiler. He left the job and started small farming. There is in a place a foundryman who kept going on until he collapsed and the foundry closed down. In another place there is a foundry which could keep going if the man started manufacturing something for the market. Only that he does not know how to start doing it and castings are now increasingly being imported from Europe in spite of the foundry's 20 per cent utilization of capacity. And what is worse, nobody else wants to go into the foundry business since one foundry had to close down and the other is not utilized.

156. It is a pity to have to see it happening. These men were actually unpaid foreign experts, living on the work of their hands and the skills they had. Their earnings were commensurate to their usefulness, and those earnings were mostly spent in the country. It was the only way to have small business of certain significance carried on. The breed should be renewed.

157. Apart from such problems, there are problems of high level experts to be mentioned in order to see how their contribution could be made more efficient. There is no doubt, that a skilful man will more readily devise and organize the utilization of a plant's capacity than a less skilful one. On the other hand, a useful expert is always cheaper than a useless one and "economy-of-experts" starts getting the crucial point of many a country's general economy.

158. To start with, Africa is by no means an easy continent to live in, particularly in its tropical part. Warm and damp in one part, hot and dry in another. Very hot in the lowlands, very low atmospheric pressure in the highlands. All that impairs very much anybody's efficiency and quite a few people cannot stand it at all. It should be expected that younger people might stand it better than aged ones but this is not always so.

159. In point of human relations, any ambitious expatriate will soon find out, that Africa is not a place where expatriates are invited to make a career. Quite to the contrary. An expatriate will early enough see his African co-worker rise in position and attain ranks while seeing his own position receding into the background and coming down to the level of just manpower and nothing else. Such relations require a psychological adjustment of which only more staid men are capable since there are seldom other incentives found to help to it.

160. Some countries giving assistance to African countries are as a rule sending younger people as experts, keeping them only a short spell on the job. Even foreign business enterprises are mostly sending younger people, simply because it does not pay to send the better salaried one. There is nothing wrong with it so far as foreign business enterprises are concerned. Those younger people will remain under somebody's supervision and if they do not give satisfaction, they will be sent somewhere else or fired or taken back. Much worse is the case where young inexperienced men are given an independent job or taken up into administration.

Where those people are lacking experience is exactly the point where they themselves confronted with problems of insufficient development. Lack of ization and services makes them resourceless and so does their too much ized technical training based on a very modern technology or their too ited knowledge of economics concerned with problems of the industrialised d.

. The micro-and macro-economy of African countries is understandably enough intertwined with general economic trends in the world, and yet it is quite a different economy where rules of an industrially developed world do not apply. The main instruments of development are enthusiasm, perseverance, unselfishness, love of the country and very much wisdom. To bring a developing country forward against the developed world, more wisdom is required here than there. Nowhere can routine work help and nothing is good enough for a developing country. These are the only fixed rules that should be respected.

163. Before closing the chapter, there is still one more type of expatriates in Africa to be mentioned. They are those connected with big trading organizations, specialized for trading in developing countries; particularly before they started developing. As such, they are enjoying a high social status, and, since recognized as good businessmen unduly respected in point of industrial development. Some very serious blunders can be ascribed to their activity in Africa, ranging from factories lacking raw materials to factories lacking markets. Maybe they should not be blamed too much since their intentions were good.

164. Quite the same as those of some Eastern countries who did exactly the same kind of mistakes but not in the same country. Whether from the East or from the West, blunders will be made because of an amateurish approach, or a bureaucratic treatment or bad expertising or just lack of experience. They are all human traits but, unfortunately, the African is called upon to foot the bill.

ECONOMIES OF SIZE

165. A recently conducted survey on the development of sugar cane based industries in an African country revealed that the two sugar mills operating in the

country, and owned by one and the same foreign company could have been able considerably to reduce their operating costs and produce cheaper sugar, if they only had their capacity pooled in one unit. Let us mention that the two mills are less than three miles distant one from the other. The two mills are producing only bleached raw sugar (so-called "plantation white") so the country keeps on importing all of its consumption in refined sugar and cubes.

166. There is a third sugar mill now under construction for "plantation white" again, and the utilization of its capacity remains fully open for speculation. It should be also mentioned, that neither of the three mills provided for the utilization of molasses, which, in consequence, are being thrown away. To make things worse, the mills are about 500 miles distant from the nearest sea port which should be a great handicap at any attempt to export the sugar.

167. In another case, somebody proposed to set up a paper pulp mill of a capacity of some 15,000 tons <u>per annum</u> - since a paper mill (now under construction was supposed to use only some 6,000 tons of that pulp, the rest was planned to be exported. Calculations promptly showed, that this would cause a considerable loss. The mill had to be established in a place where adequate water and raw materials meet, and that is nowhere near enough to the tide-water line, and the pulp would incur insufferable haulage costs if exported, besides being too expensive as to production cost, due to the high fuel value of the raw materials and, last not least, inadequate capacity of the plant.

168. Subsequent calculations proved that the plant could be made profitable only if its capacity was eight to tenfold of what it was proposed to be. In the meantime, other African countries got a taste for it, under apparently better conditions and the export probability curved down.

169. It is difficult to accept, that the consultant proposing a capacity of 15,000 tons <u>per annum</u> did not know in advance that it was hopeless to expect profitability from it, except under a heavy fiscal protection, and in no case if counting on export. It is more likely, that the consultant was a victim to certain prejudices which are prompting some experts from very industrialized countries not to make anything big in Africa. Big new enterprises might cause trouble on the international market. Besides taking over the local market, they would intrude upon the other ones and that simply would not do.

This does not regard industrial enterprises only. A reputed West-European consultant called in to make some agro-industrial studies, proved, that a modern large scale farm to operate profitably in that country should be of the order [illegible],000 acres (20,000 hectares). Still, some "more western" experts maintained, that [illegible] hectares were the best farm size for that country and that 1,000 hectares were the maximum. Bigger farms, they said (and wrote down) were to be considered only as concessions to foreign private capital.

Big discussions were held and, well, even experts sent in by international institutions asserted, that principles of "economies-of-size" did not apply in developing countries. Is it not strange to think that they should not where local markets are small and the international market the only outlet for surplus, where overheads are notoriously big due to the necessity to employ expatriates for top jobs, where more research is required due to lesser knowledge of indigenous materials and resources, where distances are a major problem, and fuels excessively expensive, requiring big processing units to save on it.

It is absolutely true, that break-even-points are depending not only on the conversion costs but sometimes even more on raw material costs and still more on the attainable sales prices. The high level of prices of certain goods in developing countries may make a small capacity temporarily profitable if all the output can be locally sold. Not so if the product is to be sold in export where prices are low and most of the possible profits are lost on transport costs and tariff barriers. These disadvantages can be offset only by exceptionally conve[illegible] and [illegible] operation.

Contrary to general belief, Africa as it is, particularly in its tropical part, does not yet dispose of very convenient raw materials, maybe they are there, only that they were not yet properly explored and most of all, they have not been developed.

10. Exploring for resources and opening them up for exploitation is a costly business which foreign private capital will seldom take a risk in. It is prepared to invest in safe business propositions ensuring a quick return. So all the exploration of mineral resources, power plants and irrigation schemes is left to the country itself, which besides having to look for them must also assess the processability of its minerals, the cropping patterns of agricultural lands and the saleability of the produce before it could persuade anybody to take a hand in it.

175. Avoiding generalisation, one should say in conclusion that every case should be examined for itself, and decided upon for itself. It should be however expected, that if exports are envisaged, nothing short of big enough capacities will do.

CONCLUSIONS AND RECOMMENDATIONS

1. Unutilized capacities should be investigated singly in order to see how they are operated and whether their non-utilization is due to internal or external factors.

Internal factors will include bad design, poor technology, lack of know-how, poor productivity, inflexible orientation towards a few products although a greater variety could be produced under slight adjustment of equipment, bad salesmanship and generally bad operation.

Under external factors will come bad planning in every regard, inappropriate fiscal protection of local industry (inconsistent tariff rates), unsuitable, expensive or outright lacking raw materials, loss of market caused by acts beyond influence of the company, inadequate supply of power, water and other causes of that kind.

2. A number of industries are doomed to remain tied to local markets as is the case with common building materials and, so far as developing countries are concerned, with a variety of food and beverages industries.

Further, all the sham industries, not actually producing things, but limiting themselves to the exploitation of investment incentives will naturally remain limited to local markets or close down after expiry of tax holidays unless they start utilizing materials of local origin which they are now not doing.

3. Each country has got only a few real opportunities for the establishment of significant, exporting industries. These opportunities should be aggressively utilized applying the latest technology, and the most modern principles of industrial engineering to secure the highest possible profit rate. Such industries should invariably tend to finalize their product utilizing the opportunity to keep all intermediate operations in their hand.

4. Industries having a limited market for one product alone should tend to add to it related products, which may partly utilize available capacities and on the other hand split the overhead costs.

5. Governments should not allow small markets to be atomized by an excessive number of uneconomical plants.

Plants should be of a size offering an opportunity for economic operation even under conditions of no fiscal protection at all. Setting two or three plants on one and the same limited market does not burst monopolies, it only boosts the prices.

6. Skilled artisans from abroad should be given the highest incentive to come and settle down in African and operate their manufacturing and servicing business there.

7. Governments should devote all the attention needed to the establishment of rationally devised customs tariff, enhancing the utilization of domestic industrial capacities, particularly those which are labour intensive.

8. Investment incentives should be also oriented to contribute to a better utilization of existing facilities. Market-creating industries should be preferred and market-splitting discouraged. Upgrading of local skills and material should be realistically appreciated and related to benefits accorded.

9. Acquisition of capital goods, which may be locally produced, where terms of loans and "contributions in kind' are favouring their import, should be closely examined in order to secure a better utilization of locally available capacities.

10. More attention should be paid to the development of any country's raw materials, whether of agricultural or mineral origin, in order to bring them to the level required for rational processing. This regards rather their qualitative than their quantitative aspect.

11. Serious thoughts must be dedicated to the problem of expatriate labour in developing countries. Their role, costs and incentives, which may induce foreign labour to devote all of their efforts exclusively to the welfare of the country they serve, should all be studied.

12. There is no doubt that there are cases, where free capacities can be utilized to a more satisfactory degree if used to produce goods that may be exported. This should preferrably occur within the frame of regional common markets, for which reason, some problems inherent to common markets should be further studied.

Export of such goods should not be made on the account of local prices and common markets should not deprive less developed countries of their own chances for industrialization.

Utilization of free capacities should be considered as more beneficial if achieved through local marketing, and all the efforts of the various industries should be primarily oriented in that direction. The respective governments should lend them all their assistance at it.