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THE ESTABLISHMENT OF MULTINATIONAL ENTERPRISES IN THE UDEAC COUNTRIES

Report of a meeting of the Commission
Élargie d'industrialisation de L'UDEAC
Bangui, Central African Empire, 26 May - 2 June 1977

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The meeting of the Commission élargie d'industrialisation de l'Union douanière et économique de l'Afrique centrale (UDEAC) was held in Bangui, Central African Empire, from 31 May to 2 June 1977 to discuss the report prepared by UNIDO on the six multinational industrial projects allocated by the chiefs of state of the UDEAC countries (Central African Empire, Gabonese Republic, People's Republic of the Congo and United Republic of Cameroon) to the member countries, to review the terms of reference drawn up by UNIDO, and to agree upon and take the necessary steps for the establishment of the multinational enterprises in question.

The meeting was scheduled to commence on 26 May but had to be postponed until 31 May owing to the delayed arrival in Bangui of the delegation of the United Republic of Cameroon because of the lack of air transportation between Yaoundé and Bangui.

Before the meeting convened, the delegations of Central African Empire, the Congo and Gabon held a number of unofficial meetings with a view to harmonizing their respective positions. The writer met with these delegations on several occasions to discuss the projects and the course of action to be taken to establish each of them.

Adoption of a statute for multinational enterprises

When the meeting was convened on 31 May, the delegations unanimously agreed to the proposal made by the delegation of the United Republic of Cameroon to adopt the statute of the UDEAC multinational enterprises before examining the proposed industrial projects individually. Consequently, a statute outlining the strategy for setting up multinational industries in the UDEAC countries was drafted and approved.

The UDEAC secretariat suggested that two separate statutes be adopted: one to be applied to multinational enterprises whose primary objective is to undertake the feasibility and pre-investment studies required to define the conditions of operation of an enterprise; and the other to be applied to multinational industries already in operation. The meeting decided to adopt a single statute for both types of enterprises, based on the view that the difference between them lay mainly in stage of development and a single statute

would permit enterprises to move from the feasibility/pre-investment study stage to the investment and operation stage without major difficulties. The transformation of an enterprise for studies into an operating enterprise would take place by issuing new shares to the participating members.

The first main feature to characterize the UDEAC multinational enterprise scheme gives the central role in promoting a multinational industrial project to the host country. In this respect, the meeting adopted the following procedures:

- (a) When agreement has been reached by the Council of Chiefs of State of UDEAC on the establishment of a multinational enterprise, the host country will be entrusted with the task of establishing it;
- (b) The host country will then approach the other member countries of UDEAC to secure their contribution to the enterprise's capital. The host country will commission techno-economic studies and appraisals to establish the project's viability, unless the multinational company was created at an earlier stage;
- (c) The host country will define the terms and conditions it is prepared to offer to the participating countries of UDEAC;
- (d) The host country will initiate bilateral and multilateral negotiations to work out the draft intergovernmental agreement that will constitute the basis of the multinational enterprise's statute;
- (e) Finally, the host country will represent the interests of UDEAC in negotiations with foreign investors.

The second main feature stresses the multinational character of the enterprise. The meeting agreed that:

- (a) The Council of Chiefs of State of UDEAC will be responsible for determining the percentage of participation of foreign investors and of member countries in terms of the capital put into the multinational enterprise, even if the enterprise consists of only two of the four UDEAC member countries. Any change in the capital structure of the enterprise must be approved by the Council of Chiefs of State;
- (b) The multinational enterprise cannot be liquidated without the agreement of the Council of Chiefs of State;
(These clauses protect the participating countries from any arbitrary decision of the host country to nationalize the industry concerned.)
- (c) The Executive Committee of UDEAC will not grant any final concessions or privileges to competitive industries in member countries as long as the agreement creating the multinational enterprise is in force.

Having adopted the above statute, the meeting felt that it should be the responsibility of each country in which a multinational enterprise is located to ascertain whether it would be advisable to create an enterprise for studies or a full-scale operating enterprise. The subsequent transformation of an enterprise for studies into an operating enterprise would be decided by the Board of Directors of the company concerned.

Discussion of specific projects

Next, the meeting decided to review individual projects and obtain the views of each delegation as to which type of enterprise it would be best to create in the light of the project's stage of development.

Congo: chemical complex

The delegation of the Congo informed the meeting that the French company involved in the joint venture to exploit the sylvinite layer of the salt deposit at Holle planned to withdraw its participation from the Compagnie des potasses du Congo (CPC) and was willing to continue contributing financially to the CPC for only two more years. The delegation pointed out that when the CPC's operations came to an end after those two years, no more potash residue would have been accumulated for use in extracting salt and setting up salt-derivative industries. Moreover, the Bulgarian technicians studying the phosphate deposits near Holle considered them unsuitable for exploitation. The delegation concluded that with the end of CPC's activities there would be a shortage of raw materials for the planned chemical complex.

The other delegates voiced the opinion that it would be necessary to carry out a prefeasibility study on the salt and phosphate deposits in the country before a decision was taken to create a multinational enterprise for studying the feasibility of salt extraction, the derivatives of salt and the preparation of phosphoric acid. They felt that the Government of the Congo should identify the right partners for the creation of such an enterprise.

The representatives of UNIDO explained that 30 million tons of potash residue, with 94 per cent sodium chloride content, had already accumulated at Holle. Moreover, the deposit of 50 million tons of carnallite discovered near Holle would help to solve the problem of raw material supply for the chemical complex. The UNIDO delegation indicated the urgent need for the Central African countries to start producing caustic soda, which would find wide application in those countries in the textile, soap, pulp and paper, petroleum, glass and alumina industries. It proposed the establishment of a special fund for financing the preliminary studies required, since it was not the policy of the UDEAC Bank to finance prefeasibility studies. The delegates pointed out that when a project had been selected to be a UDEAC industry, it was automatically entitled to apply for funds from the UDEAC Bank for financing feasibility studies, if such studies were necessary to ensure the mobilization of investment funds.

The delegation of the Congo agreed in principle with the creation of a multinational enterprise for studies for the chemical-complex project, to be endorsed by the UDEAC Executive Committee. It was therefore proposed to prepare a resolution recommending the establishment of an enterprise for studying the extraction of salt from potash residue, the manufacture of basic chemicals derived from salt and potash and the preparation of phosphoric acid.

Gabon: petrochemical industry

The delegation of Gabon informed the meeting that its Government had already approached potential partners and an outline of a feasibility study had already been adopted. The delegation suggested that UDEAC adopt a recommendation for the establishment of a multinational enterprise for studies, and this proposal was unanimously accepted.

Central African Empire: pharmaceuticals industry

The UDEAC secretariat stated that negotiations were under way between the Government of the Central African Empire and LEK, a Yugoslav company, for setting up a pharmaceuticals industry. The company was also willing to participate in the future pharmaceutical enterprise. The delegation of the Central African Empire proposed that a full-scale operating multinational enterprise be created, since the project was at an advanced stage. The proposal was accepted by the meeting.

United Republic of Cameroon: bauxite and aluminium industry

The Government of the United Republic of Cameroon has created an enterprise to study the bauxite deposits of Minim Martan and to prepare other studies necessary for setting up alumina and aluminium industries in the country. The enterprise was established in partnership with Kaiser Aluminium, PUK (Pechiney) and various Canadian and German aluminium companies. The Cameroonian representatives stated that since the enterprise had already carried out detailed feasibility studies on the exploitation of alumina and aluminium, they recommended the creation of an operating multinational enterprise for developing those industries in the United Republic of Cameroon. The delegation assured the meeting that its Government was not opposed to the proposal of using the hydroelectric power of other UDEAC countries for setting up alumina foundries, if the conditions for creating such foundries were favourable in those countries.

Gabon: cement and clinker industry

The Gabonese delegation informed the meeting that Gabon was building a clinker plant with a capacity of 350,000 tons per year. The transformation of that concern into a multinational enterprise would require the establishment of a second line of production to meet the needs of other UDEAC countries. The meeting approved the creation of an operating multinational enterprise for the industry.

The delegations of the Central African Empire and the Congo proposed that, in line with the recommendation contained in the UNIDO report, a second clinker plant be established as a multinational enterprise in the Congo to cover the cement requirements of those two countries. The meeting suggested that an official request for the project be submitted to the Council of Chiefs of State of UDEAC.

Central African Empire: clocks and watches industry

The delegation of the Central African Empire stated that the country had already set up an assembly line for watches with the assistance of UNIDO. The watches produced did not meet local demand and studies were being carried out on enlarging the plant's capacity so that it could satisfy both local and combined UDEAC needs. The Government of the Central African Empire had approached the UDEAC Bank for help in financing the project. The meeting approved the creation of an operating multinational enterprise for the manufacture of clocks and watches.

Summary and conclusions

The meeting resulted in recommendations for the creation of four operating multinational enterprises and two multinational enterprises for studies. In addition, in reaching agreement on the procedures for implementing the multinational enterprises scheme, the UDEAC member countries have made a breakthrough in the effort to establish such enterprises. The host countries of the six multinational industrial projects will have to play the central role in promoting them. The countries hosting the two multinational enterprises for studying the chemical and petrochemical industries are entrusted with commissioning prefeasibility studies to establish the viability of these projects.

The procedures adopted for the promotion and establishment of multinational enterprises for UDEAC countries have been successfully used by other African countries. One example is Togo, for the promotion of Cémenterie de l'Afrique de l'Ouest, a multinational company set up by Ghana, Ivory Coast and Togo for the production of 2.4 million tons of clinker, and another example is the Ivory Coast, for the promotion of a multinational bitumen industry to meet the needs of the Ivory Coast, Mali and Upper Volta, and probably also of Ghana and Nigeria. The Ivory Coast and Togo have initiated bilateral negotiations with various neighbouring countries with the aim of reaching an agreement on the draft statutes of their multinational industries. It was found that few results were achieved through general intergovernmental machinery. Nevertheless, when the host country has secured the agreement of other countries to participate in its multinational scheme, an intergovernmental agreement must be prepared to bind the participating countries to the establishment of the multinational enterprise. Such an agreement also defines the obligations of the participating Governments and establishes the operating procedures for the enterprise. In the case of UDEAC multinational enterprises, the agreement must be ratified by the Council of Chiefs of State.

It is hoped that the UNDP offices in the UDEAC countries will take note of this important development in UDEAC's industrialization programme and provide all the technical assistance needed for its implementation.

If requested to do so by the host countries, UNIDO could undertake the various studies proposed by the meeting:

Central African Empire

Evaluation of the feasibility study to be prepared by LEK (Yugoslavia) on the pharmaceutical industry in UDEAC countries

Evaluation of the feasibility study to be prepared by the firm Horsen on the clocks and watches plant at Bangui

Congo

- (a) Prefeasibility studies on the extraction of salt from potash residues and on salt derivatives;
- (b) Prefeasibility study on phosphoric acid using the phosphate deposit near Holle (see terms of reference prepared by UNIDO)

Gabon

Prefeasibility study on the development of the petrochemical industry at processing stages considered feasible and using unconventional approaches such as the multipurpose-plant concept (see terms of reference prepared by UNIDO)

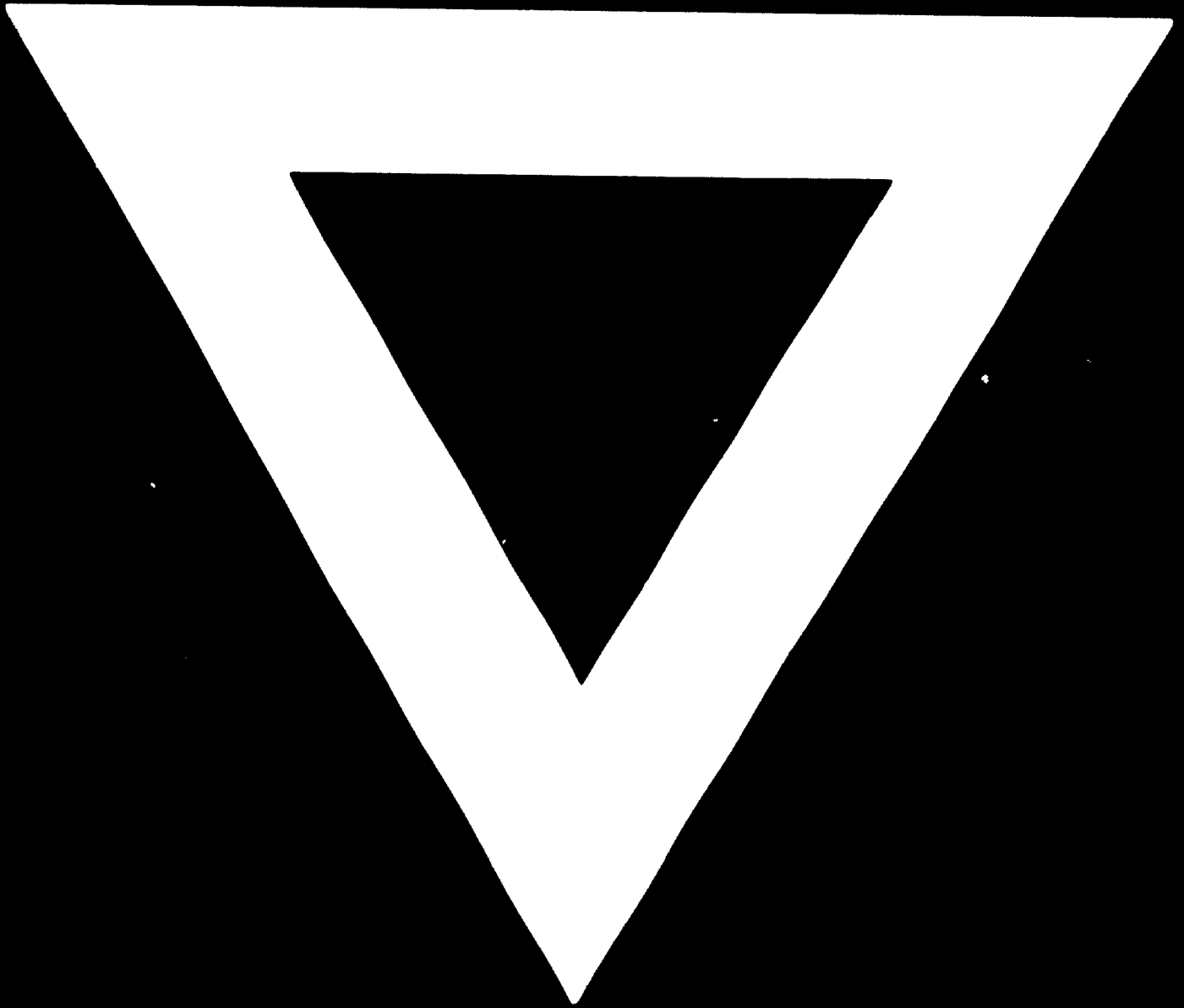
Evaluation of the feasibility study for setting up a second line of production to double the capacity of the existing cement plant from 350,000 to 700,000 tons per year

United Republic of Cameroon

Evaluation of the feasibility study prepared for the development of the bauxite deposit of Minim Martan



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