

INDUSTRIALISATION IN EAST AFRICA

1. This note gives a summary of the objectives and methods of a composite research project on industrialisation which is being carried out in the East African Institute of Social Research (Makerere University College) Kampala, Uganda.
2. Not only does this project rank high in the normal programme of E.A.I.S.R. but it is being conducted in cooperation with the Institut de Science Economique Applique (Dakar), the Institut de Recherches Economiques et Sociales, (Leopoldville) and the Nigerian Institute of Social and Economic Research (Ibadan). This collaboration is taking place under the auspices and with the support of the O.E.C.D. Development Centre.
3. The objective of the E.A.I.S.R. study is to make projections of viable industrial development in East Africa by 1970 and by 1980 on two alternative assumptions as to rate of growth of Gross Domestic Product in the alternative situations of a common East African Market and separate national markets.
4. The study is being undertaken by three research workers operating as a team but who are dividing the work, so that each has a rounded task suited to his availability in time. The division of labour is as follows:-
 - A. P. Maitra. E.A.I.S.R. Fellow
 - (a) Import substitution and present size of markets.
 - (b) Change in composition of imports (trends in E.A. and "Normal" pattern associated with industrialisation.)
 - B. E.J. Stoutjesdijk. Seconded by O.E.C.D.
 - (a) Analysis of techniques and input/output relationships for selected industries
 - (b) Projections based on (a) and on cross-country data.
 - C. F.I. Nixon E.A.I.S.R. Associate
(University of Leeds African Studies)
 - (a) Analysis of location factors in E.A.
 - (b) Determination of plant "least cost" location for selected industries and estimation of costs involved in specified deviations.
5. The study will draw directly upon simultaneous E.A.I.S.R. research projects as follows:-
 - (i) Industrial employment, Azarias Baryaruha (including case studies)
 - (ii) Present and future structure and capacity of the construction industry, Christopher Vincent.

If resources permit other detailed industry studies might be added.

Furthermore the cooperation of the economic research institutes in Nairobi and Dar-es-Salaam is assured.

6. The procedure will involve a certain amount of iteration from stage to stage but the sequence proposed is:-
- (i) Selection of principal developing industries. This will be based on:
 - (a) Import-substitution possibilities from study A;
 - (b) Plans of governments and public and private enterprises for expansion of existing industries and introduction of new ones;
 - (c) study of sectors producing "national goods" (not normally imported) especially the construction sector.
 - (d) consideration of comparative costs. (study B) especial with regard to export potential.
 - (ii) Once the basic industries have been determined, the most appropriate technique of production will be studied by micro-economic break-even analysis of specific industrial activities. (Study B)

It is hoped to obtain production data from case studies relating to other countries and also to infer production functions for prospective industries from those of similar industries operating in E.A. A considerable amount of E.A. data will be made available from a study by Michael Safier (London School of Economics).
 - (iii) In the light of (ii) and using existing market size (from study A) as a bench mark, cross-country data will be used to project demand for principal industrial products which will then be related to technical requirements regarding minimum scale of operation and to cost data, to test for viability (Study B.)
 - (iv) An attempt will then be made to determine the input/output effects of the viable industries and to project the resulting industrial pattern on the basis of the "normal" pattern of industrial development modified for special East African conditions.
 - (v) The first stage of the location study will survey the general background and a rough attempt will be made to distinguish between purely plant considerations and those of a more general nature. This will involve a study of the infrastructure (transport, site facilities etc), labour supply, raw materials, power, and a number of other considerations of a general nature.

- (vi) Closely associated with (ii) (iii) and (iv) the more specific questions of location will be considered. Given the alternative technological possibilities and the input-output structures of the selected industries, and taking into consideration observed locations in more industrialised countries, attempts will be made to determine:-
- a. the economic location on the basis of East African Market, at 1970 and 1980;
 - b. similar optimum economic location in separate national markets;
 - c. the cost involved in modifying location with the objective of some redistribution.
- (vii) Finally the implications of industrialisation for the rest of the economy will be examined. In particular it is hoped that the study will indicate the order of magnitude of consequential changes in:
- a. the balance of payments, (Study A being used as a check)
 - b. the demand for labour (especially skilled labour)
 - c. the demand for inputs from the agricultural sector (including the demand for food);
 - d. demands for services (especially transport).
- (viii) It is proposed to prepare a progress report by early January 1966 which will serve as the basis for a meeting of the cooperating research institutes which is being arranged by O.E.C.D. for February. It is hoped that provisional reports on the three studies A, B and C will be completed by August 1966. The integration of these, drawing on other related studies, will be carried out by Mr. Stoutjesdijk and the Director during the period August 1966 to March 1967.

W. T. Newlyn

30th September, 1965. Director of Economic Research.

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