

## THE PROBLEM OF EXPORTS AND IMPORTS IN AFRICAN COUNTRIES

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### **I. Introduction :**

1. Accompanying statistical tables only reflect in part the extent to which world trade has expanded in recent years. To a very large extent, most of these tables deal with volume and values or rates of exports and imports. Some more tables could have been compiled to show the direction and flow of trade for particular trade areas as well as by commodity groups.

2. At no time must sight be lost of certain salient features when it comes to interpreting export and import data of the trade of developing African countries which have a rather high incidence of inavailability of correct data at any particular point in time. An additional factor to be borne in mind concerning export and import data is that they merely reflect recorded past performances. Hence they cannot be presumed as a true economic barometer in understanding some of the economic maladies of the countries or the region in general.

3. These limitations apart, it is still possible that export and import figures could provide working basis for the formulation of sound commercial policy being designed for economic development ; secondly, they could provide a means for working out projected trade and development targets ; and are useful as a basis for comparison of economic performance in international trade etc.

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## II. Trends of and prospects for world trade :

4. The volume and value of world exports (given in table 1) had increased to a new high by the end of 1970, about \$ 312 billion. This was a rise of some \$ 39 billion or 14.4 per cent over that of 1969, and a record in itself for the whole of the 1960's.

5. This expansion in international trade was rather concentrated by region. A major source of this recorded expansion occurred in the developed market economy countries where exports grew in value by 15.6 per cent. The share of the developed market economies of total world export trade went from 70.9 per cent to 71.7 per cent between 1969 and 1970, giving them an average increase of nearly 5 per cent points during the decade (1960-1970).

TABLE (1)  
World export trends by major economic groups

| Grouping                           | Current value (f.o.b.)<br>(billion dollar US) |       |       | Annual growth rate<br>(per cent) |         |         | Share in world exports<br>(per cent) |       |       |
|------------------------------------|-----------------------------------------------|-------|-------|----------------------------------|---------|---------|--------------------------------------|-------|-------|
|                                    | 1960                                          | 1969  | 1970  | 1960-68                          | 1968-69 | 1969-70 | 1960                                 | 1969  | 1970  |
|                                    |                                               |       |       |                                  |         |         |                                      |       |       |
| World <sup>a</sup>                 | 128.0                                         | 273.2 | 312.4 | 8.2                              | 14.0    | 14.4    | 100.0                                | 100.0 | 100.0 |
| Developed market economy countries | 85.7                                          | 193.7 | 224.0 | 8.8                              | 15.2    | 15.6    | 67.0                                 | 70.9  | 71.7  |
| Developing countries               | 27.3                                          | 49.3  | 55.0  | 6.2                              | 11.8    | 11.6    | 21.3                                 | 18.1  | 17.6  |
| Socialist countries                | 15.0                                          | 30.2  | 33.5  | 7.8                              | 10.5    | 11.1    | 11.7                                 | 11.0  | 10.7  |

Source : United Nations Monthly Bulletin of Statistics, July 1971 ;

UNCTAD Handbook of International Trade and Development Statistics, 1969 ;  
GATT International Trade, 1970.

(a) Excluding the trade of China (mainland), Mongolia, Democratic People's Republic of Korea and Democratic Republic of Viet-Nam with each other.

6. The same could not be said in case of socialist and developing countries. Total export values of socialist countries showed a much



higher rise between 1960 and 1969 but a rather modest increase between 1969 and 1970. Their share of total world exports over the decade suffered a decline of almost 1 per cent (from 11.7 per cent in 1960 to 10.7 per cent in 1970).

7. Developing countries recorded an increase in value received for exports over the decade. Their exports in 1960 which were \$ 27.3 billion had increased in 1970 to \$ 55 billion. With such a seemingly substantial rise one would have expected a comparable rise in share of developing countries in world exports, yet it declined by almost 4 per cent (21.3 to 17.6 per cent) over the period.

8. These statistical tables confirm the concern expressed in many international circles about the importance of trade to economic development. There is much direct relationship between trade and economic development for the economies of developing countries. The pace of development for the majority of these countries is dictated by their ability to earn not only sufficient or adequate funds from their exports but that such earnings must not be permitted to fluctuate abnormally over any length of period.

9. These trends (table 3) once again high-light the position of developing countries in world trade, as one of continuing decline, regardless of whether the world is in a recession or expansion. The declining share of the developing countries is one of the most constant features in the development of world trade. Expressions of intent to reverse this trend during the First United Nations Development Decade appear not to have met with much success.

10. Total world imports went up by a considerable margin from \$ 128,320 million in 1960 to \$ 312,500 million in 1970. Imports of industrial countries increased from \$ 78,665 million to \$ 211,830 million respectively, and even then the bulk of their imports originated from their own region, i.e. \$ 53,995 million in 1960 and \$ 159,480 million in 1970.

11. Imports of the Eastern Trading areas which were about \$ 15,070 million in 1960 had risen to some \$ 31,370 million in 1970.

The bulk of imports of the Eastern Trading areas over the period continued to come from within i.e. \$10,830 million in 1960 and \$19,790 million in 1970. On the other hand, the developing areas took a proportionately larger slice of their imports from the world than any other region during the period, importing some \$ 29,060 million in 1960 and about \$ 56,860 million in 1970. Developing areas absorbed only \$ 6,190 million or about 21 per cent in 1960 and \$ 10,590 million or about 20 per cent in 1970 from within. What was unfortunate was that the substantial increase in imports by developing areas was accompanied by a fall in the share of imports coming from within their own region.

12. A characteristic feature of economic development in respect of developing African countries and which deserves closer attention is the role played by trade. Steps so far taken in an attempt to restructure or re-orient the pattern of trade in a number of these countries are still in their embryonic stages. Efforts to diversify both their export base and source of imports during the decade were attended with little success.

13. Possibilities of increasing the exports of primary and non-primary goods by developing African countries to industrial, socialist and even with the other developing countries are much brighter now than they have ever been before. Just how these possibilities can be exploited, will to a large extent depend on measures taken in the respective economies. Furthermore, such efforts can only be crowned with success if the present trends of goodwill are translated into action which recognises the peculiarities of the various regions.

### **III. Trends of and prospects for African trade :**

14. Developing Africa in common with other developing countries of other regions exhibits certain fundamental economic characteristics. Trade activity tends to be rather concentrated both in terms of exportable commodities and direction. The extent of concentration in case of developing Africa over the decades has been one of a continuous



pattern except for minor shifts in ranking of commodities. For instance, out of the total African exports of \$ 5,290 million in 1960 no less than \$ 4,110 million went to industrial areas and even then it was the countries of Western Europe who absorbed \$ 3,590 million or about 87 per cent of that total.

15. In 1969 exports from developing Africa had risen by 16.4 per cent only to suffer a severe drop in 1970 to about 9.8 per cent. Total developing Africa's exports in 1970 had reached \$ 12,700 million, the bulk of which (\$ 10,060 million) went to industrial areas and as usual the Western Europe took some \$ 8,660 million of the total.

16. Africa's export expansion in 1969 was mainly attributable to increased revenue accruing to two principal primary exports commodities ; petroleum from Libya and Nigeria and copper from Zambia and the Republic of Zaïre. Copper exports enjoyed a favourable rise in price over the period (1968-69). Other areas of export trade (of interest to developing Africa) showed a rather limited contribution. Since it was only in Egypt, Cameroon and Angola that agriculture export crops showed a sizeable increase. Other principal agriculture export crops (oilseeds, coffee, cocoa, cotton) of many developing African countries were adversely affected by bad weather conditions.

17. The importance of primary commodities in most countries of developing Africa needs no further stressing as most of the countries depend on them for between 80 to 90 per cent of their export earnings. Changes which may have occurred in the ranking of the importance of primary commodity exports will not have diminished their overall importance as the main springboard for their respective economic development plans.

18. Thus, even at the end of the First United Nations Development Decade, economic activity in developing Africa continued to petrify mono-cultures. Economic activity destined for export markets and economic development continue to be basically confined to production of primary commodities of food and beverages (SITC 0+1);

crude materials, oils and fats (SITC 2+4) ; mineral fuel and related materials (SITC 3), ranked in that order. Production for export of the " Other manufactures " (SITC 6+8) is slowly gaining ground but is not of much significance yet.

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19. The converse of the dominance of primary exports in total exports means that other exports are relatively less important. Not only are exports of manufactures (non-primary) from developing Africa a relatively small part of the total, but they are also highly concentrated in product and country terms. In 1913 exports of manufactures from Africa accounted for about 0.4 per cent of total exports, and after over 55 years (1968) their contribution to total export earnings accruing to developing African countries varied between 10 and 20 per cent. Principal items among these commodities were alcoholic beverages in the form of wine from Algeria, Tunisia and Morocco to France. These exports accounted for more than one third of total African manufactured exports. Another quarter having been made up of the various non-ferrous metals, aluminium and petroleum products.

20. Developing African countries shared in the general increase of total exports of the developing countries between 1969 and 1970 (table 2). As earlier indicated, exports shifted from \$ 49.3 billion in 1969 to \$ 55 billion in 1970. However, the share of developing countries in total world export trade over the period under review continued to decline. Registered increase for developing Africa rose from \$ 11.3 billion in 1969 to \$ 12.4 billion in 1970. Performance by



developing Africa over the same period was rather disappointing with her share of total export trade remaining relatively constant (around 4 per cent) for the whole period of the 1960's (table 2).

21. By contrast the picture that emerges with regard to imports of developing Africa is one of a continuation of a wider spectrum of imports during the whole period. The bulk of her imports in the 1960's originated from the developed market economy countries of Western Europe. Of the total imports of \$ 6,400 million in 1960, developing Africa obtained over \$ 4,170 million or some 65 per cent from Western Europe. In 1970, developing Africa imported a total of about \$ 10,970 million with Western Europe supplying no less than \$ 6,270 million or 57.6 per cent.

TABLE (2)

Export trends in developing countries by regions

| Grouping             | Value  |                    |       | Average annual growth rate |         |         | Share in world trade |       |       |       |
|----------------------|--------|--------------------|-------|----------------------------|---------|---------|----------------------|-------|-------|-------|
|                      | Region | billions of US \$) |       |                            | (% )    |         |                      | (% )  |       |       |
|                      |        | 1960               | 1969  | 1970                       | 1960-68 | 1968-69 | 1969-70              | 1960  | 1969  | 1970  |
| World <sup>a</sup>   |        | 128.0              | 273.2 | 312.4                      | 8.2     | 14.0    | 14.4                 | 100.0 | 100.0 | 100.0 |
| Developing countries |        | 27.3               | 49.3  | 55.0                       | 6.2     | 11.8    | 11.6                 | 21.8  | 18.1  | 17.6  |
| Regionally :         |        |                    |       |                            |         |         |                      |       |       |       |
| Africa               |        | 5.3                | 11.3  | 12.4                       | 7.8     | 16.4    | 9.8                  | 4.0   | 4.1   | 4.0   |
| South East Asia      |        | 7.6                | 12.8  | 14.6                       | 5.0     | 14.7    | 13.9                 | 5.4   | 4.6   | 4.7   |
| West Asia            |        | 4.3                | 8.8   | 10.4                       | 9.4     | 7.1     | 11.2                 | 3.2   | 3.2   | 3.3   |
| Latin America        |        | 8.6                | 12.2  | 14.8                       | 4.5     | 9.4     | 10.9                 | 6.3   | 4.4   | 4.7   |
| Other America        |        | 1.4                | 1.9   | 2.1                        | 3.9     | 6.3     | 3.4                  | 1.0   | 0.6   | 0.7   |

Source : United Nations Monthly Bulletin of Statistics, July 1971 ;

UNCTAD, Handbook of International Trade and Development Statistics, 1969;  
GATT, International Trade, 1970 and ECA, Foreign Trade Statistics for Africa  
(Series A — Direction of Trade, No. 14), 1970.

(a) Excluding the trade of China (mainland), Mongolia, Democratic People's Republic of Korea and Democratic Republic of Viet-Nam with each other.

22. Japan among the industrial countries made substantial inroads into the market of developing Africa with her exports between 1960 and 1970. Japanese exports have more than doubled from about \$ 220 million in 1960 to over \$ 500 million in 1970. Imports coming from the Socialist or the Eastern Trading areas also increased considerably during the same period. Only imports from within developing Africa showed a markedly slow rise over the period and remained lowest between 1965 and 1970 (table 3).

23. A commodity by commodity analysis reveals changes in the scope of ranking of imports going into developing Africa. For instance, imports of "other manufactures" (SITC 6+8) originating from EEC countries went down from 49.3 to 41.9 per cent between 1960-64 and 1965-69. The supply of food, beverages and tobacco items (SITC 0+1) by industrial countries also fell by 3.2 per cent to 15.1 per cent for the same period, despite relative increases with regard to those coming from certain EFTA countries. Machinery and transport equipment registered a marked increase during the 1965-69 period from 28.6 per cent to 34.7 per cent.

24. Trade expansion by way of exports and imports in developing Africa is to a very large extent determined by certain happenings in the international arena <sup>1</sup>. Some of the pricing and diversification policies connected with major commodities of interest to developing African countries pursued by international bodies and major industrial countries have had certain decelerating effects on the tempo of economic development in the economies of a number of developing African countries.

25. Recent international monetary crisis have not only revealed many defects in existing international monetary systems but render strong support to the advocates for change which is assumed by many to be overdue. These crises simply widened the gap that already

(1) This is a point which deserves detailed discussion at the appropriate moment particularly in assessing the objectives and role of international organization in economic development of developing African countries.



TABLE (3)  
Imports into developing Africa by regions (million US\$ f.o.b.)

| Region<br>of origin                    | 1960  | 1961  | 1962  | 1963  | 1964  | 1965  | 1966  | 1967  | 1968  | 1969  | 1970   |
|----------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| World                                  | 6,420 | 6,555 | 6,265 | 6,625 | 7,100 | 7,680 | 7,83  | 7,880 | 8,395 | 9,375 | 10,970 |
| Industrial areas                       | 4,940 | 4,905 | 4,655 | 4,940 | 5,205 | 5,490 | 5,570 | 5,470 | 5,390 | 6,615 | 7,870  |
| Total <sup>a</sup> developing<br>areas | 550   | 570   | 565   | 565   | 650   | 670   | 680   | 690   | 725   | 850   | 920    |
| Developing<br>Africa <sup>a</sup>      | 430   | 450   | 475   | 480   | 550   | 600   | 550   | 540   | 590   | 660   | 730    |
| Eastern trading<br>areas               | 280   | 415   | 370   | 460   | 500   | 675   | 720   | 830   | 760   | 860   | 1,010  |

Source : GATT, International Trade 1970 ; ECA, Foreign Trade Statistics for Africa (Series A - No. 14).

(a) Not including intra-African trade.

(b) Not including the Republic of South Africa.

exists between the developed and developing countries. Prices for exports of developing countries become depressed and as a consequence, the latter find it increasingly difficult and strenuous to import developmental items.

26. Developing Africa has enormous prospects for expanding her trade if only international conditions can be improved to enable her efforts in this direction to be fully rewarded. Obstacles to trade expansion range over a much wider field than can be adequately covered in a note as brief as this. Expansion of African trade with the non-traditional markets has been neglected, although steps are now being taken to expand it so that it may also contribute to their overall target of economic development.

27. Africa's abundance of natural resources should provide the needed incentive in formulating commercial policy intended for trade expansion. Except that many of the countries in developing Africa have yet to find proper mechanism for optimally balancing resources between production of traditional export crops, for which the market is marginally expanding, and food crops whose demand is rising. A faster rate of growth in this field will require a change of trade philosophy including less dependence on hard currencies, enlarging existing African economic arrangements, expanding or further exploitation and legalizing the good elements of current border (clandestine) trade.

#### **IV. Obstacles faced by exports of developing African countries :**

28. Obstacles to expansion of African exports are not only confined in their domestic economic structures, they also include impediments encountered in the importing markets. It is possible (under certain conditions) using domestic commercial policy to restructure the local economic structure towards export expansion. However, there are certain obstacles which belong to realms beyond territorial control



and which are much more difficult to restructure without the goodwill of the importers concern.

29. Considerable progress has been made in recent years with regard to the elimination of quantitative restrictions, mainly in the field of manufactured goods. Latest of this are the recent offers contained in the Generalized System of Preferences. Unfortunately, these offers have systematically excluded agricultural commodities which continue to be Africa's life-line. The existence of tariff and non-tariff barriers on African commodities in the world markets continues to adversely affect the rate of African economic development.

30. Growing interference by governments in production and trade is yet one other general form of obstacle that tends to hamper export expansion. Its effects in international trade is manifest in the many protective measures undertaken by the various importing governments.

31. The impact of *non-tariff barriers* is much more important in the case of primary commodities. Commodity producing countries are all pre-occupied with trying to shield their respective economies from instability of world prices by isolating them from market fluctuations.

32. Three areas are at least discernible with regard to the above :

(i) *Non-agricultural raw materials* :

Restrictions which African exporters are likely to encounter with regard to crude oil and petroleum are those applied either to protect local refineries or to steer purchases of crude oil toward certain sources of supply or certain suppliers (usually State or other national-trading organizations). Others resort to restrictions basically to protect their industries - like the case of the steel making industry in Brazil which adopts an arbitrary basis for customs valuation on certain non-ferrous metals.

(ii) *Agricultural raw materials :*

Restrictions are rather few, but the few that exist are intended to direct purchase of certain lines of production. For instance, exports of raw materials may be subject to control in order to oblige purchasers to buy semi-finished products. In several of Canadian provinces this method is employed as a means of stimulating exports of wood pulp and paper.

(iii) *Food products :*

Impediments to exports of food products vary considerably, depending on whether temperate zone products or products competing with them, or tropical products are involved. In the case of the latter, non-tariff barriers are generally confined to levy of domestic taxes on the consumption of those products.

(a) *Difficulties in exporting to the developed countries* <sup>2</sup> :

33. Trade in general is much more liberal nowadays than it has ever been. Maintenance of restrictions is often claimed to be indispensable in the face of exceptional competitive pressure from certain foreign suppliers. Hence, a strategy for export expansion will always be hampered by the fact that governments keep in reserve the legislative or regulatory powers of restricting or prohibiting imports. Presumably it is on the basis of such powers that many of the developed and socialist countries restrict the entry of certain products.

34. A closer examination of certain trade practices in developed countries may provide a better picture of the magnitude of problems faced by developing countries trying to penetrate those markets. Thus, we shall examine the operation of tariffs, tariff classification, quantitative restrictions, internal regulations and taxes, agricultural protection

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(2) The International Trade Centre UNCTAD/GATT has been undertaking detailed market research on a number of commodities including handcrafts.



policies, exchange and credit controls, export market requirements, preferential freight rates, export subsidies and dumping including application of countervailing duties and in particular their effect on exports of developing African countries etc.

35. Exports of traditional raw materials are increasingly encountering special difficulties in external markets. It is becoming increasingly difficult to establish new markets and let alone maintain old ones for a number of tropical traditional exports : rapid advances in technology in a number of the traditional markets are tending to apply protective measures to safeguard local industries ; continued imposition of import and excise duties, quotas and subsidies towards uneconomic production of competing products ; certain existing and new institutional arrangements are rather inward looking and at worst discriminate against certain African countries or certain African commodities etc.

36. Problems and prospects connected with African exports whether destined for the developed market economies or for the developing countries of other regions could be identified by form of competition poised against them. The first group consists of those commodities which are mostly produced and exported by developing countries alone e.g., cocoa, tin, tea, etc. The impact of competition in the export markets which hampers prospects for African producers come basically from other developing countries of the world. The second group comprises of export products which are increasingly faced by the threat of substitutes. Some of which are also produced by the majority of developed countries e.g., sugar, vegetable oils, etc. The third group of particular interest to African exporters is made up of commodities which are produced in substantial quantities both by the developed and developing countries e.g., lead, iron ore, zinc, etc.

37. A pressing problem now confronting most of Africa with regard to expansion of exports into developed countries is the diminishing demand for agricultural primary commodities. The demand for

these products in those markets has reached a near saturation point, which implies that further African exports can only be achieved through substantial population increases in those countries. However, given the generally very low rate of population growth in the developed countries the demand for primary commodities is likely to be inelastic <sup>3</sup>.

38. At this point in time, it may be as well to turn and look at the operation of some of these tariff and non-tariff barriers. Quantitative restrictions on some categories of imports are maintained by every country developing and developed. Despite the fact that under Article XI of Rules of GATT membership maintenance of quantitative restrictions is supposed to be forbidden. Exception to the rule only covers agricultural and fisheries products utilised primarily to protect producers of temperate zone foodstuffs in developed countries. Protagonists argue that developing countries are not hurt by such a measure simply because they are not producers of temperate foodstuffs. Application of this escape clause by a number of the developed market economies presents considerable problems in the commercial field as well as to the current and projected production activities of developing African countries, by virtue of the fact that those markets constitute the traditional outlet for their exports.

39. It may be a little difficult to establish the extent to which export of temperate foodstuffs pose a direct challenge to exports of tropical foodstuffs. Even then, it does not completely eliminate the argument to which restrictions imposed based on such considerations are known to inflict some degree of indirect adverse effects on exports of developing countries in general and particularly in developing Africa where exports of foodstuffs still rank much higher in their overall trade. The Secretary-General of UNCTAD <sup>4</sup> analysed this very issue

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(3) Cf. United Nations, *Report of the Fourth Inter-Regional Seminar on Development Planning* (ST/STO/SER.C/116) pp. 24-26.

(4) UN Document E/CONF. 46/3 (1964) *Towards a New Trade Policy for Development*.



way back in 1964. There is little evidence to support any other belief to the contrary of the situation to have undergone any significant change for the better in recent years. By manipulating the tariff classification it has been used to extend such restrictive practices to other unrelated fields.

40. The second exception to the GATT prohibition permits the use of quantitative restrictions for balance of payments purposes. This exception was originally designed to cover the post-war monetary arrangements in Europe. With the return to external convertibility in Western Europe, the purpose seems to have been largely accomplished. This provision has been interpreted liberally in many quarters to protect infant industries (Subsection 10) from competing imports. Thus, despite GATT's condemnation of quantitative restrictions, existing exceptions are sufficiently broad as to permit their continued use on a significant scale to the detriment of the inexperienced developing countries who are not able in many cases to meet international standard requirements. Experience has also shown that the most important quantitative restrictions are, however, totally outside the GATT and in open violation of the Agreement.

41. Exports of cotton textiles from developing countries constitute a major share of total exports of manufactures from some of the countries of the region. Restrictions imposed on African cotton textiles<sup>5</sup> are already causing serious dislocations to African countries and to their efforts to diversify their respective export trade. To fully appreciate the impact of global quotas and other restrictions on the economy of developing African countries it is necessary to assess the effect of the operation of *nominal* and *effective* duties. For example, imports of chocolates (BTN 18.06) into Japan fall under Tariff 35 have a nominal duty of 35.0 but bear an effective duty of 68.6. Such examples could be repeated many times over for many other manu-

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(5) Document E/CN. 14/WP. 1/22, Table 5, pp. 30-31.

factures or semi-manufactures including processed and semi-processed African exports. These examples do in part reveal the plight of developing African countries attempting to export into the developed market economies.

42. A host of commodities of interest to African trade are still adversely affected by certain tariff barriers in many important markets: fish (EEC markets), shellfish (EEC and UK), bananas (EEC, Japan, UK), cashew nuts (UK), oranges (Japan, EEC), grape fruit (Japan), coffee (EEC, Japan), tea (Japan, EEC), maize (Japan, UK), rice (EEC, Japan), groundnuts (Japan, UK), palm nuts and kernels (UK), fixed vegetable oils (EEC, UK, US, Japan), tobacco (UK, EEC, Japan) are but selected examples of primary goods subject to at least 5 per cent *ad valorem* import duties in the areas indicated.

43. Developing countries in general attach great importance to the scheme of general preference, mainly because the present characteristic feature of their type of industrial activity restricts itself to the first stages of processing on the spot of agricultural raw materials. Industries engaged in this sort of simple processing are already on the increase on the African continent. New factories to process tomatoes, pineapples, citrus and other types of fruit and vegetables have been established in Senegal, Mali, Ghana, Ivory Coast, Sudan, Kenya, Ethiopia, Zambia, etc.<sup>6</sup> Increasingly, non-agricultural raw materials are also being processed in a number of African countries. These include pelletizing of iron ore in Liberia; fertilizers in Morocco; diamond cutting and polishing on a modest scale in Sierra Leone, Ghana and the Republic of Zaïre; now copper fabrication in Zambia; tyre and tube manufacturing in many countries of developing Africa, etc.

44. ECA studies<sup>7</sup> that have taken stock of some of these developments have come to the conclusion that a mere removal of some of these impediments to trade in manufactures and semi-manufactures

(6) *Agricultural Economics Bulletin for Africa*, ECA, No. 11, May 1969, p. 27.

(7) Document E/CN. 14/WP. 1/28 — *The Proposed Scheme of General Preferences and African countries*, July 1970, page 33, para. 64.



will not in itself give developing African exporters immediate direct benefits. Principally because developing Africa is an unfortunate position at her present stage of development and cannot be expected to gain from offers which do not include a substantial number of items which form her life-line.

45. Consideration of exchange control difficulties connected with African exports raises issues which are connected with the acute problem of export credit for most of these countries. Export credit is an effective incentive utilized by most developed countries in a drive to increase their exports. Suppliers' credit is granted to foreign buyers on a medium-term basis. Normally, such credit is not financed by the actual supplier, but through a credit institution (a commercial bank). The bank in turn may refinance the credit with a special export-credit financing institution or central bank. This is normal practice in many developed countries and makes it possible for exporters in those countries to offer credits at rates below market rates. The inability of exporters in developing African countries to offer such effective or competitive terms or provide similar facilities makes it doubly difficult for them to secure and expand export markets whether it be for their traditional or the non-traditional tropical products. The introduction of an export-credit financing and insurance system in African countries is partly handicapped by the lack of commercial banking facilities and experience.

46. A number of African exports continue to be subjected to discrimination in many external markets as a result of the application of a variety of internal taxes. Non associated African countries are discriminated against in the EEC market in favour of their associated African countries and viceversa in case of the British Commonwealth. Discrimination by internal restrictions is much less visible. Many countries consider their tax systems as an "internal affair" which should not be subject to international negotiations.

47. The fact that an importing country does not itself produce a particular product cannot be presumed as sufficient guarantee that it

will not impose a tax on the pretext of "substitutability" in one form or another. This point is of considerable significance to African countries which export such beverage crops as coffee etc. Coffee, is subject to high rates of internal taxation in some countries of Western Europe even where those countries themselves do not grow coffee. The argument advanced in regard to coffee is its "direct competitiveness" with or "substitutable for" soft drinks, beer and wine in the importing countries. Certain other countries, like the Federal Republic of Germany have enacted legislation which demands that all Germany tobacco manufacturers shall include a minimum of at least 10 per cent of locally grown tobacco.

48. The effect of preferential freight rates and legal requirement for markings of country of origin on export merchandise is but one of these problems faced by African exporters. Their immediate impact is on export prices. The extent of their adverse effect will vary from country to country and also by commodity. However, the operation of preferential freight rates at times deals very crippling blows to the economies of many landlocked countries. The Zambian economy suffers considerable strains as a result of this with regard to both exports and imports that have to go through Rhodesia to the Portuguese ports at the coast. Marking the export merchandise with country of origin is not truly a restrictive practice in the strictest sense of the word since it does not prohibit exports, except in as far as it reduces competition with local products. For instance, products entering the USA which are incorrectly labelled regarding their country of origin suffer as additional duty of 10 per cent. Perishable commodities are more likely to suffer from such a stipulation, particularly when the commodities have to endure long delays before being cleared at the port of entry etc.

49. Difficulties exist in trying to penetrate barriers created by closer trade links already forged among the developed market countries themselves. A review of the influence and effects of export subsidies



and dumping policies in the developed market economies further reveals some of these problems with regard to exports from Africa. Export subsidies could either be *compensatory* i.e. those designed to assist local producers because of disadvantage suffered locally or *pure* i.e. those that go beyond compensating (as above) and seek to confer positive advantages on local exporters relative to their foreign competitors. For many developing African countries, such a course of action would place a much greater burden on their revenue raising ability which is much beyond what they are currently capable of shouldering.

50. It is inadvisable for the developing African countries to indulge in export subsidization apart from its cost aspect. African countries should be made aware of the dangers of utilizing subsidization as a technique for promoting exports into the developed markets. Such a course of action would only benefit the rich importing (developed) countries at the expense of the poor (exporting) developing countries both in the short and medium run. Even if such a policy were pursued for certain specific commodities it is quite possible that the importing developed countries would take certain appropriate measures to safeguard their own interest. For instance they could easily impose *countervailing duties* on subsidised exports. *Countervailing duties* are internal regulations and cannot be proved to be incompatible with the GATT principle of "most-favoured-nation-treatment", since they do not discriminate against any particular country or commodity etc.

(b) *Difficulties in exporting to socialist countries :*

51. Socialist and/or the Eastern Trading Areas conduct their trade on a somehow different pattern to that found in the rest of the world. Their governments intervene in international trade through commercial policy measures. The State is not only a purchaser and producer but also a major distributor. There can be no doubt that international commitments, which apply chiefly to operations in the private sector, lose much of their value when the enterprises, one is dealing with, are managed or controlled by public authorities.

52. One of the obstacles that face African exporters in these markets arises from the lack of appreciation of the new situation in which they have to operate. A probable solution is to try to devise ways and means of coming to grips with the new or strange pattern of trade with they are confronted. Thus, it is necessary to take the initiative in identifying trade possibilities which must be exploited to the full, particularly when these countries are trying to win friends.

53. Obstacles to export expansion by developing African countries into the markets of the socialist camp are closely connected with problems of effecting payments. Socialist countries tend to favour to pay for their imports by way of their own exports. This form of payment or trade transaction tends to inhibit the exporters' (developing African countries) freedom of choice of certain developmental goods. In countries where State participation in trade is less sophisticated, as is the case with most of the countries of developing Africa, this could be a major stumbling block.

54. Resort to negotiations of *bilateral* Agreements by the developing countries with the planned-economy countries is primarily aimed at finding new markets for exports. But such agreements have not necessarily led to an increase in total exports. Exports from developing Africa into socialist countries in 1960 were \$ 375 million or about 6.17 per cent of total African exports which was a mere 2 per cent of the total world imports of the planned-economy countries. In 1965 exports to these countries had risen to some \$ 570 million or about 7.09 per cent of total African export but still remained a constant 2 per cent of their total from the world. In 1970 when they absorbed \$ 910 million or 7.07 per cent of developing African exports the percentage share had not changed much beyond the previous one. This poor showing over the decade was in spite of the fact that many developing African countries had negotiated bilateral trade agreements with many countries of the planned-economies. Furthermore, Socialist countries tend to chiefly purchase those products which find easy outlets on world markets in convertible currencies.



55. Language or the difficulty of communication could in certain instances be included among such obstacles. This obstacle is only apparent in the initial stages and as such cannot be presumed to be insurmountable. Presumably it can be assumed that Ghana's bilateral agreements with the USSR and other Eastern European countries may have contributed to creating a demand for cocoa in those countries.

(c) *Difficulties in exporting to other developing regions :*

56. Obstacles to African exports destined for other developing countries are in many instances similar to those enumerated with regard to the markets of both the developed market economies and the Eastern trading Blocks. However, some of the obstacles assume greater depths basically due to the narrowness of the export base. Many developing African countries have not yet attained a reasonable degree of diversification to afford them an opportunity to meet the challenge of competition. Competition in the export markets arising from within as well as outside Africa and particularly that poised by substitutes raises many difficulties. The lack of proper institutional machinery ; the lack of foresight and willingness to act rationally either at regional levels or with immediate neighbours are certain other obstacles that ought to be included. This apart is the existence of tariff and non-tariff barriers, some of which originate from prior commitments with certain non-developing countries etc.

57. Trade policy in most developing countries is dominated by quantitative restrictions on imports. Many of these countries are faced with the balance of payment difficulties which compels their governments to impose quantitative restrictions. These are relatively easy to implement and could become effective immediately. Hence, the tendency not to issue import licences where products could be obtained locally even where local products are more costly and inferior in quality than imported products. Balance of payment difficulties further lead to the prevailing exchange and currency controls. Controls instituted to achieve a most optimum utilization of foreign exchange earnings to help

with the pace of economic development. Allocation of foreign exchange remittances for imports are therefore determined on a priority basis for those goods and services considered to be of greater economic importance. A criteria which most African exports can not easily fulfill,

58. At times difficulties arise because of the desire to conserve foreign exchange by the importing developing country and are compelled to follow unpalatable ways. Certain would-be importers among the developing countries are compelled to resort to tactics of import restrictions by the would-be investors of funds. It often happens that domestic or foreign lenders of investment funds would only agree to invest in certain countries, on their own terms. They thus stipulate as a necessary condition for investment that the recipient country restrict imports of the competing foreign countries.

59. Table 4 shows that a major part of African trade with the other developing regions has been with South and East Asian countries. All main shipping lines between Europe and Asia which used the Suez Canal had to pass through or near the ports of northern and eastern Africa. African exports to Asia consisted in the main of primary commodities (cotton, food and metallic ores). Main African imports from that same source consisted of goods falling within the category of manufactures, especially the cheap consumer goods of textiles, footwear, household utensils etc.

60. Developing African countries appear determined to reduce to some measure their total dependence on trade with the developed market economies. Except, that their efforts in this direction are meeting with considerable difficulties. African export commodities are not widely diversified to cater for the existing import capacities in a number of the markets of the developing countries in the other regions. A number of African traditional tropical exports are not competitive enough in the new markets apart from being increasingly faced by the threat of substitutes. A majority of African exporters have not yet learnt to exploit the technique of salesmanship in order to seize export possibi-



lities and opportunities that exist in those markets. Certain regional groupings of developing countries outside Africa have enacted machinery which aim at promoting trade exchanges among member states and as such tend to discriminate against exports from outside the region.

61. Some of these difficulties are better approached on a commodity by commodity basis. First, those pertaining to traditional commodities. Secondly those with regard to "new" commodities, including primary commodities in the second stage of transformation and manufacture. A major problem which arises in expanding exports from developing Africa is closely connected with the fact that a number of developing African countries have not properly learnt the techniques of the "trade". Demand in the importing market must be properly evaluated in terms of commodity, both quantity and quality or standards. Lack of proper appreciation of these factors could deal a heavy blow to export prospects for any particular commodity for a very long time. For example, a country with a very large export potential for meat into another developing country with an importing capacity may be unable to exploit the opportunity if it failed to take appropriate steps to meet certain minimum import or export standards as stipulated by the importer.

62. A developing African country could be capable of selling into any market as well as withstand competition of established brand names in a number of commodities. Kenya and Egypt provide good examples. Kenyan exports of dairy products, meat, fruits and flowers are but few such examples of success. Marketing techniques for African exporters must go beyond finding markets (countries), since discovered contacts must be cultivated all along the line. This is particularly important where over-production leads to cut-throat competition. Rudiments of approach then became very important. Deals concluded with the private sector in a developing country or those with the state may need political blessings of the governments' concern in which case it may be advisable to conclude trade agreements containing concrete commitments by either party.

TABLE (4)

Direction of African exports within the developing region (million US \$ f.o.b.)

| Region of destination      | % Share |       |       |       |        |        |      |      |      |      |      |      |
|----------------------------|---------|-------|-------|-------|--------|--------|------|------|------|------|------|------|
|                            | 1960    | 1964  | 1967  | 1968  | 1969   | 1970   | 1960 | 1964 | 1967 | 1968 | 1969 | 1970 |
| World                      | 5,390   | 7,280 | 8,410 | 9,790 | 11,320 | 12,700 | 100  | 100  | 100  | 100  | 100  | 100  |
| Total developing regions : | 317     | 339   | 360   | 410   | 430    | 460    | 5.15 | 4.22 | 4.07 | 4.06 | 3.3  | 3.26 |
| ( i ) Latin America        | 37      | 44    | 40    | 50    | 70     | 80     | 0.12 | 0.14 | 0.13 | 0.16 | 0.23 | 0.26 |
| (ii ) South and East Asia  | 185     | 200   | 185   | 220   | 220    | 240    | 3.07 | 2.18 | 2.05 | 2.08 | 1.35 | 1.34 |
| (iii) Middle East and Asia | 95      | 115   | 135   | 140   | 140    | 140    | 1.13 | 1.14 | 1.16 | 1.14 | 1.08 | 1.04 |

Source : GATT, International Trade 1970 ; ECA, Foreign Trade Statistics for Africa (Series A-No. 14).



63. In cases where a developing country has established a market for a traditional tropical crop with another developing country it is quite possible that the prospects for expansion could be disrupted by outside forces. India was an important export market for cotton from Uganda. Possibilities are such that Uganda cotton exports to India would have been expanded (by how much and at what rate is not easy to determine) were it not for the intervention of similar export from the USA in the market at the time. The action of the USA to supply cotton to India under PL 480 on terms which Uganda could not match has not only affected Uganda's plans but also reduced her exports into that particular market. What this illustration makes clear is the fact that developing countries wishing to import African exports are confronted with problems somehow different to those of the developed countries. It also shows the readiness with which they can change their pattern of trade if it is in their short and long term economic interest.

(d) *Difficulties of exporting to and importing from other developing African countries :*

64. Difficulties faced by exports of most developing African countries in the markets of other African countries are due to numerous factors. Most of which have been enumerated as regards the other markets. Dealing with the African markets is somehow necessary to stress at least two more. One of these relates to the very nature of the type of the exportable commodities. Another of equal importance, relates to the structures found in the importing African markets which are quite heterogeneous.

65. Exporting and importing among African countries could possibly be treated at about three levels. The first level concerns trade flows confined to re-export of imported commodities (mainly manufactures and raw materials from overseas) by coastal countries to countries in the hinterland which do not possess coastal facilities. This is, basically transit trade. A second level of trade and which could hold prospects for the future, concerns exchanges in domestically

produced commodities. This involves produced raw materials of fuels, timber, foodstuffs, semi-finished and processed goods including manufactures from locally based industries. A third level deals with trade exchanges in traditional overland items. Principal items include live animals and unprocessed foodstuffs. The last form is based mostly on climatic and ecological complementarity.

66. The original political stratification in developing Africa failed to make any provision for the development of trade links between African states. Exceptions to this were some sort of loose economic ties based on lingua-franca, predominantly among the French-speaking countries of Africa. These forms of ties were rather weak among the English-speaking countries and those that existed were highly localized.

67. Obstacles of major significance to expansion of continentally oriented exports is the poor state of the transport infrastructure in Africa. The continent possesses a very poor communication network. A communication network which is not conducive to facilitating trade exchanges. Originally, railways and roads were primarily built to establish military and administrative control. Later, they were used to connect primary raw material producing areas with external ports.

68. To this day, many points within many developing African countries are still unconnected whether by land or by sea. This lack of connecting links is more glaring in case of certain neighbouring countries. For instance, Zimi in Sierra Leone is not linked to Mano a railway point in Liberia nor is Harper in Liberia linked to Tabou in Ivory Coast. Other examples include places which are only linked by dry season roads such is the case for Grand Bassam in Ivory Coast and Esiamia in Ghana. The case of the West African sub-region is fairly representative of the problem on the continent.

69. Major improvements are envisaged with regard to the communication network. Such an improvement could shorten delivery delays as well as reduce a number of unnecessary costs along the line which have tended to make African suppliers uncompetitive. Thus the



construction of trans-African Highways like the one projected from Mombasa (Kenya) to Lagos (Nigeria), railways like the Zambia-Tanzania Railway and coastal shipping could greatly help with expansion of trade exchanges among African countries.

70. There are also difficulties in assessing demand if export production is to be geared at meeting a particular existing import capacity. Assessment of existing import capacity based on past performance as reflected through export and import trends may be of limited use for a number of developing African countries, particularly in cases where there exists considerable discrepancies in statistical data. It must also be appreciated that demand is more often than not determined by numerous factors, some of which would be difficult to quantify at any given time. Price of a commodity on offer is but one such important consideration which may influence demand. Marketing cost to the final consumer is an aggregate sum of the ex-works or ex-factory cost plus custom taxes, licence fees, return on capital, wholesale and retail mark ups etc. This is an area where African producers seem to be very much inadequately equipped.

71. Another obstacle faced by African exports in the various African markets is prejudice. Price and quality of an African export commodity may be comparable as well as competitive, but as a measuring yardstick, they have been found to be wanting by results. Consumers in certain African markets are unwilling to change from established brands which in most cases are non-African. Instances are also quite prevalent of certain African consuming markets which equate products from the former metropolitan areas as a mark of guarantee for quality and excellency.

72. A factor which deserves close attention is the over-reliance on the services of certain established International Procurement Agents in effecting the import needs of a majority of African countries. These Agents have a tendency to shop outside developing Africa for the import needs of developing African countries.

73. This apart, it should be realised that many developing African countries are faced by serious payment difficulties in their respective economies. Inability to effect payment in convertible currencies raises many difficulties in the way of intended trade exchanges between any group of developing African countries. Efforts at trying to establish some form of payments arrangements in a continent with such a multiplicity of currencies has not been easy. The effort is still continuing.

74. Additional obstacles include the internal tax system of many of the developing African countries. Most of their systems work against some of the efforts which otherwise could facilitate intended trade exchanges. Imposition of taxes on components (most of which are imported) of an export commodity renders the final commodity more expensive as well as less competitive. Particularly, when it is realised that production costs in many developing African countries are relatively high in comparison to those of other producing areas of the world.

75. The lack of well ordered institutional trade arrangements, is but yet another of these obstacles in the way of expanding trade exchanges between and among developing African countries. Hence, the extent to which tariff reductions, better payment arrangements etc. could contribute to trade exchanges - both in the short and long run will considerably be influenced (in my view) by the type of institutional trade arrangements established to take care of trade among developing African countries. It will therefore be necessary for these countries to make every effort to begin to understand the rudiments of marketing their products against an African setting. It is also advocated that commercial policy tools must be tailored towards obtaining practical results.