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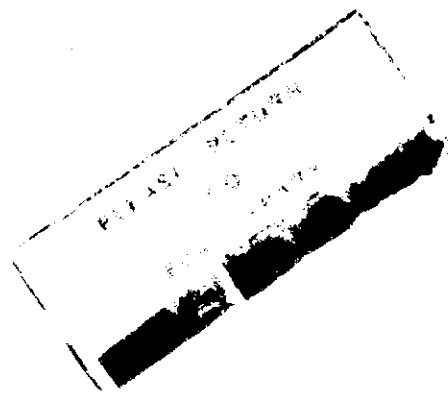
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**Meeting of the Intergovernmental Group
of Experts on Prospects for South-
South Trade Promotion in Processed
and Semi-processed Products**

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**PROSPECTS FOR TRADE PROMOTION IN SEMI-PROCESSED
PRODUCTS BETWEEN AFRICA AND OTHER DEVELOPING COUNTRIES**

INTRODUCTION

1. Attempts have been made from time to time, to enhance interregional co-operation and trade among developing countries in the context of South-South Co-operation. Such attempts emanated from the growing interest of the countries themselves and particularly their desire to find alternative ways of solving economic problems inherited from their common past. Developing countries have long recognized the development potential that exists if they reinforce and strengthen their economies through improved trade relations.

2. The concept of South-South co-operation in general and trade in particular, was given greater emphasis by the Group of 77 in February 1979 during their Fourth Ministerial Meeting in Arusha, Republic of Tanzania. Also the adoption by the United Nations of resolution 127 (v) acknowledged the indispensability of expanding and reinforcing existing trade links among developing countries, the need to create new links where none existed. In broader prospective, South-South Co-operation and trade were reiterated in the 1976 Mexico City Programme of Action and Economic Co-operation among Developing Countries, the 1979 Arusha Programme for Collective Self-Reliance and the 1981 Caracas Programme of Action. These historic documents placed great stress on trade expansion among developing countries as an essential element to self-reliant economic-development of Third World countries. In point of fact it can be reiterated that the Caracas Programme of Action in 1981 was the climax of the awareness of mutual benefits of South-South trade.

3. Within this context, African governments have on several occasions called upon the *United Nations Economic Commission for Africa (UNECA)* to render its expertise towards the realization of the above objectives and in enhancing trade among developing countries. This study therefore is part of the above process.¹ It assesses the prospects of trade promotion between Africa on the one hand, and other developing countries on the other hand in semi-processed and semi-manufactured products. It advocates strong South-South co-operation as a means of halting Africa's declining economies that arises mainly out of their overdependence on exports of primary commodities.

4. For the purpose of this study, the term manufactures is used to cover both manufactures and semi-manufactured goods that are not primary or raw in nature. This arises from the

¹It responds to ECA resolutions 302(XIII) and resolution 355(XIII) on Economic Co-operation between Africa and other developing countries; ECA resolution 302(XIII) stresses among others, that the conference on Economic Co-operation among Developing countries held in Mexico City in September 1976, identified in great detail and in operational terms possible area of co-operation among developing countries. Similarly, the preamble of ECA resolution 355(XIV) recognized the importance of economic and technical co-operation among developing countries as an instrument for collective self-reliance and for the attainment of the New International Economic Order.

fact that trade statistics often include some semiprocessed raw materials as manufactures.² What are finished or semi-processed raw materials depend to a large extent on the use to which they are put.

II. SITUATION OF SOUTH-SOUTH TRADE IN MANUFACTURED GOODS

5. Recent development in Africa's international relations highlight difficulties faced by developing African countries in their attempt to expand and diversify trade not only with their traditional partners but more so with other developing regions. The predominance of developed market economies in Africa's trade relations, based on exporting primary products and importing manufactures generally undermined Africa's potential to exploit new product possibilities and markets for diverting their trade especially new markets of other developing countries and regions.

6. According to GATT World trade and Global economy as a whole in 1989 continued to expand at a rate higher than the average for 1980.³ World trade was not only stimulated by the growth in the world output, but was also a driving force behind prolonged expansion. The impetus to trade came from manufactures, in which South-East Asia took the lead with its exports of manufactures accounting for 13 per cent of developing countries total exports. Their growth rate of production and trade in real terms were 3 and 7 per cent respectively. International trade in labour intensive value-added products at the close of the decade had also assumed a role of an agent of development and vehicle of co-operation.

7. Gains in exports of manufactures were quite considerable for number of developing countries in Asia and Latin America during this period as a result of the above. On the contrary, African countries lacked the capacity to take up the challenge and therefore failed to take advantage of the trends. It is not so much the commodity dependence that affected Africa's actual and potential exports of semi-processed and semi-manufactured products but the main root cause was in the structural weakness of the African economies. Technological changes and structural transformation that have steadily reshaped the world trade seem to have bypassed Africa resulting in further marginalization of the region. Such technological backwardness has perpetuated Africa's dependence on traditional market and the export of traditional commodities a type of dependence that is not only responsible for poor performance but also stunts growth as well as renders Africa incapable to respond to beneficial opportunities offered from participation in international trade. The state of play in both the Asian and Latin American regions which currently enjoy relative high rates of growth in trade in semi-processed, semi and manufactured products is the very opposite to what is found in Africa. In these other regions, trade in manufactures has been capable of laying the basis for growth and development.

²See Trade and Development report, UNCTAD 1989, p.130.

³See Developments in the Trading Systems, GATT C/W/590, 2 June 1989, p.3

8. Against this scenario, three groups of developing countries have emerged that are distinguishable in terms of their levels of industrial development. The first group consists of the few rapidly industrializing countries, among which include Hong Kong, Brazil, Mexico, India, Singapore and Republic of Korea. The second group is in the middle or the intermediate group of countries. These are the ones that have managed to break into a few markets by exporting a considerably increased amounts of processed primary commodities. The third group which has the largest number of developing countries is that which is still dependent on exports of primary commodities of agriculture and minerals.

9. The annual growth rates of GDP of newly industrialized countries during this period ranged between 7 and 12 per cent. The gap between the first and the third group where African countries are concentrated has grown perceptibly larger and getting much wider than is even between that of the Third World countries on the one hand and the developed countries on the other hand. For instance by 1978, the first group accounted for over three-quarters of all manufactured exports of the developing countries as a whole.

10. Empirical evidence shows that those African countries that registered increased per capita growth rate during the 1980s were able to do so because their main source of foreign exchange earnings was derived from exporting non-traditional items. The uncertain outlook for commodity prices in the 1990s, and the increasing divergence in price behavior offer negative signals to Africa.

11. The importance which African countries attach to South-South trade in general and to trade in semi-processed and semi-manufactured products in particular, derives from realization of the indispensable need for a more broadly based economic growth and development. This is more important in Africa today when concerted international efforts and actions have become cornerstones of development and the need to revitalize its development process. South-South trade in semi-processed and semi-manufactured products has its own rationale. It transcends considerations of protectionism and/or prospects for slow economic growth in developed countries. Unlike primary commodities, exports of these do not only depend on price competitiveness. They depend to a very large extend on the export marketing capability of the industries to respond quickly to demand and all its ramifications. This is one lesson that developing countries of South-East Asia and some Latin American have so far demonstrated their potential. These countries also, have the capacity to assimilate the latest technological know-how and to copy the latest product design and target their products to potential markets. This important element could benefit Africa through South-South trade since it is likely to impart a new momentum in relations where joint ventures are considered feasible. The assumption being that in the long-run, it could impart dynamism to Africa's industrial development. It is also likely to improve the utilization of installed capacities in Africa through improved complementarities in production to meet created demand for semi-processed and semi-manufactures.

12. Africa's trade within South-South parameters in manufactures in particular, raises some concern because even at a regional level, it has not made much headway. For instance in 1970 intra-Africa trade accounted for only about 5.6 per cent of Africa's trade

and dropped to 3.0 per cent by 1980, to about 4.0 per cent in 1985. A sectoral analysis of the above indicates that trade in manufactures was even much lower than the above average. The underlying causes of such low shares of intra-African trade in manufactures particularly those in SITC O to 4 and 6 to 8 classification is a manifestation of low capacity utilization of industries in most African countries. Therefore, prospects for South-South trade would most probably be promising if based on regional and intergovernmental economic integration groupings. This is because their trade promotion activities are not only guided by rules of origin and tariff preference inclined to operate against third party, but also because such collective dimension would also avoid pitfalls caused by irregular supplies. Moreover, what appears to be a successful export venture for an individual country at initial stages, may come to an abrupt halt either due to shortages of raw materials, lack of financial support or poor marketing techniques.

13. Prospects for trade promotion in semi-processed and semi-manufactured products between Africa and other developing countries should be based on sound interregional trade structures. Interregional trade in terms of country involvement by Africa and other developing states both in volume and frequency of transactions is rather limited. Starting with trade in semi-manufactures the analysis is constrained by the lack of up to date information on both manufactured and semi-manufactured products. Individual country level data on trade with other developing countries is very scanty. Available data of any significance apart from category SITC 6 to 8, are mainly on petroleum products and to a lesser extent minerals. The very low degree of diversification as regards country involvement and products traded has resulted in both quantitative and qualitative disequilibria in South-South trade. Interregional trade had emerged as a dynamic element of world trade in 1970s. It was boosted by high growth rates among the oil exporting African countries coupled by successful policies of export growth and diversification pursued in a number of newly industrializing countries. However, it ceased to grow in the 1980s due to the adverse impact of world economic recession and the fall in oil prices.

14. Overall values and growth rates of trade among developing countries during the period 1981-1986 registered declining trends. The share of South-South trade in the total world trade declined from 8.0 per cent to 6.0 per cent during that period. Its annual rate of decline was of about 3 per cent between 1981 and 1985. However, the above decline was relatively better than the 5.0 per cent annual decline experienced in North-South trade during the same period. Such remarkable resilience was also shown during the period 1981-1983 when South-South trade declined by only 10 per cent in contrast to 20 per cent experienced in North-South trade.

15. The relative importance of South-South trade in terms of regional performance is the subject of data in annexed Table 1. The data suggests that the Western Asian region experienced vigorous export growth from 20.2 per cent in 1970 to 24.7 per cent in 1980 and to 44 per cent in 1986. The performance of countries in the South and South East Asia indicates that their exports to other developing countries rose from 28.5 per cent in 1970; to 32 per cent in 1980 but declined to 27 per cent in 1986. Exports of Latin America to other developing regions increased from 19.8 per cent in 1970 to 26 per cent in 1980 and

declined to 23 per cent in 1986. Africa's exports to other developing countries can best be described as rather of a lower level, about 11 per cent in 1970, 12.5 per cent in 1980, and to about 17 per cent in 1986.

16. Against this background, an analysis of market shares of certain commodity group in annexed tables 2, 3, 4 give some clear indication of the structures of South-South trade. Petroleum products make up the strong sector in South-South trade. More than 50 per cent of Africa's trade with other developing countries of Asia and Latin America is dominated by petroleum products. Data in the tables also show that Africa imported more from other developing countries than it exported to them. Africa's imports are mainly food products SITC (0-1), machinery and transport equipment SITC (7), and other manufactured goods SITC (6 to 8). On the other hand, Africa's exports consist mainly of crude materials, petroleum, fertilizers, beverages and tobacco.

17. At sectoral level, Africa's manufactured exports defined and classified in broader terms on the average account for about 49 per cent of "other manufactured goods" category which include food, drinks, manufactured tobacco, petroleum derived products and animal or vegetable oil. Intermediate goods account for 40 per cent of the total transactions. The share of consumer non-durable is about 6 per cent while capital and consumer durable goods account for only 5 per cent.⁴ In value terms, Africa exported manufactures to the tune of about \$US5.2 billion in 1981 as against \$US2.5 billion in 1970. Over the whole period, the various groups of products (chemicals, transport machines and equipment, fabrics, non-ferrous metals and other manufactures) grew by between 3.8 per cent (non-ferrous metals) and 22.6 per cent chemicals. Exports of ferrous metals declined considerably during the 1980s relative to total exports to 33 per cent in 1981 compared to 67 per cent in 1970. Chemicals accounted for 16.1 per cent and 19.6 per cent of regional exports in 1980 and 1981 respectively as against only 5.2 per cent in 1970. The share of transport, machines and equipment varied between 24 per cent and 6 per cent while that of textile yarn and fabrics fluctuated between 1.1 per cent in 1980, 4.8 per cent in 1985 and 5.2 per cent in 1986.⁵

18. The general feature that emerges from the above brief analysis of the trade structures shows that even at the South-South levels, Africa tends to remain a supplier of simple processed goods not far removed from the primary sector. The international division of Labour resulting from South-South trade structure seem to follow the patterns of North-South trade.

⁴For further information see Local Processing of Raw materials for exports, E/ECA/PSD.4.53, February 1986, P.7.

⁵Ibid.

III. FACTORS THAT HINDER AFRICA'S TRADE IN SEMI-PROCESSED PRODUCTS

19. A number of factors easily come to the fore front in surveying the issue of prospects for Africa's trade with other developing countries. In particular, expansion of trade in semi-processed product within the South in general faces a number of impediments. The preceding review of trade in semi-processed products reveals a set of other factors that are likely to impede or hinder its expansion.

20. Structural supply-side rigidities affecting manufactures production and export seem to be at the root of the problem. Africa's exports of manufactures stagnated around 6 per cent of total exports for a long period in the 1970s and declined drastically in the 1980s basically because the production structure has hitherto been geared to supplying primary products to the industrialized countries. In order to sustain such production patterns certain industrialized countries, especially the former metropolitan countries, ensured that in the aftermath of colonial emancipation such delinking would take a long time. Perhaps this is the sort of backdrop in which such formal arrangements as the one that exists between the European Economic Community (EEC) on the one hand and, the African Caribbean and Pacific States (ACP) on the other should also be viewed.

21. Africa has been discouraged from processing its raw materials before exporting as a result of trade protectionist policies imposing unattainable requirements through the mechanism of rules of origin. The end result of a combination of these elements is a creation of a lack of market access for Africa's manufactured and processed products. In this respect, the absence of long-range plans for the development of processing plants capable of producing exportable surplus is perhaps a factor that has jeopardized Africa's prospects to participate equally in trade with other developing regions.

22. Unavailability of sufficient exportable surplus is a problem which in a majority of cases is rooted in the above historic ties. Because the trade structure of most African countries is predominantly traditional, any attempt to develop non-traditional patterns of trade becomes a very difficult problem of restructuring. The poor performance of African countries' exports in semi-processed products as revealed in tables 2, 3 and 4 is attributable to a number of economic and political factors. Among the economic factor, perhaps poor planning or the lack of deliberate efforts to create export capacities is principal among these economic factors. Experimentation with import substitution -led industrialization also showed that it was never geared towards surplus generation for possible export purposes. Thus, very little attention was given to marketing when those industries had been able to fully satisfy the intended domestic markets. To attain the goals of exporting semi-processed products, Africa will need deliberate diversification strategies.

23. Another equally important factor likely to hinder Africa's participation in South-South trade in manufactured products can be found in trade agreements employed to exclude emerging competitive suppliers in trading systems. The entrenchment of traditional trading relations is encountered by each region. For instance, the Latin American countries

have been a strong export outlet for North American countries with close ties both in monetary, transport and communication networks and preferential treatment extended to each trading partners. Similarly, Asian and the Pacific countries have also developed rather strong ties with the United States, Europe and Japan which a majority of African exports of manufactured products will find very difficult to penetrate. In the course of time each of the developing regions has established close collaboration with transnational corporations that have entrenched direct trade links with built-in mechanisms aimed at preventing the possible market access from other export sources especially those from Africa.

24. The escalating structures in tariffs and widespread use of formal and informal voluntary and quantitative restrictions against manufactured imports which the new industrializing countries (NICs) emulate from industrialized countries have negative effects on prospective exporters of semi-processed products in Africa. This results in the difficulty on the part of African exporters to seek other outlets or to diversify away from commodity trade.

25. If the upsurge in protectionist policies in the market economy countries are maintained and strengthened as the case is now, the growth in world trade is bound to decelerate. The prospects therefore for continued increase of market shares of newly industrializing countries will be curtailed. In this situation, perhaps it will be imperative that more advanced developing countries by a judicious choice of adjustment assistance measures should facilitate a restructuring of African industries that are likely to benefit their own productivity growth as well as exports of their own. A diversification of Africa's manufactured exports along these lines would benefit both developing Africa and other developing countries.

26. One disturbing feature of South-South trade is that tariff and non-tariff restrictions in the developing regions are applied strictly against products of other developing regions in preference to imports from traditional sources. The levels of protection enjoyed by imports from traditional sources tend to make their products more competitive in those markets. When such tariff restrictions are taken together with high transport costs, products from other developing countries inevitably become less attractive. It is important here to add that in some markets, in particular those in the Asian region where Africa has prospects for exports of such items as food products including meat, meat products fish and other processed foods, the main obstacle is the use of non-transparent quality standards restrictions.

27. An equally important policy issue which is likely to inhibit on Africa's participation in trade in processed products is the general poor resource inflow. There is a general correlation between Africa's export structure and export performance in particular in processed products. The failure by the region's exports to earn sufficient resources needed to be invested in order to generate additional production capacity has resulted in high dependence on foreign inflows for investment purposes. Thus, the combined effects of declining export earnings, contracting external capital inflows and increasing fund

repatriation to meet debt servicing, seriously curtailed Africa's prospects to take advantage of trade opportunities offered by South-South cooperation.

28. Perhaps another relatively serious impediment likely to confront Africa's participation in trade with other developing countries in manufactured products can be traced to payments and unavailability of credit arrangements for such transactions. Trade based on major world currencies and/or use of such currencies as medium of exchange is affected by price fluctuations and can have an adverse impact on trade among developing countries.

29. Another important factor whose implication is likely to weight heavily on Africa's trade prospects in manufactures is the current changing pattern in economic and political relations. The world is witnessing significant structural changes. A consolidated Europe after 1992, the US-Canada Free Trade Area, the Australia-New Zealand Free Trading Area and an OECD for Asia are likely to dominate trading scene of the 1990s. Of those developments the new dynamism emerging between Western and Eastern European countries is perhaps the most different to predict. The progress of economic reforms in Eastern Europe will most probably lead to their integration in the western economy. These are bound to cause major implications on trade patterns and policies in the 1990s. It is too early yet to be precise. Nonetheless, the most significant of these patterns is tendency towards the formation of solid trade blocks in the 1990s and beyond. It is also possible that they could prefer other developing regions rather than Africa if integration in the western system turns out to be difficult. Africa's international trading outlook will need to take these developments into consideration.

30. There is little doubt that the most dynamic markets for manufactured products of the African countries are other developing countries of South East Asia, Western Asia and Latin America. Potentially these markets are very promising because not only is the population growth faster than in the developed countries, but also growth rates in incomes are significant, with favourable conditions for economic growth and income distribution. It would appear useful as part of export promotion activities for government of developing African countries to review carefully which semi-processed and processed products and manufactures/semi-manufactures they can profitably export to or import from other developing countries.

31. Some of the benefits Africa would get from diversifying its trade to include more semi-processed and processed manufactures it can export to other developing countries is that its growth effect is likely to permeate all sectors of the national economies of the countries concerned. In this respect therefore, the underlying objectives of South-South trade in semi-processed products should be the expansion of production patterns with a view to optimizing the contribution of trade to socio-economic developments of the African region. In the nutshell, trade in intermediate products as envisaged would forge development through greater trade exchanges between Africa and other developing countries. It could also increase self-reliance among developing countries which is the objective of the Arusha, Mexico and Caracas Declarations.

IV. PROSPECTS FOR PROMOTING SOUTH-SOUTH TRADE IN MANUFACTURED PRODUCTS

32. In the foregone analysis a review of Africa's existing trade structures has been made with a view to identifying possible prospects for trade promotion with other developing countries focusing on manufactures and processed products. What potential opportunities exist and could be created is the focus of this Chapter. Future prospects of Africa's trade with other developing regions in manufactures must be viewed in the context of overall trade performance of products within SITC 5 to 8 together with other processed items in SITC 0 to 8. Added to the above is the contribution expected from Africa's current and envisaged industrial processing and manufacturing.

33. Africa's production structure shows that industrial goods constitute a relatively small ration of its export base. Africa's share of world's manufactured exports accounted for only about 0.2 per cent with more than 50 per cent of manufacture value-added (MVA) generated by a handful of countries in North Africa subregion and one or two in West Africa. The North African subregion in 1985 accounted for about 49 per cent, in 1986 for about 52 per cent, in 1987 for about 54 per cent. Countries of West Africa accounted for about 27 per cent, 22 per cent and 20 per cent in the respective years.⁶

34. On closer examination it is clear that an individual country exports show most African countries' export structure to be based on slow growing products. This notwithstanding, African countries have a very substantial comparative advantage in a number of labour-intensive manufactures. For instance with regard to clothing there are better prospects to increase market share substantially. In a number of resource-based products such as processed cocoa, coffee, non-coniferous lumber, leather and jewellery, developing Africa holds a high market share and has the potential to succeed in raising its world's share.

35. Steady trade expansion and economic co-operation between developing countries that have been witnessed during the last two decades are not yet commensurate with the economic potential of the countries concerned. For developing Africa with abundant natural resources, present economic difficulties resulting from recurring trade deficit, debt burden and falling export earnings, makes it imperative to tap further these potentials in order to gain new market outlets as well as alternative sources of supplies. However this will not be possible as long as Africa's manufacturing output remains very small both in absolute terms and in relation to GDP. The attached tables 2, 3, 4 reveal a trade pattern that is less dynamic in terms of products traded by Africa with other developing countries. The observed stagnation and or decline in respect of products (SITC 1, 3, 8, 7) is indicative of some of the these difficulties. There are relatively few dynamic products in SITC 5 (chemicals) SITC 2 (including 26 textiles) and SITC 2 (semi-processed product groups) in

⁶Survey of Economic and Social Conditions in Africa, 1986-1987, E/ECA/CM.14/4/Rev.1 N.Y., 1988, p.57.

which African countries have big stake. A further analysis of SITC 2 reveals that manufactures in this category consists mainly of textile articles of apparel and clothing.

36. The share of manufacturing in the region's GDP is appreciably lower than the comparable average of all other developing countries. During the period between 1980 and 1986, GDP in Africa grew by only 0.5 per cent, the manufacturing sector recorded an average growth rate of only 3 per cent at 1980 prices. In 1986 it was even lower at 2.4 per cent. GDP and manufacturing value-added (MVA) grew in 1986 by 3.6 per cent and 6.7 per cent respectively in Latin America and the Caribbean. On the other hand, they grew by 5.9 per cent and 10 per cent respectively in Asia and the Pacific region.⁷ Prospects for export trade in manufactures between Africa and other developing regions is relatively brighter for countries in the North African subregional that have better production capacity.

37. The proportion of manufactured goods in national exports varies considerably even though very low and less than 1 per cent on the average in Algeria, Ethiopia, Nigeria and Niger. However, it was relatively higher during the period of 1976 to 1982 in Benin with about 10.6 per cent, about 20 per cent in Egypt and Cote d'Ivoire, 37 per cent in Zimbabwe and 53 per cent in Zaire.⁸ Thereafter in the 1980s, the trend turned downwards in Cote d'Ivoire to about 12 per cent from the peak of 27 per cent at the close of the 1970. That for Zimbabwe had fallen to 28.4 per cent from 37 per cent although it rose slightly to 39.9 per cent. A similar situation was observed particularly in Morocco (36.1 per cent to 16.8 per cent), Mauritius (29.4 per cent to 19.2 per cent), Tunisia (33.6 to 27 per cent) and Zaire (49 per cent and 56.1 per cent).

38. However, there are some encouraging signs revealed from a review of individual production patterns in some of these countries. The spectrum of individual country performance reveals the existence of great potential for the expansion of interregional trade between Africa and other developing regions of Latin America and Asia. And as stated earlier, especially for such countries like Egypt, Tunisia and Morocco in North Africa and in West Africa such as Nigeria and Cote d'Ivoire that are either actually or potentially significant participants in the kind of international trade this study is about involving processed and semi-processed products. Processing of groundnuts and fish in The Gambia accounted for 75 per cent of manufacturing value-added. In Eastern and Southern as well as the Central African subregions, actual export performance of these products has been relatively low. Perhaps this is because exports from these subregions or based on relatively slow growing products.

39. On the contrary, production of consumer good is relatively more promising with its share in total manufacturing value-added in 1985 accounting for 63 per cent in Zambia and 53 per cent in Zimbabwe. Food processing and textile industries in Zimbabwe accounted

⁷Survey of Economic and Social Conditions in Africa, 1986-1987, N.Y. 1988, p.57.

⁸Local Processing of raw materials for exports E/ECA/PSD.4/53, p.7.

for more than 25 per cent and 10 per cent respectively of industrial output in 1985 and 1986 respectively.

40. The highest levels of consumer goods production subregionally is found in Central Africa where it accounts for more than 67.9 per cent followed by the West Africa with about 65.2 per cent.⁹ The West and Central subregions also have a concentration of wood products based industries manufacturing furnitures as well as producing paper and paper products. Except that these are import substituting industries created to supply local needs and therefore efforts to generate exportable surpluses must be exerted buttressed by appropriate support.

41. Intermediate goods and equipment production is of very recent origin. The value-added in this subsector is concentrated in the manufacture of chemicals, coal based plastic products, non-metallic products except products of petroleum and basic metal industries, manufacture of fabricated metal products, machinery and equipment. But then there are very few developing African countries that are nurturing this nascent capital goods subsector industries. In majority of cases, these industries lack sectoral inter-linkages and complementarities in the processing chain. Probably with some an infusion of technical assistance and necessary resources, the subsector could prove a potential exporter of surplus products of semi and manufactures to other developing regions.

42. Industrial chemicals, iron and steel, and metal products have better prospects as capital and intermediate goods likely to find markets in other developing countries. Available data shows that the subsector contributes an average of about 6 per cent to manufacturing value added in North Africa but only about 2 per cent in Africa South of Sahara. Africa has great potential to export manufactured products of iron and steel and non-ferrous metal. In particular those manufactured from copper, lead, zinc, aluminum and other ferro-alloys. Algeria, Egypt, Tunisia and Zimbabwe account for about 83 per cent of Africa's output of crude steel. These countries together accounted for 0.26 per cent of world steel production in 1986 that increased from 0.23 per cent in 1980.¹⁰

43. Supply of semi-processed products made by iron and steel industries has been increasing in the North African subregion. Organic chemicals, mainly petrochemicals (fertilizers, pesticides plastics, synthetic fibres and rubber) are in great demand in other developing regions. Steady growth of fertilizer and chemical industries based on abundant natural resources ought to form a basis for expansion of South-South trade. Chemical products on their own accounted for about 13 per cent of Africa's export of manufactures in 1985. Somehow, Africa's existing fertilizer plants cannot meet export demands due to their low capacity utilization. Joint-venture are probably the most appropriate means that

⁹Survey of Economic and Social Conditions in Africa, 1985-1986, E/ECA/CM.13/Rev.1 N.Y., 1988, p.43.

¹⁰Ibid.

could enhance this sector of resource based manufacturing industries where large economies of scale is a prerequisite in trade expansion. In this respect North Africa could supply both the African markets and other developing regions with fertilizers.

44. Mining plays a significant role in Africa's trade. Africa exports significant quantities of mineral of strategic importance to nuclear and aerospace industry that include titanium, oil and platinum. Other significant minerals exported are uranium, chromite, nickel, iron ore, lead, zinc, phosphate and cadmium. Africa South of Sahara produces about 5 per cent of the world's mineral resources (copper, diamonds, gold, bauxite and uranium). For such other minerals like diamonds Africa accounts for more than 40 per cent of world production and Guinea is the world's second largest bauxite producer, while Sierra Leone is the second largest rutile producer. Zambia and Zaire together produce about 74 per cent of world's cobalt and 16 per cent of its copper.¹¹

45. The abundance and variety of mineral resources in Africa and the fact that many of them are not fully exploited could possibly charge more South-South cooperation to be enhanced. A recent study conducted by the World Bank sheds considerable light on Africa's export potential in mineral products. And as the report states, Africa's abundant mineral and natural sources of energy are currently under utilized and only awaits exploitation. Africa has great potential to export low cost energy to other regions apart from petroleum and natural gas.

46. An analysis of mineral resources reserves and production thereof shows Africa as a major source of many important minerals, particularly for high quality bauxite and iron-ore deposits of exceptionally high grade. Similarly, copper ore in Zambia and Zaire is of higher grade than that found in North America. Mining products are a major foreign exchange earner for a number of African countries. The exports of mineral products represents about 30 per cent of non-oil exports and about 14 per cent of total exports. For individual countries, these products account as in Botswana for up to 90 per cent of total exports 73 per cent in Zaire, 93 per cent in Zambia, 92 per cent in Guinea, 80 per cent in Niger, 58 per cent in Liberia.

47. With a large resources potential for possible trade creation within South-South trade context, the countries, should proceed to find ways and means of exploiting these resources to their mutual advantage. The large amounts of capital required to process these minerals for either regional or interregional trade also certainly pose a serious obstacle to expanding and promoting South-South trade in processed mineral products. From the African stand point, the Lagos Plan of Action, has endeavoured to put forward some of the strategies which ought to be followed up to realize some of these objectives, especially in the 1990s with a view to enhancing collective self-reliance at inter-regional levels. In other words, by channelling resources from surplus member States to deficit countries of Africa in order

¹¹See, Development of the African mineral sector; ECA/NRD/TRCDUMRA/5, March 1988, p.31.

to enhance South-South trade in processed products. Other complimentary strategies must be found and implemented to enhance such trade.

V. MEASURES FOR ENHANCING SOUTH-SOUTH TRADE IN MANUFACTURED PRODUCTS

48. There are a number of lessons that African countries could draw from the way the various regions of the world have been able to spearhead and sustain growth in semi-processed as well as semi-manufactured products. The growth strategy of newly industrializing countries has mainly been in association with certain transnational corporations. This method has proved effective in gaining access to world markets because it enabled them to maintain labour costs as low as possible and also to restrain domestic consumption levels coupled with subsidizing an export-led growth. The success of the strategy was initially based on a limited basket of manufactures, principally clothing, textiles, footwear, chemicals and leather. Another contributory factor was that despite multiple tariff and non-tariff barriers, over 70 per cent of their manufactured products were imported by principals of these joint ventures making it possible for those products to find their way into markets where they would have otherwise faced stiff competition. Such a strategy is worth emulation by African countries wishing to enhance their processing capacity for export markets to the other developing regions. This line of action could help solve the market outlet constraint and other problems associated with acquiring resources, technology and skills.

(i) Foreign investment and entrepreneurship

49. The continuing scarcity of investible funds in processing industries creates limiting effects on processing in Africa and also compels a large number to operate below capacity. In this respect, African countries could opt to rationalize these industries and shift greater responsibility to the private sector to make it. Moreover, it is possible for manufactured exports to respond strongly to improved incentives that would then lead to overall improved growth. Particularly, because that type of incentives is not available in the public sector prevalent in the African economies.

50. External investment and entrepreneurship from other developing countries can be useful instruments of expanding trade in Africa for both local and export purposes as well as other third party foreign markets. Apart from creating export opportunities for African countries the action would also satisfy the objectives of import substitution. Governments should therefore formulate clear policy guidelines with respect to sectors and activities open to foreign investment and entrepreneurship with a view to strengthening trade in manufactures. Furthermore and in order to maximize net benefits from foreign investment and entrepreneurship, countries would have to create enabling conditions including the establishing at national levels of committees to liaise between the planning authority and bodies which represent foreign investors and entrepreneurs. Each committee would have to establish real contacts and be capable of reviewing problems faced by foreign investors and entrepreneurs.

(ii) Joint-ventures

51. The concept of joint-ventures is by no means new to Africa and for the African policy-makers and planners. What is perhaps an issue is the role joint ventures in Africa can play within the context of South-South trade promotion. Particularly, is to encourage the process and shift the African export structures away from labour-intensive manufactures which presently face severe protectionist barriers. Implied in this is a shift towards technologically more sophisticated goods unlike the current patterns. The benefits which African countries would derive from such joint ventures will very much depend on a variety of factors including creating enabling environment that makes possible both forward and backward linkages to the rest of the respective economies. From the stand point of investment strategy, there will be need for deliberate policy to give preference to sectors and products with a greater and better manufacturing potential. A few of these are given in this Chapter for illustrative purposes.

52. As part of the above strategy better use of joint venture agreements in other developing regions has had numerous successful outcomes. It is quite possible that the mechanism could also prove useful to Africa in pursuing trade promotion in semi-manufactures and finished goods. Joint-ventures are greatly favoured as successful means of co-operation between transnational corporations on the one hand and, host countries on the other hand in laying a basis for establishing processing industries in many Third World countries.

53. Several European textile firms that export to the West African markets in fact gained access to other markets in Africa through joint ventures. Through TNC conglomerates firms such as the British TOOTAL that currently export large quantities of dyed cloth incorporating African designs and motifs have gained a strong foothold in Africa. Similarly, the expansion of textile export capacity in Cote d'Ivoire hinges on TNC participation and joint venture arrangement. As stated earlier, a number of successful joint ventures in Africa have proved to be a positive base on which to build processing for exports. For instance, the Zambia-German joint-venture has emerged as a reasonable and dynamic factor in Zambia's efforts as exporter of uniforms both to Germany and to other markets. Prospects are even greater for trade in manufactures in countries such as Mauritius, Nigeria, Zimbabwe, Egypt, Algeria, Morocco and Kenya because their economies offer generous inducement to foreign investments against an enabling political environment that favours export promotion of manufactures.

54. Granted that there is still suspicion about the activities of TNCs, it can be argued that they could prove effective in the expansion of trade in processed products in context of the current co-operation arrangement between developing countries. A mechanism can be created where some of these TNCs can be coopted. Thus the increased co-operation arrangement that begun in 1970 could form a basis for trade in processed and manufactured products. Some subsidiaries of transnational corporations like Sweden's Saab-Scania in Brazil that export trucks to Angola and Mozambique and Volkswagen do Brazil which

exports its products to a number of African countries could be persuaded through mutual agreements to redeploy their plants to richly resource endowed African countries. The objective would not only be to capture African markets but also to assist Africa process its raw materials locally before exporting them. Similarly, existing arrangements like the Gabon-Argentina trade agreement can be extended to include setting up the processing of Gabonese iron ore before it is exported.

55. Economic co-operation measures currently in place constitute an important framework for supporting trade expansion based on processed raw materials. Such co-operation arrangements are capable of mitigating some of the obstacles to trade expansion including inter-alia providing for better access to regional markets through granting preferential treatment for semi-processed products originating from Africa and vice versa.

(iii) Private sector

56. African economies are the most open than is the case in other developing regions. African countries are also very dependent on trade. Entrepreneurship in Africa has a long history even though it may not be quite sophisticated to fit world intricacies. However, it is currently crippled by government control and intervention in production and trade. The question is not that governments should not intervene but that if an intervention takes place it should be positive. African farmers, traders, artisans as well as managers of large-scale enterprises are seedbeds for nurturing indigenous entrepreneurship. Governments in Africa should endeavour to create an enabling economic climate so that these groups are capable of taking advantage of new markets both within and outside Africa. By sizing domestic and export markets opportunities, indigenous business would establish processing enterprises which could destroy the old dualist image of separate development between the informal and modern sectors. However, this will depend on support rendered to them in terms of acquiring new productive techniques, access to financial resources and the training of skilled labour needed to expand their industrial output beyond domestic markets.

57. There is sufficient evidence to show that indigenous business is increasingly participating in the process of diversifying Africa's trade. There is a generation of businessmen successfully processing available raw materials for exports. Their products, though quantity-wise very small have proved to be capable of competing favourably in the international markets. For instance, the Tanzanian automobile radiator production, using Indian technology has become so efficient that it exports about 10 per cent of its outputs to neighbouring countries as well as to India, the Middle East and United Kingdom. Similarly, Botswana currently sells fashion design garments in the New York market while Madagascar competes in the international markets for high quality children's clothings and embroidered tablecloths. These few illustrative examples go to show the adaptability of local entrepreneurs to specialize and compete in the international markets. If these are buttressed with better acquired or improved technology, more and appropriate funding, they can surely develop into special programmes for exports to other regions.

(iv) A New Dynamic Approach to South-South trade in manufactures

58. The issues analyzed in this paper form part of the objectives of the Global System of Trade Preferences among Developing Countries (GSTP) that has emerged as an important instrument of South-South trade. It should be viewed not only as a mechanism for the exchange of preferences, but as a long-term horizon to form a broad umbrella under which developing countries co-operate by taking into consideration the mutual advantages their respective capacities and markets can offer and derive in expanding both production and trade in these products.

59. It has been possible on the basis of supply and demand data compiled by the United Nations to identify certain lines of products which Africa at present can export to other developing countries. The supply and demand tables, however, only reflect those products in which Africa ranks among the first ten or its export value is about or above US\$1 million.

60. Although South-South trade currently represents the weakest link in the network of international trade, it nonetheless offers a vast potential rapid growth for developing countries and the whole world as a whole. It is to the advantage of developing countries that they work to exploit this latent potential. It is, therefore incumbent on the developing countries themselves to renew their commitment to South-South trade and provide new dynamism and policy dialogue for such trade. In order that meaningful trade can materialize, certain preconditions will have to be met to facilitate trade. One such precondition is to strengthen links between trade and finance. Therefore, to substantially increase interregional trade requires that arrangements to facilitate payments and easing foreign exchange constraints are resolved quickly. This has become very apparent in the absence of clearing and payment arrangements between Africa and other developing countries.

61. The second condition is that in order to be able to export processed products, African countries will have to build up necessary supply capabilities which is a much more difficult and lengthy process. Factors such entrepreneurship, technology, skills and market outlets to which reference is already made are very important in processing. Mauritius has been able to successfully interplay these factors and to attain a high rates of growth in the export of manufactures even though not so much to other Third World countries. As a result, Mauritius has to a large extent reduced its high dependence on sugar exports by exporting textiles based on foreign investment and joint ventures. These few examples illustrate the adaptability of local entrepreneurs to specialization and competition in the international markets. If these are buttressed with better technology, and more appropriate funding, they can surely develop into special programmes for exports to other regions. This is why the analysis reiterates that all these initiatives require incentives from governments.

VI. SUMMARY OF CONCLUSIONS

62. The foregoing analysis of Africa's trade relations with other developing countries amply confirms some of the structural rigidities of Africa's external trade which apart from mining and mineral fuel, there is an insignificant export of processed products. When in fact Africa's great endowment should itself have been used as a potential for promoting South-South trade in manufactures, the inability to process these resources locally before export renders prospects for trade in manufactures rather bleak.

63. South-South trade provides Africa with both an opportunity and a challenge. Africa's trade with other developing countries of Asia and Latin America is less buoyant than with the North. Thus, the structurally dependent and extroverted African economies are finding it difficult to take advantage offered by trade in manufactures. The overall trade performance in processed goods is not impressive and the share of manufacturing in the regions trade remains very small. In majority of cases, the industries lack sectoral linkages and complimenterers in the processing chain. Also, apart from the extensive underutilization of installed capacities of industries, the majority of the import substitution industries is involved in the final stage of processing or fabricating and assembling ready-made components. It is in this regard that the required strategies should invariably ensure, among others that Africa's trade relationship with other developing countries does not follow the patterns of industrialized North. South-South co-operation should not be allowed to develop along the patterns of the past North-South interaction.

64. The reality of the African situation is that it has very little to offer in terms of processed products. Processing has been limited to the production of consumer goods to meet demands formerly satisfied by imported goods. It is obvious from the analysis carried out that unless the policy measures are entertained by both Africa and other developing countries to fortify the development of processing in Africa with a view to providing surplus products for exports, Africa on its own is incapable to secure links in South-South trade in semi and processed products.

65. There are however, individual countries whose performance exhibits great potential for trade expansion in manufactures. A number of such countries is either actually or potentially significant exporters of manufactures. The informal sector also poses a potential source of high quality manufacturers for export promotion within South-South co-operation. The success of South-South trade in manufactures as proved will depend on a number of factors which can lead to high rates of growth in manufacturing for exports. These examples cited are by no means exhaustive. They nonetheless support the thesis that South-South trade in manufactures has great potential but the mechanisms also need to be developed. The envisaged structures should be based on products specifically created to meet its own envisaged demand.

66. The strength of prospects for trade in semi and/or manufactured goods can best be improved through diversified production reinforced by structural adjustments in the African economies. Policy measures that need to be implemented by both African and other

developing countries to make South-South trade in manufactures a reality suggest emphatically to the importance of restructuring the production base. Such possibilities for diversifying Africa's exports from commodities into processed goods seem rather limited in the light of the present trends but over a long period, there is great potential. It is in this respect that measures for enhancing trade in manufacture should be buttressed by improved resource flows, technological innovations, sound investment policies and better marketing and trade promotion strategies.

67. The success stories of African countries' trade in manufactures cited earlier above only go to show that where appropriate strategies are adopted, especially the adaptation of technology coupled with supportive financial and monetary services, even small business enterprises may be capable of responding positively to increased trade opportunities. However, African countries need to take a serious look at past experiences and assess the existing constraints so as to take advantage of prospects in South-South trade. There is also an urgent need to obtain information and analyse the markets in order to better understand the forces bearing upon prospects of South-South trade in semi-processed products.

68. In conclusion, it should be stressed that given the economic performance of some African countries in the recent years, prospects for trade promotion in semi-processed products are indeed enormous. The African countries must now take the initiative to break the vicious circle in trade which is now dictated by primary commodities. New strategies must be put in place to link technological innovations with marketing and investment within the framework of South-South co-operation. To this end, it must be emphasized that the future of Africa depends in Africa's ability to exploit new opportunities and to take advantage of its huge natural resources to engender a new framework for international trade. This is the challenge Africa has to face.

Table 1

The relative importance of exports trade flow
of developing regions within South-South Trade

Year	Latin America	Middle East	Africa	South and South East Asia
1970	19.8	20.0	10.7	28.5
1975	24.7	22.5	14.6	30.7
1980	26.1	24.7	12.5	32.2
1981	27.8	28.8	14.3	34.2
1982	27.4	34.6	14.3	33.8
1983	26.3	41.0	11.3	34.5
1984	24.8	37.0	13.1	30.7
1985	23.1	38.0	13.6	29.5
1986	23.3	44.1	16.7	26.9

Source: UNCTAD, Handbook of International Trade and

Development Statistic 1986 Supplement N.Y. 1987.

UN Monthly Bulletin of Statistics May, June issues 1987.

Table 2

Africa's exports to and imports from Other Asian countries by major commodity groups *
(in million US Dollars, F.O.B. prices)

COMMODITY GROUPS (Rev. 2)	E X P O R T S					I M P O R T S						
	1980	1983	1984	1985	1986	1987	1980	1983	1984	1985	1986	1987
beverages and tobacco												
1)	88	297	296	246	19	16	849	734	718	621	438	304
oilseeds (041-045)	5	4	0	0	0	0	12	45	123	96	104	11
textile materials (exc. fuel), and fats (2 and 4)	92	170	169	157	51	54	128	95	94	205	210	190
le fibres (26)	1	43	36	29	0	4	8	8	8	40	16	19
fertilizers and minerals (27)	65	31	31	32	33	35	1	17	2	8	3	9
liferous ores and scrap (28)	7	43	46	49	13	12	55	1	0	5	5	5
al and vegetable oils, and waxes (4)	0	7	6	5	0	0	99	104	161	223	165	123
al fuels and related materials (3)	5,836	2,189	2,167	2,238	1,284	1,107	698	849	1,187	1,106	322	374
icals (5)	35	18	19	11	42	77	45	91	33	91	77	69
inery and transport equipment (7)	4	6	1	1	25	10	427	297	209	448	281	345
er manufactured goods (6 and 8)	27	94	70	59	20	22	203	270	308	261	140	171
textile yarn and fabrics (65)	0	1	1	1	1	3	42	33	34	11	7	5
and steel (67)	0	0	0	0	0	0	49	151	134	70	41	51
ferrous metals (68)	20	34	10	5	16	15	6	5	5	15	6	6
	6,096	2,784	2,733	2,722	1,442	1,288	2,399	2,383	2,658	2,834	1,470	1,455

Table 3

Africa's exports to and imports from Other Asian countries by major commodity groups

COMMODITY GROUPS (in million US Dollars, F.O.B. prices)	E X P O R T S					I M P O R T S						
	1980	1983	1984	1985	1986	1987	1980	1983	1984	1985	1986	1987
Food, beverages and tobacco & 1)	376	426	334	265	263	313	87	193	151	99	167	152
Cereals (041-045)	82	82	92	30	19	26	0	0	0	0	0	0
Lumber materials (exc. fuel), oils and fats (2 and 4)	111	118	111	84	78	90	54	52	71	102	118	87
Textile fibres (26)	6	13	16	8	6	5	7	6	5	7	7	7
Fertilizers and minerals (27)	41	20	11	9	8	5	7	6	5	7	7	7
Metallic ores and metal scrap (28)	2	26	27	30	24	25	0	0	0	0	0	0
Fuels and related materials (3)	1,189	622	848	505	452	491	3,037	2,102	1,954	2,342	2,264	2,162
Chemicals (5)	46	146	181	145	146	166	26	79	92	56	92	101
Machinery and transport equipment (7)	6	6	11	9	14	6	147	169	155	147	149	135
Other manufactured goods (6 and 8)	644	117	125	156	177	191	166	278	370	297	352	408
Textile yarn and fabrics (65)	20	31	42	56	40	66	13	38	54	59	66	62
Non-ferrous metals (68)	15	26	14	25	29	41	0	0	0	0	0	0
TOTAL	1,801	1,436	1,613	1,165	1,132	1,259	3,524	2,928	2,815	3,049	3,149	3,049

Source: UN Monthly Bulletin of Statistics, New York, Vol. XLII, No.5, May 1988.
UN Monthly Bulletin of Statistics, New York, Vol. XLIII, No. 5, May 1989.

Table 4

Africa's exports to and imports from Other Asian countries by major commodity group
(in million US Dollars, F.O.B. prices)

COMMODITY GROUPS (C, Rev. 2)	EXPORTS					IMPORTS					
	1980	1983	1984	1985	1986	1987	1980	1983	1984	1985	1986
Aluminum, beverages and tobacco	155	186	217	198	129	130	627	737	945	616	688
Animals (041-045)	1	2	3	2	0	0	343	421	548	344	335
Chemical materials (exc. fuel), oils and fats (2 and 4)	196	314	353	297	289	312	310	312	360	338	335
Coal and vegetable oils, mineral oils and waxes (26)	100	188	240	166	182	176	30	24	33	33	35
Fertilizers and chemicals (27)	54	33	32	42	47	48	0	0	0	0	0
Iron ores and concentrates (28)	9	8	12	18	14	28	1	3	2	2	2
Metals and vegetable oils, mineral oils and waxes (4)	0	9	5	12	2	2	96	165	201	202	183
Mineral fuels and related products (3)	531	133	85	132	305	337	33	137	80	22	41
Mineral oils (5)	182	210	299	217	223	234	116	125	106	130	135
Mineral products and transport equipment (7)	2	2	2	5	16	4	1,126	731	749	913	668
Mineral products manufactured in Africa (6 and 8)	62	272	126	124	131	179	1,799	1,266	1,203	1,314	1,593
Mineral products and fabrics (65)	5	6	7	4	5	12	667	462	439	493	601
Mineral products and steel (67)	0	0	0	0	0	0	53	65	51	54	54
Mineral products and ferrous metals (68)	20	203	49	38	50	78	11	8	6	7	15
Mineral products manufactured metal products (691-695, 699 & 700)	0	0	0	0	0	0	135	83	102	231	239
Mineral products and fishing (84)	0	0	0	0	0	0	312	241	221	193	223
	1,130	1,119	1,083	973	1,095	1,197	4,229	3,541	3,663	3,525	3,591

Source: UN Monthly Bulletin of Statistics, New York, 1988, Vol. XLII, No. 5, May 1988.

UN Monthly Bulletin of Statistics, New York, Vol. XLIII, No. 5., May 1989

(*) excluding the Middle East