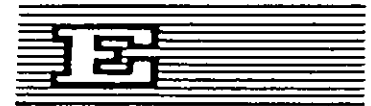


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**DEVELOPMENT OF AFRICA'S EXTERNAL TRADE:
ISSUES, POLICIES AND PROSPECTS**

(Lecture Notes)

by

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INTRODUCTION

1. International (or External) trade plays an important role in relations among nations. For purposes of this lecture, external trade means Africa's trade with the rest of the world and does not include intra-African trade.
2. Presently, Africa's share in world trade is only 1.9 per cent. It is so small that Africa's role in this trade is insignificant.
3. During the 1980s, Africa's external trade sector performed poorly. Prices of primary commodities of interest to African countries fell dramatically. As a result, the export earnings (foreign exchange) fell to an all time low level. At the same time, Africa's imports of manufactured goods and food increased significantly. As a result, many countries faced balance-of-payments deficits (i.e. African countries paid more to other countries than it received).

I. DIRECTION OF TRADE

Africa's external trade is largely with the industrialized countries of the North with very little share for intra-African trade. The European Community is the largest trading partner. Essential external trade partners are grouped into two categories.

(a) North-South Trade

- Africa and Western Europe
- Africa and Eastern Europe (USSR and the former socialist countries)

- Africa and Canada
- Africa and Japan.

(b) South-South Trade

- Africa and South-East Asia and South Pacific
- Africa and Western Asia (Middle East)
- Africa and Latin America and the Caribbean

II. COMPOSITION OF AFRICA'S EXTERNAL TRADE

Africa produces and exports mainly agricultural raw materials and minerals. These include: coffee, tea, copper, cotton, sisal, bananas, cereals, cloves, chrome, iron ore, copper, zinc, gold etc. The imports comprise capital goods, machinery and equipment manufactured goods, food, fuels and petroleum products.

This structure of production has been inherited from the colonial period when the former colonial powers extracted primary commodities to support their own industries. The pattern continues unchanged even after independence. It is for this reason that it is said that Africa produces what it does not consume and consume what it does not produce.

III. CLASSIFICATION OF TRADE

International trade is classified in an agreed format which makes it easy for all traders in all countries to follow. This is called the STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC). It is important for African women traders and business entrepreneurs to understand this classification because customs Tariffs and other import restrictions are imposed according to the type of good.

Essentially, SITC comprises the following 10 groups:

CLASSIFICATION SCHEME OF THE SITC, REV. 2

Section code	Division code	Section and division headings	Page
0		FOOD AND LIVE ANIMALS CHIEFLY FOR FOOD	
	00	Live animals chiefly for food	7
	01	Meat and meat preparations	7
	02	Dairy products and birds' eggs	8
	03	Fish, crustaceans and molluscs, and preparations thereof	8
	04	Cereals and cereal preparations	9
	05	Vegetables and fruit	10
	06	Sugar, sugar preparations and honey	12
	07	Coffee, tea, cocoa, spices, and manufactures thereof	12
	08	Feeding stuff for animals (not including unmilled cereals)	13
	09	Miscellaneous edible products and preparations	14
1		BEVERAGES AND TOBACCO	
	11	Beverages.....	14
	12	Tobacco and tobacco manufactures	15
2		CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	
	21	Hides, skins and furskins, raw	15
	22	Oil seeds and oleaginous fruit	16
	23	Crude rubber (including synthetic and reclaimed)	16
	24	Cork and wood	16
	25	Pulp and waste paper	17
	26	Textile fibres (other than wool tops) and their wastes (not manufactured into yarn or fabric).....	18
	27	Crude fertilizers and crude minerals (excluding coal, petroleum and precious stones)	20
	28	Metalliferous ores and metal scrap	22
	29	Crude animal and vegetable materials, n.e.s.	23
3		MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	
	32	Coal, coke and briquettes	25
	33	Petroleum, petroleum products and related materials	25
	34	Gas, natural and manufactured	26
	35	Electric current	27
4		ANIMAL AND VEGETABLE OILS, FATS AND WAXES	
	41	Animal oils and fats.....	27
	42	Fixed vegetable oils and fats	27
	43	Animal and vegetable oils and fats, processed, and waxes of animal or vegetable origin	27
5		CHEMICALS AND RELATED PRODUCTS, N.E.S.	
	51	Organic chemicals	28
	52	Inorganic chemicals	31
	53	Dyeing, tanning and colouring materials	33
	54	Medicinal and pharmaceutical products	34
	55	Essential oils and perfume materials; toilet, polishing and cleansing preparations	35
	56	Fertilizers, manufactured	36
	57	Explosives and pyrotechnic products	36
	58	Artificial resins and plastic materials, and cellulose esters and ethers	36
	59	Chemical materials and products, n.e.s.	38

Section code	Division code	Section and division headings	Page
6		MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	
	61	Leather, leather manufactures, n.e.s. and dressed furskins	40
	62	Rubber manufactures, n.e.s.	41
	63	Cork and wood manufactures (excluding furniture)	41
	64	Paper, paperboard, and articles of paper pulp, of paper or of paperboard	43
	65	Textile yarn, fabrics, made-up articles, n.e.s., and related products	45
	66	Non-metallic mineral manufactures, n.e.s.	51
	67	Iron and steel	55
	68	Non-ferrous metals	58
	69	Manufactures of metal, n.e.s.	60
7		MACHINERY AND TRANSPORT EQUIPMENT	
	71	Power generating machinery and equipment	65
	72	Machinery specialized for particular industries	66
	73	Metalworking machinery	72
	74	General industrial machinery and equipment, n.e.s. and machine parts, n.e.s.	72
	75	Office machines and automatic data processing equipment	75
	76	Telecommunications and sound recording and reproducing apparatus and equipment	76
	77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counter-parts, n.e.s., of electrical household type equipment)	77
	78	Road vehicles (including air cushion vehicles)	81
	79	Other transport equipment	82
8		MISCELLANEOUS MANUFACTURED ARTICLES	
	81	Sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.	83
	82	Furniture and parts thereof	84
	83	Travel goods, handbags and similar containers	84
	84	Articles of apparel and clothing accessories	85
	85	Footwear	88
	87	Professional, scientific and controlling instruments and apparatus, n.e.s.	89
	88	Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks	91
	89	Miscellaneous manufactured articles, n.e.s.	92
9		COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	98

IV. TRADE NEGOTIATION FORUMS

Wide discrepancies exist in the shares of world trade of the major trading partners, especially between the South and the North. The advantages from trade also differ between the rich and poor countries resulting in wide differences in the levels of economic development and the standards of living. In order to discuss issues of common interest in the field of trade, the following forums were established:

(1) The General Agreement on Tariffs and Trade (GATT). This was originally established as a forum for trade talks among the industrialized nations. Subsequently, a number of developing countries joined the GATT. It conducts a series of rounds of negotiations lasting a number of years. The conclusions so far reached are expected to govern trade relations among the member States of the GATT.

The following rounds of negotiations have so far been held

- (a) The Kennedy Round
- (b) The Tokyo Round
- (c) The Uruguay Round.

(2) United Nations Conference on Trade and Development (UNCTAD)

This was established in the early 60's and held its first meeting in 1964. Since then, meetings are held every four years. The negotiations are conducted within a highly structured framework comprising different interest groups. These are:

- (a) The Group of 77, composed of all developing countries of the South;
 - (b) Group B comprising all industrialized countries of the North (or the Organization for Economic Co-operation and Development -OECD).
 - (c) The Republic of China was treated as a separate group;
 - (d) Group D comprising the former Socialist Countries of Eastern Europe.
- (3) ACP-EEC Lome IV Convention

The African, Caribbean and Pacific (ACP) Group of countries entered into an agreement with the European Economic Community (EEC) to govern trade and economic relations between the two groups of countries. The current agreement was signed in December 1979 and will run for a period of ten years. Previous to this, three other conventions were signed in Lome which lasted about five years each.

The important features of the Convention are (a) better and more favourable conditions of access of African products in EEC; (b) lower or no customs duties on many items; (c) increased aid and financial flows to Africa; (d) special measures to compensate the countries from loss of export revenue arising from primary commodities and minerals. These comprised the scheme for stabilization of Export Earnings (STABEX) and the Special Financing Facility for Mining Products (SYSMIN).

V. MAJOR OBSTACLES TO AFRICA'S EXTERNAL TRADE

African exporters and importers face serious problems and obstacles in their trade with the rest of the world. The small-scale trader and in particular women, face special problems that need articulation. These include:

- (a) lack of trade financing, including pre-export and post-export credits;
- (b) lack or inadequate insurance coverage to protect the exporters and importers from loss or damage to goods or non-receipt of proceeds from exports;
- (c) lack of a wide range or choice of products available for exports;
- (d) poor and inadequate knowledge and information about market conditions (supply and demand) as well as trade legislations in industrialized and developing non-African countries;
- (e) bias against certain African products in European markets (e.g. Uganda meat and Kenya pineapples);
- (f) severe competition from the more advanced newly industrialized countries (NICs) and from synthetic substitutes in developed countries (e.g. herbal tea, pvc, artificial leather, wood and nylon, viscose, synthetic, rubber, fibre optics);
- (g) lack of adequate policy and institutional support by African governments;

- (h) protectionism (e.g. high import duties, licencing, restrictions and banning of imports) by industrial nations. Though these are applied generally to all developing countries, they are particularly damaging to African export prospects;
- (i) low and poor technology applied to our products resulting lower quality and standards which make African products less competitive in the world markets;
- (j) lack of aggressive export promotion drive coupled with poor marketing, advertising and merchandizing; and
- (k) lack of consistency in supply of African goods (e.g. some traders merely trade once and never maintain the market).

VII. AFRICA'S TRADE WITH THE NORTH

The overall policy thrust for international trade consists of a number of measures which must be taken at the African and international levels to promote Africa's external trade. With regard to Africa's trade with the EEC, the African countries expect as a minimum, the following measures to be implemented by the international community (E/ECA/TRADE/89/16):

- (a) removal of all tariff and non-tariff barriers for the ACP exports to the Community market, except for those covered by special arrangements and protocols;

- (b) improved operating procedures for a number of special protocols and arrangements like beef and veal, bananas and rice etc.;
- (c) special preferential regime for ACP exports of manufactures and processed and semi-processed commodities as part of the general policy aimed at assisting ACP countries in their industrialization efforts;
- (d) relaxation of the rules of origin as part of the above, in order to reflect the existing level of the industrial capacity of the ACP States; and
- (e) special agreements concerning agricultural exports from ACP countries.

The new structure of trade relations will focus on the following important elements (E/ECA/TRADE/89/25):

- (i) Redefining and strengthening the institutional framework for policy dialogue and negotiations between Africa and the developed countries within the United Nations Conference on Trade and Development (UNCTAD), the General Agreement on Tariffs and Trade (GATT), International Monetary Fund (IMF) and the ACP-EEC Lome IV Convention. Such dialogue should aim at identifying new areas for co-operation that can halt the economic declines in the African countries thereby enabling them to maximize the advantages from international trade;
- (ii) Engage in new dialogue with international community with a view to re-establishing or strengthening the

International Commodity Agreements (ICAs) for commodities of major export interest to African countries; enhancing co-operation within the producer organizations, including African regional organizations, for the purpose of improving market research, product development, supply management and dependability and new uses for traditional commodities;

- (iii) An agreement setting up a new framework for the transfer, acquisition and adaptation of science and technology in the light of Africa's strategy for external trade development. In particular, the application of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN-EDIFACT) will enhance trade between Africa and the developed countries. The introduction of computers in African countries to facilitate international trade should be accompanied by intensive training and skills upgrading in the use of new techniques for trade promotion;
- (iv) Comprehensive analyses of supply of existing and potential manufactured and semi-manufactured products in African countries that have a real export potential to form the basis for new negotiations for tariff reductions in international trade. Simultaneously, a demand and consumption analysis, including standards and quality control, will be made in the markets of industrial countries to determine the marketability of the African products as well as appropriate institutions and trade facilitation mechanisms.

VIII. AFRICA'S TRADE WITH THE SOUTH

To promote South-South trade, the following policies are essential:

- (i) in the light of the Caracas Programme of Action on Economic Co-operation, African sub-regional economic groupings should study ways of creating preferential trade regimes between Africa and other developing regions pursuant to the Global System of Trade Preferences among Developing Countries (GSTP);
- (ii) Appropriate mechanisms for improving inter-regional monetary and financial arrangements will be devised in order to eventually create multilateral clearing arrangements for interregional trade facilitation so as to enhance such trade;
- (iii) Improve the flow and exchange of trade information to enable the expansion and promotion of interregional trade. Similarly, communications services among developing countries should be significantly improved;
- (iv) State Trading Organizations (STOs), national export promotion centres, as well as chambers of commerce and industry, should link their demand for goods and services with the supply by their counterparts in other developing regions and should explore possibilities of counter-trade where mutually beneficial.

IX. SPECIFIC PROGRAMMES FOR AFRICAN WOMEN TRADERS

The African Governments should undertake the following policies to specifically assist African women traders (E/ECA/TRADE/89/25/Rev.3).

- (i) Provision of adequate support to women in trade in order to ameliorate the legal, social, economic, religious and cultural constraints that have been major impediments to the effective participation of women in this sector as well as in small-scale and agro-industries. Furthermore, mechanisms for the co-ordination of the fragmented entrepreneurial skills, both for rural and urban women, will be vigorously pursued. Support in the provision of market sheds, access to raw materials, training and up-grading of skills in small-scale and agro-industries, deserve immediate attention;
- (ii) Improving the weak and fragile financial base through appropriate policy measures, including providing adequate collateral in order to enhance women's access to credit and capital. In this respect, a new framework will need to be devised to enable banks to shift their emphasis from automatic collateral requirements to criteria of profitability of the investment;
- (iii) Improving the environment for small-scale women traders, business enterprises, small-holder and medium-scale farmers and producers of marketable goods, including handicrafts;

- (iv) Identifying economically viable projects to be developed into self-sufficient profitable entity through good management and access to science and technology;
- (v) Encouraging women to establish financial co-operative enterprises which will allow them to "pool" their resources for investment, improve their collateral and also spread the business risks among its members; furthermore, improve women's access to credit by creating within existing financial institutions, "special windows" that can provide financial services to women.

X. WHAT SHOULD WOMEN TRADERS DO BY THEMSELVES?

The African women themselves should undertake the following:

- (a) Design the trading activity by aiming high i.e. try to expand operations beyond the immediate vicinity of the cities in which they operate. Those women traders now operating in limited areas should aim for intra-African or external markets;
- (b) Women must adopt new strategies to capture and maintain international markets. It is futile to try for "once-for-all" type of transactions because these do not constitute successful trading;
- (c) Great care should be made to consider the needs of customers. This can be through better services, better quality goods and in some cases, schemes for "refund" or

- "exchange" of goods where a genuine case has been established;
- (d) Once the market has been captured, maintain confidence by ensuring constancy in the supply of the services and goods;
 - (e) Try to "beat" the competition by offering reasonable prices and high quality goods. Do not always aim at "cheating" the customer due to high ignorance. Remember - "honesty is the best policy...even in business";
 - (f) Try to get all information you can about the market conditions in the countries you wish to trade with e.g. demand and supply for a given product; consumer preferences and biases; who are the competitors in that product and what attractions do they offer; what are the customs and tariff legislations or trade regulations in general and those applying to your product in particular. Such information can be obtained from your trade attaches' or commercial counsellors abroad through the Ministry of Trade or from foreign embassies in your own countries.

XI. USEFUL ADDRESSES

1. For information on technical aspects of small-scale industries e.g. how to start and run a business:

United Nations Industrial Development Programme (UNIDO)
Vienna International Centre
P.O. Box 300
A-1400 Vienna

Austria
Phone: (43)-1-211310
Telex 135612
FAX; 232156

2. For financing of small-scale business:

(a) The World Bank Group
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
Phone: (1) 202-477-1234
Telex: RCA 248423
FAX: (202) 477-6891

(b) International Finance Corporation
1818 H Street NW
Washington, D. C. 20433
U.S.A.
Phone: (1) 202-477-1234
Telex: RCA 248423
FAX: (202) 477-6391

3. For information on market access trade promotion:

(a) The Africa Trade Centre (TDFD/ECA)
P.O. Box 3001
Addis Ababa
Ethiopia
Phone: (251) -1-51-72-00
Telex: 21029 UNECA ET
FAX: (1) 212-963-4957

(b) UNCTAD Secretariat
Palais des Nations

1211 Geneve 10
Switzerland
Phone: (41) (22) 734 60 11
Telex: 28 96 96
FAX: 723 65 42

- (c) International Trade Centre
(UNCTAD/GATT)
54, rue de Montbrillant
Palais des Nations
1211 Geneva 10
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Telephone: (22) 730 01 11
Telex: 28 90 52 (ITC-CH)
FAX: (22) 733 44 39