UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.
LIMITED

E/CN.14/WP.1/4/Add.1
OAU/TRAD/3/Add.1
17 March 1966

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Joint Meeting of ECA Working Party on
Intra-African Trade and OAU *ad hoc* Committee
of Fourteen on Trade and Development
Addis Ababa
28 March to 2 April 1966

THE RELEVANCE OF UNCTAD TO AFRICA'S TRADE PROBLEMS

(Addendum)

This addendum contains appendices which supplement the main text in a number of directions. The appendices are lettered to follow the existing Appendix A already attached to the main paper.

Commodity Agreements, Compensatory Financing and Commodity Prospects

1. It has earlier been made clear that African growth prospects for some time to come will be largely dependent on export earnings from traditional primary products. In this respect the experience of the past decade or so has not been encouraging; and there is widespread agreement that, in the absence of a very unlikely and spectacular increase in foreign aid, reasonable growth targets will only be attained if the prospects for export earnings are improved and/or substantial arrangements are made to compensate African and other developing countries for shortfalls in their export earnings. The main hope of the African countries and UNCTAD for improving export earnings from primary products lies in commodity agreements; and the first purpose of this appendix is to describe existing commodity agreements and to see what lessons can be drawn from their operation. It has to be recognized that even if commodity agreements were extensively in force the export earnings of African countries might still, for one reason or another, fall short of reasonable expectations; and it is consequently desirable to link a discussion of commodity agreements with an examination of compensatory financing. Partly for completeness and partly in order to avoid the dangers of excessive generalization, a third purpose of this appendix is briefly to examine the prospects of some primary commodity exports of particular interest to Africa.

A. Commodity Agreements

2. Commodity agreements can serve a number of purposes. They are normally invoked, however, when the relationship between supply and demand is such as to put downward pressure on price. Their consequent central purpose is to maintain price and export earnings above the levels at which they would otherwise tend to settle. A strong related advantage which is claimed for commodity agreements is that they avoid undue fluctuations in price and quantity - a factor which operates to the advantage of exporting and importing country alike. As has already

been pointed out, commodity agreements normally work by means of buffer stock operations, by regulating trade flows or by combining elements of both regulation and buffer stock operations. At present the trade in five primary commodities are governed by international agreement and it will be useful to consider each agreement in turn.

(a) Wheat

3. The first international efforts to regulate the wheat trade were made during the great depression after the price of wheat had collapsed sharply to a mere U.S. 50 cents per bushel. An agreement was reached between exporters and importers in 1933 according to which exporters would accept quotas and limit production and importers would also limit production and increase consumption. This first agreement collapsed under the pressure of abundant harvests and subsequent pre-war efforts to revive it were unsuccessful.

4. In 1942, however, a new Wheat Protocol was signed between the principal exporting countries -- Canada, Argentina, Australia and the United States -- and the principal importing country -- the United Kingdom. The protocol, which provided for an export-quota scheme, was not ratified by Argentina and the scheme was given up. In 1948 wheat prices declined significantly and in 1949 agreement was reached on a multilateral contract among the major countries under which importing countries agreed to take a specified proportion of their requirements from the exporting countries at an agreed price. The North American countries initiated price support programmes in the 1950's and the consequent increases in production put further pressure on price. This notwithstanding, the 1949 agreement was renewed in 1953 and 1956, substantially revised in 1959 and renewed again in 1962. The United Kingdom declined to join the 1953 and 1956 agreements.

5. The objectives of the International Wheat Agreement are:

(i) to assure supplies to importing countries and markets to exporting countries of and for wheat and wheat flour at equitable and stable prices;

(ii) to promote the expansion of international trade in wheat and wheat flour;

(iii) to overcome the inconveniences caused to both producers and consumers by burdensome surpluses and critical shortages of wheat;

(iv) to promote the consumption of wheat and flour especially in the developing countries (and thus to improve nutritional standards and contribute to economic development);

(v) to further international co-operation in connection with world wheat problems.

6. In pursuing these objectives, the wheat agreements prior to 1959 took the form of reciprocal multilateral obligations by means of which exporting and importing countries undertook to exchange specific quantities of wheat at prices neither higher than nor lower than a stipulated maximum and a stipulated minimum. As long as the market price remained within the range defined by the agreed maximum and minimum the quantity guarantees remained inoperative. During the term of the 1949 agreement prices ran continuously above the stipulated maximum and this agreement turned out to be wholly in favour of the importing countries. The exporting countries managed to widen the agreed price range during the negotiation of the 1953 agreement, but only at the expense of seeing the United Kingdom withdraw. During the term of the agreement a number of other importing countries withdrew and the coverage of the agreement fell from 60 to 20 per cent of the world trade in wheat.

7. The 1959 agreement, renewed in 1962 and still operative, abandoned the idea of guaranteed quantities and stipulated instead that <u>within</u> the agreed price range each importer should buy from member exporters not less than a specified proportion of its commercial purchases of wheat and wheat flour during each crop year. At the minimum price the

importers are under no obligation as to the quantities they purchase from the member exporters; but at the maximum price exporters are required, if called upon to do so by the importers, to supply member importers up to the average amount of the importers' purchases over the previous few years (less transactions already concluded within the agreement year). The new agreement covers relatively more trade than before. This increase in coverage (which now takes in the USSR) has resulted from the elimination of some previous provisions, notably those relating to the purchase of guaranteed amounts at minimum prices. As it happens the Wheat Agreement has never been tested at the floor price. This is largely due to the willingness of Canada and the United States to hold their growing surpluses off the commercial market. As a corollary to this willingness, of course, the proportion of total world wheat transactions taking place on concessional terms has risen greatly.

(b) Coffee

8. Because of what were judged to be low prices, the first international coffee conference was held in 1902. The conference failed to reach agreement but Sao Paulo State, the dominant producer and exporter, restricted plantings for a few subsequent years. Meanwhile other Brazilian states increased their plantings and surplus threatened. In 1906 Brazil's three producing states agreed on a Coffee Valorization Plan to buy up surplus coffee. In the subsequent years, however, consumption grew more than production and the plan ceased to operate in 1912.

9. Adverse pressure on prices re-appeared during the first World War and the Valorization Plan was re-introduced. After the war prices were low and the Brazilian government started buying coffee in 1921. The level of production, however, was maintained in Brazil and expansion took place in other Latin American countries. As a result large stocks of coffee accumulated in Brazil. By 1931 the price of coffee had dropped to about one-third of the 1925 level. The reaction in Brazil was dramatic

and ultimately notorious; and between 1931 and 1944 over ten billion pounds of coffee beans were burned.

10. Although Brazil controlled over half of the world's coffee supplies, it became clear that it could not achieve equilibrium in the world's coffee markets by unilateral action. During the second World War and in the immediate post-war years Brazil co-operated with other Latin American countries and the United States to operate a quota-sharing scheme on the U.S. market. In 1957 and in 1958 seven and fifteen Latin American countries respectively undertook to operate an export quota system. The African coffee producers joined with the Latin Americans in 1959 to form yet another international agreement which comprised twenty-eight exporting countries and covered 90 per cent of world exports. The agreement was initially for the 1959-60 crop year but it was extended to cover each of the subsequent two years.

11. Under the auspices of the United Nations a study group, including consuming countries was formed. This group produced a five-year International Coffee Agreement which was adopted by the UN Coffee Conference in the summer of 1962 and ratified by all the contracting parties by 1963. The objectives of the Agreement are:

(i) to achieve long-term equilibrium between production and consumption;

(ii) to mitigate the effects of burdensome surpluses and excessive price fluctuations;

(iii) to contribute to the development of productive resources and to the promotion and maintenance of employment and income in member countries;

(iv) to assist in increasing the purchasing power of coffee-exporting countries;

(v) to encourage the consumption of coffee by every possible means;

(vi) to further international co-operation in connection with world coffee problems.

12. Initially the Coffee Agreement contained no price provisions and attempts were made to maintain prices at their 1962 level by means of annual and quarterly export quotas imposed on member countries. Importing member countries are limited in the amounts they may purchase from countries outside the agreement and use has been made from the inception of the scheme of certificates of origin.

13. By the end of the 1964/65 crop year it was proving difficult to sustain coffee prices under existing arrangements. The International Coffee Council consequently decided to reduce quotas in the last quarter of that year and again in the subsequent crop year. The Council also introduced a semi-automatic quota system - which became effective from March 1965 - to link quota sizes to price changes. An "indicator price" - which is allowed to fluctuate between U.S. 38 and U.S. 44 cents per pound - has been established; and quotas are adjusted, within specified limits, if for 15 consecutive market days the "indicator price" is outside the stipulated range. For the crop year 1965/66 the ceiling price was lowered to U.S. 42.5 cents as a result of pressure, mainly from African countries, to have export quotas increased.

14. More recently there has been a suggestion that the price support given to coffee by the International Agreement has resulted in significant shipments of non-quota coffee at less than the price of quota shipments. It has been alleged that member exporting countries have been shipping to non-member countries with small coffee crops; and that these smaller producers in turn have been re-exporting these imports as domestic exports. It has been further alleged that dealings have been taking place in certificates of origin. To deal with this situation the International Coffee Council has decided that, from 1 April 1966, certificates of origin will be necessary for all imports regardless of whether these come from member or non-member countries. It has also been reported that the Coffee Council will press member importing countries to curtail their imports from non-member producing countries.

(c) Sugar

15. There is a long history of attempts to control the international market for sugar. In 1931 the Chadbourne Plan established what was essentially a restrictive producers' cartel. The plan failed because of the growth in production of non-member countries. The first International Sugar Agreement, comprising exporting and importing countries, was formed in 1937. This Agreement set export quotas and limitations on the domestic production of importing countries. The two largest importers - the United States and the United Kingdom - reserved the right to continue their existing preferential imports, which accounted for about 50 per cent of the sugar moving in international trade. The 1937 agreement fell into abeyance during the Second World War, although the life of the International Sugar Council was extended.

16. In the immediate post-war period sugar was in relatively short supply. By 1953 production had expanded sufficiently for surpluses to re-appear; and, on the basis of the 1937 accord, the UN Sugar Conference of that year negotiated a new International Sugar Agreement with objectives very similar to those of the Wheat and Coffee Agreements. The United States and the United Kingdom were committed to the agreement only in respect of residual requirements after they had obtained their regular supplies under preferential arrangements. Importing countries who are members of the agreement agreed to restrict their purchases from non-member countries to the level obtaining in the years 1951 to 1953; and member exporting countries agreed to control their production in relation to domestic requirements, export quotas and stipulated levels of stocks. The Agreement called for price stabilization within a specified range. Within this range the agreed export quotas were fully operative. Beyond the maximum of the price range quotas ceased to be applied and below the minimum quotas were reduced.

17. The 1953 Agreement was for a five-year term. By 1958 substantial surpluses had developed at prevailing prices and it was against this background that intensive efforts were made to negotiate a new Agreement. In the event, the second post-war Sugar Agreement, which came into effect in January 1959, included more member countries than before, covered thereby a higher proportion of the world trade in sugar, and retained both the earlier price range as the goal of stabilization and the automatic quota adjustments in the event that prices fell outside the desired limits. The 1959 Agreement operated under conditions of increasing difficulty: production tended chronically to outpace consumption and the consequences of this were aggravated by political friction between Cuba and the United States. The loss of its preferential market in the United States forced Cuba to seek higher quotas when the Agreement was re-negotiated under UN auspices in 1961. By this time the Sugar Council had already been forced to reduce the basic quotas and to lower the minimum price. Further, the free market price for sugar had reached its lowest point in twenty years. All in all, circumstances were not propitious and the 1961 meetings resulted in deadlock. In 1962 the regulation of exports was ended and by the end of 1963 the 1959 Agreement had run its term. It was then agreed to extend this Agreement without making any provision for export quotas. At the UN Sugar Conference in 1965 all efforts at securing a new agreement failed and it was decided to extend the 1963 protocol.

18. For completeness, mention should be made of the Commonwealth Sugar Agreement which covers about one-fifth of world trade. This agreement - between the United Kingdom and sugar-producing countries in the Commonwealth - was signed in December 1951 and was initially effective until the end of 1959. The agreement has, however, been the subject of successive extensions, the latest of which prolongs it until 1970. The purposes of the Commonwealth Sugar Agreement are to assure regular supplies to the British market, to develop sugar production in the Commonwealth and to assist in the orderly marketing of such sugar. In its initial form the Agreement involved the acceptance of quotas by

the exporting countries and an undertaking by the United Kingdom to buy a stipulated amount of these quotas at "negotiated prices" based on costs of production. That part of the quotas not sold at "negotiated prices" could be offered for sale on the preferential markets of the United Kingdom and Canada at free market prices.

19. Towards the end of 1965 new methods of operating the Commonwealth Sugar Agreement were introduced. These are primarily designed to introduce greater price stability; and under the new regulations prices will no longer be fixed annually but will be established for a three-year term. Thus the negotiated prices have already been settled for the years 1966-1968 - at a level higher than that obtaining in 1965. In addition to providing for greater price stability, the new regulations provide that the exporting countries (excluding Australia) will, as developing countries, receive a special payment. This special payment will vary inversely with the world market price of sugar and will take account of the benefits that formerly accrued to exporters under the Colonial Certificated Preference System.

(d) Tin

20. Surplus stocks of tin accumulated during the First World War. In 1921 the Bandoeng Pool - an international arrangement by producers - was established and through this agency the surplus stocks were quickly disposed of. In the Great Depression the consumption of tin fell sharply, and this cyclical fall was aggravated by a declining long-run trend in tin consumption due to the development of packaging substitutes and to the introduction of an economical electrolytic process of tin plating. Against this background the first International Tin Agreement was concluded in 1931 and renewed in 1934 and 1937. The Agreement was formally one among producers although consuming countries were invited, without voting power, to participate in the discussions. The Agreement imposed export quotas and restrictions on stocks as well as using a buffer pool.

21. The pre-war Agreement lapsed during the Second World War. From 1947 onwards a UN Tin Study Group met to discuss the international marketing of tin. Attempts at international regulation in the early 1950's failed because of the boom in raw materials associated with the Korean War and because of U.S. strategic stockpiling. Between 1951, when tin prices were at their peak, and 1953, prices fell drastically, and in the latter year the UN Tin Conference negotiated an International Tin Agreement broadly on the lines of the pre-war agreement. Due, however, to U.S. purchasing policy, the market situation subsequently improved and it was not until 1956 that a sufficient number of countries ratified the agreement to make it effective. Among importing countries, the United States, West Germany and Japan declined to join the agreement which consequently accounted for only 40 per cent of consumption outside the centrally planned economies. The objectives of the agreement include the usual aim of securing long-term equilibrium between supply and demand on the basis of reasonably stable and remunerative prices.

22. The main stabilizing mechanism of the Tin Agreement is a buffer stock arrangement with subsidiary support from export quotas. The aim is to keep prices within a specified range. The stocks are financed by the producing countries - either, up to a certain limit, in metal, and/or in cash - and if they rise above a stipulated limit the Tin Council can declare a control period during which export quotas are operative and exporting members are also required to limit their stocks to a specified proportion of their previous year's shipment.

23. In 1958, because of an unusually large volume of exports from the Soviet Union and China, the buffer-stock fund became exhausted and the price of tin fell below the minimum of the desired range. Pending an agreement with the Soviet Union, the importing countries agreed, on the advice of the Tin Council, to impose import controls. The Soviet Union, although declining an invitation to join the Tin Agreement, subsequently undertook to limit exports. In the meantime export quotas

had been imposed in 1957 and these remained in force until 1960. In that year and in 1961 demand increased significantly and since a number of mines had previously been closed down, the brunt of the increase fell on the buffer stocks which became exhausted as prices rose.

24. In June 1960, the UN International Tin Conference met and the outcome was a second International Tin Agreement which, in most respects, is very similar to the first. In point of detail, under the second agreement, the desirable price range is narrowed, the size of the buffer stock reduced and the point at which controls begin to operate is lower. The Agreement came into force in July 1961 and is due to expire at the end of June 1966. The second Agreement has operated generally in conditions of deficit supply. As the demand from the industrialized countries had grown rapidly for tin plate after 1961, output has been slow to rise even after restrictions, imposed by the Tin Council during the earlier period of surplus supply, had been lifted. At the invitation of the Tin Council the U.S. General Services Administration agreed to dispose of its surplus tin stocks in order to make good the deficiency in market supply; and since 1962 the GSA has unloaded very significant quantities of tin on the market. It still remains an open question if production will increase sufficiently to close the gap between supply and demand before the American stockpile has been completely exhausted - possibly by about 1970.

25. It was against this background that the UN Tin Conference met in April 1965 to negotiate a further agreement to come into effect as from 1 July 1966. At this meeting there was pressure, particularly from Malaysia, greatly to raise the range of prices within which stability would be sought. In the event, it was agreed to raise the range from £730-880 per ton to £1000-1200 per ton. This was still short of the level - of £1200-15000 a ton - desired by Malaysia. Thus, in December 1965, shortly before the April agreement was due to be rati-

fied, Malaysia announced that it would not sign the agreement. It has been speculated that this refusal derived partly from a belief that attempts to stabilize the price of tin in the agreed range would discourage the necessary investment in tin - necessary, that is, on the assumption of a continuing scarcity; and partly from an argument of the Malaysian mining companies that the £7.2 million Malaysia has in the buffer stock fund could be better used at home to expand productive capacity. In the event Malaysia relented and decided to sign after all, with the result that the Agreement will almost certainly come into operation on the appointed date. It would, however, be optimistic to think that, on present indications, the Agreement will have an untroubled passage throughout its term.

(e) Olive oil

26. Olive oil has certain unusual characteristics. It is a tree crop which is subject to a two-year cycle in yields and which is particularly sensitive to weather conditions. It is additionally unusual for a primary commodity, in that the producing countries account for more than 90 per cent of consumption. For a time major producing countries attempted to carry their own stocks for stabilization, but co-ordination was lacking and in 1953 Italy proposed inter-governmental consultation among producers. An FAO Working Party was set up in 1954 and on its recommendation an Olive Oil Council was formed by the UN Olive Oil Conference in 1955. An Olive Oil Agreement was also drafted but not ratified. The draft was amended in 1958 and in 1959 a four-year Agreement was successfully negotiated. The members were the main producing and consumer countries of the Mediterranean, France and the United Kingdom. The objectives of the Agreement were to reduce the disadvantages due to fluctuations of supplies on the markets (without hindering long-term changes in demand and productivity) and to ensure fair competition among countries producing and exporting olive oil. The Agreement also established an Olive Oil Fund for promotional purposes.

27. A second Agreement was negotiated in 1963 and came into force in March 1964. It will run until September 1967. As before the Olive Oil Council examines the market situation and may recommend economic, financial and technical measures to its members. The Agreement carries no price provisions, but members undertake generally to follow appropriate measures of economic adjustment. In November 1964 the Olive Oil Council proposed certain further measures for stabilization. These measures, which are voluntary, were subsequently accepted by the member countries. The main features of the new proposals are attempts to match surpluses with deficits in annual requirements among member countries; the instigation of storage arrangements to cope with a general surplus in supplies; and the establishment of a co-ordination body to administer the stabilization activities.

28. The five commodity agreements discussed above were negotiated independently of one another. They have, however, some common features and objectives, including the fact that the objectives are uniformly stated in general terms which do not lack for ambiguity. It is thus possible to draw some general conclusions from the operation of the agreements, although the smallness of the sample compared to the number of primary products entering into international trade suggests that too much weight should not be placed on these conclusions.

29. Explicitly or implicitly all the agreements seek in the longer term to balance supply and demand, usually at "fair and stable" prices. Although conceptually precise the notion of long-term equilibrium is extremely difficult to make operational. Even however, in the rough sense of balancing supply and demand over some average period of time, it is evident that, by and large, the existing commodity agreements have not been notoriously successful. For wheat, coffee and tin in particular there has been a chronic, and sometimes growing, gap between demand and supply over the range of prices which have been judged desirable from time to time.

30. The existence of a substantial discrepancy between supply and demand at regulated prices clearly constitutes a powerful threat to the success of any commodity agreement. Thus in the early history of the wheat negotiations agreement became impossible in face of surplus supplies and, latterly, the Agreement has appeared to be increasingly threatened by lack of control over national price-support policies and over the disposal of resultant and increasingly important surpluses. Similarly the present and pressing problem of the Coffee Agreement is how to control the disposal of excessive supplies. By contrast, the very early history of coffee negotiations indicates how difficult it is to maintain an agreement if demand is running ahead of supply; and this evidence is corroborated by the recent difficulties of the tin agreement.

31. From time to time the various agreements have had trouble from inadequate country coverage. Thus early attempts to organize the wheat and coffee markets failed in part because of the number of countries operating outside the agreement; and more recently the threatened withdrawal of Malaysia, if implemented, would have resulted in the failure of the Tin Agreement. An extensive country coverage, comprising both producers and consumers, is particularly desirable in circumstances where there is a chronic tendency towards excess supply. The firmer the agreement and the wider the range of countries, the easier it should be in principle to police the agreement. Unfortunately, it has also to be recognized that the stronger the pressure of excess supplies the greater the conflict of interest between producing and consuming countries; and this fact helps to explain the persistent difficulty in securing a cocoa agreement.

32. Reference has already been made to the ambiguities in the stated aims of commodity agreements; and the suggestion has been made that, as a matter of fact, agreements are normally sought when there is

downward pressure on price, with the consequent implication that price maintenance is a prime objective of the proposed agreements. It has also been remarked that stability is an important aim of commodity agreements. It is not always clear what, exactly, is to be stabilized, but one reasonable interpretation of stability is the smoothing out of shorter-run fluctuations about the long-run trend. The emperical difficulty about this interpretation is that it is virtually impossible to identify the long-run trend successfully. The fortunes of tin, over the period in which agreements have been sought or obtained, illustrate the possibilities of quite sharp changes in the market situation over time.

33. Given the nature and range of the discussions at the first meeting of the UNCTAD at Geneva, it is not surprising that the establishment of UNCTAD on a permanent basis has given very strong impetus to increased study and discussion of commodity problems. In particular, the widespread belief at Geneva in the need for a marked extension in the number and coverage of commodity agreements, has resulted, on the one hand, in continuing attempts under the auspices of UNCTAD to conclude acceptable commodity agreements - notably thus far for cocoa and sugar; and, on the other hand, in more detailed study of the problems which surround attempts to secure commodity agreements. Thus, an initial part of the permanent machinery of UNCTAD was an Ad Hoc Working Party on the International Organization of Commodity Trade answerable to the Committee on Commodities. This Ad Hoc body has recently been subsumed within the main Committee. Its work, however, will presumably continue, and it is in any event instructive to consider some of its achievements during its existence.

34. In terms of the recommendations of the Geneva Conference the main task allotted to the Ad Hoc Working Party was that of "studying the proposals and preparing a programme of action for the international

organization of commodity trade which will ensure that the developing countries will at all times be able to market their export products in increasing quantities and at remunerative prices, the 'purchasing power' of which should not decline in relation to the prices of the essential goods imported by those countries."[1/] This is a very tall order and understandably the Working Party were initially somewhat unsure of their exact terms of reference. There were also two schools of thought as to how to proceed: by an attempt to establish a general framework and general principles; or, more pragmatically, by the study of specific problems of specific commodities. It was agreed that both approaches would be useful, but in the event more attention seems to have been paid to specific studies. In these circumstances some mention might be made of the underlying basis of the search for a more general framework.

35. It may be inferred that much of the thinking behind the desire to specify a general framework is contained in a paper prepared for the first UNCTAD by Mrs. M. J. 't Hooft-Welvaars of the University of Amsterdam.[2/] In essence this paper attempts to make wholly articulate and generalize from certain French proposals on the organization of international commodity markets. At the centre of the French proposals and part of Mrs. M.J. 't Hooft-Welvaars' more general analysis is a strong dissatisfaction with the present operation of the international markets for primary products. This discontent arises partly from the way in which some world markets have become divorced from national

---

1/ United Nations Conference on Trade and Development, Final Act, Annex A.II.8.

2/ "The Organization of International Markets for Primary Commodities" in UN Trade and Development, Vol. III. The inference is strengthened by the fact that Mrs. 't Hooft-Welvaars presented the paper to the Ad Hoc Working Party.

(and generally protected) markets in the same commodities; and partly because, where supply and demand do meaningfully meet, the resultant price may be judged too low on social or political grounds. Indeed, as Mrs. 't Hooft-Welvaars shows, the price mechanism operates, as it were, under certain disadvantages in the primary markets and even in the long run it does not perform its allocative function smoothly. Thus some economic argument may also be adduced for not accepting the outcome of the operation of market forces too readily.

36. On this view of the world markets direct organization of the markets to secure specific objectives clearly becomes desirable. The three main themes of French statements on the subject, for example, are: the need for market organization for temperate agricultural products in order to secure higher prices; the related need to use the consequent surpluses of temperate products in a programme for increased growth in the developing countries - by freeing resources or foreign funds for investment purposes; and, again with the objective of securing higher prices, the need to organize markets for tropical products. In light of the general recent experience in the primary commodity markets, it is clear that the developing countries also see a need for extensive organization of commodity markets to protect their terms of trade and their foreign exchange earnings in such markets. Without prejudice to the ultimate feasibility or desirability of general market organization, mention might finally be made of one argument frequently adduced in favour of the general as compared to the piecemeal approach. Through substitutability in both supply and demand commodity markets tend to be inter-related ; and under a piecemeal approach the solution of the problems in a particular commodity market may result in the transfer of problems to a related market.

37. In considering specific problems, the Ad Hoc Working Party recognized three market categories - markets for tropical products without close substitutes; markets for raw materials faced with competition

from synthetics; and markets for commodities produced in both developed and developing countries - and decided to commission, in effect, pilot studies of three commodities to illustrate the problems of obtaining commodity agreements in each of three kinds of markets. The commodities chosen were cocoa (tropical products), rubber (commodities with synthetic substitutes) and selected fats and oils (commodities produced by developed and developing countries alike). Studies of cocoa and fats and oils were undertaken by FAO; and a study of rubber was made by Mrs. 't Hooft-Welvaars. Taken as a group what emerges most strongly from the studies is the diversity of market conditions for different commodities and the great complexity of the problems relating to the organization of commodity agreements.

38. The Working Party suggested broad outlines for the three studies. Given, however, differences in authorship, in available data and in the nature of the commodities studied, it is not surprising that the studies which eventually emerged differ in detail and in coverage. Space does not permit as full a discussion of the three studies as they deserve. It may, however, be useful to mention some of the more salient points of each report.

39. On the face of it, cocoa seems to be an excellent commodity for which to seek a commodity agreement aiming to maintain price and earnings. It was, after all, chosen for study as representative of a group of commodities lacking close substitutes; and raw cocoa has the additional advantage from this point of view of having a relatively small weight in the final price of cocoa products.[1] In such circumstances there is a strong presumption that the demand for cocoa will be inelastic and that, therefore, limitations on supply will result in higher export earnings than would be obtained if all supplies were marketed. It is,

---

1/ It should be noted that this fact has implications for the question of processing of cocoa in the developing countries themselves. In general - because of income and linkage effects - the higher the "value added" by processing the more desirable it becomes.

of course, necessary to raise questions of degree. There is some evidence, from these studies and elsewhere, of an emerging consensus that what the developing countries wish to secure from international commodity agreements are increases in their export earnings which will keep pace with changes in the costs of essential imports; and for this purpose it is clearly not sufficient that export earnings should increase; they must increase by some required amount. Unfortunately one of the things which emerges most clearly from the cocoa study is that questions of degree are extremely difficult to handle.

40. If, not unreasonably, it is assumed that the desired relationship between cocoa earnings and the cost of essential imports is to be secured by manipulating, in effect, the price of cocoa, the obvious question which arises is as to the effects of an increase in the price of cocoa judging this - again not unreasonably - to be necessary. A price increase if its full impact is allowed to fall on the producers and consumers of raw cocoa will, generally speaking, stimulate production and discourage consumption. More precise forecasts are difficult to make. The presumption in favour of a relatively weak consumers' reaction has already been mentioned. To some extent, however, this presumption is based on the evidence of past experience. If the required price rise was judged by the manufacturers to be unduly high they might, especially as the price increase would be permanent, seek substitutes for cocoa - in which case their demand would become much more elastic. The more or less precise reactions of producers to a price increase are also difficult to judge. There is, as yet, no clear evidence on the sensitivity of cocoa producers to price changes.[1].

1/ For a recent, judicious but inconclusive study of the determinants of cocoa supply see R.M. Stern: "The Determinants of Cocoa Supply in West Africa" in African Primary Products and International Trade (ed. Stewart and Orde), 1965.

41. What can be said, however, is that as long as the reactions to a price increase are simultaneously those of stimulation and discouragement, then excess supplies will emerge. On the basis of past elasticities and certain assumptions as to the longer-run reactions of manufacturers, the FAO commodity study has no difficulty - in an illustrative way - in showing that cocoa export earnings could be significantly increased by raising prices. It also suggests, however, that such an increase would be possible only if a significant volume of cocoa were held off the markets subject to agreement. Unless these excess supplies were otherwise disposed of, they could quickly cumulate to a very high proportion of annual sales. Control or satisfactory disposal of such stocks would clearly be a necessary condition for any successfully-operating agreement.

42. The FAO study of fats and oils is designed to illuminate the workings of a market which is supplied from both developed and developing countries. The study first makes clear the characteristics of oilseeds, oils and fats and discusses the limits of technical substitution among them. Since these limits are rather wide, the study suggests that commodity agreements would have to be correspondingly wide in their coverage of commodities among this group. The study further suggests that a large part of the developing countries' problem arises from the relatively slow growth of their production. Given the rapid growth in population (with high income elasticities for oils and fats) in the developing countries, it is not surprising that the producers in the developed countries have seemed to be better placed to capture the growth in international markets. This was, of course, particularly true of the United States where exports of soybeans and animal fats have grown rapidly.

43. The concept of remunerative price is also discussed, and the distinction made among the remunerativeness of producers' incomes, govern-

ment revenues and export earnings. The suspicion is aired that prices have not been remunerative, but it is pointed out that more study of this question is required; and that, in particular, more information is needed on the relationship between production in developing countries and international market prices.

44. The study of oils and fats recognizes that UNCTAD has given a new precision to the aims of commodity agreements. In contrast to the previous ambiguity where much emphasis was placed on price stability - although generally the stability sought involved attempts to maintain or increase price - the emphasis under UNCTAD is unequivocally that of changing the whole trend level of prices and export earnings of the low-income exporters of primary commodities. This, it is thought, might require a thoroughgoing re-organization of the structure and mechanism of international trade and it is recognized that "at this stage a study on an individual commodity has no guidance on this fundamental point." It is, however, possible to say something about the problems and prospects for raising export earnings of the single commodity. Thus, the FAO paper notes that demand for oils and fats is price inelastic and there is a consequent basis for raising revenues by raising price. This refers, however, to the demand for oils and fats as a group; and the demand for any particular oil or fat, given the range of substitutes available, will be much more elastic. The study, therefore, repeats the view that it would be necessary for a successful agreement to organize the market for oils and fats as a group.

45. Given that the objective of any commodity arrangement is higher prices and revenue, it is again necessary to examine the likely effects of a price increase. This is primarily a matter of considering the effects on production and consumption in the developed and developing countries respectively. In the developed countries the problem would be to avoid excessive increases in production and decreases in consumption;

in the developing it would be desirable to stimulate production but it might also be necessary - and difficult - to protect consumers in these countries from the full effects of the price rise.

46. The paper by Mrs. M.J. 't Hooft Welvaars on rubber is the most technical and complex of the three studies. It is, therefore, the most difficult to discuss in short compass. In the circumstances only very general comments will be made at this stage. On the technical level it is, however, worth remarking that the paper is distinguished by a clear and concise discussion of the various concepts of the terms of trade. On a more general level, the paper is based heavily on the thought that "natural rubber is not merely faced, but indeed threatened by synthetics, in the sense that it may face a price decline." This being so, much of the paper is given over to examining two broad categories of measures: those that aim at lowering the cost of production of natural rubber and which might, under certain circumstances, thereby mean that lower prices could still be remunerative; and those that aim at mitigating the ill effects of a price which is not remunerative. It is worth noting that "the fact that the latter measures are discussed at all expresses the author's opinion that there may be some primary commodities for which no amount of measures organizing international trade will suffice" to serve the UNCTAD objectives for commodity agreements. The paper consequently considers also other more general measures including possible compensatory measures - discussion of which forms the next section of the present paper.

B. <u>Compensatory Financing</u>

47. The trade problems of the developing countries have been described earlier in this paper. Essentially, as things now stand, these problems turn on the fact that the developing countries depend on exports of primary commodities to finance their economic development; and the prospects for primary exports are not encouraging. In the circumstances, as

has been described in this Appendix, attempts are being intensified to protect and promote export earnings by means of commodity agreements. These attempts have not hitherto been notoriously successful, and even if numerous agreements were concluded past experience does not suggest that ipso facto export earnings would be continuously protected. The importance to the planning of economic development of adequate and knowable levels of export earnings over some specified period of time has come to be increasingly appreciated. As a result, proposals for protecting and in a sense regularizing exchange earnings have moved beyond commodity agreements to various schemes for compensatory financing.

48. The basic purpose of schemes of compensatory financing is the provision of international funds from which adverse changes in international prices and/or export earnings of the low-income countries may be offset. Compensatory financing may be regarded either as a supplement to commodity agreements or as an alternative. As a supplement, the more successful commodity agreements are in achieving the UNCTAD objectives, the less the need for compensatory financing. As an alternative, compensatory financing schemes find their raison d'être in the argument that the market mechanism should be allowed to perform its allocative functions unimpeded and that any untoward welfare consequences should be otherwise adjusted.

49. The earliest of what might be termed recent proposals for compensatory finance was made in 1953 and the latest to be examined here originated with a motion jointly sponsored by the UK and Sweden at the 1964 meeting of UNCTAD. Although the various proposals have a common central purpose they vary in detail. An attempt has been made in Chart 1 to describe the characteristics of the main proposals formulated between 1953 and the present.[1/] From the chart it is evident

1/ The proposals listed in the chart are designated according to their authors for convenience. For fuller details of the proposals reference should be made to the two documents cited at the foot of the chart.

Chart 1 - A Classification of Compensatory Finance Schemes

Characteristics of Proposals / Financing linked to	Doctrinal: Justice	Doctrinal: Need	Financial: Yes	Financial: No	Reimbursable: Yes	Reimbursable: No	Mechanism: Automatic	Mechanism: Discretionary
(i) Prices:								
(a) of Individual Commodities								
Hazelwood (2)[1/]		X	X			X	X	
Kahn (3)		X	X			X	X	
Meade (8)		X	X			X	X	
(b) Terms of Trade								
Olano (1)	X		X			X	X	
Prebisch (7)	X		X			X		X
(ii) Export Earnings:								
(a) Short-Term								
UN DIF-Loan (4)		X	X		X		X	
OAS Group (5)		X	X		X		X	
IMF Facility (6)		X	X		X			X
(b) Longer-Run								
UK/Sweden/IBRD(9)		X	X		X			X
UN DIF-Grant (4)		X	X			X	X	

Based on Lovasy, IMF Staff Papers, July 1965 and Supplementary Financial Measures, IBRD, December, 1965.

1/ The numbers in brackets indicate chronology.

that compensatory financing may be related to prices - either of individual commodities or in the form of the terms of trade - or to overall export earnings - either short or long term. Price compensation for individual commodities has already been discussed in some detail in Chapter II of the main paper. The 1953 proposals by Olano sought to correct the undesirable effects of fundamental changes and could in principle operate in both directions as between developed and developing countries. The more recent proposals by Dr. Prebisch on the terms of trade reflect a pessimism about the secular relationship between the prices of primary products and manufactured goods; they consequently suggest flows of funds in one direction only and foresee transfers from the developed countries which have gained from improvements in their terms of trade to the developing countries which have lost from a deterioration in their terms of trade. The fundamental aim of a compensatory scheme according to Dr. Prebisch "should be to maintain the total purchasing power of the external resources accruing to developing countries through their exports."1/ The compensatory transfers should serve development and should be related to development plans. It would be necessary for a country experiencing a deterioration in the terms of trade to re-appraise its development programme. However, "the important point is that the country should know in advance that, subject to the fulfilment of certain conditions, it can count on the necessary funds to offset the consequences of deterioration."2/

50. Compensatory schemes which focus on total export earnings rather than prices fall logically into short- and long-run categories. The

1/ UN (E/CONF. 46/3), Towards a New Trade Policy for Development, p. 80.

2/ Ibid., p. 82.

former are essentially concerned with fluctuations about the long-run trend, the latter with the trend itself. Both the short- and long-run proposals are the subject of basic technical problems, chief among which is the definition of export shortfall. By now an almost conventional solution to this problem consists of relating a weighted or unweighted average of exports for a number of past years to export performance for a specified number of future years.

51. The characteristics of the various proposals listed in Chart 1 provide convenient summary headings for a number of important questions which arise in connection with all kinds of compensatory schemes. Possibly least important is the question of motive. Two kinds of motive are recognized under the general heading of doctrinal in Chart 1. The basic difference between proposals based on a desire for justice and those more prosaically recognizing a need turns on the view taken of the working of the international economic system. The demand for justice reflects a strong and unfavourable judgment on the working of the system; the recognition of need is at most agnostic on the question and frequently in fact springs from a general faith.

52. All the proposals listed in Chart 1 are financial in character - that is to say they envisage that compensation will take the form of a flow of funds. The alternative to such proposals is a system of organized markets such as that already discussed in this Appendix. Again the difference between the two general schemes turns on views as to the efficiency of the market mechanism. Root-and-branch protagonists of the organized market system believe that the market mechanism is to blame for international trade problems and that thorough-going intervention in the market is necessary; and proponents of financial schemes, while recognizing the possibility of untoward results, tend to believe that it is not possible by administrative means to improve on the allocative efficiency of the price mechanism. This

is clearly an important issue judgment on which, in the present state of knowledge, tends to be partly subjective; and the resolution of which will probably turn as much on political as economic factors.

53. A sharp distinction emerges from Chart 1 between proposals under which compensation is reimbursable and proposals under which it is not. Generally speaking, schemes for price compensation do not call for reimbursement; those related to export earnings do. To some extent, at least as far as schemes related to individual commodities are concerned, this difference arises because it is envisaged that compensation may flow in two directions - from developed to developing countries when prices are low and in the opposite direction when prices are high in relation to some specified standard. The pros and cons of reimbursement could be argued at length. From the point of view of the developing countries, the impact of reimbursement will greatly depend on the course of their export earnings. If these generally are tending downwards reimbursement would clearly be burdensome, the more so the more rigid the requirement to repay.

54. Proposals for compensatory financing may be further classified according to whether their provisions are intended to apply automatically in specified circumstances or whether such application is meant to be discretionary. From the point of view of developing countries automatic mechanisms have the great advantage of providing certainty that help will be forthcoming in the case of need. The main argument for discretionary mechanisms is the desire to link compensatory financing with economic development and to ensure that any particular country will, in all the circumstances, maximize its effort to promote growth. A more cynical argument turns on the belief that the existence of automatic compensation will discourage effort and a due regard for the need for prudent economic policies.

55. The discussion of compensatory financing may be usefully rounded off by considering in somewhat greater detail the study by the International Bank for Reconstruction and Development on Supplementary Financial Measures. This study had its origin in a resolution jointly sponsored by the United Kingdom and Sweden at the Geneva Conference where it was specified that any resultant scheme "should aim to deal with problems arising from adverse movements in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support." By adverse movement was meant "a shortfall from reasonable expectations" and the basic intent of the scheme was seen as being "to provide longer term assistance to developing countries which would help them to avoid disruption of their development programs."

56. The IBRD study first establishes that there is a need for such supplementary financing and then details a scheme which, in the opinion of its authors, "is designed to be a practicable way of helping developing countries overcome the problem of unexpected shortfalls in their export earnings that result in disruption of sound development programs." It is early made clear in the study that proposals under the scheme should supplement and not displace existing forms of aid; and, indeed, a consideration of the differences between the two kinds of financing helps to make clear the nature of the IBRD scheme. Existing aid is, in principle, designed to provide the necessary development financing over and above that accruing from exports, invisible earnings and inflows of private capital. In providing for future aid flows donor and recipient countries should allow for expected changes in export and invisible earnings and for changes in private foreign investment. In an uncertain world, however, the best laid forecasts can be confounded; and the purpose of supplementary financing is to provide foreign exchange when export earnings - the usual main source of foreign exchange - turn out to be persistently less than expected

for reasons beyond the control of the developing country. Under the IBRD scheme financing is also supplementary in the sense that it would only be provided after other resources - such as the country's existing exchange reserves and credit with the IMF - have been drawn on.

57. Membership of the Scheme proposed in the IBRD report would be open to all developing countries; and technically, the basis of the Scheme would be the calculation of export shortfalls. The appropriate period on which to base such calculations would be the duration of a development plan - five to ten years; and it is suggested that a standard expectation for export earnings might be derived by using and refining techniques employed by the IBRD in making commodity forecasts in the past. Essentially these consist of combining consumption functions for primary commodities with what information is available on the supply situation. Within the planning period the unit for measuring shortfalls would be one year, and "overages" would, within one planning period, be offset against shortfalls. A developing country experiencing persistent shortfalls throughout a planning period would go into long-term debt with the Agency administering the IBRD Scheme; one experiencing shortfalls followed by "overages" would repay within the period. "Overages" would not be carried forward from one period to another.

58. In terms of Chart 1, the IBRD Scheme is intended to be discretionary rather than automatic in its operation. It is, indeed, a very strong feature of the Scheme that entitlement to benefit under it would depend on the willingness of the developing countries to enter into an understanding with the administering Agency concerning:

(i) its export expectations;

(ii) its development programme and the policies by means of which it is to be implemented; and

(iii) the feasible adjustments which can be made in the event of unexpected shortfalls in export earnings without disrupting the agreed development programme.

59. By basing its discretionary features on prior agreement, it is claimed for the Scheme that it would avoid the uncertainty normally associated with discretionary measures; and that, provided only it gave in effect the necessary undertaking to order its affairs to the satisfaction of the Agency, any developing country could be certain of the fact that - and the extent to which - it would receive help in appropriate circumstances from the Agency. It is, nevertheless, clear that the IBRD proposals would give the Agency the right to interfere deeply in the economic affairs of the developing nations. Apart from any other questions as to the propriety of this, it is worth remarking that, as the authors of the Scheme themselves recognize, although important, the proposed supplementary financing is relatively small in relation to total aid requirements. It is, for example, pointed out in the IBRD report that the Bank has estimated that, over the next five years, the developing countries could effectively use an <u>additional</u> U.S. $3 billion per year; the estimates of funds required to support the supplementary financial measures are of the order of U.S. $300-400 million per annum.

C. <u>Commodity Prospects</u>

60. The structure of African primary commodity exports has already been described and discussed in Chapter III of this paper; and some commodity problems have already been touched on earlier in this Appendix. The purpose of the present section is to supplement the earlier discussion by examining, in short compass, the problems and prospects of a number of primary commodities of particular present interest to Africa.

(a) Petroleum

61. Crude petroleum has accounted for a growing and important share of the value of African exports. From negligible proportions in 1955 this share has grown to around 14 per cent in 1962 by which time crude petroleum was Africa's leading primary export. This being so, it is particularly unfortunate that the problems associated with the marketing of petrol are complex and, relatively speaking, little studied.

62. As far as organization is concerned, there exists an Organization of Petroleum Exporting Countries (OPEC), of which Libya is the only African member. OPEC affords the exporting countries a common forum from which to negotiate with the oil-producing companies. It is, however, currently somewhat in disarray and it has been unable to obtain agreement among its members on recent proposals for controlling production.

63. Crude petroleum differs from other primary products in the manner in which foreign exchange accrues to the exporting country. In general, the producing oil companies keep for themselves more than one-third of the export price, f.o.b., and the countries in which the petroleum originates benefit only from their share in the petroleum profits and from the disbursement of the companies for local operations. Apart from the "posted-prices" of the integrated companies, the price of crude petroleum has fallen since 1958. Data and studies on which to base estimates of future trends are scarce. Among forecasters, however, there seems - not very helpfully - to be two schools of thought: those who believe that the rate of growth of supply will be such as to cause prices to fall; and those who believe that demand will grow sufficiently to cause prices to rise. Further and more definitive study is clearly in the interests of Africa.

(b) Copper

64. In recent years the price of copper has been reasonably stable, although it fell in 1958 and 1961 and rose in 1964 and 1965. According to a recent study,[1/] the present structure of production and direction of trade in copper will remain unchanged over the next ten years. An increase of two-thirds, by volume, is, however, foreseen in this time in the export of copper from developing to developed countries; and by 1975 the volume of exports is expected to be double what it was in 1960. In value terms the rate of growth may be even higher as exports of refined copper grow in importance.

(c) Coffee

65. The price of coffee has been subject to fluctuation in recent years, although there is general agreement that the International Coffee Agreement has imparted a certain measure of stability that would otherwise have been lacking. In the longer run, as has already been suggested in the discussion of the Coffee Agreement, the prospects give cause for concern. Existing stocks are already high and - as the plantings effected since 1960 become productive - production will probably increase. In face of a slow growth in consumption the downward pressure on price is likely to be considerable; and the Coffee Agreement is likely fully to be tested. As evidenced by the tripartite study being undertaken by the FAO, IBRD and the International Coffee Organization, there is a growing awareness of the need for diversification of economic resources among coffee producers.

66. In speculating on the future of coffee, it is perhaps as well to remember that the marked recent expansion of African exports has largely been of robusta coffee; and that this expansion has taken place in circumstances where, by restriction, the price of Latin American

---

1/ B. Balassa, Trade Prospects for the Developing Countries, Homewood, Illinois, 1964.

arabica coffee has been maintained above the level it would have reached in a completely free market. It has been suggested that, if low-cost producers in Latin America were given their head, the price of robusta coffee would be forced down to a level which African farmers would find to be uneconomic.[1/] If this is the case, it follows that Africa has, if somewhat precariously, much to gain, at least in the short run from the successful operation of the Coffee Agreement. It follows equally that if the Agreement were to break down many African producers would find themselves quickly in an exposed position. It is, indeed, a sobering thought that "with the price of Brazils on a cost of production basis, robusta production in Africa may turn out to be very largely a transient phenomena."[2/]

(d) Cocoa

67. Much uneasiness is currently felt about the situation on the world cocoa market. At prices obtaining in recent years, production has palpably outpaced consumption and in 1965 the price of raw cocoa fell to its lowest level in twenty odd years. Understandably the UNCTAD Committee on Commodities has given much attention to cocoa; and the Working Party No. 1 (Prices and Quotas) of the UN Cocoa Conference proposed emergency action - comprising the establishment of a floor price for the 1965/66 season; the creation of special funds to aid cocoa producers ride the storm; the examination of marketing possibilities in the centrally-planned economies of Eastern Europe; and the immediate suppression of all tariffs and fiscal duties on cocoa in the developed countries. Agreement on these proposals was not forthcoming and, for

---

1/ J.W.F. Rowe, The Coffee Industries of East Africa in the World Market Setting in African Primary Products and International Trade (ed. Stewart and Orde), Edinburgh, 1965.

2/ Rowe, ibid.

the longer-term, a fully-fledged international agreement seems to be the subject of intractable problems. It is true that, even in the absence of agreement and special measures, cocoa prices have recovered substantially from their crisis level of 1965. The long-run outlook is, nevertheless, far from promising.

(e) Wine

68. Algeria supplies more than 80 per cent of the volume of wine exported from Africa and is, indeed, the largest wine exporter in the world - accounting, between 1958 and 1961, for about one-third of the world total. In 1962 wine provided some 30 per cent of Algeria's total export earnings.

69. The bulk of Algerian exports go to France where Algerian wine is blended with French. Following representations from French wine growers to the French Government, French imports of Algerian wine have declined significantly - by about a half in 1963. Negotiations are being conducted between the two governments with a view to establishing acceptable quotas and prices. Given its importance in intra-African trade, it is clear that the prosperity of Algeria is a matter of concern to other African countries which have consequently a strong interest in the Algerian wine trade.

(f) Wood

70. The prospects for timber exports have been fairly well surveyed in recent years[1/] and the consensus of informed opinion is that the outlook for African exports over the next ten to fifteen years is good. The bulk of African exports go to Europe; and the recent studies suggest that European wood requirements are going to rise rapidly between

---

1/ See, for example, ECA, African Timber Trends and Prospects (E/CN.14/272), and FAO Prospects for Expanding Forest Product Exports from Developing Countries, 1963.

now and 1975 with the result that Europe's current timber deficit - given projected production and policies - will grow over this period. The growth in requirements is expected to comprise sawnwood, plywood and veneers, particle board and fibreboard, and pulp and paper. There is thus a suggestion that African countries should be able to expand their traditional wood exports and to branch out into new fields. The latter process may be helped by domestic developments. In value terms Africa currently has a net deficit in its timber trade largely because it exchanges unprocessed for processed products. As African economic development proceeds, African demand for processed wood will grow probably more than pari passu. If advantage can be taken of this growing domestic demand to promote manufacturing activities much might be made of the European export opportunities. The promotion of manufacturing activities would, of course, be facilitated if the European and other developed countries were to reduce or abolish their tariffs on finished products.

D. Conclusions

71. Thus far this Appendix has surveyed the characteristics and problems of commodity agreements, examined the nature and relevance of proposals for compensatory financing, and discussed briefly the future prospects for six leading primary products which together account for 50 per cent of Africa's total exports. The purpose of this section is to draw conclusions from the foregoing discussion.

72. As far as commodity agreements are concerned it may be said at once that, if African economic development is constrained by the prospects of its primary commodity exports and these prospects depend in turn on the successful conclusion and operation of international commodity agreements, then there is considerable room for despondency. In terms of coverage, an examination of Table 1.2 of Appendix A suggests that about 11 per cent (by value) of African exports of primary commodities are now covered by commodity agreements; if, on an optimistic

view of current negotiations, cocoa is added the percentage rises to almost 18 per cent. Even then more than 80 per cent of Africa's primary exports are not covered by commodity agreements; and it would require a high degree of boldness to suggest that considerable extension is coverage is likely.

73. It has already been pointed out that the Coffee Agreement - which covers some 8 per cent of African primary exports - is likely to come under increasing pressure and that if it cracks many African producers will fare badly; argument could be made that, at least in the foreseeable future, the tin agreement will constrain rather than expand export earnings; and it has to be recognized that what protection at present is afforded to earnings from African sugar comes almost entirely from partial and preferential agreements which UNCTAD would like ultimately to see abolished. More generally, the historical experience of existing commodity agreements and the palpable difficulties surrounding present negotiations do not encourage optimism regarding future expansion. Whatever may be said for the sake of diplomatic argument, the advantages to the developed countries, given the sophistication of their economies, of commodity agreements is marginal; and as for the developing countries, either the prospects for their commodity exports are good in which case commodity agreements tend to be redundant, or the prospects are bad in which case agreements tend to be unworkable. It may, of course, be argued that attempts at commodity agreements have been less than wholly successful because of the piecemeal approach adopted hitherto. The presumption must be, however, that if such agreements are difficult to negotiate so, a fortiori, is a multitude of agreements. This is perhaps especially so since the French view of international markets is not widely shared among the developed countries.

74. Proposals for compensatory financing have arisen to some extent from disenchantment with commodity agreements; and there is no doubt that Africa could benefit from such financing - though some countries more than others and to different extents from different schemes. In a paper prepared in 1964 before the first UNCTAD, two economists working in East Africa estimated that if the United Nations Development Insurance Fund had been in operation between 1952 and 1962, then Uganda would have received benefits to something like twice the value of the premiums paid to the Fund, while Kenya and Tanganyika would have roughly broken even.[1] The same study also estimated that if the OAS Scheme had been in operation over the same period than all three countries would have had more stable export earnings. Similarly some illustrative material presented in the IBRD report on Supplementary Financial Measures[2] suggest that if the World Bank Scheme had been in operation between 1950 and 1963 export receipts in Tanzania (Tanganyika) and the Sudan would have been more stable than was, in fact, the case. The Sudan, in particular, would have benefitted between 1956 and 1963 when actual exports were consistently below the IBRD projection.

75. The various schemes for compensatory financing deserve careful study; and a simulation exercise which put magnitudes on the likely benefits accruing to Africa and African countries would be a worthwhile undertaking. It is, however, important to realize that the prospect of benefit in principle is very different from actual benefit in practice. Compensatory financing is obviously not without its

---

1/ Clark and Kyesimira, Compensatory Financing for Export Fluctuations, East Africa Institute of Social Research, 1964.

2/ IBRD, op. cit., pp. 35-36.

dangers and difficulties; and it is salutary to remark that of all the proposals listed in Chart 1, only the IMF facility is operational - and being short-term in its coverage and narrow in its range, it is one of the least generous of the schemes. The IBRD study is clearly a serious attempt to produce a workable scheme; it has, however, already been pointed out that it contains features which will not readily commend themselves to developing countries.

76. The sample of commodities examined in the previous section of this Appendix is not necessarily representative, although it does cover 50 per cent of African export values. From the sample it is possible to conclude that future prospects for African primary commodities are mixed. The future prospects of two commodities - copper and wood, accounting for 16 per cent of total exports in 1962 - are good; for two other commodities - petroleum and wine (19 per cent of the total in 1962) - the prospects are uncertain; and for the remaining two commodities - coffee and cocoa (15 per cent of the 1962 total) - the best that can be said are that the prospects are discouraging. The fact that there are primary commodities with reasonable future prospects serves to offset to some extent the pessimism that attaches to an assessment of prospects for extending commodity agreements.

77. In examining the future prospects for commodities the production of which currently deploy the bulk of African economic resources, in pondering the problems of international commodity agreements and in considering the pros and cons of proposals for compensatory finance, it is important not to lose sight of the fundamental problem. This is, quite simply, the promotion of economic growth in Africa. This presupposes the transformation of African economies since, as at present structured, the standard of living these economies generate is intolerably low. It is thus necessary to transfer resources out of existing lines of activity, not merely because the products of the re-

sources as they are presently deployed have indifferent prospects in international trade, but also because the existing economic structures are less conducive to rapid growth than plausible alternatives. What is in issue is the most appropriate means of financing the transition.

78. International commodity agreements and compensatory finance schemes are clearly possible instruments of transition. Enough has been said, however, to suggest that they will not necessarily be successful ones. It is logical, therefore, to ask what are the alternatives. The starting point for an answer is the recognition of the fact that both commodity agreements and supplementary financial measures can be viewed as rather complex and indirect means of channelling aid from developed to developing countries. The question can, therefore, be reformulated to ask whether it is possible to devise an alternative system which would induce aid to flow in the desired amounts and in appropriate fashion. One possible answer in short compass is the establishment of an international fiscal system. This has hitherto been regarded as rather Utopian. It would, however, have certain advantages, not least of which would be that it could focus directly on the fundamental problem of promoting growth and, if successfully organized, it would offer more scope for financing economic transition than the narrower arrangements obtainable by commodity agreements and compensatory financing.[1/] An international fiscal system would "internationalize" aid and would, even if it meant international scrutiny of development plans and progress, avoid the difficulties and dangers of present bilateral arrangements. It is indeed possible fruitfully to think of an international aid system as a logical extension of the IBRD's notion of an Agency for disbursing supplementary financial assistance. International scrutiny and suggestion, if it is dis-

---

1/ Some study has already been undertaken of international fiscal schemes. See, for example, Dosser, Towards a Theory of International Public Finance, Kyklos, 1963 and Seers, International Aid, Modern Africa Studies, 1964.

passionate, can be helpful; and if the developing countries are inclined to feel irked they can draw comfort perhaps from two thoughts: that, pace the present situation in the United Kingdom, even developed countries have sometimes to brook international advice and comment; and that if the cost is irksome the gains are high.

79. It has, of course, to be recognized that attempts to create an international fiscal system would confront very considerable difficulties. Dr. Nicolas Kaldor has calculated 1/ that to fill the likely trade gap of the developing countries by aid would require a relative increase in net lending that is more than twice as high as the projected rates of growth of their national product. Although even this volume of aid would be but a small proportion of the GNP of the developed countries, it would, on present indications, place a severe strain on their political will. Against this it may be remarked that commodity agreements also invoke political will and there is no reason, a priori, why the will should be less forthcoming for extended aid than for commodity agreements. Indeed, since it does not provoke the hostility of specific pressure groups in the developed countries and since it may seem more rational and direct, extended aid may stand the better chance of support. At all events, even if only faute de mieux, it may be argued that the establishment of an international fiscal system should be placed high on the UNCTAD agenda; and it should be recognized that Africa, as the developing region most vulnerable to the sluggish growth of primary exports and unsuccessful or non-existent commodity agreements, would have most to gain from the successful prosecution of such a scheme.

1/ International Trade and Economic Development, Modern Africa Studies, 1964.

The Export of Manufactured Goods

1. The previous Appendix ended with an argument that, given the difficulties attending schemes for international commodity agreements and supplementary financial measures, developing countries, particularly those in Africa, might do well to seek extensive, internationally-organized aid to finance the economic transition from the present low levels of per capita income to self-sustaining growth. It bears repeating that what is being financed is a transition and it bears emphasis that developing countries should not, for a number of reasons, come to depend in any permanent way on massive injections of foreign aid as the mainstay of their economic progress. The purpose of aid is to permit economic transformation and unless this is achieved the whole system will, sooner or later, collapse.

2. A UN study cited earlier in this paper hypothetically projected the initial gap on current account for the developing countries from an observed U.S. $4.9 billion in 1960 to an estimated U.S. $20 billion in 1970.[1/] The corresponding figures for Africa are U.S. $2.0 billion and U.S. $6.0 billion respectively. These projections are based on the observed trends of the 1950's and the assumption that no effective policies will be devised to improve the position by 1970. Making implicitly the same assumptions, Dr. Kaldor has calculated that if the UN projections are carried forward to 1980 the result would be an initial gap on current account of U.S. $57 billion.[2/] Assuming the same relative distribution as that estimated for 1970, Africa's share of the 1980 gap would be U.S. $17.1 billion. Trade deficits of this magnitude would not be readily supportable by foreign aid, or even by foreign aid and private investment. It follows from this that part of the necessary structural transformation of the developing economies -

1/ UN World Economic Survey, 1963, Ch. 3.

2/ Kaldor, op. cit.

to be financed by aid and/or other means - is significant structural change in the foreign sector.

3. What is reasonably clear is that, given the low demand elasticities and the other impediments that confront the primary exports of the developing countries in their traditional markets in the developed economies, any substantial reduction of the trade gap will depend on diversification of markets and products. There is some reason to hope - given statements made at Geneva and subsequently - that the exports of primary produce to the centrally-planned economies can be substantially increased over the next decade or so. But even substantial increases in this direction, starting as they do from a very low base, would have but a moderate impact on the overall rate of growth of primary exports.[1/] Similarly the developing countries as a group could lessen their trade gap with the developed countries by trading more among themselves. It is necessary, however, to remember that the process of growth in the developing countries implies the need for increasing quantities of imports - perhaps over a long period six per cent more in any one year than in the previous year - from the developed countries; and to recognize that greatly increased trade with the centrally-planned economies and among the developing countries themselves would still leave a very considerable gap between the rates at which imports and exports were growing.

4. In this circumstance a very significant increase in the exports of manufactured goods from the developing countries to the developed becomes crucial, and it is the purpose of this Appendix to introduce, though certainly not to exhaust, a discussion of the export of manufactures from Africa. The remainder of the Appendix is in two parts: the first presents and discusses some basic statistics pertaining to

---

1/ Thus Kaldor, op. cit., suggests that by 1980 the annual rate of increase in aggregate of primary exports might be 3.8 per cent as compared to 3.0 per cent.

the present situation, and the second contains some more general thoughts for the future.

A. Some Basic Statistics

5. Some basic information on the imports of manufactured goods into the developed countries in 1963 is given in Tables 1.10 to 1.13. For the most part this information is based on a recent and extremely useful UNCTAD publication.1/ It was, however, found necessary to adjust the UNCTAD materials at two points. In the first place the UNCTAD publication, being based primarily on statistics of the developed countries, was somewhat prone to overestimate, in effect, the exports of developing countries, and some consequent changes have been made for African countries. In the second place UNCTAD construed manufactures very broadly and it was deemed desirable to exclude from the UNCTAD lists commodities which had already been included as primary exports in Table 1.2 of the present study. It should be noted that such exclusions affect the comparative standing of the developing regions as exporters of manufactured goods. The easiest way to define manufactures is to regard any processing, however slight, of raw materials as an act of manufacturing. Such a definition is, however, not the most useful in the context of economic development; and the rationale of the present exclusions is that the degree of value added by such processing as takes place is slight and that the commodity remains to all intents and purposes a primary product.

6. The origin of manufactured goods imported into the developed countries in 1963 is shown in Table 1.10. It is known that imports of manufactured goods from the centrally-planned economies are relatively small and it is consequently obvious that the developed countries are themselves by far-and-away the most important suppliers of their own

---

1/ UNCTAD/MD/MISC.1: Statistics of Imports of Semi-Manufactures and Manufactures from Developing into Selected Developed Countries, 1963.

import requirements for manufactured goods. In total the developing countries provided 7.5 per cent of manufactured imports into the developed countries in 1963. The African share was 0.6 per cent and, as things are at present constituted, the stake of the other developing regions in the manufacturing markets of the developed countries are much greater. In fact both the American and Asian regions currently outsell Africa in the ratio of 6:1.

7. Not only do the other developing regions sell more manufactured goods absolutely than Africa in the developed countries; but such goods also loom larger in their total exports than is the case for Africa. As may be seen from Table 1.11 exports of manufactures to the developed countries accounted for about 5 per cent of African total exports in 1963. The corresponding figures for the American and Asian regions are 15 per cent and 14 per cent respectively. It follows that if the promotion of manufactured exports are crucial for the future then Africa has, relatively speaking, further to go than the other two regions.

8. (Developed) country and commodity details are given in Table 1.12 for the manufactured goods imported by the developed countries from Africa in 1963. Somewhat surprisingly the commodity concentration of African manufactured exports is as great as the concentration of primary products. Thus for manufactures, the leading five and ten commodities account for 40.4 per cent and 67.3 per cent of the total value of manufacturing exports respectively; and the relevant figures for primary exports are 46.0 per cent and 63.1 per cent respectively. African exports of manufactured products are also markedly concentrated as between the developed markets. France alone accounts for 41.3 of the total imports from Africa; France and the United Kingdom together are responsible for 59.0 per cent; and the addition of the United States brings the share accounted for up to 71.3 per cent. Looking at the matter somewhat differently, it is clear from the Table that Africa's largest market is in Europe. Thus the United Kingdom and the EEC

countries together imported more than three-quarters by value of Africa's exports to all developed markets in 1963. If the other European countries are included, more than 83 per cent of the total is thus covered.

9. Not surprisingly, products of heavy industry are of no substantial weight in African exports of manufactured goods. As may be seen from Table 1.12A, exports of processed foods account for almost one-third of the total and exports of manufactures classified mainly by materials for another third. From inspection of the individual commodities in these SITC sections in Table 1.12 it is evident that much of Africa's exports of manufactures consists of very simply processed goods. This is no doubt a natural development in a continent which made its entry to the international economy via the export of primary products. It has, however, serious implications for economic development. The slighter the degree of processing the less the "value-added" thereby, the less intense the training of the labour force and probably the less powerful the impact on the rest of the economy. Much more and much more serious study is required of this problem. There is, however, strong presumption in Table 1.12 that if African economic growth is to proceed at a reasonable pace and if the African trade position is to be improved, then it will not be sufficient merely to expand existing African exports. Structural transformation of these exports will also be required.

10. For each of the commodities or groups of commodities listed in Table 1.12, Africa's share by value of the imports into developed countries from all sources and from the developing countries respectively is shown. As far as the proportions from all sources are concerned, the figures for individual commodities confirm the general impression that the African foothold in the developed markets for manufactures is small. Thus only two commodities - the one (coins not being legal tender) being rather eccentric and accounting for 25 per cent of all

imports into the developed markets of its kind, and the other (meal and flour of wheat) being more orthodox and accounting for 12.4 per cent of the relevant total - were responsible in 1963 for more than 10 per cent of their respective import totals. Six commodities - fish in airtight containers, inorganic chemicals, meat in airtight containers, preserved vegetables, essential oils and cotton yarn and thread - accounted for between 5 and 10 per cent of total imports from all sources into the developed countries. A further sixteen commodities mustered shares amounting to between 1 and 5 per cent; and no fewer than forty commodities supplied less than 1 per cent by value of their total markets in the developed countries.

11. As might be expected, African exports of manufactures loom larger in the totals of manufacturing exports flowing from all developing countries to all developed countries. Even so, however, African exports are very far from being in a dominant position. In terms of SITC sections, Africa does best, as may be seen from Table 1.12A, in the export of inedible crude materials (except fuels), which are, by definition, not highly processed goods. Africa, in fact, supplied almost 37 per cent of the imports of such materials from the developing countries by the developed countries in 1963. Miscellaneous manufacturing exports from Africa accounted for 29 per cent of such imports by the developed countries from all developing sources; and something like 25 per cent of the processed foods bought by developed from developing countries in 1963 came from Africa. Apart from animal and vegetable oils and fats - exports of which from Africa in 1963 accounted for almost 17 per cent of the relevant total - African shares among the developing countries for the other SITC sections were less than 10 per cent.

12. There is, as may be seen from Table 1.13, considerable variation in the relative importance of manufactured goods in total exports of the various African countries. Because of its aluminium, Guinea easily

heads the list with 41.7 per cent of its exports leaving the country in manufactured form.[1] Such a high proportion of manufactured goods in total exports is unusual among African countries; and only Liberia, with manufactured goods comprising almost 20 per cent of its export total, comes anywhere near to matching it. Mozambique, Tunisia, Madagascar, Kenya and Niger export manufactures to the extent of between 10 and 11 per cent of their respective totals; and Algeria, the Equatorial Customs Union, Ethiopia, Senegal, the United Arab Republic and the former Federation of Rhodesia and Nyasaland all have manufactured goods accounting for between 5 and 10 per cent of their export totals. In the remaining twenty countries listed in Table 1.13, manufactured goods are responsible for less - and for the most part considerably less - than 5 per cent of the export totals.

B. The Development of Manufactured Exports from Africa

13. It should be obvious that existing trade statistics are of limited relevance to the future development of manufactured exports from Africa. Indeed the main usefulness of the current statistics is as an indicator to the direction in which changes are necessary and as a measure of the extent of the distance to be covered. Whatever view is taken of the future of primary products and of the role of foreign aid and foreign investments, neither African countries nor the ECA are in any danger of underestimating the importance of industrialization and the diversification of traditional export patterns. Under the auspices of ECA a series of regional meetings is now in progress at which plans are being laid to promote accelerated industrial growth which will make the best use of regional resources and opportunities. The successful

1/ The actual proportion of manufactures will be higher since Guinea exports aluminium to other African countries. In general it has to be remembered that the computations of Table 1.13 are based on manufacturing exports to the developed countries.

implementation of such plans will do much, in time, to improve African export prospects. Meanwhile, it will serve useful purpose to examine some general considerations which relate to the promotion of manufactured exports from developing countries and to reflect further on the African position among developing regions.

14. Generally speaking, there are two main obstacles to the promotion of exports of manufactured goods from the developing to the developed countries: the need to achieve price competitiveness with goods manufactured in the developed countries; and the tariff, fiscal and quota impediments with which developed markets tend to be protected from imports from the developing regions. The two difficulties are, of course, related. The development of highly efficient industry in developing countries could, within limits, make tariff and other barriers in the developed countries largely ineffective; and, in principle, tariff and other barriers could be made sufficiently restrictive to keep out the products of even the most efficient industries. Since efficiency, in the sense of low-cost production, is difficult to secure in the early stages of industrialization, the two obstacles in the early and crucial stages will tend to re-inforce one another. Thus even if, as is likely, industrial production can be deliberately raised in the developing countries it does not automatically follow that their exports of manufactured goods will increase pari passu.

15. It is well known that in the early stages of industrial activity, labour productivity is low and that, even if wages are low, manufacturing costs can be high. It is also well known that, as industrialization proceeds the costs of manufacturing tend to fall. This is partly because the growth of manufacturing makes for economies of scale, but also, and more importantly because, with experience the factors of production, including labour, are used more efficiently. This difference between the initial and subsequent situations is the foundation for the infant-industry argument under which early industrial effort is protected from

foreign competition by means of tariffs or quantitative restrictions. The infant-industry argument has long been a respectable part of Western economic practice. There is, therefore, no reason why the developed should deny the developing countries the right to protect their infant industries. It is, however, important to remember that infant industries, especially if they are to be export-orientated, are expected to grow up. As the evidence of some Latin American countries has shown protected industrial development based solely on import substitution can be stultifying; and in the context of their growth aspirations and related trade problems every industrializing and developing country must do what it can to promote industrial efficiency. This is partly a question of domestic economic policy and partly a question of willingness to join in wider economic groupings in order that industrial effort can be based on wider than national markets.

16. The barriers applied by developed countries to manufactured imports from developing countries are doubly irrational: they are based on a fallacy; and they are inconsistent with other policy aims of the developed countries. Behind the barriers lies the fear that imports of cheap manufactures from the developing countries will somehow threaten standards of living of the developed. It is, of course, true that competition from imported manufactures can threaten particular industries in developed countries; the British textile industry has, for this reason, been in relative decline for over fifty years. A modicum of faith, however, in the flexibility of the developed economies and an informed view of the prospects for a fully-employed increasingly rich world economy leads to the realization that increasing the flow of manufactured imports from the developing to the developed countries will in the long run enrich both alike. Although argument may be made that the level of aid given by the developed to developing countries is inadequate there can be no doubting its intention. Aid is unequivocally meant to promote economic growth. It is, however,

the argument of this Appendix that the promotion of growth crucially depends on the export of manufactured goods; and there is an obvious inconsistency in simultaneously giving aid and artificially restricting manufactured imports. In terms of their liberal pretensions their self-interest and consistency of policy objectives, the developed countries really ought to abolish existing restrictions.

17. Given that industrialization and the promotion of manufactured exports are crucial elements in the promotion of economic growth in the developing countries, it follows from the tables already discussed in this Appendix and from what is otherwise known, that, of all the developing regions Africa has furthest to go. This is true both in terms of the relative importance of <u>any kind</u> of manufacturing now taking place in Africa and also in terms of the degree of sophistication of manufacturing activity. There are certain implications in this situation, the most obvious of which is that Africa is most in need of aid to finance its economic transition. The second important implication of the existing differences in economic structure is that certain of the measures now being pressed by UNCTAD - with, of course, the approval of all developing countries - might just, if successful, widen the existing gaps among the developing regions. Undiscriminating preferences granted to all developing countries and equal access to all developed markets for the manufactured products of all developing countries would presumptively favour the most developed - as measured by the relative importance of manufacturing in total economic activity - of the developing regions; and there is some danger that Africa would be left at the post. To some extent, if this happened, Africa might recoup itself by capturing an increased share of the primary product markets. It is, however, an open question as to how far this would be in Africa's long-term economic interests.

Table 1.10

Origin of Manufactured Goods 1/ Imported into Selected Developed Countries from Developing Regions, 1963

REGION	Value in million US $	Percentage
World	52,980.1	100.0
Africa	318.7	0.6
American developing countries	1,735.2	3.3
Asia	1,892.9	3.6

Source: UNCTAD/MD/MISC.1: Statistics of imports of semi-manufactures and manufactures from developing countries into selected developed countries in 1963.

1/ Excluded from the UNCTAD list of manufactures are the following groups of the SITC: 072.2; 072.3; 231.2; 231.3; 243; 266; 351; 681 through 689; 012; 052; 111; 112.

Table 1.11

Total Exports and Exports of Manufactures 1/ to Selected Developed Countries from Developing Regions, 1963
(in million US $)

	Total exports	Exports of manufactures 1/	Percentage
Africa	6,144	318.7	5.2
America	11,290	1,735.2	15.4
Asia	13,828	1,892.9	13.7

Source: UN Monthly Bulletin of Statistics, March 1965; UNCTAD/MD/MISC.1; ECA, Economic Bulletin for Africa, Vol. VII; IMF, International Financial Statistics, August 1965.

1/ Excluded from the UNCTAD list of manufactures are the following groups of the SITC: 072.2; 072.3; 231.2; 231.3; 243; 266; 351; 681 through 689; 012; 052; 111; 112.

Table 1.12

Imports of Manufactured Goods into Selected Developed Countries from Africa (excluding South Africa) 1963

(US $ '000)

Commodity	SITC	Belgium and Luxembourg	France	West Germany	Italy	Netherlands	United Kingdom	Norway	Sweden	Denmark	Austria	Switzerland	Portugal	Finland	Canada	U S A	Australia	Japan	New Zealand	TOTAL	Rank 1/	% share of total	Cumulative Share	Africa's share by value of imports from: All Sources	D'ing Countries
Fish in airtight containers	032	429	22,009	2,063	3,866	169	43	3	36	-	253	177	10	225	17	967	-	-	-	30,267	1	9.9	9.9	9.1	56.3
Inorganic chemicals	513	-	7,352	3,747	445	-	11	8,192	-	-	2,555	22	-	-	-	2,299	-	-	-	24,623	2	8.1	18.0	5.9	39.3
Pearls and precious stones, worked or unworked	667	5,133	795	234	32	-	-	-	-	-	-	20	-	-	-	17,761	-	-	-	23,975	3	7.9	25.9	3.9	18.2
Petroleum products	332	962	15,437	1,197	1,393	204	1,936	-	-	-	-	-	1,627	-	-	1	207	-	-	22,964	4	7.5	33.4	0.7	1.4
Meat in airtight containers	013	-	2,057	659	1,011	86	17,262	-	7	-	-	221	-	-	58	-	-	-	-	21,361	5	7.0	40.4	5.3	15.6
Veneers, plywood board	631	95	3,006	1,206	28	473	9,424	162	39	13	4	28	-	-	1,550	2,810	-	-	-	18,838	6	6.2	46.6	4.6	22.9
Fruit, preserved & preparations	053	116	14,305	1,228	78	207	2,255	16	46	106	1	54	35	-	14	227	-	-	110	18,798	7	6.2	52.8	4.0	15.6
Vegetables, root & tubers, preserved or prepared, n.e.s.	055	70	13,099	1,036	325	163	2,345	16	46	28	10	556	18	-	12	249	118	-	-	18,091	8	5.9	58.7	7.0	24.8
Essential oils	551	2	8,744	258	22	222	1,109	-	-	-	-	581	-	-	1	2,405	-	-	-	13,344	9	4.4	63.1	7.9	27.2
Pig iron	671	63	-	-	36	26	2,300	-	-	-	39	-	-	-	777	316	158	9,227	-	12,942	10	4.2	67.3	3.0	35.3
Machinery and transport eq.	7	621	5,503	92	216	163	5,809	-	-	1	-	2	487	-	2	-	-	-	-	12,896 2/	11	4.2	71.5	0.1	8.1 3/
Cotton yarn & thread grey, not mercerized	651.3	2,274	-	3,117	1	199	371	473	1,280	759	129	19	-	-	-	955	-	-	-	9,577	12	3.1	74.6	8.1	38.9
Miscellaneous manufactured articles	8	193	1,656	1,066	178	429	1,675	6	100	82	27	137	-	-	21	2,244	-	-	-	7,814	13	2.5	77.1	0.1	1.5
Cotton fabrics, woven	652	2	57	146	777	205	932	44	89	132	105	56	-	-	50	4,457	106	-	-	7,158	14	2.3	79.4	1.0	4.4
Paper and paperboard	641	299	5,669	152	5	255	134	-	7	51	-	43	-	-	1	-	-	-	-	6,616	15	2.2	81.6	0.3	63.7
Meal and flour of wheat	046	-	6,077	-	-	349	-	-	-	-	-	-	-	-	-	-	-	-	-	6,426	16	2.1	83.7	12.4	99.3
Pulp and waste paper	251	517	1,623	445	213	329	1,033	2	-	-	10	16	382	-	-	2	-	125	-	4,967	17	1.6	85.3	3.9	40.1
Leather	611	8	2,690	123	26	3	1,565	-	-	9	40	60	2	-	-	216	-	-	-	4,742	18	1.6	86.9	1.4	6.4
Floor coverings, tapestries	657	28	877	1,242	27	89	30	9	89	13	55	1,353	-	-	88	264	-	-	-	4,164	19	1.4	88.3	1.2	3.9
Coins (other than gold) not being legal tender	961	-	-	-	1,863	-	2,093	-	-	-	-	-	93	-	-	-	-	-	-	4,049	20	1.3	89.6	25.1	29.3

(2)

(US $ '000)

Commodity	SITC	Belgium and Luxembourg	France	West Germany	Italy	Netherlands	United Kingdom	Norway	Sweden	Denmark	Austria	Switzerland	Portugal	Finland	Canada	U S A	Australia	Japan	New Zealand	TOTAL	Rank 1/	% share of total	Cumulative share	Africa's share by value of imports from: All Sources	Africa's share by value of imports from: D'ing Countries
Fertilizer, manufactured	561	-	2,589	-	74	413	-	-	-	-	-	-	38	-	-	5	-	-	-	3,119	21	1.0	90.6	0.7	19.9
Cereal preparations & preparations of flour	048	7	3,100	2	-	-	-	-	-	-	-	1	-	-	1	-	-	-	-	3,111	22	1.0	91.6	2.0	66.8
Animal and vegetable oils and fats	431	31	617	246	42	153	1,086	-	-	1	1	73	1	-	-	624	-	120	-	2,995	23	1.0	92.6	4.5	16.6
Articles of textile materials, n.e.s.	656	60	1,566	36	65	28	71	-	-	13	-	37	470	-	-	102	-	-	-	2,448	24	0.8	93.4	1.2	3.9
Chemicals, n.e.s.	599	24	1,400	55	86	17	90	-	480	1	-	76	146	-	42	-	-	-	-	2,417	25	0.8	94.2	0.3	7.2
Wood manufactures, n.e.s.	632	7	470	228	32	39	194	6	12	19	3	205	-	-	34	415	-	-	-	1,664	26	0.5	94.7	0.9	10.5
Cork manufactures	633	42	1,169	161	-	6	-	-	-	-	-	24	-	-	26	112	-	-	-	1,540	27	0.5	95.2	3.6	99.9
Waste materials from textile fabrics	267	272	226	192	161	82	552	-	-	-	-	5	-	-	-	33	-	-	-	1,523	28	0.5	95.7	1.6	28.6
Medicinal & pharmaceutical products	541	5	819	381	-	-	91	-	-	-	-	-	-	-	-	-	-	-	-	1,296	29	0.4	96.1	0.3	8.1
Organic chemicals	512	16	315	118	19	28	512	-	-	-	-	127	-	-	-	-	-	-	-	1,135	30	0.4	96.5	0.1	2.6
Cotton yarn & thread, bleached, dyed, mercerized	651.4	173	-	-	-	2	1	130	127	529	-	-	-	-	13	-	-	-	-	975	31	0.3	96.8	1.9	33.1
Manufactures of leather	612	36	136	529	26	78	11	1	8	11	13	58	-	-	1	49	-	-	-	957	32	0.3	97.1	2.4	35.4
Dyeing and tanning extracts	532	4	79	3	26	34	132	46	25	33	5	12	45	-	8	283	-	192	-	927	33	0.3	97.4	2.5	7.5
Iron and steel bars and rocks etc.	673	-	23	-	861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	884	34	0.3	97.7	0.1	5.9
Lime, cement, fabricated materials except glass & clay	661	-	265	-	560	-	-	-	-	-	-	-	-	-	-	-	-	-	-	825	35	0.3	98.0	0.6	14.0
Food preparations, n.e.s.	099	-	6	-	-	-	24	-	-	-	-	-	-	-	22	482	-	-	-	534	36	0.2	98.2	0.7	11.4
Household equipment of base metals	697	3	33	154	18	54	46	2	29	-	9	27	-	-	-	116	-	-	-	491	37	0.2	98.4	0.3	10.6
Tobacco manufactures	122	1	415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	416	38	0.1	98.5	0.5	4.6
Articles of rubber	629	-	110	1	19	9	160	-	3	12	-	6	-	-	-	40	-	-	-	360	39	0.1	98.6	0.1	9.1
Plastic materials	581	-	284	19	-	-	48	-	-	-	-	-	-	-	-	-	-	-	-	351	40	0.1	98.7	-	20.5

(US $ '000)

Commodity	SITC	Belgium and Luxembourg	France	West Germany	Italy	Netherlands	United Kingdom	Norway	Sweden	Denmark	Austria	Switzerland	Portugal	Finland	Canada	U S A	Australia	Japan	New Zealand	TOTAL	Rank/1/	% share of total	Cumulative share	Africa's share by value of imports from: All Sources	Africa's share by value of imports from: D'ing Countries
Other inorganic chemicals	514	–	12	–	–	2	52	–	–	–	–	–	–	–	–	–	–	–	260	326	41	0.1	98.8	0.1	4.9
Textile fabrics woven other than cotton fabrics	653	1	58	4	148	4	41	–	–	36	–	–	–	–	–	15	–	–	–	307	42	0.1	98.9	–	0.1
Yarn & thread of regenerated fibres	651.7	143	–	100	–	–	–	–	2	35	2	–	–	–	–	–	–	–	–	282	43	0.1	99.0	0.3	51.6
Tools for use in the hand or machine	695	1	56	93	29	–	59	–	–	–	–	8	10	–	–	–	–	–	–	256	44	0.1	99.1	0.1	18.5
Tubes, pipes and fittings of iron and steel	678	–	251	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	251	45	0.1	99.2	0.1	2.1
Articles of pulp, paper or paperboard	642	5	229	–	–	–	–	–	–	–	–	3	–	–	–	–	–	–	–	237	46	0.1	99.3	0.1	15.1
Special textile fabrics	655	–	139	–	4	44	23	–	–	–	–	–	–	–	–	–	–	–	–	210	47	0.1	99.4	0.1	0.6
Sugar confectionery & preparations	062	–	175	5	4	–	–	–	–	1	1	2	–	–	–	8	–	–	–	196	48	0.1	99.5	0.3	11.3
Manufactures of metal, n.e.s.	698	1	44	4	58	5	42	–	2	–	–	2	–	–	1	33	–	–	–	192	49	0.1	99.6	–	2.0
Metal containers for storage	692	37	97	–	4	5	12	–	–	–	1	–	–	–	–	29	–	–	–	185	50	0.1	99.7	0.2	20.2
Wire products & fencing grills	693	1	91	–	–	–	49	–	–	–	–	–	–	–	–	–	–	–	–	141	51	–	–	0.1	50.0
Yarn and thread of flax	651.5	–	–	4	65	–	63	–	–	–	–	–	–	–	–	–	–	–	–	132	52	–	–	0.4	26.8
Ingots and other primary forms of iron and steel	672	–	–	–	128	–	–	–	–	–	–	–	–	–	–	–	–	–	–	128	53	–	–	–	2.8
Finished structural parts, n.e.s.	691	–	97	–	7	–	11	–	–	–	–	–	–	–	–	–	–	–	–	115	54	–	–	0.1	68.5
Universals, plates and sheets of iron and steel	674	–	14	–	17	–	–	–	–	–	–	–	18	–	–	59	–	–	–	108	55	–	–	–	1.2
Rails and railway track constructions of iron and steel	676	–	–	–	83	–	–	–	–	–	–	–	17	–	–	–	–	–	–	100	56	–	–	0.1	100.0
Mineral manufactures, n.e.s.	663	10	21	–	24	5	26	–	–	–	–	–	–	–	–	2	–	–	–	88	57	–	–	–	3.9
Iron and steel castings, forgings	679	–	35	–	–	–	–	–	–	–	–	–	11	–	–	–	–	–	–	46	58	–	–	0.2	18.0
Clay construction materials	662	–	20	–	–	–	–	–	–	–	–	–	14	–	–	–	–	–	–	34	59	–	–	–	0.5
Margarine and shortening	091	–	10	–	17	–	–	–	–	–	–	–	–	–	–	–	–	–	–	27	60	–	–	–	24.1
Glassware	665	–	25	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25	61	–	–	0.1	0.7

(US $ '000)

Commodity	SITC	Belgium and Luxembourg	France	West Germany	Italy	Netherlands	United Kingdom	Norway	Sweden	Denmark	Austria	Switzerland	Portugal	Finland	Canada	U S A	Australia	Japan	New Zealand	TOTAL	Rank	% share of total	Cumulative Share	Africa's share by value of imports from: All Sources	Africa's share by value of imports from: D'ing Countries
Synthetic organic dyestuffs	531	-	-	-	-	-	21	-	-	-	-	-	-	-	-	-	-	-	-	21	62	-	-	-	11.0
Firearms of war and ammunition therefor	951	-	-	-	-	-	15	-	-	-	-	-	-	-	-	-	-	-	-	15	63	-	-	-	7.0
Materials of rubber	621	-	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	64	-	-	-	0.7
Nails, screws, nuts, bolts, rivets of iron, steel or copper	694	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	10	65	-	-	-	0.2
Soaps, cleaning and polishing preparations	554	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	-	-	10	66	-	-	-	19.2
T O T A L		11,692	125,966	20,346	13,119	4,579	54,039	9,108	2,427	1,885	3,263	4,011	3,434	225	2,739	37,580	589	9,664	370	305,036					
% share by country		3.8	41.3	6.7	4.3	1.5	17.7	3.0	0.8	0.6	1.1	1.3	1.1	0.1	0.9	12.3	0.2	3.2	0.1	100.0					

Source: As for Tables 1.10 and 1.11

1/ It should be noted that in ranking the items listed in the table strictly speaking like has not been compared with like. Thus SITC sections seven and eight are given in aggregate, while the other sections are disaggregated.

2/ As far as SITC section 7 is concerned, it was obvious that exports, listed in the UNCTAD table, from Africa included re-exports. Adjustments were, therefore, made on the basis of AfricanNational Trade Statistics.

3/ There is a suspicion that, again for section 7, re-exports have been included in the totals given for American and Asian developing countries. If this were so, the African proportion given above would be understated.

Table 1.12A
Summary of Table 1.12 by SITC Sections

0	622	60,838	4,993	5,301	971	21,929	35	135	135	265	1,011	63	225	124	1,933	118	-	110	98,808	2	32.4	65.5	5.2	24.6
1	1	415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	416	10	0.1	99.9	0.5	4.6
2	789	1,849	637	374	411	1,855	2	-	-	10	21	382	-	-	35	-	125	-	6,490	7	2.1	97.5	0.5	36.7
3	962	15,437	1,197	1,393	204	1,936	-	-	-	-	-	1,627	-	-	1	207	-	-	22,964	4	7.5	88.6	0.7	1.4
4	31	617	246	42	153	1,086	-	-	1	1	73	1	-	-	624	-	120	-	2,995	9	1.0	99.8	4.5	16.6
5	51	21,594	4,581	672	716	2,066	8,238	505	34	2,560	818	239	-	51	4,992	-	192	260	47,569	3	15.6	81.1	0.9	2.0
6	8,422	18,057	7,534	3,080	1,532	15,575	827	1,687	1,632	400	1,949	542	-	2,541	27,751	264	9,227	-	101,020	1	33.1	33.1	0.7	9.4
7	621	5,503	92	216	163	5,809	-	-	1	-	2	487	-	2	-	-	-	-	12,896	5	4.2	92.8	0.1	8.1
8	193	1,656	1,066	178	429	1,675	6	100	82	27	137	-	-	21	2,244	-	-	-	7,814	6	2.6	95.4	0.1	1.5
9	-	-	-	1,863	-	2,108	-	-	-	-	-	93	-	-	-	-	-	-	4,064	8	1.3	98.8	2.6	29.0
TOTAL	11,692	125,966	20,346	13,119	4,579	54,039	9,108	2,427	1,885	3,263	4,011	3,434	225	2,739	37,580	589	9,664	370	305,036	-	100.0			

Table 1.13

Proportion for African Countries of Total Exports Accounted for by Manufactured Imports[1] into Selected Developed Countries, 1963

Country	Total exports (in million US $)	Exports of Manufactures (in thousand US $)	Percentage
Algeria	700	49,026	7.0
Burundi-Rwanda	13	13	0.1
Cameroun	118	173	0.1
Congo (Dem.Rep.)	324	6,094	1.9
Dahomey	13	35	0.3
Equatorial Customs Union	160	13,016	8.1
Ethiopia	90	6,585	7.3
Ghana	273	5,571	2.0
Guinea	55	22,959	41.7
Ivory Coast	230	6,340	2.8
Kenya	143	14,002	9.8
Liberia	81	15,803	19.5
Libya	378	1,973	0.5
Madagascar	82	8,197	10.0
Mali	34	10	0.03
Mauritania	16	-	-
Morocco	384	2,014[2]	0.5
Niger	27	267[2]	9.9
Nigeria	517	9,368	1.8
Senegal	111	7,161	6.5
Sierra Leone	81	456	0.6
Somalia	32	1,416	4.4
Sudan	226	1,864	0.8

Table 1.13 (continued)

	Total exports (in million US $)	Exports of Manufactures (in thousand US $)	Percentage
Tanganyika	179	7,043	3.9
Zanzibar	14	184	1.3
Togo	18	-	-
Tunisia	125	12,389	9.9
Uganda	153	739	0.5
UAR	522	33,096	6.3
Upper Volta	9	-	-
Rhodesia & Nyasaland	621	31,721 3/	5.1
Angola	165	7,672 4/	4.6
Mozambique	101	11,175 4/	11.1

Source: UNCTAD/MD/MISC.1: Statistics of imports of semi-manufactures and manufactures from developing countries into selected developed countries in 1963; UN Yearbook of International Trade Statistics, 1963; ECA, Foreign Trade Statistics of Africa, Series B, No. 7; Office Statistique des Communautés européennes, A.O.M. Commerce extérieur.

1/ Excluded from the UNCTAD list of manufactures are the following groups of the SITC: 072.2; 072.3; 231.2; 231.3; 243; 266; 351; 681 through 689; 012; 052; 111; 112.

2/ In the UNCTAD statistics exports of wine from Morocco were higher than total exports of manufactures. Consequently the figure used here is from the UN Yearbook of International Trade Statistics, 1963. In the UNCTAD statistics exports of manufactures from Niger were greater than Niger's total exports. In the circumstances the figure used here was derived from AOM Commerce extérieur, Office Statistique des Communautés européennes, nanvier-décembre, 1963.

3/ Exports to developed regions (as defined in ECA Foreign Trade Statistics, No. 7 less South Africa.

4/ Exports of manufactures to the world.

Some Further Conclusions

1. The purpose of this short Appendix is to supplement the conclusions already reached at the end of the main paper. A useful starting point for such supplementation is the repetition of the point that the basic purpose of the whole exercise is to promote economic development in the developing countries. Since, as a rule, Africa is less developed than the other two regions, particularly Latin America, Africa has more to gain and more to lose from the success or failure of UNCTAD. Africa has also strong interest in seeing that the fruits of UNCTAD's efforts are equitably distributed. Mention has already been made of this problem in the context of efforts to promote industrial exports. The point has wider relevance and it should be recognized that what, given its raison d'être, UNCTAD cannot reasonably do is to narrow the gap between developed and developing countries in ways which result in widening the gaps among developing countries and regions themselves.

2. UNCTAD is already pledged to pay particular attention to the problems of the poorest countries. Perhaps an additional cautionary measure - probably desirable on other grounds - might be suggested. Paralleling the situation in which the ECA, concerned with a continent, finds it convenient to work within a sub-regional framework, UNCTAD might also adopt a regional approach in making proposals or assessing events and attempt to spell out for the three regions the likely implications of proposals or events.

3. The main impression that emerges from a survey of the documents now flowing out of Geneva is that UNCTAD is vigorously pressing its attack on the trade and development problems of the developing countries on a very broad front - from attempts to promote commodity agreements to a concern with the practical problems of export promotion; from concern with the conditions necessary for faster growth, with

the problems of international liquidity, with the special difficulties of land-locked countries, and with the problems of invisible trade to attempts to break down barriers to manufactured exports and attempts to obtain preferential treatment for the developing countries. Such an approach has much to commend it and it may be defended on the grounds that the problems are so immense and the political intransigence of the developed countries so marked that any and every promising - or even not-so-promising - approach must be pursued.

4. Attacks on a wide front, however, are never without their dangers and it is always necessary to ask whether a greater concentration of effort on a more limited area would not represent sounder tactics. From an African point of view, the suggestion is made, at least for discussion, that what is required is the establishment of an international fiscal system and - with appropriate safeguards against discrimination among developing regions - the promotion of manufactured exports. It is, of course, not possible to consider these objectives in isolation. The fiscal scheme would almost certainly have to be linked to discussion for international monetary reform, for example, because of the relationship between balance of payments problems in the developed countries and their willingness to be of aid. There is, however, a difference between a general consideration of problems and a widening out from a specific approach.

5. If the views were accepted that UNCTAD might reasonably adopt a regional approach and concentrate more heavily on what, from the African point of view, are the pressing problems, neither the African states nor the ECA would be excused from the responsibility of further study and effort. In a general way much more needs to be known about what African states may seek reasonably to do with their economic resources over some specified period of time before one can begin to dogmatize about the ways in which various external agencies and proposals may or may not be helpful. More specifically, in the context

of the present discussion, African studies should be made of the feasibility and desirability of commodity agreements; of selected export prospects; of likely developments of manufacturing industry specifically in the context of trade and growth; of the possible forms an international aid agency could take; and of ways in which African development programmes can be co-ordinated and made to serve as a basis of assessing African prospects and needs.

6. This paper might reasonably be concluded by reiterating that UNCTAD is the best instrument that the developing countries have got. And nothing that has been said so far is meant to detract either from the performance or importance of UNCTAD. The role of the developing regions, however, does not preclude, but in fact demands, their formulating clearly ideas as to their rightful aspirations. If this is sometimes sharply done it has to be remembered that the poor, like the crippled, have the right to be cantankerous.