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THE DEVELOPMENT AND EXPANSION OF INTRA-AFRICAN
TRADE: A POLICY PAPER

I. GENERAL BACKGROUND

1. It is an undisputed fact that trade is a major "engine of economic growth" for both developing and developed countries. However, experience has shown that intra-African trade is far from fulfilling that role. This is all the more evident in the case of the African countries whose economic growth and development have been directly related to the exports of primary commodities. The excessive dependence of African countries on primary commodity exports constitutes a serious drawback to Africa's development. In recognition of this, the Lagos Plan of Action envisages the expansion of intra-African trade as the mainstay of Africa's present economic strategy for development.

2. The specific measures to expand intra-trade are also spelled out in detail in the Lagos Plan of Action and have been further strengthened by the African Priority Programme for Economic Recovery 1986-1990 (APPER) adopted by the Heads of State and Governments of the OAU at their Summit meeting held in July 1985. The International Conference on Africa: The Challenge of Economic Recovery and Accelerated Development, as the latest in the series of African and international gatherings on the economic problems of the African continent held in Abuja, Nigeria in June 1987 spells out, in its final declaration entitled Abuja Statement on Economic Recovery and Long-term Development in Africa, the need to move out of the present structure of export oriented primary commodity system. Stress is laid on increasing the role of domestic and intra-African production relationship until it becomes a dominant feature of African development. It stressed that "intra-African trade offers substantial opportunities for trade expansion and increased production" and that "one way of reducing the vulnerability of the economies is to intensify efforts towards sub-regional and regional co-operation in trade including trade in commodities." This study reviews briefly the present situation of intra-African trade, highlighting the obstacles that have so far stood in the way of its development and examines the prospects for its increasing use as an instrument in Africa's long term development.

II. PRESENT SITUATION OF INTRA-AFRICAN TRADE

A. Institutions for Intra-African Trade

3. Since achieving their independence, the African countries have made some efforts to diversify their economies and to promote trade among themselves essentially in food products and mineral fuels. Over the past six years a number of institutions for trade and economic

co-operation have been set up in the different subregions of Africa while existing ones have been reinforced. The Preferential Trade Area for Eastern and Southern Africa (PTA) became fully operational in 1984 followed by the establishment of its two subsidiary organs the PTA Trade and Development Bank and the PTA Clearing House. A PTA Chamber of Commerce is also in the process of being established. In the Central African subregion, the Economic Community of Central African States (ECCAS) became operational in 1985.

4. Other important subregional economic groupings promoting intra-African trade are the Economic Community of West African States (ECOWAS), the West African Clearing House (WACH), the West African Economic Community (CEAO), an economic grouping of French speaking West African countries, the Central African Customs and Economic Union (UDEAC), the Central African Clearing House (CACV), the Economic Community of the Great Lakes countries (CEPGL) and the Southern African Development Co-ordination Conference (SADCC) which was established to counteract the destabilizing policies of South Africa by promoting co-operation among its members in the field of trade, industry, transport and energy. In March 1987, the North African countries agreed to establish a Preferential Trade Area among them.

B. Main Features of Intra-African Trade

5. The development and expansion of intra-African trade has been generally disappointing. For instance, Table I gives a general picture of the situation of intra-African trade since 1970 which stood at its highest level at 5.6 per cent of Africa's total trade. It dropped to its lowest level of 3.1 per cent in 1980 during the world economic recession but rose again to about 4.6 per cent in 1985.

Table I: Intra-African Trade in million US\$

Year	Total African Exports to the world	Intra-African Trade	Percentage
1970	12,021	672	5.59
1980	93,801	2,917	3.10
1981	75,154	2,976	3.95
1982	66,012	2,662	4.03
1983	56,667	2,319	4.09
1984	61,300	2,733	4.42
1985	62,013	2,563	4.01

Source: United Nations Monthly Bulletin of Statistics, May 1985 and ECA Statistics Division.

6. With regard to the commodity structure of intra-African trade, Table II shows that for selected years, the main products traded were in the SITC ^{1/} groups 0-1, 2-4, 3, 7 and 6-8. The category "mineral fuels and related materials" (SITC 3) became important between 1970 and 1975 and continued to increase its share from 26.5 per cent in 1975 to 34.9 per cent in 1985. The group "Food, beverages and Tobacco" (SITC 0+1) which occupied first place until the 1970s fell into second place, and its share remained almost constant over the years 1970 to 1985. Mineral fuels and food together constitutes some 60 per cent of the total intra-African trade. Manufactured goods (SITC 6+8) which accounted for 43.6 per cent in 1970 fell to 29.3 per cent by 1975 and has gradually decreased to around 15 per cent in 1985. On the other hand, trade in "chemicals (SITC 5)" and "machinery and transport equipment" (SITC 7) are still at a very low level.

Table II: Value of intra-African trade by commodity classes ^{2/}
(in million of US dollars)

Year	1970 ^{b/}	%	1975 ^{b/}	%	1980	%	1985	%
SITC ^{Total} Group	672		1924		2970		2870	
Food, beverages tobacco (0+1)	188	27.97	484	25.15	727	24.35	740	25.80
Crude materials exc. fuels oils and fats (2+4)	60	10.11	136	9.66	271	9.12	292	10.17
Mineral fuels and related materials (3)	75	11.16	510	26.5	1219	41.04	999	34.80
Chemicals (5)	16	2.38	31	4.20	131	4.41	177	6.16
Machinery and transport equip- ment (7)	26	3.86	80	4.15	97	2.92	163	5.68
Other manufac- tured goods (6+8)	293	43.6	574	29.33	397	13.36	426	14.84

Source: United Nations Monthly Bulletin of Statistics, May 1987.
United Nations International Trade Statistics, Yearbook,
1986 (Volume 1).

^{1/} SITC = Stand International Trade Classification.

^{a/} Calculation based on exports figures.

^{b/} Excludes Zimbabwe.

C. Problems and Constraints of Intra-African Trade

7. Despite the role played by subregional economic groupings and their supporting institutions, intra-African trade continues to be very low and is in fact decreasing in some countries. There are numerous obstacles to the expansion of intra-African trade. Some of the main constraints relate to the role of transnational corporations in African economies, the lack of appropriate technology for the production of mass consumer goods, the paucity of technical expertise and trained personnel in management and entrepreneurial skill. In general and specifically with respect to goods already produced for African consumption, in particular food products, policy measures have not focussed on the removal of constraints such as lack of information, supply/demand divergence, tariff and non-tariff barriers, banking and other financial facilities, limited size of markets, inadequacy of transport and communications and marketing structures and last but not least, the low level of income, in particular of rural populations.

8. The major reason for the low level of intra-African trade relates to the structure of production and distribution. There is a lack of goods which is associated with the problems of transfer and adaptation of technology, technical and managerial expertise and entrepreneurial skill. The range of products available for trade remains very restricted and even where the required technology for production can be absorbed, producers are unable to take advantage of the economies of scale of production because of their limited national markets. An aspect of the limited size of markets in most African countries is the peripheral nature of rural markets due to the inadequacy of internal means of transport and communications. The low level of income of rural populations and the limited purchasing power, is a contributory factor in reducing the size of rural markets. In addition, insufficient amounts of financial resources are generally set aside for rural development resulting in the present serious imbalance in the growth and development between the urban and rural areas.

9. From another perspective, divergence between demand and supply is partly a result of lack of information within the region. This relates to food commodities as well as to consumer goods and the demand is generally met by imports from the industrialized countries while in fact capacity exists for production to meet demand of some products. A related problem is the poor quality and high price of many African products which make them uncompetitive with similar goods from the industrialized countries. The fact that quality standards are not established in the African region constitutes yet another serious obstacle to the promotion of intra-African trade.

10. The second major constraint relates to the role of transnational corporations (TNCs) in African economies which has been decisive in determining production and trade structures. TNCs controlled large scale agricultural production essentially as cash crops and also concentrate on the mining sector and extractive industries for export. Decisions on investments and what crops to produce do not give priority to food production especially for local consumption. Hence, the mining and extractive industries concentrated on export of crude minerals rather than in their semi-processed or processed form. The restructuring of African economies as a measure to promote co-operation and trade among the African countries is largely frustrated by the activities of TNCs since the colonial patterns of production and trade have not changed significantly in many African countries. These countries continue to be vulnerable to manipulations by TNCs in terms of pricing and earnings.

11. The third major problem that needs special mention is that tariffs and other import restrictions constitute a major obstacle to intra-African trade. The argument for imposition of such customs tariffs is that this is a source of revenue for African countries and for that reason, their removal or reduction have been very difficult to implement despite hard and protracted negotiations within the existing subregional economic groupings. An allied problem is the application of 'rules of origin' which require a substantial proportion of 'value added' for the goods to qualify for trade among member countries of the group. For instance, recent decision of the PTA authority to review the terms of tariff reduction agreed in the Treaty to extend the period for its removal underscores the seriousness of this problem and its consequence for intra-African trade expansion.

12. The fourth problem of intra-African trade relates to inadequate financing. Banking facilities including trade credit and guarantee schemes are generally not geared to such trade and the problem of settlement of trade balances are undoubtedly a serious handicap to intra-African trade expansion. The creation of institutions such as clearing houses and subregional trade and development banks are intended to minimize the use of scarce convertible foreign exchange by encouraging the settlement of trade balances rather than payment in full for each trade transaction. However, their impact on trade expansion appears to be rather limited, and the need to save foreign exchange continues to be the real problem.

13. It should also be mentioned that at the policy making level, the weakest aspect of Africa's monetary policy is manifested in several ways which indirectly affect the level of economic development and trade. There is no effective management which results in misuse of resources and wastage of public funds including foreign aid, loans and investment. At the same time a number of countries are unable

to effectively utilize foreign and domestic resources to generate further income. Some countries have no clearly defined monetary, fiscal and financial policies which are directly linked to the country's development objectives and priorities. As a result, domestic resources are not always fully utilized towards addressing the economic difficulties facing the continent and the priority measures for growth and development. Moreover, some countries do not have full knowledge about their own financial resources potential and generally resort to foreign sources before making any attempt to tap the domestic financial market for intra-African trade.

III. PROSPECTS AND POTENTIALS FOR THE DEVELOPMENT OF INTRA-AFRICAN TRADE

14. The problems briefly analysed in the previous Section do not in any way reduce the prospects and great potentials that exist for developing and expanding intra-African trade. For instance in terms of absolute market size, of the economic groupings previously mentioned, the ECOWAS covers 16 countries of the West African sub-region including the French speaking member countries of the CEAC and the three members countries of the Mano River Union with a total population of around 160 million. The EFTA for Eastern and Southern Africa envisages a membership of 18 countries of which 14 have signed the Treaty forming a market of some 150 million people. The Central African Community with 10 member countries has a total population of 60 million people. The foundations for these major subregional markets have already been laid with provisions for multisectoral approach to deal with industrial and agricultural co-operation, trade, transport and communication, finance and other important sectors. For the North African subregion of which the member countries are Algeria, Morocco, Tunisia, Egypt, Libya and Sudan, negotiations will start soon for the establishment of a Preferential Trade Area which will involve a population of around 110 million people.

15. In terms of consumption levels, a recent study carried out by the ECA secretariat has shown that considerable potential exists for expanding intra-African trade in food products and consumer goods in general. 2/ The import of food grains and cereals constitute a serious drain on the foreign exchange resources of African

2/ Intra-African Trade: Current flows and prospects. Doc.No. E/SCA/TRADE/24/Rev.1.

countries. Such imports have risen from US\$ 435.6 million in 1970 to US\$ 5016.0 million and further increased to US\$ 5514.3 million in 1985 ^{3/} while considerable agricultural land resources exist for production to meet the entire African demand. The study also revealed that unrecorded transborder trade between African countries already accounts for substantial trade in live animals, fish, food grains and consumer goods. Trade in milk and dairy products, fruits, vegetables, vegetable oils and canned food products could be considerably increased as existing production appears to be exported to Europe and the Middle East while African countries are importing these products from Europe, Latin America, Australia and New Zealand.

16. Intra-African trade in manufactured goods has generally been low since the mid 1970s, both in volume and value terms but offers great potentials for such trade. Although technological progress in the African countries has kept pace with demand patterns and is partially responsible for the uncompetitiveness of African products, potentials nevertheless exist for improvement in the production of a number of consumer goods including textiles, leather goods, aluminium products, woodbased products, pulp and paper, agricultural implements and hardware. Similarly, trade among the African countries in raw material, metal ores, fertilizers, cotton, and other agricultural products presents a vital area for African industrial expansion and economic co-operation for development. The development of appropriate domestic processing and indigenous marketing structures would widely increase the potential for intra-African trade.

A. Trade in Primary Commodities and Mineral Products

17. The agricultural sector of African countries, more specifically the production and trade of major crops including coffee, sugar, tea, cocoa, groundnuts, pulses, palm products, cotton, tobacco, maize, fruits and vegetables, meat and dairy products as well as forestry products presents the widest range of opportunities for intra-African trade expansion. However, this sector is largely controlled by TNCs in many African countries. ^{4/}

^{3/} See Annex I on 'African Cereal Imports'.

^{4/} See R. J. Funnell and L.F. Muller - Global Reach: Power the power of the multinational corporations - Simon and Schuster, New York, 1974.

In fact, TNCs influence is so great in these commodities that international negotiations on production pricing and marketing cannot yield the results desired by the producer countries unless they institute measures to control these TNCs. Furthermore TNCs exercise monopolistic and oligopolistic power by buying out any indigenous competitors and form cartels to control prices, advertising, marketing and transfer pricing among subsidiary firms of the cartel. The location of commodity markets in the business centres of the industrialized countries forces the African producer countries to accept the prices ruling in these markets. Even where production is ensured by state enterprises in some African countries such as Tanzania, Ethiopia, Sudan, these countries are subjected to the same constraints where marketing is concerned.

18. The production and marketing of minerals presents an even more difficult situation than other primary commodities. The activities of TNCs cover almost the entire range of minerals such as iron, tin, bauxite, aluminium, tin-chrome, cobalt, zinc, gold, diamond, copper, etc. which come under the control of a few giant TNC conglomerates with strong monopoly power. More specifically, concentration of these TNCs in Southern Africa makes it more difficult for African countries in these areas to escape for the grip of these TNCs. The prices of all these metals are similarly not decided by the producer countries but through the London Metal Exchange and the American Metal Exchange which are strongly influenced by the TNCs.

F. Trade in Manufactures and Food Products

19. Trade in manufacturing and food products offers another area in which intra-African exchanges can be promoted. The recent food crisis in Africa brought about an awareness of the need to shift production strategies and structures with the aim of ameliorating the serious food deficits of many African countries. However, food production remains a serious problem for some countries because of their geographical location and their proneness to drought and other natural calamities. Considerable scope therefore exists for intra-African trade in food products including major staple crops such as cereals and other grains. Such prospects can be improved by introducing major policy decisions to strengthen their investment and production structures to make the African region self-sufficient in food. It is inconceivable that Africa should be spending around US\$ 5.5 billion annually on imports of cereals from the industrialized countries when the land resources are available to produce all Africa's food grain requirements.

20. Trade statistics also indicate that Africa spends substantial foreign exchange resources for the importation of basic manufactured consumer goods including consumer durables which are or can be manufactured within the African region. These include a whole range of products such as plastic goods, shoes, cotton textiles, household equipment, pharmaceutical products, soaps and detergents, toiletries, dairy products, school materials, beverages and cereals, other food products, to name but a few. Almost the entire African market for these goods is presently being exploited by European, American, Japanese and Asian producers.

21. These trade potentials can be exploited and maximized through the adoption of measures to restructure production in Africa on a large scale in order to meet fully the demand of African consumers and through the promotion of locally produced goods by initiating "BUY AFRICAN GOODS" campaigns throughout the continent in conjunction with the organisation of African trade fairs. A long term policy consideration is the improvement in the quality of African production since no amount of advertising and trade promotion will not persuade African peoples to buy, of their own free will, inferior goods at exorbitant prices.

22. The prospects for trade can also be improved through changes in the production structures of African countries. While in the past the focus has been on the creation of large enterprises requiring huge capital investments, it is obvious that immediate priority should also be accorded to the development of small scale enterprises including rural handicraft production through appropriate incentives. The restructuring of production would also improve the trade structures and alleviate the balance of payments problems of African economies. In order to alter this situation, policy measures must be directed in the following areas:

(i) Improvement of the efficiency of investment through the efficient allocation of resources to promote the production and trade of both food and consumer goods in high demand. It must be noted that improved efficiency with the use of domestically generated investible resources is of key importance in the face of limited external financing. This should be accompanied by a major shift in foreign trade strategy aiming to diversify production gradually from primary commodities to consumer demand goods. A number of African countries have generally favoured some production of import substitutes and non-traded goods rather than goods for exports. The structures which have been established need to be expanded to produce widely for African markets in general. This must be accompanied by considerable investment in production, in the sectors of technology training of skilled personnel, information, transport etc.

(ii) Standardization and efficient pricing to sustain quality of products and demand especially for manufactured goods which have high income elasticities would also improve intra-African trade opportunities. Specifically with regard to food production, including agro-industrial products, the potential increases if supported by realistic pricing policies in essential imports such as fertilizers, seeds, storage, marketing and agricultural credit.

23. The intra-African trade prospects would also improve under co-operation arrangements with other African countries in particular, within the framework of the African economic integration groupings. To this end joint ventures are a useful alternative. Moreover, where production of major food crops and essential commodities are concerned, the creation of multinational production and marketing enterprises constitute the main viable alternative to counteract the negative activities of TNCs. It must be stressed here that by internalizing production and trade in food and consumer goods this would result in trade creation within the African region where production relates to the real needs for expanding intra-African trade.

IV. NEW DIRECTIONS IN INTRA-AFRICAN TRADE POLICY

24. It is evident from the preceding analysis that the promotion of intra-African trade to a level sufficient to support economic recovery and growth requires the adoption and implementation of bold and imaginative trade policies. The Lagos Plan of Action outlined the policy measures and institutions required to support and promote the expansion of intra-African trade. These measures must be accorded high priority by African countries if any structural transformation has to take place in the African economies.

(i) Strengthening Trade financing and Payments Mechanisms

25. One of the impediments to the development of intra-African trade is the need for foreign exchange resources to finance such transactions. Very low priority is given by central banks in issuing import licences or establishing quota systems for intra-African trade. The Lagos Plan of Action therefore called for "the complete restructuring and reorientation of the policies and programmes of monetary and financial institutions imported into Africa (Central Banks, commercial banks, etc.) in such a way as to involve them better in the development objectives of each country". It further called for the

establishment of subregional payments and clearing arrangements and financial and money markets at national, subregional and regional levels. In response to this call, monetary and financial co-operation has emerged with the establishment of such institutions as the Association of African Central Banks (AACB), Clearing and payments arrangements in West Africa, Central Africa and Eastern and Southern Africa and a Trade and Development Bank for the PTA.

26. African governments must therefore adopt the following measures without delay:

(a) There is an urgent need to establish more indigenous commercial banks which should offer special facilities for the provision of trade credit especially in the rural areas. In that respect, governments should adopt appropriate policies on a priority basis to set up export credit financing and insurance guarantee schemes to back up measures by the commercial banks, gearing to the promotion of intra-African trade. As a further stage in the supporting role of commercial banks, African governments should welcome and support the establishment of banks from other African countries, not only to promote trade but also economic co-operation ventures in general.

(b) African governments should consider effective ways of ensuring that commercial banks in their countries start immediately use the existing subregional payments and clearing institutions for purposes of settlement of intra-African trade transactions. This should have the effect of releasing foreign exchange which could be used for the importation of goods urgently needed for development purposes. At the same time, countries which do not belong to any subregional payments and clearing arrangements should consider joining without delay.

(c) Immediate measures should be taken to increase the level of domestic savings through the development of domestic savings institutions such as building societies, savings banks and the issue of financial instruments such as government bonds and other gilt-edged securities. Consideration should also be given to the establishment of national financial markets to encourage the flow of financial resources both from internal and external sources for industrial and trade expansion.

(ii) Restructuring of African markets

27. There is an urgent need for the African countries to undertake a serious analysis of existing market mechanisms and marketing practices with a view to promoting a trade oriented development strategy taking into account the following: (a) formulate and apply policies and mechanisms to correct income distribution imbalances which distort the economic development process; (b) protect and promote selected local industries intended to serve the intra-African market; (c) remove discriminatory import policies and practices which favour overseas suppliers by putting emphasis on basic needs especially in food production and local capital goods to support agricultural rehabilitation and reconstruction.

28. The restructuring of the markets should also involve paying greater attention to the promotion of subregional and regional markets. For this purpose, there is an urgent need to accelerate the establishment of subregional common markets with appropriate tariff and customs legislations to provide the necessary framework for the eventual establishment of an African Common Market.

(iii) Revitalizing Trade Institutions

29. Considerable success has been achieved in the establishment of intra-African trade institutions. This include (a) the African Regional Standardisation Organization (ARSO) whose role is to establish and harmonize regional standards of production and control, (b) the Association of African Trade Promotion Organization (AATPO) whose purpose is to provide technical support for its members and co-ordinate their trade promotion, information, marketing and market study activities and (c) the Federation of African Chambers of Commerce which is responsible for establishing and/or strengthening national chambers of commerce in terms of their investment and trade promotion activities. With specific reference to intra-African trade, African member countries do not fully support the institutions they have set up for trade promotion. Since their creation, they suffer seriously from the lack of financial support from member countries and it is therefore strongly urged that African governments should take appropriate measures to bring these institutions to full operational capabilities.

30. As part of institution building, special efforts should be made to encourage the private indigenous enterprises to participate effectively in intra-African trade. Many African countries do not have mechanisms other than Chambers of Commerce to provide financial and technical assistance to businessmen and traders both for the internal and external markets.

(IV) Improve Intra-African Trade Information Networks

31. An issue of high priority is the improvement in the dissemination of information on trade opportunities, trade regulations, supply and demand situations, price levels in African countries, import policies including rules of origin as a basis for intra-African trade. In recent years some African countries have taken steps towards developing more effective market research systems, trade information and trade promotion. Others have introduced computers in order to enhance trade information collection, analysis and dissemination. However, these facilities are generally geared towards trade with the developed countries.

32. With regard to intra-African trade, prospects and market research analyses constitute a serious obstacle. Consequently, intra-African trade still continues to be rather unattractive to potential and actual importers and exporters. Therefore, it is imperative that immediate action be taken to expand national trade information networks specifically for intra-African trade. In fact, the PTA has already taken steps towards the establishment of a Trade Information System for its member States. It is therefore necessary for African countries to give financial and technical support to the creation of subregional trade networks where these have not yet been established. In this regard, the Economic Commission for Africa and the International Trade Centre in Geneva have set up appropriate mechanisms to assist member countries in developing their Trade Information System. African countries are therefore urged to take advantage of these facilities.

(V) Other Mechanisms to Promote Intra-African Trade

33. The development and expansion of transport and communication networks are important factors in intra-African trade. African countries should therefore give priority to this area in their development strategies and investment programmes.

34. Another aspect of the strategy for restructuring the markets for intra-African trade, is the reduction and elimination of customs and trade barriers within the framework of preferential trade areas, or similar institutions. Member countries should reiterate their commitments to gradually eliminate all tariff and non-tariff barriers among themselves, modify trade rules and regulations to support intra-African trade, adopt appropriate legislations to improve trade documentations and procedures including those relating to rules of origin.

35. The support measures for intra-African trade should also involve the development of adequate technical and managerial skills to deal with the complex issues of trade promotion and marketing as well as in the management of financial and material resources directly related to production for trade expansion. Policy decisions are required to institutionalize training at managerial level to strengthen capabilities in financial management, entrepreneurial practices, macro-marketing procedures, trade promotion, trade information techniques, research capabilities in supply and demand including the collection and processing of data on production, types of products and marketing conditions. Subregional institutions such as the Eastern and Southern African Management Institute (ESAMI) is a good example of co-operation among African countries to achieve their training objectives and other subregions should emulate this example. At national level, governments should organize training seminars, courses, workshops, symposium on export marketing and import management and preparatory courses for private businessmen and trade operators. These operators should also be encouraged to undertake trade missions abroad to identify markets and trade opportunities for their exports as well as new sources of supply. Participation in trade fairs at the national, subregional and regional levels also offers an important training ground for inter-African trade promotion and should be encouraged.

V. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

a) Conclusions

36. From the foregoing analysis, the following conclusions can be made:

(1) Despite the efforts made by African countries to promote and develop intra-African trade, its share in total trade was about 4.0 per cent in 1985 and continues to decline in some countries. This reflects a number of structural problems among which the primary commodity export dependence is a major factor. Part of this problems arises out of the role and activities of transnational corporations engaged in the production and trade in primary commodities which are reluctant to introduce processing and transformation of primary commodities, minerals and other raw materials. As a result, production and distribution structures are not geared to intra-African trade promotion and countries generally

place emphasis on foreign exchange earnings and therefore prefer to trade with the industrialized countries.

(ii) Over the past two decades or so, considerable progress has been achieved in developing national and subregional institutions for economic co-operation in which intra-African trade has been given high priority. However, the member States of these subregional institutions are themselves reluctant to use them for promoting intra-African trade. For instance, the existing payments and clearing arrangements in Eastern and Southern, Central and West Africa are presently under utilized because traders prefer to settle their transactions outside these mechanisms.

(iii) Experience in international trade relations has shown that the future development prospects of the African countries do not lie in the increased trade with the industrialized nations but in the promotion of intra-African trade within the framework of collective self-reliance. However, past and present trade policies of many African countries do not favour the development and expansion of intra-African trade despite the adoption of the Lagos Plan of Action and other subsequent decisions by the Conference of African Ministers of Finance. It is therefore important that drastic changes be made in Africa's trade policies in order to place greater emphasis on intra-African trade as a means of accelerating the process of economic recovery, growth and development.

37. In addition to the structural, policy and institutional problems identified in this text the African countries face other issues which need to be adequately addressed. These include the problems of developing the required technical and managerial skills for dealing with intra-African trade; the lack of adequate, reliable and up-to-date information on domestic and intra-African market opportunities; the low level of investment and financing available for intra-African trade; the pricing policy which distorts the cost structure of African products vis-a-vis imported goods; and the lack of effective intra-African marketing strategies and techniques.

b) Recommendations

38. In the light of these factors, the following policy recommendations are proposed for adoption by the African governments:

(a) At the National Level

(i) Reorganization of production structures to gradually direct resources from cash crop and raw material production for exports to the industrialized countries towards the development and

expansion of production of food and consumer goods for domestic and intra-Africa trade; supply rationalization measures should be initiated so as to bring production and supply of their commodities in line with long term demand trade; countries should avoid creating new supply surplus situation to avoid depressing prices in the international markets; adopt appropriate pricing policies for agricultural products to provide adequate incomes to the rural populations to ensure their effective participation in the money economy;

(ii) promote new domestic and export demand for their primary commodities through increasing market research, development measures and improved market information system; national commodity export units should be established to monitor the export of raw materials and market conditions and promote intra-African trade in commodities;

(iii) The creation of special technical units in the Ministries of Commerce and Industry to determine appropriate policies to deal with TNCs and direct their activities towards national economic development; and

(iv) Develop and promote the establishment of small scale industries and rural handicrafts as well as encouraging the development of small agro-industrial projects in the rural areas;

(v) Undertake, as a measure of priority, investments in the development of domestic trade, transport and communications infrastructures which will open rural markets to manufactured goods (including the establishment of storage and distribution centres, the provision of agricultural inputs, etc.) and promote a more balanced growth through the development of growth poles at different points within the country;

(vi) The gradual removal of tariff and non-tariff barriers on trade among African countries; liberalize their trade regimes through less rigid application of rules of origin and trade procedures;

(vii) Develop indigenous financial institutions and market operations to improve domestic savings for development purposes;

(viii) Appropriate legislations should be adopted to direct financial institutions to provide adequate credit to indigenous entrepreneurs and businessmen to promote domestic and intra-African trade; promote the establishment of commercial banks in other member countries of the African region; encourage the use of African financial institutions such as clearing houses and trade and development banks;

and adopt appropriate interest rates to discourage the flight capital out of the country and encourage domestic savings and realistic exchange rates to promote trade among the African countries;

(ix) Develop effective trade information network to ensure the availability of data on African market situations;

(x) Establish appropriate national institutions for the training of skilled personnel and managerial staff to promote production and trade. Organize on a regular basis refresher courses, training, seminars and symposiums on specific problems relating to production and trade for African development; promote the development and expansion of national production and trade promotion institutions such as manufacturers associations, chambers of commerce, businessmen's organizations, support fully and make appropriate use of existing trade promotions institutions such as AATPC, ARSO, the Federation of African Chambers of Commerce, and management and training institutions such as ESAMI and the Eastern African Trade Promotion and Training centre; promote the establishment of State Trading Corporations for trade in products and commodities of vital importance to the country: fuel, staple food, raw materials, etc.

(b) At the Subregional and Regional Levels

(i) to rationalize the activities of existing economic groupings through the specialization in specific sectors and the elimination of some groupings which appear to be duplicating the role of the main groupings; ensure regular consultation to implement fully the provisions of the Treaties of the subregional groupings and in particular, accord highest priority to the establishment of multinational production and marketing enterprises;

(ii) establish long-term purchase and supply agreements in food and raw materials and develop counter trade measures to minimize the use of convertible foreign exchange; as a measure of priority, undertake joint research on supply and demand of food commodities in each African subregion for the adoption of appropriate production and supply policies to save the continent from further food crisis and mass starvation;

(iii) establish appropriate multinational financial institutions including insurance companies in support of multinational African production and intra trade; promote the establishment of African multinational airlines and shipping services;

(iv) co-ordinate the development of transborder transport and communications networks including rail, road, air, river and sea transport to facilitate the economic integration of the continent and promote commercial intercourse; and

(v) co-operate fully towards the establishment of subregional, and regional trade information network through the exchange of information and techniques among themselves; encourage and facilitate the free movement of African traders and businessmen.

ANNEX I

AFRICAN CEREAL IMPORTS
(Cereals 041 to 046)

(In million US dollars)

	1970	1975	1980	1983	1984	1985	1986
Developing Africa	85.6	2435.7	5016.0	4919.9	5456.2	5514.3

Growth rates: 16.4 (for the period 1970-1985) using the
compound interest formula.

30.8 (for the period 1970-1975) using the
compound interest formula.

- Sources:
- (i) FAO, FAO Trade Yearbook, 1985 (Volume 39), Rome.
 - (ii) FAO, FAO Trade Yearbook, 1982 (Volume 36), Rome.
 - (iii) FAO, FAO Trade Yearbook, 1977 (Volume 31), Rome.

