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AFRICAN COMMODITIES: PROPOSALS FOR A CONTINENTAL PROGRAMME OF ACTION

96-191

INTRODUCTION

1. Commodities have been the focus of many studies and discussions on African development during the past two decades. Problems relating to the high dependence of African countries on commodities have been considered in a number of ECA studies and reports. Other reports have described mechanisms for regulating and stabilizing commodity markets and analyzed their impact on African economies. What is more, several research activities of the secretariat have encouraged commodity processing as ways of expanding and diversifying African exports.

2. This study will not therefore renew the polemics on African commodities. Nevertheless, the fact still remains that development and commodity marketing issues such as limited access to markets, competition from synthetic substitutes, price and quality competitiveness, inadequate financial and commercial infrastructure as well as limited export financing resources will continue to be topical in most African countries. The seriousness of these problems and their impact on African development call for more than mere reflection: they require an action plan and a clear definition of implementation modalities. That is precisely what this study sets out to do.

3. Reviewing the measures that African countries should take in this regard has become all the more necessary within the context of the emergent international trading system and the liberalization of national economies. Before formulating the action programme, this report will: (i) analyze the situation of the commodities sector in Africa (chapter I); (ii) review the prospects of the diversification efforts to be initiated (chapter II) and; (iii) consider the modalities for implementation of the programme (chapters III and IV).

I. REVIEW OF THE SITUATION IN THE AFRICAN COMMODITIES SECTOR

(a) <u>The high dependency of African countries on the commodities sector and problems arising therefrom</u>

4. With relatively weak demand from the industrialized countries and the rapid increase in commodity yields during the last decade, commodity price trends have tended to decline, thus reducing the export earnings of those African countries highly dependent on such products[1]. Other factors have come to complicate an already critical situation and prevented African countries from effectively managing their commodity trade. Among them should be mentioned the effects of dollar exchange rate variations and the high interest rates on international markets which have translated into further deterioration of the terms of trade and a heavier burden of interest payments on debt servicing.

5. Further to the increased demand which followed the world economic recovery from several years of recession and steady growth in certain regions of Asia and Latin America, the prices of certain commodities have significantly increased towards the end of 1993 and maintained that momentum in 1994. As compared to the first quarter of 1993, the increase in international prices of some of the relatively more important commodities has been impressive in 1991 and 1992. Coffee prices increased by 229.4 per cent, rubber prices by 30.4 per cent, wool by 23.7 per cent, sugar by 18.2 per cent, cocoa by 13.9 per cent, maize by 10.8 per cent, cotton by 8.7 per cent and wheat by 4.6 per cent.[2] Metal prices on the London metal exchange (LME) also picked up: aluminium by 37.3 per cent, copper by 37.6 per cent, tin by 12.5 per cent, nickel by 18.7 per cent and lead by 22.9 per cent. In most cases, however, these gains were short-lived and the prices of many agricultural commodities have declined afresh. In the last quarter of 1994, for instance, coffee prices fell substantially; the moving average of the International Coffee Organization (ICO) which exceeded 203 cents per pound weight in early October went down 166 cents in late November and then to 148 cents in late December, showing a 24 per cent decline. In order to check this declining trend, member countries of the Coffee Producers Association

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[1]/ See table 1 in the Annex indicating the commodity dependency ratio of African countries

[2]/ Common Fund for Commodities. 1994 Annual Report of the

(CPA) agreed to reactivate the stock retention mechanism set up in October 1993. The first quarter of 1995 accordingly saw an increase in prices which, regrettably, could not last and from late March, prices were falling under the uncertainty about the Brazilian harvest with the result that coffee futures declined showing the export decrease for 1994/1995 appearing in table 2 of the Annex.[3]

6. To see what impact the rise in commodity price had on the export performance of African countries, we need to look at the data in table 3 annexed. According to the data, export values rose by 4.2 per cent in 1994 compared with 1993, with a 2 per cent increase in volume and a 2.1 per cent rise in unit value. Concurrently, import values increased by 6.5 per cent because of the 4.9 per cent of volume increase and the 1.6 per cent rise in unit value. This was reflected by an increase in the commodity price index of 0.5 per cent in 1994 after a 5 per cent decline in 1993. The share of Africa in world trade of merchandise which was 2.4 per cent in 1994 (same as 1993) remained stationary.[4]

7. A number of factors may have been responsible for this. On the supply side, African countries continued to depend on a limited number of commodities for export earnings while international trade was focusing increasingly on manufactures. Besides, inflationary pressure and price and quality competitiveness, inefficient marketing techniques offset the benefits that the commodity price increases would have had on African trade. Furthermore, on the demand side, the developed countries increased their self-sufficiency ratio by producing commodity substitutes or shifted their consumption to products from other developing regions found to be more competitive than African products. This particularly applies to robusta coffee (which is the dominant variety of African exports) giving way to arabica coffee (essentially produced by the Latin American countries).

(b) <u>Various mechanisms for regulating the international commodity market and their impact on African imports</u>

(i) <u>International commodity agreements and arrangements</u>

8. Recently concluded international commodity agreements indicate a policy shift by the international commodity organizations. Indeed, the new international commodity agreements and arrangements indicate that price stabilization and other forms of intervention have been replaced by new methods of supply management. Coffee which is of major importance to Africa is no exception to this rule. With the liberalization measures being applied in most producer countries, a number of African countries are hesitating to implement the coffee retention plan. Countries like Côte d'Ivoire, Uganda and Cameroon are reviewing their coffee pricing and marketing systems which have always been under the control of the public authorities.[5] One alternative would be to liberalize the coffee market like Burundi and the United Republic of Tanzania have done about one year ago.

9. The new international cocoa agreement also aims at achieving equilibrium through production management and consumption expansion based on the development of new uses of cocoa.[6] This new policy shift could greatly benefit major African exporters such as Côte d'Ivoire, Ghana, Cameroon and Nigeria.

3/ Special article on tropical products 1994/1995 (18th issue) in <u>Marchés tropicaux</u>, 7 July 1995.

4/ ECA 1995 Survey of Economic and Social Conditions in Africa, E/ECA/CM.21/3.

5/ Commodity markets and developing countries. World Bank quarterly, August 1995.

(ii) Compensatory financing mechanisms

10. There are four compensatory financing mechanisms of importance to African countries: STABEX and SYSMIN within the context of the EEC-ACP Convention, the Compensatory Financing Facility and the Contingency of Financing Facility of the IMF and the Swiss Compensatory Financing Mechanism[7].

11. African countries have certainly benefited from these mechanisms (see table 4 of the Annex which shows the pattern of transfers effected under STABEX from 1992 to 1993) but they have had very limited impact on stabilizing the export earnings of African countries. For instance, the financial resources allocated under STABEX in the Lome IV Convention (1991-1995) amounted to 1.5 billion European currency units (see table 4 in the Annex). Even though a substantial share of these resources were transferred in 1991 and 1992 (with nearly 90 per cent going to African countries), they covered only 35 per cent of the estimated deficit of the ACP countries.[8]

12. The fact is that compensatory financing mechanisms were established to cope with sporadic and short-lived revenue deficits and therefore do not constitute a remedy for problems resulting from the long-term structural imbalance of commodity markets. To address this issue, the IMF set up two additional mechanisms, namely the Structural Adjustment Facility (SAF) designed to provide low-income countries with concessional balance-of-payments support and the Enhanced Structural Adjustment Facility (ESAF) which provided far more substantial concessional assistance to those low income countries committed to the implementation of structural adjustment programmes. The IMF has encouraged countries to resort to both mechanisms while acknowledging that balance-of-payments difficulties are largely due to structural problems and cannot be treated as export revenue fluctuations that can be reversed in the short-term and for which the previous mechanism was established.

(c) Price risk management instruments

13. Price risk management instruments established on commodity markets provide new opportunities for stabilization, allowing as they do for coverage against the risk of price fluctuation. These instruments include spot contracts, future contracts, options, swaps and obligations and loans indexed to commodity prices.[9]

14. It has been noted, however, that African countries have very limited knowledge about how the various instruments operate. The main reason for this is that countries find it difficult to secure access to spot markets which are governed by fairly complex institutional organizations. Indeed, access to such markets depends on the economic clout of various operators, their technical know-how and financial resources. In other words, participation in these markets requires resources and conditions which African countries cannot meet at the moment. Some countries supported by their local financial institutions have decided to set up their own risk management instruments. The Common Market for Eastern and Southern Africa (COMESA) member countries are thus benefitting from the price guarantee contract mechanism established by the Eastern and Southern African Trade and Development Bank since late 1993.[10] The Government of Nigeria is pursuing the same approach with the support of the Nigerian

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7/ These various mechanisms have been described in the ECA study on International Commodity Market Mechanisms: African countries and commodity future markets (E/ECA/Trade/95/1 of 31 October 1995)

8/ FAO/1994 No. 52 op cit.

9/ For more details see E/ECA/Trade/95/1 op cit.

Export/Import Bank (NEXIM). These various mechanisms have certainly had an impact on commodity prices but it is impossible to determine their long-term impact now.

(d) Structural adjustment measures and liberalization of the commodity sector

15. Most African countries adjust structurally with emphasis on market liberalization and the promotion of private initiative.[11] One of the most important facts of liberalization policies has been the implementation of measures aimed at curbing excessive regulation and control, particularly price controls. The countries have jointly pursued policies of realigning exchange rates through the application of stricter monetary and fiscal policies. One other trend emerging in African countries is the promotion of the private sector along with considerable reduction in the degree of State engagement in production and marketing. Some countries have even gone further in liberalizing their import regime so as to improve the general allocation of resources and to rationalize price structures. In most countries, nevertheless, the reforms undertaken have not succeeded in reversing the situation because of structural rigidities.

II. AFRICAN POTENTIAL IN COMMODITY PROCESSING AND PROSPECTS FOR TRADE IN MANUFACTURES

16. The situation in the African commodity sector shows that African countries will have serious difficulties adapting to the changes in the international economic environment. Given the structural characteristics of their economies (unsuitable production capacities, dilapidated infrastructure and limited finances) these countries will continue depending on their commodity exports. Their priority, in the short-term, will therefore be to rehabilitate the traditional export structures which remain the principal source of revenue and recapture their lost share of the market. Given the paucity of investment in the various production sectors and the uncompetitive nature of African products, the gap between African production and consumption in the industrialized countries might well widen thus resulting in greater marginalization of the African continent to the benefit of other developing regions in Asia and Latin America. Consequently, a new approach will have to be adopted to the commodity issue and should include a new and more aggressive strategy based on improving competitiveness by way of product diversification and the improvement of productivity. This strategy should aim at transforming current structures into a more integrated economy.

(a) Commodity production

17. For African countries, trade expansion has been hampered by heavy dependence on the production and export of commodities. The share of the commodity sector in their GDP ranges from 30 to 60 per cent.[12]

18. Should African countries continue to remain dependent on commodity export earnings, they run the risk, in the medium term, of being left behind in an international trading environment largely dominated by trade in manufactures. It is this fear that is expressed in the aforementioned ECA report. The combination of such commodity dependence with the lack of an adequate marketing strategy and the absence of investment in the productive sectors will result in further decline of African shares of the international commodity market. This might compromise the development of production capacities and the growth prospects of African countries. It is for this reason that African countries need to intensify their efforts to strengthen their diversification policy with a view to increasing their economic productivity at the same time as they demonstrate greater dynamism in marketing.

11/ See ECA document E/ECA/Trade/95/7 entitled Liberalization of Trade in Local Products: Case study of West Africa.

12/ See mechanisms for stabilizing the export earnings of African countries: international commodity agreements and commodity

(b) Commodity marketing

(i) Domestic produce collection circuits

19. Public agencies and marketing cooperatives have, until recent times, been responsible for produce collection in most African countries. Recent structural reforms, however, place the emphasis on the need for the private sector (in particular traders) to take over this function. This requires that governments should promote the creation of a favourable policy and regulatory environment with support and extension services that make for increased productivity and growth through the improvement of production techniques and quality control. New commercial operators do not at all feel the need or have the capacity to build the infrastructure needed for commodity collection in marketing so State withdrawal from this sector is certainly raising serious problems with grave consequences for quality control and productivity, not to mention the protection of producers from unscrupulous speculators. This marks a return to the middleman system whose practices were so much deplored in the past.

(c) Access to international market

20. Several emerging external trends might have serious repercussions on the access of African products to international markets. The rising cost of labour in south and South-East Asia may, for example, reduce competition while the development of eastern European countries expands the market for certain commodities. Indirectly, Africa stands to benefit from the development of other areas of the world economy. On the other hand, Africa will have to cope with the increasing liberalization of Asian economies which pose a very serious challenge to African industries.

21. Along with all these, the liberalization of trade under the Uruguay Round Agreements should open new opportunities and promote the diversification of African economies. African countries will nevertheless be running into particular difficulties because of the erosion of the preferences they enjoyed under the Lome Convention and the GSTP, the expected increase in the cost of food imports as well as the considerable increase in debt commitments.

22. Africa's positions on international markets might be affected by the liberalization of commodity sectors. Henceforth, African countries will be operating through third parties (with their segmented supply) and the virtual impossibility of coordinating their position vis-a-vis buyers. The asymmetric structure of trade will grow even worse. Plans should be made to group African exporters into cartels or cooperatives if only to avoid weakening the African position on international commodity markets.

(d) Prospects for diversification in the commodity sector

23. It can be seen from the foregoing that African countries are passing through a delicate situation and only the transformation of their economic structure could open new opportunities and enable them to create the conditions for sustained growth. This is particularly urgent in countries which are simultaneously experiencing high political tension and heavy population pressure.

(i) Existing industrial base and potential for diversification

24. The foregoing observations have confirmed how fragile African economies are and indicate what consequences may follow for the countries and their economies if they continue to produce commodities that no longer meet international market requirements. They must unavoidably diversify their commodities sectors.

25. A study on the various existing industrial activities conducted in African countries was conducted and reported in ECA document CAMI 12/6(a), ICE/1995/6(a) on the regional strategy for the rational localization of African industries within the context of the Abuja Treaty. The report shows that in spite of tremendous potential in existing natural resources, the industrial processing plants in Africa are insufficient (because they are concentrated in a limited number of countries) and inadequate (because of

industries, for example, which account for 60 per cent of regional manufacturing value added (MVA), only a relatively small proportion of the available commodities are processed industrially. So Africa is a net importer of such essential agricultural finished products as sugar, milk and fish for which it is supposed to have a comparative advantage.

26. The narrowness of the industrial processing base is also reflected in the small share of the manufacturing sector in African GDP (around 12 per cent from 1992 to 1994) and by the declining trend of MVA whose growth rate fell from 1.91 per cent in 1992 to -0.07 per cent in 1993. The preliminary estimates indicate, however, that MVA rose by about 5 per cent in 1994.[13]

27. The factors which could help to raise MVA can be found in the shift of the industrial policy in a number of African countries. The special fiscal incentives for manufactured exports (as in Nigeria) or in the industrial free zones (Zimbabwe), special assistance to small enterprises, privatization and the encouragement of private direct foreign investment (as in Tunisia) are so many measures that reflect such a policy shift.

(e) <u>Factors limiting processing activities</u>

28. The transformation and diversification of African economies run into a number of obstacles not the least of which is the rigidity of the production structure in African countries. Other aspects relate to technological backwardness, increased financing requirements and the lack of inter-sectoral linkages that would ensure the full utilization of installed capacity. African countries would also have to address the issue of unsuitable physical infrastructure, the insufficiency of required technical expertise, the difficulty of selecting products to be processed, tariff and non-tariff barriers, the lack of reliable and up-to-date information on the markets for non-traditional products and the lack of an enabling institutional environment for diversification activities.

(f) <u>Mechanisms and options for increasing the degree of export processing and diversification in Africa</u>[14]

(a) <u>Incentive policies and diversification support</u>

29. Effective macroeconomic policies are needed to make diversification happen. Adjustment policies and programmes deriving therefrom should incorporate the need for promoting economic transformation in Africa through diversification. The activities to be coordinated should concentrate on the following areas[15]:

(i) <u>Human resources development</u>: educational systems and training programmes should be adapted to national needs by undertaking appropriate reforms in teaching programmes in order to bring them in line with the demands of local diversification of national economies; capacity for diversification policy formulation and implementation should be strengthened; research development capacities should be built in order to promote technological innovation and the capacity to disseminate and adopt such innovation; capacities for market development should be promoted, more specifically trade negotiation skills and trade promotion skills. (ii) <u>Strengthening of institutional capacity</u>: Research centres for commodity diversification and processing should be established and/or strengthened; credit institutions and trade financing organizations should be promoted; action should be taken to promote the development

[13]/ ECA/(1995), E/ECA/CM.21/3, op. cit.

[14]/ E/ECA/TRADE/95/15 on the prospects for the diversification of African economies, ECA 1995.

[15] United Nations Economic and Social Council 1994 proposed

of small and medium enterprises with a view to promoting entrepreneurship; regional institutions supporting national and international diversification programmes should be strengthened; and (iii) Development of physical infrastructure: physical infrastructure should be developed at regional, subregional and national levels and surveys conducted on the possible ecological impact of economic diversification programmes.

(b) Strengthening of technical and technological capacity

30. Capacity can be built from a combination of three options:

(i) Development of local technologies: measures for developing local technological capacity need to be taken to create a general environment conducive to innovation and infrastructural investment as well as to establish a stable macroeconomic and regulatory environment. In most African countries, the development of local technological capacities could always be adversely affected by investment decline, lack of diverse and advanced skills as well as unfavourable external factors. In such circumstances, appropriate strategies concerning direct foreign investment and technology transfer must be formulated.

(ii) Technological innovations: technological innovation is vital for any country to develop economically and to maintain its competitiveness. Such innovation, however, requires the acquisition of special expertise, various new techniques and services along with specific research development. In the absence of a solid local technology base, countries may use imported technology to create new areas of technical expertise which will boost their degree of technological advancement.

(iii) Technology acquisition: technology may be acquired through foreign direct investment, joint venture, licensing, management contract or sub-contracting and franchise particularly through the conclusion of partnership agreements. This new idea of technological partnership has revolutionized thinking and policies on international technology transfer. It actually imposes on the international community, within the merging economic environment, the need to define new parameters for healthy competition by which all parties must abide in an integrated world market place. Laws governing intellectual property rights are considered as a key element in the formulation of an international code of conduct for technology transfer.

(c) Financing capacity

31. Given the prevailing lack of financial resources in most African countries and their difficulties in attracting foreign capital, the success of diversification efforts will depend to a large extent on the capacity of those countries to forge partnerships and mobilize both local and foreign resources to finance those joint ventures. Such capacity should be developed through:

(i) Skills training in financial expertise;

(ii) The establishment of efficient mechanisms and policies for mobilizing local banking, non-banking and other resources;

(iii) Promotion of foreign direct investment and of such technical and financial assistance as would promote economic diversification.

(d) Diversification programmes

32. The dimensions of diversification could be:

(i) Horizontal diversification which may take two forms:

a. the promotion of new export commodities as initiated by the Government of Uganda under its reconversion programme aimed at producing silk, vanilla, pepper and honey; and[16]

b. The generation of new product varieties from existing products.

(ii) Vertical diversification which focuses on the processing of products in order to increase their export value. This has the advantage of promoting better economic integration with the creation of intersectoral linkages. It also makes for the creation of processing industries that generate employment and promote food security. Mauritius is perhaps the only African country which has relatively succeeded in its diversification strategy through the establishment of an industrial free zone which, in 1990, provided 88 per cent of manufacturing sector jobs, approximately 60 per cent of unprocessed exports and 15 per cent of GDP.[17] Other African countries learning from the experience of Mauritius have set up industrial free zones to attract private investment, diversify their production base and increase the number of products they export. Cases in point are Nigeria, Zimbabwe, Botswana and Uganda.[18] The success of the Mauritius experience has especially to do with the conditions created before the commissioning of the industrial free zone and the fact that the diversification strategy was already being pursued[19] coupled with an enabling macroeconomic environment and an ingenious mix of incentives.

III. ACTION PROGRAMME FOR DEVELOPING THE COMMODITY SECTOR IN AFRICA

33. Today, the international economy is mainly characterized by two closely linked but distinct trends: globalization and liberalization. While both trends open vast possibilities of growth and development, they are also fraught with the risks of instability and marginalization. Given their infrastructural deficiencies, their financial constraints and high dependency on commodities, African countries will have more difficulty adapting to the emerging international economic environment. They should therefore endeavour to formulate policies and take practical measures and initiatives at the national, regional and international level, with a view to: (i) transforming their economies and reducing their dependence on commodity exports through diversification; (ii) achieving competitiveness so as to be able to exploit the opportunities brought about by globalization and liberalization; and (iii) creating the conditions for sustained growth.

16/ Analysis of national experiences in horizontal and vertical diversification, including the possibilities for crop substitution.

17/ ECA 1995, E/ECA/CM.21/3, op. cit

18/ The industrial free zone of Nigeria became operational early 1994. Zimbabwe, Botswana and Uganda are in the preparatory phase of establishing their industrial free zones.

19/ The country had skilled manpower, a dynamic business

(a) National measures

34. The priorities here are two in nature:

(i) The need for African countries to pursue economic transformation policies with a view to creating the conditions for self-sustaining growth;

(ii) The need for economic transactors to adapt to the stiffer competition with which all countries have to cope as the international economy globalizes and liberalizes. In this context, the primary responsibility of African governments is to create a stable environment conducive to the transformation of their production and marketing structures to match their needs and the exigencies of the world economy. A number of measures may be considered, namely:

a. Realigning the agricultural products sub-sector to meet local needs and reduce the importation of food products;

b. Formulating and pursuing horizonal and vertical diversification programmes with a view to widening Africa's economic base and creating the intersectoral linkages needed for sustained growth;

c. Adopting adjustment and economic policies capable of revitalizing growth;

d. Adopting incentives for commodity producers by way of improving the access of small producers to the factors of production, lowering production factor costs by granting customs exemption for the import of essential commodities and relaxing fiscal policies so as to reduce excessive dependence on export duties as a source of fiscal revenue;

e. Pursuing appropriate reform policies aimed at replacing those sectors losing their international competitiveness with capital and skills-intensive activities;

f. Formulating, as part of a comprehensive strategy, an export promotion programme providing every measure of support for enhancing competitiveness both at the stage of product processing and export diversification. For this to happen, not only would productivity have to be improved but also the cost of such factor inputs as labour, energy, transport, credit and other costs relating to an unfavourable business environment should be reduced;

g. Shifting industrial strategies from import substitution to an endogenous growth model based on the commodities sector;

h. Improving the efficiency of marketing structures by simplifying administrative formalities and eliciting the direct participation of producers in produce marketing by encouraging the establishment of producers associations and cooperatives with a view to ensuring regular and steady supplies;

i. Conducting a critical review of the possibilities for diversifying outlets to other developing regions so as to take advantage of South-south opportunities and to diversify African markets and make them more competitive and profitable;

j. Creating the conditions for an improvement of the economic and financial environment both for domestic as well as foreign direct investment particularly through the institution of such reforms as would contribute to the effective

k. Preparing appropriate programmes for training, research development and the collection of trade information.

(b) Regional measures

35. The emerging international economic environment is also characterized by the rapid growth and economic dynamism of certain developing regions as well as by the strengthening of regional links. To become competitive, African countries should intensify their regional cooperation as a primary mechanism for trade promotion in Africa. Among other things, African countries should:

(a) Prepare a joint programme for the promotion of commodity exports. Countries having similar interests in the export of one commodity should set up joint export marketing mechanisms in order to withstand fierce competition on the international commodity markets. Such specialized regional organizations as the Inter-African Coffee Organization, the African Timber Organization and the African Groundnut Council would be of great help in this regard. It would be advisable to undertake on a continuing basis feasibility studies which take account of the supply and demand situation with a view to defining appropriate marketing strategies;

(b) Pursue policies for the diversification of production and marketing structures including research development within specialized regional institutions. Such policies should also aim at promoting the adaptation of local production to consumption with a view to reducing heavy African dependence on the import of food items;

(c) Harmonize and coordinate policies for the distribution and transport of African products. The countries should also institute measures for improving storage facilities, strengthening technical and technological capacity and improving and updating data on prices, market opportunities and both the supply and demand situation of specific products;

(d) Enforce existing commitments and agreements in the area of subregional and regional trade cooperation with a view to promoting intra-African trade and achieving an enhanced African common trading position on the international market. The Treaty establishing the African Economic Community provides a framework for considering the prospects of attaining this objective; and

(e) Strengthen African financial institutions which specialize in external trade financing operations. AFREXIMBANK could play a major role here in financing African exports.

(c) International measures

36. Internationally, African countries should specifically:

(a) Evaluate, with the assistance of ECA Secretariat, the implications of the Final Act of the Uruguay Round of multilateral trade negotiations including the additional provisions contained in the Marrakesh Agreement so as to see what synergy can be achieved in increasing revenue, employment and expanding trade;

(b) Strengthen their negotiating position within such multilateral trade cooperation institutions as the World Trading Organization (WTO), EEC-ACP Convention and the Group of 77 so that their interests are taken into account in future negotiations;

(c) Make use of international assistance to sustain their economic diversification efforts particularly within the context of the preparation of diversification projects and programmes under General Assembly resolution 49/142; and

(d) Encourage foreign direct investment and technology transfer so as to develop production

IV. MODALITIES FOR IMPLEMENTATION, FOLLOW-UP AND EVALUATION

37. The implementation of the action programme for developing the commodity sector should be carried out at all the levels - national, regional and international.

(a) At the national level

38. Policy management capacity should be strengthened and the establishment of a conducive institutional framework promoted for the implementation of the programme. In addition, sectoral skills development programmes will have to be formulated and implemented.

(i) Strengthening of policy management capacity

39. Appropriate policy management, analysis and implementation mechanisms would be needed to ensure proper implementation of the programme. Such mechanisms are generally lacking in most African countries. The countries therefore apply to the letter unsuitable economic policy strategies (especially in the context of structural adjustment programmes) without having the capacity to review and appraise the impact so the economic and social repercussions come to compound the structural difficulties of African economies. It therefore becomes necessary to accord priority to the establishment and strengthening of technical capacity for the management of economic policies particularly through skills training and institution building to promote the development of the required managerial and implementation skills.

(ii) Institutional framework

40. Ministries of trade working with other sectoral ministries or public and/or private institutions responsible for agriculture, industry, finance, planning, transport and communications will have to coordinate programme implementation activities. Multidisciplinary committees established to implement the Strategies for the Revitalization, Recovery and Growth of African Trade in the 1990s and beyond could carry out the implementation, follow-up and evaluation of the programme.

(b) At the regional level

41. Subregional and regional economic integration organizations, working with regional trade promotion centres and the regional technical institutions have an important role to play in the implementation of the programme at the regional level. Such institutions should establish a joint committee to identify areas of common interests and formulate strategies, policies and programmes for the implementation of the Programme of Action. The joint ECA/OAU/ADB secretariat should intensify its cooperation with those institutions and ensure that decisions taken with regard to the implementation of the programme are carried out. In order to facilitate the work of the secretariat, member States could provide ECA with reports on national evaluation of the programme.

(c) At the international level

42. Specialized agencies such as UNDP, UNIDO, ITC in cooperation with the Common Fund for Commodities should play a catalytic role in the implementation of the programme. More specifically, these institutions should assist African governments and the subregional and regional economic groupings by giving them the technical and financial support needed to pursue appropriate strategies for the development and promotion of the African commodity sector. Those institutions should pursue and intensify resource mobilization initiatives generally for the implementation of the United Nations New Agenda for the Development of Africa in the 1990s and particularly for diversification activities.

43. The joint ECA/OAU/ADB secretariat should also, in cooperation with the ACP secretariat, effectively coordinate African efforts and positions in multilateral trade negotiations. The joint secretariat

V. CONCLUSION

44. The current international economic environment is characterized by liberalization and globalization. Competition and competitiveness form the two pillars of the system and the urgent need for growth and productivity follow naturally. Nevertheless, this imperative can be realized in Africa only if the current economic structures are transformed. These structures should tend towards less dependence on commodity exports and a more diversified and coherent economic structure having more intersectoral linkages. Africa's trade performance at the world level will depend on its capacity to achieve transformation and one choice area for such transformation is the commodity sector.

45. Proposals have been made in this report for an action programme together with modalities for such action at the national, regional and international level. These proposals are built around: (i) the formulation and implementation of diversification programmes for self-sustaining growth based on the commodity sector; (ii) sound knowledge of market mechanisms and diversification of trading partners with a view to improving the position of African countries in world markets; (iii) the building of infrastructural, institutional, technological and human capacities for achieving the economic transformation, product diversification and trade competitiveness of African countries.

Table 2: Coffee exports to all destinations (1991/1992 to 1994/1995) from March to February (000 bags)

ORIGIN	1991/92	1992/93	1993/94	1994/95
GRAND TOTAL	77 410	77 686	73 904	67 168
Brazil type	22 213	17 587	20 029	17 782
Bolivia	81	101	39	88
Brazil	22 216	16 605	18 908	16 171
Ethiopia	816	835	1.039	1 470
Paraguay	100	48		52
ROBUSTA	18 265	19 274	16 834	15 641
Angola	76	69	34	10
Ghana	17	35	45	8
Guinea	75	41	9	30
Indonesia	5 795	4 918	5 476	4 527
Benin	0	0	2	0
Cameroon	1 787	1 576	613	720
CAR	135	117	120	167
Congo	-	1	0	0
Cote d'Ivoire	3 818	5 046	3 413	2 483
Equatorial Guinea	4	2	2	1
Gabon	3	1	2	7
Madagascar	661	717	538	336
Togo	173	337	192	187
Philippines	104	29	53	110
Sierra Leone	92	41	38	63
Thailand	659	1 335	1 070	1 070
Trinidad and Tobago	7	4	8	5
Uganda	2 181	1 797	2 070	3 079
Viet Nam	1 330	2 218	2 243	2 255
Zaire	1 323	972	866	544
Brazil	22 216	16 605	18 908	16 171
Colombia	**12 942**	**16 713**	**12 758**	**11 587**
OTHER ARABICA	**23 987**	**25 095**	**25 405**	**23 769**
ROBUSTA	**18 265**	**19 274**	**16 834**	**15 641**

Source: Special article on tropical products (18th edition) in Marchés tropicaux, 7 July 1995

Table 3. General African Commodity Trade Indicators (1990-1994)
Annual % variation (1990 = 100)

	1990	1991	1992	1993	1994
Exports					
Value	24.3	-4.4	-0.8	-7.5	4.2
Volume	7.4	8.2	1.4	0.1	2.0
Unit value	15.7	-11.6	-2.1	-7.6	2.1
Imports					
Value	20.2	-7.6	4.8	-1.4	6.5
Volume	11.4	-5.1	2.7	1.4	4.9
Unit value	7.9	-2.6	2.1	-2.8	1.6
Terms of trade	7.3	-9.2	-4.1	-5.0	0.6
Export purchasing power	15.2	-1.8	-2.8	-4.8	2.6
Share of dev. Africa in World Commodity trade	3.0	2.8	2.6	2.4	2.4

Source: ECA 1995, Survey of Economic & Social Conditions in Africa (E/ECA/CM.21/3).

Table 4. STABEX Transfer (Lome IV to certain African countries) (in European currency unit)

Country/Year	1990	1991	1992	1993	LOME IV
BURUNDI					
Coffee	16,247,958	7,787,541	9,038,427	19,577,265	
Hides and skins		194,364	326,763	273,078	
Tea	301,049				
Total	**16,549,007**	**7,981,905**	**9,365,190**	**19,850,343**	**53,746,445**
CAMEROON					
Cocoa products	39,080,820	39,865,519	26,369,937	20,076,543	
Coffee	28,307,419	29,335,870	21,536,466	12,499,807	
Total	**67,388,239**	**69,201,389**	**47,906,403**	**32,576,350**	**217,072,381**
COTE D'IVOIRE					
Cocoa products	16,677,301			8,678,825	
Coffee products	74,494,439	67,093,454	46,595,018	23,171,128	
Cotton			7,191,368		
Timber		4,658,747			
Total	**91,171,740**	**71,752,201**	**53,786,386**	**31,849,953**	**248,560,280**
ETHIOPIA					
Coffee	58,456,423	39,815,717	35,697 326	27,643,660	
Hides and skines	6,132,026	9,579,462	5,200,571	4,949,289	
Total	**64,588,449**	**49,395,179**	**40,897,897**	**32,592,949**	**187,474,474**
GHANA					
Cocoa products	6,889,065	16,430,110	4,883,722	15,738,690	
Total	**6,889,065**	**16,430,110**	**4,883,722**	**15,738,690**	**43,941,587**
KENYA					
Coffee	29,870,422	16,413,425	16,457,108	16,048,216	
Tea			282,596		
Total	**29,870,422**	**16,413,425**	**16,739,704**	**16,048,216**	**79,071,767**
MADAGASCAR					
Cloves	757,227	615,451	497,677	542,199	
Coffee	18,989,063	14,019,429	9,083,993	3,752,286	
Basic oils	115,256	313,036			
Vanilla	1,693,310	1,637,168	398,558		
Total	**21,556,856**	**16,585,084**	**9,980,228**	**4,294,485**	**52,414,653**
RWANDA					
Coffee	15,363,630	9,184,660	13,420,282		
Hides and skins	967,433	936,227	849,994		
Pyrethrum	241,103	11,269	52,024		
Total	**16,572,166**	**10,132,156**	**14,322,300**	**0**	**41,026,622**

Table 4 (cont'd)

	1990	1991	1992	1993	LOME IV
SENEGAL					
Groundnut products			9,206,367	15,123,888	
Total	**0**	**0**	**9,206,367**	**15,123,888**	**24,330,255**
SUDAN					
Cotton products	18,949,680	25,806,083	24,612,981	1,632,015	
Groundnut products	2,109,071	160,607	237,361		
Gum arabic	2,910,847	3,468,736	3,504,265		
Hides and skins	2,768,785	752,453		784,283	
Vegetable oil	1,781,197	387,782			
Sesame seeds	3,233,020	1,526,155			
Total	**31,752,600**	**32,101,816**	**28,354,607**	**2,416,298**	**94,625,321**
TANZANIA			183,770		
Cloves	19,104,450	11,224,734	12,528,623	8,300,103	
Coffee		1,304,125	881,929		
Cotton					
Sisal	64,031				
Tea	9,749				
Total	**19,178,230**	**12,528,859**	**13,594,322**	**8,300,103**	**54,601,514**
UGANDA					
Coffee	36,283,936	32,789,829	22,748,132	43,995,103	
Cotton	701,713	1,419,984			
Hides & skins			1,590,474	439,021	
Total	**36,985,649**	**34,209,813**	**24,338,606**	**44,434,124**	**139,968,192**
Zimbabwe					
Coffee			2,493,812		
Cotton			12,786,706	5,439,952	
Total	**0**	**0**	**15,280,518**	**5,439,952**	**20,720,470**
TOTAL AFRICA	**434,505,560**	**363,150,842**	**303,835,802**	**252,258,063**	**1,353,750,267**
REGIONAL %	**89,83**	**92,46**	**92,07**	**88,51**	**90,77**
ACP TOTAL	**483,678,080**	**392,768,603**	**330,000,000**	**285,000,000**	**1,491,446,683**

Source: **EEC data.**

Table 1. Commodity dependency ratio of African Countries

Countries			
Algeria	72	98	98
Angola	83	87	99
Benin	35	63	84
Botswana	78	87	95
Burundi	87	91	92
Cameroon	38	61	81
Cape Verde	65	81	97
Central African Republic	33	64	87
Chad	29	87	96
Comoros	56	86	87
Congo	91	96	99
Egypt	61	81	85
Equatorial Guinea	54	95	100
Ethiopia	66	88	96
Gabon	82	88	96
Ghana	59	83	91
Guinea	-	91	99
Liberia	64	81	88
Libya	100	-	-
Malawi	55	75	84
Mali	57	96	98
Mauritania	45	87	98
Niger	85	97	98
Nigeria	96	99	99
Reunion	74	78	84
Rwanda	73	85	97
Seychelles	69	80	86
Somalia	76	86	96
Uganda	95	97	98
Zaire	58	77	95
Zambia	98	99	99

Source: UN, Africa's Commodity Problems and UNCTAD Commodity Yearbook 1994 pgs. 421-422.