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AFRICA AND THE NEW GLOBAL TRADE RELATIONS

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-some comments and observations

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1. The Position of Africa in the World Economy

1.1 Africa's share of world trade varied from 4.1 to 4.9% during 1960-65, fluctuated around 4.4% during the 1970s and declined consistently to 2.3% in 1987. During 1980-87 while world exports were growing at 2.5% p.a. Africa's exports were declining at 7.4% (UNCTAD, 1993). The share of non-oil primary exports declined even more dramatically from 7% to 4% over the same period (Sharma, 1993). One major characteristic of the changing position of Africa has been the lack of competitiveness.

1.2 The major exports from Africa have been primary agricultural and mineral products. The structure of these exports has changed only marginally in the past two to three decades with their share in total exports falling from 92% in 1965 to 86% in 1987. For the low income countries of Africa, this share has even increased marginally from 92% in 1965 to 94% in 1987 (World Bank, 1989).

1.3 This unchanging structure of exports indicates that the export pessimism that is usually associated with primary products has not been taken seriously in the design and implementation of development strategies and policies. The first export pessimism was either based on declining terms of trade for primary products (Raul Prebisch, 1984)¹ or on the notion that the absorptive capacity of foreign markets was low (i.e. elasticity pessimism) as argued by Nurkse (1959)². The future of most of these commodity traditional exports is rather bleak considering the low income elasticities of demand associated with these products. Markets for many of these commodities are showing signs of saturation. For instance, studies on the cocoa world market to which exports from Africa contribute 55% have shown that over the 20 year period (1960/65 to 1980/85), cocoa consumption increased by only 40% with negligible increases in the major consumer markets such as EEC (12%) and USA (19%) over the same period (ITC, 1987)³. It is in this context that in spite of an increase of 75% in the volume of exports of nine major export commodities (during 1985-90 compared with the 1977-79 averages) export earnings from these exports has fallen by 40% (Hussain, 1993).

1.3 Non-traditional exports from the manufacturing sector have not only been small and declining but they have tended to be

¹Five Stages in my Thinking about Development. In P. Bauer, G. Meier and D. Seers (Eds.) *Pioneers in Development*. New York, OUP, 1984.

² Nurkse, R. *Patterns of Trade and Development*. Wicksell lectures. Stockholm, 1959.

³COCOA: trader's guide. ITC, Geneva 1987

dominated by further processed goods destined for the markets outside SSA (Riddell, 1990:35). After the 1960s the trend in manufactured exports from Africa shows a decline in its share in world manufactured exports from 0.38% in 1965 to 0.23% in 1986. Even its share in developing country manufactured exports declined from 4.6% to 1.5% over the same period. These trends raise concern as they could be suggesting that industrial productivity growth and technological learning and innovations have been lower in Africa than in other countries. These trends suggest that the question of diversification into non-traditional exports needs to be examined in the context of accumulation of the necessary technological, organizational and marketing capabilities as necessary conditions for improving competitiveness in the export markets.

2. Africa has to Survive and Manage in a Changing World Economy

As the South Commission report has correctly noted, the world is in a process of rapid transition in which political alignments, economic systems and social values are being transformed. At the base of these changes is the acceleration of scientific and technological advance which has had a strong impetus to the trend towards globalization and inducement of institutional changes.

2.1 The **business environment** in which exporting firms must be prepared to operate is characterized by unprecedented opportunities to tap new markets and traditional markets are changing dramatically towards competitiveness. Competition is arising not only from traditional adversaries in traditional markets but also from new entrants and from disintegration of barriers to previously protected markets. With competition arising from diverse and unexpected sources, enterprises can no longer be confident about their market shares, they must constantly innovate to compete. Overall, the trend suggests that the changing market conditions now require firms to meet customer tastes that are more refined and personalized and society's collective needs as expressed through a wide range of democratic and associative mechanisms (OECD, 1992). This calls for new forms of interaction between producers and customers. Such interaction with more demanding and better informed customers is an essential factor for growth and competitiveness.

2.2. One message which comes out of the new trade theories is that technology differences are a fundamental force in shaping comparative advantages.

2.2.1 If technology differences are so important in shaping comparative advantages the implication is that trade policy should be designed with explicit consideration of technological change. Even if technology development efforts in developing countries may not be expected to take place in frontier technologies because of the tendency towards greater skill and capital intensity associated with those technologies, it may still be possible to deploy technology efforts to reduce the technology gap between the North and the South in some ways (e.g. by reducing time lag involved in technology borrowing, adaptation

and devising efficient ways of application of the frontier technologies). Considering the diversity of demand structures both in the North and in the South it may be possible for developing countries to exploit some windows of opportunities in a dynamic context. In order to exploit and maintain such market opportunities (whether in the markets of the industrialized economies of the North or in the less developed economies of the South) efficiency requirements are likely to continue to be more stringent rather than more relaxed. To that extent continuous efforts to reduce the technology-gap between the developed and developing economies or even alter the nature of such technology gaps are conceivable.

2.2.2 There are economic activities in which the developing countries may continue to have a competitive edge arising from natural conditions but the changing conditions in the world economy suggest that even the survival of these requires that they must be supplemented by technological change e.g. natural resources such as minerals and tropical products. This suggests that the centrality of technological change and innovations in the analysis of trade and growth issues can be applicable to enhance comparative advantage based on natural resource endowments (David, 1991). It is in this context that the influence of technological capability on realization of the potentials in natural resource endowments in Africa. Technological capability and in particular prudent adoption of relevant new technologies applied on exploration, exploitation and processing various natural resources can make a difference in tapping the potentials of natural resource endowments. In the area of primary commodity production increases in productivity are important in influencing the level of returns from factors used in the production of the commodities. In this respect technological capabilities in the production of commodities can have a positive influence on the factorial terms of trade. The experience of Malaysia's diversification efforts into cocoa production has shown that although Malaysia has higher labour costs than West Africa and Brazil, it has been particularly successful in gaining relative competitiveness in cocoa production by achieving very high yields from the new hybrid varieties developed by its crop-breeding programmes (International Trade Centre, 1987).

2.3 Some of the main observations in the changing pattern of trade include: first, the surge of American imports and explosion of Japanese and German exports, which contributed to generating large imbalances in world trade; second, relatively steady growth in manufacturing exports leading to high levels of trade between countries with similar factor endowments. Three quarters of all exports from the developed countries went to other developed countries. By 1989 one-third of developing country trade went to other developing countries (Yoffie, 1993)⁴. There is a tendency towards the formation of larger trading groups of countries of

⁴ David B. Yoffie (Ed.) Beyond Free Trade: Firms, Governments and Global Competition. Harvard University School Press. Boston, Massachusetts, 1993.

the North a development which is more likely to bring benefits of guaranteed access to larger markets to the members with the likelihood that many poor non-members in Africa, in particular, will suffer from loss of access to industrial country markets. Indeed, this development is not likely to increase access of exports of the South to the markets of the North.

2.4 The policies of the larger regional blocs are unlikely to favour market access to African products in the longer run. For instance, EEC trade policies are essentially discriminatory against imports from the South. Even if Africa has been accorded preferential treatment under the GSP and Lome Convention arrangements there are indications that such preferential treatment cannot be relied upon in the medium and long term.

2.4.1 First, the relief offered is subject to unilateral termination by the EEC on grounds of "graduation" as has been done for the more advanced developing countries. The Lome Convention continues to offer Africa's products access to the EEC market so long as these products originate in Africa. However, rules of origin may complicate South-South cooperation between Africa and the more advanced developing countries.

2.4.2 Second, Africa's favourable position in terms of access to the EEC market partly derives from MFA restrictions on Asian exporters. This may induce Asian producers to relocate to Africa as the experience of Hong Kong investments in Mauritius suggests. However, the pressure towards trade liberalization in global trade negotiations is likely to erode much of the preferential treatment Africa has been enjoying, albeit, during a period when Africa had no supply and technological capability to fully benefit from those preferences (except for a handful of countries e.g. Mauritius, Zimbabwe). Although restrictions to access pose a potential difficulty, the real problem of African exports has been the capability to penetrate the European market.

2.4.3 Third, the subsidizing of research and development is the core of EEC industrial policy in the 1990s as industrial policy is shifting from sectoral subsidies to functional subsidies. These subsidies are used to encourage and promote the innovative capacity of firms (UNIDO, 1992)⁵. Many EEC R&D programmes are designed to improve traditional fields of manufacturing in which EEC industry might otherwise lose its competitive edge (textiles and clothing, steel, new materials such as artificial fibres blurring the traditional separation of textile and chemical industries). This may reinforce the indications that OECD countries may be regaining competitiveness in some of the labour intensive industrial activities in which they seemed to have been losing competitiveness in relation to developing countries. For instance, in the textiles and garments industries, the diffusion of the newest innovations has been greater in spinning and weaving technologies in OECD countries than in developing countries. In weaving, the shuttleless loom technology has been

⁵UNIDO. The Implications of the Single European Market for Industry in Developing Countries. PPD.229 (SPEC.). Vienna, 6 October 1992.

incorporating sophisticated electronic controls. Thus the percentage of shuttleless looms installed to total loom capacity in 1984 was 46.3% in France and Germany, 44.3% in Italy, 31.2% in the US, 4.2% in Indonesia, 0.7% in India and 0.3% in China (Japan Chemical Fibre Association, 1988)⁶. In the late 1980s textile exports from developed countries have actually increased more than from developing countries indicating that a point of inflection may have been reached following a new technology boost.

2.5 With the rise of regionalism, the risk that trade wars could undermine global benefits from multilateral trade seems to be increasing. The US support for free world trade after World War II had been motivated by foreign policy concerns and by the relative international competitiveness of the US economy at that time. As the foreign policy concerns have changed and the international competitiveness of the US declined relative to Japan, for instance, the support for free world trade seems to be on the decline. If developed country interests will continue to be mediated through regional blocs to counter each other then global trade interests could be jeopardized. There seems to be a strong case for introducing safeguards and disciplines in GATT to protect the multilateral world trading system from possibilities of damage from regional agreements.

2.6 One trend which seems to be emerging is that of **globalization**. Increasing globalization has in particular been characterized by the growing role of transnational corporations (TNCs) facilitated by the explosive growth in international private financial flows. This has led to a new ranking of the factors creating interdependencies whereby direct foreign investment (DFI) in manufacturing and services rather than trade is leading internationalization and is influencing locational and trade patterns.

2.6.1 The pattern of capital flows and the role of firms has changed. The number of multinational enterprises (MNEs) has increased and the number of home bases has also increased. One consequence of this increase has been the increasing role of MNEs in exporting capital in the form of FDI. During the second half of 1980s, FDI increased by 29% annually, nearly 3 times the growth of international trade (Yoffie, 1993). Various forms of alliances are prevalent in global oligopolies though usually ubiquitous serving as vehicles of transfer of technology between firms, achieving economies of scale, building technical standards and of accessing markets, skills and resources.

2.6.2 During the 1980s the pattern of internationalization and globalization was further facilitated by deregulation and globalization of finance and by the enabling features and pressure from new technologies. New forms of inter-firm agreements have developed into major means of international technology transfer. In the context of globalization, computer

⁶Annual Report for 1988 quoted in OECD (1992).

networking extends reach of companies and organizations allowing improvement in coordination of various activities at international level. To the extent such networks may be alternatives to strategic alliances among firms they can present new opportunities which could influence the structure of industrial activities and their location. If, for instance, it turns out that TNCs are now more willing to locate a greater portion of their R&D activities in developing countries than they did in the past, the implications of this and related new trends on transfer of technology are worth exploring.

2.6.3 It would appear that if the potential benefits from TNCs are to be realized domestic policies concerning development of domestic firm technological capabilities, education and vocational training, investment, trade, technology adaptation and R&D can play a crucial role in that process. However, in the context of the emerging world market and new technologies the question of forging new forms of networking with TNC firms and identifying the conditions under which the role of TNCs could be complementary and supportive of efforts towards development of international competitiveness by developing countries remains important and interesting.

2.7 The South Commission report proposes several functional areas which deserve priority and attention as building blocks in South-South cooperation: finance, trade, industry and business, services, transport and infrastructure, food security, science and technology, environment, information and communication and people-to-people contacts.

2.7.1 The appearance of TNCs based in the South adds a new dimension to S-S cooperation. These TNCs have offered more appropriate technologies to developing country firms (e.g. more labour intensive, more suitable for utilizing local resources, less costly, more favourable terms). These suggestions are corroborated by findings of other researchers on this subject e.g. Reddy (1990). Joint production enterprises of the South can facilitate flow of capital and technology and management and marketing skills and can help to exploit complementarities within the South. Joint enterprises in strategic industrial projects and cooperation in research and design should be fostered. This can be one systematic effort in assisting LDCs in expanding and diversifying their production and export base. There is need to promote the flow of investments within the South (even if by granting various forms of preferential treatment) and by improving the climate for business cooperation.

2.7.2 One relevant direction of development could be represented by the analysis and shaping of patterns of trade and investment flows among developing countries (Lecraw, 1981; UNESCAP (1990)). Lecraw has addressed three issues of TNCs from developing countries: types of technology developed, mechanisms of transfer of technology and impacts on home and host countries. As regards types of technologies, it was found that TNCs from developing countries undertook various modifications in response to the characteristics of raw materials (type, quality and input-mix),

size (scaling down), product quality and product mix (degree of diversification), machinery (simplicity and capacity) and factor intensity. It was found that these TNCs tend to produce simpler lower technology-products, low-cost products which required little marketing ability to sell in world markets, had a higher propensity to form joint ventures with local firms, used more local human resources and raw materials and often they down-scaled imported technologies. It has been pointed out that the case study of Indian joint venture in Thailand showed that being themselves in a learning stage developing country firms transfer not only the know-how but also the know-why (UNESCAP, 1990). One reason why this occurs is that developing country TNCs often set up overseas enterprises using machinery imported from the developed countries. This necessitates adaptation of these machinery to local conditions on the site of the host country thus providing it with the opportunity to learn by doing. This would imply that developing country TNCs are more skilled in specific technology adaptations and therefore they transfer those skills. To the extent developing country firms are also associated with the ability to design smaller size plants for small market segments, it seems reasonable to expect such flexible technologies to be more appropriate for small and segmented markets. Through these various forms of learning, adapting and modifying imported technologies the TNCs have acquired unique technological capabilities and can carry out these and related activities quite efficiently (Lecraw, 1981).

2.7.3 Although the focus of most of the new trade theories is primarily on North-North trade, some elements of the role of economies of scale, product diversity and explanations for intra-industry trade can be applicable to issues of the place of South-South trade in the world economy. As regards intra-industry trade, the available evidence suggests that average levels of such trade have been low in developing countries and even lower in non-NICs (Greenway, 1991 Havrylyshyn and Civan, 1985)⁷. One problem with such evidence is that it is derived from static analysis and does not take into account directions in which such intra-south trade could evolve. Such dynamic conceptualization implies adaptation of considerations on South-South trade by addressing such options as innovations in more appropriate products and processes for the South as a basis for South-South trade (Stewart, 1984 and 1991) and by posing the question of the conditions under which South-South trade could be feasible and viable drawing lessons from the emerging patterns of trade as unveiled by the new trade theories. Further implications of policy on the evolution of intra-industry trade can be inferred from the evidence that intra-industry trade tends to be higher among countries (developed or developing) with some kind of

⁷Greenway (1991) evaluated the extent of intra-industry trade in developing countries as a way of identifying how widespread are economies of scale and product differentiation. Two category of intra-industry studies are invoked: documentary studies recording the incidence of intra-industry trade at a given level of aggregation; and econometric studies identifying the determinants of a given level or change in intra-industry trade.

integration arrangement (Balassa and Bauwens (1988)). This could imply the influence of lowering of trade barriers and/or the influence of the ability to exploit economies of scale which are often associated with integration and cooperation arrangements.

2.7.4 The fact that recorded intra-Africa trade figures are low (around 5%) should not be interpreted as an indicator of the lack of potential for such trade. For instance, the project "Promotion of Intra-regional Trade Through Supply and Demand Surveys" was part of a more comprehensive programme of activities aimed at promoting trade between the member states of PTA. The data shows that many of the items which are imported into the PTA are also exported from the PTA indicating that there are potentials for intra-regional trade in a wide range of sectors⁸. The more interesting finding of this supply and demand survey is that many products which are exported from the region are also imported into the region. In spite of having the necessary raw materials the region continues to be a net importer of various light manufactures. For instance, the region imports leather footwear (\$15 million in 1985) and exports \$1 million of leather footwear, imports \$3.3 million of cotton seed oil and 3.7 million of sunflower seed oil in 1985 while none was exported. The region even imported more railway sleepers (\$2.8m in 1982) and poles (\$0.4m in 1985) than it exported (\$0.6m of railway sleepers in 1982 and \$0.1m of poles in 1985). These data suggest that a potential for intra-industry trade exists. To that extent the arguments that intra-regional trade would be hampered by the complementarity of the economies in Africa is not decisively convincing. Such arguments are weakened further when dynamic considerations are taken into account (e.g. if restructuring the export sector is itself made a policy objective).

2.8 The role of dynamic learning processes and of competitive pressures of the export markets are relevant to the extent such dynamic economies are industry-specific. Contrary to the neoclassical premise that all activities are equally important one particular strand of new trade theories (strategic trade theory) provides a renewed rationale for support of strategic activities which could be developed through policy. One case is that of protection as export promotion as argued by Krugman(1984). The new trade theories' exposition of the

⁸The COMTRADE data base was used. It contains foreign trade statistics for 199 countries and customs areas. In the absence of sufficient data for all PTA countries, systematic scanning of the official statistics of the countries' trading partners was resorted to. The data series relate to 17 countries: Angola, Burundi, Comoros, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, Uganda, Tanzania, Zambia and Zimbabwe. Data for BLS had to be excluded as their trade flows are recorded as part of SACU trade with South Africa and USSR is not reflected in the data base. However, the data displays a high degree of volatility from year to year, often a country changes from a large exporter of a product one year to a non-exporter the following years. This could be a reflection of the quality of data.

possibility of "import protection as export promotion" introduces an option of using trade policy strategically.

2.8.1 The complexity of the role of government intervention in world trade has been on the rise. As average tariff levels have been falling (as a result of a consensus to reduce them) from 10% in the 1950s to less than 5% in 1990 non-tariff barriers have been increasing (e.g. VERs, licensing procedures, countertrade requirements, restrictive government procurement, technical standards, certification requirements). According to the World Bank's estimates, non-tariff barriers imposed by the US in textiles, steel and automobiles were equivalent to a tariff level of 25% in 1987, a level of protection comparable to that of the late 1940s. The role of governments in forging new trade blocs (e.g. NAFTA, EEC) is notable.

2.8.2 Building on strategic trade theory and administrative theories of the firm, as well as the conventional explanations that focus on country characteristics, recent studies have indicated that when industries become globally concentrated, visible hands (of MNEs and governments) rather than invisible hands of the market emerge to guide trade (Yoffie, 1993). One policy implication is that the government should facilitate the expansion of sources of competitive advantage over time.

2.8.3 The study found that the semiconductor and computer industries demonstrated how governments can shape competitive advantages of firms. The studies also show that infant industry protection can work. In mainframe and semiconductors where barriers to entry were high and the US had a first-mover competitive advantage, the government of Japan employed trade restrictions combined with limitations on FDI to encourage Japanese firms to invest aggressively in emerging technologies. The Japanese carefully limited the role of dominant foreign firms in the domestic market while providing domestic firms incentives to export. The study shows how various governments' intervention determined the longevity and exporting success of local industries like textiles and apparel, steel, machine tools and colour TV. Protectionism has kept American producers in the textile and steel business long after most free market based trade models would have predicted their exit.

2.8.4 Recent developments world industry and trade indicate that the developed country governments' heavy visible hand has often sculpted, manipulated or even directly determined the direction and volume of trade flows. International trade in many ways has become a game of strategic business-government relations. The interaction of business strategy, government policy, and industry structure have become key drivers of global winners and losers. This suggests that in a globally interconnected world regulatory policy cannot be made in isolation as deregulation in one country can be undermined by other governments. In an interdependent world, this presents a case for coordination of major regulatory and trade policies pursued by governments. If government intervention is extensive across nations then global rules (e.g. GATT) remain the best mechanism for firms and governments alike.

2.8.5 One question which arises in this context is that for many

developing countries especially those in Africa the history of state intervention in the process of industrialization is not new. If anything past experience with such intervention has in many respects been so unsuccessful that conventional wisdom is now advocating reliance on the market mechanism for resource allocation and in particular for the development of export industries. The ability of the state to make sensible selective state intervention is doubted not only by those who have for a long time been arguing against state intervention (e.g. Krueger, Balassa, World Bank) but even by those who have argued convincingly for selective state intervention in other contexts (e.g. Pack and Westphal, 1986). The latter have suggested that because of the limited capacity of the state in respect of economic management in the least developed countries, reliance on the standard neoclassical prescription in those countries probably constitutes the best policy across the board. Suggestions along these lines should be subjected to serious question and further investigation.

Several issues deserve deeper study on the role of the state in promoting competitiveness in production and trade in the African context. **First**, as Pack and Westphal (1986) have rightly pointed out, policy instruments were used promotionally in Korea but the same set of instruments were used restrictively in the less successful industrializing countries. It would be useful to explore the conditions under which the latter countries could shift the pattern of their intervention in the direction of promotion and away from restriction. **Second**, there is the question of differences in the scope of state intervention. In response to the observation of little success in the particular scope and pattern of state intervention there has been a tendency to swing to the other extreme which is more in line with the neoclassical laissez faire. This has often been done without revisiting the role of the state itself in terms of its scope and characteristics and without making reference to any light that past experience can shed. **Third**, if the capabilities associated with state intervention are partly characterized by tacit knowledge, then there is a case for acquiring such capabilities through learning by doing. The challenge would therefore be on how to ensure that such a learning process is undertaken on the basis of the scope and patterns which are consistent with the limited but growing institutional capabilities for effective state intervention. **Fourth**, it appears that many countries among the less industrialized countries are accepting the principle and practice of making greater use of the signals from the domestic and international markets. In this new situation, the challenge lies in how state intervention could be redefined rather than to abandon it altogether. **Finally**, the scope and pattern of state intervention is largely a reflection of the dynamics of sociopolitical factors obtaining in the respective countries. In this context, a wind of change seems to be blowing in favour of democracy and multi-partyism. Already there are signs that various social groups are beginning to redefine their positions more openly (e.g. trade unions, business communities, farmers' associations and cooperatives). The resulting balance of power (as suppression of the weight of various groups in society is relaxed) is likely to be so substantial that it could only be consistent with a kind of state

intervention which is qualitatively and quantitatively different from what may have been necessary in the past. This suggests that dynamics of socio-political factors obtaining in various countries deserve closer examination as a basis for making prescriptions relating to scope and pattern of state intervention.

3. Some Implications of Global trade Negotiations

3.1 In the Uruguay Round negotiations there is a notable absence of agreement on specific commitments in the area of market access (UNCTAD, 1993)⁹. While the weaker trading partners have interest in clear international disciplines to provide security of market access and to shield them from bilateral pressure from major trading powers, the main question is whether the market access commitments will provide improved access to markets in products of interest to Africa. It is therefore not surprising that the phasing out of MFA (which has for years operated as a discriminatory instrument against the export interest of many developing countries) and the integration of trade in textiles and clothing into the GATT has been one of the most difficult negotiations in the Round. The current draft indicates that these sectors are to be integrated into the GATT over a ten year period with each party free to select specific products to be integrated at each of the four phases. Although there is provision for special treatment to the least developed countries no specific differential and more favourable treatment has been accorded to them in the integration process. After all, considering that more advanced developing countries moved into more sophisticated products leaving exports of more simple textile and clothing products to new comers and that the EC was able to increase exports of these products to developing countries it has been suggested that a more liberal MFA would not cause much harm to producers in the industrial world (Waelbroeck and Kol, 1987)¹⁰.

3.2 As one positive move, the draft agreement on safeguards provides for the preservation of the non-discrimination rule and the prohibition and elimination of "grey area" measures (e.g. VERs, OMs). There are also provisions for reducing arbitrariness in the application of anti-dumping duties. The draft agreement contains more defined rules and disciplines for subsidies and improved provisions on countervailing measures (UNCTAD, 1993).

3.3 One feature which the South Commission report identifies as characterizing the world economic scene recently in the increasing monopolization of technological progress by TNCs in the North. As the technological revolution is under way, the principle of science as the shared heritage of mankind is being eroded systematically. Knowledge is being increasingly privatized

⁹UNCTAD. Developments and Issues in the Uruguay Round of Particular Concern to Developing Countries. Note by the UNCTAD Secretariat. TD/B/39(2)/CPR.1 15 March 1993.

¹⁰Waelbroeck, J. and J. Kol. Export opportunities for the South in the Evolving Pattern of World Trade. Centre for European Policy Studies. Brussels, 1987.

and the South is being excluded. Many countries in the South find themselves increasingly unable to predict, let alone to regulate, the technology flows (p.219). What is required is an international framework to regulate the activities of TNCs in developing countries starting with the introduction of a code of conduct for TNCs. Considerable progress towards facilitating the South's access to technology was been made in the 1970s (code of conduct and intellectual property). By the early 1980s only two important matters remained to be settled in UNCTADs code of conduct: the clause governing restrictive practices and the provision concerning applicable law and dispute settlement. Before mutual concessions by North and South on these two points could be made, further negotiations were blocked by the North while the revision of the Paris Convention was stalled for several years. The North has since used the recent acceleration of technological advances to press for a reversal of earlier negotiations (p.254). In spite of the threats of reversal of earlier achievements in this matter, the Report continues to suggest that what is required is an international framework to regulate the activities of TNCs in developing countries starting with the introduction of a code of conduct for TNCs.

3.3.1 Indeed, signs of such reversal seem to be emerging in the current discussions of TRIPS. TRIPS involves an international upward harmonization of standards of IPP for all countries irrespective of their level of development. It includes the obligation to comply with substantive provisions of the Stockholm Act of the Paris Convention. The developing countries have made major concessions in terms of the freedom to act in trade in goods and services and in the policies for technological and social development related to technological transfer and TRIPS (UNCTAD, 1993).

3.3.2 There seems to be little chance that agreement can be reached on this matter, at least not one which will be satisfactory to the interests of Africa. The South takes a position which in many ways assumes that most of the technological knowledge is coded in some form (e.g. in manuals and blue prints) and that it can be imparted from the North to the South through agreements on appropriate revisions in restrictive practices and laws. But it is now increasingly becoming clear that technology is partly tacit and is available in many uncoded forms. The process of acquiring it is not costless, it requires effort. Recognition of such tacit characteristics of technology and the corresponding conceptualization of technological knowledge with fuller recognition of both tacit and coded characteristics of technological knowledge is useful if it can tilt the balance of in favour of greater technological efforts from within the South.

3.3.3 This recognition would tilt the balance in favour of the design of policies towards transfer of technology through various forms of learning. It seems therefore more fruitful to shift the axis of the negotiations in the direction of various forms of both South-North and South-South inter-firm agreements as main vehicles for transfer of technology more on business lines than on moral grounds.

3.4 In parallel to the Uruguay Round new challenges continue to face the international trading system. There are indications that issues such as trade and the environment, competition policies and fair international labour standards are subjects of negotiations in future. Africa needs to initiate a process of identifying its own priorities and anticipate issues for negotiation in the new trade agenda.