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AFRICA AND THE SOUTH: SCOPE OF ECONOMIC AND TECHNICAL CO-OPERATION - OPPORTUNITIES AND CONSTRAINTS

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to the OAU/ECA/ADB Conference on South Commission Report

Although the facts concerning trade flows between countries of the South are today well known, it may be helpfull to recapitulate the dominant trends, as follows:

1. There has been a decline in the volume of imports by all developing countries of the South with the exception of the Asian continent, more precisely South and South-East Asia. The index of imports by volume developed from 1980 to 1988 in the following manner 1/ (index 100 in 1980):

- for Latin America, down 100 to 76;
- for sub-Saharan Africa, drown from 100 to 66;
- for the petroleum-exporting countries, down from 100 to 72;
- for South and South-East Asia, up from 100 to 200.

This drop in imports was due, on the one hand, to a decline in export earnings and, on the other hand, to the growing burden of debt-servicing charges. In particular, exports from Africa and Latin America, which consist principally of commodities, declined dramatically as a result of:

- the deterioration in the terms of trade;
- the precipitous growth of these countries' external debt;
- the dramatic narrowing, or even closure, of access to commercial credits due to the debt burden and to competition from Western countries entering the major international financial markets as borrowers;
- the slowing down of world economic growth rate.

2. The resistance of the countries of South and South-East Asia to this downward trend can be ascribed not only to the increased share of manufactured goods in the structure of their exports but also to the steady decline of manpower costs in the structure of their production costs. A furthe reason is the region's emergence as an integrated and highly specialized growth pole.

3. Overall, however, the share of exports from the developing countries (DCs) in world exports has diminished steadily from 1984 to 1988, falling from 24.26 to 19.85 per cent.

4. There has been a more or less generalized decline in intraregional trade - in particular, once again, in Latin America and Africa. Whereas from 1970 to 1980 the average annual growth rate of such trade varied, depending on the region, from 14.30 per cent (Central American common market) to 33 per cent (Economic Community of West African States), between 1980 and 1988 it fell to negative levels, the record being -15 per cent for ECOWAS.

In the face of the reduction in external means of payment, the lack of flexibility and complementarity of the economies concerned has led to a breakdown of payment support mechanisms and credit agreements. Each member country is once more obliged to seek to maximize its exports and reduce its imports at its partners' expense (the Maghreb is a case in point).

5. The "accidental" historical character of interregional South-South trade development: in as far as trade expansion during the 1970s was due to increases in the earnings of the petroleum-exporting countries, the decline of those earnings in both absolute and relative terms beginning in the early 1980s has contributed to the extreme weakness of the present level. Thus, during the 1970s the Middle East absorbed 50 per cent of South-South intercontinental industrial exports, Africa for its part absorbing 25 per cent. Asia, with its large number of rapidly industrializing and externally-oriented countries, accounted for 80 per cent of those flows.

6. Out of the 117 countries which make up the South, 85 still specialize entirely in commodity production - agricultural, mining or energy generating. The overwhelming majority of African countries belong to this category despite the efforts made by some of them to diversity their gross domestic product. And by orienting their diversification towards the domestic market, have these countries not perhaps created [illegible] that stands in the way of any attempt at orientation towards external markets?

On the other hand, 35 countries export a by no means insignificant amount of manufactured goods, ten among them (Republic of Korea, Taiwan, Hong Kong, Singapore, Brazil, China, India, Mexico, Malaysia, Argentina) accounting for 80 per cent of the total. The share of manufactured goods in the total exports of these countries ranges from 97 per cent in the case of Hong Kong to 39 per cent in that of Brazil and Mexico, the figures for India and the Republic of Korea being, respectively, 61 per cent and 89 per cent. It is to these countries' dynamism that the relative breakthrough of South-South trade in manufactured goods must be ascribed. But this trade is geographically irregular and non-reciprocal.

7. Thus three categories of cases present themselves for analysis: 2/

Case No. 1: South-South trade is an "unequal trade" of the North-South type, in that some countries have a surplus export balance of manufactured goods vis-à-vis other countries of the South (OPEC, Africa, other Latin American countries) and a deficit trade balance in commodities.

Case No. 2: The level of imports by the North of South products, whether commodities or manufactured goods, determines the range of outlets open in the Third World for manufactured products from the semi-industrialized countries.

Case No. 3: The capacity of certain semi-industrialized countries for importing North products is at least partially conditioned by the level of their industrial exports to the South.

This means, for example, that the African countries need the North in order to buy from the South and that a decline in their sales to the North will put a stop to their purchases from the South. Conversely, certain countries of the South which are exporters of manufactured goods need to sell to other countries of the South in order to be able to buy from the North. That is the case with the newly industrialized countries of the so-called "second wave".

To sum up, south-South trade in manufactured goods, because of its non-reciprocal nature, implies a triangular trade involving the North. It is not autonomous vis-à-vis North-South trade. An important implication of this state of affairs is that the development of trade between Africa and other regions of the South-depends on recovery in the North. If, because of this dependence, such development cannot serve as an alternative to North-South trade, Africa must once more seriously think of drawing upon its own resources to find essentially internal driving forces for its economic growth.

8. A second constraint upon the autonomy of South-South trade is the product structure. The Southward orientation of part of the manufactured goods exports of the NIGs (newly industrialized countries) of the South is due, especially in countries with a strong external orientation such as the Republic of Korea or Taiwan, to the dynamism of an industrialization model based on a new type of North-South specialization. In other words, the important place occupied by these goods in South-South trade is a reflection of these countries' export successes rather than of a priority orientation towards third world markets. The development of South-South trade that is ascribable to them is the by-product of an export dynamism largely focused on markets in the North.

Of course this does not mean that, should the Northern markets fail to come up to expectations, there is no margin for negotiations - based on the granting of certain financial facilities - with other countries of the South which are importers of these countries's products. Thus a few months ago India opened a credit line for Algeria for the purpose of importing capital goods and means of transport. But this practice remains a rather marginal one.

9. The last constraint upon the autonomy of South-South trade and, consequently, upon its capacity to compete with North-South trade are the activities of multinational corporations (MNCs). Thus foreign capital has a predominant role in the Brazilian economy, accounting for:

- 59 per cent in the industrial plant and machinery sector;

- 70 per cent in the rubber and plastics sector;

- 74 per cent in the electric household appliances sector; and

- 100 per cent of the pharmaceutical industry and almost as much in the automobile industry.

Likewise, the share of foreign capital in Africa is well known to be predominant both in the mining and agricultural export sectors and in the sensitive sectors of banking and trade.

Expansion of South-South relations is favoured by these MNCs only in so far as it fits into their overall strategic plans: international subcontracting, relocation for cost or environmental considerations, search for additional profit opportunities, market substitution, etc. Convergence with State interests and/or policies is not a matter of course. It can be merely fortuitous.

10. From the foregoing it follows that any cooperation between Africa and the South institutionally based on establishing or strengthening mechanisms to promote and develop the existing features of South-South trade is doomed to be no more than a tool for the further perpetuation of the drawbacks of the present-day division of labour and, by that token, of the inequalities inherent in North-South trade. This is equally true of flows of goods, services and technology.

That is also the reason why policies and measures advocated within the context of efforts to establish a new international economic order have failed to result in a united front of countries of the South vis-à-vis the North in the matter of indebtedness comparable to the practice of countries of the North in the case of the creditors' clubs of Paris and London.

11. An attempt should at least be made to seek, within the context of the Treaty of Abuja, those subjects and issues on which African countries could adopt unanimous positions for negotiations with other countries of the South interested in the promotion and exploitation of partial synergies with the African countries, viz.:

- Exchange of experience in all aspects of mining development;

- Analysis of lessons to be drawn from the results of structural adjustment policies (SAP) with a view to mitigating their undesirable effects;

- Efforts to establish "promising" partnerships between public or private enterprises driven out of their respective markets by dominant firms;

- Establishment of telematic integration between trade points in Africa and other countries of the South. In this respect it has been demonstrated that the strengthening of links between different communities of entrepreneurs, bankers and merchants is conducive to fruitful business currents (example: the Asian countries and especially Indonesia, traditionally a country with a single export product - oil - which has achieved an appreciable diversification of its exports), as a result of which existing advantages may be reconsidered and new ones (in terms of costs and/or innovations) identified and possibly developed;

- Improved competitivity of the South's banking and financial networks in the interests of promoting trade relations. Given better management structures (establishment of joint branches), African banks, especially public ones, could play a key role in this respect;

- Encouragement of the managements of African public enterprises to improve their operations and efficiency so as to provide leverage in support of the African countries' industrial and commercial redeployment policies;

- Negotiations with a view to establishing a global system of trade preferences (GSTP) between countries of the South in order to facilitate trade among them;

- Planning and establishment of counter trade networks, especially with countries (including those of Eastern Europe) experiencing difficulties with their external means of payment. Approaches made over the past few months by trade representatives of such countries augur well for the establishment of useful business flows, especially in the field of agricultural means of production. The banks and financial institutions of the South, in collaboration with specialized training organizations (particularly in Algeria, which has valuable experience in this field), should promote greater familiarity with counter trade techniques. In return, the East European countries, and even Japan, are very keen to import agricultural food products or textiles;

- Negotiation of mutually advantageous multilateral trade financing facilities with industrial plant exporting countries of the South, in parallel with the negotiation of trade tariffs reductions;

- Effective implementation and expansion of interregional and intercontinental clearing agreements;

- Identification of investment project "packages" capable of serving as the basis of an expanded portfolio to be offered to potential investors from the South and, within that framework, promotion of the harmonization of investment codes so as to avoid the jockeying for advantage so harmful to trade relations between African countries;

- Lastly, the setting up of a minimum number of public bodies capable of putting these policies effectively into practice, or alternatively the utilization of existing bodies, provided they can first be divested of the canker of bureaucratic practices which generate inertia and paralysis.

12. In conclusion, while it is obvious that South-South relations today cannot provide an economically viable alternative to North-South relations because of their increasing dependence on the latter and because the creation of intercontinental structures in which a dominant pole is surrounded by dependent satellites robs them of their autonomy, the world economic crisis and its catastrophic repercussions upon the Third World and Africa in particular must stimulate the South to seek every possible opportunity for developing trade between countries of the South in order to compensate for the negative effects of structural imbalances. The objective is to traverse the present period of crisis without irreparable damage and, at the same time, without sacrificing the future. For Africa in particular, but also for the Third World as a whole, the future depends more than ever upon the implementation of common strategies towards the following goals.

- Consolidation of the autonomy of nations or groups of nations as a first step towards reducing the negative effects of political fragmentation and overcoming the debt crisis. Today, even more than yesterday, this implies the need for the South to become an economic power in its own right - the need for the rehabilitation of a global strategic vision of development and for the pooling of national efforts, both to produce new capacities and to promote durable resources;

- Detection of areas of incompatibility between the objectives of the Treaty of Abuja and the provisions of regional agreements;

- Overall assessment of Africa's medium-term and long-term bargaining power with other continents.

In short, we must try to find elements of fresh opportunities in the midst of crisis, without forgetting - in the words of the
post - that "grey skies spell humility".

Algiers, 30 August 1993

Notes:

1/ All figures are quoted from UNCTAD or GATT statistics.

2/ See, for example, the following:

- Yachir, F. (1984) La cooperation Sud-Sud, une alternative? Revue algérienne des sciences juridiques, économiques et politiques. Vol. XXI, No.4.

- Hulugalle, L. (1990/91). South-South Trade : A review of developments in the 1980s. Proceedings of the 4th Third World Scientific Banking Meeting, Belgrade, ECPD/WSHM.

- Benachenhou, A. La cooperation Sud-Sud : Le Plan de Lagos et l'indépendence de l'Afrique. Africa Development. Vol.VII, No.1/2, 1982.

Table 1: Africa's share in world exports and imports (%)

	1970	1975	1980	1985	1988
Exports	4.1	4.1	4.7	3.3	1.9
Imports	3.4	4.3	3.6	2.9	2.6

Source: UNIDO, Industry statistics in Africa, 1990.

Table 2: By products

	1970	1988
- Food, beverage & tobaccos		
- Exports	7.7	3.7
- Imports	3.3	4.4
- Crude materials, oils & fats		
- Exports	7.8	3.2
- Imports	1.4	3.1
- Mineral fuels		
- Exports	14.7	10.5
- Imports	1.7	2.1
- Non-ferrous metals		
- Exports	14.2	4.5
- Imports	0.9	1.0
- Manufactured goods		
- Exports	0.5	0.5
- Imports	4.2	2.5

Source: UNIDO, Industry statistics in Africa, 1990.

Table 3: Growth of the volume of exports
(Average annual percentage variation)

	1965-73	1973-80	1980-87	1980
All economies	9.2	4.9	3.6	6.4
OECD members	9.5	5.4	3.8	5.2
East Asia	10.6	9.4	9.6	11.4
South Asia	-0.2	4.5	5.4	6.8
Oil exporters (ex-USSR not included)	8.2	-1.8	-6.2	17.7
Latin America and the Caribbean	-0.4	2.2	3.4	10.5
Sub-Saharan Africa (South Africa not included)	14.2	-0.2	-1.8	2.7

Source World Bank, Report on Development throughout the World, 1991. Oxford University Press. Exports/Imports structure of Africa, cf table, et seq.

Table 4: Exports of manufactured goods from 10 leading developing countries

		Annual growth rate of the volume of exports	
	(Billion $US	1970-80	1980-88
Korea, Rep. of	56.4	23.4	13.7
Singapore	27.6	18.2	7.3
Hong Kong	26.6	10.5	11.2
China	22.0	8.3	12.5
Brazil	17.3	18.8	6.0
Mexico	10.4	6.3	19.1
Yugoslavia	9.9	7.2	0.5
Malaysia	9.2	15.1	14.8
India	8.6	7.5	4.5
Thailand	8.0	16.2	17.6

Source World report on human development, 1992 (Paris), Economica, UNDP.