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## INTRA-AFRICAN TRADE: A PILLAR OF DEVELOPMENT

(Note by the Joint Secretariat)

# ISSUES IN INTRA-AFRICAN TRADE

## I. INTRODUCTION

1. Intra-African trade in this analysis is defined to mean all those transactions that take place between and among African States, their institutions and individuals within totality of the African region 1/. In a perfectly competitive world economy, the direction of a country's trade would more likely be determined by the laws of supply and demand. Empirical evidence in recent times shows systematic departures from the theorist's dream of a competitive world economy, for instance, growing protectionism in industrial countries against third party exports and from Africa in particular. While nominal tariffs have been considerably lowered in these countries, thanks to the various rounds of General Agreement on Tariffs and Trade (GATT) negotiations, non-tariff barriers on the other hand seem to have gone up markedly. These barriers combine to limit the opportunity of developing countries to increase their exports which in turn creates more difficulties for them to earn the necessary foreign exchange to finance development as well as service their debt.

2. Other major points that directly and indirectly affect intra-African trade prospects are a result of actions by Africa's major trading partners. These are the ones that Arthur Lewis once likened to be the world's engines of growth but then might be entering a period of slow growth. This situation is unlikely to improve with the coming into existence of Europe 1992 and the Canada-USA trade pact. It is therefore quite reasonable to assume until told to the contrary that many of their activities are likely to threaten the preferential treatment enjoyed by the African countries in those markets. It is in order to partly negate many of the negative effects including those of the slow-down and increased regionalism that developing countries and Africa in particular should increase trade flows with one another.

3. There are several advantages why this study advocates trade among developing countries, specially those that constitute the African continent. Firstly, developing countries individually and collectively would strengthen their competitive edge vis-à-vis non-Africans from competitive trade with one another. Such benefits include the potential benefits of economies of scale that are likely to result from trade in manufactures. Secondly, by trading with one another, developing countries are able to diversify the range of traded products. Most important of all, they would protect their economies from the adverse effects of relying on few products in the international market and the narrow international

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1/ See Jonathan H. Chileshe, The Challenge of Developing Intra-African Trade, East African Literature Bureau, Nairobi, 1977.

market itself that has tended to exclude the potential of the African market. Furthermore, through increased trading with one another, developing African countries will be able to avoid excessive reliance on the outside world.

4. It is in the light of these advantages that African leaders have consistently emphasized the expansion of intra-African trade as the mainstay of the present African development strategy as embodied in the Lagos Plan of Action (LPA) and in the Final Act of Lagos (FAL). This was further underscored by the African Trade Ministers with the adoption of Strategies for Revitalization, Recovery and Growth of Africa's Trade in the 1990s and Beyond. They in turn appealed for African countries to adopt appropriate policies to encourage trade within the framework of the subregional institutions 2/. A trend that subregional groupings like the Preferential Trade Area of the Eastern and Southern African States (PTA) followed by adopting its own strategy. These strategies aim, among other things, at the diversification of the overall trade of the region and contribute to the eventual establishment of an African Economic Community. Hence this analysis attempts to identify constraints to expanding and promoting intra-African trade alongside measures for having them removed.

## II. THE SITUATION OF INTRA-AFRICAN TRADE

5. Statistical data on exports and imports that can be said to constitute intra-African trade tend to be rather difficult to come by. What is available also varies in periodicity. Recorded intra-African trade for the period 1980 to 1989 has been estimated to have averaged about 5.7 per cent of Africa's total world trade. A higher rate of 6.9 per cent was attained in 1989 as contrasted to a lower rate of 3.1 per cent in 1980 (see Table 1). However, it is diversity and production capacities that principally constitute the key elements to intra-African trade. Previous studies have established that a lack of diversity in Africa's production pattern continues to impede intra-African trade expansion. Secondly, the structure of African exports continues to be dominated by a narrow range of primary commodities. Food, beverages, tobacco and minerals account on average for over 60 percent of Africa's total exports to the world and for about 24.54 per cent of intra-African trade during the period 1980 to 1989. On the other hand, the bulk of Africa's imports is dominated by manufactured goods including heavy machineries and transport equipments from outside the region itself.

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2/ See UNECA, Strategies for Revitalization, Recovery and Growth of Africa's Trade in the 1990s and Beyond, E/ECA/TRADE/89/25/Rev.5, p.9.

6. The structure of exports in the individual African countries reveals that nearly 20 countries depend on a single primary commodity for over half of its respective export earnings. Another 34 African economies still derive over 50 percent of their export proceeds from just two commodities 3/. In the extreme instances for countries like Burundi, Uganda and Zambia, the degree of dependency is even much higher and exceeds 90 percent.

7. Such dismal performance obtain despite the efforts of over two decades of trying to restructure the region's trade structure. Most of the institutional structures designed to bring about subregional common markets that should form the nucleus of the regional common market envisaged by the Organization of African Unity Treaty are there. At the inception of most of these groupings trade expansion received a prominent role. To this end and perceiving it as the key instrument in promoting economic development steps were taken towards greater trade liberalization measures by incorporating within each subregional groupings' treaty relevant protocols.

8. The experience of intra-group trade performance has been rather varied. Some groups have achieved and managed to maintain the levels of trade above the regional average. For instance both the CEAO and PTA's intra-group trade shown in Table 2 shows a rate of about 10.5 percent and 8.0 percent respectively in 1988. The general trend in the performance of intra-group trade has tended to focus much attention on initial expansion of their intra-group trade share in the first few years following the adoption of liberalization instruments. Thereafter, intra-group trade has experienced a period of stagnation and in some cases tremendous decline. This was the case of the CEAO in 1976 when it introduced the regional co-operation tax (TCR), a preferential trade arrangement agreed upon for industrial products originating from member countries. In other words, there was a marked increase in intra-group trade between 1976 and 1982. Their total trade rose from CFAF 4.5 billion in 1976 to CFAF 29 billion in 1982. The same experience occurred among the UDEAC countries when they implemented the common external tariff (Taxe Unique), during the first 10 years (1966 -1975) 4/. The decline experienced in intra-group trade in the years after the initial period is mainly a result of emerging industrial duplication and the increased use of non-tariff barriers. Therefore the expected positive results of tariff

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3/ ECA Review of Trends, Policies and Prospects for Trade in Primary Commodities in Enhancing Africa's Export Performance E/ECA/TRADE/90/20, Addis Ababa, December 1990, p. 2.

4/ UNCTAD- Review Volume 1, 1989 Number 2. "Experiences of Africa's Regional Economic Integration".

elimination are reduced by the escalation of non-tariff barriers, most of which are difficult to legislate against.

TABLE 1

INTRA-AFRICAN TRADE (SITC 0-9)
(in million US dollars)

| | Intra-African Trade | Trade with World | Intra-African Trade Share in % |
|---|---|---|---|
| 1980 | 2978 | 94942 | 3.1 |
| 1986 | 2850 | 46682 | 6.1 |
| 1987 | 3092 | 51980 | 5.9 |
| 1988 | 3658 | 54895 | 6.6 |
| 1989 | 3877 | 56136 | 6.9 |
| Average | | | 5.7 |

<u>Source</u>: UN, Monthly Bulletin of Statistics, May 1990 and May 1991.

TABLE 2

INTRA-REGIONAL TRADE IN AFRICA, 1981-1989

| Country-Group | 1981 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| A. Value of intra-group trade (in millions of dollars) | | | | | | |
| AFRICA | | | | | | |
| CEAO | 396 | 297 | 300 | 416 | 499 | |
| CEEAC a/ | 111 | 70 | 125 | 128 | 193 | |
| CEPGL | 7 | 10 | 8 | 8 | 10 | |
| ECOWAS | 944 | 481 | 491 | 588 | 684 | |
| MRU | 3 | 4 | 4 | 5 | 6 | |
| PTA a/ | 482 | 333 | 372 | 487 | 506 | 494 |
| SADCC a/ | 258 | 200 | 226 | 308 | 304 | |
| UDEAC | 146 | 50 | 84 | 103 | 117 | |
| B. Intra-group trade as a percentage of total exports of each group | | | | | | |
| AFRICA | | | | | | |
| CEAO | 10.1 | 7.1 | 6.5 | 8.4 | 10.5 | |
| CEEAC | 2.4 | 1.4 | 2.8 | 2.9 | 3.7 | |
| CEPGL | 0.2 | 0.8 | 0.6 | 0.7 | 0.7 | |
| ECOWAS | 4.6 | 2.5 | 3.2 | 4.0 | 4.9 | |
| MRU | 0.1 | 0.4 | 0.4 | 0.5 | 0.6 | |
| PTA | 9.0 | 7.5 | 6.9 | 8.9 | 8.0 | 7.8 |
| SADCC | 5.7 | 4.9 | 5.9 | 6.1 | 5.0 | |
| UDEAC | 3.0 | 2.0 | 3.0 | 3.2 | 3.6 | |

a/ Trade data obtained from the IMF Direction of Trade Statistics.

Source: UNCTAD: TD/B/1280/Add.1, Jan. 1991. Report by the Secretary-General of UNCTAD

9. Recent experience in the intra-group trade performance demonstrate that CEAO and PTA have enjoyed a reasonably steady increase. The share of intra-group trade within the CEAO was about 10.5 percent in 1988 but averaged 8.5 percent between 1986 and 1988. In PTA on the other hand, the share of intra-group trade tended to fluctuate around 7.9 percent on average during this same period as shown in Table 2.

10. It is therefore possible to conclude on the basis of existing analytical data that intra-African trade as a sum total of intra-group exchanges is not very substantive. However, it is important to point out that the average between countries sharing the same border tends to be considerably higher. The liberalization schemes have contributed to raising the level of intra-group trade exchanges but they are not sufficient instruments on their own to bring about trade expansion.

## III. CONSTRAINTS TO INTRA-AFRICAN TRADE

11. The fragmentation of the African continent is perhaps the most important natural obstacle. Only four out of 51 countries have a population of more than 30 million each; the population of the other 36 African countries is less than 10 million, while the remaining 10 African countries have each a population of less than 2 million each. Over and above, fifteen countries in Africa are landlocked while 7 African countries are sealocked. This is not all because the markets of many of these countries provide only limited trading opportunities due to their low levels of per capita incomes. These factors have combined in part or reflect their respective low-levels of productivity and limited application of modern technology. The smallness of national markets stands in the way of nurturing modern industries that aim at optimal exploitation of large market sizes.

### (a) <u>Historical ties with non-African partners</u>

12. Traditional obstacles are not limited to fragmentation with its roots in the history of these countries. Thus arising out of this experience is the persistence of various ties between former colonies and their metropolitan centres. For instance, ties of language and the cultural impact continue to discriminate against intra-group connections. In addition, some trading enterprises within Africa are subsidiaries of firms that date back to the pre-independence era. Perhaps most damaging of all is the fact these elements have contributed to creating excessive specialization in the production of raw materials on the basis of import markets of the former metropolitan centres. The loss of dynamism for intra-African trade is compounded by the entrenchment of a production structure that is devoid of non-primary products. Therefore in the absence of adequate information, the tendency is to turn to former

metropolitan centres where trading links already exist and which also have adequate information on the range of their export products. Intra-African trade is also relatively less competitive with suppliers in the metropolitan centres because the former lacks the capacity to provide credit facilities unlike supplier in the latter markets.

(c) The absence of complimentarity and specialization of production structures.

13. The basis for any trade (be it international, interregional or intra-regional), is the complimentarity of the economies involved in such trade. The African economies and intra-African trade require that the issue of complimentarity and specialization in production structures is fully addressed. Among the many contributory factors is the way investment tends to ignore the need to provide for intra-African trade production. Perhaps because of their preoccupation with increasing export earnings, they tend to devote relatively less time to diversification that could exploit the intra-African trade potential.

(d) Inability to align development plans

14. Although African countries have institutionalized economic co-operation framework, national plans are still formulated independently. Similarly, industrial plans in neighbouring countries are set-up without taking into account not only prospects of intra-African trade but also to ensure complementarity at the regional level. Neither is there enough evidence to support the view that any deliberate action is being taken to this end. Therefore until solutions are found to this, these trends will continue providing a major obstacle to commercial integration and complimentarity.

(e) Lack of transport and communication facilities

15. The network of national and intra-regional transport and communication facilities are generally quite poor and inadequate for the purposes of nurturing intra-African trade. Their development ought to be geared in maintaining links not only with developed countries but within the context of intra-African trade. The few national railway systems that exist were each built with different technical specifications. Existing gaps between the routes, differences in gages, in rolling stock used and facilities provided make the cost of transporting goods quite prohibitive, especially for most landlocked countries. The difficulties experienced with land and air communications are further aggravated by the absence of regular shipping facilities.

(f) Status of implementation of trade liberalization schemes

16. Somehow the existence of trade arrangements duly ratified by members of the sub-regional economic groupings has not been matched with increased trade exchanges. Perhaps this is a reflection of half-spirited implementation of decisions otherwise they should have been crowned with the desired success. There are difficulties of assessing and evaluating benefits derived from intra-African trade. Ways must also be found to counter the fear of possible loss of revenue and foreign exchange earnings from liberalization of trade.

17. Other constraining factors are a composite sum of the complexity of rules, legislation and procedures governing intra-African trade in addition to the prohibitive tariffs and non-tariff barriers applied against African products. For ECOWAS countries for example, there have been systematic failures to implement decisions concerning trade liberalization. An experience that is also prevalent in the other sub-regional groupings but not to the degree of intensity. One reason given by government officials derives from their displeasure with trade liberalization that do not lead to equal benefits to all participating countries.

(g) Lack of harmonization in standard specification and trade documentation

18. Regional trade is also constrained to a large extent by the absence of uniform standards and specifications of goods and services traded. Granted, users and manufactures in the respective countries have different needs but there is still a need for uniform standards and specifications for the goods otherwise it is difficult to get firms to produce according to acceptable norms.

19. There is an observed inability to implement commitments already made. For example by not taking required action to instruct the various arms of the government as early as possible to effect implementation of the reforms. In other words, governments have tended to allow for a much bigger gap between adoption of the reforms and informing the appropriate enforcing arms in the respective countries, especially at most remote border posts.

(h) Preference for non-African goods.

20. Preference for goods from developed countries will only be overcome when local production can be of better quality and firms or suppliers are able to produce according to specifications of domestic consumers.

(i) Lack of information and promotion of domestically produced goods.

21. African producers have yet to fully develop their promotional activities. Even to this day and age, the existence of many African countries trade promotion organizations does not seem to be oriented towards expanding intra-African trade. Trade promotion efforts tend to concentrate on developed countries' markets. Attempts were made to address this issue by creating a regional mechanism called the Association of African Trade Promotion Organizations (AATPO). On the contrary, it has not been fully operational due to financial constraints. The African Ministers of Trade resolved during their recent session that there is a need to revitalize AATPO with a view to strengthening market research for African products. Another serious shortcoming relates to the neglect of the private sector. This sector has not itself adequately exploited available trade information within the continent. Many of the Chambers of commerce and industry are too localized. There is also an absence of national institutions with the ability not only for carrying supply and demand studies but also for passing on the results thereof to the private sector. In other words, sectors that ought to compliment one another have shown a tendency to work in opposite directions.

(j) Monetary and other financial obstacles

22. Some of the most serious obstacles to intra-African trade are perhaps the unintended effects of inappropriate macroeconomic policies. At the core is the issue of non-convertibility of African currencies, inappropriate exchange rate policies or dealing with currencies that may be over-valued, inconsistent monetary and fiscal policies, unavailability of trade financing, insurance including foreign exchange restrictions and, an absence of credit facilities. It is not that long since the use of foreign exchange and trade restrictions was very prevalent in Africa. Understandably, countries opted for this as a means of reducing their growing external imbalances and partly as a means of curtailing government budget deficit.

23. There is a wide gap between the countries of the CFA franc Zone where a common currency exists and other non-CFA countries which maintain independent central banks. Within the former, there is complete freedom of payments both for current and capital transactions. In the latter on the other hand, one finds a variety of restrictions and licensing arrangements because they believe that is the only way they can better utilize their foreign currency reserves. Inconvertibility of national currencies and unavailability of foreign exchange forces certain traders to engage in unrecorded trade and to use the "parallel market" to convert the currencies derived therefrom. This in part explains the observed large volume of unrecorded intra-African trade relative to recorded

trade which statistics indicate to fluctuate around 5 to 6 per cent annually.

24. There are many other factors including differences in economic policies that contribute to the growth of unrecorded trade. Some countries rely on the price mechanism for the allocation of resources, others rely on price controls and interventionist measures of the government. For example, unrecorded (illegal) merchandise exports can be caused by the fact that domestic prices of some goods are kept artificially low for social and other reasons. They can also be caused by the desire to earn foreign exchange which is often used to finance unrecorded importation of goods that would normally not qualify for foreign exchange cover. Unrecorded importation on the other hand, takes place when the importation of the good in question is either restricted or even banned outright because of balance of payments considerations and/or because such goods do not conform to the importing country's development priorities. It can also take place in order to avoid the payment of import duties. Last but not least, unrecorded capital movements take place when there is exchange rate disharmony among a group of currencies. Since unrecorded transactions are difficult to quantify both by value and volume, it is not possible to gauge the rate of growth of trade. Thus recorded intra-African trade may in fact be higher than is often recorded in as much as one can document these cases of unrecorded transactions.

25. Another factor limiting intra-African trade is the **absence of trade (credit) financing mechanisms**. Such facilities can be provided in the form of an export credit system, including direct export loans for financing pre-shipment and post-shipment stages. Credit facilities also cover the development of a market for bankers' acceptances of operations relating to the exports of a region including a system of export credit insurance.

26. Where such facilities are absent or inadequate as for intra-Africa trade, exports and imports can be financed only to the tune of the financial ability of the individual exporter or importer. The absence of such credit facilities manifests itself on two levels: at the level of exporting country or firm and at the central bank level in terms of the indebtedness that is eventually created.

27. As for the first level, it is usually thought that competition in world markets, both for consumer and capital goods, is becoming increasingly keen with the result that the bargaining power has shifted from the seller to the buyer, because the latter tends to dictate terms relating to price, quality, delivery schedules and above all, insists on appropriate credit terms. The availability of an adequate supply of credit at reasonable cost greatly facilitates the task of the exporter and serves as an incentive to augment his export efforts. The difficult foreign exchange

position in many countries makes it imperative for importers to ask for credits of varying duration, and the credit terms offered often influence the buyer's choice of supplies and thus the source of supply.

28. Another area where the absence of credit facilities manifests itself is at the level of central banks where net indebtedness should be settled. In ECOWAS for example, the West African Clearing House was established for this purpose. Because of balance of payments and other difficulties, member States are unable to settle their indebtedness, thus discouraging some member States (particularly the rich ones), from using the facility. If a credit mechanism existed, it would enhance the very short-term credit facilities currently being extended to members and also help, if only partially, member States experiencing balance-of-payments difficulties. Such credit facilities would similarly tend to expand the trade of the subregion. Another clearing house on the continent is the PTA Clearing House. It functions more or less along the lines of its West African counterpart, and it also experiences similar problems.

## IV. PROSPECTS FOR EXPANDING INTRA-AFRICAN TRADE

29. The preceding analysis points to the overwhelming list of obstacles hampering intra-African trade. Any one would therefore be forgiven for doubting prospects for African countries to trade with each other.

30. However, various studies have clearly indicated that great potential exists for intra-African trade. One such example was a study by the International Trade Centre (ITC) to a meeting of the Intergovernmental Group of Experts on Prospects for South-South Trade Promotion in Processed and Semi-processed Products under the auspices of ECA in Addis Ababa, in October 1990. Among the revelations was that out of 550 products and product groups identified which the PTA exported to countries outside its own region 475 items "matching products" were also imported into the PTA during the same period. The annual PTA import bill for those products which were also exported by PTA member countries amounted to about US$ 5 billion or approximately 50 per cent of total annual imports. This illustrative example is ground enough to encourage the Member States and all sub-regional groupings to try and maximize the opportunity of intra-region trade. Strengthening regional intra-African trade in the long run will be the only way to reduce their external dependence.

## V. PROPOSALS FOR EXPANDING INTRA-AFRICAN TRADE

31. The obstacles limiting intra-African trade appear formidable and yet, their removal is essential for its expansion. The advantages of expanding intra-African trade are so overwhelming

that they cannot be ignored, at least not for long. It is therefore important that these obstacles be seriously addressed. Proposals for intra-African trade expansion must however be time-bound: while some of the obstacles can be removed only in the short-term, others can be addressed in the medium-term to long-term. Thus proposals for addressing these obstacles can be identified at national, subregional and regional levels as indicated below.

(a) <u>National level</u>

32. There is very little in the short-term that can be done about most of the natural and physical obstacles. Some like road networks, communications to mention but a few would require long-term development programmes in order to meaningfully address them. In the short-run, however, the problems posed by market imperfection the lack of information can also be addressed through appropriate policy responses. For example, information about what is available to be traded in could be made more readily available if African countries were to have trade offices attached to their foreign missions. Such offices could become foci points for information gathering and dissemination. Similarly trade fairs organised for example by national ministries of trade, could be used for the dissemination of information about what is available to be traded between and among member States.

33. To redress the problem of production capacities and increase the level of complementarity among African countries, there has to be a high degree of co-operation. This entails selecting joint investment ventures and translating into reality, the various trade liberalization schemes existing at the subregional level. It also calls for incorporating such programmes within each country's national development plan. Surveillance over the quality of products produced and enforcement of standards and specifications should be carried out as a matter of routine.

34. Striving to eliminate or reduce political strife between neighbouring countries which very often disrupt free movement of goods and people across common borders is also crucial.

35. Attention has earlier been drawn to the undesirable effects of inconsistent and divergent macroeconomic policies. Such policies, it was noted, give rise to leakage transactions such that recorded intra-African trade is lower than it would otherwise have been. The elimination of such divergencies in policies calls for a certain degree of policy harmonization. But policies cannot be harmonized in a vacuum - policy harmonization calls for an institutional framework (for example, a monetary union), which can effectively harmonize national policies. It is precisely the presence of such policy harmonization within the CFA franc zone

countries of Africa which accounts for the relatively larger intra-community trade among these countries.

36. The scope for private sector activity can also be widened if investment codes, legal framework governing ownership and control, remittances, taxation, etc. are standardized. Such a uniform investment environment would permit joint ventures, takeovers, mergers and acquisitions. The removal of controls on capital account transactions would also assist in creating a conducive atmosphere for private sector activity.

(b) Subregional and Regional level

37. The establishment of national trade information systems to serve as focal points for the subregional information network, like the one being run on pilot project level within PTA, would be very crucial in the dissemination of information. The Association of African Trade Promotion Organization (AATPO) which has financial constraints can be made more operational if only obstacles in its way can be removed. The same applies to the Federation of the African Chambers of Commerce (FACC), which will help to disseminate trade information to its member states.

38. In the medium to long-term, however, there is considerable scope for action. The most serious obstacles to recorded intra-African trade arise from unintended effects of inappropriate macroeconomic policies. Overvaluation of national currencies and inadequate credit policies are at the core of many of these problems. In the last few years of the 80s, overvaluation of most currencies was gradually eliminated, thanks to the adjustment programmes which each country put in place. But in many countries, controls over capital account transactions are still in place. This type of control makes it difficult for trade to lead to investment for production in the importing country. It also makes it difficult to nationalize production through takeovers, mergers and acquisitions. One major reason why countries still fight shy of complete liberalization is the fear of loss of revenue, loss of national control over economic policies and the fear that the gains from liberalization would be unevenly distributed. These are genuine concerns which can only be addressed within a harmonized framework for policies (including the sharing of the burden of adjustment).

39. As designed, formulated and implemented, structural adjustment programmes are national in character. These features make it difficult to take advantage of the programmes as instruments for liberalizing trade among a group of contiguous countries. Earlier, mention was made to the systematic failures of ECOWAS countries to liberalize their tariffs as required by the various protocols of the ECOWAS Treaty. If these programmes had been designed subregionally or for a group of contiguous countries, there would

probably have been little difficulty in lowering tariffs among the member countries.

40. On the other hand, one must also consider the PTA experience especially lessons that the other sub-regional groupings can learn from each others experience in order to come up with regional solutions. From the discussion of the unintended effects of inappropriate macroeconomic policies, it would appear that a certain degree of economic cooperation is called for if there is to be any significant expansion in intra-African trade. There are several types of economic cooperation arrangements. However the arrangement envisaged has to be one that which is capable of:

(i) ending the inconvertibility of the remaining inconvertible currencies in the region;

(ii) ending the restrictive exchange arrangements on intra-African trade; and

(iii) harmonizing the economic policies, including investment policies.

41. Within such an arrangement, which would probably be a monetary union, the undesirable effects of inappropriate macroeconomic policies on intra-African trade could be eliminated. It is also within such an arrangement that investment policies could be harmonized to ensure complimentarity in production as a basis for establishing trade. Furthermore within such an arrangement, collaborative arrangements in areas such as marketing, transportation, communication and information sharing could be put in place. In short, the future expansion of intra-African trade lies in closer cooperation among African countries.

42. At the sub-regional level one such step could be the envisaged merger of the PTA and SADCC into a common Market for Eastern and Southern Africa. This will pool resources together and avoid duplication of efforts. Steps in this direction have been taken by the PTA Authority. Other subregions should also consider merging on similar lines.

43. The problem posed by lack of credit facility in the operation of clearing houses could also be addressed as a matter of urgency. As regards periodic reconciliation of accounts and settlements of net indebtedness by central banks, a clearing house can be a foreign exchange-savings institution. It can also be used as a buffer by members experiencing temporary payments problem. With a credit facility attached to it, it could be an excellent facilitator of intra-community trade. Such a credit facility (for example, a line of credit) could be provided by say the ADB, if the necessary legal issues (guarantees, etc.) could be resolved.

44. Obstacle to intra-African trade like the absence of credit facilities have been discussed earlier including a proposal for addressing this problem at the level of the central banks. There still remains the problem at the level of the exporter and the importer. There is a need for a facility that could provide trade finance for intra-African trade. In this context, mention should be made of the on-going study by the ADB to establish an Import-Export Bank for Africa. If and when it is established, it could provide finance for African trade in general and for intra-African trade in particular, in much the same way that BLADEX finances the nontraditional exports of Latin America.

45. The private sector should be encouraged to supplement activities of such a Bank in several ways. A good example of what the private sector can do can be found in West Africa where the Federation of West African Chambers of Commerce established the Ecobank Transnational as an offshore banking venture to finance trade. In addition, it mobilizes private and public funds from within and outside the subregion for productive investment purposes, fosters activities in short-term finance of trade, supports facilities for project rehabilitation services and promotes indigenous banking and financial institutions and services.

46. Another problem that can be addressed at the regional level is to co-ordinate efforts of the various sub-regional groupings so that they can eventually lead to the envisaged "Common Market".

## V. CONCLUSIONS

47. Obstacles facing intra-African trade are formidable. However, there is no escape from the fact that they call for bold actions at all levels. Specifically, they call for closer economic cooperation. The Lagos Plan of Action stressed collective self-reliance as an important component of Africa's development strategy. The promotion of intra-African trade is one part of that self-reliant strategy. The recent signing of the Treaty for the establishment of an African Economic Community is a desirable step in this direction. The Treaty provides for a phased 30 years programme in which to achieve the goal of integrating African economies. The various problems confronting intra-African trade would gradually be eliminated within these phases. There are intermediate stages before then which include the strengthening of regional economic groupings; the formation of free trade areas at regional level; the formation of customs union between the regional groupings and the establishment of a continental common market.

48. The private sector as earlier indicated has a significant role to play in the promotion of intra-African trade. However, it will require a conducive atmosphere for its operations in the form of uniform legal frameworks, investment codes as well as general

intra-sectoral setups. Such a conducive atmosphere would permit it to be innovative in its intervention in African economic development in general and in the promotion of intra-African trade in particular.