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STUDY ON THE IDENTIFICATION OF BARRIERS AND OBSTACLES TO INTRA-AFRICAN TRADE, AND THE MEASURES ENABLING THEM TO BE ELIMINATED

PHASE I

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I. Introduction

The present study is scheduled as part of the implementation of the UNDP project (RAF/73/029/A/01/40) on the development of intra-African trade.

The aim of the project is to help African countries to implement an integrated programme with regard to the promotion of trade and trade policies aimed at expanding intra-African trade.

The study was authorized by resolution 262 (XII) of the Commission and scheduled under item 9.342.06 of the work programme according to order of priority (Document E/CN.14/TECO/34).

The considerable extent of barriers and obstacles to intra-African trade is now felt by all the countries of Africa. The existence of special economic relationships between African countries and the world outside, and especially between African countries and the former colonial powers, constitutes a sizeable obstacle to the development of intra-African trade.

Nor does the fact that the various countries have adopted different politico-economic systems make it any easier to promote trade between them. Current trade channels proliferate the points at which interventions occur, create an imbalance in negotiating powers and thereby limit the success and materialization of intra-African trade.

The delays caused by an inadequately integrated transport and communications infrastructure, resulting from the economic relationships inherited from a colonial past, constitute an often prohibitive element in the exchange of goods between African countries, especially those without a coastline.

The lack of harmonization in trade, financial and customs policies, language and currency differences, differing interpretations of regulations and the different degrees to which laws controlling markets are applied, all these are factors constituting a severe handicap to those promoting the development of intra-African trade. Despite official declarations of intent to eliminate these administrative and legal disparities, little concrete action has been taken in this field.

For these reasons intra-African trade has remained at a low level, far from the real African potential. This proves that political declarations are no longer enough, since economic nationalism and selfishness are still universal. Only concerted and concrete action spread out over the medium and long term will give the results that Africa has the right to expect.

II. Identification of general Obstacles

1. Politico-economic obstacles

Economic co-operation policies are only viable if based on mutual confidence, the will to co-operate and a high degree of responsibility on the part of each African country concerned.

The setting up of institutions with regional and/or subregional powers and competence to promote intra-African trade presupposes a whole-hearted committment on the part of African countries to abide by and implement their work programme to facilitate trade between neighbouring countries and to solve the obstacles born of so many contradictions of different kinds.

The considerable time it is taking Africa to pull hereself up to the level of other parts of the world in economic and commercial terms no longer allows her to lose precious time in successfully building up a viable economic entity. Although Africa has come a long way in terms of formulating principles, in material terms everything still remains to be done.

1.1 The problems of rationalizing politico-economic alternatives

Firstly, the lack of similarity in the economic directions taken and choices made must inevitably complicate trade mechanisms between countries, even if they are neighbouring ones.

Related to differing political orientations, and ranging from countries generally regarded as liberal, where private capital and the multinationals play an important part in the economy, to countries expressing a Marxist-Leninist ideology, where state capitalism frequently dominates, there is a plethora of economic management models, all of which have been implemented with varying degrees of success. The diversity of experience implies many differences and disagreements between neighbouring countries, so that the implications for the development of intra-African trade can be imagined.

There have been many attempts to develop trade, offset by a record of dismal failure. It is thought that failure has often been the result of a lack of maturity on the part of political leaders. It is nonetheless important to emphasize that highly fruitful economic co-operation can be achieved even with different economic systems, but only on condition that both sides are convinced of their common economic interests.

Moreover, the urgency of development in Africa, which will inevitably take place via the development of trade between neighbouring countries, makes it necessary to speed up the process of harmonizing economic policies with a view to laying solid foundations for viable economic integration.

Africa must therefore understand that obstacles caused by political and psychological factors might well, in the long term, become of secondary importance, when countries become more aware of the crucial importance of economic solidarity, and put it into effective practice.

Once the common interest has been understood on both sides, differing policies will no longer be able continually to thwart trade between neighbouring states.

1.2 Inadequacy of the consultation process

The inadequacy of the consultation process is characterized not by the limited number of meetings but by their low level, and by the limited decision-making powers of the participants from the various countries.

The many African meetings which have taken place in an attempt to find a solution to the problems of developing intra-African trade have not yet come up to mutual expectations.

This poor result is partly due to the theoretical aspect of these meetings, which usually restrict themselves to formulating recommendations and leave their application to the individual sovereignty, and conscience, of each country.

It follows that these meetings and the conclusions reached at them can give only very limited results, yielding very few changes, both in the commercial structures and in policy application. It has to be said that the lack of concrete measures and the underestimation of the problems which emerge at the implementation stage render ineffective many of the resolutions and recommendations made at the various meetings.

1.3 Conflicting development plans

National plans, which are usually formulated independently, are often in mutual opposition in terms of both objectives and means. Similar industrial plants are set up in neighbouring countries, providing a major obstacle to the economic and commercial integration and complementarity sought after on a regional or subregional basis. Competing industries and agricultural development plans have been launched. Tax or currency regulations aimed at protecting national development plan objectives have been issued and implemented in complete contradiction with the resolutions adopted by countries in the forum of concerted political action.

As a result market shrinkage occurs, and industrial plants planned with a capacity exceeding national requirements run the risk of becoming unprofitable, condemned as they are to problems of marketing outlets and distribution. Even plants supplying products to substitute imports from outside Africa quickly run up against narrow economic national boundaries.

These two factors are already adequate to demonstrate the negative factors currently at work and systematically thwarting the development of intra-African trade.

Thus neighbouring countries proceed to denounce the invasion of "micro-capitalism"1/ which is steadily replacing the former colonial capitalism.

Everywhere trade barriers are being erected, and efforts at setting up customs unions soon fall prey to the ravenous appetites of the finance ministries, as, daily confronted with higher and higher public expenditure costs, they fall back on import duties to compensate for the lack of internal revenue.

The urgent need for development in Africa now requires steps beyond the mere formulation of customs unions, which are often inefficient since they tend to tackle problems of minor importance caused by short-term economic trends.

The divisions affecting the continent, and the competition alone between the laws governing investment, are in themselves the cause of an enormous waste of resources. A more realistic economic policy based on the inter-dependance of interests between neighbouring countries and affecting all sectors of the economy would certainly help to place intra-African trade on a more favourable development path.

1.4 Ignorance of the intra-African supply potential

There is a real lack of knowledge as to the intra-African supply potential. It is caused by various factors:

i) The production and marketing structures of African countries are primarily oriented towards the European, U. S. and Japanese markets, with the result that they are unaware of the possibilities of finding outlets on neighbouring African markets, which they automatically refrain from researching.

ii) Commercial operators, who have usually been trained in Western schools and universities, are steeped in the myth and methods of the West. They remain immersed in their Western experience and believe that only the West can solve their market problems. This form of 'alienation' is felt in different ways, going so far as to sow doubts as to African supply capacities and potentials.

iii) The dearth of national, regional or subregional publications on possible sources of supply and demand only accentuates and perpetuates the ignorance as to African supply sources.

iv) The low level of communications, and the lack of 'credit' given to the few African publications, which are in any case subject to massive competition by powerful mass media from outside Africa with a selfish interest in the potential of African supply to feed the Western economies, alienate still further the young African executives working in African markets.

1/ A. Wade - La double planification au service de l'intégration économique de l'Afrique.

v) The low level of financial, logistical and human resources of the vast majority of African organisations responsible for marketing, promoting exports or researching the profitability of imports does not allow them to launch themselves into highly expensive market studies.

vi) Alongside these African organisations are the European companies, with sufficient means to cover any African market, either in terms of carrying out studies on export potential or in terms of setting up subsidiaries or branches to cover these supply markets.
A certain European cotton company, which covers all the cotton producing countries of West and central Africa, with the exception of Benin since 1975, supplying them with technical services, fertilizers and seeds in addition to agricultural credit, with the sole aim of ensuring that they alone will carry off the cotton crop, is a typical example of the activities of these non-African companies.

vii) Industry and manufacture are still considered novelties, so that it is not realized that some production units can have claims to an African significance stepping beyond a purely national framework. African producers of raw materials continue with attempts to sell their products only outside Africa, and minimize the absorption and processing capacities of their neighbours. This problem is compounded by another fundamental difficulty connected with the expansion of African Trade, namely the slow growth in production of those goods which are traded. Agricultural production, one of the main sources of economic activity for the majority of African countries, has increased at a rather slow rate (1 to 2% annually), and in some countries it has even declined in recent years.

viii) The inferiority complex inculcated by former occupiers with regard to indigenous brands is still keenly felt in some countries. Hence the continuing consumer search for products from outside Africa. It is a fact that in Ivory Coast it is possible to buy 'French' wine from Algeria. In Gabon there are 'French' oranges from Morocco, in Ethiopia 'Italian' olive oil from Tunisia. In every African country 'Dutch' pipes from Algeria may be found, while in Algeria there are 'Italian' "bordelaises packing" from Tunisia, and so on.

In these cases there is unfortunately not just a problem of triangular trading, but rather that of an entire chain reaction of incomprehension, and of the lack of commercial sense on the part of African traders.

ix) The lack of strict planning on the production side, and the 'peak and throw' results often obtained for output, confound the most experienced economists and planners, and those responsible for assessing or measuring the African supply potential.

1.5 Ignorance of the absorption potential in African markets

The ignorance of the absorption potential of African markets is an even more pronounced factor, and one which in many respects is even more difficult to overcome.

The efforts made by some countries to feed a population generally younger than that of the West, in which consumer habits are rapidly changing, are not enough to plan away the food shortages which occur regularly in so many countries. These persistant shortages in themselves are an explanation not only of the lack of understanding of the consumption cycle and the absence of control over distribution channels, but also of the incoherent evaluation of the overall absorption potential of African markets.

It is a well known fact nowadays that in a family where the parents both work there is a greater tendancy to eat ready made foods in order to save time. Having said this it must be admitted that in a new society in the full swing of development it is very difficult to calculate or forecast accurately what its consumer needs will be.

Obviously there are other factors influencing the uneven nature of probable market potential. African produce is for the most part agricultural and is therefore subject to climatic fluctuations. If there is a good growing season the country concerned will rely less on external supplies, while when harvests pre poor imports soar.

Projections based on supplies from local industries are often distorted by the fact that many African plants operate below their productive capacity.

Distribution structures are generally very little developed, inhibiting any attempt at an in-depth market study to a marked degree, as well as the launching of appropriate marketing activities. This situation perpetuates the lack of knowledge as to how products perform on the market, whether they are traditional or new.

2. Monetary and financial obstacles

Monetary obstacles, although extremely complex, do not seem to be a major issue in the countries concerned as regards the development of trade. They cannot alone be hold responsible for the low level of intra-African trade, although it should not be forgotten that payment facilities accelerate the trading process.

The side by side existence in Africa of several currency areas and of a multitude of national currencies, some of which have official links with non-African currencies, accentuates and complicates the currency exchange and convertibility problems raised by the expansion of intra-African trade and the strengthening of co-operation in the monetary field.

Furthermore, until now trade within some African subregions or between borderland countries has mostly been carried out on a cash basis, with the money having to be converted into one of the convertible world currencies, such as American dollars, pounds sterling, French francs, etc. Small traders, especially, do not use methods of payment such as documentary credit, letters of credit, drafts at sight and bank loans, methods which offer or could offer considerable credit facilities. Without these methods transactions are rendered more complicated by the fact that dealers are forced to cope with different currencies and the complex task of converting currencies.

As direct official payments in local currency are not possible, payments between the countries alluded to here have to take the form of 'compensation' or to be made via conversion into US dollars, French francs or pounds sterling. This system clearly shows to what extent trade between Africans is dominated by foreign currencies and by the instability of the world's leading currencies.

The increased utilization of financial methods to promote intra-African trade appears to be subordinate to a greater independance on the part of African countries from international banking organisations. These organisations are of course more interested by transactions connected with their own countries, which are for the most part European.

This independance is still difficult to achieve, to the extent that the system by which African currencies were linked to a foreign currency has usually been maintained after independance, in the case of most African countries. Only a few African currencies have been allowed to float and have been managed nationally by virtue of a national decision.

Whatever the case, for most African countries internal developments have been such that their currencies are overvalued. This situation has meant that trade and communications in Africa today are hedged about by restrictions of all kinds in almost every field. The only solution to this situation would be to adopt more realistic exchange rates. The means by which these currencies can be protected, including exchange control, are many. Their aim is to regulate not only trade but also travel, the illegal conversion of salaries, capital transfers etc. In addition to these means it will, in the long term, be necessary to arrange currency convertibility between the different African countries by applying common regulations under payment arrangements and official payment unions, etc., as well as the follow-up to decisions which have been made, especially by the African central bank assemblies, with regard to the issuing of African currencies.

2.1 <u>Non-existence or low level of compensation and payment institutions</u>

The setting up of subregional payment systems may be considered as one of the main methods to promote, implement and reinforce subregional co-operation or economic integration.

Nevertheless, at present the few compensation and payment institutions which have been set up at the instigation of African central banks are neither many in number nor capable of effectively promoting trade between African nations.

The sometimes extremely rigid conditions laid down under the compensation system to some extent acted as a brake on the often generous finance programmes agreed by partner countries.

For example, the setting up of the West African Chamber of Compensation obviously facilitated the abolition of a number of obstacles connected with the fact that the currencies of the countries involved are not convertible. However, there are now some aspects of the compensation process which act as obstacles to the more intense development of trade in this subregion. Furthermore, the absence of reciprocal credit arrangements in the present system, added to the numerous exchange control systems in the subregion, constitutes another obstacles to the prospects for expanding trade. Owing to the lack of a common fund making mutual assistance agreements possible, the deficit countries are inclined to adopt restrictive policies whose only effect can be to curb trade with their partners.

2.2 Role of foreign currencies in the expansion of intra-African trade and the deflection of trade

Countries suffering from a foreign currency shortage have to obtain credit to buy not only capital but also consumer goods. Most developed countries have state-guaranteed credit institutions which frequently grant long-term credit.

It is not possible for African countries to have similar systems. In addition, most African exporters cannot themselves extend credit, even on a very short-term basis. Under these circumstances the shortage of foreign currency stimulates African importers to buy on credit from the rich developed countries, to the disadvantage of their poor African neighbours. What is more, the exchange control institution often encourages them to do so.

Restrictions on imports encourage smuggling. Smuggled products, usually originating from outside Africa, generally have to cross a land frontier. For this kind of 'trade' the tax benefits granted to another country are irrelevant since in any case the duty is never paid. Exporters often prefer to export to a country with a convertible currency. They may be in a position to use their holding in a convertible currency, by legal or illegal means, or else to sell it at a rate higher than the official exchange rate. In these cases also trade is deflected away from Africa to the benefit of Europe or North America.

This situation also encourages the raw materials producer, especially if private, to sell his produce to Europe and elsewhere (currency zones) rather than to local processing plants. Moreover, under the present conditions today in many African countries, certain sectors of the population are likely to want to transfer their capital to another country from time to time.

3. Communications obstacles

Communications obstacles between African countries are obviously numerous and vary in degree from one subregion to another.

Among others they include:

- The different languages spoken and used by African institutions;
- The low level of the transport infrastructure and its differing standards;
- The limited amount of African transport stock and the diversity of its components;
- Telecommunications networks which have few connections with other African countries but are primarily oriented towards Europe.

Some of these obstacles have varying repercussions on trade; others are regarded by some countries as temporary.

3.1 Linguistic barriers

Linguistic barriers are without doubt a cause of difficulties in developing trade and economic co-operation, but in the light of the experiences of other parts of the world these may be seen as temporary difficulties, especially when the remarkable progress achieved in Africa with regard to developing the teaching of the working language used on the continent is taken into account.

Moreover, there are two main working languages more or less equally distributed in the subregions of the continent: North-west and West Africa and the Sahel are French speaking, while North-east and East Africa have for the most part adopted English. Former Portuguese colonies, Mozambique, Angola and Guinea-Bissau, use Portuguese. As these languages are not native African ones, some countries are now trying with varying degrees of success to develop their own languages; those primarily involved are Arabic, Swahili and Haussa. Developing these languages will undoubtedly strengthen the sense of kinship between African peoples and, by extension, the propogation of intra-African trade.

The historical circumstances in which the French and English languages were introduced to Africa virtually split the continent into two blocks, one francophone, the other anglophone. The colonialist and neocolonialist policies applied by certain countries has led to the introduction of management ideas and systems which are sometimes contradictory; these act as a divisive force between African countries, and are taylored to guarantee the survival of the economic interests of the former occupying power.

In the course of recent decades attempts have been made with varying degrees of success to set up economic groups having the language of the former colonial power as their first common denominator. These groups, which have generally been set up at the instigation of extra-African powers, have extremely negative repercussions on African economic solidarity and the expansion of trade between countries using different languages and belonging to a different subregion.

Under these circumstances there is a danger that intra-African trade will develop along the following paths:

- Growth of trade between anglophone countries;
- Growth of trade between francophone countries;
- Limitation of trade between anglophone and francophone countries.

However, most African countries today are aware of this danger, which threatens from the outside under the cover of belonging to this or that linguistic group, but which tends to divide them from one another.

The elimination of linguistic barriers requires taking radical measures to accelerate the study and utilization of the different working languages.

Finally it should be emphasized that one of the most important and simplest solutions, and one which will help to solve linguistic trading problems, is the standardization of commercial documents in several languages at once, namely those common to most African countries.

3.2 <u>Inadequacy and low level of transport and communication: Poor intra-African standardization</u>

The most powerful of the material obstacles is the inadequacy and poor orientation of the transport and communication networks possessed by Africa: its river, air and road transport, its railways, shipping routes, telecommunications and postal services.

Although it is well known that any means of transport promotes trade, transportation is at a low level in Africa. Demand for transport is considered derivative, or in other words its level depends on the flow of merchandise. This theory explains why, in colonial times, transport routes were built with a view to facilitating the despatch of export products to the ports. Transport networks were thus constructed primarily for the purposes of overseas trade, and not for intra-African trade. Hence, throughout the colonial period intra-territorial transport linkages remained virtually undeveloped in Africa. The principal result of this former orientation is the continuing inadequacy of the communications and transport infrastructure of Africa today. It is even more alarming that even nowadays a number of subregional networks are based on a neo-colonialist policy geared to the development of subordinate economies oriented towards the production of raw materials (agricultural and mineral products) for export to the developed countries.

Most transport networks were built with differing technical characteristics. Gaps exist on the routes through each and every subregion. The many different track guages imply different rolling stock and equipment, sometimes making the price of transport prohibitive, particularly for countries without a coastline.

Reducing the considerable differences between, or gaps in, the African communications network, both between one country and ~~another~~ and between urban and rural areas within each country, will require considerable efforts and a broad range of knowledge in the fields of planning, management and the economics of transport systems, especially in view of the subtle relationships currently developing between the various transport methods.

The high level of technology required to operate modern transport systems and the need to build an infrastructure which conforms with international standards put African countries in an awkward position, since they become dependant in two ways, financially and technologically, on the Western industrial powers.

i) As regards sea transport, inshore transport is poor and of unequal importance from one subregion to the next. Long-distance sea trade makes little use of coastal traffic since cargo ships call at almost every port. The available data indicate that 4-6% of the total imports and exports of East and West Africa are transportal by coastal navigation.

In East Africa coastal transport services for shipping medium-sized import cargoes operate in the Kenya-Tanzania area, and also to some extent serve Port Sudan. Maritime services link the islands of Madagascar and Mauritius with the mainland ports. The dhows and schooners which used to provide traditional coastal transport services are apparently on their way out owing to rising salary costs.

Coastal traffic in West Africa reached approximately 2,450,000 tonnes per year in 1970-1972, and has developed further in recent years. The main cargoes transported are food products (meal), construction materials (cement) and fertilizers.[1]

The freight rates quoted by coastal transport services along the East and West African coasts are appreciably lower than the rate demanded by cargo boats for transporting similar merchandise. Despite this fact, intra-African coastal trade remains at a relatively low level.

In order to progress towards satisfying the sea transport needs of African merchandise it will be necessary to organize and develop coastal traffic, first in the subregions and then in the African region as a whole. However, there is no doubt that this aim requires enormous financial resources and presupposes detailed preliminary studies on the traffic potential, on administrative aspects, on the development and equipment of ports, and on the precise definition of the appropriate types of boat for the nature and distribution of the freight on the one hand, and the situation and development of the ports on the other.

ii) Multinational utilization of river ways remains low, owing to a number of factors which inhibit the movement of transporters and goods, namely:

- Poor physical infrastructure of navigable internal waterways;
- Lack of harmonization between freight rates and harbour dues;
- Complexity of customs and transit documents and procedures;
- Differences in trade regulations.

iii) <u>The intensity of air traffic</u> between African countries and the former colonial powers contrasts with the feeble progress of intra-African air transport, despite the large number of countries which are landlocked.

The considerable dependance of national airlines on foreign, non-African airlines for finance, technical assistance and management remains an entirely unsolved problem for most countries. Such a situation can only obstruct the intra-African orientation of transport and commerce which African countries would like to pursue in the context of regional economic integration.

However, a number of factors at work in most African countries mean that for the time being intra-African freight traffic cannot be sizeable:

For example, the economy of most African countries is based on agriculture and mining. Air transport is only relevant for products of medium volume which can be loaded through the door of the hold, of medium weight owing to the high cost of air freight, and which are perishable, so that the time factor is of paramount importance; in other words, agricultural products. It therefore follows that the chances of improving intra-African trade using air transport are fairly limited in the short term, since most African countries export their agricultural surpluses primarily to Europe.

To conclude, the low level of intra-African air freight is dictated by the economic and industrial level of African countries and by the lack of high-value products which can be traded and which will bear the extremely high cost of intra-African freight. One of the first steps which can suitably be considered for promoting intra-African air freight is the setting up of preferential treatment in the form of priveledges granted to air traffic, for freight and other facilities, in order to increase the efficiency and profitability of African airlines and lower the prices of their services within the African continent.

iv) Railways have played a crucial rôle in the field of transport and will continue to do so, although their particular functions have changed and infrastructural improvements are now primarily associated with the construction of new roads, to the extent that the development of trade depends partly on the completion of an extensive road network.

The industrialization needed to transform the economic structure of African countries, as also to increase intra-African trade, to a large extent depends on improvements in the transport infrastructure.

The example of Kenya and the three Maghreb countries clearly illustrates the importance of railways as one component in a combined method transport system designed to develop industry. Small and large-scale industries develop only along the railways, which provide them with effective transport. Although the railways were in fact built for entirely different purposes they now constitute the most useful factor in industrial development.

In veiw of the technical advantages of railways for the bulk transport of goods over long distances, their importance for the development of trade for landlocked countries emerges very clearly, since all the exports and imports of such countries have to cross neighbouring countries on their way to or from the supplier or consumer country itself, or a sea port.

This importance allows the integrative function of a transport network to be thought of in terms of the ability of the system to provide the optimum degree of integration of the economy of the region as disclosed within the region as a whole.

The future role of African railway networks in the field of transport to promote intra-African trade should be established, given the technical advantages of this method of surface transport, especially as concerns the transport of bulk merchandise over long distances.

In view of the rapid progress made throughout the world in the utilization of unitary systems such as containers, to improve intra-African trade it is particularly important to have a modern and widespread railway network in order to be able to transport goods as economically as possible over the vast distances of the African continent.

v) The problem of road communications primarily consists of the fact that there are very large numbers of sections missing, both on routes within countries and on an international scale - linking the different countries of the continent.

The need to improve road communications requires work on a vast and expensive scale, which will eliminate or reduce existing variations between the different sections of national and international roads.

The construction of new roads of an international type requires concerted action and the technical and financial co-operation both of the countries concerned and of the international organisations which specialize in the road transport sector.

Alongside this construction work, which could extend into the medium and long term, there is also an urgent need to reach an international agreement on the identification, establishment and maintenance of standards, as well as on the usage of roads (axle loads, etc.), and to co-ordinate road transport with other transport systems and formulate multinational agreements on traffic control, the pooling and distribution of freight, freight rates and customs formalities at frontiers.

There is also a need to arrange multilateral research on road standards (bottom layers and surfaces).

Finally, so that the transport sector shall not continue to act as a heavy and long-term burden on trade, to set up and develop as quickly as possible the relevant institutions to train African personnel in the disciplines essential for all transport activities, and to take the desired steps to harmonize and make maximum use of their training programmes.

At this stage it can be concluded that in order to facilitate the growth of intra-African trade, African countries should progressively apply a common transport and communications policy by improving and developing their transport and communications linkages and by setting up new ones, so as to stimulate unification between countries and the movement of people, goods and services.

3.3 Difficulties in crossing frontiers

Since independence, difficulties concerning African frontiers have arisen. These vastly inhibit the movements not only of inhabitants with potential consumer needs but also of businessmen involved in intra-African trade.

In addition to the problems caused by the inadequacy or low level of transport and by linguistic differences, there is a whole plethora of regulations applied to its own frontiers by each African country within the context of its own autonomy.

The application of these regulations, which are often combined with a nationalism which goes against economic interests, makes intra-African frontiers the most tightly sealed of those of the world's subregions.

It often happens that either because there are no detailed and clearly expressed regulations, or else owing to their incompetence, frontier officials (policy, customs, financial services) act in accordance with their own subjective understanding of the relationships between their own and other countries, although these may be subject to fluctuation.

There is no need to point out that it is rare for an African country not to ask for an entry visa from other African nationals, in spite of the fact that their countries are members of the same organisation, the Organisation of African Unity (OAU).

As regards diplomatic representation, for financial reasons African countries underrepresent themselves with each other, resulting in poor consular back-up for African travellers. The latter are also clearly less willing to undertake journeys in Africa, where from the outset nothing is guaranteed.

It is even acknowledged that some independant countries, while granting full facilities to Western nationals (for whom only an I. D. card is required to enter the country), apply prohibitive regulations to African nationals.

Another area in which frontier blockages apply is that of employment, where policies reserving jobs for nationals only (which is normally the case) result in dividing the African labour market up into fractions. In reality the problem is that of reconciling the ongoing national interest, which is to increase job opportunities for nationals, with the periodic need to adapt the amount of labour available in relation to demand. This requires flexibility in the regulations controlling the movements of people across frontiers, and also an agreement on the rights, privileges and obligations of immigrant workers.

The limited number of frontier posts containing all the necessary administrative facilities for, e.g., processing entrance formalities for a convoy of merchandise, inevitably discourages neighbouring exporters and importers.

The complexity of the documents required at frontiers and the incompetence of some of the officials checking them have made more than a few exporters and forwarding agents give up the struggle, thus limiting attempts to export or import goods to or from neighbouring countries.

This whole gamut of difficulties, in addition to other political factors, has earned African frontiers the description of being amongst the most tightly sealed in the world.

It is now urgent to find practical solutions to the obstacles blocking trade at frontiers. It is paradoxical that African countries are engaged in setting up trade promotion centres in order to intensify intra-African trade, while at the same time they are making every effort to suppress the spontaneous tendancy of Africans to make use of obvious opportunities for trade, often with relations living on the other side of the frontier.

III. Tariff and non-Tariff Barriers and Obstacles of the classical Type

1. Tariff obstacles

The commercial regulations of African countries have not hitherto been planned to make intra-African trade any easier. Most African countries in fact depend to a large extent on customs duties for their revenue. Some have an economic policy based first and foremeost on earnings from exports and imports.

Customs taxes are usually very high, to the extent that African products able to bear them and remain marketable across the frontier are rare.

However, the customs systems in force in the different countries are not similar, and usually include preferential dues, clearance taxes and fiscal duties.

Preferential dues between African countries are limited and cover selective lists of products. On the other hand there are rather more preferential agreements between countries or groups of countries and the European Economic Community or the Commonwealth.

Hence the African countries which have signed these agreements (such as the Yaounde and Lome Conventions) apply discriminatory tariffs against products from non-member African countries. African countries which are members of the Commonwealth often give favourable treatment to imports from other Commonwealth countries, to the detriment of neighbouring African countries.

For example, Malawi accords more favourable rates to the United Kingdom and its former possessions, such as Zambia, Kenya, Uganda, Tanzania and Mauritius. On the other hand, less favourable rates are granted to other African countries, in that the import duties applied to them are higher.

In addition to these various tariff arrangements, which hinder the development of trade on a regional scale, the real protection rates are usually higher than the nominal rates. Moreover, in most cases the rates of customs duties increase in accordance with the degree of manufacture of the product concerned.

In the following section some examples from the East African Community are given:

Main characteristics of tariff obstacles in East Africa

i) The tariff structure of the East African Community is in general terms more protectionist than that applied in the other countries of the region. Some agricultural products and industrial raw materials are subject to considerable import duties, reaching, for example, 25% for meat and fish and 50% for meat and fish processed products. In most cases the rate is 50% for vegetables, fruits and nuts, and 40% for spices. It is 30% for all chemicals and organic chemical compounds, and as a general rule it moves higher in accordance with the degree of processing involved. The tariffs of the East African Community may be considered amongst the highest in the world, although import duties rarely exceed 50%.

ii) Raw materials imported by Zambia only rarely pay duties, although some are subject to high duties if not imported in bulk; and for processed or manufactured products the rates increase, usually in accordance with the amount of processing.

iii) The same or a similar tariff structure is usually found in the other countries of the region. Earnings from import taxes and duties often represent an important contribution to overall revenue, ranging from 5-6% in Angola to 66% in Lesotho. In all these countries without exception the rate of customs duties rises as a function of the amount of manufacturing involved.

iv) It should be noted that the East African Community levies or used to levy no duties on unworked copper, although Kenya and Uganda charge duty of 15% on imports of copper wires and cables, and 30% on copper household articles. The other countries of the region, where customs duties progress according to the degree of manufacture of the copper product, are Angola, Ethiopia, Madagascar, Malawi, Mauritius, Mozambique, the Seychelles and Somalia. The same applies for Rwanda and Burundi. In Sudan there are very high duties on crude copper, but the rate applied to copper articles does not increase.

Rwanda has made an initial reduction of 15% on duties on imports from the EEC, while Burundi has exempted EEC imports from all duties.

On the other hand Benin uniformly applies a new tariff rate to products and merchandise of any origin. It consists of a customs duty called the 'surtaxe douaniere', and a fiscal entry tax. The subsidiary taxes previously required for entry to Benin (customs stamp, special depreciation tax, temporary equipment tax and other specific taxes) are still in force.

It can therefore be concluded that generally speaking, although these duties are not all aimed at curbing trade, this is the result which they frequently end up by achieving. As regards the effects on trade between the countries of the region, the high protective duties tend everywhere to affect recently developed industries. Even taking into account the fact that the process of industrialization does not take place in the same way in different countries, it is precisely those industries which stand to benefit most from trade within Africa that are the most affected.

It is almost certain that unless the tariff arrangements are harmonized the entire system of economic agreements risks being compromised by unilateral actions taken by countries belonging to the same region. This prospect would even further complicate the protectionist mechanisms applied by some countries, and would without doubt act as a brake on trade between African countries.

Where the harmonization of customs duties and internal fiscal arrangements had highly unequal effects on revenue, it would obviously be necessary to reach agreements enabling the loss suffered to be compensated by a transfer of resources between the country least affected and the country most damaged. Mechanisms adapted to special circumstances would have to be developed.

One of the most formidable obstacles to economic co-operation in Africa results from the fact that on a national level there are no mechanisms enabling the various aspects of this question to be tackled. This situation is sometimes made even worse by the inadequacy of consultation and decision-making processes at the multinational level. It should also be highlighted that the organisations responsible for promoting specific multinational enterprises or activities are neither numerous nor varied enough.

Difficulties resulting from the considerable disparities in legislation relating to investment between different African countries, and from the ever increasing cost of the measures each takes to attract foreign private capital, remain wholly unanswered in most countries. Solutions should therefore be sought via the harmonization of tax concessions, of investment facilities and of tax exemption schedules, as well as through the active collaboration of member countries as regards tariff policies, the harmonization of customs duties and internal taxation measures. The initiation of mutually acceptable mechanisms for compensation and for a fair distribution of the costs and benefits of fiscal harmonization should be considered the first phase of an entire process aimed at eliminating the barriers and obstacles to the development of intra-African trade.

2. Non-Tariff Obstacles

2.1 Quantitative restrictions

Many countries impose further quantitative restrictions in order to protect the output of their national industries, which are usually still young and unable to face competition from sophisticated and better priced products from abroad.

For financial reasons which force them to ration their imports and restrict their purchases abroad on a selective basis, some governments make almost automatic use of quotas and bans in order to isolate their market and protect their producers from foreign competition.

There are also some governments which act in a similar manner, but from a well determined political standpoint: priority is given to the import of widely consumed food products and agricultural and industrial machinery. These governments consider the authoritarian rationing of imports as an integral part of economic planning and development, especially if their political options are oriented towards collectivist forms of production and distribution. The formula generally adopted consists of treating imports as a purely residual source of supply. Quotas are calculated so as to supplement local production, and as soon as the latter becomes adequate the imports in question are banned.

There is also the problem of currency shortage. It is recognized that these restrictions are applied by different countries for different reasons; here are some examples:

- In Benin, quantitative restrictions are applied against public health or similar products, potatoes, matches and wheat flour. Priority is given to the import of spare parts for the equipping of production already in operation.

- In Gambia, there are quotas on rice and flour imports and an authorization to purchase currency is necessary before being able to import them.

- In Ghana, the list of prohibited imports covers a very wide range of products: fried and preserved fruit, coffee, cocoa, mineral waters, cider and beer, petrol, gas-oil, clothes, shoes, soap, rubber leaves, cigarettes, aluminium goods, cooking utensils, etc.

- In Guinea, all imports are subject to individual authorization, granted by the competent authorities after examination by the National Economic Commission (CEN), within an annual imports programme based on "the needs of the country in imported products, the possibilities of local production to substitute for imported articles and the experience gained from the previous year's programme".

- In Algeria, all imports are controlled by state enterprises which apply a national imports policy which is revised each year; quota authorizations are either blanket or individual.

- In Ivory Coast, apart from products banned for health reasons, wheat is forbidden throughout the country. There are quotas for matches, paints and detergents throughout the country. For the small sector of the economy which has been liberalized only an import authorization is required and this is easily obtained, but for other goods import authorizations are subject to quotas.

- In Nigeria, most goods can be freely imported according to the free general authorization (FGA), on condition that the merchandise is accompanied by a combined certificate of value and origin and the invoices required by the Nigerian authorities. Quantitative temporary restrictions covering a wide range of articles, especially luxury products and foods, are applied when the government deems it necessary.

When applied between African countries, quotas are also due to the similarity of products, most of them agricultural or agro-industrial, put forward for trade by these countries. As a result trade between African states is sorely stricken. It will be necessary to wait for African countries to diversify their range of products before they become more free of these quantitative restrictions.

It must be pointed out that not all governments have the same confidence in the virtues of the quota system, and if financial factor did not complicate the issue - many African countries are afflicted with financial problems - it is likely that some of them would return to traditional methods, except under exceptional circumstances when temporary restrictions might become necessary, for example seasonal restrictions protecting early fruit and vegetables in the agricultrual sector. However, there are fashions in trading policy as in other fields, and the range of application of quantitative restrictions is currently growing wider and wider, a tendancy which is of no help whatsoever to the development of intra-African trade.

To slow down destrictive tendencies it will be necessary in any case for businessmen, whether national or foreign, to be wise enough not to fall back on this often harmful form of protection as an essential condition for their participation in the economic development of these countries. Governments should also learn how to make better use of customs tariffs, which are not yet too frequently thought of as a useful way of earning revenue.

2.2 Discriminatory application of restrictions and discrimination based on product origin

The discriminatory application of quantitative restrictions is frequent in Africa, considering the different links and agreements connecting countries to one another, either bilaterally or multilaterally. The many subregional African groups also provide their member countries with an opportunity to practise discriminatory restrictions against other African countries who are not members.

The non-convertibility of the many African currencies is not only an obstacle to the development of intra-African trade but also encourages some countries to practise discriminatory restrictions based primarily on the origin of products.

Discrimination is often exercised against a country on the pretext that for some types of product its producers or exporters enjoy an exceptional degree of competitiveness.

Some countries of supposedly "moderate" political leanings exercise stricter control over products from countries with a planned economy than for products of the same type but from a different origin.

Bilateral agreements, which frequently have the effect of benefitting the partners with special treatment, constitute another source of discrimination. In the case of clearing agreements the creditor country is induced to use its balance to purchase goods from its partner, since it cannot transfer the funds elsewhere. It is thus led to give preference because of the non-convertibility, real or imagined, of its partner's currency. But there can also be discrimination when the agreements are purely commercial. As long as partners maintain quota measures, they have an interest in agreeing on the reciprocal granting of quotas per country, and as the concessions granted depend on the exchange each partner can offer it is by no means certain that the distribution of quotas between bilateral parties and third countries is perfectly fair.

As regards commercial relationships between countries with low financial resources, the main problem is to overcome the currency shortage and to increase the volume of trade via a swap agreement or a compensation operation. The method is to obtain a quota preference which obliges the importer to buy goods from the trading partner. This method is frequently used by countries such as Egypt, Benin, Mali, Ghana and Algeria. The latter country sells gas and textiles and buys wood, on the basis of a bilateral compensation system. In this case the modification of trade flows is not incidental but is actually the aim of the agreement.

The disadvantages of clearing agreements are often offset by the exceptional credit advantages.

Finally, all these arrangements, once made, whether on a national, bilateral or multilateral scale, render the protectionist apparatus more complex and discriminatory, constituting a negative factor for overall intra-African trade.

2.3 Compulsory standards

The application of compulsory standards to exports and imports is, in itself, a good thing for the trading partners.

However, the standardization of merchandise for export requires specific additional efforts giving rise to extra costs. This is an immediate disincentive for the exporter, who does not always understand the benefits, especially the long-term ones.

What is more, African countries, lacking not only the inclination to standardize but also the technology with which to apply standards, often find themselves discouraged in their industrial enterprise.

The standards usually specified when contracts are concluded are often a source of difficulties and incomprehension between African trading partners when the goods are received, since they will often have been interpreted quite differently.

These kinds of difficulty, encountered in different ways, constitute a real obstacle to the development of intra-African trade. There would appear to be a contradiction here, to the extent that standards are often synonymous with the easing of trade. However, as long as technology remains poorly developed in Africa, with the limited financial means and purchasing powers of its inhabitants only just enabling them to acquire products of mediocre quality, compulsory standards will continue to act as a brake on the promotion of trade.

Obviously, the solution to this problem is not to abolish compulsory standards in intra-African trading relationships, but rather to extend them throughout Africa.

The African Regional Standards Organisation (ARSO), although only recently set up, has already clearly become aware of the problem of how to extend standardization and make it a familiar concept, and how to control quality, viewing the problem from a trade development and quality improvement perspective.

2.4 <u>Licence regulations</u>

The system by which export and import licences are required, which is usually combined with a taxation system, constitutes a barrier to exporters and importers.

Whether justified by the desire to prevent either the exit of goods needed in the country or the entry of goods which compete with local produce, or by agreements covering other reasons, quotas directly affect earnings from external trade. They also have tiresome secondary effects: the granting of licences is usually based on previous developments (Import - Export), effectively preventing new initiatives from being taken, owing to the bureaucracy at work in the wheels of government.

Import restrictions can also have negative effects on the growth of exports of manufactured products, since exporters are unable to use, in their products, the additional, imported components required by external markets. This is a particularly serious drawback for countries without an industrial sector or with no new exporters.

The complexity of the documents and the procedures imposed by licence regulations in itself represents a major obstacles to trade development. Government delay in despatching documents, the large number of checking procedures, etc., are other important aspects of the problem.

It is therefore important that this sector be examined afresh with a view to simplifying the formalities, documents and government taxes relating to external trade, especially:

- by limiting the number of documents used in trade, and the number of copies required;
- by limiting the number of organisations through which these documents have to pass;
- by standardizing the information which has to be given on the documents.

2.5 Preliminary deposits

In the desire to soften the rigidity of quantitative restrictions or to avoid having recourse to further restrictions, several governments require their importers to deposit in national or sometimes foreign currency a percentage of the total value of the product which they wish to import. The percentage varies according to the degree to which the product is considered essential.

For some African governments this regulation is intended to curb speculative imports and restrict the effects of demand swollen by inflationary spurts. Nigeria has been induced to apply this regulation, but in point of fact the measure covers all imports of whatever kind, so that it can only have a protectionist effect. Any importer is penalized, since he must obtain the sum required from a bank, and is only repaid after the imported goods have arrived, often several months late.

At first sight this measure would seem to give the advantage to importers with large financial resources, and would not appear able to affect trade flows to any appreciable degree. Certainly it is to be preferred to more rigorous controls, but it often alters the relative competitiveness of domestic and imported goods, just as an increase in customs duties would do, for example.

Finally, as is the case for so many government measures, the regulations on preliminary deposits can be changed from one day to the next, creating uncertainty for traders as regards price structures. The uncertainty is compounded by the fact that trade information services are few and far between and frequently inefficient in Africa.

2.6 Tax obstacles

Taxes on trading operations are widespread in many African countries. Admittedly they are often an important source of revenue. Nonetheless they risk being a very powerful brake on the expansion of trade and they also considerably encourage 'clandestine trade'.

For example, export taxes are often harmful since they tend to restrict rather than expand the market.

Indirect taxes, such as sales tax or value added tax, are applied in most African countries, although they are not amongst the industrialized countries, especially in the case of exports. The complexity of the tax regulations applicable during export-import operations could, when combined with other disincentives, not only lead to a decline in exports but actually reduce the amount of interest shown in export activities in general. Resorting to such procedures for products on the African market probably only accentuates the intra-African trade deficit.

2.7 Various obstacles

It is by no means irrelevant to mention here the absence of an adequate infrastructure in the form of experienced transit agents, insurance and credit services, quality control checks, national institutions for carrying out studies, for standardization, etc.

A particularly important obstacles to trade development is the lack of organisations to promote trade and of the investment which could provide valuable aid to governments and assistance to exporters, importers and investors. It may be noted that in some countries these organisations exist in small numbers, but they are not always oriented towards expanding intra-African trade.

The frequent changes in trading regulations at country level act as a brake on the efforts made by merchants. As external trade is an ongoing process, it often requires years of effort to establish a product on a given market. It should therefore be obvious that sudden or unexpected changes in trading regulations might easily create an impression of malaise and uncertainty, harming mutual efforts to promote intra-African trade.

IV. Conclusion

The obstacles and barriers to intra-African trade development which we have touched on in a general way are not all felt in the same way and to the same degree by all African states.

African countries, although mostly considered as poor, are nevertheless of different sizes, of disimilar politico-economic orientations, and endowed with different natural resources.

Some countries, unfortunately only a small number, are already on the threshold of being able to supply manufactured goods to African markets after having met local demand from their own population. Others are still at the stage of looking for various ways of meeting the food deficit from which their people suffer.

This economic state of affairs, with its considerable variation between countries, in itself provides an idea of how these countries can confront the obstacles to the development of trade between them. It is also a forceful argument for a co-ordination of efforts by the poor and the less poor countries in an attempt to overcome these difficulties and succeed in initiating further links between them.

To sum up, the diversity of obstacles and barriers to trade in the African region, and their highly diverging nature and importance, argues in favour of an in-depth sectorial approach, even by separate subregions. This approach would certainly enable practical problems to be grappled with at close quarters, and short and medium-term solutions to be identified. It would also allow the specific difficulties of some countries, landlocked or island countries for example, to be dealt with in such a way as to put forward appropriate solutions according to the different kinds of obstacle which each encounters.

V. Measures Enabling the Barriers and Obstacles to intra-African Trade to be Eliminated

In the course of the analysis of the barriers and obstacles to intra-African trade made above we have in practice mentioned the possible solutions as we have dealt with each difficulty.

However, the general idea which emerges is that the easing of intra-African trade as a result of the gradual elimination of barriers and obstacles largely depends on the economic development of the whole African region.

This economic development will doubtless be the expression or result of an increase in production and productivity, the setting up of infrastructure which facilitates trade (transport, services, etc.), and the creation of administrative, legal and financial institutions.

These objectives will probably be realized in part by:

i) The growth of African industrial plant, increasing intra-African supply in terms of both amount and quality;

ii) The setting up of a transport and communications infrastructure which meets the needs of African countries;

iii) The motivation and orientation of existing government structures promoting intra-African trade, in accordance with the emerging needs of countries;

iv) The setting up of an adequate number of national and multinational trading and financial institutions able to orient and promote trade between African nations. These organisations should be endowed with the capability and authority necessary for, among other things, formulating trade policies and programming their implementation. These institutions should work towards a restructuring of the commercial sector so as to promote Africanization. They could also help to eliminate gradually the administrative and legal constraints dictated, amongst other things, by narrow national economic interests. The latter consideration would give rise to a new climate, suitable for the setting up of African monetary and commercial co-operative institutions at regional or subregional level. These would have a political foundation on the one hand, and an economic and commercial role to play in the interests of the continent on the other.

These regional or subregional institutions will have to harness themselves to:

- The reduction, preferably on the basis of mutual concessions, of the customs duties which hit the import of products originating from Africa.

- The relaxation, preferably of quantitative restrictions, or of exchange restrictions affecting the volume or value of goods traded;

- The promotion of bulk purchases by importing countries from intra-regional sources of supply;

- The promotion of preferential purchases by government from intra-regional sources of supply;

- The elimination, on a preferential basis, of obstacles other than the tariff barriers which hinder intra-African trade;

- Negotiations to reduce the freight rates for goods despatched as part of the intra-African programme;

- The examination of ways to facilitate the carrying out of customs formalities for the import and export of goods covered by the programme.