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INSTITUTIONAL MACHINERY FOR PROMOTION OF EXPORTS AND INTRA-AFRICAN TRADE

1. The biggest constraint facing developing countries in their economic and social development is the shortage of foreign exchange. Falling receipts from exports of traditional commodities and the rising burden of external debt servicing, have made it vital for these countries to intensify their efforts at additional export earnings. Despite recognition of this imperative necessity, the export sector does yet not have a clearly identified place in national economic development plans in many developing countries. The main preoccupation of planners, when dealing with the foreign trade sector, is the management of the balance of payments in the short term. Even monetary and fiscal policies are geared to the raising of revenue without realising that some of the fiscal measures have an adverse effect on promotion of exports. A consistent commercial policy and an export promotion programme has yet to be evolved in developing countries. In its absence, even the few incentives that are thrown in the name of export promotion do not have any impact.
2. Export promoting in developing countries is quite distinct from export promotion in developed countries. In the latter case, the main objective is to create demand or exploit demand. A highly developed business sector, export facilities for product development and for exploiting possible markets, and basic infrastructure facilities are all available. In a developing country, none of these assets are available. Product development has to be undertaken. Essential export services have to be organized. Identification of markets and active sales promotion in such markets have to be diligently pursued. The private sector, unlike in developed countries, is not organized to carry out such tasks. Furthermore, export consciousness both at the government and at the business community level have to be developed. The government has therefore to take the initiative and provide these services and incentives to the private sector.
3. To achieve this objective it is necessary that there should be an effective focal-point within the government machinery which will have overall responsibility and authority for formulating export policies and programming their implementation.

The main functions of the focal point would be:

- To ensure that the country's export development goals are adequately defined and integrated into overall economic development plans so that there is a clear recognition of the priorities accepted by the government with respect to the export sector.
- To formulate policies and programmes through which the export goals established in the national plan can be realized.
- To supervise the implementation of these programmes and to ensure an effective feedback from experience, which would improve the formulation of future plans for the export sector.

4. A sustained national export promotion effort requires co-ordinated action by a number of public and private sectors that have various roles to play. It is first of all essential that the focal-point institution must be able to bring together the representative of these key bodies in order to ensure their close participation both in the planning of exports and in the implementation of export promotion programmes. Second, the focal-point institution must have the authority and prestige to enable it to exercise the necessary leadership and co-ordination. And finally, it must have a specialized secretariat that is capable of providing expert advice on the development of the country's export potential and on all the national measures that need to be taken to exploit market opportunities abroad.

5. For countries with diverse political and administrative systems it will not be possible to lay down a uniform pattern for the organization of this national unit. Each country has to pattern its unit in fitting with the political and administrative system. The unit should have the confidence of the government and its recommendations should carry weight. It should perhaps have as its Chariman or co-ordinator a senior government-decision-making official, preferably at the Permanent Secretary level in charge of commercial policy. Other governmental members of this unit may be representatives of the several administrative units which service foreign trade such as the Central Bank, Ministry of Finance, Customs and Port. On the supply side, the Ministries of Agriculture and Industry should be represented. The unit should also have as its members, representatives of associations or where they are not effectively functioning, suitable nominees by the government from the operational side of trade activities. Representatives from import trade, export trade banking and shipping agencies should be included. These representatives should be experts in their particular fields and also command respect in the business community. The number of members in such a unit should not be too large so as to make it unwieldy. A desirable maximum perhaps would be 20. A suitable name for such an unit could be the Trade Promotion Advisory Council. The unit need not be a statutory body, its main functions will be advisory which will enable the operative ministry to take appropriate decisions. Meetings could be held as and when required but at least should be quarterly. The Council should conduct its deliberations in as informal a manner as possible and their recommendations should be arrived at by a general consensus rather than by voting procedures. It is important if the Council is to function effectively that its recommendations should be actively implemented.

It is desirable for the operative ministry to report to the Council the action taken on the recommendations at regular intervals. The operative Ministry can function as the Secretariat of the Council.

6. The operative ministry can serve as secretariat for the Council. This will enable better liaison and minimize the financial and personnel resources needed for effectively performing the Council's functions.

7. The major objectives of the Council would be:

- (i) To provide cohesive team-work, resourcefulness and leadership for the several administrative units and private sector organizations directly engaged in trade so as to promote foreign trade;
- (ii) Identify in a co-ordinated manner the measures that are necessary for achieving this objective;
- (iii) To ensure continuity of policy and effective administrative action;
- (iv) To act as liaison agency for its counterpart in other African countries and the Africa Trade Centre.

8. An Advisory Council as suggested above may suffer from the disadvantage that it may not generate the initiative and vigour that promotion activities require. The Chairman, being the Permanent Secretary, will not be able to give that undivided attention that trade promotion in African developing countries requires. In any such organization, the Secretariat is the ginger and motive power for speedy action. The Ministry with its other multifarious duties may not be able to play this effective role. This fear is all the more pronounced, as even now, Ministries and departments responsible for foreign trade, have in most cases not proved effective. Bureaucracy in most developing countries has still to be attuned to development and promotional administration. New out-looks initiatives, techniques, ability to take quick decisions suited for the occasion, than guided by rules, regulations and precedents, have still to be infused. Besides, the Advisory Council may not be that sufficiently homogenous and have that singleness of purpose to be effective.

9. An alternative is to have an autonomous Trade Promotion Board (Centre, Institute) vested with both advisory and executive functions under the direction of the Ministry of Foreign Trade. The Ministry will only be responsible for policy directives, leaving the administration and implementation to the Board. The Board will comprise of appropriate officials on the government side and professional experts directly engaged in foreign trade activities. The latter should be chosen not only because of their expertise, but also because of their integrity, drive and standing both in business circles and government eyes. The total number of the Board should preferably not exceed 10. One of the unofficial members will be appointed Chairman and Managing Director. The Chairman should be a full time official, and will have to divert himself of his other business interests. The Board will be serviced by a permanent secretariat comprising of professionals who too should be selected both for their expertise

and initiative and drive. Initially, the secretariat may be limited to a Trade Promotion Officer who could also act as secretary, an economic analyst and a librarian-documentation officer. The Board could have the power to engage short-term experts as and when necessary.

10. The objectives of the Board will be the same as listed above, but in addition it will be vested with executive powers for administering trade promotion measures so as to give it overall responsibility for this field. Thus, the Board will not only give advice on policy matters but also:

- (i) Initiate and administer fiscal incentives for trade promotion;
- (ii) Impose quality control standards;
- (iii) Establish either on its own or grant financial assistance for suitable national firms, trade centres in suitable capitals;
- (iv) Grant financial assistance for modernisation, technological research and specialized market research;
- (v) Allocate foreign exchange on a suitable priority basis, giving emphasis to exports;
- (vi) Advise on tariff, import control measures;
- (vii) Recommend export credit facilities to Banking institutions and where necessary guarantee such transactions;
- (viii) Organize and assist export houses which can undertake exports of small entrepreneurs.

11. The functions of the Board are not exhaustive. They are only indicative of what could be done. The priorities and emphasis will have to be decided by the Board in consultation with the Minister and implementation should thereafter be speedy and effective.

12. For this type of Board to function effectively, an all important requisite is adequate financial resources. Such resources could be by budgetary allocation. But experience shows that treasuries with the several pressing claims on their scarce resources, tend to be restrictive. A better alternative and a firm budget for the Board will be a statutory cess on imports, local manufacture and, if necessary, on exports as well. This will give the Board a realistic estimate of their resources so that the activities could be well planned and programmed.

13. African countries could choose between these two types or have an organization which could be a mix of both, patterned to their needs and administrative structure.

14. In the immediate context of promoting Intra-African trade the priority tasks of the unit may be defined as follows:

- (i) Examine the present restraints for Intra-African trade covering such fields as availability of goods, their competitive price, the delivery schedule, availability of finance for export trade, the administrative formalities for export, the infrastructure facilities available, shipping and freight, port handling operations, availability of managerial personnel and most important, the trade policy with particular reference to tariff structure, quotas and exchange regulations.
- (ii) Consider what liberalization measures are necessary so as to facilitate Intra-African trade. The liberalizing measures that could be adopted are several and varied. Some of the measures could be:
 - (a) Preferential cuts in tariff on imports of specific commodities;
 - (b) Preferential relaxation of quantitative restrictions or restrictions on allocation of foreign exchange in respect of quantity or value of trade;
 - (c) Bulk purchases of importing countries from intra-regional sources;
 - (d) Preferential purchases by public authorities from sub-regional sources;
 - (e) Preferential dismantling of other non-tariff barriers;
 - (f) Negotiations for discount on freight of commodities moving under the Intra-African trade programme, customs facilitation for import and export of commodities included in the trade programme.

15. The country papers and other Secretariat papers presented at this symposium should give an indication of possible trade exchanges in particular commodities among African countries indicating the source of export and the possible importing countries. The unit could as a basis for negotiation consider some or all of the above techniques on liberalization in respect of import and export of the commodities specified in this document. The unit could make recommendations for the liberalization of the import restrictions prevailing in the country in respect of appropriate commodities and also formulate the concessions that it expects from other member countries in respect of the commodities it seeks to export as a reciprocal measure.

16. Once these preliminary reports are available, a conference of the national units could be arranged either as a whole or in particular groups, so as to negotiate the concessions which could be agreed by the member countries and which could be incorporated in a protocol which member governments will conform to for a minimum period of time, with a specified list of commodities. The protocols could aim as target at at least a 10 per cent increase of the import-export trade among African countries on the three previous years average.

17. Consequent to such protocol negotiations, it may be even desirable to formulate an instrument or code for trade development and liberalization among member countries for an agreed list of products.

18. The Africa Trade Centre will be too ready to assist member countries in setting up these units and assist in its deliberations subject to the limitation of its personnel and financial resources. The Centre has established a Trade Promotion Advisory Service. Exploratory missions of the Advisory Service are being mounted at the request of Governments to identify specific fields in which the ATC staff could collaborate with governments in realizing the major objectives of the Centre namely:

- (i) Increase export earnings of member countries;
- (ii) Promote Intra-African trade;
- (iii) Restructure the commercial sector so as to bring about a greater degree of Africanization;
- (iv) Co-ordinate the efforts of international agencies so as to have the maximum impact. A list of advisory services provided by the Centre is given in the document on the Training Programme and Trade Promotion Advisory Service in 1972 ^{1/}. It is hoped that the governments will make maximum use of the advisory service which has been set up pursuant to a resolution adopted by the First Conference of Ministers of the Economic Commission for Africa held in February 1971 at Tunis.

^{1/} E/CN.14/ATC.6