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SUBREGIONAL TRADE POTENTIAL IN AFRICA, SOUTH OF THE SAHARA  
WITH PARTICULAR REFERENCE TO LAND-LOCKED COUNTRIES 1/

Contribution by the  
International Trade Centre UNCTAD/GATT 2/

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1/ For the purpose of this paper, the African region comprises all countries south of the Sahara, excluding South Africa but including Djibouti, Somalia, and Sudan.

2/ The designations employed and the presentation of material in this document do not imply the expression of any opinion whatsoever on the part of the International Trade Centre UNCTAD/GATT concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

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I. INTRODUCTION

1. In the 1980s Africa's export trade decreased by approximately 22 per cent in value terms and the region's share of world exports halved over the decade, falling to a mere 1.3 per cent. The causes of Africa's export decline are manifold and vary from country to country. However, it is commonly asserted that African economies in the 1980s were hard hit by volatile commodity prices, while only a few African countries succeeded in partially diversifying their export base.

2. In the early 1980s ITC introduced a new element in its technical cooperation programme for the African region, focusing on the development of intra-African trade. This initiative was based on the observation that global markets are often too competitive to be penetrated by African manufactures from zero-base level. Africa's regional market, however, might provide the necessary breeding ground for production and trade development and yield some valuable experience, as a necessary prelude to attempt at market entry in countries outside the African continent.

3. Previous initiatives by the international development community for the promotion of intra-African trade had been largely limited to theoretical analyses of real and perceived obstacles to commercial exchanges between African countries, and invariably concluded that the low level of intra-African trade signified the absence of regional market potential. From the outset, ITC believed the latter argument not to be entirely accurate and therefore the ITC programme of activities for intra-African trade promotion was first and foremost designed to quantify this potential, and to subsequently identify opportunities for trade on which further efforts would concentrate. This paper aims at providing a synopsis of some of the findings of the ITC programme as carried out over the last 10 years.

II. TRADE POTENTIAL AT SUBREGIONAL LEVEL

4. The low level of intra-African trade is often attributed to historic economic structures and dependencies, resulting in a south-north orientation of Africa's external sector. Other important categories of obstacles to intra-African trade expansion frequently cited relate to a number of factors which negatively affect the price/quality competitiveness of African products. Such factors appear to be further exacerbated by the particular geographical conditions of African land-locked countries. It is also argued at times that the number of tradeable products is insignificant, or that the products available for trade are alike and therefore do not represent an incentive for trade. It was to test the accuracy of the latter arguments that ITC decided to develop a methodology which would for the first time quantify existing intra-African trade potentialities.

5. Rather than looking at Africa as a whole, it makes sense to first consider intra-African trade potential at the subregional level. This for two reasons: the gradual introduction of trade liberalization programmes by

subregional economic integration groupings, and the existence of "natural" trading partners within a subregion. Thus, ITC analysed trade potential for the Preferential Trade Area for Eastern and Southern African States (PTA), the Economic Community of West African States (ECOWAS), and the Economic Community of Central African States (ECCAS). Together, these three subregions comprise all of Africa south of the Sahara, while some countries belong to more than one grouping.

6. As intra-subregional trade levels represent approximately 5 per cent of total foreign trade, it appears justified to consider the trade between African subregions and the rest of the world as representative both of their import requirements and of their export capabilities. The trade flow analyses carried out by ITC were therefore based on a detailed scanning of trade statistics as reported by the non-African trading partners of the subregions. The initial analysis was based on the COMTRADE database of the United Nations Statistical Office (UNSO) and on the Standard International Trade Classification (SITC Rev.2) at the four-digit level.

7. An analysis of PTA trade flows reveals a considerable diversity of products exchanged between the PTA and the rest of the world. In fact it is possible to identify 550 products and product groups which are exported to destinations outside the PTA, and for which the export value exceeded US\$ 100,000 for at least one year during a five-year reporting period. Out of these products and product groups 475 items were also imported into the PTA during the same period, suggesting intra-PTA trade opportunities. The annual PTA import bill for those products which are also exported by PTA member countries (further referred to in this paper as "matching products") amounts to approximately 50 per cent of total annual imports.

8. The range of products exchanged between member countries of ECOWAS and the rest of the world is somewhat less diversified than in the PTA, yet reveals considerable trade potential. Among the products jointly imported by the member countries, with an import value exceeding US\$ 100,000 for at least one year during a five-year reporting period, over 200 items were available in the subregion, as evidenced by the fact that they were exported to countries outside ECOWAS. The combined import value of these products on average amounted to 50 per cent of total annual ECOWAS import trade.

9. The potential for intra-ECCAS trade expansion is believed to be somewhat less significant than in the other two subregions. Yet, it has been possible to identify 215 matching products with a combined import value of 33 per cent of total ECCAS import trade.

10. It is clear that a theoretical trading potential at the subregional level does not represent equal opportunities for the individual member States. In the listing of matching products, however, land-locked countries are represented in a proportional incidence to non-land-locked countries, indicating that the lack of tradeable products or of complementary supply and demand conditions are not a particular limiting factor for the development of the land-locked countries' subregional trade.

### III. A STRATEGIC APPROACH FOR THE PROMOTION OF TRADE AT THE SUBREGIONAL LEVEL

11. The statistical data obtained through trade flow analyses confirm a considerable diversity of the export base at the subregional level and a substantial complementarity of supply and demand conditions, which are a precondition for trade to take place. Therefore, if the potential for intra-subregional trade expansion is quantifiably more significant than generally believed, which then are the factors standing in the way of such trade to be developed? If one accepts that the generation of trade is based on the premise that economic agents act on real or perceived trade opportunities in the expectation that these can be profitably exploited, then one also has to admit that the African marketing environment lacks the required transparency and that a mechanism for the identification and dissemination of information on trade opportunities at the subregional level until very recently was non-existent.

12. The ITC strategy for the promotion of intra-African trade has been designed to address this very issue, and is based on a two-pronged approach. Firstly, the outcome of the trade flow analyses provides the basis for the selection of products on which national and subregional trade promotion efforts can be concentrated. Such a selection is made in consultation with the business community and government institutions in the countries concerned, based on national priority criteria, on the results of ITC technical cooperation activities at the national level and on subregional complementarities.

13. It is recognized that the statistical data obtained through trade flow analyses refer to classification headings and not to products in the commercial sense of the word. Matching trade flows for SITC items therefore do not per se indicate readily exploitable trade opportunities but rather point to an existing potential and the necessity for further analysis of the product groups concerned, by means of a systematic undertaking of detailed supply and demand surveys.

14. The supply and demand surveys are carried out in the countries which have been identified as potential trading partners, and cover one product and country at a time. The methodology for collecting, analysing and presenting information for the surveys was developed by ITC and has been adapted to the specific trading environment of the African region. Wherever possible they are undertaken by national trade promotion organizations and Chambers of Commerce and Industry, with technical guidance provided by ITC personnel. To date 130 supply and demand surveys have been carried out covering 12 product groups and 30 African countries, 11 of which are land-locked.

15. The surveys reveal not only existing trading opportunities and propose ways to take advantage of those opportunities, but also suggest necessary measures for further product development and adaptation. Therefore, in order to generate the most appropriate follow-up action, results of the surveys are extensively discussed with the direct beneficiaries at so-called buyers/sellers meetings.

16. The buyers/sellers meetings first and foremost serve the purpose of promoting business negotiations and transactions through direct personal contacts between importers and suppliers. As the buyers/sellers meetings focus on one product group at a time, they also provide an eminent opportunity for the identification and analysis of existing obstacles to trade expansion in the product group concerned and for proposing pertinent follow-up action. Recommendations for the removal of obstacles requiring government intervention may be submitted to the policy organs of the subregional groupings. Constraints existing at the enterprise level related to marketing techniques and products improvement and adaptation may be addressed through technical assistance.

17. The 14 buyers/sellers meetings organized by ITC to date at the subregional level have generated several hundred million US dollars worth of new intra-African trade, and assisted in the creation of a new marketing "culture" which potentially could develop into a dynamic intra-African marketing environment. Evidence suggests that the land-locked countries to a larger extent have taken advantage of the newly identified trading opportunities than the coastal countries of the subregions.

18. The undertaking of supply and demand surveys, and the organization of buyers/sellers meetings with relevant follow-up action at the subregional and the national levels, represent an in-depth approach to the promotion of trade in specific products between selected countries. The second track of the ITC strategy provides for an information exchange system on the whole range of tradeable products in the subregions. For this purpose ITC initiated in the late 1980s the establishment of trade information networks which would:

- "create" information, currently unavailable, specifically related to the subregional marketing environment, in the form of computerized databases;
- provide a mechanism for the exchange of this information.

19. The networks link national trade promotion offices, Chambers of Commerce or similar organizations, and are serviced by a central unit, based at a suitable location, which is responsible for coordinating the regular updating of the databases. A trade information network in the PTA became fully operational in 1992 and is currently being expanded with ITC assistance. It is anticipated that parallel initiatives taken by ITC in the West African and Central African subregions will in the near future reach a similar state of development, with a view to linking the individual subregional networks to a Pan-African Trade Information System (PANAFTIS).

#### IV. CONCLUSIONS

20. The potential for trade expansion at the subregional level in Africa, south of the Sahara, is considerable and exceeds current flows by far. The economic development of African countries could be stimulated by well-defined strategies aimed at exploiting this potential. Existing opportunities can now be identified, in both land-locked and coastal countries. The outcome of ITC's ongoing programme for the promotion of intra-African trade suggests that land-locked African countries would benefit from the existing subregional

market potential by systematically analysing trading complementarities and introducing a series of activities both at the product and enterprise level in order to take advantage of the identified trading opportunities.

21. It is obvious that, in order to sustain the expansion of intra-subregional trade in the long term, the provision of trade information and the undertaking of other trade promotion activities in itself will not be sufficient. Production capacity needs to be enhanced, conditions of comparative advantage will have to be met, and a large degree of factor mobility at the subregional level will have to be introduced. However, the necessary remedial measures for this purpose can only be adequately designed and implemented after the opportunity for trade has first been revealed. It is therefore encouraging to note that the tools for identifying these opportunities are now available and have already demonstrated their effectiveness.

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