Distr.
GENERAL

UNCTAD/ITD/18
15 December 1995

ENGLISH ONLY

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REGIONALISM AND AFRICA's DEVELOPMENT

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This study has been prepared with the financial support of the Government of Japan for the organization of the Seminar on Regional Economic Arrangements and their Relationship with the Multilateral Trading System (Geneva, 15-17 January 1996).

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GE.95-54125

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REGIONALISM AND AFRICA'S DEVELOPMENT

I. INTRODUCTION

1. The trend towards regionalism in world trade has gathered momentum at a time when other profound changes are taking place in the world economy. Rapid changes in technology, the globalization of world production, dynamic growth in other developing regions, the shift in trade patterns in favour of new areas such as services, the upsurge in international private capital flows to developing countries, and the new trading environment ushered in by the Uruguay Round (UR), are creating a radically new world environment. These new conditions demand new policy initiatives by all countries, developed and developing, if they are to ride the wave of growing opportunities, expand their trade in goods and services, and avoid being pushed aside by the raging currents of technological change.

2. Regionalism will obviously have different impacts on different regions. Economic activities as well as world trade are already heavily concentrated in a few regions of the world. Western Europe, North America and Asia-Pacific, together, account for 85% of world production and 87% of world trade, and this concentration is likely to increase in the near future. Borrmann and Koopmann, 1994, have noted that:

> *The concentration on these three large regions has increased continuously since the end of the second world war. The driving forces behind this development were Europe and the dynamic countries of the Asia-Pacific region. The economic growth of the latter will probably continue in the coming years to be considerably higher than that of the established industrial countries of Western Europe and North America, which will lead to a further shift in the regional structure of world trade. It has been forecast that Asia-Pacific's share of world trade in goods will increase to over 25% by the year 2000. North America's position in the world market will probably continue to decline slightly, while Western Europe will retain its present standing. The importance of developing countries in Latin America, Africa and Western and Southern Asia for world trade will probably continue to decline. The trend of recent decades will thus continue, in which these countries' - which include oil-producing countries - share of the world market fell from 24% (1960) to 15% (1990).*[1]

3. It is worth noting that the trend towards regionalism has grown side by side with the globalization of world production, and rapid trade expansion and increasing interlinkages among the world's industrialized and rapidly growing regions. Because of the extensive interlinkages among these dynamic regions, it is unlikely that regionalism will have as much impact on their trade as on that of the latecomers which are now struggling to join the bandwagon of globalization. This is the more so for two reasons: first, except for agriculture and textiles, which have now been addressed by the Uruguay Round, the global liberalization of recent years has reduced the importance of tariffs as an instrument for preferential treatment within regional economic groupings; second, under Article XXIV of the GATT and the Uruguay Round Understanding on Article XXIV, the activities of regional economic groupings will now be more closely monitored by the WTO, than was previously the case. The real anxieties about the impact of regionalism are with respect to those regions - mainly Africa and Latin America - which are growing relatively more slowly, and which have not become major participants in the globalization of world production.

4. Of these two regions, Africa has the greater cause for anxiety. In particular, expanding regionalism may substantially narrow down the chances for late-coming sub-Saharan Africa to diversify its regional patterns of trade and

investment relations in future, if this region finds itself vis-à-vis largely integrated production and investment systems extending to the whole of the American and East Asian/Pacific regions, while it will have to face much tougher internal competition in a European free trade zone stretching from Ireland to Russia and from Sweden to Morocco and Turkey. With this prospect, the continent, already largely marginalized in the world economy, now runs the great risk of being swept completely aside by the fast moving current of world growth and structural transformation.

5. African countries are now compelled to face these realities and develop urgent responses to the great challenges posed by current global developments. It is only thus that they can reverse the present adverse trends and emerge as one of the dynamic development poles in the next century. Unlike Latin America, which is being gradually drawn into the NAFTA orbit, and may become, along with the U.S. and Canada, part of the Free Trade Area of the Americas (FTAA) by the year 2005,[2] Africa has to face the realities of the new regionalism at a time that its links with Europe, which accounts for more than two-thirds of its trade, and a substantial proportion of its inflow of financial resources, are weakening rather than strengthening.

6. For these reasons, Africa's concern about the growing regionalism in the world economy must be seen in the context of developments in the total global environment, and the marginal role that the continent has so far played in these developments. This is evident from the **Cairo Agenda for Action**, recently adopted by the Council of Ministers of the Organization of African Unity (OAU 1995), which notes that:

> *Since the beginning of the 1990s, changes have occurred in the world, particularly in the political, economic and social arena. These include a growing tendency, especially in the developed countries to establish, strengthen and enlarge economic groupings in the form of trading blocs such as the Single European Market; the conclusion of the Uruguay Round Agreements, the establishment of the World Trade Organization and the further advances in information science and production technology. These developments have been buttressed by the dominance of the free market economic system based on competition, efficiency and productivity. These criteria were emphasized in both the bilateral and multilateral conditionalities of the Structural Adjustment programmes. Consequently, Africa must take new steps to ensure that it becomes an active partner in the world economic system. In this regard, Africa must adopt a new vision for its development and translate this vision into appropriate programmes. This approach will place Africa in a position to fully participate, as a credible partner, in the world system.*[3]

7. Recognizing the sheer enormity of the changes now taking place, African countries have thus called for a re-examination of present policies and strategies, and the adoption of new initiatives that will respond effectively to the new challenges. The paper therefore examines the impact of regionalism on the African region in the wider context of other challenges posed for the continent by current developments in the world economy.

8. The rest of the paper is divided into three sections. The next section looks at the present economic scene in Africa, and the future prospects. Section three examines the possible future impact of the European Union (EU), the North American Free Trade Area (NAFTA), and the economic blocs emerging in Asia and the Pacific, on the African region. The final section discusses new policy initiatives by African countries and the role of international assistance.

II. AFRICAN ECONOMIC TRENDS AND PROSPECTS

9. Africa's concern about growing regionalism is particularly grave because of the present economic situation of the continent, and the less than optimistic assessment of future prospects. Needless to say, the impact of regionalism on Africa will be greatly influenced by current economic developments in Africa and future growth perspectives. Indeed, in the long term, the impact of regionalism will depend on four inter-related sets of considerations, namely, how quickly African countries can

- accelerate the pace of growth and structural change;
- raise the general level of productivity;
- minimize the losses from the Uruguay Round and take advantage of the opportunities;
- improve the environment for domestic and foreign investment.

10. Furthermore, in the long term, if Africa is to take advantage of the new open trading system, it would have to undertake reforms to improve its competitive position in many spheres and also accelerate measures to diversify its economies from primary commodities to processed products and manufactured goods. It would have to create dynamic linkages within and among the various sectors of the national economies of the region. It would in particular need to revive and strengthen the manufacturing sector, since the dynamics of an increasing participation in world trade and technological transformation is clearly to be found above all in this sector. Finally, without greater effort to mobilize their collective strength through regional and subregional cooperation, dynamic industrial linkages would be very difficult to achieve under the regime of free trade and unfettered competition which the Uruguay Round Agreement aims to promote.

11. A review of the current trends and future prospects in the African region against this background leads to the following observations:

□ **Slow growth of GDP and uncertainties about the future**

12. Africa's real GDP growth declined from 5.9% per year during the 1960s to 4.1% in the 1970s and to 2% in the 1980s (Global Coalition for Africa, 1995).[4] Comparative figures for all developing countries are even more staggering, with East Asia growing by over 9% in 1992-94, while Sub-Saharan Africa grew by 0.3%, 0.8% and 2.2 per cent, respectively, in the three years. The forecasts for 1995-96 and 1995-2004 show East Asia growing by 8.1% and 7.7% in the two periods, while the corresponding figures for Sub-Saharan Africa are 4.0% and 3.8% (See Table 1). Even these forecasts for Sub-Saharan Africa are based on assumptions that may not necessarily be fulfilled. With population growing at an average rate of 3% per annum, the consequences of these trends for per capita GDP are obvious.

13. A recent report by the ECA (ECA, 1995 (1)) brings out the situation very clearIy. It notes:

> *In 1994, the gross domestic product (GDP) of the Africa region grew by 2.4 per cent, compared to only 0.9 per cent in 1993 and -0.3 per cent in 1992. Despite the modest increase in growth in 1994, which was the fastest annual rate during 1990-1994, the African economy has continued to fall behind those of other developing regions, and GDP growth is yet to keep pace with population growth.*
>
> *Income per head in Africa was on the decline in 1994, falling by 1 per cent, the same rate as in the 1980s. That means that economic performance in the*

region continues to lose ground in the 1990s, in both absolute and relative terms: GDP increased at an average annual rate of nearly 1.4 per cent over the period 1990-1994, and income per head fell at 1.6 per cent. The proportion of the population in Africa living under conditions of poverty has increased at an even faster rate, both in the rural areas, where the economy continued to decline, and in the cities, where there has been a lack of dynamism in fostering growth and job creation in the industrial and service sectors. Africa's share of aggregate world output has continued to shrink while, at the same time, its population growth rate stands at roughly twice that of the world.

The picture painted above is in respect of the whole region, including South Africa. If indeed South Africa is excluded and considered separately in terms of growth performance, as it should in view of the relatively huge size of its economy and its structurally more advanced stage of industrialization and technological development, the resulting picture for the rest of the continent becomes slightly less favourable. For developing Africa (Africa region without South Africa) GDP growth for 1994 was of the order of 2.3 per cent - admittedly, more than double the 1993 rate, but still a lacklustre performance.[5] (See Table 2).

□ **Little progress in manufacturing industry**

14. Progress in the manufacturing sector has fallen far short of the target growth rate of 8 per cent per annum projected in the second Industrial Development Decade for Africa (IDDA II), thanks to the "entrenched structural rigidities, weak inter-industry and inter-sectoral linkages, technological backwardness and poor institutional and physical infrastructure in the region." ECA 1995(1) notes that:

There is little or no indication of the structural transformation of the manufacturing sector in most countries of sub-Saharan Africa. The sector continues to be characterized by structural weaknesses such as low productivity, under-utilization of capacity and inadequate industrial investments; acute dependence on external sources of raw materials, technology and other essential inputs; and obsolete machinery and ill-maintained equipment. With the liberalization of trade, the sector also faces problems of intense competition from cheap imports from relatively technologically better-off developing countries, especially those of South-East Asia, which are making rapid inroads into the African market for basic consumer goods.

15. According to ECA 1995 (2), Africa's industrial performance, which was of little significance in the world context, has deteriorated even further in recent years. The continent's share of world manufacturing value added (MVA) rose from 0.7 per cent in 1970 to 1 per cent in 1982, and fell to 0.8 per cent in 1994.[6]

16. In many African countries, a large number of industrial enterprises are working at a capacity utilization rate of less than 30 per cent. While structural adjustment programs (SAPs) were expected to revive industrial growth, and promote exports, their impact on the industrial sector has been far from positive, prompting serious discussion about the effect of major trade liberalization on Africa's industrial development (See, for example, Lall 1994).[7]

□ **Relatively static trade structure and limited progress with diversification**

17. Except for the growth of exports of crude petroleum, there has been a striking lack of structural transformation in African economies over the past two and a half decades, and this is reflected in the static structure of foreign trade (Table 3). The commodity composition of trade continues to be dominated by exports of primary commodities, including petroleum, and imports of manufactured goods. In 1993, 86 per cent of Africa's foreign exchange earnings was derived from primary commodities, including crude petroleum, while imports of manufactured goods accounted for 73 per cent of the total value of imports,

a proportion that is not very different from those of two decades ago.

18. The relatively static nature of the commodity structure of exports since independence is a consequence of the absence of major structural transformation during the past three decades. According to ECA 1995(1), in 35 of the 53 African countries, non-oil primary commodities account for more than 50 per cent of annual foreign exchange earnings. In 9 countries, non-oil primary commodities account for more than 90 per cent of annual exports while in another 18, the share is no less than 70 per cent. This contrasts sharply with developments in south east Asia where the share of primary commodities fell from 63 per cent to 36 per cent of total exports between 1965 and 1987.[8]

- **Declining shares in world trade**

19. Africa (including South Africa) contributes no more than 3 per cent to globally traded goods, and its share of world trade has declined steadily since 1980. Between 1980 and 1993, when world trade doubled in value, Africa's external trade remained at more or less the same level in absolute terms. Africa is not only failing to partake in increased world trade, it has been steadily losing ground to others. The share of sub-Saharan Africa in world exports declined from 2.5% in 1970 to 1.0% in 1990, while its share in developing country exports declined from 13.2% to 4.9% over the same period.[9] Since then the share of the continent in global trade has fallen to just over 2 per cent.

20. In the early 1970s, Africa supplied 83 per cent of the cocoa, 28 per cent of the coffee, 26 per cent of the copper, 16 per cent of the cotton and 13 per cent of the iron ore in the world market. Two decades later, the shares of these commodities have declined precipitously: to 61 per cent for cocoa, 16 per cent for coffee, 14 per cent for copper, 12 per cent for cotton, and 6 per cent for iron ore (Table 5). The major part of the decline is attributable to new producers in Latin America and South East Asia. It was aggravated by declining demand due to technological evolution and changing consumer tastes.

21. The loss of market shares has important policy implications. First, it points to the need for African countries to devote more effort to improving the production of their main export crops, even as several of them pursue with some success a policy of diversification (Table 8). Second, it shows that they should not limit their efforts to the production level but should aggressively pursue the marketing end of the trade in primary commodities and processed products.

- **Little or no participation in the growing globalization of production**

22. Because of lack of success in manufacturing industry, in the acquisition of technology, in attracting foreign investment, and in developing efficient service industries, African countries have not been able to participate to any significant extent in the globalization of world production and the development of industrial linkages across countries, which has been one of the most remarkable developments of recent years, and a major factor explaining the dynamic growth of the Asian countries.

23. It has been noted in the United Nations World Investment Report 1993 that:

> *Those developments make it more important than ever for developing countries to build up their own human and physical infrastructure. In addition to providing the basis for industrialization and development of the domestic economy, it would allow national enterprises to join up with TNCs on a more equal basis. It would raise the quality and sophistication of the foreign direct investment (FDI) a host country could attract and would strengthen the prospects for technology acquisition. It would also enable host developing countries to build up supplier capabilities which are sometimes a precondition for the location of TNC activities and which, moreover, add to the economic and technological spillovers from affiliates. The building*

> *up of such facilities has been an essential feature in the developing countries, including those in Asia and Latin America, that have succeeded in restructuring both their international and domestic production sectors towards higher-value-added activities.*[10]

24. The report notes further that:

> *Other developing countries that do not offer the locational advantages required by regionally or globally integrated firms, such as a skilled labour force, an open trading and investment environment, a developed communication and transport infrastructure and networks of local suppliers on which TNCs can draw, risked being further marginalized. Those countries need to consider how to formulate and coordinate policies so as to maximize the benefits to them from the emerging integrated international production system as well as from FDI in more traditional organizational forms which they may be in a better position to obtain.*[11]

□ Little share in the massive surge in private capital flows to developing countries

25. In spite of the efforts of many African countries to attract foreign private investment, the recent upsurge of investment flows to developing countries has largely bypassed the continent. According to Global Coalition (1995), *Africa has been largely left outside these fast growing capital markets. Since 1980, foreign direct investment in Africa has remained below US$ 1 billion, in a period in which direct foreign investment in Latin America has ranged between US$ 3.5 billion and 14 billion. US$ 570 million or direct foreign investment flowed into Africa in 1990, compared with US$ 2.7 billion in China and US$ 964 million in Indonesia. During the 1980's,direct foreign investment in Africa was about 1% of the world total, and in 1991 Africa received only 6% of the private investment flows to developing countries.*[12]

26. Africa's relatively small share of foreign investment inflows to the developing regions is also evident in Table 7 which shows a decline from an average of 12.9 percent in 1981-1985, already a strikingly low figure when compared with the 37.6 percent share for South, East and South-East Asia, to 5.9 percent in 1992. On the other hand, the share of South, East and South-East Asia increased from 37.6 percent to 57.1 percent during the same period. A continuation of these disparate trends will be certain to translate into wide disparities in future rates of economic growth, as confirmed by the forecasts in Table 1.

27. The failure of Africa to share significantly in the current boom in private investment flows to developing countries is underlined in a recent UN report (United Nations, 1995), which drew attention to the effort made by African countries to attract foreign investment, the many profitable opportunities waiting to be explored, and the relatively high rates of return on foreign investment in Africa.[13]

28. Because Africa has gained little from increased private investment flows to developing countries, it continues to depend more than other regions on Official Development Assistance (ODA). However, ODA receipts in real terms have more or less stagnated. Table 6 shows that ODA receipts in 1992, at 1991 prices and exchange rates, were less than the US$ 26.1 billion and US$ 24.7 billion received, respectively, in 1990 and 1991. The future outlook is even less certain, given the increased competition for aid funds from Central and Eastern Europe, and the growing concern in donor countries about the productive use of aid funds by African countries.

□ Little progress with promoting economic integration and intra-regional trade

29. Past efforts on regional integration have yielded limited results so far. Although intra-African trade, which was 8.4 per cent of total trade in 1993, was

a significant improvement over previous years, Africa still trails other regions in this important area. African countries accept the need for more rapid progress in this area, and a number of new policy initiatives are currently being planned or implemented.

30. Without doubt, intra-regional trade could be an essential vehicle for the promotion of diversification and the establishment of linkages between production units in different African countries. Not only will this contribute to improved productivity and greater competitiveness for African products, it would also provide a stronger basis for an effective participation of the African region in the evolving global linkages and interdependence of production units. Therefore, the present slow progress of the various integration schemes in Africa has not been helpful to the diversification process.

31. Several factors explain the present slow progress in this important sphere. The most important are the limited market size of many African countries; the persistence of the historical links of many of them with former colonial centres, which has perpetuated the pattern of supplying the centres with raw materials in return for manufactured goods; failure to diversify production in favour of processing and manufacturing; poor intra-regional transport and communication facilities to support expanding intra-regional trade; lack of harmonization of standards, specifications and trade documentation; divergent macro-economic policies; non-availability of trade financing and other facilities ancillary to the growth of exports, and non-convertibility of African currencies.

32. As the examples of other regions have shown, the proportion of intra-regional to total trade of a region tends to grow, while the proportion of extra-regional to total trade tends to decline, with the level of economic growth, and the extent of industrialization, of the region, even where as is the case in South - East Asia, there has been no formal integration grouping. This is revealed very clearly by the figures given in Tables 3 and 4 of WTO, 1995.[14]

□ Substantial implications of the Uruguay Round

33. The implementation of the UR agreement will have a major impact on Africa’s trading position in the world and the continent’s relations with the other trading blocs. There are four main sources of concern about the impact of the agreement on Africa.

34. First, assessments of the impact of the Round on Africa show that the continent may lose up to $3 billion per annum during the initial years of implementation. The losses will result mainly from the erosion of the special preferences at present enjoyed under the Lome Convention, as well as the increase in the food import bills of the net food importing countries. One study notes that *Africa loses consistently, and increasingly, on the agricultural side, both on its imports of temperate products and its exports of tropical, but has partially offsetting gains from the MFA by the end of the period. These are not enjoyed by sub-Saharan Africa or the Caribbean, explaining the steadily deteriorating result for the ACP countries*[15].

35. Second, theoretically, Africa should gain from the expansion of trade that would result from the lowering of tariffs in non-European markets, including the US and Japan, not previously covered by special preferences. However, it is unlikely that Africa’s competitive position will be strong enough to take advantage of this potential, unless special measures are taken at national levels to improve competitiveness and unless African countries can count on international technical and financial support for putting into effect such policy changes.

36. Third, African countries are not well placed to take advantage of the opportunities in the new areas, such as services and intellectual property, while their dealings with foreign investors may be constrained by the provisions on TRIMs.

37. Fourth, the UR Agreement is of such magnitude and complexity that it would require a far more effective mechanism for the management of trade policy than many African countries have at present.

38. Finally, the principles of progressive liberalization and freer markets which the agreement seeks to underline will obviously favour those countries that have been able to achieve a high level of productivity and competitiveness vis-à-vis those that still have a long way to go to achieve that status. Therefore, the period which African countries will have under the agreement to adjust to full implementation of the various measures would have to be used most constructively to prepare the ground for more competitive production structures.

III. IMPLICATIONS OF REGIONAL BLOCS

39. In one sense, the growth of regional blocs merely adds another dimension to the "innumerable challenges, concerns and opportunities" posed by other global developments which African countries have to address effectively if they are to succeed in meeting the challenges of domestic development, including the restructuring and transformation of their economies, in a way that will enable them participate constructively in a growing and rapidly changing world economy.

40. Although the situation with regionalism is still rather fluid, the main trends are already evident. The EU will be further consolidated and expanded to include several countries in Central and Eastern Europe. The NAFTA will be gradually extended to embrace all or several Latin American countries as the implementation of the FTAA gets under way. In the Asia-Pacific region, the 18 members of the Asia-Pacific Economic Cooperation forum (APEC) have committed themselves to creating a free trade area stretching from New York to Bangkok and from Chile to China. How all this will be affected by new plans to breath new life into the European-US relationship, with less stress on security and more on economic cooperation, is at present difficult to comprehend, although the thought of a free-trade area encompassing the whole of North America and Europe, is not being dismissed offhand.

41. Where will Africa stand in this tangle of interlocking free-trade zones? This is the vital question that African countries have to address, even as they ponder the implications of the Uruguay Round for their trade and development.

A. THE EUROPEAN UNION

42. As the European Union (EU) accounts for about two thirds of African trade, Africa’s concern about the growing regionalism has been greatest as regards developments in Europe: the consolidation of the EU, the progressive enlargement of the Union, its likely extension to several countries in Central and Eastern Europe, and EU’s policies towards other developing regions. While, on the face of it, the movement towards regionalism in other world regions should arouse less concern on the basis of the present structure of African trade, they are no less worrying when Africa’s future trade prospects are considered. For example, NAFTA and its possible extension to the rest of Latin America and the Caribbean, and the movement for greater cooperation or integration in East and South Asia and the Pacific rim of countries, have led to speculations about their possible impact on Africa’s future trade with those regions, in particular since they now contain some of the most dynamic economies in the world.

43. The consolidation of the EU is of particular importance to African countries for many reasons. First, close to 60 per cent of Africa’s trade is with Europe (Table 9). Second, Africa has enjoyed a special relationship with Europe under the Lomé Convention which will now be affected, not only by increasing regionalism, but also by the UR Agreement. Third, the extension of EU membership to several countries in Central and Eastern Europe will lead to profound transformation in the structure and priorities of the EU which will have profound effects on African countries.

1) **What remains of ACP preferences**

44. Most of the assessments of the consequences of the UR Agreement have confirmed the losses that Africa will experience from the erosion of the present preferences under the Lomé Convention. Along with other developed countries, the EU will cut MFN duties on imports from all countries, and this will reduce the preferential margins previously enjoyed by the developing countries under the GSP. But it will also remove much of the preferential advantages enjoyed by the ACP over the other developing country suppliers. Hence ACP countries will lose much more because they will also lose the special preferences under the Lomé Convention. The loss of preferential margins by the ACP on EU markets will be

about 30% (50% on tropical products, 16% on natural resource-based products and 47% on other manufactured goods). This will increase the competitiveness of rival suppliers at a time that Africa's major commodity exports were already experiencing declining shares of world trade in those commodities. Estimates made by the OAU (1994) show that the percentage erosion of preferences on all dutiable items range from 29.6 to 59.4 per cent. On the other hand, the post-UR average tariffs on imports of industrial products (excluding petroleum) from African countries in the EU, Japan and US, remain fairly high only in the case of textiles and clothing; fish and fish products; and leather, rubber, footwear and travel goods. Therefore, a number of African countries might still gain on a few products from lower post-UR average tariffs (see Table 11).

45. One of the difficulties of making a precise assessment of the impact of the loss of preferences on African trade is that many African countries did not, in any case, take full advantage of the preferences. For example, only Mauritius benefited significantly from the concessions on textiles and clothing, while hardly any African country took significant advantage of the concessions on other manufactured goods. The problem was partly one of supply, and partly one lack of competitiveness. The major lesson of the Lomé experience for the ACP countries is that preferences are of little value if the countries enjoying the preferences have supply difficulties, and that non-preferred but more competitive suppliers can do better in EU markets than those enjoying the preferences. Therefore, it is important that Africa should count very little in the future on special tariff preferences, and devote more emphasis to economic diversification, the expansion of infrastructure and the improvement of productivity and competitiveness. They should pursue the issue of compensation for the losses sustained on account of the erosion of preferences, but any such compensation should be devoted almost exclusively to economic restructuring. With this approach, the other provisions of the Lomé Convention -- in particular, the agreement on industrial cooperation and the Development Fund -- are likely to count more in future than the tariff preferences. Although ACP countries have continued to enjoy the benefits of the EDF, there is concern that a significant proportion of the fund has not been devoted to structural transformation or the kind of regional projects which could improve the collective capacity of the African countries to increase their productivity and competitiveness. Furthermore, the cumbersome procedures for the disbursement of the funds have seriously reduced the rate of utilization of the aid funds. Finally, although a new EDF fund has been finally approved, a new reluctance by some of the EU members to raise the level of the Fund was very much in evidence during the negotiations in February 1995 .

46. With the EDF facing such an uncertain future, it is doubly important that efforts should be made to impart a new dynamism into the ACP-EU agreement on industrial cooperation. Apart from anything else, this should aim to increase the interest of the TNCs in cross border investments in African countries, and generally revitalize the flow of EU's investment to the ACP countries.

2) Implications of further extensions of the EU

47. The extension of the EU to EFTA countries is not likely to have any major impact on Africa's trade relations with the EU for two reasons: first, Africa's trade with EFTA countries is only a small proportion of Africa's exports; second, the tariffs and other restrictions by those countries on imports from Africa were not much different from those imposed by the EU. On the other hand, EU's trade concessions to Central and Eastern Europe are likely to have a greater impact on Africa's potential, if not present, exports of manufactures to the EU, for two reasons: first, Central and Eastern Europe has a more favourable infrastructure and larger pool of skilled human resources than Africa to take advantage of such concessions; and, second, the recent increase of European investment and involvement of TNCs in that region, will benefit its industrial development and manufactured exports. Because Africa's manufactured exports to Europe are not substantial at present, the impact of increased EU's imports from Central and Eastern Europe will be more on the potential than on present African

exports. The important exception is textiles, where increased EU's concession to Central and Eastern Europe will most likely have some impact on Mauritian exports of textiles to the EU, which may also be adversely affected by the UR agreement on Textiles and Clothing.

48. EU's partnership agreements with other regions -- CIS, Mediterranean, MERCOSUR etc. -- are likely to have similar effects on African countries, for the reason that such agreements tend to encourage more investments in those regions than has been the case with the Lomé Convention. All this goes to confirm the earlier observation that the most useful strategy for Africa in these circumstances is to pursue policies that will improve its productivity and competitiveness by expanding infrastructure, improving human resource development, intensifying integration programmes, in particular by creating an African free trade area as soon as possible, and creating a favourable environment for private investment.

3) Implications of deepened European integration

49. Deepening European integration will undoubtedly accelerate the adverse effects already discussed. However, if the deepening of European integration creates a more buoyant Europe, Africa should benefit provided it is in a position to share significantly in the resulting growth in European imports.

50. The effect of the deepening of European integration following the Maastricht Treaty which introduced a common foreign and security policy for the European Union on Africa's access to labour markets in Europe is fairly easy to predict. Going by current developments, in particular the persistence of serious unemployment problems in many European countries and the growing political pressures for more restrictive immigration policy in some countries, Africa cannot expect to increase the migration of its citizens to an enlarged and deepened European Union. On the contrary, it has to be ready to take back those of its citizens who will be forcibly repatriated from Europe, as has recently been the case. In the further negotiations on services that are to take place under the WTO, Africa's policy should be to press for freer movement for its skilled and professional citizens in the developed countries in order to expand their knowledge and experience. At the same time, it should work out a package of incentives to encourage such citizens to return home ultimately to use their experience to contribute to national development.

4) **The future of the Lomé Convention**

51. With five years more to go before the present Convention is due for renegotiation, there is increasing speculation on what form any new agreement should take, in the light of the major developments that have taken place in the world economy, in Europe, and in the three regions making up the ACP. Such speculation would have to take account of the fact that, by the time the present agreement falls due for renegotiation, several changes would have taken place on the trade scene.

52. First, given the steady liberalization of world trade, there is obviously going to be reduced scope for effective trade preferences in any new agreement. Furthermore, non-reciprocal preferences may become more difficult to justify under the revised Article XXIV of the GATT.

53. Second, the process of economic integration in the three regions forming the ACP would have been further consolidated. In Africa, the AEC is expected to become a reality, and a number of continental protocols on trade, rules of origin, free movement of persons, etc., would have been adopted. By that time, South Africa will be playing a major role in intra-African trade and cross-border investment; and other African countries, in particular, Nigeria, Kenya and Cote d'Ivoire, may also be playing a much bigger role as development poles than they do at the moment. In the Caribbean, the Caribbean Community (Caricom), prodded by the establishment of NAFTA, is moving towards the establishment of a common

market.[16] In the Pacific, the Pacific members of the ACP will undoubtedly be drawn into the APEC orbit. In fact, Papua New Guinea became a member of APEC in 1993.

54. Third, the forecast is that "East Asia's importance as a growth pole in the world economy will continue to rise".[17] Indeed, if present trends continue, it will constitute the most dynamic region in the world economy by the turn of the century. It will certainly be in the interest of African countries to expand their trade and financial relationships with this rapidly growing region.

55. Fourth, the globalization of world production would have gone even further than at present, with interlocking investment patterns and production structures.

56. Fifth, the explosion of telecommunications technology would have brought the world even more closely together, and any country or region that is serious about becoming part of the global economy would have no choice but to get on the information highway. Africa now has a few proposals under consideration to improve telecommunications on a continental scale. For example, a major proposal by one of the large telecommunications TNCs, called "Africa One", aims to build a regional telecommunications network encompassing the whole of the African continent, that can be readily accessed by individual countries. According to that proposal, the network would enable telecommunications authorities to supply to their customers the ability to internationally network business functions such as electronic mail, electronic document interchange, telemarketing, computer-aided design, and video teleconferencing, as well as standard voice and facsimile. The availability of these services, would further facilitate the spread of existing businesses, and promote development of new knowledge-based businesses, thereby stimulating existing markets and creating new markets. In turn, these create demand for more new services."[18] It is worth noting in this connection that a recent survey of the **Internet**, the global communications web, reveals that in the whole of the African continent, only South Africa is connected to this network.[19]

57. The importance of communication for trade development is emphasized in a recent U.N. paper on South-South Cooperation (United Nations, 1995)[20]. The paper notes that:

> *Information and communication have emerged as essential conditions for participation in the world economy. Yet few developing countries have access to the enormous store of information that the new telecommunications technology makes available for the conduct of economic and trade policies. A project to create a system that would provide vital economic information to developing countries promptly would be extremely complex and costly. However, the benefits of such a system would be so important that they would justify the effort needed to translate the idea into a reality.*

58. Against the background of these developments, to negotiate the old type of Lomé Convention would be like putting old wine in a new bottle. It certainly will not answer the requirement of helping Africa to achieve the structural transformation that will help Africa to participate more effectively in the global economy. What will be more in tune with Africa's future needs would be an agreement which exhibits, amongst others, the following features:

i) contribute substantially to Africa's effort to create a single continental market for goods, services, capital and labour;

ii) provide incentives for small African countries, most of them least-developed, to participate in, and benefit from such continental market;

iii) support Africa's efforts to create a favourable environment for private foreign investment by expanding infrastructure, particularly transport and communications, promoting cooperation in energy development and utilization and improving the facilities for human resource development;

iv) contribute to on-going efforts to promote cross-border investment by African and foreign investors;

v) restructure the provisions on industrial cooperation to encourage cross-border agreements between African countries and TNCs to exploit Africa’s natural resources for local processing, cross border trade and exports;

vi) provide incentives to encourage the growing rank of Africa’s private sector to improve and extend their operations, particularly in cross-border activities.

59. An agreement with such features will be more likely to contribute to improved productivity and increased competitiveness in African countries, promote the inflow of foreign investment, and enable African countries to better face the longer-term challenges of diversification and increased participation in the world market.

5) Possible impact of monetary union on the franc zone

60. The movement towards a single European monetary zone, and a common European currency, has raised questions about the implications of this development for the operation of the two African currency zones - the CFA Franc zone in West Africa and the BEAC Franc zone in Central Africa, which are linked with the French Franc. The linkage implies fixed parity with the French Franc, changed only once since 1948, free transferability of currencies among the member countries of the currency zones, pooled reserves, and full convertibility of the CFA Franc to the French Franc. Because full convertibility of the CFA Franc with the French Franc was achieved through a special operations account maintained in the French Treasury, the question naturally arises as to whether this arrangement can be continued when a full monetary zone and a single monetary authority is established in the EU. Although this arrangement has been the subject of some critical comments even in the CFA zone countries, the more prevalent view has been positive, particularly when the marked currency stability in the monetary zones is compared with the currency fluctuations and financial instability of the non-CFA zone African countries. The introduction of greater flexibility into the CFA zone arrangement, with the devaluation of the CFA in January 1994, has muted one of the major criticisms of the arrangement and increased its attractiveness as an instrument for monetary stability. According to certain views this system - and by implication the ’operations account’ arrangement -could continue after European monetary unification with the support of the French Government.[21] On the other hand, this would imply a high level of macro- economic stability and budgetary discipline on the part of the African partners. Be that as it may, one major question merits discussion. Given the experience of the CFA currency zones with the French Franc, is it possible that European monetary union could make a positive contribution to the programmes for monetary unification within Africa, through a special relationship between African unified currency (or currencies) and the ECU? This may seem a far fetched question, but it is still worth considering at two levels: first, within the framework of the regional economic communities, in particular ECOWAS and ECCAS, and second, at the continental level, in connection with the implementation of the AEC Treaty.

61. Within ECOWAS, the CFA currency arrangement, though not without some drawbacks, has demonstrated the virtue of monetary stability, particularly when compared with the recent turbulent financial history of the non-CFA members of the organization. Therefore, it has been suggested that, in the effort to move towards a single monetary zone for all ECOWAS countries, the experience of the CFA countries should be fully utilized. The crucial issue is of course one of monetary discipline. The link of the CFA Franc with the French Franc, and the

maintenance of the ‘operations account’, provide a frame of monetary discipline which has been responsible for the relative stability of the CFA Franc and the relatively low level of inflation in the countries of the CFA Franc zone.

62. With the deepening of European integration and the movement towards monetary union and a common European currency, and the importance of the European market in Africa’s foreign trade, the question that needs to be pondered is whether modalities could be established which would enable a single European currency to provide an anchor for the consolidation and extension of existing monetary zones in Africa, and the gradual movement towards the creation of a single monetary unit in the continent. In this connection, it will be recalled that the Treaty establishing the AEC stipulates under Article 44 that member states shall: *within a timetable to be determined by the Assembly, harmonize their monetary, financial and payments policies, in order to boost intra-community objectives and to improve monetary and financial cooperation among them.* The Treaty also states that in implementing this provision, member states shall: *establish an African Monetary Union through the harmonization of regional monetary zones.*

63. The objective of monetary and financial integration at the sub-regional level is in varying stages of implementation. For example, in ECOWAS, a study group has already proposed the gradual implementation of a monetary and financial integration process leading to a Monetary Union in the sub-region. The features of such a monetary union would include: a common central bank; a common convertible currency to replace existing national currencies; pooled external reserves; the centralization of short-term domestic and external liabilities of national central banks in the common central bank; a convertibility guarantee agreement with the issuers of a major international currency in order to ensure stability and international confidence in the new common currency.

64. While the extension of the CFA - French Franc model to other African countries and regions, within the framework of the European Monetary Union, would present innumerable difficulties, it is a subject worthy of further discussion. In West Africa, it will no doubt be raised in the process of harmonizing the activities of ECOWAS with those of UEMOA, the new Francophone economic community. Reviewing the experience of the CFA Franc countries, James M. Boughton (Boughton, 1992) argues that **they have gained a measure of financial stability that has proved elusive elsewhere in the region. In addition, they have maintained and even strengthened their trade and financial linkages with Europe. Whether this trade-off will reap dividends in the long run is one of the key questions facing Africa in the 1990s.**[22]

B. POSSIBLE IMPACT OF NAFTA

Short-term and longer-term effects of NAFTA

65. The short term effects are not likely to be substantial because of the present low level of trade between Africa and NAFTA countries (see Table 4). However, the longer-term effects may be quite significant as TNCs take advantage of NAFTA to increase their investment in Latin America, and establish close links between enterprises in North and South America. For this reason, Africa should seek to strengthen its economic relationships with that region.

Africa and the Latin American market

66. Latin America has made far more progress than Africa with regional cooperation and integration, and has made more strides in integrating the region into the world economy. Africa could therefore learn a great deal from the Latin American experience, particularly as regards the promotion of industrial complementarity, and the creation of a favourable environment for foreign investment, in spite of some degree of political instability. The progressive extension of NAFTA to other Latin American countries, apart from Mexico is likely to increase the gains already made in regional integration, while the vision of

a free trade area covering the whole of North and South America constitutes a major challenge to Africa that can be met only by a steady and consistent implementation of the Treaty establishing the African Economic Community.

67. In spite of geographical proximity, and past efforts, notably by ECA and ECLAC, to promote economic relations between Africa and Latin America, the two regions have not become great trading partners. In 1993, Latin America accounted for only l,7 per cent of African exports. However, the new global developments are prompting new initiatives to explore the potential of closer economic relations between the two regions. In a recent proposal on the subject, the ECA notes that:

> *With the internationalization of production and financial markets, the rapid evolution of technology and the increasing importance of Transnational Corporations (TNCs) in global production and trade, the emerging economic blocs, such as the European Union (EU). The North American Free Trade Area (NAFTA), etc..., the developing world has no alternative to ECDC/TCDC to develop and participate in the new world trading system from and through the building of relative regional competitiveness.*

68. Among ECDC/TCDC programmes under consideration in this connection are the following:

- The building and/or interconnection of transport and communications infrastructure;

- Opening of transport routes including new shipping routes;

- Diversification in the agricultural sector up and downstream including agricultural and food technology research as well as agro-industries;

- Promotion of multinational production and services enterprises;

- Strengthening of mechanisms to promote trade and financial relations; and

- Establishment of a network of technical support centres for research, consultancy and training.

69. In the implementation of this initiative, the first step proposed is the organization of a meeting that will bring together the UN Regional Commissions and relevant specialized agencies; development banks of developing countries; subregional economic communities; river basin development organizations; African regional and sub-regional specialized institutions; research and scientific centres in developing countries; and other organizations and personalities concerned with ECDC/TCDC to enable them to join hands in the promotion and strengthening of South/South cooperation. The meeting is expected to create a forum for the deployment of collaborative effort to:

- Ensure effective coordination between UN regional commissions; development banks and regional development agencies as well as UNDP;

- Identify and formulate specific ECDC/TCDC projects in connection with African integration programmes; and

- Organize further meetings, workshops, seminars, investment fora and fairs, etc to bring together partners from African countries and other developing countries and enable the partners adopt plans for concrete multinational ECDC/TCDC ventures and enhanced trade and financial relations.

C. POSSIBLE IMPACT OF APEC

70. Africa’s economic relations with Asian countries will now be greatly influenced by the formation of the Asia-Pacific Economic Cooperation (APEC) in November 1994, an organization which has set itself the objective of achieving free and open trade and investment in the region by 2020.

Africa and the Asian and Pacific markets

71. The experience of rapid economic growth in Asian countries has created a new situation in Asia-Africa relations which, if properly explored, could have a major impact on economic relations between the two regions, with particularly fruitful results for African countries. There are many reasons for this expectation. First, there are many features of the recent economic development in the Asian region which could provide important lessons for Africa’s future development strategy, such as the rapid technological development, the growth of intra-Asian trade (around 43% of total exports in 1993) without a formal institutional framework for economic integration, the substantial increase in cross-border investments, the phenomenal growth of the service industries, which have made a major contribution both to increasing domestic productivity and to the growth of exports, the speed with which human resource development has been accomplished to serve the needs of technological advancement and the substantial increase in competitiveness in the production of both goods and services. In this connection, the ECA report (ECA, 1994) notes that: *The successful experience of diversification in Asia and the Far East illustrates, in particular, the important role played by education, foreign investment, small-scale enterprises, domestic resource mobilization, linkages with established transnational corporations (TNC), sound infrastructure and a generally supportive macroeconomic environment, in a successful diversification Programme.*[23]

72. Although the present level of Africa’s trade with Asia is relatively small, it is likely to grow at an increasing rate. The reason is that South-East Asia, in particular, has become an increasing source of imports for a wide range of manufactured goods and transport equipment that were previously imported from the EU and the US. China, Taiwan Province of China, Hong Kong, Singapore and the Republic of Korea have become major destinations for Africa’s economic operators.

73. The importance of APEC for Africa is likely to grow further as APEC countries accounted for 46% of world exports in 1993, and the share is expected to have risen substantially by the turn of the century. In 1992, three APEC members (the U.S., Japan and China) were the three largest economies in terms of GDP; in the year 2020, five APEC members (China, the U.S., Japan, India and Indonesia) will be the world’s five largest economies.[24] Several Asian developing countries have substantially opened their markets in recent years and provide now interesting new trading opportunities. They have also become important foreign investors in other developing countries, as they progressively relocate labour- intensive production for exports to other low- cost countries with favourable access to major world markets. An APEC Free Trade Area still lies in the future. For the development of African exports to that dynamic region it will, however be important, whether APEC liberalization will be fully preferential or may be extended to developing African countries without full reciprocity.

74. For these reasons, Africa has been involved in a number of initiatives to strengthen relationships with the Asian countries, and to draw as much as possible on the wealth of experience that they have acquired in rapid economic transformation, the growth of manufactured exports, the development of service industries, and the expansion of intra-regional economic relations. The most important of these initiatives was the Asia-Africa Forum, held in Bandung, Indonesia, from 12-16 December, 1994, which resulted in the establishment of **The Bandung Framework For Asia-Africa Cooperation: Working Together Towards The 21st Century**, which was designed to promote sustainable development in Africa through

the sharing of experiences. The special areas of focus of the framework include: Human resources and institutional development, productivity in the agricultural sector, mobilizing domestic and external resources, private sector development, the promotion of Asian investment in Africa, trade development, managing the African debt crisis, and modalities of cooperation between Asia and Africa.[25]

75. It is also to be mentioned in this connection that the TCDC mechanisms of the United Nations have recognized the implications for South-South cooperation of the new global developments, including the trend towards global liberalization, increasing regionalism, the revolution in information and communications technology, and the increased importance of the Asian countries in world trade and development. Accordingly, it is emphasizing the need for new directions and proposing new initiatives for the reorientation of existing practices.[26]

76. These initiatives provide a useful framework for follow-up activities by African countries both nationally and within their regional and subregional economic groupings. In particular, they should be the subject of further initiatives by the OAU/AEC Secretariat, in collaboration with Africa’s subregional economic communities, the TCDC division of the UNDP, and other relevant agencies. Africa’s major private sector organizations, such as the Federation of African Chambers of Commerce, should be given an important role in such further initiatives. The aim should be to work out a sustainable programme for technical cooperation between the two regions, emphasizing, in particular, cooperation in technology, human resource development and the development of joint ventures.

IV. POLICY RESPONSES

77. The new challenges posed by regionalism for African countries are similar to those posed by the progressive opening of markets at multilateral levels. The substantial tightening of competition on their main markets requires, that African countries strengthen their policies to improve their international competitiveness and increase their level of productivity. Africa now faces the critical problem that it has to achieve these objectives under less favourable circumstances than those which prevailed earlier for developing countries in other regions, as regional and multilateral liberalization, globalization and technological changes have accelerated significantly. Nevertheless Africa must develop an effective response to these changes: in these efforts it could draw on experiences of developing countries which have been successful in integrating themselves into highly competitive world markets and the value added chains of international production networks.

78. On the face of it, playing the game by the new rules would mean preparing for life in a world of free markets, with fewer options for intervention by governments. However, ironically, the situation that African countries are going to face with this cluster of challenges in the global economy will require more rather than less government intervention in economic management. What will change will be the nature of the intervention and not its scale.

79. With the falling level of tariffs, and the consequent reduced scope for using preferential tariffs and non-tariff barriers within regional economic blocs, the strengthening of such blocs will now depend on the extent that member states can develop inter-linkages among their production sectors and expand trade among themselves in raw materials, intermediate goods, finished products and a wide range of services. What makes the Asian experience so remarkable, and an object lesson for the African region, is that such inter-linkages, and intra-trade expansion, have evolved without a formal institutional mechanism for cooperation and integration, whereas they have been slow to develop in Africa where institutional arrangements proliferate. For these reasons policy responses in Africa must be concerned less with building still more institutions and focus rather on improving the physical, human and environmental conditions such as will increase productivity and improve the competitiveness of local industries. To this end, a number of measures will be required at regional, subregional and national levels, among which are the following:

A) At regional and sub-regional levels

i) Develop a collective response to the Uruguay Round Agreements focusing on measures to minimize the disadvantages and to take advantage of the opportunities provided by the Agreements.

80. Many approaches to the new challenges of the world economy will be of a similar nature, whether they respond to the multilateral challenges of the implications of the Uruguay Round agreements or the regional challenges of large-scale integration systems.

81. At an international conference on the implications of the Uruguay Round Agreements for Africa, held in Tunis, Tunisia on 27 October 1994, African governments arrived at conclusions which could serve as a framework for action on that issue, which are also of more general validity.

82. As regards the erosion of preferences, Africa should explore to make use of all the provisions for exemption from full compliance and delayed implementation made in favour of developing and least developed countries already, until it has been able to rehabilitate its economies and improve its competitive position. It should seek increased aid from Europe to be devoted exclusively to economic restructuring, improvement of infrastructure and other measures to improve productivity and its competitive position.

83. Second, the Cairo Agenda has urged African governments to launch a programme to restructure Africa's exports and expand intra-African trade in particular through trade liberalization programmes.

84. In view of the expected rise in world market prices for food, African countries need to give urgent attention to the reduction of net food imports and the promotion of domestic production. The Cairo Agenda notes that:

> *Africa is essentially an agricultural and pastoral continent. Yet, food and agricultural output has declined substantially since the 1960s. Consequently, most of our countries are net food importers. While civil strife, drought, desertification and other environmental factors have contributed to the decline in food production, policies which did not give enough attention to food crops are an important part of the explanation*.

85. The Agenda has proposed a number of measures, which include giving special attention to food crops, "extending livestock and fishery, as part of the overall food security strategy and the African Regional Nutrition Strategy (1993-2003)", improved arrangements for stockpiling surplus food for use in times of famine, drought and other hardships, and better management of water resources.

86. Against this background, the collective response of African countries to the Agreements could therefore involve:

- accepting the principles of the agreement, but exploiting skilfully its special provisions for developing countries and, in particular, least-developed countries, which provide for (i) longer transition periods for the full implementation of most obligations and various exemptions from obligations for least-developed countries; (ii) technical assistance to developing countries to help them assume their obligations and effectively realize the benefits of the multilateral trading system; and (iii) provisions to ensure more favourable treatment to developing country exporters in the application of non-tariff measures.

- stepping up the programmes to expand food supplies and reduce dependence on food imports.

- ensuring that economic operators have a good understanding of the substance of the Agreements and assisting them to take full advantage of the opportunities which they provide and minimizing any negative effects.

- providing a framework for strengthening national capacities for the implementation of the Agreements.

- developing an effective mechanism for consultation between the OAU/ACE Secretariat and the sub-regional economic communities.

- advising Member States on the adaptation of their national legislations to make them conform with the requirements of the AEC Treaty and the UR Agreements.

- organizing advisory missions and training programmes on the procedures for accession to the GATT/WTO and the use of the dispute settlement mechanism.

African countries should also follow-up and endeavour to obtain that concrete action will be taken to fully and expeditiously implement the Marrakesh Ministerial Decisions on Measures in favour of LDCs and that effect is given to the Ministerial Decision on Measures concerning the possible negative effects of the reform programme on least developed and net food-importing countries.

87. Inversely, the Uruguay Round agreements may also impact on the process of regional integration in Africa and the establishment of the African Economic Community. A recent study by the OAU (1994) analyzed this impact and put forward

a number of recommendations, including a technical assistance programme on the Uruguay Round and its implications, to be organized by OAU/ECA in collaboration with UNCTAD, WTO and ITC for member States of AEC, through workshops and seminars targeted mainly at the African business communities, economic operators and civil servants.[27]

ii) Explore new opportunities in the world market

88. African countries should also strive collectively to obtain further improvements in the GSP schemes in favour of products of particular export interest to them. This would involve in the first place the extension of product coverage to agricultural products, following the tariffication of previous non-tariff barriers; as well as the extension of product coverage to textiles, clothing, shoes and leather products in those schemes which do not yet cover them. Extension and improvement of GSP advantages for critical export products of Africa could at least attenuate the implications of new regional groupings, in particular in North America and Asia, on export prospects and possibilities of export expansion for African countries. Such action would facilitate the required regional diversification of African exports.

89. African countries should actively explore areas where there may be growing opportunities for expanding their exports of goods and services, and take advantage of the opportunities provided by tariff reductions and better market access under the Uruguay Round on the one hand, and of growing import demand in large scale integration systems derived from their better growth prospects on the other.

90. In this connection, export promotion efforts should target the following objectives, among others:

- **Geographical diversification of their trade towards rapidly growing markets including developing countries in South East Asia and Latin America.**

- **Exploiting new market opportunities in traditional agricultural sectors as well as processing industries:**

91. With respect to products of current export interest to many African countries, developed countries will reduce their tariffs on average by 35 per cent on coffee, tea, cocoa, mate etc., by 40 per cent on "oil seeds, fats and oils", by 36 per cent on tobacco, and by 48 per cent on "other agricultural products". For refined products, tariff reductions are above the average cut of 37 per cent for tariffs of developed countries; 52 per cent on spices, flowers and plants, 46 per cent on tropical beverages, 40 per cent on oilseeds, oils and roots, rice and tobacco, and 37 per cent on tropical nuts and fruits. In spite of the loss of preferences, African countries could, at least, endeavour to maintain export shares in traditional exports of agricultural products, including tropical beverages and sugar, most especially by ensuring that the heavy devaluations of recent years have a favourable effect on the supply situation of these products. They should also endeavour to increase the level of exports of processed agricultural goods and raw materials, by easing the bottlenecks to domestic processing, such as poor infrastructure, unsatisfactory marketing arrangements and unattractive foreign exchange regulations.

- **Diversification of industrial exports**

92. Since oil exports account for close to 60 per cent of total export earnings, and much higher proportions of the export earnings of the main oil producers (Angola 82%, Congo 81%, Gabon 74%, and Nigeria 93%), it is a major policy objective of the oil producers to get involved in down stream activities in the oil industry (in particular, LNG exports and petro-chemical industries). This objective deserves to be strongly supported by the TNCs already involved in the African oil industry, as well as other investors. Success in these areas could

also have a favourable effect on other domestic industries in the oil producing countries and encourage exports of a wide range of intermediate products to other African countries.

93. In the case of other industrial products, exports of most African countries to developed countries are concentrated in metals, minerals, precious stones, wood products, and textiles, leather goods and fish products. A GATT study (GATT 1994),[28] argues that *more secure markets will also be more open for industrial products imported from African countries, on which the average tariff will be reduced from 3.9 to 2.7 per cent,* and that *greater security and openness will be extended from traditional (developed country)markets for African exports to non-traditional markets (transition and developing countries).* Exceptions include primary product categories such as fish and fish products, which do not figure in preference programs, and textiles and clothing, where the effective restraint is generally the MFA quotas. Examining the prospects for utilizing some of these market opportunities, the GATT study argues that *the scope for preference erosion in this trade flow is at least partly offset by the new export opportunities provided for in the significant tariff reductions of Japan and the United States, as well as by other countries, on products of current and potential export interest, and which do not figure in GSP schemes.*

94. While some of the export interests identified in the GATT study (Table 9) may seem somewhat optimistic, there are several areas where strong possibilities exist for expanding exports. Although manufactured textiles and clothing are at present not very important in African exports, apart from Mauritius, there is a strong possibility that they could become major exports of several African countries, in particular Botswana, Cóte d'Ivoire, Egypt, Kenya, Lesotho, Morocco and Nigeria, as MFA restrictions are phased out. One strategy for successful export development in this area is the popularization of special designs based on African art and patterns, which are already becoming popular in the United States and the Caribbean countries. The export of specialized furniture, also based on African designs, is also a strong possibility. In these areas, however, careful market research and development is essential for export expansion.

- Exploit new opportunities in services.

95. African countries should take all necessary steps to improve the efficiency of service industries, to cope with increased foreign competition in the provision of services for the domestic market, and to increase participation in the export of such services such as tourism and computer services. Of particular interest to African countries are the commitments by developed countries to import computer services on a cross-border basis without limitations. This group of services includes essential functions of enterprises that are increasingly being sourced outside the firm (compiling records of transactions, airline reservations systems, etc.). The supply of computer services by telecommunications transmission has the potential to generate domestic employment, and foreign exchange revenues. An export capability in this sector, however, depends on excellent and reliable communication links.

iii) Implement new initiatives to speed up the process of economic integration at regional and subregional levels

96. Recent discussions in Africa confirm the general belief that one of the best responses to the growing regionalism in the world is a consolidation and strengthening of Africa's programmes for regional and subregional cooperation and integration. With a large number of mini-states which collectively account for only a very tiny proportion of world trade, a proportion which has declined even further in the past two decades, there is little doubt that Africa needs regionalism more than other regions. This explains why the strengthening of the integration mechanisms occupies a central position in the Cairo Agenda for Action. The Agenda calls on African countries *to pool their resources and enhance cooperation, in order to achieve regional economic cooperation and integration in order to be competitive in world trade.*[29] It also called for greater

commitment, including more moral, material and financial support, to the various obligations on continental and regional cooperation, in particular on the implementation of the programmes collectively adopted by the member states of the economic groupings.

97. The growth of regionalism has therefore made it more important for African countries to speed up their integration programmes and, in particular, to ensure a steady and consistent implementation of the Treaty establishing the African Economic Community.

98. To facilitate the process of continental integration, the initiatives at the subregional level needs to be consolidated and strengthened. This explains current initiatives to rationalize the integration organs at the subregional level. In West Africa, apart from rationalizing the subregion’s numerous inter-governmental organizations (IGOs), numbering about 40 in all, the major task is to harmonize the activities of ECOWAS and the West African Economic and Monetary Union (UEMOA) which was established in January, 1994. In North Africa, there are ongoing political efforts to integrate more countries into the Arab Maghreb Union. This is encouraged by the presence of large markets in neighbouring countries, such as Egypt with a population of over 55 million and the Sudan with an abundance of agricultural raw materials. In Central Africa, the Heads of State of the "Union Douanière et Economique de l’Afrique Centrale" (UDEAC) has formulated a new treaty for the creation of the "Communauté Economique et Monétaire de l’Afrique Centrale" (CEMAC), with the aim of attaining a transition from a Customs Union under the UDEAC to an Economic and Monetary Union. Finally, in eastern and southern Africa, 1994 ushered in fundamental changes in the subregions’ two main economic groupings: the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). The COMESA took over from the Preferential Trading Area (PTA), which had been in existence since 1978. The parallel existence of SADC and COMESA call for continuing efforts at harmonizing the activities of the two organizations.

99. In spite of these various initiatives, regional economic cooperation and integration in Africa continue to be beset by numerous problems. Tariff and non-tariff obstacles persist; transport and communication infrastructure is inadequate; production structures are weak, with virtually no inter-sectoral and inter-country linkages, currency instability obstruct intra-regional payments while the lack of convergence of national economic policies has further aggravated these problems.

100. There are concerted efforts in all the subregions to tackle these problems, but progress has been much slower than is demanded by the speed of global changes. Needless to say, substantial improvements in the transport and communication network, in particular, will greatly facilitate intra-regional trade.It is necessary to improve the facilities for trade information, and the development of a wide range of commercial and financial services ancillary to trade promotion.

101. Against this background, the crucial question that African countries must address is whether they still need to maintain any tariff barriers on their intra-regional trade. Indeed, it may be said that, now that barriers on extra-regional trade have been substantially reduced in the implementation of SAPs, African countries should aim to remove all tariff barriers on goods of regional origin entering intra-regional trade in the shortest time possible. That will still leave a number of non-tariff barriers to tackle but it will give a major boost to intra-regional trade. This is a measure that African countries should consider most seriously in view of the fact that internal free trade is now a common feature of all major trade blocs in all the continents. It has been achieved in the EU, it will be fully achieved in FTAA by 2005. It will be achieved in ASEAN by 2003, and in APEC by 2010 for developed country members and by 2020 for developing country members. Because of the present low level of intra-regional trade among African countries, Africa needs to achieve regional free trade much sooner than the other developing regions.

102. The current emphasis within African integration organs on the need to harmonize macroeconomic policies and the implementation of SAPs is an acknowledgement of the fact that trade is only one aspect of regional integration, albeit a very important and crucial one and that other areas of cooperation are also important for the overall success of the integration process. As noted in ECA 1995, *even if all the major barriers to intra-regional trade were swept away in one fell swoop, it should not be expected that it would be followed in the short and medium terms by a major surge in intra-regional trade. Such a measure will, without doubt, give a major boost to such trade, but its impact will still be very limited without major progress in subregional and regional cooperation in major sectors of economic activity - in particular, agriculture, industry and energy - such as would lead to growing linkages and interdependence among African economies*.

103. This awareness also explains why many integration organs have been making serious efforts to expand cooperation in major sectors of economic activity, though with only limited results so far. In West Africa, the transmission of electric power from Ghana to some neighbouring countries and current moves to pipe Nigeria’s natural gas to Benin, Togo and Ghana are examples that could be replicated in other areas, with much benefit to intra-regional trade in goods and services. Such efforts certainly deserve to be encouraged and supported.

104. In the light of this experience, new initiatives should therefore involve

- speeding up the liberalization provisions of the subregional economic communities as well as those of the AEC, so that the objectives of complete liberalization of intra-African trade can be achieved much sooner than the year 2000 targeted in the AEC Treaty.

- encouraging current efforts to rationalize the integration organs at the subregional level.

- promoting new efforts to achieve the harmonization of macroeconomic policies at the subregional level

iv) Promote new measures to increase Africa’s participation in the globalization of world production

105. Participation in global production systems, direct investment inflows and growing involvement of TNCs in African economies, are inextricably mixed. The present strategy in many African countries of striving to make the local environment attractive, and providing a wide range of incentives, to foreign investors, is only part of the question. Experience suggests that it will not go very far without substantial improvement in infrastructure, in particular transport and communications, and reliable power supplies. While the enlargement of local markets through economic integration can also be a positive influence in attracting foreign investment, the influence will not be substantial unless it is accompanied by the coordination of economic policies over the larger integrated market. In Mauritius, rapid industrialization has been spurred by the exploitation of the country’s skilled manpower and the system of industrial free zones, and many African countries have tried to replicate the Mauritius example.

v) Mobilize better focused international assistance to support Africa’s efforts

106. At a time that Africa needs substantial net inflows of resources to improve its infrastructure and diversify its production structures, the total net inflows of resources have actually stagnated, as revealed in Table 5. This has given rise to increasing concern in African countries, particularly coming at a time of growing criticism about the productivity of aid in the African context.

Therefore, it is important to be quite explicit about the type of aid that Africa requires in order to cope effectively with the consequences of current global changes, and how such aid should be used to achieve its objectives. The overriding objectives should be to improve the overall level of African productivity in order to improve the competitiveness of African products in world markets, to diversify production structures and improve the range of African exports, and to remove the obstacles to free movement of goods, persons, and capital throughout the continent. These objectives will be difficult to achieve without extensive support for Africa's diversification effort, an easing of the debt burden, substantial investments in infrastructure and human resource development, and support for Africa's efforts on economic integration.

107. It is in this overall context that any special international assistance to Africa to cushion adverse impacts of changes in the international trading framework should be considered. In this connection, African countries should:

Press for special assistance to cushion the effects of the erosion of preferences

108. There is in particular a case for special assistance from Europe to be devoted exclusively to economic restructuring and infrastructure improvements, particularly in the context of regional and subregional economic integration. Furthermore, it is necessary to give rapidly effect to the various provisions contained in the Ministerial Decisions adopted at Marrakesh on Measures in favour of Least Developed Countries and on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries, as well as to the Ministerial Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policy-making.

109. It is further proposed in ECA 1995 that Africa should *join other developing countries in preparing the ground for future negotiations within WTO on issues of importance to them which were not completely settled during the Uruguay Round negotiations.*[30]

Implement a special programme of technical cooperation for African least-developed countries

110. This is particularly necessary in the area of services, as proposed in UNDP/UNCTAD 1994, including measures to cope with the impact of progressive liberalization in the services sector, and the possibilities for cooperation at regional, subregional and interregional levels.[31] But such assistance is also required with respect to more traditional goals, such as the development of new trading links with new dynamic trading partners in other regions or the rationalization of their food imports.

Mobilize support for Africa's diversification efforts

111. Diversification schemes have been an essential element of the development strategies of African countries for several decades. This has involved the domestic processing of exportable commodities as well as the production of manufactured goods for exports. But, on the whole, for reasons of inadequate finance, technical know-how and managerial skills, the strategy did not succeed in many countries even though the new industries enjoyed a good measure of tariff protection.

112. In spite of the major obstacles, African countries have been making some attempts at diversifying their economies and decreasing their reliance on a limited number of primary commodities. Several of them have made a good start in expanding non-traditional exports, such as horticultural products, but they still need a good deal of financial, technical and managerial assistance for the further expansion of such products. In practically all countries, the number of commodities exported has increased substantially over the last two decades (Table

7), although the new commodities still constitute a very small proportion of total exports.

B) At the national level

113. To be fully effective, the measures undertaken at regional and subregional levels would have to be complemented by major initiatives at the national level, most especially by measures that will:

i) accelerate the pace of economic growth and structural change and create an improved and stable macro-economic framework

114. This should involve greater effort to improve the implementation of SAPs, most especially, by

- increasing the pace of diversification;
- improving the environment for domestic and foreign investment;
- improving on measures for the mobilization of domestic resources;
- promoting the development of ancillary services that are necessary for rapid industrial growth and productivity.
- providing effective mechanisms for cooperation between governments and the private sector on all aspects of industrial development, including the implementation of measures to enhance productivity.

ii) improve the general level of productivity

115. Here, the critical needs are infrastructure improvement, in particular transport and communications, and substantial improvements in present capacities for human resources development.

116. The Cairo Agenda recognizes that "Africa’s low science and technology base is highly inadequate for the requirements of modern development processes such as agriculture, health, etc. There is therefore an urgent need to build up and strengthen Africa’s capacity in the field of science and technology, if Africa is to be efficient and competitive in its production and thus participate in the increased flows of advanced technologies and globalization of production processes". It therefore urged African governments to "give high priority to building national and regional capacities in the areas of science and technology as the basis and means of all development activities", and to "formulate effective national policies for education and training in science and technology for development".

117. New initiatives in this regard should therefore aim at

- promoting a massive improvement in basic infrastructure, especially transport and communications, energy supplies and water development, to raise the general level of productivity, and removing some of the most serious hindrances to enhanced industrial productivity;
- revamping and expanding facilities for human resource development with particular attention to the needs of industry.

iii) Improve the environment for foreign investment

118. In view of increasing international competition for FDI, and the added attractiveness conveyed by membership in large economic integration systems to certain countries, African Governments have taken several measures to improve their own attractiveness to foreign investors in recent years. But in spite of their new openness towards FDI the results have so far not been impressive. It

has been particularly disappointing that the implementation of SAPs has not stimulated the inflow of private investment to the extent expected. While the political upheavals in Africa in recent years might have been a restraining factor on the inflow of resources, the economic factors are probably more important.

119. Recent UNCTAD[32] and ECA reports have explored avenues to strengthen FDI in Africa. The ECA report (ECA, 1995) has drawn attention to two factors that could contribute to improved prospects for foreign investment inflows into Africa. These are the possibility of oil producing countries encouraging investment in downstream activities in oil and gas which could propel industrial development; and the extent that some African countries with relatively more developed industrial structures could serve as development poles and a bridgehead for attracting foreign investment, with beneficial effects on other African countries, particularly neighbouring countries. As regards the first, the report notes that two conditions are necessary if the oil sector is to serve as a propelling force for industrial development, namely that it must be less of an enclave in the economy, and that other factors (e.g., raw materials, human resources, local markets, and ancillary services), necessary for viable industrial development, must be present. On the basis of those criteria, probably only Algeria, Nigeria and Egypt, could hold out future possibility for such oil-propelled industrial development.

120. As regards the second factor, the expectation is that countries, such as South Africa, Nigeria, Kenya and Cote d'Ivoire, might be able to play the role of industrial development poles in their respective regions. Of these, the most ardently discussed is South Africa which, in fact, already has a pervasive influence in the neighbouring countries, and growing relations with several other African countries. Since the demise of apartheid, South Africa's exports as well as investment flows to other African countries have grown spectacularly. A recent report (South Africa, 1995) notes that South Africa's exports have grown by 50 per cent in two years to nearly $2.5 billion in 1964 while imports have tripled to $664 million from $220 million.[33] Therefore, it can be expected that the integration of the Republic into the African regional economy will expand its role in intra-African trade and cross-border investment. In West Africa, Nigeria and Cote d'Ivoire account for close to 70 per cent of intra-subregional exports (Table 8), and rapid growth in these two countries could be a driving force for the development of the whole subregion. Kenya could play a similar role in the East Africa subregion.

V. CONCLUSIONS

121. The combination of increasing regionalism, globalization of world production, rapid changes in technology and continued liberalization of world trade, has created a critical situation for Africa which demands fundamental changes in policy and perspectives. The expansion of large economic spaces, in particular, poses three major concerns for African countries: concern about markets for traditional and new exports; concern about their capacity to attract foreign investment; and concern about possible sharp reductions in the existing level of foreign assistance, most especially as the vast majority of African countries fall within the rank of least developed. Because of Africa's heavy dependence on the EU market (see Table 3A), and the special relationship they have enjoyed under the Lomé Convention, these concerns are felt most especially in Africa's relations with the EU. However, relations with other blocs also pose some concern, particularly in the context of Africa's current plans to diversify the structure and geographical pattern of its foreign trade.

122. These concerns are made more grave by the failure of African countries to tackle successfully some of the major problems impeding rapid growth and structural transformation. This failure continues to manifest itself in the slow growth of GDP and uncertainties about the future, little progress in manufacturing industry, relatively static trade structure and limited progress with diversification, and declining shares in world trade. All this has retarded Africa's efforts to participate effectively in the growing globalization of world production and share significantly in the recent upsurge in the flow of private capital to developing countries. With little progress in promoting subregional and regional integration, substantial losses and few gains expected from the implementation of the Uruguay Round and poorer prospects for ODA receipts in future years, the task of development and structural transformation promises to be even more difficult.

123. Africa's policy responses to these developments must be conceived in the context of the current trend towards the globalization of world production. Without doubt, such responses would be easier to pursue to the extent that African countries are able to participate effectively in this globalization process.

124. The new situation calls for measures for the rapid improvement of productivity, backed by a massive expansion of infrastructure and major improvements in the facilities for human resource development. An intensification of Africa's efforts on regional and subregional economic integration could make a substantial contribution to these responses if it focused on the rapid liberalization of intra-African trade and factor movements, the rationalization of integration institutions, coordinated improvements in the investment climate, and more intensive cooperation with other developing regions which have succeeded in building more competitive economies.

125. The central feature of Africa's response must be the strengthening of national policies for increased international competitiveness and improved attractiveness to FDI. Other responses should develop specific support for a wide range of domestic industries, including textiles, footwear, food products, plastics etc., which have shown some promise in developing competitiveness in domestic and foreign markets. First, such support should target especially measures to assist local industries to gain a foothold, and explore new trading opportunities on the strength of confirmed international competitiveness, and that even in the expanding regional blocs in Europe, the Americas and APEC.

126. Second, relations with existing blocs and trading areas need to be reexamined and restructured in various forms, in the light of current developments, in particular, to take advantage of the opportunities in the large and strengthening economic integration systems.

127. Third, Africa’s own subregional/regional integration schemes need to be strengthened so that the goal of a continental community can be achieved, as planned by the year 2000. In the final analysis, Africa must respond to the expansion of open spaces by making the vast African space a single market for goods, services and factors of production, and **establish, on a continental scale, a framework for the development, mobilization and utilization of the human and material resources of Africa in order to achieve a self-reliant development**.[34]

128. Fourth, in this context, a new arrangement should be conceived to replace the existing Lomé Convention when it expires, which should emphasize much more the development of infrastructure relevant to improved productivity, the promotion of industry linkages between Africa and the EU, human resource development and the promotion of foreign investment. As regards relations with other regions, more formal links with Latin American and Asian groupings need to be explored.

129. Finally, they should insist that further multilateral negotiations for liberalization and strengthening of the rule-based system should include the following:

- a further round for progressive liberalization of agricultural and food industry products;

- relationship between immigration policies and international trade;

- trade and competition policy, including rules on export financing and restrictive business practices;

- interaction between trade policies and development policies, including financial flows, debt relief and the stabilization of commodity markets.[35]

NOTES

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18. *Africa One*, Project Summary Description, AT&T.

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21. See Allechi M'Bet and Amlan Madeleine Niamkey, European Economic Integration and the Franc Zone: The Future of the CFA Franc After 1996, African Economic Research Consortium, Research Paper Nineteen, July 1993.

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23. Op. cit., page 83.

24. "A Survey of the Global Economy", *The Economist*, October 1st 1994.

25. *Bandung Framework for Asia-Africa Cooperation*, United Nations, TCDC, Document No. TCDC/9/3/of 20 April 1995, submitted to the High-Level Committee on the Review of technical Cooperation among Developing Countries, New York, 30 May-2 June 1995.

26. Some of these were reviewed at the ninth session of the High-Level Committee on the Review of Technical Cooperation among Developing Countries (New York, 30 May-2 June 1995), and will be further discussed at the Intergovernmental Meeting of Experts on South-South Cooperation (New York 31 July-4 August 1995). See *New Directions for Technical Cooperation among Developing Countries*, (UN, TCDC Document No. TCDC/9/3 of 7 April 1995), and *Expanding South-South Cooperation: Some Suggested Issues and Modalities,* (General Assembly Document No. A/AC.246/2 of 19 June 1995).

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28. GATT 1994: The Outcome of the Uruguay Round and African Countries - Note by the GATT Secretariat, document of 12 October 1994, submitted by GATT to the International Conference on the Uruguay Round of Multilateral Trade Negotiations, Tunis, Tunisia, 24-27 October 1994.

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of the Declaration of the High Level Intergovernmental Meeting on the Mid-Term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, New York, September 1995, which calls for efforts at building and strengthening the efficiency and competitiveness of the weak domestic service sectors of the LDCs.

32. See "Foreign Direct Investment in Africa", UNCTAD, op.cit.

33. South Africa, 1995: "Out of South Africa, Progress (Apartheid's End is helping revitalize a Continent)", in *The New York Times*, July 6, 1995.

34. Treaty establishing the African Economic Community

35. These issues are part of a longer list contained in the UNDP/UNCTAD paper, "Evaluation of the Final Results of the Uruguay Round by African Countries", Doc. No. RAF/87/157 of 10 October 1994.

STATISTICAL ANNEX

Table 1

Growth of real GDP in developing regions
(Percentage change per year)

Region	1974-90	1992	1993	1994	1995-96	1995-2004
All developing countries	3.5	0.2	1.7	2.0	4.0	4.9
Sub-Saharan Africa	2.2	0.3	0.8	2.2	4.0	3.8
Middle East and North Africa	0.7	3.5	1.8	0.3	2.7	3.2
Europe and Central Asia	3.6	-12.3	-7.5	-7.5	0.7	3.4
South Asia	4.9	4.9	2.9	4.7	5.0	5.4
East Asia	7.1	9.2	9.4	9.3	8.1	7.7
Latin America and the Caribbean	2.7	2.7	3.8	3.9	2.4	3.5

Source: World Bank, Global Economic Prospects and the Developing Countries, 1995, Tables 1-6.

Table 2

Output share and growth rate by subregion and economic grouping

	Per capita GDP at '90 US dollars	GDP percentage regional share	Growth rate percentage at 1990 prices			
	1993	1993	1990-93	1992	1993	1994
North Africa	1261.0	40.7	2.0	1.1	1.1	4.0
Sub-Saharan Africa	506.7	61.6	1.7	-0.7	0.3	0.6
Central Africa	415.1	6.9	-3.9	-5.4	-5.0	-5.4
East Africa	673.7	12.8	0.1	0.3	-2.4	1.6
Southern Africa	1080.8	29.5	-0.3	-1.3	-3.2	0.4
West Africa	369.3	17.3	5.2	1.3	4.0	2.1
Sahel	384.8	5.8	3.1	3.4	-0.7	2.6
Sub-Saharan Africa (without Nigeria)	588.5	56.4	1.3	-0.9	-0.8	1.3
Oil exporters	875.8	47.2	1.7	0.6	1.2	1.5
Non oil exporters	561.8	52.8	1.9	-0.7	0.3	2,7
Least Developed Countries	241.6	15.3	0.3	-1.2	+0.1	-12
Others (Non oil exp. non LDC's)	1224.3	37.5	3.6	-0.3	0.6	4.7
Zone Franc	589.0	11.1	-0.9	-1.7	-1.4	1.6
Mineral Exporters	1134.9	28.0	-3.0	-4.3	-3.3	1.4
Beverage Exporters	253.8	9.7	4.9	-0.3	1.9	0.4
Developing Africa	676.3	77.7	0.8	0.1	0.8	2.3
South Africa	2776.9	22.2	-0.9	-1.8	1.2	2.1
Africa	555.7	100.0	1.1	0.9	2.4	2.4

Source: ECA secretariat.

Table 3

Trade of African Countries by Commodity Class, 1970-1994
(percentages)

COMMODITY CLASS	EXPORT				IMPORT			
	1970	1980	1990	1993	1970	1980	1990	1993
Food, beverage and Tobacco	30.1	9.9	13.4	19.4	6.1	14.3	15.1	12.6
Oils, fats and other crude materials excluding fuel	14.8	7.3	8.9	9.1	7.6	5.9	5.3	6.1
Mineral fuels and related materials	38.1	75.6	62.5	57.3	5.4	9.3	9.5	8.9
Chemicals	5.6	0.8	4.7	4.1	8.1	8.3	8.9	9.4
Machinery & Transport Equipment	1.3	0.4	1.9	2.5	43.6	37.5	37.7	39.3
Other Manufactured goods	10.1	6.0	8.6	7.6	29.2	24.7	23.5	23.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Monthly Bulletin of Statistics and ECA Secretariat estimates.

Table 4

AFRICAN EXPORTS BY COMMODITY CLASSES					
	($m)	To Developed Countries (%)	To EU (%)	To US (%)	To Japan (%)
Total	70,120	82.43	58.19	18.15	2.29
Food	8,885	74.71	56.43	5.41	6.52
Textiles & Clothing	5,423	82.78	71.38	5.88	1.70
Chemicals	2,507	44.83	42.68	0.60	0.20
Machinery and Transport	1,192	56.46	50.67	1.68	0.00
All manufactures	13,084	71.98	58.87	5.32	4.51

Source: UN, *Monthly Bulletin of Statistics*, May 1994

Table 5

Africa's 1990-93 Market Loss/Gain Relative to 1970-73

Commodity	Market Share			Loss in Market Shares in 1990-93 Relative to 1970-73 in percentages
	1970-73	1980-93	1990-93	
Cocoa	83.1	78.9	60.7	-27.0
Coffee	27.6	20.8	16.1	-41.7
Copper	26.4	19.5	13.6	-48.5
Cotton	16.1	10.3	11.5	-28.6
Petroleum	8.3	9.0	12.6	+51.8
Iron ore	12.7	7.2	5.6	-55.9
Timber	6.0	4.8	3.1	-48.3

Source: Calculated from UNCTAD, Commodity Year Book (Various issues) and UN, Monthly Bulletin of Statistics (various issues).

Table 6

Table 7

Foreign Direct Investment inflows to developing countries, by region, 1981-1992
(Billions of dollars and percentages)

Region	Annual Average		1991	1992
	1981-1985	1986-1990		
Total developing countries	13.1	24.9	39.1	51.5
Share of world total (%)	26.3	16.0	24.1	32.5
Total Africa	1.7	2.8	2.7	3.0
Share of developing country total (%)	12.9	11.4	7.0	5.9
Total Latin American and the Caribbean	5.6	7.7	15.0	17.7
Share of developing country total (%)	44.7	30.9	38.5	34.4
Total Western Asia	0.4	0.4	0.5	0.7
Share of developing country total (%)	3.4	1.7	1.3	1.5
Total South, East and South-East Asia	4.9	13.6	20.2	29.4
Share of developing-country total (%)	37.6	54.8	51.8	57.1

Source: UNCTAD, Division on Transnational Corporations and Investment, World Investment Report 1994: (United Nations Publication, Sales No. E.94II A.14.)

Table 8

Diversification and Product Concentration Indices in
the Export of Selected African Countries, 1970-1990

Oil Exporters	Number of Commodities Exported 1/		Diversification Index 2/		Concentration Index 3/	
	1970	1990	1970	1990	1970	1990
Libya	31	37	0.946	0.888	0.999	0.841
Algeria	76	85	0.831	0.883	0.652	0.554
Gabon	21	39	0.883	0.913	0.500	0.770
Nigeria	83	117	0.875	0.915	0.583	0.952
Congo	18	26	0.895	0.886	0.486	0.707
Cameroon	61	116	0.831	0.777	0.371	0.272
Egypt	87	154	0.784	0.700	0.442	0.440
Non-oil Exporters						
Zambia	22	45	0.963	0.932	0.952	0.823
Mauritius	9	101	0.968	0.711	0.930	0.338
Tunisia	70	174	0.754	0.668	0.260	0.200
Senegal	82	92	0.793	0.857	0.311	0.280
Côte d'Ivoire	81	130	0.863	0.856	0.422	0.312
Zimbabwe	-	165	-	0.782	-	0.327
Morocco	84	155	0.816	0.756	0.292	0.166
Ethiopia	33	29	0.659	0.934	0.603	0.698
Ghana	24	56	0.941	0.907	0.752	0.377
Malawi	23	29	0.908	0.926	0.473	0.686
Kenya	17	123	0.918	0.806	0.499	0.309
Tanzania	49	74	0.848	0.832	0.255	0.262
Uganda	28	26	0.916	0.948	0.596	0.699

Source: UNCTAD, Handbook of International Trade and Development Statistics 1984, 1991 and ECA Secretariat calculations.

1/ Refers to those commodities whose exports are greater than US$50,000 in 1970 and US$100.000 in 1991 or contribute more than 0.3 per cent to the total export of the country.

2/ Hirschmann index normalized to yield values between 0 and 1 (Maximum concentration)

Table 9

INTRA-ECOWAS TRADE: THE MAIN EXPORTERS
Value: Million U.S. Dollars and Percentages

	1984		1985		1986		1987		1988		1989		1990		1991		1992	
Exports TO ECOWAS FROM		%		%		%		%		%		%		%		%		%
Cote D'Ivoire	366.6	27.7	425.3	34.5	527.2	46.3	488.8	41.2	438.9	36.2	589.9	40.9	661.7	40.4	636.2	41.2	960.8	44.5
Nigeria	548.9	41.5	441.8	35.9	282.7	24.8	310.0	26.1	369.9	30.5	363.1	25.2	468.7	28.6	454.1	29.4	691.4	32.0
Senegal	170.4	12.9	142.5	11.6	115.0	10.1	114.4	9.6	110.7	9.1	169.3	11.7	157.1	9.6	93.5	6.0	101.1	4.7
Others	235.2	17.8	224.1	18.2	212.9	18.7	273.2	23	292.8	24.2	317.0	22	349.2	21.3	360.3	23.3	404.6	18.8
Total Intra-EC	1321.3	100	1234.0	100	113.7	100	1186.6	100	1212.4	100	1439.4	100	1636.8	100	1544.4	100	2157.3	100

Source: IMF, Direction of Trade Yearbook.

Table 10

Export interests of African countries in industrial products (excluding petroleum)

	Share in exports	Export interest			
		Low (6-10%)	Medium (11-20%)	High (21-50%)	Very high (51-100%)
Benin	25.2	Fish & fish products; textiles & clothing; electric machinery			Transport equipment
Botswana	86.8	Textiles & clothing			Metals
Burkina Faso	40.5				Mineral products, precious metals & stones
Burundi	31.4				Mineral products, precious metals & stones
Cameroon	44.5	Leather, rubber, footwear & travel goods		Metals	Wood, pulp, paper & furniture
Central Africa Rep.	61.5		Wood, pulp, paper & furniture		Mineral products, precious metals & stones
Congo	93.6	Metals		Mineral products, precious metals & stones	Wood, pulp, paper & furniture
Cóte d'Ivoire	30.7	Textiles & clothing: leather, rubber, footwear & travel goods	Fish & fish products; mineral products; precious metals & stones	Wood, pulp, paper & furniture	
Egypt	65.0	Chemicals & photographic supplies		Textiles & clothing; metals	
Gabon	98.5	Chemicals & photographic supplies		Wood, pulp, paper & furniture; metals; transport equipment	
Gambia	27.4			Mineral products, precious metals & stones	Fish & fish products
Ghana	60.1	Fish & fish products	Mineral products, precious metals & stones		

Kenya	20.1	Fish & fish products	Textiles & clothing; chemicals & photographic supplies; mineral products, precious metals & stones		
Lesotho	91.7				Textiles & clothing;
Madagascar	33.8	Metals	Mineral products, precious metals & stones		
Mali	22.3				
Mauritania	99.3				
Mauritius	64.9				Textiles & clothing;
Morocco	80.2		Fish & fish products;chemicals & photographic supplies	Textiles & clothing; mineral products, precious metals & stones	
Mozambique	83.6	Mineral products, precious metals & stones		Fish & fish products;	Metals
Namibia	96.3			Chemicals & photographic supplies	Fish & fish products;
Niger	98.6				Chemicals & photographic supplies

Source: Economic Commission for Africa, The Outcome of the Uruguay Round and African Countries (Note by the GATT Secretariat), document of 12 October 1994 submitted by GATT to the International Conference on the Uruguay Round of Multilateral Trade Negotiations, Tunis, Tunisia, 24-27 October 1994.

Table 11

Selected African Countries' Gains in the Uruguay Round

Country	OECD Export Value ($mn)	Share of Non-Oil industrial Product in Exports	Average Tariff Pre-UR	Average Tariff Post-UR	% Reduction	Key Products
Benin	44	25.2	3.8	0.7	82	Fish, textiles
Botswana	230	36.8	11.1	9.4	16	Metals
Burkina Faso	98	40.5	3.2	1.1	66	Mineral, precious metals
Burundi	154	31.4	8.0	6.9	14	Mineral, precious metals
Cameroon	1660	44.5	4.7	3.4	28	Wood, metal
CAR	101	61.5	5.1	3.7	27	Precious metals, minerals
Congo	546	93.6	4.7	2.1	55	Wood, minerals
Cote d'Ivoire	2200	30.7	8.9	7.6	15	Wood, fish
Gabon	1470	98.5	4.0	0.5	33	Wood, metals
Gambia	97	27.4	12.3	9.6	22	Fish, minerals
Ghana	321	60.1	5.5	4.3	22	Wood, metals, fish
Kenya	762	20.1	9.3	7.6	18	Leather, garments
Lesotho	44	91.7	10.9	9.1	17	Textiles, minerals

Madagascar	283	33.8	13.8	11.1	20	Fish, clothing
Mali	35	22.3	3.3	1.2	64	Minerals
Mauritania	411	99.3	6.7	3.9	42	Fish, metals
Mauritius	902	64.9	57.5	55.8	3	Textiles, clothing
Namibia	43	96.3	2.8	0.3	71	Metals, fish
Niger	300	98.6	2.8	0.1	96	Chemicals
Nigeria	8810	42.2	1.7	0.6	69	Leather, minerals, metals
Senegal	472	67.1	10.9	7.4	32	Fish, minerals
Sierra Leone	201	86.7	4.5	2.1	53	Metals, minerals
Swaziland	223	35.4	71.3	67.5	5	Wood
Tanzania	300	28.6	11.6	9.9	15	Textiles, metals, minerals
Togo	198	60.3	4.0	2.2	45	Minerals, precious metals

Source: AFRICA: 1990-1995 AND BEYOND, Global Coalition for Africa, Document GCA/SC-JS.4/No.2/06/1995., Appendix 8.6.