# UNCTAD's Agenda for the 1990s: The issues for Africa

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## I. Introduction

As Africans assess the state of international economic cooperation on the eve of the 1990s, two clear views emerge. Firstly, there is a strong feeling in Africa, especially in this decade, that the region is being marginalised. Secondly, it is felt that the goodwill of the international community at large should not be taken for granted.

The adoption of the United Nations Programme of Action for African Economic Recovery and Development (1986-1990) (UN-PAAERD) raised hopes briefly. But with the limited results achieved so far and the continuing unfavourable international economic environment, the feeling of marginalisation has returned. It is recognised also that international cooperation at the global level is necessary. However, without concrete benefits for Africa its relevance is diminished. The question that will be foremost on the minds of African negotiators in the next decade, therefore, is 'What is in it for me?'

As Member States of UNCTAD and the Secretariat begin preliminary preparations for UNCTAD VIII in 1991, it would seem appropriate to review briefly some of the issues of concern to Africa. The aim is to highlight these issues in the hope that they, *inter alia*, will engage the attention of the Conference. Also, the special session of the United Nations General Assembly which is scheduled next year to address the unsatisfactory state of the world economy and the development process, provides an added opportunity to place African concerns on the international agenda.

This article discusses in very brief terms some of the issues in the context of UNCTAD's possible agenda in the 1990s, and what African member states might expect. It concludes with the observation that UNCTAD's relevance to Africa will be assessed by Africans not only on the basis of the organisation's achievements in relation to global policies, but mainly by the concrete benefits which the region can expect from the results.

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## II. Background

### Economic crisis and retrogression

Preparations for UNCTAD VIII begin against a background of persistent economic crisis in Africa. All recent reviews on Africa point to this situation, which has intensified in the 1980s. Except for 1985, every year between 1980 and 1987 registered a decline in per capita GDP while there were differences of performance among African countries, the frequency distribution of real GDP growth rates in the 1980s, compared to the two previous decades (see Table 1), shows that the number of African countries with real GDP growth rates below the 3 per cent average annual growth rate (1970-1986) of population, has actually increased. The number of least developed countries (LDCs) in Africa increased from 24 to 28 between 1980 and 1988.[1]

*Table 1* **Frequency Distribution of Africa Countries According to Real GDP Growth Rate 1960-70, 1970-80 and 1980-87**
(Percentage)

| *Growth* | *1960-70 (1)* | *1970-80 (2)* | *1980-87 (3)* |
|---|---|---|---|
| Negative | 2 | 6 | 11 |
| 0-3 | 10 | 19 | 22 |
| over 3-6 | 27 | 17 | 15 |
| over 6-8 | 6 | 6 | 3 |
| over 8 | 5 | 3 | 1 |
| Total | 50 | 51 | 52 |

*Source:* Calculated from UNCTAD data

In the 1960s Africa's agricultural output growth was at par with global performance and slightly above average for other developing regions. The subsequent

[1] When the Least Developed Countries (LDCs) category was established in 1981, it included 24 African countries. It is not surprising therefore that there is a tendency in some circles to treat the whole region as an LDC cluster of countries.

decade, however, recorded a sharp deterioration in growth (1.3 per cent per annum for 1970-1980). Other developing regions registered about 3.1 per cent and the global average was 2.8 per cent. In the 1980s the average growth rate recovered significantly. But average growth rates of 2.4 per cent for food and agriculture production were lower than population growth and well below the 4 per cent target in the Lagos Plan of Action. This average masks a number of good years when rainfall patterns were favourable, (especially 1988) and when farmers took advantage of the better prices now obtainable as a result of policy reforms. There were also bad years when drought, pests and diseases caused substantial decreases in production. But the apparent improvement in output growth is still grossly inadequate to meet regional food needs or to contribute significantly to per capita income growth. Basically, the well known weaknesses of African agriculture[2] persist.

The decline in agricultural output affected Africa's export performance. The erosion of export market shares which began in the mid-1970s intensified in the 1980s with new entrants successfully displacing African exports in a number of areas. Except for a few countries such as Botswana, Cameroon, Chad, Mauritania and Mauritius, almost all African countries recorded substantial declines in export receipts. The volume index of exports fell on average by 2.5 per cent per annum in 1980-1985. There was a significant increase in 1986 which was sharply reversed in 1987. Value added in industry was negative throughout the 1980s except in 1986 when a feeble 0.5 per cent growth was registered. Reflecting the process of retrogression, the share of value added in industry in total GDP declined from 39.1 per cent in 1980 to 31.3 per cent in 1987. The United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990, identified some of the internal and external factors responsible for the crisis [UN 1986 Part I and Part II para 9e].

## Internal Factors

Apart from natural disasters, deficiencies in physical and institutional infrastructures and in economic strategies and policies, and the gross disparities in rural-urban terms of trade and incomes, lack of finance, demographic factors and political instability are some of the internal factors responsible for the poor performance of African economies in general, and of agriculture in particular. As the 1980s come to a close, the main areas of concern at the endogenous level are high rates of population growth, continued weaknesses in macro-economic policies resulting in inefficient resource allocation, low levels of savings and investment, weak institutional capacities and limited skilled manpower. Rapid population growth and low levels of savings and investment have combined to raise unemployment levels. The constraints which these factors place on Africa's economic development are fully acknowledged by African governments themselves [OAU 1985] and further elaborated upon in the UN-PAAERD 1986-1990. However, the problem of rapid population growth deserves to be highlighted here because of its wider implications for growth and development in Africa.

Africa's population has grown five-fold since the turn of the century and by 100 per cent since 1965. Selected demographic indicators based on historical trends (see Table 2), show that the situation is clearly unsustainable because of the strains it imposes on the economies of African countries.

Wheeler [1986 Part 2, ch 2] warns that given low economic growth, it is impossible to sustain these rates of population growth with all their implications for education, demand for social services, urbanisation, and the environment. Although this particular issue is not part of UNCTAD's agenda, it has wider implications for development in view of the constraints it places on development and the environment.

However, issues relating to policy reforms and related structural adjustment programmes (SAPs), are central to African concerns and remain pertinent to UNCTAD's mandate. The confusion among the principal protagonists regarding perspectives, objectives and means has only heightened uncertainties in African policy makers' minds. African member states are entitled to expect some concrete contribution to the debate from UNCTAD, as most developing countries rightly continue to look to the organisation for alternatives to the Bretton Woods institutions' prescriptions.

## External Environment

According to the UN-PAAERD (1986-1990), external factors which have constrained economic growth in Africa in the 1980s include low growth in the industrialised countries, especially in the OECD countries, the collapse of commodity prices, adverse terms of trade, increased protectionism, decline in financial flows and heavy debt service obligations. Some aspects of these issues are briefly discussed below because of their direct relevance to the UNCTAD agenda for the 1990s.

Compared with real GDP growth rates of 3.1 per cent in the developed market economy countries and 5.3 per cent in the centrally planned economies of Eastern Europe in 1970-80, growth rates declined in

[2] African agriculture is mainly rain-fed, with below average applications of fertilisers. Extension services are poor and appropriate seeds scarce.

Table 2

**Selected Demographic Indicators for Africa, Compared Under Historical Trends 1980 and 2008**
(in mns unless otherwise indicated)

| | *1980* (1) | *2008* (2) | *Annual growth rate* (3) |
|---|---|---|---|
| Total population | 440 | 1,077 | 3.2 |
| Urban population | 120 | 472 | 4.9 |
| Rural population | 320 | 602 | 2.3 |
| Population aged 0-14 | 199 | 479 | 3.1 |
| Population aged 15-64 | 228 | 564 | 3.2 |
| Population aged over 65 | 13 | 34 | 3.4 |
| Primary education age group 6-11 | 80 | 178 | 2.9 |
| Secondary education age group 12-17 | 65 | 152 | 3.0 |
| Higher education age group 18-23 | 58 | 124 | 2.7 |

*Source:* Economic Commission for Africa: ECA and Africa's Development 1983-2008 A Preliminary Perspective Study: ECA Addis Ababa, April 1983.

1980-87 to 2.7 per cent and 3.5 per cent respectively. These lower growth rates, combined with other factors, were responsible for lower demand for primary commodities.

The latest projections of the Economic Commission for Europe (ECE) for the next decade [ECE 1988 ch 2] are based on the *á priori* assumption that the deterioration in international trading relations which began in the mid-1970s and was characterised by large trade imbalances, foreign indebtedness, exchange rate instability and the rise of protectionism, especially in the form of non-tariff barriers, would be arrested, and that balances would be restored to reasonable levels.

On this assumption, the ECE postulates a base-line GDP growth rate of about 2.6 per cent per annum for the developed market economy countries of North America and Europe, and about 4.0 per cent for the centrally planned economies for the period 1986-2000. The higher growth scenario projections indicate annual average growth rates of 3.5 per cent and 4.9 per cent respectively. Other developed economies, which account for a smaller share of Africa's exports, are expected to register slightly higher growth rates. These projections also forecast that under base-line scenario conditions world trade would grow at much the same rate as for the past 10 years. The higher growth scenario projections estimate world trade expansion at 6 per cent — still below that of the 1960s but better than the 1980s.

Given that the dominant demographic characteristic of the past 30 years has been decline in population growth and the prospect that this decline could continue in the next decade,[3] per capita incomes in the developed market economies will continue to rise modestly despite lower GDP growth. On the other hand, control of inflation will continue to be a major policy preoccupation of these countries. Such a policy stance has two implications for Africa. Firstly, the bearish world market conditions for primary commodities will continue. Secondly, any efforts to improve world market prices of primary commodities will be resisted by the major industrialised countries, since that could raise production costs and threaten price stability. By implication, international cooperation in commodity trade on the basis of existing approaches will continue to face difficulties.

All important indicators show a declining trend in real commodity prices since World War II. The World Bank's 33 commodity index in constant dollars (1979-80 = 100) estimates real commodity prices in 1988 at 30 percentage points below the 1980 level and less than half that of 1950. The declining trend is projected to continue into the 1990s (see Table 3).

Africa is a major world supplier of tropical beverages, accounting for 40 per cent of cocoa, 23 per cent of coffee and 17 per cent of tea and maté. Prices of these and of mineral ores and metals declined on a trend basis throughout the 1980s. Indexes of terms of trade and of the purchasing power of exports (1988 = 100),

[3] For the ECE region as a whole, annual population growth declined from 1.3 per cent in 1950-55 to 0.75 per cent in 1975-80. Projections for 1986-2000 range from a low variant to 0.4 per cent to 0.9 per cent.

Table 3

**Weighed Index of Commodity Prices in Constant US dollars**
(1979-1980 = 100)

| | *1950* | *1960* | *1970* | *1980* | *1988* | *1990* | *2000* |
|---|---|---|---|---|---|---|---|
| 1. 33 Commodities (excluding energy) | 149.3 | 115.3 | 111.2 | 104.9 | 71.0 | 61.6 | 63.1 |
| 2. Total Agriculture | 167.4 | 116.3 | 102.5 | 104.4 | 63.3 | 55.1 | 59.2 |
| Food | 151.2 | 105.6 | 102.8 | 103.9 | 63.4 | 53.1 | 58.3 |
| of which | | | | | | | |
| Beverages | (146.2) | (104.2) | (96.0) | (99.1) | (61.5) | (42.1) | (60.8) |
| Oils and fats | (176.6) | (118.5) | (120.6) | (95.9) | (65.1) | (55.5) | (49.1) |
| Non-food | 227.0 | 156.2 | 101.4 | 106.4 | 62.8 | 62.5 | 62.6 |
| 3. Timber | 56.6 | 56.4 | 59.8 | 109.5 | 98.7 | 93.1 | 100.5 |
| 4. Metal | 122.1 | 124.1 | 142.8 | 105.2 | 84.9 | 64.8 | 65.5 |
| Memo Item | | | | | | | |
| Petroleum | 26.2 | 18.2 | 13.1 | 106.7 | 35.9 | 40.4 | 55.9 |

*Source:* World Bank: *Revision of Commodity Price Forecasts* and *Quarterly Review of Commodity Markets* — September 1989

dropped to 59 and 52 respectively in 1988.[4] On present prognosis they are not likely to improve much in the next decade.

Another area of concern is protectionism. With few exceptions, African commodities enjoy preferential tariff rates in the EC, US and Japanese markets. Special preferences are accorded to the Least Developed Countries (LDCs) under Japan's Generalised System of Preferences (GSP) scheme. African countries also enjoy preferences under the EC's GSP scheme, the special GSP for LDCs and the Lomé Convention[5] for African, Caribbean and Pacific (ACP) countries. There is, nevertheless, some element of tariff escalation on a limited number of products. Tariff escalation applies in Japan to coffee, cocoa, tea, oilseeds, tobacco, rice, manioc and tubers, tropical nuts and tubers. In the EEC there is minor tariff escalation in the Lomé rates on coffee, oilseeds, rice, tropical fruits, fish and meat products. There is no tariff escalation in the US on products of export interest to Africa except for sugar, oilseeds and rice. However, MFN rates which show substantial tariff escalation apply to Ethiopia, Gabon and Nigeria, which are excluded from the US GSP scheme.

The relatively liberal tariffs on African imports into the EEC, US (except those from Ethiopia, Gabon and Nigeria) and Japan, mean that non-tariff measures (NTMs)[6] are more important to market access. Studies [Thomas 1989] show that NTMs escalate at higher degrees of processing for such products as coffee, cocoa, tobacco, leather, cotton, sisal, fruits and vegetables and phosphates. Even in the case of new products, e.g. fruits and vegetables, seasonal quotas apply. The effect of such measures is to inhibit further processing of such products in African countries. This has implications for commodity sector diversification programmes.

The Punta del Este Declaration (1986) on tropical products in the Uruguay Round aims at 'the fullest liberalisation of trade in tropical products[7] including in their processed and semi-processed forms' and covering both tariff and NTMs. However, an assessment [Thomas 1989] of the offers made by the industrialised countries so far indicates that the net benefits would be marginal. They would be even less important if reciprocity is accorded, as is being requested in certain cases.

[4] UNCTAD secretariat data.

[5] Economic Cooperation agreements between the EEC and African, Caribbean and Pacific countries are usually referred to as the Lomé Convention.

[6] Non-tariff measures (NMs) include para tariff measures, import deposits and surcharges, variable levies, anti-dumping and countervailing actions, quantitative restrictions, import surveillance, automatic licensing and price control measures. Quantitative restrictions include prohibitions, quotas, non-automatic licensing, state monopolies, voluntary export restraints (VERs), and restraints under the Multi Fibre Agreement (MFA) and similar textile agreements.

[7] There is no agreed definition of tropical products. However, seven product groups have formed the basis of the work of the Negotiating Group on Tropical Products. These are: tropical beverages; spices, flowers, plants, etc; certain oilseeds; tobacco, rice and tropical roots; tropical fruits and nuts; tropical wood and rubber; and jute and hard fibres.

In effect, the current preferential arrangements for market access for African imports are based on the colonial conception of the region as producers of a limited range of primary commodities. Diversification into other commodities or processed products on a large scale is not foreseen. Yet the transformation of African countries into semi-industrialised or industrialised economies is the only way to overcome the difficulties facing them. There is thus an obvious inconsistency between the call for increased diversification and escalation of protectionist barriers against processed commodities from the region.

Net resource flows to African countries in current US dollars weakened between 1983 and 1985 but resumed a modest upward trend in the subsequent years. However, calculated at constant 1986 prices and exchange rates, net resource flows were lower in 1986 and 1987 than in preceding years (e.g. $17.5 mn in 1986 compared to $19.8 mn in 1982). A sharp decline in commercial bank lending, export credits and private investment in reaction to the payments problems was responsible for this. In addition, there were substantial negative flows to the IMF as repurchases exceeded new drawings. Net outflows to the IMF in 1986 and 1987 averaged $0.6 bn per year. Subsequent increases in ODA flows have been substantial, but not enough to offset the decline in private and commercial flows. However, the multilateral financial institutions appeared to be geared to expand their conditional lending significantly in the medium-term. However, in spite of various initiatives by the World Bank and the International Finance Corporation (IFC), there are no indications of a strong resumption of private investment flows.

It is difficult to estimate resource requirements for Africa, especially as trade generated resources are subject to substantial variations. Two recent estimates, however, provide convenient reference points. The United Nations Programme of Action for Africa estimated that an additional US$9.1 bn per annum would be required to implement the Programme. The United Nations Secretary-General's Advisory Group on Financial Flows for Africa recommended [UN 1988] at least US$5.0 bn annually for sub-Saharan Africa excluding Nigeria. This recommendation was based on the Group's finding that larger resource flows were required than the available in 1986 and 1987. Secondly, as noted above, commodity prices have declined substantially since the report was issued. The United Nations Programme for Africa's estimate of US$9.1 bn would appear, therefore, to be more realistic. However, even the more modest target does not appear to have been achieved.

Debt service payments have become a major element in Africa's economic crisis. Much of the region's debt was incurred in the 1970s when the conjuncture of events were especially conducive to borrowing. In particular, commodity prices were relatively buoyant, with good medium-term prospects, and the commercial banks had substantial petro-dollars to recycle. As willing lenders in a relatively bullish environment, the banks offered an easy alternative to the disciplines imposed by the IMF's conditional loans. Indeed the IMF, to its credit, warned against this trend at that time.

By the end of 1987, Africa's external debt was equal to GNP having doubled since 1980. This level of indebtedness now makes Africa the most heavily indebted region among the developing regions.[8] Debt service obligations amounted to 47 per cent of export receipts in 1988. Scheduled debt service ratios of 19 countries were above the regional average of 32.6 per cent. Six countries — Benin, Congo, Madagascar, Sudan, Tanzania and Zambia — had ratios of between 50 and 100 per cent, while Guinea — Bissau and Sao Tomé and Principe had ratios exceeding 100 per cent in 1987 [World Bank 1989a].

## III. UNCTAD's Agenda for the 1990s and Africa's Concerns

### The UNCTAD agenda for the 1990s

The reference point for UNCTAD's agenda for the decade ahead remains the Final Act of UNCTAD I [UN 1964]. The first paragraph of that document, imbued with the high ideals in the United Nations Charter itself, states *inter alia* that:

> The international community must combine its efforts to ensure that all countries — regardless of size, of wealth, of economic and social system — enjoy the benefits of international trade for their economic development and social progress.

An essential element of such efforts, it stressed, is that international policies relating to trade and development should result in changes in the international division of labour, accompanied by the necessary adjustments in world production and trade.

In its early years, UNCTAD made significant contributions to the development process, both by influencing policy and by getting the international community to agree on practical measures in a number of areas. UNCTAD's contributions to international economic policy, include, *inter alia*, the ODA target, the Generalised System of Preferences (GSP), the Common Fund for Commodities, retroactive terms adjustment for LDC debtor countries, the creation of SDRs and the Compensatory Financing Facility (CFF) within the IMF, and the Global System of Tariff Preferences (GSTP) among developing countries. However, since the mid-1970s

[8] The World Bank estimates Latin America's debt at 60 per cent of GNP.

there has been a general weakening of international economic cooperation. The negotiating process has come under stress with increased polarisation of views on economic management. The Final Act of UNCTAD VII represents the result of renewed efforts to forge a new consensus, which has yet to emerge fully on a number of issues.

In the process of weakened international cooperation, African countries in particular have remained weak, exposed and marginalised in the international economic system. The unfavourable economic trends of the 1980s have exacerbated their situation.

The earlier part of this article pointed to three critical areas of concern which will need to be addressed in the 1990s. These are: policy reforms and structural change, the international trading environment including problems of trade in primary commodities and debt, and financial resource flows. A fourth issue which was not discussed earlier but will become increasingly important is regional integration. To this may be added the question of South-South and East-South cooperation and regional integration questions. I look here at these critical areas in the context of UNCTAD's agenda for the 1990s.

## Policy reforms and structural change

Until the African governments themselves acknowledged their domestic policy failures and resolved to undertake reforms, only the Bretton Woods institutions pressed for reforms. This was a major source of disappointment for the developed market economy countries. Efforts in UNCTAD to remedy this only began with the Final Act of UNCTAD VII [UN 1987]. The UNCTAD Trade and Development Report 1989 has since taken the issue a little further, mainly in the context of the least developed countries.

The issues confronting African countries in this area are complex. Firstly, structural adjustment must be distinguished from structural change. The former implies shifts on the margin; the latter aims at transformation. Agriculture still accounted for 34 per cent of GDP and manufacturing for only 10 per cent in 1987 (see Table 4). Thus, while structural adjustment *per se* may be suitable for industrialised countries, what Africa requires is the structural transformation of its economy. Because of the confusion of objectives, however, the current World Bank-IMF structural adjustment programmes do not in fact address this need.

Secondly, economic growth as measured by increases in GDP alone does not imply development. The latter concept embraces a wider range of economic and social indicators, and involves the creation of an expanding base for sustainable economic growth. Thus, while current SAPs may improve the efficiency of the existing economic structure and, therefore, lead

*Table 4* **Structure of GDP in Sub-Saharan Africa 1965 and 1987**
(in percentages)

| *Sector* | *1965* *(1)* | *1987* *(2)* |
|---|---|---|
| 1. Agriculture | 43 | 34 |
| 2. Industry including mining and petroleum | 18 | 28 |
| of which (Manufacturing) | (9) | (10) |
| 3. Services | 39 | 39 |
| Total[1] | 100 | 100 |

*Source:* World Bank.

[1] Totals do not necessarily add up due to rounding.

to growth, they are not designed to achieve the structural transformation needed to put African economies on the path to sustainable development.

Thirdly, current SAPs have been criticised for their harsh effects on the social sectors — education, health — and on the more vulnerable segments of African societies. *Inter alia*, reductions in government expenditure on education run counter to the clearly identified need for human resource development. Meanwhile, government expenditures on defence have not been reduced. The average expenditures on health and agriculture combined are only one per cent above the average for defence (see Table 5).

There have been recent contrasting assessments of the effectiveness of SAPs in Africa. The World Bank report [World Bank UNDP 1989] which appeared to attribute a large part of recent improvements in performance of some African economies to SAPs, is an attempt to forestall some of the criticism against SAPs in the ECA's Alternative Framework for Structural Adjustment Programme (AFSAP). In the event, the World Bank document did not prove its case. On the other hand, the ECAs critique of the technical aspects of the World Bank document were valid in many aspects.

However, it will be misleading to imply that macroeconomic policy reforms are altogether undesirable for African countries. The ECA fails to give proper weight to the point that the distorting macroeconomic policies which prevailed in many African countries in the 1970s and early 1980s cannot be allowed to endure through the 1990's. On the other hand, the ECA rightly points out that structural

Table 5

**Africa: Government Expenditures**
Percentage of Agriculture, Health, Education and Defence 1980-87

| | *1980* | *1981* | *1982* | *1983* | *1984* | *1985* | *1986* | *1987* |
|---|---|---|---|---|---|---|---|---|
| **Agriculture** | | | | | | | | |
| Sub-Saharan Africa | 7.9 | 7.2 | 7.5 | 7.7 | 7.3 | 6.8 | ... | ... |
| North Africa | 8.6 | 9.5 | 8.6 | 8.1 | 9.4 | 6.1 | 5.5 | ... |
| All Africa | 8.0 | 7.5 | 7.6 | 7.7 | 7.6 | 6.7 | ... | ... |
| **Health** | | | | | | | | |
| Sub-Saharan Africa | 5.1 | 5.1 | 5.2 | 5.2 | 5.1 | 4.9 | ... | ... |
| North Africa | 4.4 | 4.3 | 4.0 | 4.0 | 4.1 | 3.8 | ... | ... |
| All Africa | 5.0 | 5.0 | 5.1 | 5.1 | 5.0 | 4.8 | ... | ... |
| **Education** | | | | | | | | |
| Sub-Saharan Africa | 14.9 | 14.8 | 15.2 | 15.4 | 14.3 | 13.0 | ... | |
| North Africa | 14.5 | 13.5 | 13.2 | 14.6 | 14.7 | 14.3 | 14.7 | ... |
| All Africa | 14.9 | 14.7 | 15.0 | 15.3 | 14.4 | 13.1 | ... | ... |
| **Defence** | | | | | | | | |
| Sub-Saharan Africa | 12.1 | 11.7 | 10.8 | 10.7 | 10.5 | 10.0 | ... | ... |
| North Africa | 13.7 | 12.7 | 13.4 | 14.1 | 13.7 | 15.3 | 13.4 | ... |
| All Africa | 12.3 | 11.9 | 11.1 | 11.1 | 10.9 | 10.6 | ... | ... |

*Source:* UNDP/World Bank, *Africa Economic and Financial Data*, The World Bank, Washington DC, September 1989, Tables 4-27 to 4-29 and 4-30.

transformation is important if African countries are to overcome their increasing marginalisation within the global economy. The World Bank's apparent lack of recognition of the need for deliberate policies aimed at structural transformation has been a major point of difference between the two institutions. It may well be that the Bank — so taken up with its private enterprise and market economy orientation — assumes that private entrepreneurs would effect the necessary structural change. This may well be true. But the time frame within which this can be achieved under entirely free market conditions will be different from that under deliberate government policies, in which, even so, the private sector can still be the main vehicle of structural transformation.

The apparently purely structuralist approach of the ECA and the largely macro-economic policy approach of the World Bank are not irreconcilable. There is need to extend the Bank's SAPs beyond the narrow confines of current 'adjustment' policies.

The proper balance now being urged in the recent long-term perspective study on sub-Saharan Africa seeks to prepare the ground for a new debate on SAPs [World Bank 1989b]. Until recently UNCTAD has avoided taking a front-line position on domestic policy issues even though this was clearly called for in the late 1970s and especially at the time of UNCTAD VI in 1983. This was a major irritant to donor countries at the time.

UNCTAD belatedly entered the discussion on SAPs starting from UNCTAD VII (1987); its contribution has, so far, been marginal. But the re-opening of the issue by the World Bank, which is apparently seeking ideas for a new generation of SAPs, offers an opportunity for a significant input by UNCTAD. The organisation's considerable capacity and the reputation it enjoys among developing countries as an institution which can offer technically defensible alternatives to the Bank and the IMF places it in a position to redeem its past failings in this vital area of international policy evolution.

In the search for alternatives a number of crucial issues will arise on which a new consensus must be developed through international discussions. For example, can Africa achieve food security through greater food self reliance in an atmosphere of total free trade?

If Europe sought to achieve food self-sufficiency in the post-war years through its Common Agricultural

Policy (CAP) how can Africa be expected to do the same without a similarly deliberate policy to support agriculture? Can African countries achieve diversification and reduce primary sector dependence without passing through some period of protectionism.[7] SAPs seem to imply this, but the historical experience does not support the idea. The socio-economic environment in which the industrial revolution occurred in England is not replicable in today's Africa. In any case Africans will not stand for it. Japan is only now grudgingly dismantling high protectionist barriers under extreme pressure from the international community.

Apart from the USA where the external sector contribution to the economy is relatively small, few countries have achieved industrialisation in an entirely free trade context. Can Africa with its small states and serious structural problems, develop without closer regional cooperation leading to full integration? As African governments seek to achieve some transformation of their economies in the 1990's these will be some of the issues confronting them and their industrialised country partners.

## The international trading environment

For African countries the international trading environment is largely determined in the short term by developments in commodity markets. In the longer term, access to markets is an important consideration.

## Reinvigoration of international commodity policy

The European powers pulled Africa into their orbit when they needed cheap resources for their development. At first it was gold and ivory, then slaves, and later raw materials and minerals. As long as Africa remained in this position the relationship was maintained. International Commodity Agreements (ICAs) which are so much condemned today were devised and instituted by the colonial powers. At that time they worked because there was a coincidence of interests. The colonial powers needed not only the raw materials but also earnings stability for the colonies.[9]

The reluctance of the industrialised countries to accept changes in international economic relations which would reduce their dominance of the system is at the core of difficulties with international commodity policy. The Integrated Programme for Commodities (IPC), of which ICAs are an important component, was adopted against the background of rising commodity prices and consumer uncertainties about future supplies. Some observers believe that more positive attitudes towards international cooperation helped its adoption. Others argue, however, that in the environment of OPEC price shocks and buoyant raw materials prices consumers only tried to buy time by adopting the IPC as a holding operation. The Nordic countries' attitude to the IPC since its adoption illustrates the first view point. The second is borne out strongly by the actions of other developed market economy countries in international negotiations on commodities.

Thus from the outset there was no strong political will on the part of the major consumers to implement the IPC. In addition, suppliers believed that ICAs could and should be used to stabilise as well as raise prices. Given the weak demand for primary commodities and the tendency towards oversupply in some cases, the prospect of raising prices through ICAs is not realistic. The industrialised countries' attitude towards commodity agreements has been influenced strongly by the implications of commodity price rises in the 1970s for their production costs. Therefore, apart from substitution of materials and energy saving measures, maintenance of low commodity prices must be an important consideration for them in the fight against inflation. For these reasons ICAs with economic provisions will be difficult to negotiate or operate in the 1990s.

UNCTAD's contribution in this area could therefore explore a shift in emphasis towards producer cooperation. A new consensus is required among producers to cooperate on the basis of an international division of labour and comparative advantage.

Firstly, producers could be encouraged to exchange views regularly, on a commodity by commodity basis, on the main market trends for their particular commodities and on marketing strategies. They could also assess sectoral plans with a view to harmonising production programmes so as to maintain a balance between global supply and demand based on competitive advantage. For African countries, such an initiative with regard to tropical beverages would be an important contribution.

Secondly, there is a need for a new approach to cooperation among producers on a cross-commodity basis. Such cooperation, based on the recognition of comparative advantage in tropical products such as cocoa, coffee, oil palm and rubber, would be of interest to African countries. Countries with clear comparative advantage would be acknowledged as market leaders in the specific commodity. Those with diminishing comparative advantage would be encouraged through commodity sector policies to phase out and move into new areas. However, countries would be allowed to maintain levels of production to satisfy domestic needs. The process would involve periodic (say five-yearly) reviews of production costs to determine competitive advantage

[9] The history of Africa's relations with the colonial powers is replete with such examples. For example, when the Sterling Area no longer provided a strong reserve base for the colonial power it was abolished.

and agree on new relationships among producers, bearing in mind global demand trends. Such an arrangement would permit an international division of labour among primary producing countries on a cross-commodity and cross-regional basis, and reduce the tendency towards over-supply in the commodities concerned. It would involve trade-offs, but it could enhance the negotiating leverage of producers on a cross-commodity basis and improve overall earnings in the medium term. The idea needs to be further developed in consultation with current and potential major producers. Ultimately, diversification of this kind offers the best response to variations in earnings.

Thirdly, diversification in a wider sense, already recognised in the Final Act of UNCTAD I, still offers important opportunities for African commodity producing countries. Efforts could be directed not only to diversification of exports or increases in value added for exports. African countries need assistance with their commodity sector policies to determine the appropriate cut-off points between investment in say, agricultural production for domestic consumption and in exports. Cooperation with FAO and UNIDO could yield important results.

## Access to markets

There is considerable confusion on the issue of market access by African countries. Some in European Community (EC) circles argue that African products have free access to the community's markets. Others maintain that access is less free, and that non-tariff measures escalate with the degree of processing.

The difference in assessment arises from the time context. Currently, and as long as African countries export a limited number of traditional items in their unprocessed forms, liberal tariff conditions — indeed in most cases zero tariffs — apply. There are a few exceptions, however, with regard to products which compete with temperate zone products. Some of these are protected under the Common Agricultural Policy (CAP) of the EC. However, as described in Section II, there are a few tariff measures and a number of non-tariff measures (NTMs) on processed and semi-processed products from Africa. These can become important as African countries transform more of their raw materials into higher value-added products for export. In this context it can be said that commodity sector diversification programmes face potential problems of market access.

This poses a problem for investment in commodity sector diversification programmes. Availability of markets is an important consideration in investment decision making. It will become an increasingly important element in African governments' ability to attract investment into processing.

As has been noted above, the Uruguay Round negotiations on tropical products will offer only limited benefits for African countries. Most of the benefits claimed are already available under various agreements between the African, Caribbean and Pacific (ACP) countries and the EC. UNCTAD's contribution to this important area of concern lies more in post-Uruguay efforts to remove the remaining trade barriers, especially NTMs. UNCTAD could push for total liberalisation of access on all imports (processed and unprocessed) from African countries to the industrialised countries for a fixed period of say 10-15 years. There could be a review at the end of the period when changes can be negotiated. This would be an important complement to the process of diversification in Africa's commodity sector.

## Debt and financial resource flows

It was noted earlier that Africa is now the most indebted among the developing regions. High debt service obligations are a major constraint on development. This is one of the issue areas where UNCTAD has been most active. UNCTAD VII devoted considerable attention to the debt problems of developing countries. Particular efforts were made to raise the awareness of creditor countries to the difficult circumstances of poorer debtor countries, most of whom are in Africa. Since then, a number of initiatives have been taken, but they fall short of a lasting solution.

There is a need for continued analysis of the impact of the debt burden on the economic performance of African countries. Present day creditors deny developing country debtors appropriate debt relief, flying in the face of the same arguments which they, when debtors themselves, used to obtain relief. Fletcher (1985) gives examples of recent cases where present day creditor countries took unilateral action to ease their debt burden. Nine of the independent states of the USA in the 1840s suspended interest payments on loans received to build railroads and canals because '*a fall in cotton prices (the main export for these states) left them short of foreign exchange*'. In the 1930s, the British and French governments defaulted on debt obligations to the United States '*on the grounds that the needs of their people were greater than the legal obligations to creditors*'. As recently as 1953, the United States cancelled \$2 bn of Germany's \$3 bn debt and rescheduled the remaining \$1 bn to be repaid over 35 years at 3 per cent interest. Dommen (1989) provides numerous examples of solutions to debt problems in the past, ranging from outright renunciation through default to negotiated settlement. There is thus a shortage neither of precedent nor of possible formulae to solve the debt problem of the public sector, which constitutes the bulk of the African debt.

Along with others, UNCTAD has put forward proposals on commercial (banking) debt. For African countries, the distribution between commercial and public sector debtors has meaning only in terms of the presumed leverage — or otherwise — of the lender to accord debt relief. The debt burden is now just as onerous for Côte d'Ivoire, Nigeria and Zaire, where commercial debt owed to banks and private firms in the form of non-guaranteed suppliers' credits forms a larger proportion of their external debt, as for others: the constraints on their economies are equally serious.

Among the reasons usually given for the slow progress towards a solution of the commercial debt problem is that the loans were shareholders' or depositors' money and therefore could not be written off. The second reason usually given is that it would be improper to use public (government) resources to pay off bad loans given by private banks. In principle, both arguments are sound. However, public response to pragmatic approaches in selected cases shows that such solutions could in certain cases be accommodated. The United States authorities provided substantial resources to assist a major commercial bank recently. Also, when two leading banks made the necessary provisions in their balance sheets for possible non-payment of part of their outstanding loans, their shares on the stock exchange rose. These examples should encourage UNCTAD to continue to press for a more meaningful approach to Africa's problem.

On the other hand, there is a need to assist African countries to record and manage their loans in a manner that does not create problems for the future. Also, those few African countries which have reserves will need advice on how best to place them.

With regard to resource flows, there appears to be a growing recognition firstly, that Africa's development effort will require increased resources, and secondly, that more time will be needed. Official flows to Africa may now be expected to resume a modest upward trend. However, much higher flows of foreign direct investment will be required in the context of the structural diversification programmes which must be undertaken in the 1990s. In this regard, collaboration with regional and multilateral financial institutions such as the African Development Bank, the International Finance Corporation and the World Bank itself to foster greater flows of foreign direct investment could make an important contribution to the mobilisation of real resources for Africa's development.

## Regional integration, South-South and East-South Issues

Finally, an important area of much needed assistance where UNCTAD has established competence is regional integration. Fragmentation of Africa into small (sometimes hardly viable) nation states is a major obstacle to intra-regional trade and development. In an era when the leading economies are forging economic communities — Europe 1992, the Pacific Rim Group, and lately the USSR's proposed Common Market for the East European Countries — African integration issues have become even more important. UNCTAD's agenda for the 1990s will have great relevance to Africa if it intensifies the organisation's efforts to foster closer cooperation within the region in the areas of trade, customs and payments and transit arrangements, and development strategies generally. The World Bank has now become strongly aware of the importance of regional cooperation. UNCTAD's collaboration with the World Bank in this area could combine the latter's resources and the former's expertise to further increased regional integration in trade, finance and development.

An important point in this regard is the unfolding situation in South Africa. So long as the abhorrent régime of apartheid is in place in South Africa no meaningful relations can be established with it. However, the political situation may shift faster than expected. Under appropriate safeguards, UNCTAD could seek authority to initiate some forward planning measures in regard to the possible relations that may eventually develop on a mutually beneficial basis between an apartheid-free South Africa and its neighbours. This may still be a medium or even long-term prospect — however, UNCTAD's agenda for the next decade should not ignore this possibility, for which Namibia could provide a good starting point.

Africa's cooperation with other developing countries has suffered a setback because of the economic crisis. However, there are tremendous possibilities in trade in consumer goods, transfer of middle level and relevant technology, investment and human resources development. With African countries now engaged in policy reforms, their payments prospects could improve. This should give some impetus to South-South cooperation. UNCTAD could contribute to the process by intensifying its support for cooperation between Africa and the other developing regions in production, trade and — especially — in promoting payments arrangements to support trade and investment.

Potentially, one of the most important areas for dynamic trade expansion is between Africa and Eastern Europe. There is growing anxiety among African countries that ODA resources may be diverted in large part to these countries. This may be so in the short run. However, the changes now in progress in these countries could augur well for increased trade with Africa. As these countries improve the efficiency of their economies and as incomes rise, there could be increased benefits to world trade. Through UNCTAD's programmes, African countries could be helped to capture a fair share of this potentially dynamic market. Moreover, there are promising possibilities for joint ventures which could facilitate not only technology transfers but also access to markets.

## III. Concluding Observations

In the foregoing section, an attempt has been made to highlight some of the issues on UNCTAD's agenda in which African interests may be expected to be strong. Particular importance is attached to trade and regional integration as well as to debt. Resource flows are important but much less so than trade-generated resources and debt relief. Aid to Least Developed Countries (LDCs) is important, but the main area other than trade-generated resources where strong action is required to support African countries is foreign direct investment.

In all these areas, the relevance of UNCTAD to African countries in the 1990s will depend critically on their perception of how their interests are furthered in this forum. The level of representation by developing countries, including African countries in UNCTAD's meetings at different levels — the four-yearly Conference itself, the Trade and Development Board and in committees, sub-committees and inter-governmental expert groups — has dropped significantly since the 1960s and 1970s. Often governments are represented in meetings of the Board and below by local embassy staff, not even at the level of Head of Mission. This is in sharp contrast with levels of representation to the GATT, for instance, to which many African states are not even, contracting parties. Yet, significantly, many follow quite closely events in that organisation not only because of the Uruguay Round but also because they see a direct relevance of the proceedings to their economic interest. The World Bank, on the other hand, is seeking to enhance its own relevance for Africa through continual review and adaptation of its programmes to the region. However, many African countries still look to UNCTAD as the main organ for new initiatives in the broad area of trade and development.

The General Assembly resolutions[10] which led to the establishment of UNCTAD sprang from the conviction that the economic objectives of the Charter of the United Nations would best be promoted by 'a bold new programme of international economic co-operation'. UNCTAD's origins derive from this conviction. Thus the cutting edge of UNCTAD in the 1990s must lie in its ability to devise bold new initiatives to further economic cooperation.

By taking early and bold initiatives, UNCTAD can retain the goodwill of African countries. The events unfolding at the close of the 1980s offer a good opportunity for UNCTAD's enhanced contribution to Africa's development process in the next decade. A tendency to wait for issues to ripen before intervening would undermine UNCTAD's considerable capacity to make a valuable input. Above all, in the execution of its mandates, it will be important to bear in mind that the whole consists of parts and that a weak member can incapacitate the whole. The relevance of UNCTAD's agenda in the 1990s to Africa will be assessed not only by the organisation's contribution at the global level, but also by its direct relevance to the solution of Africa's problems, some of which have been highlighted in this article.

[10] General Assembly resolutions 1707 (XVI) and 1710 (XVI) of December 1961. See also The Final Act of UNCTAD (1987) Section II para 10.

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