Trade: Sub-Saharan Africa's Engine of Decline

Sub-Saharan Africa is exceedingly dependent on external trade. This is not so much because of a high ratio of external trade to production but because most imports: e.g. food and drugs, fuel and industrial inputs, transport equipment and agricultural inputs are vital to the operation - let alone development - of African economies and cannot yet be produced domestically in most countries. In some this also holds true for many basic consumer goods.

Merchandise trade for SSA by 1983 had become only slightly unbalanced - about $40,000 million of imports ($100 per capita) versus $37,500 million of exports. This however is grossly misleading. First, adding the deficit on imported services and the debt service due - each about $10,000 million - left a financing gap of $22,500 million or 60% of exports. Second, over 1980-83 imports had been cut by virtually a third below the levels necessary to sustain, let alone increase output per capita for the region. Third, for many countries the situation was very much worse. For example, as of 1983 Tanzania's estimated merchandise imports needed to operate the economy at a 5% growth rate ($1,200 million) and debt service due ($350 million) were almost four times its actual merchandise exports of about $400 million.

Over 1984-1986 this position deteriorated substantially. Import volume rose slightly and import cost less rapidly because of oil price falls. Export volume rose more rapidly but - especially in 1986 - price falls converted this into static or falling export earnings. While grant aid rose, lending fell and repayments rose so that for SSA as a whole arrears continued to rise and external reserves to fall. In a few cases, e.g. Ghana, Tanzania, Mozambique, post 1983 import rises made possible primarily by concessional resource transfer increases have outstripped export rises - especially in 1987 - but in general the worsening current external balance position represents not more aid but less ability to make trade provide minimum necessary quantities of imports.

The most basic and general purpose of exports is to finance imports. Inability to import enough is strangling SSA's economies. Import cuts cause multiple losses of domestic output because - e.g. in manufacturing - for every dollar of operating inputs and spares cut, up to five dollars of local labour,
raw materials and services cannot be used. Similarly hunger, unemployment and
disease burgeon because Africa cannot import enough to produce and cannot
import more because it cannot pay.

How Did This Happen?

First, for many African exports the world price trends since the middle 1970s
have been such as to cut the quantity of imports a tonne of exports will buy
by 50 to 70%. Second, partly because of price falls quantity produced fell -
about 10% for agricultural and mineral exports between 1970 and 1980. 1980-86
volume increases of the order of 20% were more than wiped out by price falls
so that while export volume reached new highs in 1986 even nominal export
earnings (let alone import capacity) were lower than in 1980. Third, the over
20 year old trend failure of African food production to keep pace with
- has raised import needs. Fourth, few SSA governments have had and held to
strategies of export development adequate to meet import requirements. Prices
for traditional exports paid to producers in the 1970's usually have been too
low relative to export values and while now higher on that test have risen
little in real purchasing power terms because of export price falls and
efforts to develop non-traditional exports too little, too late and too
fragmentary.

Export More? Import Less?

African states have no real option except to import more and to reduce the
ratio of imports to output. Export promotion and import substitution are not
alternative but complementary strategies.

Import substitution should in most cases be focused on food, on energy (e.g.
coal, hydroelectricity, natural gas even if there is no oil), on construction
materials and on basic consumer goods and agricultural inputs which can be
produced largely from local raw materials.

However, without increased exports, that will not solve SSA's trade problems.
No rational capacity utilisation, restructuring or expansion strategy can be
articulated which does not require import levels substantially above those now financeable and growing over time. The question is not whether to export but how and what to export. One answer is more traditional exports - at least restoring lost volume. But for many of these products more exports mean less revenue for SSA as a whole because the demand is inelastic and growing slowly. So if all SSA economies try this route, all will have less, not more, export earnings, indeed arguable that is what has happened over 1981-1987. A second group are non-traditional natural resource based exports, e.g. pulp and paper, iron and steel, ammonia and urea from natural gas. The problems are identifying potential and financing development. A third cluster are processed or manufactured forms of present raw material exports, e.g. leather, shoes, lumber, furniture, copper wire and cable, instant coffee, cloth and garments. In many cases this route could raise export earnings 50% or more but there are serious protectionist and quota barriers - the best known being the Multi Fibre Agreements restricting textile and garment exports. Last are labour intensive manufactures, but these require very cheap, relatively skilled labour which is not, in fact, available in most SSA economies.

The case for raising exports is not in most cases that they can provide a general engine of export led growth for SSA economies. It is that imports are essential to operate, maintain, restructure and expand SSA economies. Unless they can be financed at higher levels than over 1981-87 recovery, let alone restructuring to domestic (or intra African trade) led growth and development will be impossible to start or will be choked by literal import strangulation. Given the poor prospects for enhanced net resource inflows (from higher grants and soft loans and from debt relief), and the need for more African control over their own economic policy, these added imports need to be financed by higher export earnings. Even if debt relief and other soft finance is forthcoming on a larger scale than now seems likely (as Africa has a right to expect and as the global community implicitly contracted to provide at the 1985 UN General Assembly session on Africa), added exports are needed to reduce future requirements and to avoid total aid dependence.
Trade Barriers and African Exports

In each of the areas cited African states and producers can do much to raise production – indeed must do so if the goods to export are to exist. But without trade reform such efforts are likely to yield very poor rewards.

Protectionism in the North is rising. Quotas and related restrictions on textiles and garments are creeping cancerously to other simple manufactures, to iron and steel and more widely. They preserve a few jobs for a few years in the North (at a very high cost to consumers and taxpayers). To Africa they pose nearly insuperable barriers to diversifying into processed exports. Even the threat of such barriers deters making the heavy investment needed to export leather (much less belts, handbags and shoes) instead of hides and skins. In the case of EEC there are few present quotas but as under the EEC/ACP agreement the EEC could impose them unilaterally, doubts persist as to how open that door is.

Related to this are escalating tariffs, zero on raw materials but rising with the stage of processing. These distort real costs and keep processing in the North even when economic logic would move it to Africa where it is desperately needed to bolster exports, employment and the overall manufacturing sectors. Again EEC is an exception as all SSA states are now ACP members and free of duties on exports to EEC.

Third is the combination of protection and dumping used to defend temperate agricultural production by large, high cost farmers especially in the EEC where most farmers may be poor but most CAP (Common Agricultural Policy) benefits go to rich farmers. Beet sugar cannot compete on cost terms with efficiently grown cane refined in the producing country. Yet over half world production is beet and most cane sugar is shipped raw, not refined. Similar protective barriers affect grain and meat exporters or potential exporters (e.g. Zimbabwe, Malawi, Botswana, Swaziland). To add insult to injury the EEC produces huge surpluses of sugar and meat which it dumps (subsidises exports) gravely reducing the prices African exporters receive in non-EEC markets.

Two further sets of trade barriers hamper African exports – those of other developing countries and their own against each other. While the present volume of intra African and other South directed African exports – other than
petroleum from Nigeria, Angola and to a lesser degree Cameroon, Gabon, Congo and Zaire - is small, in the absence of these barriers it would probably have better growth prospects than do North bound exports.

Trade Reform: Some African Priorities

The Northern trade reforms Africa needs are relatively easy to list:

1. phasing out of quotas over a definite time period, e.g. ending MFA restrictions on textiles and garments over 1990-95 instead of tightening them every five years;

2. removing discriminatory cascade or tier tariffs which distort the economically logical location of processing and lock African economies into exporting the raw or slightly processed form;

3. radically revising the CAP to protect small farmers but to reduce subsidies to large, ending the production of surpluses which are then dumped to the detriment of African (and other South) producers and increase duty free quotas for African exports of CAP covered products. Special attention in both cases should be paid to sugar, beef, vegetable oils, citrus fruit and tobacco.

If acted on, these three changes - the first two of which should be, but are not, everyone's priorities for the next MFA renegotiation and ongoing GATT (General Agreement on Trade and Tariffs) round and the latter high on the EEC reform agenda - could create conditions compatible with fairly high (perhaps 4 to 5% a year growing to 6% after a decade) African export growth rates.

Action in respect to African regional and broader South-South trade development is basically an African (and Southern) responsibility involving complex issues rather different from those sketched above. However, greater Northern technical assistance and trade finance fund capital grants to African regional groupings seeking to expand intra African trade and asking for such assistance (e.g. the Southern African Development Coordination Conference) could be a useful catalyst.
Commercial Reform: Stability and Participation

The impact of falling commodity prices on the real value of African exports (the imports they will buy) has already been mentioned. Commodity agreements to stabilise these prices have - except perhaps for coffee - been relatively unsuccessful. One reason is hostility by Northern economy governments. If it is accepted that price stability is a good thing for Northern farmers and that the way to handle the steel industry crisis is to manage output not cut prices, it is absurd to argue in principle against export quotas and reserve stocks to do the same for tropical commodities. Serious attempts to find solutions to commodity price stabilisation problems might not ensure they would be found. The present scarcely (or not at all in the US case) hostility to commodity agreements does guarantee that there will be no solutions achieved.

African states suffer in marketing their products from lack of participation in marketing, inadequate information and - in the case of plantation and mineral products produced by foreign firms (TNCs and others) and sold to associates - transfer pricing. All of these market imperfections are well documented.

African states - including their private enterprise sectors - need to be more active in marketing by auction, by direct sale to manufacturers and wholesalers, through brokers and merchants owned by themselves. They also need to develop better data collection channels to determine whether they are getting fair prices or being ripped off, e.g. by rings rigging auctions or TNC subsidiaries or management contractors selling to associated companies at sweetheart prices. All of these changes are toward freer and less imperfect markets and more competition. One might, therefore, expect that Western governments and international funding agencies would be quick to provide data system, technical, personnel and financial assistance. Such, unfortunately is not now the case.
What Does It Matter?

To many African economies it can make the difference between ability to raise output faster than population and inability to raise it at all. To many Africans it can mean the difference between access to basic services (health, education and water), basic consumer goods and a minimally adequate diet or lack of access to any of these. In years of drought or particularly bad world economic conditions, the difference will for some hundreds of thousands of human beings be even starker - life of death.

For the Northern economies and their citizens the material differences will be much less. But they exist. Unless SSA can export more its imports from the North will continue to shrink, thus acting as a brake on Northern output and income growth. If the present strains continue, more and more African external debt will go into arrear and eventually into default. No one SSA state is a major debtor but the regional total is over $125,000 billion, that is more than Mexico or Brazil.

However, especially for members of UNA the real answer may lie in John Donne's best known lines:

   No man is an island...
   Ask not for whom the bell tolls
   It tolls for thee.

For many SSA economies the tocsin has been ringing ever more stridently for over five years; for scores and hundreds of thousands of poor Africans each year the collapse of their continents' trade position means - quite literally - the premature tolling of the passing bell.

Some Questions For Reflection And Discussion

1. Why are exports so critical to African economies?
2. How have import cuts forces by export falls affected SSA since 1979?
3. Why have African exports performed so badly?
4. Is protectionism - by tariff and by quota - against African beef and sugar, garments and textiles, leather and leather products, grain and tobacco, lumber and furniture, citrus fruit and fish, vegetable and margarine justified? Is dumping surplus sugar, beef and grain generated by CAP? If so why?

5. If it is not justified what should be done at future MFA renegotiations? In the ongoing GATT round? In EEC's CAP reform?

6. Should stability for tropical commodity prices be sought (as is done for European agricultural producer and steel mill prices)? If so what can be done to revive commodity agreements?

7. Should African countries and enterprises be assisted to make markets more competitive and to benefit more from them by doing more of their own marketing and improving their sources of commercial information?

8. What does it all matter to African economies? To Africans? To Northern economies? To us as UNA members?

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Suggestions For Further Reading


Catholic Institute for International Relations, Africa's Development Disaster, London, 1985


Jamal, A. H., "On restoring balance and regaining development" in Towards oblivion or reconstruction.
