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PROMOTING TRADE AND INVESTMENT TO ACCELERATE AFRICA'S DEVELOPMENT

Executive Summary

Any credible strategy to accelerate development in Africa must include the promotion of trade and investment among its key elements. Sustained high rates of capital investment are needed to channel scarce resources to the most productive sectors. Sustained trade expansion, on its part, and improving or, at least, stable terms of trade that come from increasing diversification of the production and export base, have the potential to serve as an 'engine of growth'. It is not possible to sustain a high investment rate, however, without a corresponding high rate of domestic savings supplemented and complemented by foreign savings brought in largely by foreign direct and portfolio investors.

Attracting significant flows of foreign direct investment (FDI) and stimulating domestic private investment are of crucial importance to sustained recovery and growth in Africa. And yet, while the barriers to investment in Africa are well advertised, for example, inadequate infrastructures, slow economic growth and political conflicts, the significant investment opportunities and potentials in Africa are often understated, as are the several positive trends occurring in the continent. The challenge for African policy makers is to devise policies to overcome the several obstacles to private investment, while reinforcing the promising trends in African countries by creating a favourable business environment conducive to increased private investment, in general, and foreign direct investment, in particular.

A policy framework to promote increased investment in Africa must address issues relating to the political climate; a conducive economic policy framework; increased public savings and investment; increased private savings; attracting foreign investment; and enhanced regional cooperation and integration.

As regards trade expansion, African countries must embark on a more dynamic course marked by increased participation in world trade and a more purposeful engagement in international exchange of resources. To do this, African countries would need to enhance their international competitiveness in the world markets.

International competitiveness is a complex concept, involving several facets. Nations compete in various fronts - in factor and product markets. Yet it may be emphasized that there is some debate as to whether competition is really among nations or among the firms that produce and sell goods and services in the world markets. Whichever is the case, there is agreement that nations compete to attract firms, as well as, capital, for example, by providing packages of incentives, including a conducive enabling environment for FDI. FDI, in turn, are important sources of capital, skills and technology transfer which are key to raising productivity, income and growth. International competitiveness depends on several factors, including, for example, well educated labour force, adequate transport infrastructure, cheap and reliable high-capacity telecommunications, and investment in research and development.

The past decade has seen most African countries embark on a course of macroeconomic stabilization, structural adjustment, economic policy reforms and public sector restructuring. These efforts provide a sound framework for boosting trade and investment. The supply response to reforms, however, has not been commensurate with the scope of the reforms which have been launched. The hesitant supply response notwithstanding, the results of recent reforms in Africa has been encouraging. Countries which have supplemented macroeconomic stability with policies that encouraged investment and promoted efficiency have achieved impressive growth rates, compared to those which adopted stabilization policies alone.

Countries need to pay attention to three complementary areas of policy reform: trade liberalization, domestic deregulation, and support to private sector development. Liberalizing trade will serve to align domestic prices more closely with those of international markets, thereby encouraging efficiency in existing firms and increasing the profitability of potentially competitive export activities. Many countries in Africa have made progress in recent years in deregulating domestic markets. Investment laws have been liberalized and simplified, restrictions on foreign investment have been relaxed, investment promotion efforts have been streamlined; the role of state enterprises is being re-defined and circumscribed; privatization is being accelerated in some countries; and price and marketing controls have been liberalized. Adopting a more liberal policy stance to promote increased inflows of foreign investment (particularly FDI) and encouraging domestic businesses to transfer, adapt and apply production technologies from abroad will pay off in terms of transforming the production base, boosting economic efficiency and productivity, diversifying and upgrading exports, and raising African countries' competitiveness.

There is need in much of Africa to establish and strengthen institutions that support the development of the private sector. One priority need is to enact and implement transparent rules and laws governing economic activity in such areas as contracts, pricing, and competition, and to apply these consistently. This is essential to reducing transactions costs to the private sector. Trade and investment are two intertwined components of considerable importance in any strategy to accelerate Africa's development within the emerging patterns of the world economy. The contribution of trade and investment to development and economic transformation is one of the lessons that African countries can learn from the experience of other regions.

Following the entry into force of the Uruguay Round Agreement, the world is now in a transition period leading to greatly liberalized trade and keener competition. African countries must use this period to reinforce their capacity to compete for investment and expand their trade.

I. INTRODUCTION

1. Increasing investment and making it more efficient, and expanding trade that is increasingly diversified and richer in value-added should be among the key elements in any credible strategy to accelerate development in Africa.

2. Sustained high rates of capital investment are needed to channel scarce resources to the most productive sectors and economic infrastructures which have the largest multiplier impacts. In order to maximize the volume of resources productively invested, however, it is necessary to minimize diversion towards speculative, arbitrage, and rent-seeking activities. These latter investment avenues are usually created by the prevalence of pervasive price controls and restrictive investment and trade licensing.

3. It is not possible to sustain a high investment rate, however, without a corresponding high rate of domestic savings. Foreign savings, brought in largely by foreign direct and portfolio investors, have an important role to play in supplementing domestic savings and as complementary resources that facilitate the transfer of superior technologies. But local entrepreneurs and investors are indispensable. The evidence from the economies that have been most successful in attracting foreign investment is incontrovertible. Investment decisions of local entrepreneurs and corporations, who should have an intimate understanding of the local economy's workings and potential, have an important bearing on investment decisions of foreign investors, who may have difficulty pricing their risk exposure without the benefit of the decisions of local investors providing leads to profitable possibilities.

4. Sustained trade expansion, on its part, and improving or, at least, stable terms of trade that come from increased diversification of the production and export base, have the potential to serve as an 'engine of growth'. This is particularly true for small economies, whose domestic demand is inadequate to sustain output growth or to justify economies of scale. Yet such economies of scale are an important factor in attaining higher levels of international competitiveness. The close correlation between high growth rates of economic output and exports in the fast developing economies of South-East and Pacific Asia - including island city States with limited domestic markets and limited natural resources - is testimony of the pulling power of exports and an open trade policy as an engine of growth. There is another reason for African countries to take a keener interest in trade: the process of global integration of national markets appears to be an irreversible tide of history.

5. This paper first examines the challenges of boosting investment in Africa. Then, it offers some proposals for reviving private investment. This is followed by an analysis of Africa's trade performance and the policy measures and actions that African countries can implement to enhance their competitiveness especially in the context of the Uruguay Round Agreement. The paper concludes with an outline of a policy framework for boosting trade and investment in Africa.

II. THE CHALLENGE OF BOOSTING INVESTMENT IN AFRICA

6. The recognition, indeed the consensus that the private sector should have a lead role in Africa's development while government provides the enabling environment has sparked considerable interest in reviving private investment in African countries. Attracting significant flows of FDI and stimulating domestic private investment are of crucial importance to sustained recovery and growth in Africa. And yet, while the barriers to investment in Africa are well advertised, for example, inadequate infrastructures, slow economic growth and political conflicts, the significant investment opportunities and potentials in Africa are often understated, as are the several positive trends occurring in the continent.

7. For example, African countries, in large numbers, are implementing economic reforms. As a result, liberalization of the external trade sector has accelerated. Many countries have liberalized their foreign investment codes and several have concluded bilateral investment treaties. Privatization of state-owned enterprises in utilities, energy, agribusiness and financial services sectors has increased the opportunity for foreign

and domestic investors to participate in sectors of the economy once opened only to the State. Overall, the economic policy stance of African Governments has become more market-friendly and the investment climate in many countries more investor-friendly. At the same time, several studies on FDI in Africa show that the rate of return on overseas direct investment is higher in Africa than in any other region in the world. As the continent moves towards embracing the policies which have attracted investors to other emerging markets, the climate has ripened for increased investment.

8. The challenge for African policy makers is to devise policies to overcome the several obstacles to private investment, while reinforcing the promising trends in African countries by creating a favourable business environment conducive to increased private investment, in general, and foreign direct investment, in particular.

A. A policy agenda to boost investment

9. A credible policy framework to promote increased investment in Africa must address issues relating to the political climate; a conducive economic policy framework; increased public savings and investment; increased private savings; attracting foreign investment; and enhanced regional cooperation and integration.

1. A hospitable political climate

10. The task of reviving private investment in Africa involves not only getting socio-economic policies right but creating a hospitable political environment. The key elements of such an environment are political stability, rule-based political order mediated by an impartial and independent judiciary, and good governance, with particular emphasis on transparency and accountability.

11. It is encouraging to note that a combination of political liberalization and economic reforms in various African countries has resulted in a more supportive political environment for private investment than was the case a decade ago. Indeed, as government leaders recognize the benefits of increased and efficient private investment, for example, generating employment and raising incomes, public policies have become more business-friendly.

2. A conducive economic policy framework

12. A key precondition for a supportive business environment is to establish and maintain macro-economic stability. Evidence from East Asia, Latin America and increasingly from the successful reforming countries in Africa shows that without first restoring stable macroeconomic conditions -- low inflation and manageable fiscal and external deficits -- and maintaining these over a reasonable period of time, it is not possible to achieve the increases in private investment and savings that are required to accelerate growth. Without a stable macroeconomic environment, the likely result is continued economic stagnation.

13. However, macroeconomic stability, while necessary, is far from sufficient for sustained economic progress. Experience from the successful East Asian economies has shown that sustained growth requires also a policy environment that encourages rapid accumulation of physical and human capital and greater efficiency in using capital. Moreover, the links between macroeconomic stability, capital accumulation and allocative efficiency are mutually reinforcing. Without the growth in per capita incomes that results from higher investment and savings combined with greater investment efficiency, stable macroeconomic conditions are difficult to maintain over long periods.

14. The East Asian experience also shows that increasing the profitability of economic activity by reducing the costs of doing business is among the keys to rapid capital accumulation. Higher profitability from investing in productive activities provides the means to increase both domestic savings and investment. But to sustain rapid rates of growth also requires greater efficiency. And for relatively small economies, as those

in Africa, efficiency improvements can be fostered only by opening up domestic markets to external trade, and exposing local producers to the discipline of foreign competition.

15. Much of Africa chose to follow a different route in the 1970s and 1980s. Most countries raised rather than reduced the costs of doing business. These costs took many forms, ranging from public and private marketing monopolies that effectively taxed producers, to inadequate and inefficient infrastructure provision that resulted in high costs of moving goods to markets. The heavy taxation of agriculture that lowered returns to farming and reduced the incomes of most of the population was particularly damaging. Countries also adopted measures that discouraged the efficient use of capital. Trade restrictions and inefficient tax systems that rewarded inefficient producers and traders while taxing efficient ones were the worst offenders. This policy environment reduced the incentives to invest, save and produce efficiently, and meant that exports stagnated. In turn, this led to a web of foreign exchange controls, and additional trade restrictions, and even more controls on economic activity.

16. However, the results of recent reforms in Africa are encouraging. Within the continent, countries that have supplemented macroeconomic stability with policies that encouraged investment and promoted efficiency have grown the fastest. During 1992-1995, the 17 economies that adopted such reforms grew, on average, almost 7 per cent faster per annum than the eight that had only stable macroeconomic conditions. In this latter group, although steps had been taken to reduce inflation and restore internal and external balance, GDP still shrank. Specifically, growth did not resume in these economies because their policy environments were still characterized by continued controls on private sector activity and advantages to parastatals, trade restrictions, financial sector distortions, and a pattern of public expenditures that favoured wages over maintenance and investment.

3. Increased public savings and investment

17. Domestic savings are composed of private and public savings. The fiscal policy stance of many African Governments in the 1980s, and their public consumption and capital investment choices in particular, have resulted in dis-saving in the government sector in the order of 5-10 per cent of GDP (table A.1). The small size of monetized and, therefore, taxable economies and slow growth rates give countries a narrow tax base. On the other hand, social and economic development objectives exert conflicting demands for, and irresistible pressures on, public spending. But there is much that can be done - and many African countries indeed have begun - to strengthen public accounts and boost public savings and investment.

18. The assessment and collection of fiscal revenues can be made more efficient and broad-based, with the aim of broadening the tax base and keeping marginal and average tax rates low. This should reduce incentives for tax evasion and, plausibly, could increase tax revenues directly (through more effective collection) and indirectly (through increased formal economic activity, spurred by lower taxes). On the side of public spending, allocation to development priorities could be further strengthened - by augmenting capital and recurrent spending on primary and secondary education, primary health care, economic infrastructures, and the judiciary. In order to achieve all this, however, governments need to develop better planning and budgeting frameworks, strengthen their capacity for real-time monitoring of revenues as well as capital and recurrent spending, increase the transparency and accessibility of public accounting frameworks, and insulate the auditing of public accounts from political pressures.

4. Increased private savings and investment

19. Compared to public savings, private savings by households and their enterprises have been the mainstay of domestic savings in Africa (table A.1). In a study commissioned jointly by ECA and the African Development Bank (ADB) in 1987,[1] among 20 selected countries, private savings contributed over two-thirds of aggregate domestic savings in 16 countries. Still, private savings as a share of GDP is no more

than 10 per cent, compared to 20-25 per cent in the Asian dynamic economies. The question therefore is: *Can more be done to promote a higher rate of private domestic savings?*

(a) Financial intermediation

20. Linkages between the modern financial sector and the rural subsistence and urban 'informal' economies remain stunted, yet the latter two sectors are home to a great majority of African economic operators. In a typical country, over three-fourths of bank branches are located in the capital city and a few large towns. Deposits in proportion to GDP remain low in spite of steps taken in recent years towards progressive deregulation of interest rates and credit management. This may be due to the stagnation of wages, salaries and self-employment incomes at subsistence-levels. But it may also be due to lack of a dynamic network of financial intermediaries tailored to objective economic and socio-cultural specificities of contemporary Africa. Banks, insurance companies, and non-bank financial institutions have tended to merely imitate the mode of operations of similar institutions in advanced market economies.

21. In order for African intermediaries to play a more dynamic role in mobilizing domestic private savings, it seems therefore that they will have to begin by developing a new range of innovative financial instruments tailored to the savings needs and capabilities of African households in different income and occupational brackets. These financial products should be presented in the language accessible to a clientele with only minimal literacy and numeracy capabilities. They should be marketed widely but also responsibly, balancing expected rates of return with a careful explanation of the possible risks which could nullify such returns, and assisting savers to spread their risk exposure.

22. All the above calls for a high level of ethics in financial marketing on the part of intermediaries and their agents and employees - perhaps higher than in the more financially sophisticated societies. It also means, of necessity, that, in the early years, weight should be placed on developing more straight-forward, easy to understand, low-risk savings instruments. The down-side, of course, is that low-risk instruments may offer only low to medium-high rates of returns. If maximum returns are to be passed on to savers, to keep them attracted, it will be necessary, therefore, to maintain low operating costs and provisioning for non-performing assets.

23. Governments have an obligation to establish fiduciary and prudential guidelines tailored to economic conditions and risk factors obtaining in African countries, to serve as a basis for the deposit-taking, lending, underwriting, risk assuring, securities discounting, broking, and portfolio investing operations of African financial intermediaries. And governments will have to strengthen the monitoring, auditing and supervisory powers and capacity of their central banks, capital authorities, and other regulatory institutions, backing them with incentives to reward correct behaviour as well as credible, prompt and proportionate sanctions against derelictions.

(b) Increased domestic private investment

24. Domestic savings mobilization is only one side of the coin of financial intermediation. Indeed, without increased demand for credits of maturities ranging from short to long term, under a spectrum of risk exposures and rates of return, there would not be increased demand for savings deposits by intermediaries. But just as African financial institutions need to be creative in tapping private domestic savings, they need to be equally innovative in tailoring credit instruments and financial services to the requirements and objective conditions of the whole array of African investors - entrepreneurs, big and small enterprises, households, municipal councils, infrastructure development authorities, other corporate bodies, etc.

25. The vast majority - and most dynamic - of African enterprises are micro-scale businesses, which rely almost entirely on individual or family labour and skills, and small-scale businesses, which supplement individual and family labour and skills with extra employment on a seasonal or intermittent basis, depending

on demand for the products or services they produce. African micro and small enterprises tend to be handicapped by poor business management skills, use of rudimentary or obsolete technologies, low productivity, and their being associated with low quality products and service standards. Their markets are limited to their immediate localities. These shortfalls will have to be remedied, before family-run micro and small enterprises can be counted on to serve as a dynamic engine of growth and employment generation.

26. Upgrading the technology base and production skills to boost labour productivity, and produce superior quality goods and services, and to expand market outreach requires a higher rate of investment than currently supported by exclusive dependence on household savings. There is a need for Africa's financial intermediaries to identify innovative (even unorthodox) ways to assist viable micro and small businesses to mobilize increased resources for investment in strengthening their productive capacity. Investment links between intermediaries and these enterprises will also nudge the latter to improve their management skills.

27. Lending to micro and small enterprises, noted for the non-transferability of their collateral, carries special risks. But these risks can be managed. Pilot micro-finance operations employing risk management techniques pioneered by the Grameen Bank, established in Bangladesh in the early 1980s, have demonstrated that 'character lending', which relies on a combination of peer group loyalty and individual integrity, is as effective in securing credit as conventional collateral. The Grameen Bank has reported loan repayment performance comparable or superior to that of commercial banks which rely on physical collaterals.

5. Attracting foreign investment in Africa

28. According to statistics published by the World Bank[2] (table A.2), out of some US$167 billion of net private capital flows to developing countries in 1995, the 48 sub-Saharan countries attracted only $5 billion, while the five North African countries shared $6.8 billion with Middle East countries with whom they are grouped in the Bank's database. Continental Africa, therefore, attracted less than $10 billion. In contrast, South-East and Pacific Asia drew $98 billion. China alone attracted almost $45 billion.

29. Foreign direct investment, in recent years, has contributed over a half of net private capital transfers to developing countries, and it has definitely overtaken official development finance (ODF) transfers as a channel of development resources. Africa, especially south of the Sahara, is now the leading recipient of ODF, net transfers from which were 4.9 per cent of GDP in 1995. However, because of the tremendous domestic pressure in all the donor countries to cut foreign aid budgets and to curtail contributions to the concessional lending windows of multilateral development finance institutions, Africa cannot continue to count on ODF net transfers at current levels, even in nominal terms.

30. Countries should, therefore, focus on attracting increased net private transfers well beyond the need to compensate for declining official flows. ECA has calculated, based on normative assumptions regarding the efficiency of capital, that continental Africa would need net capital transfers of the order of $50 billion (at 1995 prices) annually, to accelerate economic growth to attain an average annual rate of 6 per cent over a 10-year period.[3] But, *what will be the composition of this net private capital transfer?*

31. Basically, the choices are: resources on debt (i.e., commercial bank loans and issues on external bond markets); portfolio investments (i.e., debt and equity flows through capital markets); and foreign direct investment (i.e., acquisition or increase of direct stakes in production or distribution capacity). Concerning the first, most African countries are already over-burdened with servicing obligations of debt accumulated over three decades; and their low credit rating makes it difficult to obtain new resources on debt. Regarding the second, only a few countries where capital markets have established a track record (e.g., Egypt, Kenya, Mauritius, Morocco, Namibia, South Africa, and Zimbabwe) can count on this channel in the short and medium term. But, even then, the experience of Mexico in 1994 surrounding the collapse of the value of the peso indicates that there is cause to be cautious and not overly rely on portfolio flows. As assets traded in capital markets are extremely fluid, and prices are highly speculative, driven by evolving information,

capital can flow as quickly in one direction as in the reverse, with destabilizing consequences for the macroeconomy.

32. This leaves FDI as the resource transfer channel of choice. It is disappointing, therefore, that aggregate flows to continental Africa, including South Africa and the North African countries, have stagnated at only $3 billion annually (at current prices) since 1990, while aggregate annual flows to all developing countries have increased three-fold to $90 billion. Africa's share of world-wide FDI flows has dwindled to a negligible 1.36 per cent (table A.3). The continent accounts for an equally negligible 2.29 per cent of accumulated FDI inward stocks (table A.4). The pertinent question therefore is: *What can be done to attract increased FDI net transfers to Africa?*

33. In addition to a hospitable political environment and a conducive economic policy framework, there are other key prerequisites for attracting foreign investment. One prerequisite is efficient economic infrastructures. The deterioration and inadequacy of infrastructures have been a major obstacle to increasing economic output and profitability to business enterprises in Africa. Adequate and efficient infrastructures notably, water, electricity, telecommunications and transport systems are key not only to production of goods and services; but to their distribution and marketing. Revitalizing infrastructures to make them reliable and efficient is key to attracting private investment.

34. Another factor of attraction is a versatile labour force with a sound basic education, good training in a range of production and organizational skills, a good work ethic, productivity levels that match wage expectations, and a cooperative attitude. Labour, whether it is organized or not, should adopt a pragmatic approach to securing workers' interests, being fully cognizant of business operating conditions, international competition, profitability, and the internal savings and capital accumulation needs of the enterprises providing them with jobs. It is often proclaimed that 'cheap labour' is the main attraction for FDI. It is only a half-truth. What figures in investors' calculations is the overall unit cost of production, in which labour productivity and the wage rate are important but not the only factors. Other factors, such as taxes, land and real estate property rents, costs and reliability of utilities and transport, and effective costs of complying with regulations can easily overshadow labour costs.

35. On the whole, good investment policy should reward the initiative and risk-taking of foreign and local investors equally and without discrimination. This is for two reasons: First, as noted earlier, increased local private investment appears to lead foreign investment. International statistics indicate that FDI should not be expected to exceed 10 per cent of aggregate gross fixed capital formation (table A.5). Indeed, foreign investors often look for established local investors with whom to enter into partnership arrangements, in order to tap local knowledge of political and economic conditions - and share investment risks. Second, in ongoing global multilateral trade negotiations in the World Trade Organization (WTO) framework, capital-exporting trading powers are pressing for the adoption of non-discrimination between foreign and local investors (i.e., national treatment of foreign investment) as one of the basic principles of international trade.

6. Regional cooperation and integration

36. High production and marketing costs impede investment in much of Africa. Regional integration could reduce these costs in a variety of ways. Improving land and air transportation links (and combining them where feasible) across neighbouring countries could reduce costs dramatically, especially for landlocked countries (of which Africa has 14). Similar benefits might flow from developing energy resources on a regional or subregional basis rather than in individual countries. Integration also could be mutually beneficial by facilitating the flows of capital, labour skills, raw materials and technology from surplus (richer) to deficit (poorer) countries. Similarly, if integration were to lead to the harmonization of investment and other procedures, and tax and tariff codes, it would reduce the cost of doing business in multiple countries and could boost investment.

37. Regional integration also has the potential for locking in a more rapid pace of liberalization. Through regional agreements, there would be pressure on countries that are slow to reform from those that lead the way. Agreeing to adopt similar trade and tax structure would allay fears of competition due to the uneven pace of reform. And, it might also bring fiscal benefits since it would reduce the pressures on countries to compete for foreign investment by providing tax incentives.

38. For resources such as water or tourism, the benefits and costs from their exploitation and use transcend national boundaries. To derive the greatest net benefits from such resources would require cooperation on a regional or subregional scale. Conversely, lack of such concerted action would impose costs on one or more of the countries concerned.

C. INVESTMENT PROMOTION IN AFRICA: POSSIBLE NEW DIRECTIONS

39. Practically all African countries, in recent years, have taken significant steps to boost local investment activities and to attract foreign investors. Most countries offer generous incentives to attract investors. These mostly include "tax holidays" covering start-up periods stretching for as long as five to ten years, very liberal capital depreciation rules for corporate tax accounting purposes, and land (in countries where its ownership is vested in the state) or mineral resource concessions on long fixed-term leases. Exchange controls are still in force in most African countries; but foreign investors are routinely promised the right to repatriate dividends and capital to their external shareholders and creditors. In countries which have advanced the furthest with monetary and currency reforms, such as Morocco, Kenya and Uganda, exchange controls have been largely removed - at least, on current account transactions. Investors are free to repatriate dividends and capital through channels of the foreign exchange market which operates under only nominal supervision of the central bank.

40. To reinforce investment incentives packages, countries have established semi-autonomous investment promotion centres (IPCs) whose functions include assembling and supplying quality information about the economy and investment opportunities, explaining the policy, legal and regulatory frameworks and license requirements as they affect investors, assisting foreign investors to complete the necessary legal, regulatory and financial requirements to obtain operating licenses, and facilitating the acquisition of land. In principle, IPCs are supposed to serve as "one-stop" boutiques, offering under one roof a range of services to investors which could be completed in one call - instead of having to pay separate visits to dispersed administrative, regulatory, and financial authorities to satisfy requirements for licenses of establishment. In practice, unfortunately, few IPCs come close to this ideal as yet.

41. Much still needs to be done to simplify the process of granting approvals for capital investments, accompanied by a genuine empowerment of IPCs to function as "one-stop" centres representing all the branches of government with regulatory responsibilities over investment. IPCs should go beyond representing public authorities, however. They should have the capacity to broker business discussions between local and foreign investors, in the case of sizeable or complex investments whose success hinges on partnership arrangements between local and foreign business interests.

42. Related to investment promotion, countries have also set up privatization agencies to handle the restructuring, repackaging, valuation, and sale of government-owned enterprises and associated assets to local and foreign investors. The tendency has been to have these agencies run separately from the IPCs, no doubt because the mandate of the former is regarded as limited, to be completed when all non-strategic state enterprises are disposed of. On the other hand, there will always be a need to promote investment - and a role for IPCs.

43. Most African countries are members of the Multilateral Investment Guarantee Agency (MIGA, an affiliate of the World Bank) and are signatory to various bilateral and multilateral protocols and agreements which offer foreign investors security against unilateral expropriation of their assets. A number of bilateral

and multilateral institutional arrangements (including MIGA) also offer limited assurance against economic and political risk exposure (such as losses from exchange rate fluctuations or policy shifts, and losses from political upheavals, etc.). These arrangements go some way towards reassuring investors.

44. The limited flow of international capital to Africa, however, indicates that, among foreign investors, the perception of risk in Africa remains quite high. To turn the tide, it seems, African countries individually and collectively need to undertake a more thorough and candid analysis of all the risk factors commonly identified with Africa and take credible steps to reduce them. Bilateral partners, notably the United States of America, the European Union, Japan and the Association of South-East Asian Nations (ASEAN), also could assist by offering significant tax rewards to their subjects investing in African countries implementing sound policies. The World Bank, possibly in collaboration with Africa's most important bilateral partners, could introduce investment risk mitigation instruments tailored to risk factors in different economic sectors and priced at a small fraction of the premia implied by countries' risk assessments by overly pessimistic commercial rating agencies. The risk assurance premia could be split between countries (financed by Bank lines of credit) and the foreign investors wishing to reduce their risk exposure.

45. The continuing high level of risk perception notwithstanding, a reasonable framework of incentives, economic policies and institutional arrangements aimed at investment promotion exists in virtually all African countries. But this could be improved further. In some countries, there are still some designated economic sectors (considered either strategic or within the capabilities of local operators) which are open only to government investment or exclusively restricted for indigenous investors. Strategic sectors invariably include economic infrastructures : roads, railways, sea ports, airports and airlines, telecommunications, power, water supplies, etc. Considering, however, that governments often do not have adequate capital resources to fully develop and operate all these facilities, and yet they are vital to attracting investment in the productive sectors, a pragmatic reappraisal of public policy seems to be urgently needed, which should result in opening up infrastructures to private investment. Similarly, countries which still have restrictions on foreign investment in the extraction of mineral and other natural resources need to reappraise this policy -- as these resources are often these countries' main attraction to foreign capital.

46. In yet other countries, financial services, such as banking, insurance, currency markets, and investment brokerage, are reserved exclusively for local operators. This restriction should be reconsidered, as it only impedes countries' integration into the global financial and capital market and, therefore, sends the wrong signals to foreign investors.

47. Another area where African countries need to make substantial improvement is at the level of local administrations - municipal councils, regional and district administrations. In most countries, the work done to promote investment has until now been mostly at the level of the central government. And yet a redistribution of administrative authority and socio-economic development responsibilities from the central government to regional administrations and local councils is under way in many countries. Local levels of governments, through their responsibility over local affairs, ultimately wield as much influence as (if not more than) the central government over the conditions within which investors operate.

48. A number of the issues involved in promoting private sector development and increased investment in Africa were discussed at the International Conference on Reviving Private investments in Africa: Partnerships for Growth and Development, organized by ECA with support from a number of partners, held in Accra, Ghana, from 24 to 27 June 1996 (Box 1).

Box 1

International Conference on Reviving Private Partnerships for Growth and Development

The Conference was attended by about 650 participants drawn from African public and private sectors as well as business executives from outside the region. Hosted by the Government of Ghana, the Conference was a collaborative effort among ECA, the United Nations Development Programme (UNDP), the Global Coalition for Africa, the African Business Round Table, the World Bank Group and bilateral donors such as the Governments of the Peoples Republic of China, Japan and the Republic of Korea, the Swedish International Development Cooperation Agency, the Overseas Development Administration (United Kingdom) and the International Development Research Centre (Canada).

The objectives of the Conference were threefold: to exchange experiences between African policy makers and business persons, on one hand, and foreign business executives, especially investors interested in Africa, on the other; to provide a platform for African governments to outline their adopted or planned policies for creating an investor-friendly climate; and to organize and create a forum for exploring investment opportunities in several sectors in African countries.

Regarding the first objective, the Conference afforded an opportunity for African and foreign business executives, as well as government officials to examine the potentials but also the problems of attracting private investment to Africa. In particular, the Conference highlighted what African countries should do to stimulate private investment - foreign and domestic. In this regard, the Conference discussions emphasized a composite of measures, including strengthened partnership between government and the private sector in Africa as a key prerequisite, of an enabling, investor - friendly environment; accelerating the pace of privatization which will signal increased public policy commitment to, and opportunities for, private investment; creating and strengthening capital markets as vehicles for mobilizing savings for investment; political stability buttressed by good governance; pursuing sound macroeconomic policies pursued with consistency to sustain the confidence of current and would be investors; and enhanced commitment to regional integration as a means of overcoming the disincentive to significant inflows of foreign investment posed by small size of the economies of many individual countries.

In exploring investment opportunities in Africa, the Conference discussions focused on four major sectors where the allure of investment and the emphasis of African countries have converged. These are infrastructure and energy; agribusiness; telecommunications; and financial services. Though the opportunities for private investment vary from country to country, the Conference recognized that privatization has opened avenues for increased private investment in these sectors, adding to the opportunities that existed in the natural resources, mining and minerals which have been the beacon for the first generation of foreign investment in Africa. The large number of foreign business executives that attended the conference was evidence of significant and continuing foreign investors' interest in Africa. The other evidence is the increasing number of foreign firms that have joined the U.S. Corporate Council on Africa and the African Business Round Table, two associations for corporate direct investors interested or operating in Africa.

A key event at the Conference was a Round-table Summit meeting that brought together Heads of State and Government or senior political leaders from eight African countries and six business leaders from within and outside Africa. Through the vehicle of the Round-table Summit, the government leaders and business executives offered their perspectives on issues of private sector development and the role of private investment in Africa's development. Most significantly, the Government leaders emphasized their commitment to political and economic reforms, including eliminating many policy and institutional barriers to private investment.

An important initiative taken at the Conference was the launching of the African Capital Markets Forum, a multi-country advocacy group bringing together members of stock exchange, leasing companies and financial institutions such as brokerage firms and investment funds. Yet another major initiative taken at the Conference was the formation of the Corporate Council for Women in Africa which will be composed of African women entrepreneurs whose enterprises have annual turnover of $1 million and above. The aim of the Council is to provide financial services and network for women entrepreneurs in Africa. The Council will establish a fund to support its operations. The formation of the Council gave a practical expression to one of the major themes of the Conference - economic empowerment of women in Africa.

Overall, the Conference provided a platform for government leaders from various African countries and business executives from the private sector from Africa, Asia, Europe and North America to reaffirm a shared commitment to reinvigorate private investment as key to sustained growth and accelerated development in Africa.

III. THE CHALLENGE OF EXPANDING AFRICAN TRADE

49. According to global statistics compiled by UNCTAD,[4] aggregate world merchandise trade (valued at current prices converted into dollars at prevailing exchange rates) has grown at a compound annual rate of slightly over 11 per cent since 1950 (table B.1 for exports). Exports and imports of the developed market economies have grown somewhat faster than the global mean rate and about half a percentage point faster than those of all developing countries. Consequently, the shares of the developed market economies' exports and imports in world trade have increased, in current value terms, by nine and three points respectively, to 69.8 and 68.3 per cent. The developing countries as a group, on the other hand, have seen the share of their exports fall by six points to 27.4 per cent, while that of their imports has increased slightly to 29.2 per cent (table B.2 for exports). Over the 45-year epoch, the developing countries' trade performance outpaced the developed market economies over 1970-1980, due to surges in prices of primary commodities. Statistics indicate that the developing countries' exports and imports in the 1990s are growing faster than those of the developed market economies. At this rate, by the year 2000, the developing countries' share of world trade will exceed one third.

A. Africa's trade performance compared to the rest of the world

50. *Against this background, what has been the performance of African countries, individually and as a group?* Africa's exports and imports have grown at slightly below 9 per cent since 1950, in current value terms (table B.1), two percentage points slower than the mean rates for developing countries as a group. As a result, the shares of Africa's exports and imports in world trade have fallen steeply from 5.3 and 5.7 per cent respectively, in 1950, to 1.8 and 2.0 per cent in 1993 (table B.2). Thus, Africa accounts for more than one half of the group's loss of world export market share. Ten countries (Algeria, Botswana, Gabon, the Libyan Arab Jamahiriya, Mauritania, the Niger, Nigeria, Rwanda and Swaziland) have equalled or

exceeded the mean rate of world trade growth. An additional 10 (Angola, Burkina Faso, Burundi, the Congo, Côte d'Ivoire, Guinea, Mali, Seychelles and Tunisia) have come within one point of the developing country group's mean rate of export growth. The median rate for African countries since 1950 is 7.5 per cent.

51. The low level of trade in overall economic activities in most African countries, compared to the more dynamic economies in Africa and elsewhere, suggests that greater attention should be given to re-orienting economic policy towards promoting rapid growth of trade to serve as a possible engine of growth. Greater attention should be paid to the needs of exporters, and there should be a wider opening to imports. Indeed, more than 30 countries in Africa have liberalized their trade policies significantly since the late 1980s. Most countries, for example, now have market-determined exchange rates, and private sector operators have non-discriminatory access to the bulk of foreign exchange earnings. Quantitative restrictions have been converted to tariff equivalents in almost all countries, and tariff regimes have fewer rate bands with significantly reduced dispersion between the highest and lowest tariff rates. Duty draw-back arrangements have been instituted to exempt exporters from import tariffs, and some countries have opened export processing zones (EPZs).

52. A study commissioned by ECA has analyzed the changes over 30 years in the values of shipments to the Organization for Economic Cooperation and Development (OECD) countries, and market shares, for a group of 30 major products (identified at the three-digit level of SITC classification) which accounted for 86 per cent of sub-Saharan African countries' exports during 1962-1964. By 1991-1993, their share of African exports had declined to 63 per cent. Table B.4 shows Africa's initial share of OECD imports for each product, growth rates of OECD imports from Africa compared to those from the rest of the world, and changes in African exports' share of the OECD market over 1962-1964 to 1991-1993, along with similar information for broad product groups such as foodstuffs, agricultural materials, or manufactures.

53. It is evident from this information, as well as from table B.3, that Africa's competitive position in the world export market has suffered sustained general deterioration in almost all key export product groups. For the 30 major items analysed by the ECA study, Africa's share of OECD countries' market declined by over 11 percentage points, from 20.8 per cent in 1962-1964 to just 9.7 per cent in 1991-1993. This loss of market share implies annual trade losses for the region of almost $11 billion. To put this figure in perspective, OECD official development assistance to sub-Saharan African countries in 1991 was $10.9 billion. Furthermore, the products of principal export interest to African countries have also experienced well below average rates of demand growth in global trade. World trade in non-fuel goods increased at a compound annual rate of 11.8 per cent, yet the corresponding growth rate for the 30 major African products in table B.4 was almost seven percentage points lower.

54. Africa, therefore, has suffered from a two-pronged problem: It has steadily lost world export market shares for its principal exports which, in turn, have seen their relative importance in world trade steadily decline. Both factors have contributed to Africa's increasing marginalization in world trade.

55. It seems, therefore, that underlying African countries' poor performance in international trade has been their continuing overwhelming dependence on unprocessed and semi-processed primary commodities. They have not acquired the capacity to compete in the production of new export products with higher value-added and better demand prospects.[5] The study commissioned by ECA has compared African countries with other country groupings in the rest of the world on changes in export product concentration from 1962-1964 to 1991-1993 on the basis of three widely used indices (table B.4). Clearly, African countries' exports remain undiversified.

56. African countries' trade concentration, however, goes beyond a high degree of dependence on a limited number of export products. Almost as pernicious is the lack of diversification of trading partners - buyers of exports and suppliers of imports. OECD countries still remain the destination for the bulk of

African countries' exports and the source of a large share of their imports of goods and services. Studies have indicated that African countries generally pay considerably higher than average prices for their imports, one of the reasons being the monopoly powers exercised by suppliers as a result of countries' dependence on a few trading partners.

57. At the same time, formal (i.e., recorded) intra-African and cross-border trade flows have stagnated at low levels. Regional economic cooperation and integration is supposed to correct this situation and promote increased open trade between member countries of regional economic communities. As table B.5 shows, trade flows among members of Africa's economic cooperation groupings remain well below 10 per cent of aggregate exports to the whole world. In contrast, intra-regional trade among the members of the Association of South-East Asian Nations (ASEAN) and the South American Common Market (MERCOSUR) is about 20 per cent of the groupings' total exports.

B. Expanding Africa's trade and international competitiveness

58. From the foregoing, it is clear that what needs to be done is to put African countries on a more dynamic course marked by increased participation in world trade and a more purposeful engagement in international exchange of resources. To do this, one must understand the *characteristics of international competitiveness in the emerging world market and its determinant factors.*

59. International competitiveness is a complex concept, involving several facets. Nations compete in various fronts - in factor and product markets. Yet it may be emphasized that there is some debate as to whether competition is really among nations or among the firms that produce and sell goods and services in the world markets. Whichever is the case, there is agreement that nations compete to attract firms, as well as capital, for example, by providing packages of incentives, including a conducive enabling environment for foreign direct investment. FDI, in turn, are important sources of capital skills and technology transfer which are key to raising productivity, income and growth. Competitiveness depends on several factors. A few are examined here.

60. Well-educated labour force: There should be adequate investment in good basic education, and vocational training, all of which are essential to acquiring the skills for adopting to rapidly changing structure of production and exports. The benefits of a well educated force extend beyond easy mastery of new technology. They include, for example, high motivation to work, ability to introduce technical innovations to production processes and commitment to change orientation.

61. Adequate transport infrastructure: Efficient and adequate transport infrastructure are key to competitiveness in trade. Cross-country studies have shown that freight rates in Africa are considerably higher than those on similar goods from other developing countries. And, correspondingly, the net payments for transport services by African countries are much higher than those for other developing countries and have increased over the last two decades. In 1990-1991, for instance, the net freight and insurance payments by sub-Saharan African countries were equal to about 15 per cent of the total value of the subregion's exports. For 10 land-locked countries (Burkina Faso, the Central African Republic, Chad, Ethiopia, Malawi, Mali, the Niger, Uganda, Zambia and Zimbabwe), however, whose trade must transit neighbouring countries and, therefore, incur additional handling and storage costs, freight and insurance costs averaged a debilitating 42 per cent. In comparison, for developing countries as a group, these payments averaged just 5.8 per cent of export value. High and possibly increasing export freighting and insurance costs more than wipe out any tariff preference that African countries are able to obtain from their trading partners.

62. Cheap and reliable high-capacity telecommunications are an indispensable factor in emerging patterns of world trade, characterized by transnational corporations with far-flung branch plants, intra-firm transfers, just-in-time lean inventory management, and the need to respond promptly to changing customer demands. Rapid advances in information and telecommunications have made communication around the world in real

time the norm in conducting international business transactions, including trade. Innovations such as teleconferencing and computer networking facilitate the management of branches of corporations dispersed around the world. Internet is fast emerging as a versatile cyber-market of great potential that could revolutionize international communication and commerce. Increasingly swift, cheap and reliable modes of transport make it feasible to move raw materials, semi-finished and finished products from one corner of the world to another in a matter of hours or days rather than weeks or months that it used to take not so long ago. These technical breakthroughs have integrated once isolated national product and factor markets into a single world market. Operating within an integrated market has sharpened the competition between producers - whether large firms or small-scale enterprises - located in different countries. Being competitive under the emerging conditions, therefore, means being receptive to world market signals, having adequate capabilities to adjust swiftly to changing signals, and possessing capacities to take the fullest advantage of emerging business opportunities.

63. Investment in research and development: Raising levels of productivity is a key element in competitiveness. A well-educated labour force and adequate infrastructure are important components. Sustaining productivity over the long term requires the ability to create or adopt new technology. In pursuit of this objective, Africa would need to invest more in research and technology than hitherto.

64. In as much as African countries are able to adopt the required measures to enhance their competitiveness, they would be able to face challenges and exploit all opportunities presented by the Uruguay Round Agreement.

C. The Uruguay Round Agreement and Africa

65. For all Sub-Saharan African countries, the combined OECD most favoured nation (MFN) tariffs before the Uruguay Round Agreement averaged 4.6 per cent. The "applied" duties, which account for trade preferences, was some 4.25 percentage points lower. Resulting from the Uruguay Round, the average MFN tariff rate was reduced to just 2.68 per cent - which, in effect, is tantamount to an erosion in preference margins by 1.78 percentage points on average. A key concern, therefore, is the magnitude of losses of export earnings that African countries will experience as a result of the reduction of preferences. Some studies have estimated that a total erosion of African countries' preference margins could cost sub-Saharan African countries in the order of $250 million annually, with the bulk of such losses being borne by a few countries. Since the Uruguay Round did not completely erode preferences, however, a realistic estimate of export earnings losses should be of the order of $100 million.

66. Before the Uruguay Round, some African countries faced important OECD non-tariff barriers (NTBs), although the exports that most countries were able to deliver to OECD markets were largely unaffected. Taking developing countries as a whole, NTB measures were applied more often against their exports than against those of developed countries and economies in transition. This situation is supposed to change markedly as a result of the Uruguay Round agreements. Notable steps were taken in this direction in three areas. The first was the agreement to bring trade in agricultural products under the General Agreement on Tariffs and Trade (GATT) multilateral trade regime. The second was the establishment of a timetable to phase out, over a 10-year period, the Multi-fibre Arrangement (MFA) which has governed OECD trade in textiles and clothing for three decades. The third was the tightening of the rules governing recourse to "voluntary" export restraints (VERs) and safeguard measures.

67. Regarding trade in agricultural products, where the most difficult and protracted negotiations took place, the Round concluded with agreement to convert most non-tariff barriers into ad-valorem or specific tariffs, which were to be "bound" and reduced over a period of six years. There is provision, however, for a special safeguard measure which allows additional duties to be imposed on agricultural imports in the event of steep price falls or surges in import volumes. The conversion of NTBs into tariffs (a process known as "tariffication") was, in principle, supposed to be based on the difference between internal and external prices

as observed during 1986-1988, i.e., the tariff rates that, when applied to efficient external prices, would equalize them to the protected market internal prices. The industrial countries undertook to lower the "bound" tariffs by an unweighted 36 per cent over six years, while developing countries would reduce theirs by 24 per cent over 10 years. The Round also achieved commitments to reduce domestic agricultural support measures and export subsidies.

68. In principle, the replacement of NTBs by tariffs as a prelude to subsequent tariff reduction was a welcome step towards the liberalization of trade in agricultural products. And the reduction in domestic support should increase export opportunities for efficient developing country agricultural exporters to third markets. What is not so encouraging, however, are the prohibitive tariff rates that have resulted from the tariffication exercise. In some import markets, NTBs on some agricultural products of export interest to Africa (such as raw sugar, coarse grains, or beef and veal) have been replaced by tariffs as high as 125 to 493 per cent. At these rates, it is hardly feasible that African agricultural producers, however efficient, could successfully penetrate developed country markets, in competition against local producers.

69. Regarding the ending of the MFA restrictions on trade in textiles and clothing, the Round concluded with another hard-fought agreement to phase out all current NTBs, gradually, over a 10-year period. The process will involve the progressive elimination of quantitative restraints for each product category, combined with more rapid expansion of quotas (i.e., by more than the rate of quota growth during the 12 months period prior to the entry into force of the Uruguay Round agreement). It was stipulated that restrictions were to be removed from products accounting for not less than 16 per cent (in terms of 1990 volumes of items covered by the MFA) as soon as the agreement entered into force. There are to be three subsequent phases - at the beginning of the fourth, eighth, and at the end of the tenth year - during which an additional 17, 18 and 49 per cent respectively of the 1990 import volumes must be fully liberalized. The agreement, however, provides for a "transitional safeguard" mechanism which allows NTBs to be used if surges in import volumes are deemed to pose a threat to the domestic textile and clothing industry.

70. The textile and clothing trade sector is potentially of great export interest to Africa. Almost all the major successful trading nations in the world - from post-Industrial Revolution England to post-World War II Japan and, in more recent times, the South-East and Pacific Asian "tigers" - all have honed their manufacturing skills by developing production capacity in this sector. Spanning the technology spectrum from low- to high-tech, this is one of the sectors from which African producers supplying the local as well as export market could launch the drive to diversify Africa's product range from low-processed primary commodities to higher value-added goods.

71. There are significant problems to be overcome, however, before African producers can be counted among the most competitive suppliers in the world. Comparative studies of textile and clothing production in selected developing countries have found producers located in African countries less competitive than those in other countries on the basis of aggregate unit production costs. If African countries are to establish a strong claim in this sector, therefore, it is necessary to pinpoint and eliminate the factors which underlie high production costs and shoddy quality standards of finished products.

72. Such structural and policy corrections cannot be completed over-night. The envisaged programme for phasing out quota restrictions and ushering in the rigours of free-market competition in textiles and clothing therefore is advantageous for Africa. It gives countries time to complete their necessary adjustments. Countries should use this last breathing space to map out a comprehensive strategy to attain international competitiveness standards well ahead of the end of the 10-year transitional period, gearing themselves up to face the fierce competition that will follow.

73. Regarding the tightening of rules on post-Uruguay Round application of safeguards (such as anti-dumping countervailing measures), the most significant feature was commitment to eliminate all voluntary export restraints, within a period of four years. Each country is allowed recourse to only one safeguard.

If this commitment is honoured strictly and in good faith (and without finding ingenious new legal definitions that have the effect of facilitating the maintenance of restraints under another name), it will result in a significant reduction in non-tariff measures on developing countries' exports to the developed market economies. For African exporters, however, reduced restrictions on other developing country suppliers - who are more efficient - could mean a loss of hither-to privileged access to protected markets.

74. It is expected, that after the 10 years or so of transition, the Uruguay Round agreements will have reduced international trade restrictions significantly. This will unleash keener competition among enterprises worldwide. African countries and producers are not automatically assured of benefiting from the opportunities to be created by trade liberalization. This, however, is not to say that African countries might as well throw in the towel without making an effort. This continent does possess potential comparative advantages - such as its largely untapped mineral resources (which could provide a base for industrial development), or its youthful demographic structure (which, if appropriately educated and trained, would provide a formidable workforce in a world of aging population). With the right policy mix and resource commitments, potential advantages could be converted into strong competitive advantages within the span of one or two decades.

The World Trade Organization

75. The Uruguay Round Agreement concluded in December 1994 is only the prelude in a wide-ranging agenda to liberalize international trade and financial flows. A new multilateral institutional framework, the World Trade Organization (WTO) was established by the Agreement to oversee the continuing process of trade liberalization. It will organize negotiations in areas left over from the Uruguay Round; supervise international compliance with agreed norms in areas ranging from tariffs and non-tariff measures to trade-related investment measures (TRIMs) and trade-related intellectual property rights (TRIPs); establish a dispute settlement mechanism to resolve trade conflicts between States; provide a range of trade-related technical services to governments and the wider public; and provide a forum for a continuing dialogue among policy makers on international trade and development concerns. It is important that African countries participate purposefully in the affairs and institutional framework of WTO (see Box 2).

76. Countries should pay particular attention to the continuing negotiations on bringing trade in services (beginning with telecommunications and financial services). Services are a sector of current importance to a number of countries and of potential importance to more countries. Negotiations will also attempt to nudge trade in agricultural products towards further liberalization than achieved in the Uruguay Round. Agriculture is the most important sector in African economies. Increased output and assured access to food supplies at affordable prices hold the key to sustained, low-inflation growth and job creation. Also, exploratory discussions will continue on more controversial issues that traditionally have not been considered to be part of trade policy (e.g., the environment, social policy concerns such as gender equity, labour rights, and the employment of minors in production sectors). Developed market trading powers are determined to bring these new issues within the scope of multilateral trade norms. Developing countries, on the other hand, fear that the incorporation of these concerns will only serve to restrict access to developed country markets for developing countries' exporters. African countries have a clear stake in all the ongoing negotiations and discussions.

Box 2

African countries participation in the World Trade Organization (WTO)

The World Trade Organization (WTO) is designed to improve the framework of multilateral rules governing international trade and promote further improvements in access to foreign markets for both goods and services. The establishment of WTO was a major outcome of the Uruguay Round of Multilateral Trade Negotiations which started in September 1986 in Punta del Este, Uruguay and lasted for over seven years, culminating in 1994 with the signing of the Final Act, in Marrakesh, Morocco.

The improved rules governing international trade are contained in three main legal instruments: the General Agreement on Tariffs and Trade (GATT) and its agreements, which apply to trade in goods; the General Agreement on Trade and Services (GATS), which applies to trade in services; and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

The major organs of WTO include the following: the Ministerial Conference; Trade Policy Review Body; General Council; Dispute Settlement Body, which has an appellate body and dispute settlement panels; Council for Trade in Goods; Council on Trade in Services; Council for Trade-Related Aspects of Intellectual Property Rights and Committees on Various Aspects of WTO Work.

As of 29 January 1997, nearly 130 countries were members of WTO, of which 39 are African countries. Furthermore, three African countries have applied to join the Organization (see the list of African members at the bottom of this box).

Membership of WTO confers both privileges and obligations. The privileges of membership in WTO include access to international markets for trade in goods and services within a rule based trading system, and access to dispute settlements in case of disagreements with trading partners. The obligations include the compliance with the requirements of notification and legislation in conformity with WTO requirements; adherence to the implementation schedules of the WTO; compliance with WTO rules on dispute settlements; and fulfilling the membership obligations.

The first WTO Ministerial Conference held in Singapore adopted three important declarations: "The Singapore Ministerial Declaration", "The Comprehensive and Integrated WTO Plan of Action for the Least Developed Countries" and "The Ministerial Declaration on Trade in Information Technology Products". The main elements of the Singapore Ministerial Declaration related to issues of trade and economic growth; opportunities and challenges; issues of core labour standards; issues of marginalization of least developed countries; the role of WTO; issues of accession to WTO; mechanisms for dispute settlement issues pertaining to effective implementation of WTO agreements; compliance with notification and legislation requirements; integration of developing economies in multilateral trading system; concerns and problems of least developed countries within WTO and liberalization process; textiles and clothing agreement; trade and the environment; services negotiations; work programme and the built-in-agenda; the relationship between trade and investment; interaction between trade and competition policy; transparency in government procurement; and trade facilitation.

The main concerns expressed by developing countries at the Singapore Conference centred on proposals to include issues of core labour standards into the work programme of WTO; issues pertaining to the relationship between trade and competition policy; the difficulties of complying with notification and legislation requirements; the need for technical assistance to enable developing countries to reap the benefits of globalization and liberalization of the world economy under the WTO framework.

ECA intends to assist African countries to benefit from WTO agreements by analyzing and assessing the needs of African countries in their interaction with trading partners; by evaluating trends in trade of goods and services and patterns of shifts that may affect African countries; and by providing quality technical assistance, in collaboration with other organizations and United Nations agencies, to assist African countries to adapt to the post-Uruguay trading environment.

African countries membership of WTO: Angola (23 November 1996), Benin (22 February 1996), Botswana (31 May 1995), Burkina Faso (3 June 1995), Burundi (23 July 1995), Cameroon (13 December 1995), the Central African Republic (31 May 1995), Chad (19 October 1995), Côte d'Ivoire (1 January 1995), Egypt (30 June 1995), Gabon (1 January 1995), the Gambia (23 October 1996), Ghana (1 January 1995), Guinea (25 October 1995), Guinea-Bissau (31 May 1995), Kenya (1 January 1995), Lesotho (1 January 1995), Madagascar (17 November 1995), Malawi (31 May 1995), Mali (31 May 1995), Mauritania (31 May 1995), Mauritius (1 January 1995), Morocco (1 January 1995), Mozambique (26 August 1995), Namibia (1 January 1995), the Niger (13 December 1996), Nigeria (1 January 1995), Rwanda (22 May 1996), Senegal (1 January 1995), Sierra Leone (23 July 1995), South Africa (1 January 1995), Swaziland (1 January 1995), Togo (31 May 1995), Tunisia (29 March 1995), Uganda (1 January 1995), the United Republic of Tanzania (1 January 1995), Zaire (1 January 1997), Zambia (1 January 1995), Zimbabwe (3 March 1995).

Algeria, Seychelles and the Sudan have submitted applications to join WTO. Their applications are currently being considered by the Accession Working Parties.

IV. A POSSIBLE POLICY FRAMEWORK FOR BOOSTING TRADE AND INVESTMENT IN AFRICA

77. Over the last decade, most African countries have embarked on a course of macroeconomic stabilization, structural adjustment, economic policy reforms and public sector restructuring. The supply response, however, has not been commensurate with the scope of the reforms which have been launched. This is perhaps because local and foreign economic actors are still in a state of "wait and see", regarding the permanence, sustainability, and the future spreading and deepening of the reform drive.

78. The hesitant supply response notwithstanding, the results of recent reforms in Africa have been encouraging. Countries which have supplemented macroeconomic stability with policies that encouraged investment and promoted efficiency have achieved impressive growth rates, compared to those which adopted stabilization policies alone, particularly in countries where policy environments were still characterized by continued controls on private-sector activity, continuing monopoly advantages for state enterprises, trade restrictions, financial sector distortions, and public expenditures dominated by wages leaving inadequate resources for maintenance and investment.

79. To promote accumulation and increase production efficiency, countries need to pay attention to three complementary areas of policy reform: trade liberalization, domestic deregulation, and support to private sector development. Liberalizing trade will serve to align domestic prices more closely with those of international markets, thereby encouraging efficiency in existing firms and increasing the profitability of potentially competitive export activities. Increased export revenues will earn essential foreign currency resources

to finance increased imports - particularly of capital goods with superior technologies. Further domestic deregulation will reduce the legal and regulatory impediments to foreign and domestic investors, and it will level the playing field between private and state enterprises. Support to the private sector, parti-cularly by strengthening the legal and institutional framework that is essential for private enterprises to function efficiently, invest and expand, while streamlining processes to eliminate time-consuming red-tape, will put African countries on a course of accelerated and sustained growth and transformation.

80. Many countries in Africa have made progress in recent years in deregulating domestic markets. Investment laws have been liberalized and simplified, restrictions on foreign investment have been relaxed, investment promotion efforts have been streamlined; the role of state enterprises is being re-defined and circumscribed; privatization is being accelerated in some countries; and price and marketing controls have been liberalized. Adopting a more liberal policy stance to promote increased inflows of foreign investment (particularly FDI) and encouraging domestic businesses to transfer, adapt and apply production technologies from abroad will pay off in terms of transforming the production base, boosting economic efficiency and productivity, diversifying and upgrading exports, and raising African countries' competitiveness. The elimination of exchange controls is an important pre-requisite in this regard. It should be recognized that supportive macroeconomic and structural policies and measures that promote both domestic and foreign investment simultaneously are more effective in attracting foreign investment than the provision of expensive fiscal incentives. Also, efforts to channel foreign investors towards (or away from) selected industries are not as effective as policies that aggressively promote their links to domestic businesses.

81. It will not be possible to boost investment, or expand and diversify trade, without accelerating the development of Africa's financial sector on a sound basis, capable of maintaining that fine balance between necessary risk-taking and prudent management of shareholders' and depositors assets. Restructuring of bank and non-bank institutions, recapitalization and privatization of those considered viable enough to survive has been under way in a number of countries. The hard lesson, however, is that these steps have to go hand-in-hand with public sector restructuring, consolidation of the state enterprise portfolio and privatization of non-strategic assets, and the strengthening of fiscal policy and public accounts to reduce the state's claim on scarce credit resources in the financial market. The introduction or expansion of capital markets is another exciting development in many African countries which bears the promise of boosting the capacity for internal resource mobilization. But before this can be realized, much will have to be done to strengthen the regulatory framework - on accounting and performance disclosure standards and on rules to curb insider trading and other forms of market manipulation.

82. There is need in much of Africa to establish and strengthen institutions that support the development of the private sector. One priority need is to enact and implement transparent rules and laws governing economic activity in such areas as contracts, pricing, and competition, and to apply these consistently. This is essential to reducing transactions costs to the private sector. Establishing and applying these rules would be facilitated if the competence and integrity of the economic bureaucracy and the judiciary were upgraded. Also, establishing efficient channels of communication between the government (at the central and local levels) and business, instituting a permanent dialogue with the private sector (including labour) on short- to long-term policy issues, and exchanging information is vital to building the necessary consensus for the far-reaching economic and social reforms to accelerate development.

83. Revitalizing agriculture and related trading and processing activities will remain an important part of the strategy to promote growth in most African countries. Agriculture remains the mainstay of most African economies. But poor performance in this sector over the last three decades can be attributed not only to non-policy factors such as droughts, civil strife and weak world prices. The longer-term decline in agricultural production and exports has been largely due to the pervasive and significant taxation of agriculture in most countries, combined with the crowding out of private investment and production activities through restrictions on market entry and controlled input and commodity pricing. Reforms to end the monopoly powers of parastatal corporations in agricultural marketing, importation and distribution of inputs, and exportation of produce should be continued. The provision of agricultural and extension services to small-

holder producers, the development of rural infrastructures, and the improvement of public services in rural areas are also important elements in any strategy to upgrade the agricultural sector in Africa as an integral part of the region's export drive.

84. The emerging world economy, it appears, will be dominated by interactions between powerful regional economic blocs. Regional cooperation and economic integration therefore has a key role to play in strengthening Africa's competitiveness. In order to end Africa's marginalization from the world economy, however, the approach to regional integration in the continent should favour trade creation, by providing the necessary cover to eliminate intra-African trade barriers while substantially also scaling down the common system of external tariffs and NTBs - as opposed to trade diversion that would be encouraged by maintaining high common external tariffs and NTBs while eliminating intra-African trade barriers.

85. Regional integration should promote a more efficient pattern of agricultural and industrial development, based on the exploitation of local comparative advantages, specialization, economies of scale as well as economies of scope and advantages of economic networking which is beyond the capacity of most African countries. Regional cooperation could be useful in providing frameworks for the harmonization and coordination of investment and trade policies - in the process, avoiding ruinous competition. It should also significantly ease the transportation bottlenecks currently suffered by Africa's 15 land-locked countries which are incurring freighting and insurance costs as high as 40 per cent of export revenues. Therefore, in Africa, the joint development of regional infrastructures is potentially one of the most fruitful areas where the benefits of regional cooperation should first be demonstrated. Success in achieving physical integration will create the necessary conditions for progress towards fuller economic integration at the level of markets and enterprises.

86. A strengthened regional political framework, also, holds the key to peace, security, stability and the norms of human rights and accountable, development-oriented governance. These elements appear to be essential to enhancing Africa's image among international investment circles - as essential as a sound economic policy framework, in any case.

V. CONCLUSION

87. Trade and investment are two intertwined components of considerable importance in any strategy to accelerate Africa's development within the emerging patterns of the world economy. The contribution of trade and investment to development and economic transformation is one of the lessons that African countries can learn from the experience of other regions. To attract investment and expand trade, however, African countries will have to enhance their competitiveness within an increasingly integrated and highly competitive world market. Following the entry into force of the Uruguay Round Agreement, the world is now in a transition period leading to greatly liberalized trade and keener competition. African countries must use this period to reinforce their capacity to compete for investment and expand their trade.

88. The responsibility rests primarily with African countries themselves, of course. But Africa's leading external partners can make significant contributions of their own. They could remove all tariff and non-tariff restrictions on African exports over a transition period sufficient for African countries to overhaul their production and export sectors. They could institute tangible incentives and risk assurance guarantees to encourage their subjects to invest and operate in Africa. Thereby, they would be lending valuable support to African countries' investment promotion efforts. They should not rush to cut official development finance (ODF) until private transfers and export earnings have grown large enough to replace it. They should work closely with African Governments, though, to improve the targeting of resources to areas where lasting development impact can be registered. Above all, external partners should continue to show understanding of the magnitude and complexity of Africa's development challenges.

Section A: Savings and investment

Table A.1. Domestic savings and investment and economic growth: Africa compared to other developing regions, 1985 to mid-1990s

	Gross domestic investment (% of GDP)		Gross domestic savings (% of GDP)		Gross national savings (% of GDP)		GDP growth rate (% p.a.)	
	1985-1989	1990-1994	1985-1989	1990-1994	1985-1989	1990-1994	1985-1989	1990-1994
AFRICA	20.5	19.5	19.4	17.6	16.1	15.5	2.0	0.9
North Africa	26.9	25.2	22.6	20.1	21.6	23.1	1.3	0.8
Sub-Saharan Africa	17.1	16.7	17.7	16.4	13.3	12.0	2.4	0.9
(excluding South Africa)	16.0	17.0	13.6	13.8	9.0	8.8	2.8	1.5
Botswana	23.8	34.7	42.0	33.2	30.3	30.0	10.5	5.0
Cameroon	22.9	15.7	22.6	16.5	17.0	10.8	-0.5	-4.9
Côte d'Ivoire	11.8	10.4	18.7	17.2	4.8	-3.9	0.4	-0.6
Egypt	23.2	19.0	11.0	7.8	10.0	18.2	3.6	1.3
Ethiopia	12.2	10.7	4.7	2.8	7.0	7.0	4.2	1.9
Ghana	10.8	14.8	5.5	3.8	5.8	5.2	5.1	4.2
Kenya	24.3	20.4	20.6	20.4	17.8	16.4	5.8	1.4
Mauritius	26.3	29.9	25.1	23.9	25.1	26.4	8.2	5.5
Morocco	23.1	22.6	18.0	16.8	20.4	20.2	4.7	2.2
Mozambique	33.1	53.5	-0.7	1.9	. .	2.6	6.0	6.0
Nigeria	12.7	14.4	15.3	20.3	7.4	14.6	3.8	3.4
South Africa	19.8	16.2	27.2	20.3	23.0	16.6	1.7	-0.4
Uganda	9.8	14.8	1.6	1.2	3.4	3.6	3.3	5.6
COMPARATORS								
South-East Asia and Pacific	32.1	33.7	32.6	34.0			7.7	8.3
China	37.9	35.4	36.6	37.9			9.5	8.0
South Asia	23.2	23.3	19.1	20.4			6.0	4.5
Latin America and Caribbean	20.2	19.7	23.1	19.8			2.5	2.5

Source: The World Bank: African Development Indicators, 1996 and World Tables, 1995, Washington, DC.

Table A.2. Net private capital flows to developing countries, 1990-1995
(in billions of US dollars)

	1990	1991	1992	1993	1994	1995
To all developing countries	44.0	61.6	100.3	154.2	158.8	167.1
Sub-Saharan Africa	0.2	1.0	0.3	-0.8	4.7	5.0
Middle East and **North Africa**	0.5	2.4	0.4	3.8	4.1	6.8
East Asia and Pacific	20.4	26.2	44.7	62.9	77.3	98.1
• China	8.1	7.5	21.3	38.0	46.6	44.7
South Asia	2.4	2.1	2.8	4.6	7.4	6.0
• India	2.1	1.9	2.0	3.5	5.5	4.4
Latin America and the Caribbean	12.2	22.7	30.4	58.8	49.7	33.9
Of which Foreign direct investment (FDI)	34.7	40.9	54.8	73.4	84.4	90.3
Memo items:						
Aggregate net resource flows	101.9	127.1	155.3	207.2	207.4	231.3
Of which Official development finance (ODF)	57.9	65.5	55.0	53.0	48.6	64.2

Source: World Bank: World Debt Tables, 1996: External Finance for Developing Countries, Volume 1, Washington, D.C.

Table A.3. Foreign direct investment (FDI) inflows : Africa compared to the rest of the world
(in billions of US dollars)

	1983-1988[1]	1989	1990	1991	1992	1993	1994[2]
World aggregate FDI	91.554	200.612	211.425	158.428	170.398	208.388	225.692
Developed market economies	71.779	171.722	176.436	115.092	111.223	129.073	134.984
Developing countries	19.757	28.622	34.689	40.889	54.750	73.350	84.441
■ **Africa** (including South Africa)	**2.104**	**4.812**	**2.207**	**2.974**	**3.265**	**3.000**	**3.080**
Percentage of world aggregate	**2.30**	**2.40**	**1.04**	**1.88**	**1.92**	**1.44**	**1.36**
Latin America and the Caribbean	7.438	7.488	8.989	15.254	17.672	19.900	20.254
South Asia	0.238	0.485	0.524	0.464	0.723	1.133	1.393
South-East Asia	5.885	11.013	15.747	15.843	19.514	19.617	23.741
■ China	1.823	3.393	3.487	4.366	11.156	27.515	33.800

Source: United Nations Conference on Trade and Development: World Investment Report, 1995: Transnational Corporations and Competitiveness, New York and Geneva 1995.

1 Annual average flows.
2 Preliminary figures.

Table A.4. Foreign direct investment (FDI) accumulated inward stocks:
Africa compared to the rest of the world
(in billions of US dollars)

	1980	1985	1990	1993	1994[1]
World aggregate FDI	480.61	727.90	1,709.30	2,079.54	2,319.29
Developed market economies	372.25	535.33	1,372.46	1,564.66	1,715.48
Developing countries	108.27	192.38	334.98	500.90	583.56
■ **Africa** (including South Africa)	**20.82**	**26.97**	**41.42**	**50.18**	**53.12**
Percentage of world aggregate	**4.33**	**3.70**	**2.42**	**2.41**	**2.29**
Latin America and the Caribbean	48.03	71.94	116.44	167.60	186.22
South Asia	2.16	2.78	4.20	6.13	7.92
South-East Asia	28.81	56.75	124.00	177.39	199.63
China	. .	3.44	14.14	57.17	90.97

Source: United Nations Conference on Trade and Development: World Investment Report, 1995: Transnational Corporations and Competitiveness, New York and Geneva, 1995.

1 Preliminary figures.

Table A.5. Ratio of foreign direct investment (FDI) to gross fixed capital formation and ratio of gross fixed capital formation to gross domestic product: Africa compared to the rest of the world, 1981-1993

	1981-1985	1986-1990	1991	1992	1993[1]
All economies	2.3 21.7	4.1 21.8	3.5 20.2	3.6 19.4	4.3 19.8
Developed market economies	2.2 20.9	4.6 20.9	3.3 20.2	3.0 19.7	3.5 19.9
Developing countries	3.3 23.3	3.2 24.5	4.4 21.0	5.8 18.4	7.1 19.7
Africa[2]	2.3 22.2	3.5 22.9	4.5 18.4	4.9 19.2	4.5 19.0
North Africa	1.5 29.8	2.2 28.6	2.5 21.4	3.3 22.4	3.5 21.3
Sub-Saharan Africa	3.5 16.1	6.5 15.7	7.8 15.1	7.6 15.3	6.0 16.2
Selected African countries					
Botswana	16.1/28.1	10.6/26.2	3.1/35.3	3.1/35.0	2.8/35.4
Cameroon	8.6/23.0	-0.3/28.5	-0.9/16.6	-1.5/11.1	-7.4/10.8
Côte d'Ivoire	2.3/18.2	4.8/10.5	9.0/7.9	6.9/11.0	3.1/10.4
Egypt	6.9/28.2	4.8/37.7	3.9/30.9	5.3/24.3	6.4/19.6
Ethiopia	0.2/12.4	0.1/14.3	0.1/10.4	2.5/5.0	0.9/20.8
Ghana	2.4/5.8	1.4/11.0	2.5/12.7	2.5/12.8	2.2/14.8
Kenya	1.1/24.3	2.4/19.9	1.2/18.6	0.5/17.1	0.2/15.3
Mauritius	1.5/21.3	4.7/26.3	2.4/29.0	1.7/28.6	1.7/28.1
Morocco	1.4/26.2	2.0/21.9	6.2/22.3	6.3/23.7	7.9/24.1
Mozambique	0.2/12.0	0.8/43.0	3.2/49.8	3.2/64.5	3.1/68.8
Nigeria	3.6/13.7	23.7/9.1	19.8/10.5	26.3/11.1	15.4/13.6
Uganda	-0.2/6.5	-0.2/7.6	0.3/12.9	0.8/11.4	5.3/3.4
COMPARATORS					
Latin America and the Caribbean	4.1/18.4	4.2/19.6	5.9/18.3	7.2/16.1	6.5/17.1
South, South-East, and East Asia	1.9/27.8	3.5/29.6	4.2/30.0	6.1/28.2	9.1/26.2
• China	0.9/32.4	2.1/38.8	3.3/34.9	7.8/33.0	20.0/25.2

Source: United Nations Conference on Trade and Development: World Investment Report, 1995: Transnational Corporations and Competitiveness, New York and Geneva 1995.

1 Preliminary figures.
2 Excluding South Africa.

Section B: External trade

Table B.1. Annual growth rates of exports valued in current US dollars, 1950-1993

	Average annual growth rate (%)								
	1950-1960	1960-1970	1970-1980	1980-1985	1985-1990	1990	1991	1992	1950-1993
Aggregate world	6.4	9.2	20.4	-0.7	12.3	1.0	5.8	-0.4	11.2
Developed market economies	7.0	10.0	19.0	0.0	13.6	2.0	5.9	-3.7	11.4
Developing countries	3.6	6.7	25.8	-3.6	12.2	5.7	7.9	8.3	11.0
Africa (excluding South Africa)	3.8	9.5	21.5	-7.4	5.7	-4.7	-6.8	-3.8	9.0
• North Africa	1.9	13.9	23.7	-7.2	4.5	-2.9	-14.8	-5.7	10.3
• Sub-Saharan Africa	4.8	7.3	19.9	-7.6	6.8	-6.2	0.5	-2.3	8.2
Selected African countries							-		
Botswana	7.1	9.4	31.9	11.2	21.1	3.6	5.8	-1.0	17.9
Cameroon	7.0	8.1	21.2	-10.8	24.3	20.9	-5.0	-6.1	9.2
Côte d'Ivoire	5.9	11.5	22.9	0.5	-2.4	-10.1	4.2	-21.5	10.3
Egypt	0.3	4.4	13.0	-7.1	6.4	41.5	-16.6	-26.5	5.7
Ethiopia	3.8	5.1	13.1	-2.6	-0.9	-36.6	-10.4	17.7	5.4
Ghana	2.9	2.1	12.7	-16.1	7.0	12.0	-1.2	4.5	4.0
Kenya	5.7	10.5	17.0	-4.5	-0.4	7.4	20.9	-0.2	8.5
Mauritius	2.1	2.4	21.0	1.2	19.9	0.0	8.5	0.2	8.9
Morocco	4.7	3.7	16.1	-3.2	13.8	1.1	-7.6	0.2	7.8
Mozambique	6.3	7.1	7.9	-25.4	10.1	28.6	-14.2	-5.0	2.6
Nigeria	4.0	8.4	33.0	-13.4	4.8	-10.3	-3.1	6.8	11.8
Uganda	3.1	7.1	4.6	6.1	-16.9	32.2	-28.9	11.9	2.5
South Africa	1.4	5.7	21.1	-7.6	7.2	-1.0	0.5	3.6	8.9
COMPARATORS									
South-East Asia[1]	4.8	5.4	27.3	16.5	5.6	14.9	12.6	11.7	11.8
• China	11.8	1.3	20.0	7.6	17.6	15.0	14.3	13.0	11.5
South Asia[2]	1.0	3.2	15.0	1.5	13.2	2.6	12.7	6.0	6.5
Latin America and the Caribbean	2.4	5.0	20.8	-0.2	7.8	-1.4	3.5	6.1	8.8
MEMO ITEM									
United States average inflation rate[3]	1.9	2.4	6.9	5.8	3.0	5.4	4.2	3.5	3.9

Source: United Nations Conference on Trade and Development: Handbook of International Trade and Development Statistics, 1994, New York and Geneva, 1995.

[1] Brunei, China, Hong Kong, Indonesia, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan (Province of China), Thailand and Viet Nam.

[2] Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka.

[3] Data for 1950-1985, from Robert Barro: "Macroeconomics, Second Edition", John Wiley & Sons, 1987, p. 175.
Data for 1990-1993 and 1950-1993 are ECA preliminary estimates.

Table B.2. Value of exports at current prices, in US dollars, and Africa's share of the world exports market, compared to other regions, 1950-1993

	Exports, f.o.b.								
	1950	1960	1970	1980	1985	1990	1991	1992	1993
Aggregate world trade (in billions of US$)	61.92	129.94	314.62	2,022.45	1,958.68	3,483.36	3,517.01	3,721.31	3,707.99
	World exports market share (%)								
Developed market economies	60.66	65.88	71.51	63.55	66.13	71.46	72.19	72.25	69.82
Developing countries	32.97	23.93	18.86	29.02	25.24	23.64	24.75	25.24	27.44
■ **AFRICA** (excluding South Africa)	5.33	4.15	4.06	4.64	3.19	2.29	2.16	1.90	1.84
• North Africa	2.01	1.25	1.62	2.18	1.53	1.06	1.02	0.82	0.78
• Sub-Saharan Africa	3.32	2.90	2.44	2.46	1.67	1.22	1.14	1.08	1.06
Selected African countries									
Botswana	0.00	0.01	0.01	0.02	0.04	0.05	0.05	0.05	0.05
Cameroon	0.08	0.07	0.07	0.07	0.04	0.06	0.05	0.05	0.05
Côte d'Ivoire	0.13	0.12	0.15	0.16	0.16	0.09	0.08	0.08	0.06
Egypt	0.81	0.44	0.24	0.15	0.09	0.07	0.10	0.08	0.06
Ethiopia	0.06	0.06	0.04	0.02	0.02	0.01	0.01	0.00	0.01
Ghana	0.35	0.25	0.15	0.06	0.03	0.03	0.03	0.03	0.03
Kenya	0.09	0.09	0.10	0.06	0.05	0.03	0.03	0.04	0.04
Mauritius	0.05	0.03	0.02	0.02	0.02	0.03	0.03	0.03	0.04
Morocco	0.31	0.27	0.16	0.12	0.11	0.12	0.12	0.11	0.11
Mozambique	0.06	0.06	0.05	0.01	0.00	0.00	0.00	0.00	0.00
Nigeria	0.41	0.36	0.39	1.28	0.64	0.39	0.35	0.32	0.34
Uganda	0.13	0.11	0.09	0.02	0.02	0.00	0.01	0.00	0.00
South Africa	1.87	1.53	1.06	1.26	0.83	0.68	0.66	0.63	0.65
COMPARATORS									
South-East Asia[1]	7.90	6.02	4.22	7.35	16.28	12.04	13.70	14.58	19.69
• China	0.89	1.98	0.73	0.89	1.41	1.76	2.00	2.16	2.96
South Asia[2]	3.68	1.93	1.09	0.68	0.76	0.80	0.81	0.86	1.10
Latin America and the Caribbean	12.10	7.67	5.55	5.43	5.60	4.22	4.12	4.04	5.17

Source: United Nations Conference on Trade and Development: Handbook of International Trade and Development Statistics, 1994, New York and Geneva, 1995.

[1] Brunei, China, Hong Kong, Indonesia, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan (Province of China), Thailand and Viet Nam.
[2] Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka.

Table B.3. Changes in the structure of Africa's exports and their share of OECD imports, 1962-1964 to 1991-1993

	Values (in millions of US$)		Share of African exports (%)		Africa's share of OECD imports (%)		Growth rates of exports from	
Export product (SITC)	1962-1964	1991-1993	1962-1964	1991-1993	1962-1964	Change in market share	Africa (% p.a.)	World (% p.a.)
Unwrought copper alloys (682.1)	510.8	780.8	14.73	5.16	32.4	-22.5	1.47	5.69
Green or roasted coffee (071.1)	447.9	1,053.0	12.91	6.95	22.7	-7.2	2.99	4.36
Cocoa beans, raw or roasted (072.1)	337.3	1,338.0	9.72	8.83	80.1	-9.9	4.87	5.34
Groundnuts, green (221.1)	185.5	11.1	5.35	0.07	81.6	-79.9	-9.24	3.68
Non-conifer sawn logs (242.3)	176.6	734.2	5.09	4.85	36.1	-16.1	5.04	7.20
Raw cotton (263.1)	161.0	379.5	4.64	2.51	11.4	+1.8	3.00	2.48
Unmanufactured tobacco (121.0)	119.9	589.7	3.46	3.89	13.8	-1.6	5.65	6.09
Iron ore (281.3)	115.0	247.3	3.32	1.63	9.5	-6.3	2.68	6.65
Raw beet and cane sugar (061.1)	93.0	415.1	2.68	2.74	10.0	+5.8	5.29	3.64
Palm nuts and kernels (221.3)	84.2	2.6	2.43	0.02	92.3	-69.2	-11.28	-6.95
Natural rubber and gums (231.1)	77.8	191.1	2.24	1.26	10.3	-2.7	3.15	4.22
Fresh bananas (051.3)	61.3	202.8	1.77	1.34	14.2	-9.8	4.21	8.52
Palm oil (422.2)	57.5	53.0	1.66	0.35	59.0	-54.1	-0.28	8.63
Vegetable oil residues (081.3)	54.7	68.7	1.58	0.45	10.1	-8.8	0.79	8.06
Agave fibers (265.4)	52.7	15.4	1.52	0.10	33.3	-18.5	-4.15	5.60
Manganese ore (283.7)	44.8	176.2	1.29	1.16	27.8	+4.2	4.83	4.33
Groundnut oil (421.4)	39.9	78.2	1.15	0.52	55.3	-19.1	2.35	3.85
Shaped lumber (243.3)	38.6	418.1	1.11	2.76	15.5	-6.7	8.56	10.69
Tea (074.1)	36.7	246.0	1.09	1.62	8.5	+13.7	6.78	3.31
Base metals n.e.s. (689.5)	36.4	252.4	1.05	1.67	29.2	-16.0	6.90	9.88
Posts and poles (242.9)	32.5	1.4	0.94	0.01	57.5	-56.2	-5.50	3.40
Fixed vegetable oils (422.9)	31.2	6.5	0.90	0.04	48.4	-46.8	-5.26	6.41
Non-industrial diamonds (667.2)	26.4	1,792.7	0.76	11.84	5.2	+4.3	15.65	13.27
Unwrought tin alloys (687.1)	26.0	2.9	0.75	0.02	8.9	-8.5	-7.28	3.45
Inorganic bases (513.6)	25.2	35.3	0.73	0.23	12.1	-11.4	1.17	11.93
Industrial diamonds (275.1)	23.2	23.0	0.67	0.15	21.0	-16.3	-0.03	5.31
Unwrought aluminum alloys (684.1)	21.3	272.0	0.61	1.80	4.1	-1.6	9.18	11.09
Tin ores (283.6)	20.4	6.9	0.59	0.05	19.1	+26.2	-3.67	-6.49
Crude asbestos (276.4)	19.3	23.3	0.56	0.15	10.1	+0.3	0.65	0.55
Natural gums and resins (292.2)	18.6	76.7	0.54	0.53	28.4	+11.8	5.15	3.90
All above items	2,975.7	9,495.6	85.79	62.69	20.8	-11.1	4.08	7.37
Major product groups	1,775.4	6,044.1	51.19	39.90	8.0	-5.7	4.31	8.84
Food and feeds	629.8	2,094.9	18.16	13.83	5.6	-2.7	4.23	6.60
Agricultural materials	919.5	2,600.5	26.51	17.17	10.1	-7.3	3.65	8.28
Ores, minerals and non-ferrous metals	135.2	4,230.0	3.90	27.93	0.3	-0.1	12.61	13.50
Manufactures	3,468.4	15,146.3	100.00	100.00	3.7	-3.1	5.21	11.83
All non-fuel products								

Source: Computed from United Nations Comtrade Statistics.

Table B.4. Different measures of the concentration of exports, 1962-1964 to 1991-1993: African countries compared to other country groups

Country groups	Share of the three largest products in total exports (%)		Product diversification index[1]		Product concentration index[2]	
	1962-1964	1991-1993	1962-1964	1991-1993	1962-1964	1991-1993
AFRICA						
North Africa	63.0	68.7	0.74	0.73	0.44	0.43
Sub-Saharan Africa	36.5	62.3	0.71	0.77	0.20	0.49
• Low income countries	39.2	62.9	0.72	0.79	0.22	0.50
• Middle income countries	43.9	74.3	0.76	0.80	0.24	0.60
COMPARATORS						
Low income Asian						
Middle income Asian	30.4	34.5	0.61	0.53	0.17	0.20
Middle East	38.5	30.8	0.74	0.44	0.21	0.15
High-income non-OECD	92.0	91.0	0.84	0.84	0.82	0.79
Latin America and the	41.0	40.8	0.68	0.49	0.25	0.22
Caribbean	38.9	23.8	0.62	0.40	0.22	0.13
OECD	12.8	23.1	0.17	0.14	0.05	0.11

Source: Computed from United Nations Series D Trade Records.

Technical notes:

1 Diversification index for country j is defined as

$$G_j = [\Sigma \mid h_{ij} - h_i \mid] \div 2$$

where h_{ij} is the share of commodity $_i$ in the exports of country $_j$, and h_i is the share of the commodity in world trade.

2 The Hirschman index for country j defined as

$$H_j = \sqrt{[\Sigma (x_{ij} / X_j) 2]}$$

where x_{ij} is the value of country $_j$ exports of commodity $_i$ and X_j is the country's total export revenues.

Both indices range between 0 and 1, the higher values reflecting increased export concentration.

Table B.5. Intra-group trade as a share of total exports of economic groupings: Africa compared to the rest of the world

Economic grouping	Percentage (%) of total group exports					
	1970	1980	1985	1990	1991	1992
African regional economic communities						
Economic Community of the Great Lakes Countries (CEPGL)	0.4	0.1	0.8	0.5	0.7	1.1
Economic Community of Central African States (ECCAS)	2.4	1.5	2.1	2.2	2.1	2.5
Central African Customs and Economic Union (UDEAC)	4.9	1.8	1.9	2.3	2.1	2.3
Economic Community of West African States (ECOWAS)	3.0	10.2	5.3	7.9	7.4	8.6
West African Economic and Monetary Union (UEMOA)	6.4	9.9	8.7	12.0	9.3	10.4
Common Market of Eastern and Southern Africa (COMESA)	9.6	12.1	5.5	7.6	6.0	7.0
Southern African Development Community (SADC)	5.2	5.1	4.7	5.2	4.2	5.1
Arab Maghreb Union (UMA)	1.4	0.3	1.0	2.8	3.2	3.2
COMPARATORS						
Association of South-East Asian Nations (ASEAN)	21.1	16.9	18.4	18.7	19.1	20.0
South American Common Market (MERCOSUR)	9.4	11.6	5.5	8.9	14.0	17.5
Caribbean Common Market (CARICOM)	4.6	4.3	5.8	7.8	7.0	8.5
Andean Group	1.8	3.8	3.2	4.1	7.3	9.2
North American Free Trade Area (NAFTA)	36.0	33.6	43.9	41.4	41.9	45.4
Asia-Pacific Economic Cooperation Forum (APEC)	57.1	57.5	68.8	69.0	69.3	67.2
European Union (EU-15 States)	59.5	61.0	59.3	66.0	66.8	61.2

Source: United Nations Conference on Trade and Development: Handbook of International Trade and Development Statistics, 1994, New York and Geneva, 1995.

Footnotes

1. "Domestic resource mobilization in Africa", prepared with the assistance of J.H. Frimpong-Ansah, consultant, in the "Economic Report on Africa, 1987" then jointly published by African Development Bank and Economic Commission for Africa.

2. The World Bank: World Debt Tables: External Finance for Developing Countries, 1996, Vol. 1, Washington, D.C.

3. Economic Commission for Africa: "Critical capacities for the mobilization and efficient allocation of domestic and external financial resources", document E/ECA/CM.20/11, March 1994, presented to the twentieth meeting of the Conference of Ministers. See, also, ECA: "Financial resource mobilization", chapter II.10 in "A Framework Agenda for building and utilizing critical capacities in Africa (a discussion draft)", document E/ECA/CM.22/12, April 1996.

4. United Nations Conference on Trade and Development: Handbook of International Trade and Development Statistics, 1994, Geneva, 1995.

5. The continued dependence on primary commodities with declining world demand is very well illustrated in table B.4 by Africa's increased share of the OECD market for semi-processed tin ores - most of the other exporters having developed capacity to export processed tin.