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THE BALANCE OF PAYMENTS PROBLEMS OF DEVELOPING
AFRICA - A REASSESSMENT

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THE BALANCE-OF-PAYMENTS PROBLEMS OF DEVELOPING AFRICA:
A REASSESSMENT

Fiscal, Monetary, Financial Policy and Institutions Section
Socio-Economic Research and Planning Division.

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INTRODUCTION *

In the past decade, shifts of unprecedented magnitude have been recorded in the current account balances of developing African countries. The aggregate current account deficit during the 1970s increased at the alarming average rate of 38.2 per cent per year, reaching a peak of 18,319 million SDRs in 1981.

As the data in table 1 clearly demonstrate, oil-importing countries have been particularly hurt by the external economic environment. The quadrupling of the price of crude oil in 1973 - 1974 and the subsequent price increases in 1978 - 1980 were a substantial shock to the oil-importing African countries and aggravated their already precarious position.

In addition to escalating import growth and a structural concentration of imports on food and fuel, the 1970s saw a general slackening of export growth and adverse movements in terms of trade brought about by rapid increases in the price of manufactures and other basic imports. There was also a sharp rise in interest rates.

Even more worrisome is the plight of the least developed and land-locked African countries, whose exports have stagnated and per capita income increased only marginally. These countries not only lost development momentum in the 1970s but ended the decade with massive debt and payments obligations.

In contrast, African oil-exporting countries have fared much better, recording large trade surpluses throughout the period surveyed with a peak of 15,641 million SDRs in 1979. By 1981, however, as a result of the downward trend in oil prices, their aggregate trade surplus had declined sharply and they were running a current account deficit estimated at around 6,900 million SDRs.

The present study has been conducted under the ECA Programme of Work and Priorities for 1982 and 1983. It attempts to bring into focus the predicament of African countries faced with balance-of-payments problems, and illustrates the need for thought and effort to alleviate these problems.

The paper is divided into six sections. Part I dwells on the nature and origin of the balance-of-payments problem. Part II discusses the major trends in African trade in goods, including the relationship of exports to economic growth. Part III discusses trends and problems in African invisible trade. Part IV assesses the various policies pursued by African countries to reduce their balance-of-payments deficits while part V examines the efficacy of IMF prescriptions in an African setting. Part VI summarizes the conclusions and recommendations of the study. In addition, case studies on six selected African countries, highlighting the evolution and impact of the adjustment policies adopted and their main effects on external accounts and overall economic performance, are presented in Appendix A.

* We gratefully acknowledge the many helpful comments by Dr. M. Makramalla, Chief of the Socio-Economic Research and Planning Division (ECA), Professor O. Teriba of the University of Ibadan and Mr. G. Gabor, Economist, in the Socio-Economic Research and Planning Division (ECA).

TABLE I

BALANCE OF PAYMENTS OF DEVELOPING AFRICA: SELECTED FEATURES

(Millions of SDRs)

		1970 ^{1/}	1973 ^{1/}	1976 ^{2/}	1979 ^{2/}	1981 ^{2/}
DEVELOPING AFRICA	Trade balance	2 286	2 862	4 682	10 984	-3 677
	Current account	- 522	- 996	-2 594	2 664	-18 319
	Overall balance	1 094	232	1 072	5 176	-9 567
NON OIL DEVELOPING COUNTRIES	Trade balance	220	94	-2 574	-4 677	-8 469
	Current account	-672	-633	-3 937	-5 375	-11 420
	Overall balance	376	416	-67	138	-2 107
OIL-EXPORTING COUNTRIES	Trade balance	2 066	2 768	7 256	15 641	4 792
	Current account	150	-368	1 343	8 039	-6 899
	Overall balance	718	-184	1 139	5 038	-7 462
LEAST DEVELOPED COUNTRIES ^{3/}	Trade balance	38	102	-155	-747	-1 842
	Current account	-102	-13	-287	-719	-1 367
	Overall balance	-6	120	-125	-10	-146

Source: Balance of payments Yearbook, 1970, 1978, 1979, 1982 and 1983.

Notes: 1/ Includes: (a) Non-oil developing countries: Benin, Central African Empire, Chad, Congo, Egypt, Ethiopia, Gambia, Ghana, Ivory Coast, Kenya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia, Uganda, United Republic of Cameroon, United Republic of Tanzania, Upper Volta, Zaire, Zambia.

(b) Oil-exporting countries: Algeria, Gabon, Libya, Nigeria.

2/ Includes: (a) Non-oil developing countries: Botswana, Central African Republic, Congo, Ethiopia, Egypt, Gambia, Ghana, Ivory Coast, Kenya, Mali, Mauritania, Mauritius, Morocco, Rwanda, Sao Tome and Principe, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Cameroon, United Republic of Tanzania, Zambia and Zimbabwe.

(b) Oil-exporting countries: Algeria, Gabon, Libya, Nigeria.

3/ Includes: Botswana, Central African Republic, Ethiopia, Gambia, Mali, Rwanda, Sudan, Somalia, Uganda, United Republic of Tanzania.

I. THE NATURE AND ORIGIN OF THE BALANCE-OF-PAYMENTS PROBLEM

A report on the balance-of-payments problem of developing Africa, prepared by the Economic Commission for Africa in February 1966 asserted that "the balance-of-payments deficits of the majority of African countries are the result of structural disequilibrium and hence they are persistent or chronic deficits. The shortfall in the external sector's current receipts is a phenomenon which is neither temporary nor sporadic". 1/ Sixteen years later, deficits have not only bulged but are thwarting economic growth. In some African developing countries, the full magnitude of the task has not been realised owing to the ready availability of foreign resource inflows. Unfortunately, hardening aid terms are now provoking an outflow of resources in the form of capital repayments and interest charges. For instance, the interest charged to sub-Saharan African countries increased from 3.7 per cent in 1970 to 10.1 per cent in 1981; at the same time average maturity periods declined from 25.2 years to 16.0 years, grace periods declined from 6.6 years to 4.4 years and the grant element in loans was reduced from 46 per cent to 6 per cent. 2/ For Africa south of the Sahara, external public debt servicing payments rose from 6.01 per cent of exports of goods and services in 1970 to 18.8 per cent in 1981. In 1981 this ratio was 10 per cent or more in the Congo (24.6 per cent), Egypt (22.7 per cent), Gabon (11.9 per cent), Kenya (17.9 per cent), Malawi (24.5 per cent), Mauritania (15.8 per cent), Morocco (30.1 per cent), Sierra Leone (24.4 per cent), Tunisia (13.9 per cent) and Zambia (24.0 per cent). 3/

Nor is this all. Aid has tended to supplant domestic savings and dilute efforts to mobilize domestic resources. Most African Governments that have easy access to resources from abroad (including private entrepreneurs) step up consumption and refrain from raising taxes. 4/ If efforts had been made to mobilize domestic resources instead of relying so heavily on foreign capital, high levels of investment in African countries would not have put so much of a strain on their balance of payments. 5/ In addition, productive sectors such as agriculture, livestock and industry which are quick-yielding in nature have been given less emphasis than infrastructure projects with long gestation periods, often selected with little regard for actual need: hotels, big glamorous airports and hydro-electric dams (on the Volta, for example) whose waters have not been used to anything like their full potential for irrigating farmlands. Even more worrisome has been the tying of foreign aid and the relative ease of securing supplier credit: this not only serves to raise capital-output ratios but puts pressure on developing African countries to accept technologies developed for radically different economic conditions. A former President of the World Bank Group has put the problem succinctly: "to the extent that (foreign aid) is tied, it represents help for the exports in the donor country. Some countries have made it clear that they see development finance as nothing more than a disguised subsidy for their exporters". 6/

Another reason for Africa's external disequilibrium is to be found in changing terms of trade. Gains from an expanded volume of exports are at times nullified by declining prices for the exported commodities. Under such circumstances, what economists have called "immiserizing growth" is not inconceivable: the gain in income

from output expansion can be more than offset by worsened terms of trade so that real income is lower than previously. 7/ Worse, while Ethiopia is being told to grow more coffee, so are Uganda, the Ivory Coast and Kenya. That is to say, all the coffee-exporting countries are being urged to expand their output of a commodity whose demand in the industrialized countries is notoriously inelastic. 8/

The balance-of-payments troubles of developing Africa are much more deep-seated than the above arguments have attempted to illustrate. The continent inherited an economic strategy primarily dependent on export expansion from the era of colonialism and economic dependence, and the institutional structure typical of African countries continued after independence. It was thought the 'spill-over effect' of expanded export production would spread into other sectors and exports would thus pull the rest of the economy along with them. However, as the subsequent paragraphs will show, it was naive to assume that expanding the volume of a limited range of raw material exports subject to the vagaries of the international market would allow development to trickle down to the rural poor. In most industrialized countries, where "a high average level of development is accompanied by improved transportation and communications higher levels of education, and a more dynamic communion of ideas and values", 9/ trade might have served as an 'engine of growth'. However, "for the vast majority of the typical resource poor, labour surplus countries characterised by a large and stagnant subsistence agricultural sector, trade must be cast in a facilitating but not initiating role. Growth must be viewed as primarily a domestic problem and we must thus inquire, first, into the domestic forces which contribute or hinder growth." 10/ In other words, to the extent that fundamental structural changes have not been made to political and economic institutions and the export dependent area has merely been extended, the balance-of-payments problem has tended to widen while underdevelopment has tended to persist. 11/ As a recent study has pointedly asked: "What opportunity is there for the export economy to initiate a process characterized by autocentric economic development, thereby achieving a transformation of the existing economic structure? The concept autocentric has in our context two important meanings. First, it involves a development process leading towards increased interdependence between the economic sectors of the national economy. Secondly, it involves greater participation of local capital in the productive activities of each sector." 12/

In recent years, many African countries have been pursuing an inward-looking strategy relying on import substitution to accelerate the pace of economic development and reduce the deficits in their balance-of-payments. In a large number of countries import substitution was attempted via direct private foreign investment, which was offered substantial and indiscriminate protection, local investible funds at low rates of interest, and excessive fiscal concessions such as tax holidays and accelerated depreciation allowances. Despite these generous incentives, however, such policies have not resulted in the self-reliant utilisation of African resources and capabilities mainly because they were attempted under the inherited colonial economic structure: instead a large number of developing African countries have become heavily dependent in their import-substitution industries on externally derived inputs. For instance, meat canning relies on imported tin cans, printing depends on imported paper, and the food, textiles, beverages, leather and shoes subsectors consume large quantities of imported chemicals and spare parts. Furthermore, since these industries operate

in sheltered markets, investors have been able to maximize profits without rationalizing uneconomic business structures. In brief far from alleviating the balance-of-payments problem, the pursuit of import substitution has tended to make it worse.

To make our point more sharply: trying to evolve policies (for instance monetary policies) to correct the external payments disequilibrium of developing Africa without looking at the real factors responsible for the deficit is a partial and faulty approach.

II. AFRICAN TRADE

A. Trends and problems

African trade has grown considerably over the last thirty years. The value of exports has grown to nearly 30 times its 1950 level and, the value of imports has risen by a factor of almost 22. Export growth in Africa averaged 3.9 per cent per annum in the 1950s, 9.3 per cent in the 1960s, 21.5 per cent in the 1970s and 11.1 per cent over the thirty years taken together. Over the same periods, exports from all developing countries were growing at average annual rates of 3 per cent, 7.2 per cent, 26.1 per cent and 11.4 per cent respectively (see table 3).

The above averages, satisfactory as they seem, conceal serious disparities in the performance of different African economic groupings. The Northern and Western (ECOWAS) subregions achieved average annual growth of over 12 per cent between 1950 and 1981; the Eastern and Southern (others) subregions managed 7.9 per cent while the Central African (CEPGL) subregion averaged only 4.7 per cent growth (see table 3 and Appendix B.I).

Table 2: Frequency distribution of African countries by growth in value of exports, 1950-1980

	<u>Countries with the following percentage growth rates</u>		
	1950-1960	1960-1970	1970-1980
Negative	4	4	1
Below 5	21	15	6
5 to 10	18	19	6
10 to 15	4	8	11
15 and over	3	4	26
Developing Africa	50	50	50

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1983.

Table 3: Average annual growth rates

	EXPORTS				IMPORTS			
	1950-60	1960-70	1970-80	1950-81	1950-60	1960-70	1970-80	1950-81
(Percentage)								
Developing								
Africa	3.9	9.3	21.5	11.1	5.3	4.9	22.2	9.5
North Africa ^{1/}	2.3	11.5	23.6	12.3	4.6	2.9	25.6	100
CEUCA ^{2/}	7.2	9.8	26.7	13.0	2.9	7.4	21.8	9.9
ECOWAS ^{3/}	4.8	7.5	26.7	12.5	7.9	3.9	26.9	11.6
MARIUN ^{4/}	10.3	6.8	12.9	9.5	12.8	2.8	15.3	9.1
WAEC ^{5/}	4.9	10.6	20.0	10.7	3.0	7.6	22.6	10.7
ECOWAS (others) ^{6/}	3.7	6.3	30.0	13.3	9.2	2.5	29.9	12.3
GLEC ^{7/}	4.6	6.4	7.2	4.7	2.4	6.7	4.0	4.8
Others ^{8/}	4.9	8.2	10.0	7.9	5.5	7.9	13.5	8.6
Latin America	2.4	5.2	21.2	8.7	3.3	6.1	20.0	9.4
Asia	3.1	7.8	30.0	13.0	4.5	7.0	26.9	11.7
All developing countries	3.0	7.2	26.1	11.4	4.2	6.4	24.1	10.6

Source: As table 2.

- 1/ Algeria, Morocco, Tunisia, Egypt, Libyan Arab Jamahiriya, Sudan.
- 2/ Customs and Economic Union of Central Africa, prior to 1966 known as Equatorial Customs Union, comprises the Central African Republic, Congo, Gabon, beginning 1960, United Republic of Cameroon and prior to 1969, Chad.
- 3/ Economic Community of West African States (4+5+6).
- 4/ Mano River Union, Liberia and Sierra Leone.
- 5/ West African Economic Community, Ivory Coast, Mali, Mauritania, Niger, Senegal, Upper Volta.
- 6/ ECOWAS (others), Benin, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Nigeria, Togo.
- 7/ Great Lakes Economic Community, Burundi, Rwanda, Zaire
- 8/ Others, Angola, Botswana, Chad, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Reunion, Sao Tome and Principe, Seychelles, Somalia, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.

Of the 50 countries for which data are given in table 2, 21 countries showed an increase of less than 5 per cent in their export growth rates from 1950 to 1960 compared with 15 in the 1960s and 6 in the 1970s. Africa's export performance gained momentum in the 1970s and the number of countries registering growth rates of above 15 per cent increased to 26 in the 1970s compared with only 3 in the 1950s.

Increasing export volume in the 1960s had a profound influence on the pattern of the value of African exports. Table 4 reveals that while the volume of Africa's exports grew at an average annual rate of 11.5 per cent between 1960 and 1970, the unit value of those exports was declining by 1.5 per cent. Over the same period, the volume of exports of developing countries as a whole grew at 6.8 per cent per annum while unit values increased by a mere 0.6 per cent per annum.

Table 4: Annual changes in terms of trade and export trends

	Purchasing power of exports		Export volumes		Terms of trade		Unit value of exports	
	1960-1970	1970-1980	1960-1970	1970-1980	1960-1970	1970-1980	1960-1970	1970-1980
	(percentage)							
Developing Africa	12.0	6.8	11.5	-1.9	0.6	8.5	-1.5	23.5
Oil-exporting African countries	-	13.9	-	3.1	-	17.5	-	32.6
Non-oil-exporting African countries	-	-0.1	-	0.2	-	-0.3	-	13.7
Developing countries	6.2	9.4	6.8	3.6	-0.7	5.8	0.6	20.9

Source: ECA secretariat calculations based on IMF, International Financial Statistics Yearbook, 1981.

In the 1960s, declines in the prices of tea, sugar, crude petroleum, phosphate and iron ore were largely neutralized by the increase in the prices of copper, cocoa, cotton, groundnuts and timber (see table 5). As table 4 shows, the purchasing power of exports therefore grew at an average of 12 per cent annually in the 1960s: 0.6 per cent attributable to improving terms of trade and 11.5 per cent to increasing export volumes. For a large majority of African developing countries (with the possible exception of Mauritius which has to contend with an adverse income terms of trade of -1.6 per cent per annum between 1961-1970) the income terms of trade improved considerably in the 1960s. (see Appendix B.II).

Table 5. Average annual growth rate of leading exports by sub-Saharan African countries: volume and prices (1960-1979)

	Volume		Price	
	1960-1970	1970-1979	1960-1970	1970-1979
Coffee	4.4	0.4	0.8	3.9
Cocoa	0.8	-1.1	3.5	7.5
Cotton	6.6	-5.0	0.1	-2.2
Groundnuts	-5.5	-8.4	0.1	-3.5
Tea	9.3	5.0	-4.0	-2.8
Sugar	4.4	-2.7	-3.7	-1.3
Wood (timber)	4.4	-0.4	1.0	0.4
Crude petroleum	42.1	7.1	-2.2	18.2
Copper	2.3	-0.3	8.8	-18.7
Phosphate	20.2	6.7	-2.0	1.5
Iron ore	25.6	-3.9	-3.9	-13.0

Source: World Bank

In the 1970s developing Africa had to contend with stagnant or declining export volumes. However, the 1.9 per cent annual decline in exports volume between 1970 and 1980 was more than compensated by the increase in the unit value of exports which grew at an average of 23.5 per cent annually over the same period. Of the leading eleven export items cotton, groundnuts, sugar, timber, copper and iron-ore registered substantial declines but these were partly offset by the increase in the prices of coffee, cocoa, phosphate, timber and crude petroleum (see table 5).

The two large oil price rises (1973-1974 and 1978-1980), the boom in cocoa and coffee prices and the sharp declines in the prices of copper and iron ore played an important part in influencing the shift in the terms of trade in the 1970s. The purchasing power of exports by the oil-exporting countries increased at an annual rate of 13.9 per cent between 1970 and 1980, and that of the non-oil exporting countries declined by 0.1 per cent over the same period. Consequently, the oil-exporting African countries saw their terms of trade improve by an average rate of 17.5 per cent between 1970-1980 while the terms of trade of the non-oil exporting countries declined by 0.3 per cent over the same period. The decline was particularly marked in countries such as Benin, Burundi, Chad, Ethiopia, Ghana, Liberia, Madagascar, Mauritania, Sierra Leone, Sudan, Tanzania, Uganda, Zaire, and Zambia. (see Appendix B.III).

Between 1970 and 1979, most of these countries registered declines in export volumes: by 3.4 per cent yearly in the case of Chad, 1.1 per cent in Mauritania, 2.1 per cent in Ethiopia, 11.4 per cent in Benin, 16.6 per cent in Mozambique, 6.5 per cent in Sierra Leone, 4.4 per cent in Sudan, 7.2 per cent in Ghana and 7.9 per cent in Angola. 13/ The deterioration in the terms of trade for these countries and the reduction in export volume have occurred at a time when their need for imported supplies to speed economic development has increased.

B. Structure of exports

Table 6 provides data on 12 leading African exports. It reveals that these 12 commodities accounted for 55.6 per cent of total exports in 1960, 66.3 per cent in 1970 and 84.7 per cent in 1980, or 15.8 per cent of total African GDP in 1970 and 26.5 per cent in 1980. The total value of African exports accounted for 23.8 and 31.3 per cent of regional GDP in 1970 and 1980 respectively. Individual country reliance on exports varies but tends to be higher for oil-exporting than non-oil developing African countries. The ratio of exports to GDP for the oil-exporting countries was 42.6 per cent in 1980, compared to 19.5 per cent for the non-oil countries.

The structure of African exports is characterized by the predominance of primary commodities, concentration on a small number of commodities, and concentration of the leading commodities in a limited number of countries.

The concentration of African exports in primary products brings peculiar difficulties. More specifically, primary products which have highly inelastic supply functions contribute to both price and revenue instability. In addition, many such products are facing mounting competition from substitutes such as synthetics for cotton and aluminium for copper. It has often been contended that commodity agreement could extenuate these problems. However, the power of such agreements to regulate prices in recent years does not suggest that they would be an adequate solution to Africa's problems of economic development.

The most significant development in the pattern of African primary product exports over the last two decades has been the rapid increase in earnings from crude petroleum exports, which rose from just over \$200 million in 1960 (3.8 per cent of total African exports) to \$67.4 billion in 1980 (about 73.5 per cent of total exports). This is the result of over a 20-fold increase in export volume and a quadrupling of oil prices since 1973. The expansion of production in Libya and Nigeria has been particularly spectacular.

The shifts in import demand in Africa's traditional trading partners, the industrialised countries in the West and the centrally planned economies is illustrated by the performance of cocoa, coffee, cotton, copper and petroleum exports - the products that dominate Africa's external trade.

(a) Cocoa

As table 7 reveals, world production of cocoa increased faster than world imports, and output in developing Africa has increased considerably faster than exports. Consumption of raw cocoa in producing countries has risen very sharply in the last three decades, implying increased processing of the commodity within the producing countries themselves.

Domestic absorption rose faster still in developing Africa, but whether this is the result of domestic processing or increased consumption is difficult to say.

The patterns of production of African cocoa-producing countries reveals marked contrasts. Ghana's share of developing Africa's total cocoa output declined from 51.6 per cent in 1950-51 to 27.3 per cent in 1979-80. In contrast, the Ivory Coast's share rose from 11 per cent to 37.6 per cent over the same period. Nigeria's share declined from 21.7 per cent to 16.8 per cent while that of Cameroon increased marginally from 9.3 per cent to 12.3 per cent (see Appendix B.IV).

Table 6: Leading African exports, 1960-1980

Commodity	1960			1970			1980		
	Value \$US billion	Rank	Percentage share of total exports	Value \$US billion	Rank	Percentage share of total exports	Value \$US billion	Rank	Percentage share of total exports
Crude petroleum	0.200	5	3.8	4.304	1	32.64	67.352	1	73.47
Coffee	0.361	4	6.9	0.666	3	5.05	2.542	2	2.77
Copper	0.516	2	9.9	1.473	2	11.17	1.927	3	2.10
Cocoa	0.393	3	7.5	0.660	4	5.01	1.506	4	1.64
Phosphates	0.109 <u>a/</u>	9	2.1	0.139	9	1.05	0.865	5	0.94
Cotton	0.641	1	12.3	0.654	5	4.96	0.840	6	0.92
Wood	0.149	7	2.9	0.187	7	1.42	0.691	7	0.75
Sugar	0.092 <u>b/</u>	11	1.7	0.080	11	0.61	0.568	8	0.62
Diamonds	0.143	8	2.7	0.150	8	1.14	0.517	9	0.56
Iron Ore	0.098 <u>c/</u>	10	1.9	0.253	6	1.92	0.461	10	0.50
Tea	0.040 <u>d/</u>	12	0.8	0.064	12	0.49	0.206	11	0.22
Ground-nuts	0.160	6	3.0	0.117	10	0.89	0.134	12	0.15
A. Total exports	5.220			13.185			91.674		
B. Total listed items	2.902			8.747			77.609		
C. B as percent- age of A	55.6			66.3			84.7		

Source: ECA, Survey of Economic Conditions in Africa, 1968, p.55

ECA, Survey of Economic and Social Conditions in Africa, 1980-1981, p.46

a/ Ranked eleventh in 1960 and tobacco ranked ninth.

b/ Ranked fourteenth in 1960 and phosphate eleventh.

c/ Ranked thirteenth and palm-nuts and kernels tenth.

d/ Ranked twentieth in 1960 and rubber twelfth.

The general decline of cocoa production in Nigeria is too well known to need description here. With the advent of petroleum-led growth, traditional agricultural exports such as cocoa seem to have been somewhat overlooked.

The steady decline of cocoa production in Ghana (416,000 tons in 1969/70 to 275,000 tons in 1979/80) is ascribed to the heavy tax imposed on farmers by the Government through the Cocoa Marketing Board's price policies. The data provided in table 8 are even more revealing. Producers prices in Ghana declined steadily throughout the 1970s. A Ghanaian farmer got 60 per cent less for his produce in 1980 than 1970. Besides low producer prices, the declining effective exchange rate for cocoa over most of the decade explains the reluctance of farmers to step up production.

Table 7. Cocoa

	1950/51	1959/60	1969/70	1979/80
(Thousands of tons)				
World production of raw cocoa	800	1,044	1,435	1,613
World imports <u>1/</u>	654	854	1,097	1,006
World exports <u>1/</u>	661	737	1,113	957
Consumption in producing countries <u>2/</u>	146	190	338	607
Africa:				
- Production	508	652	1,013	1,008
- Domestic absorption	44	96	154	297
- Export	464	556	859	711
Share of Africa (per cent) in:				
- World production	63.5	62.5	70.6	62.5
- World exports	70.2	75.4	77.2	74.3

Source: Compiled from Gill & Duffus, Cocoa Statistics, May 1982.

Notes: 1/ The disparities between world imports and exports are to be attributed to statistical gaps

2/ Derived by subtract

From third place in cocoa production in the 1950s and 1960s the Ivory Coast rose to first in the latter part of the 1970s. Unlike Ghana, farmers in the Ivory Coast are provided with a series of incentives. For instance, apart from revising producer prices from time to time, the Government offers premiums for the replacement of cocoa plants and assistance in introducing hybrid varieties.

Between these two extremes (Ghana, Ivory Coast) is Cameroon. The Government of Cameroon appears to have realised the importance of increased producer prices as evidenced by the increases starting in 1978.

Table 8: Indices of producer prices ^{a/}
(1970 = 100)

Year	Ghana	Nigeria	Ivory Coast	Cameroon
1970	100	100	100	100
1972	96	80	107	94
1974	90	103	113	86
1976	56	83	135	88
1978	43	92	122	166
1980	40	98	101	123

Source: Compiled from Gill & Duffus, Cocoa Statistics, May 1982, p. 22.

a/ Historical prices have been adjusted by local food inflation indices to put them on a comparable basis in terms of the local currency.

Table 7 further reveals that in volume terms developing Africa's share in world exports of cocoa rose slightly, from 70.2 per cent in 1951 to 74.3 per cent in 1980. Over the same period, Ghana's share of exports by developing Africa declined from 49.6 per cent to 30.8 per cent, while that of Ivory Coast increased from 11.9 per cent to 32.8 per cent. Nigeria's share declined from 26.1 per cent to 18.8 per cent and Cameroon's increased from 10.3 per cent to 11.3 per cent.

In contrast to the 1950s and 1960s United States demand for cocoa has been rather weak and the United States share of world imports plummeted to an all-time low of 15.6 per cent in 1980 compared with 37.6 per cent in 1951, 29.6 per cent in 1960 and 29.1 per cent in 1970. The demand for cocoa in the Western European countries has remained more or less steady while in Eastern Europe it rose sharply from a mere 3.1 per cent of total world imports in 1950 to 21.7 per cent in 1980 (see Appendix B.IV).

Cocoa consumption has been checked considerably by the introduction of substitutes. The cocoa bean contains a large amount of fat which can be replaced by fat from palm oil, shee butter or many other vegetable fats. In the United States and some parts of Europe, there are products which look like chocolate and taste like chocolate but contain no cocoa at all. 14/

(b) Coffee

World coffee production has risen faster than total coffee imports in the last three decades, while consumption in producing countries has increased more than three-fold. Production in developing Africa rose dramatically, from a yearly average of 0.3 million tons in 1948-1952 to about 1.3 million tons in 1971-1975.

Developing Africa's share of world coffee production has remained more or less steady, accounting for 22.2 per cent in 1948-1952, 23.5 per cent in 1961-1965, 27.9 per cent in 1971-1975 and 24 per cent in 1979-1980 (see table 9). In contrast, the share of the major African coffee producers (Angola, Cameroon, Ethiopia, Ivory Coast, Kenya, Madagascar, Uganda and the United Republic of Tanzania) in the total output of developing Africa increased from 40.5 per cent in 1948-1952 to 86 per cent in 1961-1965 and 87.3 per cent in 1971-1975. Among the factors influencing this substantial increase are the gains made by Angola, Uganda and Madagascar. Between 1948-1952 and 1971-1975m Angola's share in the total for developing Africa rose from 1.8 per cent to 14.5 per cent; that of Uganda increased from 1.3 per cent to 15.6 per cent, and that of Madagascar from 1.2 per cent to 7.1 per cent. In the latter half of the 1970s, however, production in both Uganda and Angola was drastically curtailed (mainly as a result of the hostilities; in Angola it declined from 183,000 tons in 1971/1975 to a mere 50,000 tons in 1979/80, bringing the country's share of total output by developing Africa down from 14.5 per cent in 1971/75 to 4.3 per cent in 1979/80. Over the same period, output in Uganda declined from 196,000 tons to 122,000 tons, and the share of Uganda in the total output of developing Africa declined from 15.6 per cent to 10.4 per cent (see Appendix B.V).

Table 9: Coffee (in thousands of tons)

	1948-52 ^{1/}	1961-65 ^{2/}	1971-75 ^{3/}	1979-80 ^{3/}
World production	2 222	4 256.2	4 521.3	4 868.0
World imports ^{a/}	1 896	2 891.5	3 503.6	3 849.0
World exports ^{a/}	1 939	2 861.5	3 509.7	3 776.7
Consumption in producing countries	326	1 364.7	1 017.7	1 019.0
Africa:				
- Production	272.1	998.3	1 261.3	1 166.5
- Exports	282	765.4	1 109.0	960.3
- Domestic absorption	-	232.9	155.3	206.3
Percentage share of Africa				
Africa in:				
- World production	22.2	23.5	27.9	24.0
- World exports	14.5	26.7	31.6	25.4

Source: 1/ FAO, Trade Yearbook and Production Yearbook, 1971, vol. 25

2/ FAO, Trade Yearbook and Production Yearbook, 1967, vol. 21

3/ FAO, Trade Yearbook and Production Yearbook, 1973, vol.27 and 1975, vol.29

4/ FAO, Production Yearbook, vol. 34

a/ The disparities between world imports and exports are to be attributed to statistical lags.

As can be seen from the data (see table 10) below, world coffee consumption doubled between 1950 and 1980, from 30 million to 61 million bags. The growth in coffee consumption that has been so marked elsewhere, particularly in Western Europe, has passed the United States by. Consumption there is no higher today than it was in 1960, despite more than a 20 per cent increase in the population over that period. ^{15/} Per capita consumption of coffee in the United States reached a peak of 3.12 cups per day in 1962 according to the Pan American Coffee Bureau. By the time of the great frost in 1975, it was down to 2.20 cups per day. This is a 30 per cent drop in the per capita consumption of coffee in 13 years. ^{16/}

Table 9 also reveals that developing Africa's share of world coffee exports rose from 14.5 per cent in 1948-1952 to 26.7 per cent in 1961-1965, and 31.6 per cent in 1971-1975 but declined to 25.4 per cent in 1979/80.

The nine major African coffee-exporting countries listed in Appendix B.V increased their share of total African exports from 62.1 per cent in 1948-52 to 81.4 per cent in 1979/80.

Table 10. World coffee consumption
(millions of bags)

	1950	1980
United States of America	18.4	18.7
European Economic Community	6.0	22.0
Other Europe	3.0	11.0
Others	2.6	9.3
Total	30.0	61.0

Source: Tea and coffee, Trade Journal, January 1981, p, 32.

(c) Cotton

World production of cotton increased from 38.7 million bales in 1951/52 to 53.7 million bales in 1968/69, or an average of 1.9 per cent per annum. In the ensuing decade, that is between 1971/72 and 1980/81, production increased by an average of 1 per cent yearly from 59.8 million to 65.6 million bales.

Meanwhile, cotton production in developing Africa increased from 3.1 million bales in 1951/52 to 5.5 million bales in 1968/69, or an average annual rate of 3.4 per cent. Consequently, Africa's share of world cotton production rose from 7.95 per cent to 10.2 per cent over the same period (see table 11). Egypt, the major cotton producing country in Africa, attained a growth rate of 1.1 per cent between 1951/52 and 1968/69 while in the Sudan production grew by an average of 8.4 per cent per annum. Between 1971/72 and 1980/81, by contrast, cotton production in developing Africa as a whole declined at an average rate of 1.4 per cent each year; in Egypt production grew by 0.4 per cent, and in the Sudan it declined by 9.8 per cent over the same period (see table 13).

Table 11. Cotton
(thousand of bales)

	1958/59 ^{1/}	1968/69 ^{2/}	1971/72 ^{3/}	1980/81 ^{4/}
World production	44,535	53,666	59,759	65,633
World imports ^{a/}	13,364	17,185	18,484	20,562
World exports ^{a/}	13,013	16,737	18,681	20,020
Consumption in producing countries ^{5/}	31,171	36,481	41,275	45,071
Africa :				
- Production	4,039	5,456	6,045	5,331
- Domestic absorption ^{5/}	648	1,985	2,006	2,881
- Exports	3,391	3,471	4,039	2,450
Share of Africa :				
- World production (percentage)	9.07	10.2	10.1	8.1
- World exports (percentage)	26.1	20.8	21.6	12.2

Source: Cotton World Statistics, Quarterly Bulletin of the International
Advisory Committee.

Notes: ^{1/} October 1959
^{2/} July 1970
^{3/} April 1972
^{4/} April 1981
^{5/} Derived by subtraction.

^{a/} The disparities between world imports and exports are to be attributed to statistical lags.

In the Sudan, the production of cotton fluctuated widely, and productivity plummeted from an average of 4-5 kantars/feddan (or 1360-1700 kg/ha) in 1971/72 to only 2.1 kantars/feddan (or 715 kg/ha) in 1980/81. Yields were affected by the delay in sowing, inadequate irrigation, deteriorating seed quality, insect infestation and a shortage of labourers during picking seasons. Consequently, the Sudan now exports less than half as much cotton as in 1970/71. 17/

In Egypt, production is concentrated in the long staple varieties. The modest gains in production in the latter half of the 1970s are ascribed partly to increases in yields. In 1979, cotton yields increased by 9 per cent, compared with 8.5 per cent in 1978 and 1.3 per cent in 1977. 18/

Table 12. Comparative prices of imported wheat and exported cotton in Egypt, 1960-1976

	1960/70	1973/74	1974/75	1975/76
Wheat price (c.i.f./ton)	25	79	112	88
Cotton price (f.o.b./ton):				
- Menoufi (extra long)	530	1,200	1,068	829
- Giza 67	410	1,100	844	677
Menoufi cotton/wheat	21	15	9.5	9.4
Giza 67/wheat	16	14	7.5	7.7

Source: Egyptian Ministry of Supply and Technical Secretariat for Cotton Sector.

Wary of Government controls and reductions in earnings, farmers are shifting from cotton to more rewarding crops. Egypt's ability to use cotton exports to finance wheat imports is also being eroded because the price of raw cotton has not kept up with wheat prices. Table 12 shows that the revenue from one ton of Menoufi extra-long staple cotton bought 21 tons of wheat in 1969 but only 9.4 tons in 1975; a ton of Giza 67 long staple cotton was worth 16.4 tons of wheat in 1969 and 7.7 tons in 1975. 19/

World cotton exports grew by an average of 1.8 per cent annually between 1952 and 1969 but by a mere 0.8 per cent between 1972 and 1981. Over the same periods, cotton exports by developing Africa grew by 2.7 per cent and declined by 5.4 per cent respectively, giving Africa 17.8 per cent of world exports of cotton in 1952, 20.7 per cent in 1969 and 12.2 per cent in 1981 (see table 11). Egypt's share of Africa's total declined from 41.7 per cent in 1952 to 31.5 per cent in 1969 and 29.6 per cent in 1981. The Sudan's share stood at 18.2, 24.5 and 16.3 per cent respectively (see Appendix B.VI).

There continues to be only a sluggish increase in cotton consumption, reflecting both the slow demand for textiles and the increasing challenge of synthetics. Demand is dropping more markedly in the developed world, where changing consumer tastes and expectations have led to a rapid intrusion of the new, non-cellulosic fibres. 20/

Consequently, world cotton consumption increased from 35.2 million bales in 1952 to 52.9 million bales in 1969 an average annual growth rate of 2.4 per cent, between 1972 and 1981, however, the rate fell to a mere 1.4 per cent annually as consumption rose from 58.6 million bales to 66.3 million bales.

Table 13 reveals that world cotton imports grew at an average annual rate of 2.0 per cent between 1952 and 1969 but only 1.2 per cent between 1972 and 1981. The decline in imports has been particularly marked in Eastern Europe and Japan. Developing Africa (apart from Egypt) has only small-scale industries and import demand on a world-wide basis is relatively insignificant.

Table 13. Selected economic indicators - cotton
(Average annual growth rates in volumes)

	1951-52/1968/69	1971-72/1980-81
<u>Production</u>		
World	1.9	1.0
Africa	3.4	-1.4
Egypt	1.1	0.4
Sudan	8.4	-9.8
Others	4.5	-0.5
<u>Consumption</u>		
World	2.4	1.4
Western Europe	-0.02	-1.5
Eastern Europe	3.3	0.4
China	3.4	4.2
Japan	3.9	-1.1
<u>Exports</u>		
World	1.8	0.8
Africa	2.7	-5.4
Egypt	1.1	-6.8
Sudan	4.5	-9.6
Others	3.3	-2.5
<u>Imports</u>		
World total	2.0	1.2
Western Europe	-0.1	-2.3
Eastern Europe	3.6	0.5
China	1.5	3.9
Japan	3.9	-1.1

Source: As table 11.

(d) Copper

World refined copper production increased from 5 million tons in 1961 to 7 million tons in 1971 or by an average annual rate of 3.9 per cent. In the ensuing decade, (between 1971 and 1980) production increased at an average annual rate of 2.7 per cent from 7 million tons to 9 million tons. Regionally and nationally, however there are substantial differences. In developing Africa as a whole, production increased at an average annual rate of 3.7 per cent between 1961-1971 but by a mere 0.8 per cent yearly in the period 1971-1980 (see table 14). In contrast, production rose at the remarkable rates of 7.1 per cent and 8.6 per cent over the same periods in Latin America (see Appendix B.VII).

Table 14. Refined copper, production and consumption

	1961	1971	1980
(Thousands of tons)			
World refined production	5,032.9	7,339.0	9,365.7
World import (1)	-	2,205.9	3,089.2
World export	-	2,300.4	3,001.5
World refined consumption	4,932.8	7,220.6	9,520.8
Africa:			
Production	588.8	845.8	908.6
Domestic consumption	-	84.6	82.1
Exports	-	761.2	826.8
Share of Africa in world export (%)	-	33.1	27.5

Source: World Bureau of Metal Statistics, World Metal Statistics, January 1967, February 1973, May 1976, January 1982.

Notes: (1) The disparities between world imports and exports are to be attributed to statistical lags.

In Zaire, production increased at an average of 3.4 per cent per year between 1961-1971 but declined by 0.4 per cent annually between 1971-1980. The respective growth rates of Zambia over the same periods were 2.6 and 1.4 per cent (see Appendix B.VII).

In Zaire, the copper industry contains a preponderance of foreign personnel. The introduction of Zairian staff at the State copper enterprise has been painfully slow, and Zairian nationals are being trained as administrative staff rather than skilled technical personnel. Nor is this all. Out of Gecamines' effective annual capacity of 470,000 tons of ore per year, only 220,000 or 46.8 per cent is refined in Shaba. The

remainder is refined in Belgium. 21/ Zambian production has been declining since 1975. The operations of the mining companies have been cut back owing to low metal prices, limited exploitable ore reserves, a scarcity of skilled manpower and transportation bottlenecks. The combined share of Zaire and Zambia, which accounted for 55.7 per cent of total production by the member countries of the Intergovernmental Council of Copper Exporting Countries (CIPEC) in 1969, had declined to 35.6 per cent in 1980 while the share of other CIPEC member countries rose from 44.3 per cent to 64.4 per cent over the same period (see Appendix B.VII).

World wide consumption of refined copper increased by an average of 3.5 per cent per year between 1961 and 1980; in the OECD and non-OECD member countries it increased by 2.7 and 7.8 per cent respectively. Consequently, the OECD member countries' share of total refined copper consumption in the non-socialist world declined from 94.9 per cent in 1961 to 87.9 per cent in 1980, and that of the non-OECD member countries rose from 5.1 per cent to 12.1 per cent. The growing demand for copper in the non-OECD developing countries in the last two decades is attributed to extensive investment in infrastructure - particularly in electrification schemes which require substantial quantities of copper for cable and wiring, transformers and other equipment. 22/

World exports of copper rose from 1.9 million tons in 1965 to 3 million tons in 1980, an annual increase of 3.1 per cent. Over the same period, exports from Africa increased from 690,500 tons to 826,800 tons; an annual average of 1.2 per cent, but Africa's share of total copper exports declined from 36.2 per cent to 27.5 per cent. Zaire and Zambia, which accounted for 16.3 and 54.4 per cent respectively of total CIPEC exports in 1965, accounted for 3.4 and 33.4 per cent in 1980.

Table 15. Average tariffs for unwrought copper and copper manufactures ^{1/}

	Average tariff for unwrought copper	Tariffs applied to copper manufactures
United States	2.7	4.2
Japan	4.6	7.0
European Economic Community	0.0	5.2
Austria	0.3	5.8
Finland	0.0	2.9
Norway	0.0	2.7
Sweden	0.0	2.5
Switzerland	0.1	-

Source: Intergovernmental Council of Copper Exporting Countries (CIPEC), Quarterly Review, January - March 1982.

1/ Refers to simple average tariff for unwrought and manufactured copper.

World imports of refined copper increased from approximately 1.8 million tons in 1965 to 3.1 million tons in 1980; an annual increase of 3.7 per cent. Europe's share in the total declined from 85.1 per cent in 1965 to 66.3 per cent in 1980; that of the U.S. rose from 7.1 per cent to 14.8 per cent over the same period (see Appendix B.VII). Table 15 shows that in addition to restrictions on import volume and other non-tariff increases the industrialized countries are applying a trade policy to manufactured copper items that is designed to protect their own manufacturing industries.

(e) Petroleum

World crude petroleum production increased by an average of 5.3 per cent per year from 1.1 billion tons in 1960 to 3.1 billion tons in 1980. Over the same period, crude oil production in developing Africa rose by an annual average of 16.5 per cent, from 13.7 million tons to 293 million tons, bringing the continent's share of world crude petroleum production from 1.3 per cent in 1960 to 12.9 per cent in 1980 and 9.6 per cent in 1980 (see table 16). By 1982, production had declined by 30.4 per cent from its 1980 level, to 204 million tons. The loss in production was the result of the world-wide glut on the oil market caused by recession in the industrialized economies together with the rise of over 100 per cent in oil prices in 1978-1980. African exports also fell sharply, to \$36.4 billion in 1982 from \$46.6 billion in 1981, the drop being especially severe for the Libyan Arab Jamahiriya (24.1 per cent) and Nigeria (25.3 per cent).

The production of crude petroleum in developing Africa started to gain momentum in the 1970s. Nigeria, for example, almost doubled its output from 54 million tons in 1970 to 102 million tons in 1980, increasing its share of total production by developing Africa from 18.4 per cent to 34.9 per cent. In 1959, when exports of crude petroleum were just beginning, oil contributed about 1.65 per cent to the total value of the country's exports; this share had risen to 97 per cent in 1981. In contrast, the contribution of the traditional non-oil sector has become minimal. For instance, by 1981, groundnut and palm products of which Nigeria has formerly been leading exporter accounted for only 0.1 per cent (N.5.3 million) of total export earnings. ^{23/}

Table 16. Crude oil production.
(Thousands of tons)

	1960	1970	1980
World production	1,054,000	2,275,000	3,065,625
Africa:			
- Nigeria	850	54,203	102,204
- Libyan Arab Jamahiriya		159,709	86,124
- Algeria	8,632	48,790	47,424
- Gabon	800	5,423	8,904
Other countries	3,438	25,819	42,217
Total developing Africa	13,720	293,944	292,873
Share of Africa in world production (percentage)	1.3	12.9	9.6

Source: For 1960 and 1970 The World in Figures, (The Economist Newspaper Limited, London, 1981) p. 29. For 1980, ECA secretariat estimates and Petroleum Economist.

In Algeria the commercial production of crude oil had began by the end of the 1950s. From 1960 to 1980 output volume increased at an average rate of 8.9 per cent annually, reaching by 1980 the level of 47,424,000 tons.

Petroleum exports have caused a huge shift in the country's export structure. Exports of crude oil represented 92 per cent of total exports in 1981 as against 54 per cent in 1964. Previously the export structure was based on mineral and agricultural products such as wine, citrus fruit and iron ore, but growing oil exports caused the share of these items in total exports to shrink rapidly. By 1979, exports of foodstuffs and tobacco accounted for a mere 1.1 per cent of total exports, and beverages (including wine) represented 0.8 per cent. The corresponding figures for 1970 were 5 and 14.7 per cent respectively. 24/

Libyan oil was first exported in the autumn of 1961. By 1970 exports totalled \$2,823 million, reaching the level of \$22,599 million in 1980. Since 1961, oil has accounted for almost 99 per cent of Libyan exports. Until production of oil began, Libyan exports were based on agricultural products. Since the early 1960s non-oil exports such as hides and skins, groundnuts, almonds and metal scrap have represented only a minute proportion of total exports. 25/

From 1960 to 1980 the volume of Gabon's crude oil production increased at an average rate of 14.1 per cent per year, reaching by 1980 the level of 48.2 million tons. Over this period the structure of the country's earnings has undergone dramatic changes. During the 1950 timber products accounted for about 70 per cent of total export earnings. Thereafter the share of petroleum in total exports rose from 16.3 per cent in 1961 to 77 per cent in 1980, while by 1980 earnings from timber had become relatively unimportant (around 9 per cent of merchandise exports) and other crops, such as cocoa, coffee and palm oil, contributed a mere 1 per cent of total export earnings. 26/

C. Concentration of exports by commodity and country

A second aspect of the export structure of African countries is the high proportion of total exports accounted for by one or two commodities in each country. In 1980 petroleum accounted for all the export earnings of the Libyan Arab Jamahiriya, 95 per cent of Nigeria's and about 92 per cent of Algeria's. Copper brought in 83 per cent of Zambia's total export earnings and 43 per cent of Zaire's. Coffee provided 89 per cent of Burundi's total export earnings and 64 per cent of Ethiopia's. Cotton represented 45 per cent of the total value of exports from the Sudan and 54 per cent of the value of exports from Chad. Cocoa was responsible for 63 per cent of Ghana's total exports. Iron ore accounted for 78 per cent of the export earnings of Mauritania and 52 per cent of Liberia's. Diamonds earned 81 per cent of Botswana's export income and about 59 per cent of Sierra Leone's. Uranium represented 74 per cent of the export earnings of Niger, while sugar was responsible for 68 per cent of the total value of exports from Mauritius.

This means that whole African economies depend on the export of a few commodities to a limited number of markets. A sharp fall in international prices or a fluctuation in external demand have severe consequences for a country's foreign exchange earnings, import capacity, level of employment and, indeed, development process at large. This situation of dependence has to be considered part of the colonial legacy of unbalanced development.

The concentration of each of the leading export commodities in a small number of countries is another feature of African exports. A large proportion of African crude petroleum exports come from Algeria, Gabon, The Libyan Arab Jamahiriya and Nigeria. Copper is exported largely from Zaire and Zambia; cotton from Egypt and Sudan; coffee from Cameroon, Ethiopia, the Ivory Coast, Kenya, Madagascar, Uganda and the United Republic of Tanzania; cocoa from Cameroon, the Ivory Coast, Ghana and Nigeria. Other commodities which are heavily concentrated in a few countries include: wood and timber from the Congo, Gabon, Ghana and the Ivory Coast; iron ore from Liberia and Mauritania; phosphates from Morocco, Senegal and Togo; diamonds from Sierra Leone and Zaire; aluminium and bauxite from Ghana and Guinea; cobalt from Zaire and Zambia; tin from Nigeria and Zaire; citrus fruits from Algeria and Morocco; sugar from Mauritius and Swaziland; groundnuts and groundnut oil from the Niger, Nigeria, Senegal and the Sudan; tea from Kenya, Malawi and Uganda; rubber from Liberia, Nigeria and Zaire; wine from Algeria and palm kernels from Nigeria. 27/

D. Direction of trade

Table 17 shows that African exports to the developed market economies have grown at an average annual rate of 15.4 per cent in the last two decades and accounted for 80.2 per cent of the total value of such exports in 1960 and 82.1 per cent in 1980. Over the same period exports to the centrally-planned and developing economies grew by an annual average of 13.1 per cent and 16.2 per cent respectively.

Table 18 provides further data on Africa's exports to the rest of the world. It reveals that the share of African exports taken by the European Economic Community rose from 44.2 per cent in 1960 to 60.1 per cent in 1970, but declined to 48.1 per cent in 1975 and 41.5 per cent in 1980. Exports to the United States showed a marked improvement, increasing from 9.8 per cent in 1960 to 30 per cent in 1980. In contrast, exports to the Eastern European countries declined from 4.3 per cent of the total in 1960 to 3.5 per cent in 1980. Nor is this all. The share of African exports going for inter-African trade has declined in recent years. Inter-African trade accounted for 4.3 per cent of the total value of African exports in 1960 and 6.4 per cent in 1970, but 6 per cent in 1975 and only 3.5 per cent in 1980. The reasons include limited production capacity; inadequate transport and communications systems and unsatisfactory payments arrangements and credit facilities within the continent; old established trade links with the developed countries; tariff and non-tariff barriers; and inadequate trade information and promotion facilities.

African earnings from primary commodity exports could be increased significantly if the commodities were to undergo more processing before export. Unfortunately, developing Africa still process very little of the raw material it produces compared with other developing countries (see Appendix B.VIII). This is partly a question of domestic policy, but to a large extent it is also a matter of tariff policy in the developed market economies.

With the onset of the economic recession in the 1970s the industrialized countries have had increasing recourse to protectionist measures as a means of dealing with fundamental domestic economic problems such as growing unemployment. It has been estimated that in the course of barely three years, from 1975 to 1977, import restrictions introduced or threatened by developed market economy countries affected between 3 and 5 per cent, (roughly from \$30 billion to \$50 billion-worth) of international trade. ^{28/} The European Economic Community maintain very high internal prices in order to have self-sufficiency in some products and exportable surpluses in others. Sugar is one such instance. Chiefly because of its pricing policy and surplus disposal Programme the EEC has become the world's leading exporter of sugar after Cuba. What is more, with the entrance of the Mediterranean countries, a significant share of the EEC's consumption of olives, wine, fruit and vegetables will be produced internally and protected from competition from North Africa and other developing countries. Although the EEC surpluses are earmarked for food aid, intermittent sales of surpluses are bound to depress world prices and displace established exporters. ^{29/}

Table 17: Destination of African exports

Destination (exports)	Value f.o.b. (\$ million)					Share in percentages					Average annual growth rate	
	1960	1965	1970	1975	1980	1960	1965	1970	1975	1980	1960-1970	1970-1980
World	5 239	7 770	12 164	33 960	90 209	100.0	100.0	100.0	100.0	100.0	8.8	22.2
Developed market economies	4 200	6 200	9 757	26 510	74 040	80.2	79.8	80.2	78.1	82.1	8.8	22.4
Developing economies	620	920	1 427	4 964	12 417	11.8	11.8	11.7	14.6	13.8	8.7	24.2
Centrally planned economies	295	570	896	2 252	3 445	5.6	7.3	7.4	6.6	8.8	11.7	14.4
Sources (imports)												
World	6 270	8 150	11 977	41 022	85 156	100.0	100.0	100.0	100.0	100.0	6.7	21.7
Developed market economies	5 170	6 210	9 153	32 460	66 238	82.5	76.2	76.4	79.1	73.1	5.3	19.7
Developing economies	280	670	1 677	6 089	13 639	4.5	8.2	17.0	14.8	16.0	19.6	23.3
Centrally planned economies	820	1 270	1 147	2 473	5 279	13.1	15.6	9.6	6.0	6.7	3.4	16.5

Source: United Nations, Monthly Bulletin of Statistics (June 1967 and July 1981).

Table 18: African exports (f.o.b.) to principal markets, 1960-1980
(percentages)

Year	World	USA	Japan	EEC	EFTA	Eastern Europe & U.S.S.R.	LAFTA	Developing Africa	Developing Asia	Rest of the world
1960	100	9.8	1.5	44.2	22.1	4.3	0.8	4.2	4.2	8.9
1965	100	7.6	2.1	44.9	19.9	5.9	0.5	3.6	3.6	11.9
1970	100	6.6	4.0	60.1	4.2	6.4	0.6	6.7	3.1	8.3
1975	100	19.0	3.4	48.1	2.3	6.0	1.7	5.7	2.4	11.4
1980	100	30.0	1.9	41.5	3.4	3.5	1.5	4.7	3.1	10.4

Source: As table 17.

As Appendix B.IX reveals, import tariffs in the United States are still 8.8 per cent on cotton clothing, 14.4 per cent on leather goods and 18 per cent on unmanufactured tobacco. Japan has tariffs of 17.5 per cent on coffee extracts; 27.4 per cent on chocolate; 13.2 per cent on clothing; 11.7 per cent on wrought aluminium and 55 per cent on unmanufactured tobacco. The European Economic Community has tariffs of 18 per cent on coffee extracts; 11.7 per cent on leather goods; 11.7 per cent on sisal cordage and 13.7 per cent on cotton clothing.

E. The relationship of exports to economic growth

In recent years there has been a lively debate among economists as to whether trade should be at the centre of efforts to accelerate economic development in the less developed countries. For instance, one influential statement asserts that, "In most less developed countries, exports are the most important active factor in generating economic activity. The slow growth of their exports, if not accompanied by the development of the home sector would mean a slow economic growth in general." ^{30/} On the other hand, ECA challenges the notion that export-lead growth is critical to African development and avers that "a development strategy based on such principles as self-reliance, self-sustainment, the democratisation of the development process and the fair and just distribution of the fruits of development, calls for a complete departure from the past. It is inward looking rather than externally oriented. It does not make a sacred cow of foreign exchange earnings and therefore does not attach much importance to foreign trade, particularly the type of foreign trade with which we are familiar in Africa as the basis for initiating development. It puts domestic market, including subregional and regional markets, rather than external foreign markets at the heart of the development effort. And when it emphasizes indigenous factor inputs, it means African scientists and technologists, African entrepreneurs, indigenous market analysts and distributors and indigenous technology. In the new development strategy, external trade is seen as being mainly supplementary in character and not constituting the heart of our development effort". ^{31/}

What follows is an attempt to analyse the relationship between exports and economic growth, at least as far as developing Africa is concerned.

Data on real per capita GDP and exports were compiled for 34 African developing countries for the period 1970-1979. Average annual rates of growth were then calculated for all data, generally for the period 1970-1979. The GDP data were then converted to a per capita basis by subtracting annual rates of population growth from the GDP growth rates. This was done on the assumption that population growth in developing countries has an important bearing on the rate of growth of GDP. Since differences in rates of population growth are marked between countries, it was found necessary to use a growth rate that excluded the influence of a change in population size. Export data were not similarly treated because there is much less reason to believe that export growth reflects increases in population, especially where agriculture is the predominant type of economic activity. A rising population may even result in declining exports, as more of the country's agricultural land is devoted to the production of food for domestic consumption. An expanding population can on occasion contribute to export expansion, but is neither a necessary nor a sufficient condition for exports to increase. ^{32/}

In selecting the thirty-four countries, care was taken to make the sample cover the major export items of developing Africa. As a result the list includes, for instance, Benin, Chad, Egypt, Sudan and Upper Volta (for cotton); Zaire and Zambia (copper); Angola, Cameroon, Ethiopia, Ivory Coast, Kenya and Rwanda (coffee); Kenya, Malawi and Uganda (tea); Mali and Senegal (groundnuts); Morocco, Togo and Tunisia (phosphate); Angola, Central African Republic, Congo and Sierra Leone (diamonds); Liberia (rubber); Central African Republic and the Congo (wood).

Only exports were considered in the regression exercise. The service account was deliberately omitted mainly because efforts to establish primarily African services such as shipping, insurance and banking have been painfully slow in many developing African countries.

A pooled regression equation was calculated using real per capita GDP and export growth rates. The results reveal that there is no high degree of correlation between per capita GDP and exports. The coefficient of determination is quite low although the t-value is statistically significant at the 5 per cent level. This would mean that for every 1 percentage point increase in exports, GDP per capita will increase by 0.28 per cent. Put differently, the contribution of exports to economic growth is about 24 per cent while the remaining 76 per cent growth in GDP per capita must be explained by factors other than exports.

Similar calculations taking the opposite assumption (to see the extent to which economic growth can boost exports) led to the same results (See Appendix X).

In a further exploration of the relationship of exports to economic growth, a regression equation was calculated by sub-grouping countries. As can be seen from Appendix X, the results obtained tend to confirm that exports growth is not a major factor in the level of economic activity in developing Africa.

From the data provided in table 19 and the chart on page 27 four distinct types of countries can be identified.

The first group of countries are those with declining exports and declining per capita GDP. They include: Angola, Chad, Ethiopia, Ghana, the Libyan Arab Jamahiriya, Madagascar, Mauritania, Mozambique, Senegal, Uganda, Zaire and Zambia. The experience of these countries has been rather mixed. Both Zaire and Zambia have experienced both a fall in the rate of growth of exports and adverse terms of trade. At the end of 1979, Zaire had accumulated \$1 billion of arrears on its long-term public debt alone, and had additional arrears of about \$850 million on short-term public and private non-guaranteed debt. Public debt service payments jumped from \$168 million in 1979 to about \$330 million, or nearly 90 per cent of the country's estimated export earnings, in 1980. Failing a massive inflow of foreign aid Zaire's exports will soon completely be mortgaged to foreign debt servicing and repayments. In both Zaire and Zambia the industrial sector's share of total GDP dwindled between 1960 and 1979, from 27 to 24 and 63 to 41 per cent respectively.

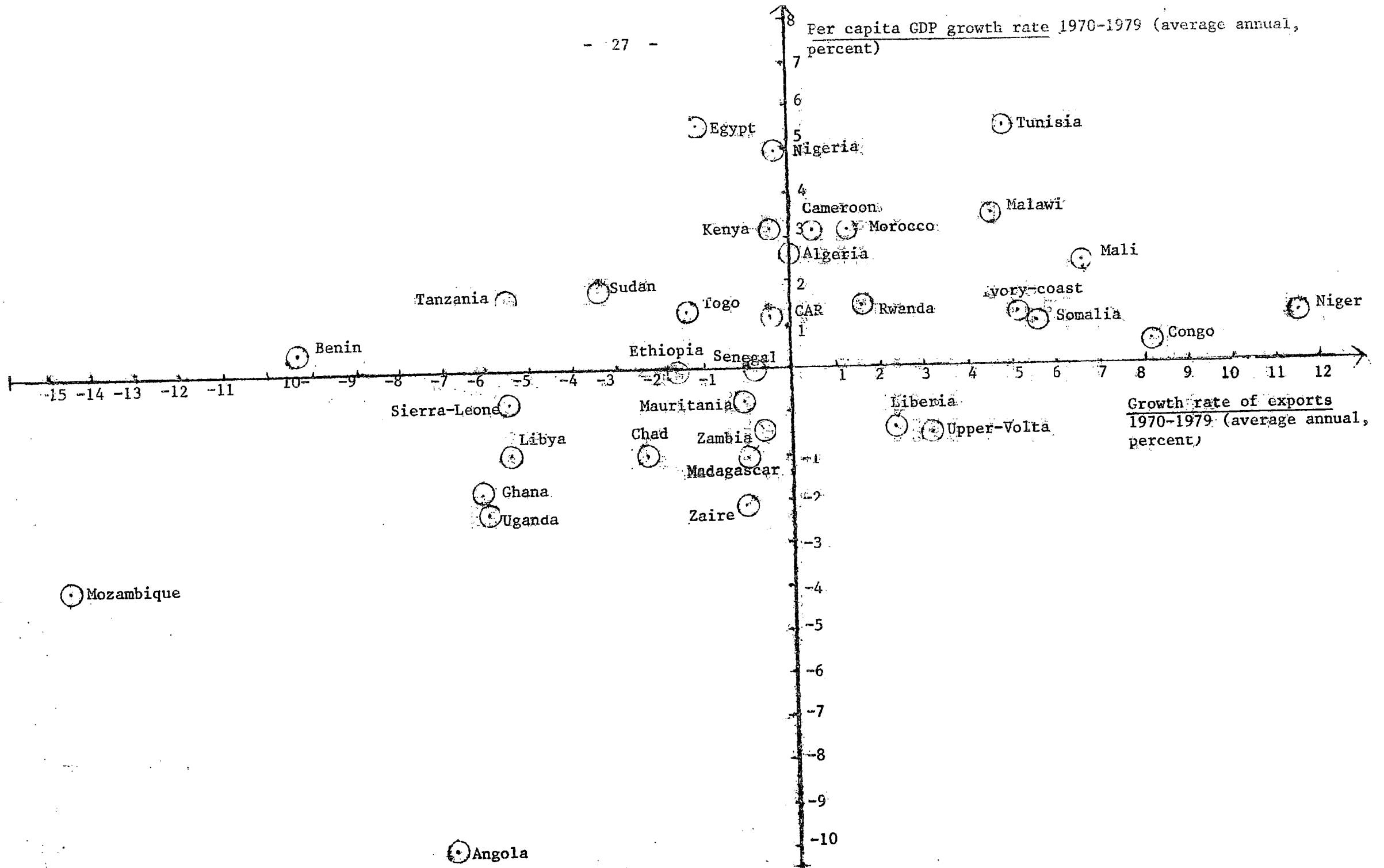
Table 19: Selected growth rates for 34 developing African countries 1970-1979 1/
(percentage)

	Average annual population growth rate	Average annual real GDP growth rates	Average annual per capita GDP growth rate	Average annual export growth rate	Terms of trade in 1979 (1979=100)
<u>Group I countries</u>					
Angola	2.3	-9.2	-11.2	-7.9	167
Chad	2.0	-0.2	-2.2	-3.4	107
Ethiopia	2.1	1.9	-0.2	-2.7	95
Ghana	3.0	-0.1	-3.0	-7.2	118
Libyan Arab Jamahiriya	4.1	1.9	-2.1	-6.5	376
Madagascar	2.5	0.3	-2.1	-1.0	91
Mauritania	2.7	1.8	-0.9	-1.1	30
Mozambique	2.5	-2.9	-5.3	-16.6	84
Senegal	2.6	2.5	-0.1	-0.3	97
Sierra Leone	2.5	1.6	-0.9	-6.5	79
Uganda	3.0	-0.4	-3.3	-7.0	104
Zaire	2.7	-0.7	-3.3	-1.1	46
Zambia	3.0	1.5	-1.5	-0.7	44
<u>Group II countries</u>					
Benin	2.9	3.3	0.4	-11.4	76
Central African Republic	2.2	3.3	1.1	-0.5	92
Egypt	2.0	7.6	5.5	-2.1	86
Kenya	3.4	6.5	3.0	-0.5	91
Nigeria	2.5	7.5	4.9	-0.3	356
Sudan	2.6	4.3	1.7	-4.4	93
Togo	2.4	3.6	1.2	-2.5	139
United Republic of Tanzania	3.4	4.9	1.5	-6.6	100
<u>Group III countries</u>					
Nigeria	3.3	5.8	2.4	0.0	345
Cameroon	2.2	5.4	3.1	0.5	122
Congo	2.5	2.9	0.4	8.2	101

All data computed from World Development Report 1981, except the terms of trade data from UNCTAD Handbook of International Trade and Development Statistics, 1980 Supplement.

Table 19 (cont'd)

	Average annual population growth rate	Average annual real GDP growth rate	Average annual per capita GDP growth rate	Average annual export growth rate	Terms of trade in 1979 (1979=100)
<u>Group III countries</u>					
Ivory Coast	5.5	6.7	1.1	5.2	101
Malawi	2.8	6.3	3.5	4.6	86
Mali	2.6	5.0	2.3	6.7	81
Morocco	2.9	6.1	3.1	1.3	86
Niger	2.8	3.7	0.9	11.7	83
Rwanda	2.8	4.1	1.3	1.6	116
Somalia	2.3	3.1	0.8	5.6	71
Tunisia	2.1	7.6	5.4	4.8	131
<u>Group IV countries</u>					
Liberia	3.3	1.8	-1.5	2.3	68
Upper Volta	1.6	-0.1	-1.7	3.1	81



These figures should be interpreted with caution since they reflect the combined effects of price and structural changes. The problems facing Ghana were inflation, unemployment, budgetary deficit and structural rigidity associated with overdependence on a few unstable export products. At the other end of the development spectrum are countries such as Ethiopia and the Libyan Arab Jamahiriya which have embarked upon structural changes to cope with adverse trends and fluctuations in their foreign trade. These changes include land reform, educational advance and the radical reform of social structures based on unequal distribution of property, restricted educational opportunities and regressive tax systems. Madagascar's achievement in changing its structure of production must not be underrated; Uganda's performance has been rather dismal.

The second group comprises countries such as Benin, the Central African Republic, Egypt, Kenya, Nigeria, Sudan, Togo and the United Republic of Tanzania, which have had declining exports but growing per capita GDP. The majority have benefited from large inflows of official and private capital which have helped to sustain their economic growth. However, service payments on external public debt have been rising as a proportion of the goods and services exported by this group. Structural changes in some of these countries may eventually reduce their dependence on exports. For instance, in Egypt, the share of the industrial sector in total GDP increased from 24 per cent in 1960 to 35 per cent in 1979 while that of agriculture declined from 30 per cent to 23 per cent over the same period. Between 1960 and 1979 the industrial sector's share of the Nigerian GDP rose from 11 per cent to 45 per cent while that of agriculture declined from 63 per cent to 22 per cent. Over the same period, Kenya, the Sudan and the United Republic of Tanzania have done little to change the structure of production. Benin's poor export performance can be ascribed to worsening terms of trade and inadequate output of export crops. Of Benin's major export crops (palm products, cotton and groundnuts) only the output of groundnuts has increased steadily since 1975. Palm production has been severely affected by insufficient rainfall; palm oil sales have declined sharply and sales of palm kernels have remained stagnant.

The third group of countries experienced an increase in both exports and per capita GDP. They include: Cameroon, the Congo, the Ivory Coast, Malawi, Mali, Morocco, Niger, Rwanda, Somalia and Tunisia. The expansion of exports by the Congo, the Ivory Coast, Malawi, Mali, Niger and Somalia is the more remarkable because these countries have not experienced as great an improvement in their terms of trade as Cameroon, Rwanda and Tunisia. The efforts by the Ivory Coast, Malawi and Tunisia at changing the structure of their production have also been substantial: between 1960 and 1979, the industrial sector's share of total GDP increased from 11 to 20 per cent in Malawi, from 14 to 23 per cent in the Ivory Coast and from 18 to 33 per cent in Tunisia. On the other hand, in both Angola and Mozambique the transition from the colonial era has proved economically constricting. An exodus of expatriates caused the total breakdown of commercial agriculture and the distribution system in both countries, and a large proportion of government expenditure has gone to defence rather than productive sectors of the economy such as industry and agriculture. For instance, the Angolan Government has spent \$10,000 million on defence since independence - the equivalent of \$200 per capita per annum. (Per capita GNP was estimated at \$470 in 1980). More than half of the 1981 State budget was spent on defence.

The fourth group of countries are those with an increase in exports but a decrease in per capita GDP. These include Liberia and Upper Volta. Liberia's external public debt underwent significant changes between 1970 and 1979 in terms of both volume and structure. By June 1980 external public debt outstanding amounted to \$520.5 million, three times the 1973 level. Most external creditors have frozen credit lines to the country, while the current attitude of foreign investors is one of wait-and-see. The set-back to private borrowing has made more official borrowing necessary, and this has led to rising debt service payments. Upper Volta remains dependent on external aid, and the difficult climate and relatively poor soils over most of the country make it difficult to achieve rapid economic growth.

F. Conclusion - Exports

By now the futility of development policies which rely heavily on export expansion must be obvious. The demand in developed countries for food items such as coffee and tea either has stagnated or has been persistently declining. For instance, consumption of coffee in the United States of America is no higher today than it was in 1950, despite an increase of more than 20 per cent in the population in the intervening period. The demand for cocoa between 1950 and 1980 grew by a mere 1.4 per cent per annum. Offering more of the same things to people who do not want more of them has been one of the major shortcomings of developing Africa's export policy over the last three decades.

Rapid export expansion is constrained by the increased production of substitutes. The current sluggish demand for cotton mirrors both the natural weakness of demand for textiles and the increasing challenge of synthetics. Moreover, cotton is fast losing ground in the developed world, where changing consumer tastes and expectations have led to a rapid intrusion of the new, non-cellulosic fibres. The demand for copper in the industrialized countries has increased at a dismal 3.8 per cent per year over the last fifteen years, and copper is now coming under increasing threat from substitutes: aluminium for electrical conductors, fibre optics for telecommunications system, titanium for heat exchangers, and plastic and aluminium for car radiators and other components.

Tariffs and quotas have been used by developed countries to restrict imports of traditional African products, especially since the onset of the economic recession in the 1970s. Increasingly, the tariffs are coming to penalize products that have undergone any substantial degree of processing. Quantitative restrictions are being put on imports of cereals, textiles, leather products and the industrialized countries are using guaranteed prices to support their own production of beet sugar, soya beans and oil seeds. Worse still, with the developed world's markets nearly saturated with consumer goods and population growth virtually halted, it seems there are limits to the growth of exports to the industrialized countries. African exports to Eastern Europe are actually declining. At the same time there has been little expansion of intra-African trade: the continent's limited production capacity is geared to the production of commodities for the foreign rather than the domestic market; transport and communication systems between African countries are inadequate and payment arrangements and credit facilities unsatisfactory and tariff and non-tariff barriers, inadequate trade information and poor promotion facilities are further impediments.

The degree of concentration in African trade is another cause for concern. Most African countries depend on only two or three products for the bulk of their export earnings, and the markets for these products are subject to violent fluctuations which can cause instability in export receipts. This may be considered part of the colonial legacy, perpetuated by African economic structures and institutions which have hardly changed since independence.

In short, not only is the relationship between exports and economic growth obscure, but heavy reliance on the export sector is unlikely to promote developing Africa's socio-economic transition to self-sustained growth.

G. Structure of imports

(a) General

Between 1950 and 1980 the value of African imports has risen by a factor of almost twenty-two from its 1950 level. The rate of growth of imports to developing Africa averaged 5.3 per cent in the 1950s, 4.9 per cent in the 1960s, 22.2 per cent in the 1970s and 9.9 per cent overall for those thirty years (see Appendix B. XI).

The upward trend in both the volume and value of imports to most African countries is a result of the agricultural and industrial growth ensuing from development programmes, which has created new demands for consumer, intermediate and capital goods. Table 20 reveals that the pattern of African imports has been changing. Traditionally important imports like textiles have been losing ground to categories such as fuel, food, beverages and tobacco. Textiles declined from 6.6 per cent of the total value of African imports in 1970 to 3.7 per cent in 1980. The decline in textile imports can be partly attributed to increasing domestic production of textiles in many African countries. In contrast, fuel imports rose from 4.7 per cent of the total in 1970 to 9.4 per cent in 1980 and food imports from 12.9 per cent to 14.3 per cent. The surge in the value of fuel imports is mainly the result of the almost five-fold increase in petroleum prices (in real terms) which took place in two distinct stages, in 1973 and 1979/80. As regards food, population growth and changes in the eating habits of the urban populace have tended to heighten demand for imported supplies. Part of the blame for increased food imports must also be attached to the policies pursued by national Governments.

On the whole, however, table 20 shows that import patterns in the 1970s either stagnated or changed only slightly, suggesting that the productive structure of a large number of countries remained more or less static.

(b) Food imports

Between 1970 and 1980 (the latest year for which data are available), the value of major cereal imports to developing Africa increased at an annual rate of 25.1 per cent, while the volume increased by 12.2 per cent annually (see tables 21, 22, 23, 25). A significant proportion of the rise in value thus stemmed from increased prices.

Table 20: Commodities imported by developing Africa

Year	Total imports (billions of US dollars)	Food, beverages, tobacco	Basic materials	Mineral fuels	Chemicals	Textiles yarns fabrics	Metals	Machines and transport equipment	Other
					(percentage)				
1970	11 835	12.9	4.3	4.7	8.1	6.6	6.9	31.6	17.9
1975	40 932	13.8	3.6	7.5	7.1	3.8	6.7	41.8	15.6
1976	42 294	12.4	3.4	7.4	6.5	4.0	5.2	46.1	15.0
1977	52 374	12.4	3.8	7.2	6.8	3.9	5.0	44.8	16.1
1978	57 515	13.2	3.6	6.9	6.9	3.9	5.2	43.5	16.8
1979	64 280	13.4	4.2	9.1	7.4	3.8	5.5	39.0	17.6
1980	84 352	14.3	4.3	9.4	8.0	3.7	5.7	37.4	17.2

Source: United Nations, Monthly Bulletin of Statistics, vol. XXXVI, No.5 (May 1982), p. xxxii.

Table 21: Value of cereal imports to developing Africa
(millions of US dollars)

	1970	1975	1980	Average annual growth rates (percentage) 1970-1980
Central Africa <u>a/</u>	59.3	157.7	314.3	18.1
Eastern Africa <u>b/</u>	111.3	378.6	828.1	22.2
North Africa	211.7	1 731.1	2 617.4	28.6
West Africa	149.8	387.7	1 228.9	23.4
Developing Africa	532.1	2 073.1	4 988.7	25.1

Source: FAO secretariat.

a/ Excluding Equatorial Guinea

b/ Excluding Djibouti, Lesotho and Seychelles.

Wheat retained its dominant position, although it declined from 66.3 per cent of total volume in 1970 to 64.1 per cent in 1980. This was due to the rapidly increasing volume of maize imports, which rose at an annual rate of 20.1 per cent between 1970 and 1980, increasing maize's share in the total volume of cereal imports from 9.1 per cent in 1970 to 18 per cent in 1980. Rice imports stagnated at 16.6 per cent of total volume.

In many parts of developing Africa, the production of certain cereals is hampered by ecological factors. For instance, except in parts of North Africa, the East African highlands, Ethiopia and the Sudan, wheat can be grown only at prohibitive cost. Consequently, Africa is by far the least self-sufficient region in wheat, producing only about 11 per cent of the wheat it consumes. Rice can be grown in a wider range of countries, but nevertheless requires large irrigation schemes to supplement rain-fed cultivation.

In a large number of African countries, imports of food grains have been rising at an alarming rate - a trend which goes against the notion of self-reliance enunciated in the Lagos Plan of Action. At one end of the development spectrum are countries such as Egypt and Mozambique, which in 1980 devoted over a third of their export earnings to cereal imports when in 1970 they had spent 9.2 and 5 per cent respectively. Somalia's position is even more frightening: cereal imports were equivalent to over two thirds of its total merchandise exports in 1980. In Benin, Ethiopia, Guinea, Madagascar, Morocco, Senegal and the United Republic of Tanzania, cereal imports accounted for 23, 14.7, 17.5, 18.1, 14.6, 28.3 and 18.7 per cent of total merchandise exports respectively in 1980. Not only did these countries' cereal import bills rise rapidly, but the rate of growth of their exports lagged considerably behind that of their cereal imports (see table 24).

Table 22: Cereal imports to developing Africa, 1980

	Volume (tens of tons)	Share of total (percentage)
<u>Central Africa</u>	102 240	4.90
Angola	30 245	1.45
United Republic of Cameroon	13 390	0.64
Zaire	40 500	1.94
Others	18 105	0.87
<u>Eastern and Southern Africa</u>	336 397	16.11
Ethiopia	42 623	2.04
Kenya	38 811	1.86
Mozambique	41 275	1.98
United Republic of Tanzania	38 639	1.85
Zambia	49 900	2.39
Others	125 149	5.99
<u>North Africa</u>	1 270 516	60.83
Algeria	292 178	13.99
Egypt	602 277	28.86
Morocco	182 084	8.72
Others	193 477	9.26
<u>West Africa</u>	379 523	18.17
Ivory Coast	42 030	2.01
Nigeria	176 190	8.44
Senegal	42 055	2.01
Others	119 248	5.71
<u>Developing Africa</u>	2 088 676	100.00

Source: FAO Trade Yearbook, 1980 (Rome, 1981).

At the other end of the spectrum are countries such as Botswana, Chad, Guinea-Bissau, the Libyan Arab Jamahiriya, Malawi, Mauritius, Nigeria, Rwanda, Swaziland, Tunisia and the United Republic of Cameroon, whose cereal imports accounted for a smaller percentage of total merchandise exports in 1980 than in 1970. In general a moderate increase in cereal imports was offset by a much larger rise in export income.

Table 23: Indexes of food imports into African developing countries

	1970	1975	1980	Average annual growth rates 1970-1980 (percentage)
Value	99	371	655	20.8
Volume	101	131	227	8.4
Unit value	98	283	289	11.4

Source: FAO secretariat.

Table 24: African cereal imports and total exports, 1970-1980 (percentage)

	Ratio of cereal imports to total merchandise exports		Average annual growth rate in 1970-1980	
	1970	1980	Cereal imports	Total exports
Group I				
Algeria	2.74	3.35	37.4	28.5
Benin	5.19	23.00	28.2	10.5
Egypt	9.20	37.42	32.2	14.9
Ethiopia	4.86	14.63	27.8	14.4
Guinea	8.91	17.52	26.7	18.4
Kenya	0.86	0.60	43.0	15.6
Madagascar	3.16	18.10	32.4	11.1
Morocco	6.03	14.63	28.1	17.3
Mozambique	4.99	31.27	27.8	6.4
Senegal	13.91	28.03	17.6	9.6
Somalia	18.82	67.67	30.0	14.4
Sudan	5.68	11.54	16.5	8.5
United Republic of Tanzania	2.35	18.72	33.0	8.1
Zaire	2.40	5.50	17.7	8.3
Group II				
Botswana	21.19	3.38	8.2	34.6
Chad	3.79	2.35	11.5	14.4
Guinea-Bissau	58.90	43.45	8.1	11.5
Libyan Arab Jamahiriya	1.22	0.83	20.6	25.3
Malawi	13.77	10.36	14.0	17.3
Mauritius	16.43	12.92	17.2	20.0
Nigeria	2.14	1.90	34.4	35.9
Rwanda	6.93	6.54	10.9	11.6
Swaziland	1.64	1.12	10.6	15.2
Tunisia	19.91	7.92	16.9	28.3
United Republic of Cameroon	3.79	2.35	14.4	19.0

Source: FAO Trade Yearbook 1972 (Rome, 1973); FAO Trade Yearbook 1980 (Rome, 1981); FAO secretariat.

Table 25: Volume of major cereal imports to developing Africa a/
(thousands of tonnes)

	1970	1975	1980	Average annual growth rate 1970-1980 (percentage)
Wheat	2 872	5 221	8 506	11.5
Rice	698	586	2 201	12.2
Maize	384	856	2 391	20.1
Millet	167	136	83	-6.7
Sorghum	61	28	69	1.2
Barley	25	173	300	28.2
Total	4 207	7 000	13 250	12.2

Source: FAO, The State of Food and Agriculture 1980 (Rome, 1981) and
FAO, The State of Food and Agriculture 1982 (Rome, 1982).

a/ Excluding Egypt, the Libyan Arab Jamahiriya and the Sudan.

Even in those countries where sufficient resources are available, very little investment has been earmarked for the development of the agricultural sector. In Nigeria, for instance, development priorities became urban- and elite-oriented after the oil boom and the decline in domestic food production was made up for with imported food items. Agricultural development in Algeria, has been somewhat overlooked since the oil boom of the early 1970s. Although planned investment in agriculture in 1980-1984 was almost double the amount projected under the previous plan, in terms of total investment it shrank from 11 per cent to about 5 per cent. In the Libyan Arab Jamahiriya, the share of governmental resources allotted to agriculture declined towards the end of the 1970s and the 1981-1985 Development Plan gave priority to industrial development. A large share of the additional resources resulting from oil exports in Gabon, has been devoted to economic infrastructure, but agriculture has not benefited in the same proportion. Only about 1 per cent of the funds available under the second five-year plan were assigned to agriculture, although some increases were made in subsequent plans.

(c) Fuel imports

Developing Africa's energy situation has been affected both by the increased cost of oil since 1973-1974, and by the region's limited reserves of this resource. Nevertheless, liquid and oil-derived fuels provide the overwhelming bulk of the continent's energy. According to data on commercial energy for 1979, they accounted for 73.8 per cent of total consumption, compared with 8.3 per cent for solid fuels, 11.4 per cent for natural gas and 5.8 per cent for hydro-electricity. 33/

Table 26: Fuel data on some African developing countries

	Fuel ^{1/} imports as share of total value of imports (percentage)						Fuel ^{1/} imports as share of total value of exports (percentage)					
	1970	1972	1974	1976	1978	1980	1970	1972	1974	1976	1978	1980
Cameroon	5.4	6.0	9.7	8.9	7.2	11.7	5.6	8.2	8.5	8.9	9.5	13.5
Ethiopia	7.8	8.3	14.2	15.1	11.9	19.4 a/	10.7	9.6	14.9	19.3	20.9	26.3 a/
Ghana	5.8	11.5	16.6	14.9	13.8	-	5.2	7.8	18.7	15.2	12.5	-
Ivory Coast	4.8	6.4	14.2	12.8	9.6	11.4 a/	4.0	5.3	11.3	10.2	9.6	-
Kenya	10.3	11.5	23.1	25.7	18.0	33.9	12.0	17.1	35.9	30.3	30.0	56.9
Liberia	6.4	6.7	19.6	14.9	17.6	20.4 a/	4.5	4.9	14.1	12.9	16.8	19.2
Madagascar	7.4	8.6	18.1	19.9	13.9	14.6	8.7	10.6	20.8	20.6	15.9	21.8
Malawi	5.5	8.9	10.4	13.5	11.9	15.3	9.1	14.4	16.3	16.8	21.7	22.8
Morocco	5.5	7.2	13.6	11.4	14.5	23.6	7.7	8.7	15.2	23.7	28.6	41.2
Tanzania	8.6	9.4	18.5	18.6	11.1	21.0	10.7	11.7	34.6	24.2	26.7	44.9
Tunisia	4.8	7.5	12.3	11.7	11.0	20.7	8.1	11.1	15.1	22.7	20.9	33.3
Zambia	10.3	6.6	12.1	15.5	17.7	-	5.4	5.9	8.3	11.9	15.3	-

Source: 1/ International Financial Statistics, Supplement on Trade Statistics, IMF, Supplement Series No. 4, (1982).

a/ Relates to 1979.

The impact of higher oil prices on developing African countries without oil of their own has been substantial. Their oil import bill rose from \$0.8 billion in 1973 to about \$8.4 billion in 1980, an average annual rate of growth of about 40 per cent. As a proportion of their total export proceeds, it increased from 8.2 per cent in 1973 to 29.2 per cent in 1980, when it was equivalent to 25.5 per cent of their expenditure on imports, 5.1 per cent of their GDP and 27.4 per cent of their fixed capital formation. 34/

Table 26 is even more revealing. In countries such as Kenya, oil imports absorbed over half of total export earnings in 1980; in Morocco and the United Republic of Tanzania, over two fifths, and in Tunisia, over a third. They accounted for 26.3, 22.8, 21.8 and 19.2 per cent in Ethiopia, Malawi, Madagascar and Liberia respectively.

Fuel imports rose sharply as a proportion of GDP for most of the non-oil-exporting African countries in the 1970s. By 1980 they accounted for 2.8 per cent of GDP in Cameroon, 3.1 per cent in the Ivory Coast, 11.2 per cent in Kenya, 17.9 per cent in Liberia, 4.4 per cent in Malawi, 5.7 per cent in Morocco, 8.5 per cent in Tunisia and 5.4 per cent in the United Republic of Tanzania. In the 1970s energy consumption in the non-oil-exporting countries grew faster than GDP and judging from the fast rising energy demands of such major sectors as transport, agriculture, manufacturing and mining. There is little scope for these countries to curb consumption without affecting growth in the 1980s.

Higher oil prices have provided a strong incentive to intensify the search for new oil deposits. Important discoveries occurred in 1981 and 1982, some of which have completely changed the energy prospects of the countries concerned. The Ivory Coast, for example, will become self-sufficient in energy in the short term, and may eventually become a net exporter. Oil production in Cameroon will soon exceed 7 million tons, for a population of less than 9 million. The prospects in Morocco, Ghana and the Sudan are reported to be bright. For most of Africa's developing countries, however, the immediate prospects are not encouraging. They will need to make vigorous efforts to substitute indigenous energy for imported oil, and to incorporate conservation measures and a strategy for energy use into their overall planning framework.

(d) Livestock and livestock products

At the end of 1980 it is estimated that there were 157.4 million cattle, 151.9 million sheep and 141.6 million goats in Africa. According to the International Livestock Centre for Africa (ILCA) an eighth of the world's cattle are raised in the region, which provides a twentieth of the world's meat. Despite its vast herds, however, Africa imports quite a large proportion of the meat and milk it consumes.

Over the period 1977-1980, the yearly average consumption of meat in Africa was 5,692,250 tons. The average growth rate in consumption was about 4.8 per cent, compared with population growth of 3.0 per cent a year. Per capita consumption, at less than 13 kilograms, was far below the world average. Imports accounted for an average of 9.4 per cent of the meat consumed. (see table 27).

Between 1977 and 1980 African imports of livestock products and by-products averaged \$1, 659 million a year, with milk making up more than 43 per cent of the total. Between 1978 and 1980, 63 per cent of all meat imports went to four major cattle importing countries (the Ivory Coast, Lesotho, the Libyan Arab Jamahiriya and Nigeria); three of these (the Ivory Coast, the Libyan Arab Jamahiriya and Nigeria) accounted for more than 79 per cent of Africa's live imports of sheep and goats. About 72 per cent of the slaughtered meat (fresh, chilled or frozen) was imported by six countries (Algeria, Egypt, the Ivory Coast, the Libyan Arab Jamahiriya, Nigeria and Reunion).

Most transactions in livestock occur between African countries themselves. Only Botswana and Zimbabwe export significant amounts of meat outside the region. On the other hand, the import bill for livestock products, particularly frozen meat and milk, from the rest of the world has been increasing steadily (see table 28).

Table 27: Total African production, export, import and consumption of meat 1977-1980

	1977	1978	1979	1980
Production ('000 mt)	5 098	5 344	5 702	5 795
Export ('000 mt)	265	33	372	345
Import ('000 mt)	474	522	505	652
Consumption ('000 mt)	5 299	5 533	5 835	6 102
Per capita consumption (kg)	12.3	12.5	12.8	12.6
Imports as share of consumption (Percentage)	8.9	9.4	8.7	10.7

Source: FAO Production Yearbook, 1980 (Rome, 1981).
FAO Production Yearbook 1981 (Rome, 1982); FAO Trade Yearbook
1979 (Rome, 1980); FAO Trade Yearbook 1980 (Rome, 1981); ECA
secretariat.

Recent studies by FAO have shown that an increase of only 1 to 2 per cent in the proportion of herds sent to slaughter each year would not only raise the continent's degree of self-sufficiency in food but also lay a wider basis for export.

Obviously the overall strategy for the livestock sector in Africa should aim at rationalizing the composition of herds and raising livestock productivity without endangering the ecological balance. This will require improved technology, the adaptation of management systems to local conditions, price incentives for herdsman and more commercial breeding, with the use of fattening yards and disease control centres.

Table 28: Imports of livestock and by-products
(Thousands of US dollars)

	1977	1978	1979	1980	Average (1977-80)	Growth rate (1977-80)
Cattle	229 608	337 561	358 909	431 901	339 494	23.4
Sheep and goat	90 712	121 888	143 489	161 254	129 336	21.1
Pigs	53	182	29	n.a.	88	-
Meat, fresh, chilled	283 801	349 741	357 693	546 225	384 365	24.4
Dried meat	6 261	9 286	18 220	12 329	11 524	25.3
Canned meat	68 610	72 380	67 486	94 534	75 752	11.3
Milk	507 722	667 792	735 631	961 251	718 099	23.7
Total	1 186 767	1 558 830	1 681 457	2 207 494	1 658 658	23.0

Source: FAO secretariat.

(e) Capital goods imports

Capital goods imports play a key role in the development of African countries. From 1965 to 1980 the value of imports of capital equipment from industrialized countries grew at an average of 16 per cent per year at current prices, in spite of a 4.4 per cent decline in the volume of capital goods imported by sub-Saharan African countries between 1975 and 1980. Such imports accounted for 30.3 per cent of the total value of imports to 29 countries in the region in 1965, and for 32.8 per cent in 1980 (see table 29). There are, however, marked differences between oil-exporting and non-oil-exporting African countries. Capital goods imports increased as a proportion of total merchandise imports to the oil-exporting countries from 27.4 per cent in 1965 to 37.9 per cent in 1980. For the non-oil developing African countries the proportion decreased from 31.5 per cent to 27.9 per cent over the same period. Evidence covering the non-oil-countries is rather patchy, but it appears that they were having to set aside a larger share of their foreign exchange earnings for fuel and food imports, leaving a relatively small amount for the import of capital goods.

Imported capital goods in developing African countries typically represent a sizeable proportion of total domestic investment. From 1965 to 1980, however, the share of capital goods imports in gross fixed capital formation has tended to decline, from 35.4 per cent in 1965 to 33.7 per cent in 1970 and 29.3 per cent in 1980. This has been particularly true of the non-oil developing African countries, whose imports of machinery and equipment declined from 39.2 per cent of the value of gross fixed capital formation in 1965 to 29.8 per cent in 1980.

Table 29: Machinery and equipment imports as a proportion of total imports of goods

Machinery and equipment as a proportion of total fixed capital formation

(Percentage)							
	1965	1970	1980		1965	1970	1980
Algeria	15.1	37.1	36.9		20.7	30.2	26.9
Burundi	14.9	19.4	20.0		53.4	44.3	26.1
Cape Verde	17.4	8.1	14.0		n.a.	29.9	43.8
Central African Republic	29.4	35.8	33.9		26.5	38.3	26.7
Congo	34.2	33.1	22.5		58.9	22.7	16.7
Egypt	23.3	26.6	27.3		51.9	25.8	21.0
Ethiopia	37.4	34.8	27.9		31.4	27.1	39.0
Gabon	37.5	38.8	38.5 <u>1/</u>		45.6	32.9	23.9 <u>1/</u>
Ghana	32.7	25.8	32.8 <u>2/</u>		38.5	39.7	83.5 <u>2/</u>
Ivory Coast	28.3	32.9	21.5 <u>3/</u>		37.5	42.1	33.7 <u>1/</u>
Kenya	25.8	34.2	28.0		49.3	43.0	44.8
Liberia	33.4	35.5	28.0		70.3	66.1	76.2
Libya	36.3	29.6	38.0		28.3	24.1	33.9
Madagascar	25.2	30.1	33.9		53.3	39.0	30.7
Malawi	20.6	30.1	33.7		43.4	35.3	46.3
Morocco	18.4	31.7	21.2		28.9	36.7	24.0
Niger	21.4	26.4	26.7		25.2	56.7	22.3
Nigeria	33.6	37.4	38.8 <u>1/</u>		30.0	32.5	29.6 <u>1/</u>
Rwanda	27.7	17.6	36.7 <u>2/</u>		34.2	32.4	53.8
Senegal	15.1	24.7	23.3		25.5	44.0	47.1
Somalia	23.6	16.5	35.3		46.6	21.8	36.0
Sudan	32.4	22.2	28.7		29.1	32.0	25.9
Togo	32.4	22.2	22.8		43.5	41.1	37.9
Tunisia	31.3	26.3	23.3		27.3	27.7	33.4
United Republic of Cameroon	28.2	31.8	34.2		33.4	42.3	25.1
United Republic of Tanzania	29.6	40.3	35.4		40.7	41.6	43.2
Upper Volta	19.4	27.3	29.3		25.3	47.4	45.4
Zaire	33.0	34.2	33.6		22.6	45.1	14.5
Zambia	33.0	38.7	34.0		57.7	36.8	35.7
Developing Africa	30.3	31.5	32.8		35.4	33.7	29.3
Oil-exporting African countries	27.4	35.8	37.9		27.6	29.9	29.0
Non-oil developing African countries	31.5	29.3	27.9		39.2	36.3	29.8

Source: UNCTAD Handbook of international trade and development statistics; estimates based on ECA secretariat statistics.

Notes

1/ 1979.2/ 1978.3/ 1981.

G. Conclusion - imports

Imports of goods to developing Africa have been growing fast in the past three decades, in particular during the 1970s. This has partly been the result of sharp increases in the price of many imported items and partly of domestic development programmes which have created demand for additional import. During the period surveyed the commodity patterns of African imports have been undergoing some change: traditional imports like textiles have been losing ground to categories such as food and fuel.

Food imports have been growing at an alarming rate, and despite its vast livestock wealth Africa still imports quite a large proportion of its meat and milk. Sustained population growth and changes in the eating habits of the urban population have tended to heighten demand for imported supplies. Part of the blame of increased food imports must also be attached to the policies pursued by governments: even where resources have been available, very little has been invested in the development of the agricultural sector. In a number of cases, also, foreign exchange has been squandered on imported luxury goods.

In the case of petroleum, the impact of higher prices on oil-importing developing African countries has been substantial. Oil imports in most African countries absorbed a large and growing share of total export earnings during the period surveyed. It has, however, to be noted that the price increases have provided a strong incentive to intensify the search for new oil deposits in some African countries.

Capital goods have tended to decline as a total proportion of imports in a number of African countries, not because of higher production levels in developing Africa but because the oil-importing countries in particular have had to spend more of their foreign exchange earnings on fuel and food imports. This will inevitably affect the future growth of the African economies.

In conclusion, African countries have become increasingly dependent on imported food and fuel over the past thirty years. This makes them more vulnerable to external fluctuations, and limits their opportunities for sustained and rapid economic development. All indications are that they urgently need vigorous and comprehensive food and energy strategies aimed at reducing their dependence on imports, and that their future import policies will have to be rigorously selective, giving priority to imports of capital goods that will help them produce capital goods of their own.

III. INVISIBLE TRADE

A. General remarks

In 1979 invisible trade accounted for 16.4 per cent of Africa's current account operations ^{35/}. In virtually every country in the region it contributed substantially to the balance of payments deficit: on average, invisible trade brought in 10.2 per cent of current account receipts but was responsible for 22.6 per cent of current account debits by 1979, and the deficit had been growing at over 18 per cent annually for the past six years in every country surveyed. Deficits were shown on all the main categories of invisible trade, the only exception to the trend being private unrequited transfers to a very few labour-exporting countries such as Egypt and Upper Volta. Africa is faring noticeably worse in this respect than other developing regions.

In 1980, the deficit on invisible trade accounted for 8.9 per cent of total merchandise export earnings by non-African developing countries but 15.3 per cent of such earnings by developing Africa as a whole. In 1981, the ratio of invisible trade deficit to merchandise exports for developing African countries was 19.3 per cent compared with 11.9 per cent for other developing countries. ^{36/} In other words, invisible trade is an extraordinary drain on African export income.

Table 30 shows the contributions of the various invisible account items to Africa's total deficit on services for the period 1972-1980. Shipping was the most important single item throughout the period, increasing its share of the invisibles balance from 30.1 per cent in 1972 to 36.1 per cent in 1980, while the share due to earnings on direct investment in the region declined from 47.3 per cent to 18.8 per cent over the same period.

B. Shipping: freight and insurance

Some 95 per cent of African foreign trade is seaborne. African fleets transport only 2.5 per cent of that amount. In 1980, developing Africa operated only 1.2 per cent of the world merchant fleet although it accounted for over 8 per cent of world maritime trade. And in 1980, shipping costs amounted to 13 per cent of the total value of Africa's imports of goods, while in the other developing and industrial countries they accounted for 10 and 6.3 per cent respectively.

The costs of shipping grew more slowly in 1976-1980 than in 1972-1976. On average, the amounts spent by African countries on shipping increased in roughly the same ~~rate~~ as the value of the goods they imported over those eight years (see table 31). The proportion of total import costs which shipping expenses represented varied widely, however, from under 10 per cent in countries such as the Sudan and Tunisia to around 30 per cent in the Central African Republic and Rwanda. More significantly, table 31 also documents the sharp rise in shipping costs as a proportion of the revenue from merchandise exports by non-oil African countries. In the Central African Republic for instance, they grew from 5.3 per cent of export income in 1972 to 37.6 per cent in 1980. In contrast, the relation has been declining for oil-exporting countries such as Nigeria and Gabon which have experienced a huge increase in the value of their exports.

Variations in the ratio of shipping costs to import values may be partly explained by geographical factors. North Africa, for instance, which has the lowest ratio of shipping costs to merchandise imports, buys most of what it

Table 30: Contribution by individual services to the total invisible deficit for Africa a/
(percentage)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average
Shipment	30.1	27.0	37.7	43.7	30.4	36.5	39.7	31.1	35.1	34.7
Other transportation	2.1	2.0	0.0	3.4	2.7	1.7	2.6	0.8	0.1	1.7
Travel	-0.7	-0.9	2.0	1.1	2.5	1.5	0.2	2.0	2.3	1.3
Direct investment income	47.3	43.9	28.8	26.0	20.5	26.6	21.3	14.8	13.8	27.6
Other investment	5.9	6.4	4.2	1.1	5.0	7.9	15.4	23.4	22.0	10.7
Other services <u>b/</u>	7.3	22.8	27.1	32.8	43.2	29.2	26.0	24.0	27.3	25.8
Private unrequited transfers	7.1	-1.4	0.0	-8.0	-4.3	-3.5	-5.8	-1.3	-6.6	-2.6

Notes: a/ Includes Algeria, Nigeria, Botswana, Cameroon, the Central African Republic, the Congo, Ethiopia, Gabon, the Gambia, Ghana, the Ivory Coast, Kenya, Mali, Mauritania, Mauritius, Morocco, Rwanda, Sao Tome and Principe, Seychelles, Sierra Leone, Somalia, the Sudan, Swaziland, Togo, Tunisia, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe. For the years 1972, 1973 and 1974 it also includes the Libyan Arab Jamahiriya and Benin but excludes Botswana, Swaziland and Zimbabwe.

b/ Miscellaneous services that cannot be classified under the other headings, plus official service and transfers.

Source: IMF, Balance of Payments Yearbook, (1979 and 1982).

Table 31: Shipment: Freight and insurance

	Payments as percentage of merchandise imports			Net shipment costs as percentage of merchandise export receipts		
	1972	1976	1980	1972	1976	1980
<u>Central Africa</u>	16.9	19.2	25.3	...	...	...
Central African Republic	21.1	32.0	29.2	5.3	15.0	37.6
Chad	26.0	32.0	-	-	-	-
Congo	16.4	23.6	22.7	9.7	13.0	8.1
Gabon	14.6	16.1	24.9	10.1	8.0	6.1
Rwanda	25.0	18.8	30.6	32.2	17.2	40.0
United Republic of Cameroon	23.6	19.9	8.3 1/	24.0	12.4	3.9 1/
<u>Eastern Africa</u>	15.0	15.7	15.5	...	...	...
Botswana	-	6.0	6.4	-	-	-
Ethiopia	19.3	19.2	16.2	17.6	22.4	24.5
Kenya	12.7	12.8	12.3	10.6	8.0	20.6
Madagascar	16.8	19.0	-	-	-	-
Malawi	11.7	11.3	-	-	-	-
Mauritius	16.5	15.8	17.8	-	18.4	20.6
Somalia	15.6	15.1	14.9	17.3	28.5	45.0
Swaziland	-	3.2	1.5	-	-	-
Uganda	15.1	15.1	14.5	9.9	9.6	14.7
United Republic of Tanzania	10.5	13.3	17.6	7.2	7.3	31.0
Zambia	18.2	19.9	18.3	12.0	9.0	10.8
<u>North Africa</u>	9.4	10.1	10.2	...	...	...
Algeria	10.7	10.0	10.7	9.2	7.0	6.3
Libyan Arab Jamahiriya	11.0	11.1	-	5.7	-	-
Morocco	8.3	12.7	12.6	5.4	20.9	16.2
Sudan	9.9	9.4	9.9	9.0	9.2	14.1
Tunisia	6.9	6.4	5.9	5.9	7.5	4.1
<u>West Africa</u>	10.4	11.6	10.9	...	...	...
Gambia	10.4	17.0	16.7	10.6	23.5	47.7
Ghana	14.1	14.0	8.9	-	5.5	3.1
Ivory Coast	9.2	16.2	15.4 1/	3.6	7.4	12.6 1/
Mali	24.0	38.4	-	31.2	57.3	85.7
Mauritania	-	17.1	12.5	-	25.0	20.5
Nigeria	9.7	11.4	11.0	5.5	8.0	3.8
Senegal	11.0	10.5	-	-	-	-
Sierra Leone	10.1	10.0	10.8	-	-	-
Togo	-	16.8	-	-	-	-

Source: IMF, Balance of Payments Yearbook, vol. 31 (December 1980) and vol. 33, Part I, (1982).

IMF, Balance of Payments Statistics, Supplement to vol. 30 (December 1979) and Balance of Payments Yearbook, Part 2, Vol. 33 (1982).

Notes: 1/ 1979.

imports from Europe and for practical purposes lies on the European and Mediterranean shipping routes; the cost of freight is, therefore, lower than elsewhere in Africa. Land-locked countries consistently pay high shipping charges. But variations can also be due to the nature and value of the commodities transported. According to UNCTAD, the percentage of freight costs in relation to the price of cocoa in 1978 on the Ghana-Europe route was 1.7 per cent, while that for sisal on the West Africa-Europe route was 17.4 per cent. Furthermore, the relation of freight costs to the price of goods traded may vary from one period to the other. From 1970 to 1978 it nearly doubled for palm oil on the Nigeria-to-Europe route (from 8.8 to 15.1 per cent).

Until 1975, freight rates were established by "maritime conferences" ^{37/} in accordance with the interests and strategies of the shipowners. Whether this situation can be changed will depend on the success of the liner-sharing code elaborated by UNCTAD in April 1974 with the aim of regulating the behaviour and power of such conferences. At the regional level African countries have sought to co-ordinate their strategies for negotiating with the conferences. In 1975, for instance, the Ministerial Conference on Maritime Transport of West and Central African States (Cameroon, Ivory Coast, Gabon, Ghana, Upper Volta, Nigeria, Senegal and Zaire) set up a committee to negotiate freight rates with the British "UKWAL" conference.

Payments for shipment increased at an average rate of 17.2 per cent per year from 1972 to 1980. They also increased as a share of the total service balance, from 30.1 per cent in 1972 to 36.1 per cent in 1980. Faced with such burdens as these, African developing countries clearly need to improve their harbour infrastructure and national fleets in order to be able to handle a larger share of their foreign trade. For instance, bulk transport accounts for roughly 70 per cent of African shipping, but in the past developing African countries have concentrated rather on regular liners which move only about 20 per cent of their traffic. This is partly because cargo movements are primarily controlled by transnational corporations which operate if not own the fleets transporting the commodities they process, leaving the African countries as passive suppliers of raw materials. Even where transnational corporations are not engaged in such "vertically integrated" operations, bulk shipping is dominated by traditional maritime countries because of the close relationship between shipowners and shippers and the concentration of bulk shipping activities in a few cities. ^{38/} But the ownership of regular liners by African countries in fact dates back to the colonial period when the quantities exported were insufficient to justify shipment by bulk carriers, and the adoption of more economical bulk transport requires not only a modification in shipping technology but a change in the systems of commercialization and distribution inherited from the colonial past. ^{39/}

It is very difficult to gauge the impact of insurance on the balance of payments of African countries: statistics are not available. In most cases the cost of insurance on foreign trade is aggregated with import costs and freight payments. ^{40/} The African insurance industry is certainly undeveloped compared with that existing in other developing regions of the world. In the last two decades, however, a large number of national insurance markets have been established where before the industry was dominated by the British or the French, according to the colonial history of the countries concerned.

This change has come about in a number of ways. Some Governments have nationalized the insurance industry: this is the case in Angola, the Central African Republic, the Congo and Ethiopia. In other countries the markets are controlled by domestic interests (i.e. the majority of shareholders are nationals) as in the case of Cameroon, Ghana, Kenya and Nigeria. A third group of countries has markets in which only a few domestic companies operate, the rest being foreign owned, as in Gabon, the Gambia and Liberia.

Insurance portfolios tend to be unbalanced in Africa because most African insurance markets are relatively small and the insurance trade itself is concentrated in very limited activities. The bulk of the business comes from automobile insurance in many countries. ^{41/} Because of this, their general lack of know-how and their close links with foreign insurance holdings, most African insurance companies have to rely heavily on reinsurance abroad. The associated outflows of capital vary from country to country depending on the structure and size of the market and on the types of risk covered. In countries where car insurance represents the bulk of insurance business, reinsurance premiums are only a small percentage of original receipts. Where marine cargo insurance is expanding rapidly as foreign trade develops, as in the case of Nigeria, insurers tend to reinsure heavily because their risk involves much larger sums. Currency considerations may also explain the need for foreign reinsurance. In Morocco, for instance, the domestic companies devote about 30 per cent of their premiums to the purchase of foreign reinsurance. ^{42/} In the early 1970s, however, Morocco took drastic measures (withdrawing authorization to operate from insurance companies with an annual turnover of less than four million dirham) to enable the domestic market to sustain a higher proportion of the risks underwritten so that less foreign reinsurance would be necessary.

Several African countries have established national reinsurance companies with compulsory or agreed cession: local insurers cede a stipulated portion of each risk or surplus to a central, domestic reinsurance company. This is now the case in Kenya, Morocco, Nigeria, the Sudan and Tunisia. Others have been able to build up international portfolios through their contacts with international markets and neighbouring countries, and some African companies have set up offices in international reinsurance centres. The majority of African markets have joined the African Reinsurance Corporation, a regional intergovernmental body established in 1976 under the auspices of OAU and the African Development Bank, which operates from Lagos, Nigeria. ^{43/}

C. Direct investment income

Table 32 shows the net outflows of income on direct investments in a number of African countries for two different periods (1972-1976 and 1977-1980). As can be seen from the table, these outflows increased or remained more or less unchanged between the two periods except in Ghana, Nigeria and Zambia. The decline in outflows from Nigeria accompanied an increase in the ownership of the nations assets by Nigerian nationals and companies and this process of indigenization was hastened by the Nigerian Enterprises Promotion Decree of 1977, which classifies enterprises into three groups. The first group of enterprises (including commercial transportation, estate agencies, garment manufacture) are exclusively reserved to Nigerians, while in the second group (including boat building, the construction industry, commercial, merchant and development banking) Nigerian participation must not be less than 60 per cent. In other enterprises, including the manufacture of drugs, medicine, and motor vehicles, 40 per cent Nigerian participation is required. ^{44/} Furthermore, the repatriation of dividends and profits abroad may not exceed 30 per cent of a company's capital stock. ^{45/}

Table 32. Net outflows of direct investment income

(millions of SDR)

	Average 1972-1976	Average 1977-1980
Algeria	116.2	580.2
Nigeria	651.0	487.5
Cameroon	20.2	36.3 1/
Gabon	38.8	123.2
Gambia	0.8	0.9
Ghana	14.4	7.3
Ivory Coast	64.2	113.4 1/
Kenya	68.5 2/	108.7
Mauritania	21.0 3/	19.5
Morocco	29.6	41.5
Rwanda	2.0	6.7
Sierra Leone	4.0	9.7
Swaziland	-	23.7
Tunisia	24.6	94.7
Zambia	36.4	28.7 1/

Notes: 1/ 1977-1979; 2/ 1975-1976; 3/ 1973-1976.

Source: IMF, Balance of Payments Yearbook for 1972-1979 and 1982 (Part 2); also the supplement to the Yearbook, vol. 30.

The Investment Policy Decree and the Ghanaian Enterprises Development Decree (National Redemption Council Decrees Nos. 329 and 330 of April 24, 1975) strengthened and extended Ghanaian participation in Ghana's economy. All trading and eight industrial enterprises, including bakeries, printing of books and stationary, were reserved exclusively for Ghanaians, while another category of 2 agricultural and 38 industrial enterprises such as shipping, motor workshops and footwear manufacture were partly reserved to Ghanaians. The Investment Policy Decree also made a specified level of State participation mandatory in certain enterprises. 46 / Non-resident companies other than those financed with local capital are allowed to transfer profits and dividends after tax, but at present profit transfers are being authorized only on a limited basis. 47/

Indigenization has had a limited impact in other countries, however. In Kenya, despite the adoption of measures in both the 1970-1974 and the 1974-1978 development plans to bring about a higher degree of economic independence, government policy in the field of industry and commerce has not extended to the gradual take-over of foreign-owned enterprises. Direct investment from abroad increased sharply in the 1970s (at an annual rate of 25.7 per cent from 1975 to 1981), and so did the related outflow of profits and dividends. 48/

In other countries direct investment has been encouraged by liberal legislation. In Morocco, for instance, new foreign investment in specified sectors of the economy may benefit under the investment code of August 15, 1973, which grants tax concessions and other incentives and guarantees the transfer of dividends distributed to non-residents. In Algeria the investment code of September 15, 1966, guarantees transfer of the proceeds of liquidation of invested foreign capital. Tax concessions may be granted, and investments of more than 5 million may be given exclusive rights in a specified geographic area and may be accorded tariff protection. 49/

Although it is difficult to quantify with precision, the level of direct investment in some of African developing countries is likely to have been influenced by political factors.

D. Other investment income

The heading "other investment income" covers the various earnings on and payments for portfolio investment, exchange reserves and international loans. The African developing countries have experienced growing deficits under this item: from 1975 to 1981 net outflows increased at an annual rate of 35 per cent to a level of 1,870 million SDRs. 50/ This increase is mainly due to the rapid deterioration in loan terms in the 1970s and to growing public debt. An examination of the problem of "other investment income" therefore, has to go beyond the invisible account, to the reasons for the use and the magnitude of external borrowing, which are to be found in the capital account of the balance of payments.

According to the World Bank 51/ the outstanding disbursed debt (public and private) of developing African countries increased between 1971 and 1980 at an average annual rate of 22 per cent, reaching \$40.4 billion in 1980. 52/ Private lending increased from 32 per cent of their total public debt in 1971 to 41 per cent in 1980. Between 1976 and 1980 interest rates on private loans nearly doubled (from 7.2 to 13.7 per cent); on official creditors' loans (bilateral and multilateral) they increased only slightly, from 3 to 3.7 per cent. The proportion of loans carrying variable interest rates grew, over the four years in question from 15 to 21 per cent. However, the most unfavourable trend has been the decrease in the grant component of loans by both official and private creditors. In the case of private loans, the "grant element (in the World Bank definition) has been negative since 1979. 53/

Because of these changes the financial position of developing African countries has seriously aggravated. The estimated debt-service ratio for the countries surveyed doubled from 1977 to 1980.

E. Private unrequited transfers

Private unrequited transfers have aggravated the balance-of-payments position of labour-importing countries such as the Congo, Nigeria and Zambia while reducing the deficits of countries that tend to export labour (e.g. Egypt, the Ivory Coast, Lesotho, Malawi and Morocco).

Since worker's remittances cannot be directly controlled, the labour-exporting countries have introduced incentives such as favourable exchange rates and liberal legislation on capital inflows to encourage workers to remit their foreign earnings. Egyptian nationals, for example, have been authorized to retain their earnings in foreign exchange, in free or special accounts. ^{54/} These incentives have had the effect of boosting worker's remittances to Egypt from 223 million SDRs in 1974 to 2,071 million SDRs in 1980.

Table 33: Ratio of inflows of worker's remittances to merchandise exports in selected African countries 1967, 1973, 1979 and 1981 (percentage)

	1967	1973	1979	1981
Algeria	25.4	18.2	6.9	-
Benin	5.4	7.1	16.6	-
Botswana	...	4.7	8.1	-
Egypt	4.4	11.7	88.3	54
Lesotho	78.1	83.0	...	-
Morocco	12.4 ^{1/}	27.4	51.3	44
Sudan	0.5	1.2	12.2	-
Tunisia	13.3 ^{1/}	23.8	24.6	17
Upper Volta	56.6	80.4	59.6	-

Source: Based on G. Swamy, "International Migrant Worker's Remittances, Issues and Prospects", (World Bank Staff Working Paper No. 481, August 1981, Table 3); for 1981, United Nations Department of International Economic and Social Affairs, calculations based on International Monetary Fund, Balance of Payments Statistics, vol. 33 (1982).

Notes: ^{1/} 1968.

Moroccan nationals working in France are entitled to a premium on savings repatriated in convertible currency, ^{55/} while Sudanese workers are allowed to open accounts, denominated in Sudanese pounds, by remitting foreign exchange which is converted at the free market rate. These remittances are freely reconvertible and the foreign exchange may be utilized for purchases in duty-free shops in the Sudan.

Lesotho has become increasingly dependent on worker's remittances. In 1973, they were the equivalent of 83 per cent of the country's merchandise exports; they accounted for 40 per cent of the country's receipts from the Southern African Customs Union in 1979/80. A floating rate for the rand, usually at a discount from the commercial rand rate, is applied to capital remittances by emigrants.

As table 33 shows, by the end of the 1970s workers' remittances had come to represent a considerable proportion of the total value of merchandise exports. Over the period surveyed the ratio "inflow of worker's remittances to merchandise exports" has been steadily increasing for Benin and Sudan while for the other countries listed in the table it has shown an irregular trend. In the case of Algeria and Upper Volta, the decline in the ratio recorded in 1979 is mainly attributable to the sharp growth of exports by these countries during the 1970s. Egypt has been supplying a steadily increasing number of migrant workers to most of the oil-exporting countries, particularly during the second half of the 1970s: the inflow of remittances shrank in 1981 following cutbacks in investment programmes and government expenditure in many oil-exporting countries. 56/ In addition, it has been Government policy to regulate emigration and seek to induce emigrants to return home for short periods or indeed, for good. 57/

F. Foreign travel.

Travel includes expenditure on trips effected for tourist, business, educational or medical purposes, and is thus partly related to income and leisure and partly to trade and production trends. In order to control this expenditure, which is often considered a luxury, most African countries have introduced regulations, the severity of which varies substantially from country to country.

In one group may be classified those countries that have adopted liberal legislation on the matter, such as Liberia and the Seychelles. In the Seychelles, travel debits grew at an annual average rate of 34.7 per cent from 1976 to 1981 and their share in the total current account debit more than doubled (from 3 to 6.3 per cent) over the same period.

The countries of the West African Monetary Union also have liberal legislation for resident travellers to France, Monaco and the Operation Account countries. In their case there is no limit in the export of BCEAO bank notes. 58/ Resident travellers to countries other than those of the French Franc Area must make a declaration to the customs if the exported amount of BCEAO bank-notes is beyond a certain limit. In these countries travel debits did not have a significant impact on the current account balance in the 1970s, stagnating or declining as a proportion of the current account debit between 1972 and 1978 except in Upper Volta, where they registered a modest increase (from 0.6 to 2.5 per cent).

Other countries have completely suspended foreign exchange allocations for leisure travel. This is the case of Uganda, the United Republic of Tanzania and Zaire. In the United Republic of Tanzania exceptions may be granted by the Central Bank on a case-by-case basis. In Zaire foreign exchange allocations for travel and for medical expenses have been suspended and all official travel abroad must be authorized by the Government Commissariat. In Uganda no foreign exchange is provided for tourist travel.

In other countries, such as Algeria, Kenya and the Sudan, allocations are permitted only on a limited basis. The limits imposed are sometimes unrealistic, and for this reason illegal transactions are often carried out with national workers residing abroad. This is frequently the case in countries with a large number of nationals working abroad and where the gap between black and official market rates is consistently higher than the premium granted to workers' remittances.

Foreign travel credit is mainly made up of the receipts from tourism. Tourism has been one of the fastest growing industries in developing countries in the last two decades. Tourism receipts by the non-oil-producing African countries in 1979 amounted to \$2.3 billion which represented 12 per cent of export earnings and 7 per cent of all credit items in the current account. 59/ It must be pointed out, however, that these receipts were concentrated in the few countries that have developed a consistent tourism infrastructure, such as Kenya for which tourism is one of the main sources of foreign exchange.

G. Other services

This item comprises a large number of unrelated services ranging from traditional items such as non-merchandise insurance, reinsurance and banking (including financial services paid by banks, underwriters and finance houses) to more modern items such as consultancy, leasing, engineering and construction. A substantial share of profit transfers by the transnational corporations usually comes under this category in the guise of transfers of management, accounting and kindred services to a branch or subsidiary by its parent.

Other goods and services represent a sizeable proportion of the current account debit in oil exporting countries such as Algeria, Gabon and Nigeria which depend on foreign technical know-how for their petroleum sector. The insignificant magnitude of this item in the case of the other African countries has to be attributed to the difficulty of collecting data on foreign exchange movements taking under this heading. 60/

IV. POLICIES TO REDUCE THE BALANCE OF PAYMENTS DEFICIT

A. The export sector

(i) Export policy

As shown above, the fortunes of the traditional export sector in developing Africa are not obviously linked to the success of the development process in general. What is more, the experience of the late 1970s suggests that current export promotion policies are doing little to further industrial development. With many developing countries seeking to boost their exports to the industrialized world there is a very real danger both that protectionist measures will be introduced or extended and that the target markets will become completely saturated. 61/

While the long-term objective of developing African countries is to reduce their dependence on foreign trade, some means of escaping the prevailing impasse also has to be devised. To begin with, African countries will have to coordinate their development plans, in particular as they relate to export-oriented industries. Future development policy needs to be tailored to changing the commodity composition of exports and maximizing export earnings. At present the main obstacle to an export-oriented strategy is the high cost of African products resulting from low productivity and relatively high wages. It is true that vigorous and efficient industries cannot be created overnight. However, export markets must begin to be cultivated as soon as possible if they are to be fully exploited in due course. Incentives for the export industries in the initial stages are therefore imperative.

Intra-African trade is, as stated earlier, constrained by limited production capacity, inadequate transport and communications systems, unsatisfactory payment arrangements and credit facilities, old established trade links with developed countries, tariff and non-tariff barriers and inadequate trade information and promotion facilities. Efforts are gradually being made, however, to change this situation. In accordance with the Lagos Plan of Action, sub-regional and regional economic co-operation are being intensified. Many inter-governmental co-operative arrangements have been established or strengthened, generally with the aim of enhancing subregional economic co-operation and trade. The treaty establishing the Economic Community of West African States (ECOWAS) which was signed in 1975 provides for the liberalization of trade with other subregions, the abolition of all barriers to the free movement of persons, the progressive elimination of tariff and non-tariff barriers to the movement of goods and the joint exploitation of natural resources in fields such as agriculture, transport, forestry and mining. Another example of economic co-operation is provided by the West African Economic Community (CEAO), whose founding agreement provides for the free movement of goods which have not undergone industrial processing, a preferential scheme for industrial goods and common external tariffs besides co-operation and integration in such areas as industry, transport, agriculture and tourism.

Serious efforts have also been made to enhance intergovernmental collaboration in other subregions. ECA provided extensive assistance in the establishment of the Preferential Trade Area (PTA) for Eastern and Southern African States. The PTA Treaty in fact goes far beyond the promotion of intra-regional trade and aims at enhancing co-operation and specialization on a multinational basis in strategic and basic industries, agriculture and the exploitation of natural and human resources. 62/

Unfortunately, intra-regional co-operation has been hindered by economic, institutional and political obstacles. Even when tariffs have been reduced and inter-country transport links opened, the cost of transport between the countries forming a union has tended to be excessively high. Furthermore, the elimination of trade barriers has not always led to an equitable distribution of trade: in some cases it has encouraged a polarization of development among the members of the system concerned. As regards institutional and political obstacles, it must be noted that the administrative and institutional apparatus of most African countries has proved unable to reconcile resolutions taken at the sub-regional level with measures adopted at the national one. Further difficulties stem from differences in ideology and political orientation. 63/

In spite of the divergencies among African countries, "there is bound to be some convergence in policies, strategies and instruments, and this should constitute the basis of cooperation." 64/ In fact, the essential purpose of African economic integration at the regional and subregional levels is to promote the coordinated development of resources and make structural changes which cannot be carried out by smaller economic units. 65/ In order to achieve subregional integration in the spirit of the Lagos Plan of Action 66/, therefore, Governments will have to identify the roots of the problems indicated above and adopt the joint political and economic measures needed to solve them.

New directions in trade and economic relations also need to be vigorously pursued. Practically the whole of the developing African countries' current balance-of-payments deficit is with the industrialized countries of the West. Africa does very limited trade with other developing countries although the potential for expansion here is enormous. 67/ In addition, Africa has a persistent deficit in its trade with socialist countries: in 1978 it stood at \$1,497 million and constituted 11.1 per cent of Africa's total deficit of \$13,496 million. There is therefore an urgent need to find new forms of trade and economic co-operation that will enable the two sides to eliminate this persistent imbalance.

At the country level, there have been recent new developments in industrial policy. 68/ Mauritius has been particularly successful with its Export Processing Zones. Through thorough restructuring it has progressed from over-dependence on sugar exports to a diversified pattern of exports which include more manufactured goods. The Government's declared objective is to diversify the country's economic base so as to ensure rapid and sustained economic growth together with productive employment for the large number of Mauritians unemployed at present. Its strategy calls for maximum use of national resources, the creation of new linkages and effective use of human resources to maximise the benefits of international trade. In 1981, investment in the Export Processing Zones stood at R 62 million. In addition to offering incentives for potential investors, the Government has increased its investment promotion campaign overseas and is putting heavy emphasis on the diversification of exports to non-traditional markets.

In Nigeria, despite the constraints imposed by the world recession, the plan for 1981-1985 provides for large-scale industrial development. Several projects each costing more than \$1 billion are under way: the Bonny-liquified natural gas scheme, for example, is expected to cost \$8 billion. In the Ivory Coast, the 1981-1985 development plan is less ambitious than past experience would warrant, though industrial development is expected to proceed at a rapid rate. Encouragement of local entrepreneurs is given particular prominence, and the Government is engaged in a determined drive to promote exports to neighbouring African markets.

Cameroon's fifth five-year plan (1982-1986), under which investments have been greatly increased because of oil revenues, provides for investment in manufacturing totalling CFAF 175.6 billion or 7.6 per cent of the total. A further CFAF 8.4 billion is to be invested in the promotion of small-scale industry and large petrochemical projects. The plan puts strong emphasis on the use of local resources and on giving the private sector more room for manoeuvre. In Zaire, the Government's main objective is to reorganize and stimulate the manufacturing sector, which has been badly affected by the country's economic crisis.

The sixth development plan in Tunisia (1982-1986) allocated 1,600 million dinars for manufacturing out of a total of 8,200 million (19.5 per cent). This is a slight increase over the fifth plan, when the figure was 18 per cent. Labour-intensive projects will receive 60 per cent of the allocation. Investment has been allocated in the light of the need to create jobs, develop exports (which are a key element in the plan) and promote industrialization and integration. Large projects under the sixth plan include a cement unit with a capacity of 2 million tons and several chemical plants. In Algeria, the investment programme for 1980-1984 allocates industry 211.7 billion dinars out of a total of 560.5 billion (37.8 per cent). Mining-based industry and heavy industry have been given high priority, and a large steel complex which will produce 2.4 million tons of liquid steel yearly has already been completed. A second steel factory was completed in 1981.

B. Tariff and import substitution policies

In view of uncertain demand for and slow growth in exports, and the large competitive risks in the export of manufactures, many African countries have adopted an inward-looking strategy geared to import substitution, which in some countries has become a full-fledged strategy and the linch-pin of their industrial development. Unfortunately, the substitution process has either been poorly planned or hastily carried out. Post-colonial Africa's inherited market forces and institutions largely determined what investments could be made where and how. At the time of political independence, the structure of the African economy was firmly set and could not be easily changed. The economy Africa inherited; in other words, imposed a certain logic and rigidity on the future path of economic development. 69/

Attempts at import substitution under these circumstances only perpetuated the dependence of the African economy on imports. Industrialization in Africa came about through either inherited or new (and growing) links with the colonial economies (foreign industrial subsidiaries, joint ventures, public and private foreign financing, foreign aid, foreign loans, etc.). Most industrial operations were started through the agency of foreign firms which imported not only physical capital but also the requisite technical know-how. Even today, the demystification of technology is painfully slow. "Transferred technology" often takes the form of a "black box", which the buyer learns to use without understanding it.

"He presses the buttons, but fails to understand the secret of the process. As a mere operator, he must revert to the technology supplier for significant repairs, and, when the time comes, for replacement of the equipment and the technology. In the extreme case, the positive effects of imported technology disappear, or indeed turn out to be negative, to the extent that the illusion of gaining access to technological solutions that have been tested in the industrial countries has the effect of blocking the will to conceive original solutions more suited to local conditions". 70/

In brief, attempts at tariff protection and import substitution that disregarded a country's overall development were based on a failure to understand the nature of the process. In Nigeria, for example, the tariff protection policy pursued by the Government was largely limited to stop-gap measures to reduce balance-of-payments problems rather than aiming at long-term industrialization. Thus, the decline in the country's external reserves from N406 million in 1965 to N86 million in 1967 was accompanied by an unparalleled rise in the level of tariff protection: the effective rate of protection for the manufacturing sector as a whole rose from 147 per cent in 1965 to 299 per cent in 1970. As the strain on the balance of payments eased in the early 1970s, the Government embarked upon an import liberalization policy which led to a great increase in the import of consumer goods. The unprecedented increase in the country's external reserves, from N160 million in 1970 to N3,315 million in 1975, assisted not only to liberalize imports but also served to contain the increasing rate of price inflation that prevailed during most of this period. 71/

In many other developing African countries, the domination of a few enterprises in various production lines has resulted in prices as high as tariff protection will permit. The monopolistic manipulation of costs and prices has led to such high rates of return in some cases that foreign investors have been able to maintain reinvestment and remittance rates without a concomitant increase in the capital invested.

African countries have often been criticised for dissipating hard-earned foreign exchange by pursuing import substitution strategies that do not make optimal use of financial and human resources. For instance, many African development plans afford protection to industries in their infancy but say very little about how many "infants" should be artificially nourished how soon and in what sequence. Restrictions on the import of luxury items are sometimes followed by domestic production of the same items, and taxes on domestically produced luxuries are generally only a fraction of the duties to which they would have been subject if imported. Often the domestic manufacture previously imported goods is manufacture only in name, in the sense that the bulk of the components are imported ready-made and the easy profits made in a sheltered market represent an additional burden on the balance of payments. 72/

The failure of import substitution in Africa also shows the neglect of the majority of parastatals to cut operating costs, instead of putting pressure on Governments to obtain a series of privileges so that they can show higher earnings (profits). More often than not, parastatals are required to hire more people than they need, to provide services without payment, or to hold down the prices of the goods and services they sell. These problems have been particularly typical of Angola, the Congo, Ethiopia, the Ivory Coast, Mali, Mozambique, Senegal, the United Republic of Tanzania and Zambia. Parastatals are rarely looked on as commercial enterprises which should deploy their human and physical resources with the least cost, although efforts to save a large number of these institutions are now being made. In the Ivory Coast, measures are being taken to reduce spending by public corporations and some are being turned over to private enterprise. In the Congo, some public-owned firms have been closed and others put under private management. In Mali, where the State-controlled enterprises have been in deficit for many years, government measures have led to an increase in prices and a reduction in manning levels. In Senegal, a system of contracts between the private and public corporations has been initiated under which the corporations obtain considerable autonomy in return for the attainment of definite objectives.

In most cases, efforts to limit imported intermediate inputs have affected domestic production and the utilisation of productive capacity. Little savings in foreign exchange have resulted, certainly, from the introduction of foreign-owned "finishing touch" processing or assembly operations. Furthermore, the extension of import substitution to intermediate and capital goods has been affected by the "real" price of foreign exchange, which is determined by the system of tariffs and import levies, import bans and licences as well as the exchange rate. And in many countries the maintenance of too low a real price for foreign exchange is inhibiting the development of domestic capital goods industries, thus increasing the deficit in the balance of payments. 73/

African Governments clearly need a more flexible and balanced tariff system in helping with their industrialization plans. This would entail the careful selection and development of those sectors which have low import coefficients first and foremost, industries that can eventually become more self-reliant by using inexpensive domestic raw materials. Much as tariff protection deserves consideration, it is important that tariff walls are not kept up indefinitely but gradually revised in response to the domestic industrial effort. The costs of import substitution through protection must also be compared to its benefits, not merely in raising foreign exchange as is customary in the literature, but in effecting desired structural changes.

The slow growth of Africa's exports suggests that domestic output of capital goods will have to be raised much faster than consumer goods if investment is to assure economic growth. Import policies will therefore, have to be strictly and rigorously selective, giving priority to imports of capital goods that can be used to produce capital goods.

V. THE EFFICACY OF THE IMF PRESCRIPTION IN AN AFRICAN SETTING

A. The balance-of-payments problem and IMF activity

At no time since the Great Depression has the external liquidity position of developing African countries been so severely strained as between 1979 and 1983. Not only have these countries had to contend with deteriorating terms of trade; they have also had to pursue adjustment measures in response to the real increases in petroleum prices in 1979/80 and the concomittant recession in the industrialized countries.

Developing Africa benefited barely at all from the two principal sources of increasing international liquidity in the 1970s: the enormous increase in the price of gold and the expansion in commercial bank lending. It possessed little gold, and had only limited access to commercial sources of finance because of the stringent conditions attached.

Increasing interest rates alone have imposed very heavy costs on the developing countries. For example, from 1978 to 1981 the London Interbank offered rate (LIBOR) roughly doubled and interest rate payments by the non-oil developing countries just on their long-term foreign debt rose by some \$23 billion. 74/

Apart from cutting back sharply on their lending to countries that have run into debt financing problems in recent years, the commercial banks have tended to "regionalize" their reactions by cutting back also on their lending to neighbouring countries or even by reducing their overall international exposure. Lacking ready finance and faced with the high cost of borrowing, developing countries have been forced to make massive cutbacks in imports of essential manufacturing materials and spare parts. In some instances, a lack of fuel and vehicle spare parts has limited their ability to move potential foreign-exchange-earning export products to the ports. Thus the "import strangulation" associated with deteriorating terms of trade has caused the substantial underutilization of existing capacity.

Out of 32 developing countries reported to be in arrears on external payments in 1981, 20 were in the African region. African countries accounted

Table 34: IMF financial facilities (1979-1983)
(Millions of SDRs) 1/

Country	Higher credit tranche					Compensatory financing				
	1979	1980	1981	1982	1983**	1979	1980	1981	1982	1983**
Burundi	-	-	-	-	-	9.5	-	-	-	-
Central African Republic	-	4.0	10.4	-	18.0	-	-	9.0	-	-
Chad	-	-	-	-	-	-	-	7.1	-	-
Congo	4.0	-	-	-	-	-	-	-	-	-
Ethiopia	-	-	67.5	-	-	18.0	18.0	18.0	-	-
Equatorial Guinea	-	5.5	-	-	-	-	6.4	-	-	-
Gabon	-	-	-	-	-	-	-	-	-	-
Gambia	1.6	-	-	16.9	-	-	-	9.0	-	-
Ghana	53.0	-	-	-	-	-	-	-	-	-
Guinea	-	-	-	25.0	-	-	-	-	-	-
Guinea-Bissau	-	-	-	-	-	-	-	1.85	-	-
Ivory Coast	-	-	-	-	-	-	-	114.0	-	-
Kenya	122.48	-	-	151.5	175.95	69.0	-	-	60.38	-
Liberia	-	65.0	55.0	55.0	-	-	20.5	-	34.7	-
Madagascar	-	64.45	109.0	51.0	-	-	29.2	-	21.8	-
Malawi	26.34	49.88	-	22.0	-	19.0	-	12.0	-	12.2
Mali	-	-	-	30.38	-	-	5.1	-	-	-
Mauritania	-	29.70	25.8	-	-	-	-	-	-	-
Mauritius	73.0	35.0	-	30.0	49.5	-	-	40.5	-	-
Morocco	-	-	-	281.25	-	-	-	-	236.4	-
Niger	-	-	-	-	-	-	-	-	-	12.0
Rwanda	5.0	-	-	-	-	-	-	-	-	-
Senegal	-	-	63.0	47.25	-	-	-	42.0	-	-
Sierra Leone	17.0	-	-	-	-	-	-	-	-	20.7
Somalia	-	11.5	53.13	60.00	-	-	-	-	-	-
Sudan	-	-	-	198.0	170.0	36.0	21.8	45.7	-	39.1
Swaziland	-	-	-	-	-	-	-	-	-	9.0
Tanzania	-	179.6	-	-	-	20.25	15.0	15.9	-	-
Togo	15.0	-	47.5	-	21.38	-	-	-	-	-
Uganda	-	12.5	112.5	112.5	-	5.0	25.0	45.0	-	-
Zaire	118.0	-	-	-	-	-	-	-	106.9	-
Zambia	-	-	-	-	-	-	-	59.3	-	131.2
Zimbabwe	-	-	37.5	-	300.0	-	-	-	-	56.1
Total	435.42	457.13	571.33	1080.78	734.83	176.75	141.0	419.35	460.18	280.3

Source: Compiled from IMF Survey (various issues).

** 1983 data cover only January-July.

1/ No country got extended facilities in 1979, 1982 or the first seven months of 1983. In 1980, Gabon, Senegal and Sudan got an extended facility of SDRs 34.0 million, 184.8 million and 427 million respectively. In 1981, Ivory Coast, Morocco, Sierra Leone, Zaire and Zambia received an extended facility of SDRs 484.5 million, 817.05 million, 163.7 million, 912.0 million and 800 million respectively.

for three (Sudan, Togo, Zaire) out of four rescheduling in 1979; two out of three (Liberia, Sierra Leone) in 1980 and six out of seven (Liberia, Madagascar, Senegal, Togo, Uganda, and Zaire) in 1981. 75/

The extent of the export collapse in developing Africa may be gauged from the first two years of application of the Lomé II Treaty's STABEX compensation scheme for export earnings. In 1980, the aggregate amount of admissible requests (ECU 261.1 million) exceeded the funds available (ECU 138 million) by ECU 123.1 million, with the result that the overall cover rate was only 52.8 per cent. In 1981, the difference between admissible requests and funds available totalled ECU 341 million - nearly three times the preceding year's - which meant a nominal overall cover rate of only 24.7 per cent. 76/

Consequently, there has been a marked increase of IMF activity in developing Africa in the last four years. The African countries' share of total Fund assistance offered under stand-by and extended arrangements in 1979 and 1980 rose to 38 per cent from only 1 per cent in 1970-1978. As a ratio of the total number of stand-by and extended arrangements approved, Africa's share rose to 53 per cent in 1979 and 1980 from an annual average of 20 per cent in 1970-1978. 77/

Table 34 provides data on the financial facilities of the Fund made available to Africa under higher credit tranches and the compensatory and extended facilities. In 1982, the number of stand-by arrangements (under the higher credit tranche) approved by the Fund stood at thirteen, valued at \$1.1 billion, compared to ten, valued at \$571 million, in 1981. The compensatory financing facility approved by the Fund rose from \$419 million in 1981 to \$480 million in 1982.

In 1980, extended facilities together with \$645 million were approved for three countries (Gabon, Senegal and the Sudan). In 1981, the number rose to five (Ivory Coast, Morocco, Sierra Leone, Zaire and Zambia) with a total value of \$3.2 billion.

Drawings for buffer stock financing were made by Malawi (\$922,000) in 1982 and Mauritius (3.6 million) and Swaziland (\$975,000) in 1983. Between 1 July 1976 and 28 February 1981, developing African countries received from the Trust Fund loans amounting to \$1.1 billion or about 37.6 per cent of all disbursements made to 104 developing countries. Out of a total of \$1.28 billion realized from gold sales over the same period, developing Africa received \$260 million or 20.2 per cent of the total proceeds transferred directly to 104 developing countries.

By 1981/82, IMF was generating a much larger annual net flow of medium-term credit for sub-Saharan Africa than the World Bank or IDA (see table 35). At \$1.7 billion SDRs, however, credit still fell far short of official development assistance to Africa which in 1980 totalled \$9.9 billion from all sources, \$6.8 billion of that from OECD 78/.

Table 35: New flow of World Bank/IDA/IMF credit flows to Sub-Saharan Africa, 1978-1979 to 1981-1982

	1979	1980	1981	1982
World Bank (\$US billion)*				
(year ending June 30)*	449	373	-296	265
IDA (\$S billion)*				
(year ending June 30)	291	398	281	689
IMF (SDR billion)				
(year ending April 30)**	-131	350	591	1 667

* Difference between disbursed loans outstanding at successive year ends.

** Purchases less repurchases from IMF, excluding SDRs.

Source: Annual Reports of IMF and the World Bank.

As the payments imbalance of the developing countries worsened in the 1970s, the Fund came to see that new blends of adjustment and finance were needed along with assistance of greater magnitude and longer duration. Consequently, in addition to higher credit tranches, the Fund revised the provisions of the compensatory Financing Facility in 1975, 1979 and 1981; it also created the Oil Facility (1975); the Trust Fund (1976); the Extended Facility (1974); the Supplementary Financing Facility (1979) and the Enlarged Access Policy (1981). 79/ An important event in the evolution of the Fund's policies occurred in 1980, when gross assistance to IMF members from its own and borrowed resources was raised to 150 per cent per year of present quota (excluding purchases under the compensatory and buffer stock financing facilities), or a total of 450 per cent of quota over three years. Other changes have also been made in the policies of the Fund, although of limited usefulness.

B. The Compensatory and Extended Financing Facilities

The limit on Compensatory Financing Facilities (CFF) which stood at 25 per cent of quota under the 1963 decision, was raised to 50 per cent of quota in 1966, 75 per cent of quota in 1975, and 100 per cent of quota in 1979. In 1981, the limit on drawings for creal import excesses was set at 100 per cent of quota (the same as the limit on drawings for export shortfalls) with a joint limit of 125 per cent of quota for creal import excesses and export shortfalls together.

The progressive relaxation of quota limitations on CFF drawings during the 1970s has in fact been more than compensated for by the dramatic rise in both trade flows and in particular, payments imbalances. 80/ CFF supplied only about one twenty-fifth of the finance which would have been required to offset the impact of the deterioration of sub-Saharan African terms of trade in 1980-1981. 81/ Furthermore, the Fund has been unwilling to authorize drawings under CFF beyond 50 per cent of quota in the absence of sufficient evidence that what it regards as appropriate policies have been pursued.

Repayments of Compensatory Financing Facility drawings are "made in equal quarterly instalments during the period beginning three years and ending five years after the date of purchase unless the Fund approves a different schedule." Such inflexible scheduling poses considerable difficulties for low-income countries. The rationale for flexible repayments (linked to good export performance) is not hard to discern. Unless repayments are made by a particular country only when export excesses occur, they may coincide with further shortfalls and thus limit the net benefits of drawings from the facility. It would be logical to restructure CFF repayments so that they fell due as the shocks compensated for were overcome, rather than on a fixed schedule.

The Extended Facility established in 1974 to overcome structural balance of payments maladjustment, has had its limitation. The fact that the deficit in the balance of payments of nearly all developing countries is of a structural nature, continuing from year to year without spontaneous adjustment, has long been recognized. It has been admitted that "the roots of these problems are deep and go back over a long period of time... and cannot be removed by a wave of an economic wind". ^{82/} One wonders, therefore, why the Extended Facility was introduced as late as 1974. And apart from its late coming, the conditions attached to the Extended Facility are quite as stringent as those applied to drawings from upper credit tranches.

The case of Zambia is instructive. The EF programme was made subject to performance criteria which had to be met before additional drawings could be made, but some of these could not be attained. To start with, payment arrears were not reduced to the agreed level, mainly because the collapse of copper and cobalt prices meant that Zambia could not earn enough foreign exchange to pay for imports whilst reducing payment arrears. Secondly, the pre-agreed limits on borrowing - not by Government but by the rest of the economy - were exceeded. The break in the credit ceiling was largely because the depressed metal prices forced the mining industry, to rely heavily on bank credit, particularly from the Bank of Zambia. So the Extended Facility was cancelled, and negotiations for a new stand-by facility began.

In brief, the Fund should make an effort to make performance criteria contingent on the state of the world, rather than fixed requirements.

IMF programmes usually involve devaluation, credit restriction and fiscal retrenchment. These stereotyped prescriptions have to be adhered to regardless of the origin of the payments difficulty. In years of such stereotype demands not a single country that has followed the Fund's prescriptions has experienced a long-term improvement. The Annual Report of IMF for 1979 asserts that :

"... of the \$22 billion rise implied by the estimates shown... some \$16 billion would be attributable to deterioration of the terms of trade of these countries, whose export price did not keep pace with prices of their imports in 1978 and are expected to lag again in 1979, while about 6 billion would reflect increase in net payments of interest and other forms of investment income." ^{83/}

The balance-of-payments difficulties of the great majority of developing African countries in the 1970s were mainly the product of external disturbances, aggravated by the two oil price hikes in 1973 and 1979, protectionist measures imposed by the industrialized countries deteriorating terms of trade, and the protracted world recession.

Yet the Fund continues to prescribe programmes based on the premise that any individual country's deficit is due to excessive money supply and an over-valued currency. It is little wonder that developing countries avoid the Fund's conditional credit facilities in spite of their growing payment difficulties.

C. Devaluation

Among the Fund's policy prescriptions, no other issue has aroused so much controversy as devaluation. Other things being equal, the basic argument for devaluation is that it will stimulate export production and thus increase foreign exchange earnings, while raising the domestic price of imports and hence helping to curtail demand for imports. The effectiveness of devaluation in correcting balance-of-payments deficits very much depends, therefore, on the elasticity of foreign demand for a country's exports and of domestic supply of exportable items. Similarly, on the import front, the usefulness of devaluation as a policy tool will very much depend upon the elasticity of domestic demand for imports and the elasticity of foreign supply of imports.

In most developing African countries the output of primary products is fairly inelastic and insensitive to changes in export prices. With an inelastic supply of goods to export, their earnings from export could generally be expected to remain unchanged. In the long run, however, an excessively overvalued currency may dampen the incentive to raise, for example, agricultural production since the prices received by farmers become so unremunerative that it is no longer worth their while to spend time on cash crops and they revert to subsistence farming. This is what has happened to Ghana's cocoa farmers. The supply response for many primary commodities in developing Africa is so slow (coffee needs to be cultivated for a number of years before production increases) that the immediate impact of devaluation is negligible. Expanding exports often requires the reorganization of existing capacity and the development of new markets. All these adjustments take time. Financial and technological bottlenecks, such as the chronic shortage of investible funds and skilled manpower and the inadequacy of existing techniques of production, limit Africa's ability to cope with rapid expansion.

Everywhere in Africa there are ambitious programmes of economic development (as spelled out in national development plans); to sustain their development tempo countries are stepping up imports of certain vital factors of production such as capital and intermediate goods. In addition, the continent's food import bill has reached alarming proportions. In other words, the demand for imports in developing Africa is quite insensitive to price changes. Devaluation will reduce the quantity of imports sufficiently to correct the balance of payments; it will increase the total foreign exchange cost of imports.

Furthermore, devaluation may seriously worsen a country's balance of payments if, in addition to permitting the elimination of undesirable balance of payments controls, it induces a larger net inflow of capital from abroad. ^{84/} This additional capital inflow is likely to cause a sizeable outflow of foreign exchange in the form of profits and dividends that are not reinvested in the host country. What is more, in developing countries devaluation is normally accompanied by domestic credit expansion to compensate for its immediate deflationary effects. This expansion is likely to nullify the beneficial effect of depreciation on the balance of payments. ^{85/}

In Africa, large over-valuation of currencies has occurred as a result of prolonged inflation, which is generally due to structural causes. Devaluation cannot provide a lasting solution in those cases, since it does not deal with the underlying factors responsible for the external imbalance, namely the structural factors involved. 86/ Furthermore, given the importance of capital goods in the early stages of development a case can be made for maintaining a slightly over-valued currency for some period, especially if the internal tax transfer system is not adequately developed. 87/

One final point under this heading. After almost three decades of independence, the franc zone in developing Africa has still not managed to get its own internationally-recognized currency. The currency in use is the CFA (Communaute Francaise Africaine) franc, which has an international status in as much as it is freely convertible against the French franc. (To enjoy this dubious status the franc zone countries have to keep some deposits with the French Treasury). This tie to the French Franc precludes an independent monetary policy stance. It means that the franc zone countries are vulnerable to having their currency devalued by France, since it is fixed at parity with the French franc. It has on occasion been observed that France exploits such ties to her advantage. According to one source, also, "there is evidence to suggest that in the last two years the French have considered monetary policies without adequately consulting the Franc zone members." A French devaluation influences the balance of payments of the Franc zone developing countries by increasing their already considerable external debt. 88/

D. Fiscal adjustment

In general, IMF performance criteria are linked to budgetary ceilings on expansion in the public sector.

A Government can comply with the limitation on credit by increasing its revenue or decreasing its outlays so as to reduce the deficit. The choice of the policy instruments will be influenced by a number of factors such as the authorities' appraisal of the roots of the balance-of-payments problem, the probable effects of the measures considered for implementation and, last but not least, the political power of the various income groups. 89/ Governments tend to favour the introduction of additional taxes because of the ease with which they can be raised and collected. In most cases, however, taxation cannot be considered an effective way to meet the IMF prescription, and it may bring problems of its own.

Fiscal systems in most African countries rely heavily on indirect taxes because of faulty administration, evasion and the narrow tax base. Consequently, the burden of additional taxes tends to fall always on the same categories of contributors, whose disposable income and savings are seriously curtailed. Import taxation in particular is the basis of the fiscal system in many African countries. The consequence has usually been an excessive emphasis on the revenue function^{90/} of tariffs rather than their suitability for protecting domestic production.—

As regards fiscal adjustment through control of government expenditure, it must be pointed out that stabilization programmes often emphasise reducing the government deficit without distinguishing between different types of expenditure and their impact on the productivity of the economy, and cuts have often been made to reduce the deficit in the short run without taking into consideration the possible consequences for the medium-term growth capacity of the economy.^{91/} It is, therefore, dangerous to insist (as the International Monetary Fund does) on indiscriminate financial restraint. The result can be a serious check to growth in that there is no reason to expect the ensuing level of investment to be compatible with development needs.^{92/}

E. Price policies

Another issue which has aroused a great deal of debate is how the price mechanism should be used to meet the socio-economic needs of developing African countries. IMF has a built-in preference for using the market rather than the power of the State to attain certain socio-economic objectives. The favourite prescription of the Fund's economists is a correction of the price system, particularly exchange rates, interest rates, the terms of trade between agriculture and industry and the prices of all factors of production. However, the limited effectiveness of the price mechanism as a device for allocating and directing resources in countries where there is a large subsistence sector needs no restating. Hence, the choice of techniques is essentially a political one, and only the Government can take responsibility in this field.^{93/}

F. Distribution of the burden of adjustment

The main preoccupation of the Fund is to secure a payments turn-around. It tends to ignore the long-term goals of growth, development and social equity. This tendency is no where more glaring than in the Fund's attitude towards subsidies on basic foods and other items. In Africa, where the great majority of the population are engaged in agricultural pursuit, trade unions in the modern sector are weak and account for a small share of the labour force. Consequently, wages do not keep pace with abrupt price increases, and the lot of the less privileged strata of the population tends to worsen. The subsidies to which IMF objects are intended to alleviate the worst effects of this process.

The distribution of the burden of adjustment under current IMF prescriptions is not equally shared among the various segments of the population. A tight monetary policy tends to favour those who are in a position to obtain loans abroad. Not only may such fortunate individuals virtually escape the impact of the tightening of credit, they may also make large profits by taking advantage of the interest rate differentials associated with a steep increase in domestic rates.^{94/}

G. Conclusion

In general, IMF adjustment programmes operate in the short run without sufficient consideration of the consequences on long-term development growth. There is no doubt that there are cases in which a substantial degree of adjustment may be effected in the short run. More frequently however, the imbalances which lead countries to seek IMF assistance, are large and persistent, and the remedies applied should be concerned with long-term structural change. That apart, current adjustment programmes are based on policies that tend to produce general effects on the economy' to be effective, the adjustment process needs to be based on more selective instruments. The attainment or non-attainment of a target for domestic credit expansion, for instance, has only a limited meaning in a country where the primary source of economic difficulty is sectoral rather than global. 95/

The most important limitations of IMF analytical approaches to African countries are perhaps best put in the following statement:

"The traditional 'blunt instruments' of IMF-recommended macro-economic stabilisation policy - money and credit restraint, devaluations, and liberalisation, all pursued within a fairly short space of time - cannot be expected to be very effective in the typical African country. In Africa, short-term adjustment capacity is constrained by (i) limited economic flexibility and limited short-term responsiveness to price incentives; (ii) low and recently falling levels of per capita income and urban real wages; (iii) limited technical and administrative capacity within governmental economic policy-making institutions; (iv) fragility of political support for many governments of the day.

"With concentrated commodity exports, most of which are not consumed locally, and imports already pared well below 'minimum essential' requirements, there is very little room in Africa either for supply or demand adjustments in the short-term. With real incomes (particularly urban incomes) already low and having already fallen so far, and with the political fragility characteristic of most African states, there is a serious political constraint on further sharp cutbacks in real levels of consumption, employment, or the provision of services." 96/

At the twentieth meeting of the Interim Committee of the Fund's Board of Governors on the International Monetary System, which was held in Washington on 10 and 11 February 1983, an agreement to increase Fund quotas from about SDR 61.03 billion to SDR 90 billion was reached. While this development should be welcomed, it should be pointed out that additional resources alone will not improve the efficiency and equity of the adjustment process in developing countries. The rules and practices followed by IMF in the use of its resources need to be changed to achieve that aim. At the moment the Fund's conditions are used as a lever to open third world countries to private capital. 97/

VI. CONCLUSIONS AND RECOMMENDATIONS

1. As highlighted several times in this paper, the need to restructure the African economy and reduce its dependence on exports has become more urgent than ever. Africa needs development strategies directed to achieving internally integrated, balanced national economies in which increased productivity in every sector is matched by expanding internal demand. Indeed, the economic transformation of Africa is inconceivable without concomitant changes in the structure of trade: The continuation of policies "with little effect on the structure of trade" would mean that developing African countries must continue to export coffee, bananas and citrus fruit. The entire institutional structure inherited from the colonial era, which hinged Africa's economic well-being on the world export market, needs to be carefully reexamined. This is not to suggest that exports should play no role in Africa's development strategies, but to indicate that agricultural development should not necessarily seek to increase the output of export crops. Instead, the funds allotted to the farm sector should reflect the developments planned in the industrialized sector as part of an agriculture-led industrial strategy.

2. The import substitution process has either been attempted on the basis of excessive and indiscriminate protection or has developed inadvertently following the imposition of import controls in response to a balance-of-payments problem.

As long as exports were booming it mattered little to what happened to the volume of imports. Government's tariff policies were largely limited to stop-gap fund-raising measures aimed at easing balance-of-payments problems rather than achieving long-term industrialization goals. Rare are the cases where the cost of import substitution through protection has been compared to its benefits, not merely in saving foreign exchange but in effecting desired structural change. Indeed, industrialization has done little to aid the structural transformation of many African economies. Consequently, a re-examination of tariff and import substitution strategies is urgently needed.

3. Most developing African countries have made consistent efforts to reduce foreign exchange outflows relating to the different types of services. In the field of shipping, for instance, some have invested in the development of national fleets and harbour infrastructure. A number of national insurance markets have been established in Africa in the last two decades. Stringent regulations have been adopted by most African Governments in order to discipline and control foreign exchange outflows under the headings of direct investment income and foreign travel.

In spite of these efforts, however, developing Africa has experienced growing deficits in its service balance. As many service transactions are trade-dependent, the development of services appears to be closely linked to changes in the structure and direction of trade. But in most African countries, as stated above, the pattern of trade today is not significantly different from that inherited at independence. Thus African countries have remained dependent on the developed world for most services, and their economies have been sapped by the related financial outflows. They have not been helped by the oligopolistic structure of the

world market: a few cartels of foreign companies dominate the international service business.

In order to change this situation, African countries must work together at creating a common base so as to give them greater contractual power vis-a-vis the existing foreign cartels. Their main goal should be to be able to offer African services. The African banking system, which until now has been oriented towards traditional foreign trade activities, should promote and initiate investment activities in other sectors. Additional efforts need to be made to bridge the gap of management capabilities and know-how, which has hitherto been one of the major impediments to the development of African services. Great importance will also have to be attached to future international agreements regulating the structure and development of the service industries.

4. Many African countries have worked hard to increase food production, but food imports still account for a large share of their total expenditure. While no one disputes the usefulness of food aid in an emergency situation, it is also true that serious adverse effects have resulted from food aid. In many countries it has displaced farmers from local markets, since they are reluctant to produce more than their own requirements for a market which has made unpredictable massive injections of food aid. The lesson to be drawn from recent fluctuations in export income is that self-sufficiency in food is still an objective of overriding importance. Some of the oil-producing countries (Nigeria for one) not only invested in massive industrialization programmes in the 1970s but actively diverted human and other resources from the countryside to the new industrial schemes. Now the sliding oil prices have brought many of these schemes to a virtual halt for lack of funds. Nigeria finds itself with a recently urbanised, semi-industrial population that no longer grows its own food but cannot earn enough to buy it. This is another area where a thorough re-examination of agricultural development policies is called for.

5. The persistent balance-of-payments deficits of most developing African countries are partly the fault of the current international trade and payments mechanism. The current structure of international trade, which has an important bearing on supply and demand patterns in the less developed countries, has no built-in mechanism either to boost these countries' export earnings or to increase foreign resource inflows or other means. Export-led growth or "transformation through trade" is made impossible by unfavourable price and income trends, unstable export demand and trade barriers. As a result, neither deflationary monetary and fiscal policies nor expenditure-switching policies are effective in eliminating the continent's chronic balance-of-payments problems.

Unfortunately, the adjustment processes urged if not imposed on African countries by IMF to date have been based on the restriction of import growth and economic development, which are not likely to lead towards African economic independence. As an economist has most appropriately stated, "In fact, the developed countries, with strong economies, less dependent on international inflows, and easy fraternal relations between central bankers, could get along fairly well without an international monetary institution; and having one, could manage quite well if its function was confined to discussing changes in exchange rates. To the LDCs, on the other hand, an institution which did not look beyond exchange rates to the wider

context which determines international monetary flows could be a menace rather than a help."^{98/} If developing Africa is to meet the challenges of development in the 1980s and 1990s it will have to hope for a more enlightened attitude on the part of an organization which has hitherto lived in its own world and sat in judgement on its own effectiveness. This issue is one which the Association of African Central Bankers should seriously consider.

6. After nearly two and a half decades of political independence, the guiding principle of economic policy in developing Africa is still that growth can be maximized by ever increasing doses of foreign aid. It is impossible to find a development plan or, for that matter, a development budget that has been framed without any mention of foreign resource inflows. In other words, growth will fall well short of the targets set unless money is obtained from outside sources, and what matters most is not how Africans perceive their planned objectives, but how outsiders do. No wonder, then that Africa is vastly more dependent on the outside world today than it was two decades ago.

Developing Africa has been trying to invest too much in relation to domestic savings. Its reliance on foreign aid has become deep-seated, and has led it to relax its own resource mobilization efforts. No country is too poor to save if the available potential is effectively harnessed. Everywhere in Africa, however, the burden of taxation falls on the subsistence sector and Governments increasingly tailoring their policies to favour the modern sector with strong fiscal and monetary incentives. Worse, the proceeds of taxes on farmers are often used for urban-oriented infrastructures rather than the promotion of agriculture. Nowhere in the world have the urban sectors been fed such large chunks of "meat" at the expense of the subsistence sector. The urban population has easy access to clean drinking water, health services, modern education and other public utilities; its food and fuel imports are heavily subsidized. In contrast, the peasants still live at subsistence levels, in conditions that stagger the imagination. They are dispersed, unorganized, unschooled, ill-equipped, ill-nourished. Yet they are made to bear a disproportionate tax burden in the name of development.

This is as dangerous as it is shortsighted. The sooner this built-in inequity is corrected and the domestic resource mobilization effort stepped up, the less will become Africa's external dependence. If account is taken of the growing signs of aid-weariness among donors and the hardening of aid terms, it must be obvious that Africa's salvation cannot be won by proxy. Nor should it be. Economic development is basically a national enterprise, and development begins in the hearts and souls of those who aspire to greater mastery of their own destiny.

7. To conclude, the balance of payments problem of developing Africa is basically a structural one, requiring domestically initiated growth and fundamental structural change. There must be a shift in emphasis, from the production of a narrow range of primary commodities destined for export to the use of domestic energies to bring about domestic growth. How is this shift to be attained?

First, available resources must be invested in basic industries that will make for an integrated economy, create internal demand and minimise the dependence of the periphery on the center. The accent must be put on the development of agro-industry and other basic industries (cement, iron and steel, metallurgical chemical, mechanical and electrical) which promote self-reliance by using domestically available materials and lessen the present dependence on imported industrial inputs. This does not mean that agricultural development should be ignored. One way of overcoming Africa's vulnerability is to see to it that agriculture produces materials and food that can be disposed of on the domestic market, so that reliance on exports is kept to a minimum.

Secondly, full use must be made of regional co-operation and intra-African trade, and development plans must be drawn up with this end in view. The creation of co-operative arrangements without customs and trade barriers, the harmonisation of tax systems in order to facilitate industrial co-operation and the local processing of raw materials for marketing within the Region should be vigorously pursued. It is only through intra-regional trade and other types of economic co-operation that African industries can benefit from the economies of scale vital for their development. This co-operation may take the form of joint ventures for the establishment of multilateral industries especially in such basic areas as steel, non-ferrous metals and chemicals; the creation of industrial financing institutions; the shared use of existing training facilities; or joint research into new sources of energy, to mention only a few. And as stipulated in the Lagos Plan of Action, all food products originating from African countries should be exempted from tariff barriers.

Thirdly, Africa's physical and service infrastructure, originally designed to cater to the needs of the colonial powers, must be radically modified. The reorientation of the transport network, banking, insurance, shipping and other ancillary services to enhance the domestic growth effort is of paramount importance.

The hard options before developing African countries have ably been outlined by the Executive Secretary of ECA:

"..... Firstly we must accept the inevitability, for some time, of delinking our economies from that of the international economy if we were able to undertake the kind of fundamental restructuring which would enable us to cope with the evolving crisis as well as lay down a firm foundation for national and collective self-reliance as envisaged in the Lagos Plan of Action. Secondly, we must declare a war for economic survival in each member State and adopt a siege approach to development by which we will mobilise our entire resources (natural resources and raw materials; entrepreneurial talents and capabilities-public, private and communal research and experimental development, institutional infrastructures, physical infrastructures, etc), turn our backs against import of luxuries and non-essential and strive with all the powers at our command to produce essential goods domestically at national and multinational levels. A period of purposeful development oriented austerity is therefore inevitable. Thirdly, we must intensify our effort to strengthen intra-Africa co-operation and in particular intra-African trade..... The reduction of trade barriers among African countries which places emphasis on the exchange of essential goods while ensuring that no undue advantage is

taken of the liberalization process must be regarded as one of the essential instruments for waging the economic war.... We also need to accelerate the implementation of all those measures designed to advance the process of achieving an increasing measure of self-reliance and give a filling to intra-African trade which are contained in the Lagos Plan of Action. I have particularly in mind the establishment of commodity exchange markets, the establishment of an African Federation of Chambers of Commerce, the establishment of African multinational corporations and joint ventures as instruments of directed procurement, production, marketing, shipping and civil aviation, banking and insurances, consultancy and other critical services; the setting up of multilateral clearing and payment arrangements where they do not already exist and the establishment of the African Monetary Fund which act as a countervailing force to the orthodoxy of the IMF.... For all this we need firm and total political commitment.⁹⁹"

FOOTNOTES

- 1/ Balance of Payments Problems of African Countries, document prepared for the Conference of Governors of African Central Banks, Addis Ababa, 15-22 February 1966 (E/CN-14/AMA/10), p.3.
 - 2/ World Bank, Annual Reports, 1978, 1983.
 - 3/ Ibid.
 - 4/ K.B. Griffin and J.L. Enos, "Foreign Assistance: Objectives and Consequences", Economic Development and Cultural Change, Chicago, III, Vol. 16, No. 3 (April 1970), p.321.
 - 5/ Syed Haider Nagvi, "Balance of Payments Problem in Developing Countries" The Pakistan Development Review, Vol. XII, No. 3, Autumn 1973, p. 261
 - 6/ George Wood, The Guardian, 1 August 1967.
 - 7/ Margeret G. De Vries, "Trade and Exchange Policy and Economic Development: Two Decades of Evolving Views", Oxford Economic Papers, vol. 18, Part I (March 1966), p. 38.
 - 8/ Edward Marcus, "Development Planning and the Inherent Instability of the West African Economies", Nigerian Journal of Economic and Social Studies, (published by the Nigerian Economic Society), Vol. 5, No. 2 (July 1963), p. 191. Some economists contend that for small countries dependent on export commodities such as coffee and tea increased exports by one developing country are at the expense of other, so that all countries will benefit from an agreement to limit exports and to raise their price. (See Ian Little, Tibor Scitovsky, Maurice Scott, Industry and Trade in Some Developing Countries, a comparative study, (Oxford University Press, 1971), p. 17).
- We do not subscribe to the above view. For instance, the extent to which the International Coffee Agreement can influence the price of coffee is limited by a number of factors. To start with, the Agreement itself neither produces nor stores coffee. Secondly, nothing in the Agreement compels producers to provide a stipulated supply of coffee nor is there a provision which compels consumers to import.
- 9/ Gunnar Myrdal, Economic Theory and Underdeveloped Regions, (Gerald Duckworth and Co., Ltd., London, 1957), p. 34.
 - 10/ Gustav Ranis, "Trade, Aid and What? Kyklos, vol. XVII, Fasc. 2, (1964), p. 181
 - 11/ Ann Seidman Key Variables to Incorporate in a Model for Development, The African Case, Paper presented at the Rural Sociological Society Conference, Denver, Colorado, 1971 (mimeographed).

- 12/ Jerker Carlsson, The Limits to Structural Change, A Comparative Study of foreign direct investments in Liberia and Ghana 1950-1971, (Scandinavian Institute of African Studies, Uppsala, 1981), p. 11.
- 13/ World Bank, Working Papers
- 14/ "Cocoa in the A.C.P. States", The Courier, No. 16 (May-June 1980), pp. 70-100.
- 15/ Tea and Coffee Trade Journal, January 1981, p. 32.
- 16/ Ibid., June 1981, p. 25
- 17/ Bank of Sudan, Twenty-Second Annual Report, (March 1982), p. 10 and Survey of Economic and Social Conditions in Africa, 1981-1982, (E/FCA/CM.9/5), p. 115.
- 18/ Survey of Economic and Social Conditions in Africa, 1981-1982 (E/FCA/CM.9/5) p.45
- 19/ World Bank, Arab Republic of Egypt, Economic Management in a Period of Transition, vol. III: Productive Sectors, 8 May 1978, p. 50
- 20/ The Economist Intelligence Unit, The Production, Marketing and Consumption of Cotton, John A. Sinclair ed., (Frederick A. Praeger), pp. 41-42
- 21/ Ilunga Ilunkamba, "Copper Technology and Dependence in Zaire; Towards the demestification of the New White Magic", Cipec Quarterly Review (April-June 1980), p. 22.
- 22/ R.A. Perlman, "Copper Consumption in Developing Countries", Cipec Quarterly Review (October-December 1981), pp. 51-60
- 23/ Akin Fadahunsi, "Nigerian Oil Wealth Bypasses Rural Majority", United Nations University Newsletter, Volume 7, No. 3, P. 7.
- 24/ The Middle East and North Africa (Europa Publications, London, 1981-1982), pp. 246-253.
- 25/ Ibid., pp. 584-591.
- 26/ Africa South of the Sahara, Europa Publications. (London, 1981-1982), pp. 395-401.
- 27/ ECA, Survey of Economic Conditions in Africa, 1973, Part I, p. 149.
- 28/ Proceedings of the United Nations Conference on Trade and Development, Fifth Session, Manila, Vol. III, p. 49
- 29/ World Bank, World Development Report, 1981, p. 33

- 30/ Dr. Shu-Chen Yang, "Foreign Trade Problems in Economic Development", Advancement of Science, (May 1964), p. 31.
- 31/ Adebayo Adedeji, "The Evolution of the Monrovia Strategy and the Lagos Plan of Action: A Regional Approach to Economic Decolonization", revised text of the speech delivered at the Nigerian Institute of Social and Economic Research (NISER), University of Ibadan, 24 March 1983, p. 11.
- 32/ Robert Emery, "The Relations of Exports and Economic Growth", *Kyklos*, Vol. XX (1967) Fasc. 2, p. 475.
- 33/ Survey of Economic and Social Conditions in Africa, 1980-1981, (E/ECA/CM.8/17), p. 135.
- 34/ Survey of Economic and Social Conditions in Africa, 1979-1980 (E/CN.14/802), part I, p. 120.
- 35/ Includes Algeria, Botswana, Cameroon, the Central African Republic, the Congo, Egypt, Ethiopia, Gabon, the Gambia, Ghana, the Ivory Coast, Kenya, the Libyan Arab Jamahiriya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Nigeria, Rwanda, Seychelles, Sierra Leone, the Sudan, Swaziland, the United Republic of Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.
- 36/ In 1981 this ratio was 15.8 and 4.6 per cent for non-oil developing African and non-African countries respectively.
- 37/ Cartels of shipowners aimed at controlling the seaborne trade of the regular lines.
- 38/ Trade and Development Report, (UNCTAD, New York, 1981), (TD/B/863/Rev.1), p.79
- 39/ Zeynep Bozkurt, Financial Leakages in Africa, paper prepared for the ECA Workshop on Financial Leakages in Africa, held in Addis Ababa, Ethiopia, 7-10 January 1983, p. 12.
- 40/ Insurance is here regarded as an all embracing activity including motor, fire, life, marine and aviation.
- 41/ Third World Insurance at the end of the 1970s, (UNCTAD, New York, 1981), (TD/B/C.3/169/Add.1/Rev.1), p.7.
- 42/ See note 39.
- 43/ See note 41.
- 44/ The Indigenization of African Economies, (ECA/E/CN.14/CAP.7/2) 29 August 1978, pp. 38-48.

- 45/ However, according to another source, "Indigenization of enterprises by the Nigerian Military Regime in the 1970s have surprisingly contributed to foreign exchange leakages. Initially, the indigenization legislations were intended to reduce the degree of foreign ownership and by implication increase Nigerian participation and ownership in key sectors of the economy. However, the sale of expatriate businesses at inflated prices, the use of Nigerians as "fronts" by expatriates to retain control of their businesses, and the failure of the measures to secure control of enterprises, instead of merely securing majority share ownership for Nigerians, helped to keep the floodgates of foreign exchange leakages wide open. Although expatriate investors had their ownership shares in Nigerian enterprises reduced, control of most indigenized enterprises still remained in the hands of expatriates directors in charge of administration, finance, purchases and personnel. In this way, foreign investors in the Nigerian economy were able to maintain their control of the Nigerian economy in spite of significantly reduced financial stake". Foreign Currency Leakages in the Nigerian Economy, study conducted by the Nigerian Institute of Social and Economic Research (NISER), Ibadan, Nigeria, October 1983, p. 19.
- 46/ See note No. 44
- 47/ IMF, Annual Report on Exchange Arrangements and Exchange Restrictions, 1982, p. 190.
- 48/ In December 1981, the Central Banks ceiling on remittance of dividends by foreign companies was lifted. Since 1978 remittable dividends have been limited to 10 per cent of equity plus unimpaired reserves.
- 49/ IMF, Annual Report on Exchange Arrangements and Exchange Restrictions, 1982, p. 490.
- 50/ Including Botswana, Cameroon, Central African Republic, Congo, Ethiopia, Gabon, The Gambia, Ghana, Ivory Coast, Kenya, Mali, Mauritania, Mauritius, Morocco, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, the Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.
- 51/ World Bank, World Debt Tables, December 1981.
- 52/ Including Benin, Botswana, Burundi, Cameroon, Central African Republic Chad, Comoros, Congo, Ethiopia, Gabon, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, the Sudan, Swaziland, United Republic of Tanzania, Togo, Uganda, Upper Volta, Zaire, Zambia and Zimbabwe.
- 53/ According to the World Bank definition (see World Debt Tables, December 1981, p. vi.), "the grant equivalent of a loan is its commitment (present) value, less the discounted present value of its contractual debt service; conventionally, future service payments are discounted at 10 per cent. The grant element of the loan is the grant equivalent expressed as a percentage of the amount committed. The grant element is used as a measure of the overall cost of borrowing. Loans with a grant element of 25 per cent and above are defined to be concessional."

- 54/ On 23 September 1981, special accounts were abolished and the existing balances were transferred to free accounts.
- 55/ This premium is computed to assure beneficiaries a conversion rate of DHI = Fl.
- 56/ "The Impact of Workers' Remittances on the Balance of Payments" in Supplement to World Economic Survey 1983, (United Nations) pp. 31-41.
- 57/ Application of the Declaration of Principles and Programme of Action of the World Employment Conference, report of ILO, (Tunis, October 1983), p. 54.
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- 79/ Higher Credit Tranches: transactions requiring that a member give substantial justification for its efforts to overcome balance-of-payments difficulties: Resources and normally provided in the form of stand-by arrangements which include performance criteria and drawings in instalments. The Compensatory Financing Facility, established in 1983, was designed to extend the Fund's financial support to member countries encountering payments difficulties caused by temporary short-falls in export proceeds. Export shortfall may include at the option of the member, receipts from travel and workers' remittances. In May 1981, the Fund decided to extend financial assistance to members that encountered a balance of payments difficulty caused by an excess in the cost of their cereal imports presumed to be reversible within a few years. Oil Facilities were established to provide financing of the initial impact of the oil price increases, especially to countries that were not in a position to obtain the financing required in international capital markets. The Trust Fund was established in 1976 to provide highly concessional loans to low-income developing countries seeking to adjust to world economic disturbances. Extended Facility: a medium-term programme of up to three years to overcome balance-of-payments maladjustments; requires a detailed statement of policies and measures for first and subsequent 12 month periods; resources provided in the form of extended arrangements that include performance criteria and drawings in instalments. The purpose of the Supplementary Financing Facility is to enable the Fund to provide supplementary financing in conjunction with its ordinary resources to all members payments imbalances that are large in relation to their quotas. It is used only in support of

economic programmes under stand-by arrangements reaching into the upper credit tranches or under extended arrangements. Enlarged Access Policy: for use in support of programmes under stand-by arrangements reaching into the upper credit tranches or beyond, or under extended arrangements, subject to relevant policy on conditionality, phasing, and performance criteria. The enlarged access policy replaced the supplementary financing facility following the full commitment of the resources available under the latter. (Adopted from supplement to IMF Survey (Nov. 1982), p. 8.

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APPENDIX B.I

Annual average growth rates of exports

Regions, Countries and territories	1950- 1981	1950- 1960	1960- 1970	1970- 1980	1970- 1974	1974- 1981	1976- 1977	1977- 1978	1978- 1979	1979- 1980	1980- 1981
North Africa ...											
Algeria	11.9	3.0	3.8	31.2	47.3	17.7	17.6	3.8	50.6	42.7	-13.5
Morocco	7.4	5.0	3.7	15.7	36.3	6.5	3.0	16.2	29.6	14.8	3.2
Tunisia	9.8	2.5	4.7	26.5	46.8	16.8	17.8	21.3	59.1	13.7	7.5
Egypt	6.0	0.1	4.5	12.9	18.9	12.3	12.2	1.7	5.9	65.5	6.1
Libyan Arab Jamahiriya ...	34.6	0.7	66.3	24.6	33.5	15.0	19.5	-13.3	62.4	37.6	-29.2
Sudan	5.5	2.6	3.5	6.9	6.3	6.3	19.3	-22.1	3.9	1.5	21.2
Other Africa	10.3	4.8	8.0	19.9	30.9	12.3	13.1	-9.3	45.9	33.8	-14.8
UDEAC	13.0	7.2	9.8	26.7	38.2	18.3	17.3	-10.9	54.4	34.1	17.2
Central Afr. Republic	6.7	-0.6	10.5	13.4	10.7	15.5	41.4	-12.2	9.7	46.8	10.3
Congo	15.6	13.4	6.7	30.3	62.5	26.3	-0.5	-36.0	328.6	17.6	83.3
Gabon	17.5	10.4	11.3	33.0	55.1	16.2	10.3	-20.4	38.2	47.1	24.3
United Rep. of Cameroon	10.0	7.0	9.4	21.1	21.9	18.3	37.8	14.1	39.5	23.6	-18.9
ECOWAS	12.5	4.8	7.5	26.7	42.0	14.9	14.1	-10.5	53.4	41.5	-20.0
(MRU)	9.5	10.3	6.8	12.9	16.3	10.0	6.4	10.4	16.2	9.4	1.1
Guinea	10.0	11.1	-0.	28.5	20.1	22.4	18.9	14.0	7.8	23.0	25.6
Liberia	11.0	9.0	13.1	10.8	17.7	5.6	-2.2	12.8	6.5	9.7	-9.8
Sierra Leone ..	6.1	11.7	2.9	4.8	10.7	5.3	18.6	-5.8	80.7	-12.1	-16.0
CEAO	10.7	4.9	10.6	20.0	26.9	11.8	28.1	0.0	18.0	-2.7	5.3
Ivory Coast ..	11.9	4.5	11.7	21.3	28.8	11.9	32.3	7.7	8.3	-8.5	4.3
Mali	10.0	5.6	5.1	21.7	22.4	19.0	47.1	5.6	12.9	38.3	-24.8
Mauritania ...	23.2	7.9	52.5	5.9	21.3	2.8	-11.8	-21.7	19.5	32.0	33.5
Niger	12.7	6.6	8.1	33.8	16.2	41.5	19.4	76.9	58.3	26.3	-9.9
Senegal	6.1	5.1	3.1	14.6	26.3	0.0	31.1	-39.9	42.9	-22.8	3.9
Upper Volta	11.4	3.1	19.7	18.4	20.1	12.0	1.9	-21.8	79.1	16.9	-16.7
ECOWAS (Others)	13.3	3.7	6.3	30.0	50.4	15.7	11.6	-14.3	66.6	52.5	-24.1
Benin	4.9	4.7	7.3	1.3	5.9	4.9	78.3	-36.6	92.3	8.0	-25.9
Cape Verde	-5.2	3.5	-5.1	4.0	0.0	13.7	50.0	-3.3	0.0	100.0	50.0
Gambia	6.3	1.6	7.2	11.9	29.2	-5.5	37.1	-18.8	48.7	-46.6	-12.9
Ghana	5.8	3.1	2.2	12.6	16.4	6.9	25.0	1.8	0.9	20.7	-15.4
Guinea Bissau	0.5	1.5	-5.9	15.8	-8.3	15.0	100.0	0.0	40.0	-28.6	-20.0
Nigeria	15.7	4.1	8.2	33.2	59.3	16.5	9.9	-16.5	75.4	54.9	-24.7
Togo	11.2	2.5	13.3	21.1	30.8	13.6	51.4	51.6	-9.5	53.7	-10.4
CEPGL	4.7	4.6	6.4	7.2	16.2	0.1	9.2	-6.4	41.6	15.4	-54.9
Burundi	12.1	9.8	9.6	17.2	9.5	14.3	61.8	-22.5	60.7	-37.5	9.2
Rwanda	17.1	17.7	18.4	19.0	11.6	10.2	16.0	-25.5	64.3	-33.9	-7.9
Zaire	4.2	4.5	6.1	6.2	16.5	-1.1	5.5	-3.1	39.2	23.8	-59.6
Others	7.9	4.9	8.2	10.0	20.2	5.9	9.8	-6.4	25.9	14.0	-3.3
Angola	9.6	3.6	11.9	6.0	31.3	1.5	-1.6	0.6	15.0	31.6	40.0
Botswana	17.0	8.0	8.9	34.4	57.1	23.7	2.3	23.3	96.4	15.4	-17.9
Chad	3.4	-0.7	7.1	2.6	7.5	4.7	-52.5	-64.3	480.0	12.1	-7.7
Comoros	7.1	8.0	4.7	13.0	10.4	11.8	0.0	0.0	88.9	17.6	-20.0
Djibouti	4.6	8.6	-13.8	9.1	16.7	5.3	5.6	5.3	0.0	25.0	0.0
Ethiopia	7.5	6.1	5.1	13.3	25.0	7.6	19.5	-11.2	34.8	1.7	-12.0

APPENDIX B.I (Cont'd)

Annual average growth rates of exports

Regions, Countries and territories	1950- 1981	1950- 1960	1960- 1970	1970- 1980	1970- 1974	1974- 1981	1976- 1977	1977- 1978	1978- 1979	1979- 1980	1980- 1981
Kenya	11.0	8.0	6.8	17.3	22.7	10.5	44.8	-14.5	8.3	25.5	-17.6
Lesotho	10.2	9.1	4.8	26.1	27.3	27.3	-17.6	40.6	28.9	-12.1	-2.0
Madagascar	5.8	0.4	5.5	12.3	14.6	6.5	22.9	14.2	2.1	2.0	-12.9
Malawi	10.2	4.4	9.9	16.7	18.8	13.5	20.5	-7.5	25.9	26.6	-3.7
Mauritius	7.4	2.5	2.1	21.5	45.8	5.1	17.0	5.2	15.6	23.6	-24.0
Mozambique	5.0	6.2	7.0	-4.0	17.7	-7.7	-14.0	-14.7	-9.1	80.0	-16.7
Reunion	5.1	3.7	3.2	12.3	13.2	10.3	21.3	1.8	20.7	-7.1	-17.7
Sao Tome and Principe	3.8	-0.5	3.8	15.9	23.7	17.7	187.5	8.7	8.0	11.1	-16.7
Seychelles	6.7	-0.6	3.9	26.2	33.8	20.8	-33.3	225.0	15.4	33.3	-25.0
Somalia	9.5	15.2	2.4	15.5	20.0	14.7	-33.7	69.8	3.7	27.0	41.8
Swaziland	14.3	16.2	11.3	15.4	24.2	11.5	-5.8	5.0	20.6	49.1	20.6
Uganda	4.9	3.1	7.1	2.9	4.9	0.2	57.9	-46.7	2.3	11.7	-10.1
United Rep. of Tanzania	5.8	3.5	5.0	7.5	12.2	4.8	10.8	-13.8	9.2	-0.6	11.4
Zambia	6.9	6.6	13.4	3.3	12.8	1.5	-13.7	-3.1	58.5	-9.9	-11.4
Zimbabwe	9.2	5.3	5.7	12.9	27.6	7.9	-1.2	0.9	36.6	16.9	3.3

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1983 (TD/STAT.1.1).

Developments in the foreign trade of Africa

Index numbers (1975 = 100)

	E X P O R T S							I M P O R T S						
	1960	1965	1970	1975	1978	1979	1980	1960	1965	1970	1975	1978	1979	1980
<u>Volume</u>														
Developing Africa	41.7	74.0	124.0	100.0	116.0	120.0	103.0	33.2	36.2	60.0	100.0	126.0	107.0	115.0
Oil-exporting African countries	-	-	151.0	100.0	122.0	125.0	110.0	-	-	34.0	100.0	139.0	111.0	133.0
Non-oil-exporting African countries	-	-	93.0	100.0	109.0	115.0	95.0	-	-	78.0	100.0	118.0	103.0	103.0
Developing countries	41.0	57.0	79.0	100.0	121.0	128.0	113.0	38.0	47.0	66.0	100.0	127.0	127.0	131.0
<u>Unit value</u>														
Developing Africa	36.0	31.4	31.0	100.0	118.0	158.0	257.0	59.0	58.0	48.0	100.0	119.0	144.0	175.0
Oil-exporting African countries	-	-	18.0	100.0	118.0	178.0	303.0	-	-	53.0	100.0	121.0	155.0	178.0
Non-oil-exporting African countries	-	-	54.0	100.0	118.0	139.0	195.0	-	-	46.0	100.0	117.0	137.0	172.0
Developing countries	33.0	32.0	35.0	100.0	120.0	156.0	213.0	42.0	43.0	47.0	100.0	118.0	142.0	179.0
<u>Value</u>														
Developing Africa	15.0	23.2	38.2	100.0	136.1	194.2	265.6	19.6	21.0	28.8	100.0	149.9	154.3	201.3
Oil-exporting African countries	-	-	27.6	100.0	142.7	223.2	334.1	-	-	18.6	100.0	167.3	172.4	237.2
Non-oil-exporting African countries	-	-	50.3	100.0	128.6	160.9	187.0	-	-	38.8	100.0	138.0	141.9	176.9
Developing countries	14.0	18.0	28.0	100.0	145.0	200.0	263.0	16.0	20.0	31.0	100.0	150.0	180.0	234.0

	EXPORTS							IMPORTS						
	1960	1965	1970	1975	1978	1979	1980	1960	1965	1970	1975	1978	1979	1980
<u>Terms of trade</u>														
Developing Africa	61.0	54.1	65.0	100.0	99.0	110.0	147.0							
Oil-exporting African countries	-	-	34.0	100.0	98.0	115.0	170.0							
Non-oil-exporting African countries	-	-	117.0	100.0	101.0	101.0	113.0							
Developing countries	79.0	74.0	74.0	100.0	102.0	110.0	130.0							
<u>Purchasing power exports</u>														
Developing Africa	25.4	40.0	79.0	100.0	114.0	135.0	152.0							
Oil-exporting African countries	-	-	51.0	100.0	118.0	144.0	188.0							
Non-oil Exporting African countries	-	-	109.0	100.0	110.0	117.0	108.0							
Developing countries	33.0	42.0	60.0	100.0	123.0	141.0	147.0							

Source: ECA secretariat estimates based on data from International Financial Statistics, Yearbook, 1981.

APPENDIX B.III

Terms of trade

	Net barter terms of trade (1975 = 100)			Income terms of trade (1975 = 100)			Average annual growth rate			
							Net barter terms of trade		Income terms of trade	
	1960	1970	1979	1960	1970	1979	1961-70	1970-79	1961-70	1970-79
Low-income countries	110m	117m	97m	62m	116m	105m	0.9m	0.8m	5.1m	-0.8m
Low-income semiarid	104m	117m	94m	38m	78m	82m	-0.1m	-1.3m	4.8m	3.0m
1. Chad	98	93	100	62	116	78	-1.0	1.6	2.9	-1.7
2. Somalia	145	135	97	59	71	82	-1.6	-2.7	0.5	2.2
3. Mali	107	117	95	55	122	148	7.0	-0.6	4.5	5.7
4. Upper Volta	88	117	94	20	78	105	3.5	-1.3	15.6	6.2
5. Gambia	104	109	93	38	73	81	-0.1	-1.3	5.4	3.0
6. Niger	98	109	90	32	68	150	0.5	-2.2	4.8	9.0
7. Mauritania	149	133	78	3	102	77	-2.1	5.2	38.5	-6.1
Low-income other	114m	118m	104m	89m	140m	108m	0.8m	0.7m	5.5m	-1.3m
8. Ethiopia	143	151	142	75	112	113	0.5	2.4	3.3	-0.7
9. Guinea-Bissau	..	..	111	..	..	119	...	...	...	...
10. Burundi	..	..	..	..	..	..	-0.2	-0.9	4.7	-19.9
11. Malawi	115	99	84	40	83	112	-3.0	-0.5	7.9	3.5
12. Rwanda	111	125	145	21	115	140	0.8	6.3	15.1	7.2
13. Benin	114	129	97	127	208	84	1.2	-2.8	8.7	-14.5
14. Mozambique	90	88	75	89	167	32	...	...	...	...
15. Sierra Leone	121	136	108	146	158	75	1.5	-1.6	2.4	-6.6
16. Tanzania	98	103	102	118	152	104	0.2	0.7	3.8	-4.4
17. Zaire	122	200	91	137	192	90	7.7	-7.8	7.2	-8.7
18. Guinea	..	..	..	..	..	..	..	...	...	...
19. Central African Republic	109	118	108	64	124	113	0.9	1.3	8.0	1.1
20. Madagascar	136	115	105	64	111	89	-0.3	-0.9	4.1	-1.3
21. Uganda	123	130	136	119	211	158	1.3	3.1	5.5	-0.8
22. Lesotho	..	..	..	..	..	..	...	...	...	...
23. Togo	56	59	82	27	89	110	2.2	9.0	11.3	6.0
24. Sudan	83	83	78	96	140	105	0.8	1.4	2.1	-2.8
Middle-income oil importers	112m	120m	105m	60m	119m	104m	1.6m	2.6m	6.4m	0.6m
25. Kenya	133	119	110	67	120	113	-1.6	2.2	4.8	0.9
26. Ghana	111	121	144	90	125	144	2.3	6.9	1.5	-0.8
27. Senegal	71	79	76	52	71	46	1.3	1.4	1.3	0.2
28. Zimbabwe	..	..	..	..	..	..	...	...	...	...
29. Liberia	255	131	88	52	118	94	-4.7	-4.1	12.6	-2.2
30. Zambia	115	227	100	99	238	91	10.0	-9.0	12.3	-9.7
31. Cameroon	106	117	144	90	125	144	1.9	6.1	8.0	6.7
32. Swaziland	..	..	..	..	..	..	...	...	...	...
33. Botswana	..	..	..	..	..	..	...	...	...	...
34. Mauritius	57	47	49	30	48	89	-3.3	-3.7	-1.6	8.6
35. Ivory Coast	113	127	129	31	85	138	2.0	3.0	9.2	8.2

APPENDIX B.III (Cont'd)

Terms of trade

	Net barter terms of trade (1975 = 100)			Income terms of trade (1975 = 100)			Average annual growth rate			
	1960	1970	1979	1960	1970	1979	Net barter terms of trade		Income terms of trade	
							1961-70	1970-79	1961-70	1970- 1979
Low-income countries	110m									
Middle-income oil exporters	54m	55m	109m	18m	32m	113m	1.0m	12.9m	7.0m	12.8m
36. Angola	60	68	113	30	93	102	1.7	8.5	10.2	0.3
37. Congo	87	89	91	23	34	76	0.1	1.0	2.5	8.6
38. Nigeria	32	32	119	13	30	143	1.0	17.2	7.0	16.9
39. Gabon	47	42	105	11	25	124	1.0	17.2	7.0	17.0
Sub-Saharan Africa	108m	117m	100m	57m	114m	105m	0.9m	1.2m	5.5m	0.6m

Source: World Bank

APPENDIX B.IV

Cocoa

	1950/51	1959/60	1969/70	1979/80	Index No. 1950/51 = 100		
					1959/60	1969/70	1979/80
World production of raw cocoa ('000 tons)	800	1 044	1 435	1 613	131	179	211
World imports ('000 tons)	654	854	1 097	1 006	131	167	154
Consumption in producing countries ^{a/} ('000 tons)	146	190	338	607	130	232	416
Africa production ('000 tons)	508	652	1 013	1 008	128	199	198
Domestic absorption ^{a/} ('000 tons)	44	96	154	297	218	350	675
Export ('000 tons)	464	556	859	711	120	185	153
Share of Africa in world production (%)	63.5	62.5	70.6	62.5			
Share in total production of Africa: (%)							
Ghana	51.6	48.6	41.1	27.3			
Ivory Coast	11.0	9.4	17.9	37.6			
Nigeria	21.7	23.8	22.0	16.8			
Cameroon	9.3	9.7	10.7	12.3			
Other Africa	6.5	8.6	8.4	6.1			
	<u>1951</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>			
World exports of cocoa ('000 tons)	661.0	737.0	1 113.0	957.0			
Share of Africa of world exports (%)	70.2	75.4	77.2	74.3			
Share in total exports of Africa: (%)							
Ghana	49.6	54.5	42.7	30.8			
Ivory Coast	11.9	11.2	16.6	32.5			
Nigeria	16.1	28.2	22.8	18.8			
Cameroon	10.3	b/	8.4	11.3			
Other Africa	2.2	6.1	9.4	6.6			
Share of world imports of cocoa: (%)							
Western Europe	52.1	53.6	46.9	55.3			
Eastern Europe & USSR	3.1	11.1	17.7	21.7			
U.S.A.	37.6	29.6	29.1	15.6			
Others	7.2	5.6	6.4	7.5			

Source: Compiled from Gill & Duffus, Cocoa Statistics, May 1982 and various issues.

^{a/} Derived by subtraction.

^{b/} No exports effected in 1960.

APPENDIX B.V

Coffee

(In '000 mt tonnes)

	1948 a/ 1952	1961 b/ 1965	1971 c/ 1975	1979 d/ 1980	1961- 1968	Index No. 1945-52 = 100 1971-75	1979-80
World production	2 222	4 256.2	4 521.3	4 868.0	192	203	219
World imports	1 896	2 891.5	3 503.6	3 849.0	153	185	203
Consumption in producing countries	326	1 364.7	1 017.7	1 019.0	419	312	313
Africa: Production	272.1	998.3	1 261.3	1 166.5	367	465	429
Exports	282	765.4	1 109.0	960.3	271	393	341
Domestic absorption		232.9	155.3	206.2			
Share of Africa in world production (%)	22.2	23.5	27.9	24.0			
Share in total production of Africa: (%)							
Ivory Coast	18.4	20.6	20.8	22.3			
Ethiopia	9.9	14.2	12.7	16.3			
Madagascar	1.2	5.3	7.1	6.9			
Kenya	4.0	4.0	5.6	7.1			
Tanzania	0.5	3.2	4.2	4.4			
Angola	1.8	18.5	14.5	4.3			
Cameroon	3.4	5.1	6.8	8.7			
Uganda	1.3	15.1	15.6	10.4			
Other Africa	59.5	14.0	12.7	19.6			
World exports of Coffee	1 939.0	2 861.5	3 509.7	3 776.7			
Share of Africa in world exports (%)	14.5	26.7	31.6	25.4			
Share in total export of Africa: (%)							
Ivory Coast	N.A.	22.8	19.9	24.0			
Ethiopia	7.7	8.8	6.4	9.1			
Madagascar	11.5	6.0	5.5	6.3			
Kenya	7.0	4.8	6.0	8.3			
Tanzania	5.3	3.6	4.4	4.8			
Angola	17.7	18.6	17.3	5.2			
Cameroon	2.9	5.6	7.3	10.0			
Uganda	10.0	15.2	18.2	13.7			
Other Africa	37.9	14.6	15.0	18.6			

Source: a/ FAO, Trade Yearbook and Production Yearbook, Vol.25, (1971)
 b/ FAO, Trade Yearbook and Production Yearbook, Vol.21, (1967)
 c/ FAO, Trade Yearbook and Production Yearbook, Vol.27 (1973) and Vol.29 (1975).
 d/ FAO, Production Yearbook, Vol.34, (1980).
 e/ FAO, Trade Yearbook, Vol.34, (1980).

(APPENDIX B VII CONTINUED)

	1961	1965	1969	1971	1973	1975	1977	1979	1980	Growth Rates	
										1965-71	1971-80
Share of Zaire of CIPEC (%)	-	16.3	14.2	16.0	16.4	14.8	5.5	4.0	8.4		
Share of Zambia of CIPEC (%)	-	54.4	47.6	46.8	44.9	40.6	39.6	36.0	33.4		
World imports ('000 tons)	-	1762.8	2181.4	2203.9	2618.3	2326.2	2840.1	2370.1	3089.2	3.8	3.8
Europe total imports ('000 tons)	-	1499.3	1752.4	1748.4	1940.6	1840.4	1999.3	2005.5	2047.7	2.6	1.8
U.S.A.	-	124.7	119.0	148.6	182.8	132.4	354.5	215.2	458.1	3.0	13.3
Japan	-	64.5	199.6	152.7	314.0	168.0	205.2	305.4	227.7	15.4	4.6
Others	-	74.3	110.4	156.2	180.9	185.4	281.1	344.0	355.7	13.2	9.9
Share of Europe in world total imports (%)	-	(65.1)	(80.3)	(79.3)	(74.1)	(79.1)	(70.4)	(69.9)	(66.3)		
Share of USA in world (%) total imports	-	(7.1)	(5.5)	(6.7)	(7.0)	(5.7)	(12.5)	(7.5)	(14.8)		
Share of Japan in world total imports (%)	-	(3.7)	(9.2)	(6.9)	(12.0)	(7.2)	(7.2)	(10.6)	(7.4)		
Share of others in world total imports (%)	-	(4.2)	(5.1)	(7.1)	(6.9)	(8.0)	(9.9)	(12.0)	(11.0)		

Sources: World Bureau of Metal Statistics, World Metal Statistics for 1961-1965, January 1967
 " " " " " " " " " " " " 1969-1971, February 1973
 " " " " " " " " " " " " 1973-1975, May 1976
 " " " " " " " " " " " " 1977-1979, 1980, January 1982.

APPENDIX B VIII IMerchandise exports by degree of processing

Percentage share of exports by degree of processing - 1977 a/
Sub-Saharan Africa Other developing countries

Food products:Coffee

Green, roasted	100 *	95 *
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Essence, extracts		5 *
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Cocoa

Beans, raw, roasted	84	62
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Powder and paste	15	29
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Chocolate and products	1	9
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Tobacco

Unmanufactured	94	85
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Manufactured	6	15
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Groundnuts

Green	24	53
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Oil	76 *	47
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Non-food agricultural products:Leather

Hides and skins	77 *	18 *
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Leather	22 *	76 *
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Leather manufactures	1 *	6 *
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Wood

Rough logs	77	47
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Shaped wood	15	25
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Veneer plywood	7	22
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Manufactures	1	6
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Cotton

Raw	85	53
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Grey yarn in bulk	1	18
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Woven fabrics	14	29
---------------	----	----

Non-fuel minerals:Copper

Ores, excluding matte	3 *	21 *
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Unrefined	11 *	35 *
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Refined	85 *	42 *
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Bar ^s . wires		2 *
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APPENDIX B IXDeveloped country tariff rates on selected commodities

	Product Group	European Economic Community	Japan	United States
Coffee				
	Green roasted	5.0	0.0	0.0
	Coffee extracts	18.0	17.5	0.0
Cocoa				
	Cocoa beans	3.0	0.0	0.0
	Powder and butter	12.2	4.9	0.3
	Chocolate	27.0	27.4	6.5
Cotton				
	Raw cotton	0.0	0.0	1.9
	Cotton yarn	6.0	3.6	6.8
	Cotton fabrics	10.0	5.9	7.4
	Cotton clothing <u>a/</u>	13.7	13.2	8.8
Sisal				
	Fibers	0.0	0.0	0.1
	Cordage	11.7	7.7	2.3
Iron				
	Iron ore	0.0	0.0	0.0
	Pig iron	2.2	4.3	1.5
	Steel ingots	5.7	5.0	2.5
	Mill products	4.9	5.2	4.4
	Special steels	5.3	4.9	3.2
Copper				
	Copper ore	0.0	0.0	0.0
	Unwrought copper	0.0	4.8	1.0
	Wrought	6.0	6.8	2.6
Manganese				
	Manganese ore	0.0	0.0	0.0
	Ferro-manganese	2.0	4.8	1.7
Aluminum				
	Bauxite	0.0	0.0	0.0
	Aluminum	5.7	4.9	0.0
	Unwrought aluminum	5.8	8.5	0.0
	Wrought aluminum	9.7	11.7	2.9

APPENDIX BXA. The results of the correlation analysis

$$(1) \text{ Per capita GDP} = 0.41043 + 0.27712 \text{ Exports}$$

$$(0.81) \quad (3.14)$$

$$R^2 = 0.2360$$

$$SE = 2.90402$$

$$(2) \text{ Export} = -1.14049 + 0.85156 \text{ per capita GDP}$$

$$(-1.31) \quad (3.14)$$

$$R^2 = 0.2360$$

$$SE = 5.09007$$

$$(1) \text{ GDP} = 3.16199 + 0.28715 \text{ Exports}$$

$$(5.93) \quad (3.09)$$

$$R^2 = 0.2301$$

$$SE = 3.05910$$

$$(2) \text{ Export} = -3.33083 + 0.80132 \text{ GDP}$$

$$(-2.90) \quad (3.09)$$

$$R^2 = 0.2301$$

$$SE = 5.11024$$

APPENDIX B VII

Refined Copper, Production, Consumption, Exports and Imports (in '000 tons)										Growth Rates	
	1961	1965	1969	1971	1973	1975	1977	1979	1980	1961 1971	1971 1980
World refined production	5032.9	6024.0	7171.5	7339.0	8497.5	7745.5	9084.7	9341.7	9365.4	3.9	2.7
Africa	588.8	696.7	869.0	845.8	991.3	1335.6	907.6	829.5	908.9	3.7	0.8
Zaire	148.5	150.1	182.3	207.8	230.2	440.0	98.7	103.2	144.2	3.4	0.4
Zambia	412.3	514.0	603.2	524.3	638.5	559.0	649.0	563.6	607.3	2.6	1.4
Others	28.0	32.6	83.5	103.7	122.6	236.6	159.9	162.7	157.4	14.0	4.7
Europe	962.3	1142.4	1229.3	1240.2	1373.3	717.5	1556.0	1374.9	1422.4	2.6	1.5
Asia	296.8	380.4	660.5	747.9	1000.3	921.0	1047.9	1115.0	1155.5	9.7	5.0
North America	1098.4	2313.0	2416.8	2256.5	2595.6	1857.6	2185.8	2373.2	2191.1	1.2	-0.3
South America	285.2	372.7	545.1	565.2	545.4	964.5	971.7	1146.8	1182.6	7.1	8.6
Chile	222.7	284.2	452.9	467.8	414.8	724.4	676.0	731.8	810.7	7.7	6.3
Peru	33.3	39.9	31.5	32.6	39.0	162.4	188.1	230.3	230.6	-0.2	24.3
Others	29.2	48.6	60.7	64.8	91.6	77.7	107.6	134.7	141.3	8.3	9.1
Australia	77.4	93.6	138.6	163.1	178.4	185.3	148.7	171.4	182.9	7.8	1.3
U.S.S.R. & Eastern Europe	715.8	906.8	1192.2	1370.3	1623.2	1609.0	1946.0	2038.9	2033.0	6.7	4.5
Others	108.2	118.4	120.0	150.0	190.0	155.0	285.0	292.0	289.0	3.3	9.6
Share of world production (%)											
Africa	(11.77)	(11.6)	(12.1)	(11.5)	(11.7)	(17.2)	(10.0)	(8.9)	(9.7)		
South America	(5.7)	(6.2)	(7.6)	(7.7)	(6.4)	(12.5)	(10.7)	(12.3)	(12.6)		
North America	(39.7)	(38.4)	(33.7)	(30.7)	(30.5)	(24.0)	(24.1)	(25.4)	(23.4)		
Europe	(19.1)	(19.0)	(17.1)	(16.9)	(16.2)	(9.3)	(17.1)	(14.7)	(15.2)		
USSR Eastern	(14.2)	(15.1)	(16.6)	(18.7)	(19.1)	(20.8)	(21.4)	(21.8)	(21.7)		
Others	(9.6)	(9.8)	(12.8)	(15.5)	(16.1)	(16.3)	(16.7)	(16.9)	(17.4)		
CIPEC production ('000 tons) -	-	-	1408.5	1405.6	1638.4	2317.3	1940.0	1987.8	2107.0	-	4.6
Share of CIPEC of world production	-	-	(19.6)	(19.2)	(19.3)	(30.0)	(21.4)	(21.3)	(22.5)		

(APPENDIX B VII, CONTINUED)

	1961	1965	1969	1971	1973	1975	1977	1979	1980	Growth Rates	
										1961-71	1971-80
Share of Africa in total CIPEC Prodn %	-	-	(11.7)	(60.2)	(60.5)	(57.6)	(46.8)	(41.7)	(43.0)		
Share of Zaire in total CIPEC %	-	-	(12.9)	(14.8)	(14.1)	(19.0)	(5.1)	(5.2)	(6.8)		
Share of Zambia in total CIPEC %	-	-	(42.8)	(38.0)	(39.0)	(28.4)	(33.5)	(28.4)	(28.8)		
Share of others in total CIPEC %	-	-	(44.3)	(47.2)	(46.9)	(52.6)	(61.4)	(66.4)	(44.4)		
World refined consumption ('000 long tons)	4,932.8	5,966.7	7,062.4	7,220.6	8,497.5	8,223.6	9,078.3	9,821.1	9,520.8	3.9	3.2
OECD consumption ('000 tons)	3,888.0	4,753.7	5,438.0	5,339.7	6,447.4	4,919.1	6,182.7	6,703.5	6,393.5	3.2	2.0
(% share)	(94.9)	(94.0)	(94.6)	(93.2)	(93.2)	(90.5)	(89.6)	(89.3)	(87.9)		
Non-OECD ('000 tons)	210.9	298.0	212.3	388.8	495.4	518.9	713.9	805.8	878.1	6.3	9.9
(% share)	(5.1)	(6.0)	(5.4)	(6.8)	(7.1)	(9.5)	(10.4)	(10.7)	(12.1)		
Non-Soc. World ('000 tons)	4,098.9	5,051.9	5,750.3	5,728.5	6,942.8	5,438.0	6,896.6	7,509.3	7,271.6	3.4	2.7
										Growth Rates	
										1965-71	1971-80
World exports ('000 tons)	-	1,905.2	2,255.2	2,300.4	2,497.9	2,495.5	2,706.7	2,672.4	3,001.5	3.2	3.0
Africa	-	690.5	824.7	761.2	883.8	866.7	833.9	779.8	826.8	1.7	0.9
Zaire	-	152.6	183.3	198.7	229.2	224.0	90.6	70.0	151.2	4.5	2.7
Zambia	-	510.4	615.0	581.1	627.1	616.1	647.1	625.8	614.2	2.2	0.6
Others	-	27.5	26.4	31.4	27.5	26.6	96.2	84.0	58.4	2.2	7.1
Chile	-	216.8	428.3	434.8	387.8	504.2	617.5	745.9	769.1	12.3	0.5
Peru	-	37.9	32.0	28.5	27.0	36.9	171.5	212.4	208.7	-4.6	24.8
Australia	-	20.7	32.7	48.2	48.2	89.3	74.7	47.0	51.7	15.1	0.8
Yugoslavia	-	-	17.5	46.2	77.9	45.9	33.5	36.1	40.6	-	-1.4
Total CIPEC	-	938.4	1,291.3	1,242.3	1,397.2	1,516.4	1,634.9	1,737.2	1,838.5	4.8	4.4
Share of Africa in world exports %	-	(36.2)	(36.6)	(33.1)	(35.4)	(34.7)	(30.8)	(29.2)	(27.5)		

(cont'd)

B. The results of the correlation equations(i) Countries with a decline in export growth rates and a decline in GDP per capita

$$\text{Per capita GDP} = -1.15687 + 0.33697 \text{ Exports} \\ (-1.08) \quad (2.04)$$

$$R^2 = 0.2751$$

$$SE = 2.58815$$

$$\text{Exports} = -2.54086 + 0.81631 \text{ per capita GDP} \\ (-1.61) \quad (2.04)$$

$$R^2 = 0.2751$$

$$SE = 4.02829$$

$$\text{GDP} = 1.46606 + 0.33694 \text{ Exports} \\ (1.26) \quad (1.88)$$

$$R^2 = 0.2430$$

$$SE = 2.81390$$

$$\text{Exports} = -4.69675 + .72110 \text{ GDP} \\ (-4.11) \quad (1.88)$$

$$R^2 = 0.2430$$

$$SE = 4.11652$$

(cont'd)

(ii) Countries with a decline in export growth rates and an increase in per capita GDP

$$\text{Per capita GDP} = 3.18269 - 0.19974 \text{ Export} \\ (3.62) \quad (-1.36)$$

$$R^2 = 0.1870$$

$$SE = 1.50259$$

$$\text{Export} = 7.06066 - 0.93608 \text{ per capita GDP} \\ (3.87) \quad (-1.36)$$

$$R^2 = 0.1870$$

$$SE = 3.25268$$

$$\text{GDP} = 6.05903 - 0.19303 \text{ Exports} \\ (6.68) \quad (-1.27)$$

$$R^2 = 0.1676$$

$$SE = 1.55199$$

$$\text{Export} = 9.43915 - 0.86820 \text{ GDP} \\ (2.60) \quad (-1.27)$$

$$R^2 = 0.1676$$

$$SE = 3.29141$$

(cont'd)(iii) Countries with an increase in export growth rates and per capita GDP

$$\begin{array}{lcl} \text{Per capita GDP} & = & 3.18190 + 0.24513 \text{ Export} \\ & & (4.50) \quad (1.65) \end{array}$$

$$R^2 = 0.2807$$

$$SE = 1.59151$$

$$\begin{array}{lcl} \text{Export} & = & -5.90531 + 1.14506 \text{ per capita GDP} \\ & & (-2.91) \quad (1.65) \end{array}$$

$$R^2 = 0.2807$$

$$SE = 3.43976$$

$$\begin{array}{lcl} \text{GDP} & = & 5.91468 + 0.22728 \text{ Export} \\ & & (8.35) \quad (1.53) \end{array}$$

$$R^2 = 0.2501$$

$$SE = 1.59607$$

$$\begin{array}{lcl} \text{Export} & = & -5.90531 + 1.14506 \text{ per capita GDP} \\ & & (-2.91) \quad (1.65) \end{array}$$

$$R^2 = 0.2807$$

$$SE = 3.43976$$

APPENDIX BXI

Annual average growth rates of imports

Regions, countries and territories	1950- 1981	1950- 1960	1960- 1970	1970- 1980	1970- 1974	1974- 1981	1976- 1977	1977- 1978	1978- 1979	1979- 1980	1980- 1981
North Africa											
Algeria.....	9.6	10.7	0.1	27.0	35.7	13.9	33.4	21.9	-2.9	28.3	-1.7
Morocco	8.0	-1.6	4.5	22.2	28.9	11.6	22.0	-7.0	23.8	13.8	4.1
Tunisia	10.3	0.1	3.4	27.9	38.9	18.2	19.3	18.5	31.8	13.2	7.9
Egypt	8.0	0.7	0.0	25.1	24.4	13.6	26.4	39.7	-43.0	26.7	81.9
Libyan Arab											
Jamahiriya.....	22.1	22.0	16.8	27.5	51.5	22.5	17.5	22.0	15.4	28.7	126.2
Sudan	8.6	5.5	1.7	19.2	23.5	9.9	10.3	10.8	-7.3	42.0	-3.0
Other Africa	9.9	5.9	6.2	20.0	20.3	15.3	25.1	17.8	2.7	26.9	1.2
UDEAC	9.9	2.9	7.4	21.8	26.0	15.9	22.0	11.0	10.1	27.4	10.9
Central African											
Republic	5.8	2.0	6.1	8.9	11.2	8.5	18.5	-14.1	27.3	15.7	23.5
Congo	6.6	3.0	0.3	19.2	22.1	23.1	32.1	25.7	12.4	37.5	50.0
Gabon	14.6	8.8	9.4	25.7	51.2	7.4	13.3	-17.0	-10.6	26.5	37.9
United Republic of Cameroon	10.0	1.4	10.5	21.9	15.9	20.6	28.7	34.8	20.2	26.0	-10.9
ECOWAS	11.6	7.9	3.9	26.9	22.6	19.2	31.9	16.7	-4.9	26.1	4.4
MLJ	9.1	12.8	2.8	15.3	15.6	11.0	18.9	22.3	8.4	14.2	-10.9
Guinea	6.4	7.6	0.0	18.7	9.8	18.2	29.5	40.1	8.1	6.7	18.5
Liberia	12.7	16.4	4.1	15.6	16.0	7.7	16.3	3.7	5.4	5.3	-16.1
Sierra Leone	8.1	15.6	3.2	12.5	18.0	13.0	16.8	53.6	13.7	34.5	-12.9
CEAO	10.7	3.0	7.6	22.6	27.5	15.9	29.5	24.6	17.3	8.7	-7.1
Ivory Coast	12.9	5.4	11.2	24.0	27.2	16.1	35.2	32.6	7.2	0.4	-4.8
Mali.....	8.1	1.5	1.1	23.4	38.2	16.5	6.0	93.7	16.6	22.3	16.9
Mauritania.....	9.0	1.6	5.9	18.2	26.5	11.1	15.6	-13.0	43.1	10.4	-7.3
Niger.....	15.7	8.5	13.7	27.5	16.1	34.2	54.3	56.1	51.0	28.6	-15.0
Senegal.....	7.7	2.0	3.4	18.9	27.0	11.2	19.4	-1.0	23.1	12.8	-4.8
Upper Volta.....	14.3	1.9	9.5	21.8	31.2	16.1	45.1	3.2	34.4	18.9	-5.6
ECOWAS (Others)	12.3	9.2	2.5	29.9	21.5	21.2	33.5	14.3	-12.0	33.5	9.0
Benin.....	11.3	4.5	8.8	19.1	22.9	15.0	22.4	-0.4	7.5	25.4	27.8
Cape Verde	6.0	3.9	6.2	11.1	22.6	7.8	46.7	-2.3	-4.7	46.3	-8.3
Gambia	9.7	1.8	7.5	25.5	23.7	18.8	5.4	28.2	41.0	15.6	-23.3
Ghana	5.9	8.2	0.4	12.6	15.3	4.2	32.7	-13.4	-11.5	20.5	4.6
Guinea-Bissau.....	8.5	5.4	8.8	6.2	13.7	6.5	-16.2	35.5	45.2	-1.6	-16.7
Nigeria.....	14.3	10.9	3.0	34.0	23.8	24.0	33.8	16.0	-13.7	36.5	10.0
Togo	13.6	6.9	9.8	26.9	17.1	25.9	52.7	58.5	15.1	6.2	-9.1
CEPGL	4.8	2.4	6.7	5.0	18.6	0.8	-5.3	9.0	8.1	33.4	-15.5
Burundi	11.4	11.3	2.0	22.4	14.7	22.9	13.8	32.4	35.1	10.5	-0.5
Rwanda	19.9	24.6	9.6	26.3	14.2	21.4	10.7	57.0	6.1	27.9	-9.5
Zaire	3.6	1.8	6.8	0.9	19.0	-4.5	-9.6	-2.8	0.8	41.0	-20.2

APPENDIX BXI (Cont'd)
Annual average growth rates of imports

Regions, countries and territories	1950- 1981	1950- 1960	1960- 1970	1970 1980	1970- 1974	1974 1981	1976- 1977	1977- 1978	1978- 1979	1979- 1980	1980- 1981
Others	8.6	5.5	7.9	13.5	17.9	11.8	16.1	22.8	17.2	27.5	-4.8
Angola	9.7	7.6	12.9	11.4	13.7	-1.2	107.2	7.0	32.5	17.9	20.0
Botswana	25.1	24.6	20.7	28.2	47.4	25.4	32.1	27.9	47.6	32.6	15.6
Chad	7.4	6.4	7.3	8.5	11.6	7.0	-61.0	160.9	10.8	20.3	-6.2
Comoros	10.0	11.1	8.9	11.8	24.8	7.5	38.5	5.6	47.4	17.9	3.0
Djibouti	7.3	6.9	0.6	9.4	32.2	-2.3	-7.9	-10.5	10.6	20.2	-4.0
Ethiopia	9.0	7.1	7.6	15.7	12.1	16.5	10.1	33.2	8.6	27.3	2.2
Kenya	9.6	5.3	8.0	17.6	21.3	13.8	32.0	33.2	-3.1	56.2	-24.8
Lesotho	14.6	10.2	7.5	30.8	41.1	23.3	10.6	19.2	31.9	28.9	14.7
Madagascar	5.1	0.8	5.4	13.7	10.0	11.5	21.8	27.7	44.7	-6.4	-16.7
Malawi	10.6	7.3	9.2	17.1	20.0	12.2	13.1	45.1	17.8	10.3	-18.2
Mauritius	9.0	5.0	0.7	25.0	42.1	10.9	24.2	12.1	13.0	9.4	-10.5
Mozambique	5.9	7.4	9.3	-4.3	10.8	-7.0	-7.6	-10.1	-8.0	17.4	11.1
Reunion	11.9	5.4	12.1	19.1	21.5	14.9	9.1	23.0	26.0	16.7	-11.5
Sao Tome and Principe	4.6	2.3	4.7	8.0	4.4	10.2	55.6	7.1	0.0	20.0	0.0
Seychelles	14.5	0.0	10.2	23.0	38.9	18.8	2.3	20.5	11.3	52.5	0.0
Somalia	9.9	8.6	3.9	20.4	29.5	9.7	46.2	5.7	19.1	-4.2	-27.6
Swaziland	16.2	14.2	13.5	26.4	22.5	24.7	12.0	38.8	48.9	28.7	-7.7
Uganda	4.9	4.7	7.7	1.5	0.5	3.4	11.8	1.1	-13.0	75.4	-14.7
United Republic of Tanzania ..	9.3	3.9	7.4	14.2	21.4	9.1	15.8	52.8	-5.8	13.8	-7.0
Zambia	8.2	8.9	11.5	5.6	10.0	3.9	2.3	-6.3	19.4	46.8	-4.9
Zimbabwe	5.5	2.3	2.0	10.9	22.8	10.0	0.3	-4.8	58.3	37.7	14.1

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1983.