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ECONOMIC INTROSPECTION: THE CURE FOR AFRICA'S TRADE AND GENERAL ECONOMIC MALAISE

A CRITICAL ANALYSIS OF THE CONSTRAINTS IN THE GENERALISED SYSTEM OF PREFERENCES AS IT RELATES TO AFRICA

Be accepted for examination. I have checked it carefully and I am satisfied that it fulfils the requirements pertaining to format as laid down in the regulations governing obligatory essays.

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MR B.H. SIMAMBA DATE

L.L.B., L.L.M. (ZAMBIA) L.L.M. (CANADA)

ECONOMIC INTROSPECTION: THE CURE FOR AFRICA'S TRADE AND GENERAL ECONOMIC MALAISE

A CRITICAL ANALYSIS OF THE CONSTRAINTS IN THE GENERALISED SYSTEM OF PREFERENCES AS IT RELATES TO AFRICA

BY

MUTEMBO NCHITO

Being a final year dissertation submitted to the faculty of law of the University of Zambia in partial fulfilment of the requirements for the award of the degree of Bachelor of Laws (L.L.B.)

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ABSTRACT

Third world countries have always sought to be treated exclusively in international trade, receiving concessions to prop up their economies and pressing for every exception imaginable to be forwarded to them to make their international trade prospects brighter.

The GATT as an instrument seeking to regulate international trade has been criticised by third world countries for expecting them to trade on an equal basis with developed economies. This among other things for instance led to the inclusion in the Havana charter article fifteen which provided that new preferences could be granted in the interest of development or reconstruction of one or more of the parties to the GATT. Further part four of the GATT was also included to recognise the peculiar development needs of L.D.Cs. To that end many exceptions to the egalitarian principal underlying the GATT have been formulated over the years, but still many developing countries are not happy with these concessions.

This paper attempts to sample the L.D.Cs complaints vis-a-vis the operation of the generalised system of preferences with a deliberate emphasis on Africa which

continent is of obvious interest to the writer.

The paper attempts to show that even though Africa may be mistreated or mocked by a system such as the G.S.P, there is a way of benefiting from it especially one of close intra African economic co-operation which would enable Africa to give a formidable front in international trade.

Chapter one, "Towards the G.S.P" is an attempt to trace the genesis of the GATT outlining its principal tenets and proceeding to epitomise the genesis of the G.S.P.

Chapter two attempts to study the nature of the G.S.P and also to identify some of the weaknesses which disadvantage third world countries but seek to show that despite these the G.S.P could still be exploited to Africa's advantage.

Chapter three is an attempt to discuss economic co-operation in some depth with a view to justifying the assertion that economic co-operation could solve some of Africa's mistreatment on the international market scene and proceed to identify some efforts at economic co-operation and also some defects in the same and so suggest how we think efficacious economic co-operation could be attained.

The last chapter seeks to conclude the matter by recapulating the defects pointed out in the G.S.P and seek to show how benefits could still be derived from the G.S.P. or else show that Africa is could stil be economically viable with or without the G.S.P.

To <u>MY FATHER</u> and <u>MY MOTHER</u>

by whom, through God's Grace, I have seen the dawn of day

ACKNOWLEDGEMENTS

I must hasten to mention that in undertaking such work as is contained herein a lot of factors that leave one indebted to other people come into play and thus it is for such factors that I wish to express my gratitude to a number of people.

In the first place I should like to thank Mr B.H. Simamba my supervisor for being so understanding and helpful, I remain indebted. I would also like to thank Ms L. Harrison (S.D.F. Faculty of Law) for the hard but very revealing and thus helpful criticisms that she rendered to my paper.

I should also acknowlegde the great benefit and insight that I derived from consulting materials made available to me by some of my classmates these being Alex Chilufya (RRRRAAA), Amanda Khozi and indeed Stephen Mallowah. Thanks folks!

Mention at this moment must be made of people that have made my stay on campus worthwhile and enjoyable. To that end I must acknowledge, George, Lekiwe and Steve, (Washington bound) folks with whom I shared some of my happiest moments as a student on campus when among other things we represented the school in an international moot court competition, whose company and friendship was, has and hope will always be simply exhilarating. Thanks for sharing in my academic life when we spent those long nights in very helpful discourse (ATI WATI, INFIDRAL ETC). I should also mention Mr Larry Matibini who has been like a true elder brother indeed. Thanks for everything! In like manner I should thank all my classmates for making my drive towards my L.L.B. degree so enjoyable. I wish I could mention each one by name because I think I have something to say about everyone, sorry space won't allow, but thanks just the same.

I must also thank my christian friends too numerous to mention who have had such an encouraging interest in my work and with whom I shared my frustrations and joys as I have toiled here, thanks for listening.

May I also specially thank Theresa Mutale whose tireless efforts have reduced my almost illegible manuscript to what you now hold. Natotela!

Finally may I be allowed to thank my 'small' family of eleven who have made every sacrifice requisite if only they might see me through school and to whom I owe all that I will ever be by God's grace.

God bless you all!

SOLI DEO GLORIA
(to God be all the glory)

Friday 13 September 1991
09.45 hrs

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ABBREVIATIONS

GATT - General Agreement on Tarrifs and Trade.

G.S.P - Generalised System of Preferences.

L.D.C - Less Developed Countries.

L.D.D.C - Least Developed Developing Countries.

M.F.N - Most Favoured Nation.

CHAPTER ONE

TOWARDS THE G.S.P.

The General Agreement on Tariffs and Trade (here in after referred to as the GATT) was entered in 1948 as a multilateral commercial agreement by twenty-three governments[1].

The GATT was an arrangement arrived at due to a growing desire to even out and streamline trade practices after the second World War, which war had by and large led to wide spread trade protectionism.

The bulwark tenet of the GATT was equality or non preferential treatment[2]. Trade among parties was to be governed by the most favoured nation clause (herein after referred to as the M.F.N clause) which is embodied in paragraph one of article one of the GATT agreement.

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[1]Most favoured nation clause in GATT. JWTL Vol 4 p. 791.

[2]Ibid

The article provides:

> "With respect to customs duties and charges of any kind imposed on or in connection with importations or exportations or imposed on the national transfer of payments for imports
>
> or exports and with respect to the method of levying such duties and charges and with respect to all rules and formalities in connection with importation and exportation and with respect to all matters referred to in paragraph 2 and 4 of Article III any advantage favour privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for territories of all contracting parties".

It was this provision that evoked protests from developing countries which begun contending that L.D.Cs required preferential tariff treatment without reciprocation on their part rather than substantial most favoured treatment[3]. This they asserted was to enhance their economic development.

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[3]Soderstein B.O <u>International Economics.</u> Macmillan Lundi 1979 at 249.

The rationale behind the said protest was that the principle of differential treatment is based on the ideal that equal treatment of unequal parties is unjust and that the same rules could not therefore apply to countries at different levels of development[4].

The notion that unequal cases should be dealt with in an unequal manner in order to obtain correct and equitable application of the principle of equality finds its roots in Aristotle's thought in his book the Nicomachean Ethics. It is argued therein that the application of equal treatment to unequal situations implies the maintenance of the initial inequality[5].

We shall proceed to examine the changes that have taken place within the GATT to effect the philosophy expounded above, that is proceed to examine the changes that accompanied the concessions that have been given to developing countries under G.S.P.

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[4]Yusuf A. Differential and more favourable treatment J.W.T.L Vol 1 (1980) at P 492.

[5]Espiel G. Accommodating generalised preferences. Vol 8 J.W.T.L (1974) at P 345.

The legal recognition in the GATT of trade preferences as a means of promoting economic development of L.D.Cs has long been advocated by the less developed. For instance the demand of the L.D.Cs to have provisions of economic developments included in the I.T.O charter and later in the GATT go back to 1946 is as a result of which demands Article XV of the Havana charter provided inter-alia that "new preferences could be granted in the interest of development or reconstruction of one or more of the parties[6]".
This allowance was over and above the preferences already recognised by the GATT. The foregoing provision was however never included in the GATT which was the most vital multilateral trade forum after the I.T.O failed to come into being.

The probable turning point in the relations between the GATT and L.D.Cs came at the point when in 1958 a report was published which was entitled trends in international trade[7]. This document was compiled by four world reknown economists.

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[6]Yusuf A differential and more favourable treatment. J.W.T.L Vol 1 (1980) at 489.

[7]Dam K.W. The GATT: law and international economic organisation. p 228

The report basically acknowledged that the predicament of the L.D.Cs to a large extent or at least a sizeable extent due to the trade policies of developed countries[8].

In 1958 the GATT responded to this implied criticism by inaugurating a programme for trade expansion[9]. One of the creations of this programme was 'committee three' which was given the responsibility of looking into trade measures restricting less developed countries' trade efforts. The committee studied existing barriers but this resulted in very little progress. The studies were however far from being a waste of time. Committee three found that high tariffs faced exports of L.D.Cs in a wide range of products particularly vegetable oils, coffee tea, cocoa, jute products etc, which products represent goods that Africa can produce easily. The Less developed countries experienced particular difficulties in negotiating reductions on these duties because principal suppliers of some of the said products were not L.D.Cs and L.D.Cs had little to offer in tariff negotiations[10]. with the result that duties on manufactured products in which the developing countries

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[8]Ibid p 229

[9]Ibid

[10]Ibid

had an interest tended to remain higher than duties on more sophisticated goods.

Committee three also found that quantitative restrictions impeded the export of vegetable seed oil, raw cotton, tobacco, tropical timber, jute manufactures, cotton manufactures etc. It was further revealed that L.D.Cs faced substantial internal taxes in developed countries for a wider range of products of particular interest to them and although they complained their pleas met considerable resistance from European countries that relied on such taxes for revenue.

In 1961 the General Assembly of the United Nations designated the decade of the 1960s as the United Nations Development Decade a period in which member states and their peoples would intensify their efforts to mobilize and sustain support for measures required on the part of both developed and developing countries to accelerate progress towards self sustaining growth[12].

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[12]Ibid 232

From the foregoing background representatives of less developed countries started lobbying for a special trade conference within the United Nations[8] economic and social council[12] and in 1964 the United Nations Conference on Trade and Development (UNCTAD) was held and since then many more have been held.

Meanwhile the Kennedy round of the GATT had taken place in 1963. Tariff reductions were concentrated on manufactured goods that were of principal interest to developed countries or raw materials that were essential to their industry, this however was a mere reflection of its (GATT) original members who were principally developed industrial economies [14]. Inspite of the said traditional concentration the Kennedy round nevertheless represented something of a watershed in the relationship between less developed countries and the GATT[15]. Some twenty less developed countries took part in the talks which heeded the non-reciprocity principle in part iv of the GATT.

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[14]Sorderstein B.O. 240

[15]Ibid 241

The principal of non reciprocity and the proposal for tariff preferences on manufactured and semi-manufactured good from less developed countries was tabled in 1964 at the first UNCTAD party because although the Kennedy round of GATT brought a reduction in tariffs on industrial goods this did not significantly affect the relatively disadvantaged position of less developed countries.

This led to a proposal for what was being called the generalised system of preferences being proposed in the said UNCTAD. The proposal was based on the principal that less developed countries required preferential treatment without reciprocation on their part rather than the M.F.N. based tariff cuts[18]. The generalised system of preferences or G.S.P. was also proposed for purposes of countering the preferential treatment arrangements that were emerging, such as European Economic Community[19]. This issue received alot of attention between 1964 and 1971.

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[18]Soderstan B.O. 248-249

[19]Ibid

Meanwhile when part IV was being negotiated several developing countries proposed the amendment of article one of the GATT to allow the granting of preferences for development purposes. All they got was an elaboration of provisions on trade and development which clearly differentiated between developing and developed countries but fellshort of admitting the preferential treatment of the less developed countries in international Trade relations.

The lack of legally explicit and appropriate recognition of preferences in the GATT did not discourage the proponents of preferential treatment for and among developing countries. Australia was about the first to implement what was to be a limited scheme of tariff preferences in favour of less developed countries. In 1967 India, the United Arab Republic and Yugoslavia concluded a trade agreement on preferential basis.

There was still no legal basis in the GATT upon which such preferential treatment could be offered at least not in part iv or any other part for that matter. States or contracting parties had therefore to adopt

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[23]Behnam Reza M. Development and structure Of G.S.P. JWTL Vol 9 No 4 1975.

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individual decisions allowing the implementation of these schemes subject to certain conditions and procedures.

On 26th March 1968 a special committee on preferential treatment was established by adoption of resolution 21 (11) of UNCTAD. This was to look into formulation of generalised system of preferences with intent to enhancing the economies of developing countries and create a valuable industrial base by trade and not by aid. The three specific aims for the committee outlined by the UNCTAD were

(i) to increase export earnings

(ii) to promote industrialization

(iii) to accelerate economic growth[23].

By 1976, certain industrial countries were submitting tariff preference plans along with defined guide lines regarding product coverage, rules of origin, safety clause and the like.

After about seven years the generalised system of preferences was implemented by a waiver that made it possible to apply the G.S.P. within the framework of the GATT[25].

The developing countries however were not satisfied with the waiver they thus continued to demand a permanent legal basis for preferences in the GATT because up to this point there was a mere de-facto implementation of the compromise realised from the second UNCTAD summit in 1968 wherein the principle was formally accepted. UNCTAD had since become established as a permanent body of the United Nations highlighting trade problems of developing countries.

By this time while the less developed countries were calling for a legal basis for the implementation of G.S.P. Some countries were already implementing it. The E.E.C. countries were the first followed by Japan, the United States did not work out anything until 1976.

Finally the Tokyo negotiations committee of the Tokyo Round established in November 1976 a "framework group" which would seek to negotiate improvements in the international framework for the conduct of world trade, particularly with respect to trade between developed and developing countries and differential and more favourable treatment to be adopted[24]. It set up what was finally to be the text on the enabling clause which set up a permanent legal framework for the differential and more favourable treatment to developing countries not withstanding the provisions of Article 1 (i).

The main provision of text read as follows:

> "1. Not withstanding the provisions of Article one of the GATT, contracting parties may accord differential and more favourable treatment to developing countries without according such treatment to other contracting parties25".

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[24]Yusuf <u>1980 JWTL Vol 1 p491</u>

[25]Ibid

CHAPTER TWO

WHAT IS IN THE G.S.P FOR AFRICA

The generalised system of preferences (G.S.P.) has provided preferential tariff treatment to L.D.C. exports for more than a decade and half. Under the G.S.P. L.D.Cs are to be charged no duty for their manufactured exports to developed economies while each developed country continues to levy the most favoured nation tariff on products from other developed economies.

During the past 40 years or so L.D.Cs have consistently rejected the two fundamental GATT principles of non-discrimination and reciprocity arguing that equal treatment of unequal parties is unfair and have thus sought discrimination in their favour[2].

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[1]Finger J.M. and Olechowski e.d.
The Uruguay Round. A handbook for multinational negotiations. 1987. World Bank publication p.101.
[2]Dam, K.W. The GATT: Law and International economic organisation 1970 University of Chicago press. p.225.

In 1958 the report on trends in international trade by GATT was published revealing many trade barriers against L.D.Cs. The concept of generalised preferences came about in the early 1960s as a result,
and thus L.D.Cs began pressing for changes in the international trading system to expand their manufactured exports and encourage industrialization by having their peculiar weaknesses recognised through preferences[3].

Preferential tariff concessions help expand L.D.Cs exports in two ways viz through reduced tariffs and through preferential treatment over developed country competitors[4]. Further Paul prebisch says "preferential treatment for exports of developing countries... would help the industries of these countries to overcome the difficulties that they encounter in export markets because of their high costs[5]".

Preferences for L.D.Cs became a central issue in international trade policy at the GATT

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[3]Behnam B.M., Development and structure of the G.S.P. in JWTL Vol 9 No 4 1975 p 445

[4]Finger and Olechowski, Uruguay Round. p 101

[5]Prebisch, Paul. Towards a New Trade Policy for Development.

1964, New York, United Nations. p 65

ministerial conference of UNCTAD in 1963 and at the initial conference of UNCTAD II in 1968 that the principal and objective of a "generalised non-reciprocal non-discriminatory system of preferences in favour of developing countries were formally adopted[6].

The GATT contracting parties in their decision of June 1971 made it possible for the developed countries to implement their G.S.P. schemes by waiving the M.F.N. principle of Article 1 of the GATT for an initial period of ten years[7].

Some of the major donors under this scheme have been the European Economic Community, Japan, the Nordic countries, Australia, Switzerland and Newzealand[8]. Initially it was hoped that a common system would emerge for the participating developed market economy countries, but these countries could not agree on the provisions of such a common system so that individual schemes were proposed by each preference offering country[9]. To that end the schemes are far from being

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[6]Finger and Olechowski, Uruguay round 102

[7]Yusuf A.A. "Differential and More Favourable Treatment" The GATT enabling clause in <u>JWTL 1980 Vol 14 No 6 P 488-507</u>

[8]Ibid 488

[9]Ibid

generalised but instead nearly all schemes are subject to restrictions affecting country coverage, product coverage, size of tariff cut safeguard and rules of origin[10]. Consequently the G.S.P. now represents plans submitted by donor regions or countries which offer non reciprocal general tariff reductions on manufactured or semi-manufactured imports from L.D.Cs. Most donor countries grant preferences to all 120 or so L.D.C.s presently members of the group of 77. These schemes however have numerous additions and exceptions. Sometimes only for certain products.

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[10]Finger and Olechowski open cit

2.0 EXTENT AND LIMITS OF THE G.S.P SCHEMES

2.1 PRODUCT COVERAGE

The G.S.P was originally intended to cover all dutiable semi-manufactured and manufactured goods exported from L.D.Cs and this is so in principle but in practice however every scheme excludes sensitive products out-rightly or by imposing limits on their G.S.P. treatment. Exports such as textiles leather goods petroleum products and agricultural goods are subject to exclusion from preferential G.S.P. treatment[11].

2.2 SAFE GUARDS

All G.S.P. schemes include specific or general safeguards limits. In Japan and the EEC preferential imports are subject to annual quantity limits, such as tariff quotas ceilings or maximum country amounts.

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[11]UN DOC TD/B/C.5/9

In this way imports from L.D.C.s are kept in check. To protect its domestic markets the EEC has designated a portion of imports from L.D.Cs as sensitive implying that these goods are disruptive to domestic markets and thus are made subject to ceilings and limitations[12]

The Japanese scheme provides for preferential duties on imports up to a ceiling or quota when the ceiling is reached preferences cease and most favoured nation treatment is resumed.

In principal all industrial products included in the G.S.P. are limited by tariff quotas of three types. The first is one whereby overall quotas for each product are calculated according to the value of the imports in a year plus a supplement of 5% of the value of imports from all other sources in most recent years; ceiling quotas for each product limiting the share of the tariff quota which may be filled by any beneficiary (upto between 15% in case of a few sensitive products and 50%) and also quotas allocating shares of the

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[12]Ibid General Report on the implementation of the G.S.P study by UNCTAD. Chapter 2 paragraph II.

global quota to each EEC member state for instance[13].

In practice such quotas are applied only to a list of sensitive products and if deemed necessary semi-sensitive products. That is those products which are considered to be competitive with domestic manufactures[14]. Since however total EEC and Japanese quotas have often been left unfilled the ceiling quotas may be regarded as a means of restricting preferential treatment of established L.D.Cs supplies rather than of encouraging export from other L.D.C.s although the later effect may none the less occur[15].

The other limitation which is of a non-tariff nature is employed by all other preferences giving countries except Japan and the EEC. This is the escape mechanism provided for under the GATT. This operates by allowing the suspension of

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[13]Kathryn morton and Peter Tulloch. Trade and Developing countries croom Helm Ltd. 1977, London. p. 169-175 Open cit.

[14]Ibid

[15] C.F. UNCTAD review of the schemes of G.S.P second general on implementation of G.S.P. TB/B/C.5/22 1974.

preferences should exports cause or threaten to cause some injury to producers or market disruption in preference giving country[16].

In addition donor countries apply rules of origin whereby a G.S.P. eligible product is granted preferential access only if it is firstly directly imported from the beneficiary country, secondly if it is substantially produced or processed in the beneficiary country[17]. These rules vary under different schemes.

2.3 IMPACT OF THE G.S.P. ON L.D.C. ECONOMIES

The full potential of the G.S.P. for increasing the manufactured exports of the developing countries has not been achieved, much to the disappointment of the L.D.Cs. On this there is wide consensus[18].

The various limitations on the eligibility of products for G.S.P treatment clearly restricts its potential benefits.

The scope of the G.S.P. is mainly limited to manufactured and semi-manufactured export products which disadvantages the least developed developing countries (LDDCs) which export mainly raw materials or processed or semi-processed products thus diminishing the benefits accruing to them.

UNCTAD reports that:

"While stressing that the G.S.P. has a significant role to play in increasing manufactured exports many (beneficiary) governments insisted that they could not take full advantage of the tariff concessions because of exclusion from the system of products of major export interest to them. A number of governments also indicated that their exports were confined to agricultural products which were mainly outside the scope of G.S.P. and while some stated that the G.S.P had made some contribution to their export growth many governments indicated that the G.S.P had little or no impact on investment decisions in the private or public sector mainly because of the limitation in product coverage and the uncertainty surrounding of operation19".

The foregoing citation brings out the problem of the uncertain nature surrounding the operations of the G.S.P. which would tend to militate against the benefits that would otherwise accrue under the G.S.P schemes.

16Finger and Olechowski p.103.

[17]Ibid

[18]Ibid 107

[19]These assessments are based on a survey of thirty-eight preference receiving countries reported in an UNCTAD document TB/B/C.5/24 noted in UNCTAD TD/B/C.5/22 [20]Yusuf A.A. Differential and more favourable treatment. JWTL. p.494

For instance the granting of preferences do not constitute a binding commitment and thus they may be withdrawn in whole or in part[20].
This seems to imply that the G.S.P still retains a protectionist approach aimed at carteiling the benefits that L.D.Cs obtain from it[21].

The safeguard measures of limiting the value of exports eligible for preferences to tariff quotas and the escape clauses allowing the suspension of preferences when exports from L.D.C.s threaten to cause some injury to domestic produces or market disruption in preference giving countries only minimises the influence of the G.S.P on the L.D.C. economies.

The concentration of benefits among very few developing economies is remarkable. Hong Kong, the republic of Korea and the Taiwan (province of China) receives 45% of the total G.S.P. gains[22]. This is a result of a striking concentration of G.S.P. benefits in favour of a few items. The first twelve items account for half the G.S.P. benefits[23].

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[23]Ibid

What shall we say then is the G.S.P. obsolete or moriband?

2.4 CONCLUSION

It should be hastily pointed out here that small as the gains for L.D.Cs from the G.S.P. might be there is no doubt that they fulfil some medium and short term needs of these countries which would otherwise be left unheeded by the international community[24].

It is appreciated that there are great limitations on the extent to which African exports especially manufactured and semi-manufactured products can find market in the developed markets, therefore if the African countries wish to develop external trade faster than at the present rate efforts should be made to expand trade among the African countries themselves as well as trade with other L.D.Cs[26].

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[21]Finger and Olechowski p.107

[22]Ibid 105

[24]Yusuf A.A. Differential and more favourable treatment JWTL p.494

[25]Mutharika B.W.T. Toward Multinational Economic co-operation. p.30

It should be noted infact that in the effort for improving export performance by developing countries in industrial country's markets other factors may assume greater importance than the G.S.P. for instance the trade and industrial policies of developing countries may be more important for success in trade than the G.S.P. and other favourable policies of developed economies[26]. This has been proved by some of the principal L.D.Cs or developing exporters of manufactures who have shown that it is possible to perform extremely well despite G.S.P. restrictions or even without G.S.P preferences altogether. An example here would be the Taiwan (province of China) and its operations in the E.E.C.[27].

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[26]Finger and Oleshowski p.108

[27]Ibid

It is worth noting the fact that Taiwan is quite industrialised which is why she seems to be able to produce goods at economical rates which are capable of competing on the international market scene.

Relating the experience of Taiwan to Africa we would say that Africa should industrialise and in that way be able to produce goods that will benefit from the G.S.P. which however will sell with or without the G.S.P. thus be able to develop economically.

It is a well known fact that Africa is ravaged by poverty so, just how is she going to be able to industrialise to enable her to expand the quantum of her export of manufactured products thus her export earnings.

The answer seems to lie in co-operation among the African states and also specialization in production units.

But just how is this going to be realised.

CHAPTER THREE

ECONOMIC CO-OPERATION

Having laboured to show that Africa will only benefit from international trade through industrialisation which she can only achieve through economic co-operation let us proceed at this point to belabour the rationale for co-operation and its modality to realise the afore said.

The subject of African co-operation both economically and politically is one that is not new on the continent and thus many scholars have written and spoken in favour of it, as a means through which Africa could liberate herself from the current chronic bout of economic and political malaise.

Our interest however is economic co-operation as a means to African development.

A.F. Ewing in an article published in the journal for World Trade Law assets that "following independence the key to economic development in

Africa has been recognised to be unity and economic co-operation[1]". R.H. Green and K.G.V Krishna in their book economic co-operation in Africa have said "In recent years the subject of economic integration among developing nations has come into sharper focus as part of the overall interest in the problem of economic development[2]. Sidney Weintraub says "economic co-operation as a means of fostering economic development is the most important and the aspect which holds the greatest promise for the future"[3].

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[1] JWTL Vol 4 (1970) p.362

[2] Oxford university press Nairobi, London 1907 p.1

[3] Trade preferences for less developed countries. Frederick Praeger Publishers. New York Washington, London 1967 p.171

William Hance in his book Black Africa develops states that "there are cogent reasons to strive for greater political and economic co-operation..."[4]

We also join the foregoing renown writers in development studies in lauding intra-African co-operation as a means to economic development in Africa. To that end we are asserting that close economic co-operation will help Africa take a more lofty sit in the world economic order. That is Africa will at last be able to bargain competitively in bodies as are set up to facilitate world trade. She will be less prone to having the prices of the commodities she produces manipulated. In other words Africa will be a worthwhile trading partner and not an underdog as she has been. She has continued to receive economic aid which in essence is not aid at all, on the other hand she has been receiving preferences in world trade under the GATT which she is not able to utilise by reason of incapacity which incapacity is known to those who give the said preference.

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[4]Press crossroads African Studies Association Massachusetts 1977 p.142

We are here referring to preferences on industrial products from Africa when Africa has no formidable industry to receive the preferences.

3.0 WHY SHOULD AFRICA UNITE ECONOMICALLY

It is generally accepted that Africa is artificially divided into countries. This subdivision dates back to the Berlin conference of 1885 which marked the petition of Africa into independent territories run by colonial overlords. This, we submit weakened the political and economic strength of Africa as a continent.

William Hance says "The division of tropical Africa into a large number of political units whose boundaries were drawn by colonial powers means that the distribution of political and economic activity is often artificially distorted[5]".

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[5]Black Africa develops Ibid p.141

A.J. Brown in a paper presented to the Nyasaland Economic Symposium in 1965 says "Africa split into fifty economically separate states makes no sense at all"[6]. R.H. Green and K.G.V. Krishna say that "after independence Africa has come to be dotted with the largest number of sovereign nations of any continent. The Viability either politically or economically of up to a score of the very small nations is at best a dubious proposition[7]".

It is clear that the boundaries which were made out by the imperialists for their own ends are an artificial or super imposed division of Africa and thus have thrown the continent into economic chaos which can only be remedied by close co-operation among the African countries. One may ask, but how has the mere division of Africa thrown her into economic chaos?

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[6]Should African countries form Economic Unions in Economic Development in African papers presented to the Nyasaland Economic Symposium E.F. Jackson ed. 1965 Basil Blackwed press

[7]Economic co-operation in Africa Rectrospect and prospect. Oxford University Press 1967 p.7

The division or petition of Africa into many units meant that territories which could have easily been one thus economically synchronised where divided living small fragmented states that were too small to have any real economic viability. They were mostly involved in the production of primary goods which made them reliant on the metropolitan centres for marketing, since they did not have markets big enough to justify the setting up of major industries which could have utilized their raw materials.

Further the colonialists had designed their economies (African) in such a way that their infrastructure was only geared to the production of raw materials and not to treating them or making them into finished products.

This is the kind of stifled beginning that the African countries were exposed to and this is what has continued to bedevil their economies up to date.

In the light of the foregoing Africa has remained underdeveloped and has distinguished herself as such. This means that Africa needs to develop her infrastructure in order to raise her per capital income and consequently the standard of living for her peoples, but what does this entail?

Africa needs to generate the necessary funding to develop its infrastructure and these resources are usually derived from export earnings. Export in the initial stages of development would have to do with raw materials agriculture mining or petroleum products[9].

It is now generally accepted that industrialization is an integral part of development, especially in regions that produce raw materials. We need not produce empirical data to prove that industrialization has been the key to economic progress in a good proportion of the wealthy countries of our day. The reason, it is argued, is that industrialization tends to raise physical output per head[10]. Further productivity in the rest of the economy tends to rise as a result of industrialization and indirectly through improved infrastructure[11]".

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[9]Ewing A.F. Industry in Africa. Oxford Press Nairobi 1968 p.1

[10]Ibid 10

[11]Ibid 11

The point to note here is that industry seems to be the sole means of raising the productivity of African economies and thus Africa needs to industrialise if she is going to realise her dreams of developing economically. Industrialization will produce a broad base for African economies which is a thing most desirable.

African countries as a general rule have a very low demand for industrial goods which means that industrial products have a very small market which in turn means it would not be economical to set up large industries because many industries can not be economically without a sizeable market owing to the influence of economics of scale[12].

In the circumstances it becomes evident that co-ordination among nations would serve as a valuable instrument of collective betterment. That is, for instance the African countries would be able to expand their markets by exporting to one another. The situation in many African countries is such that in the absence of co-operative action of some king they would be permanently disabled from overcoming the barriers that seriously inhibit their development.

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[12]Ibid 9

Africa needs to depart from colonial legacy and begin to curve out for herself a new economic structure far removed from what she now has which structure as intimated earlier was fashioned after the requirements and demands of her colonial masters, which meant producing raw materials and at the same time serving as outlets for manufacturers from the metrooples[13]. The economies of these nations were so closely tied to, and dependent on their masters that the said overlords still maintain substantial control even after independence because the colony can not but maintain the trade flow to the metropole which could only be changed if new markets were found which most now admit will and can only come from intra-African economic co-operation.

While most African countries share the desire to face and to overcome these problems, there is often a tragic lack of resources to enable them do so. Internal economic weakness has meant continued reliance on external assistance[13].

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[13]Krishna and R.H. Green Economic co-operation p.6

[13]Ibid 7

Young Africans nations face in the wake of the foregoing, the challenge of moving away from the colonial patterns of economic activity[14] and yet the solution to many complex problems simply cannot be evolved on a national scale. Land locked countries have to depend on neighbours for an outlet to the sea countries with small populations and meagre resources have to come to terms with others and indeed in matters such as industrial development a co-ordinated programme of action has to be evolved among different nations.

Economic co-operation in African circumstances is a matter of necessity. Africa needs to enhance her economic well being and this through increased trading in industrial products. Increased trading in industrial products will only be made possible by increased intra African trade[15].

It should be noted here that intra African trade is limited because nearly all African countries produce the same few products and thus if this trade is to be increased there will have to be

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14Ibid 8

[15]Ewing <u>industry in Africa</u> p. 99

available more tradeable goods which entails diversification of economics hence the need for extensive industrialization[16].

The question under consideration is still why should Africa co-operate economically and move towards economic integration.

The current world situation leaves Africa with no choice but begin to look at herself as the only way of expanding her market share in world trade and thus increase her export earnings. There is currently a move towards economic polarization taking place which threatens Africa's traditional export patterns.

Dr Barks Nonvent former Secretary General of the preferential trade area for Eastern and Southern Africa states speaking in an interview on a weekly television programme business review on Friday 31st May 1992 warned that Africa will be pushed to the fringes unless she moves quickly towards closer economic co-operation.

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[16]Ewing A.F. African Economic Co-operation Revisited in the Journal World Trade Law Vol. 4 p.362-376 at 363

[17]Ibid

Africa should respond to the current global economic polarization. There will be a major economic union in Europe by 1992 which will mean AFrica will have to be very strong to penetrate that European market if at all it can, further other regions are talking about economic integration (for instance U.S.A., Canada and Mexico are moving towards union). Which will mean that goods from weak economies will not be able to find their way to the world market.

The bigger world economies will be producing cheaper and probably better quality products which will take hold of the world market and unless Africa industrializes to such levels as would enable her to produce cheap high quality goods she will be thrown into worse economic chaos. Industrialisation will only come through close economic co-operation which will allow for specialization[18] which will mean that even though Africa is affected by uneven resource endowment and the distortion in the pattern of economic activity inherited from the colonial period, economic development will be possible through co-operation which will lead to the widening of the horizons of development prospects by enabling a country to concentrate on what she is best able to produce.

The economic commission for Africa has in the past worked out programmes of industrialization which programmes were suggestions of what which part of Africa, was best able to produce.

The proposals are contained in the following except from Ewing's African Economic co-operation revisited in the journal of World Trade Law.

"The E.C.A. proposes that steel would be produced in all the countries on the North African coast, Uganda, Zambia, Zaire, Gabon, Nigeria, Mali and Liberia; Aluminium in the Cameroon, the Congo (Brazza ville) Ghana and Guinnea, and copper (including manufactures in Zambia, Zaire and Mauritania. Forest industries would develop mainly in the rich timber growing areas of Central and parts of West Africa; much of the market would be within Africa for builders, joinery and furniture and there are also potential markets overseas for venners, plywood pulp and paper. Self sufficiency could be expected at an early date in cement with some degree of specialization among countries based largely on the occurrence of suitable limestone. The starting point of a chemical industry would be fertilizers which are already becoming established in North Africa to be joined later by Uganda, Togo and Senegal. Zaire would become the main producers of potash and Algeria, Libya and Nigeria. Major producers of nitrogen fertilizer from natural gas caustic soda chlorine would be produced in North Africa, Kenya, Zaire, Ghana, Senegal and Guinea. Petrochemicals would follow in countries already cited where ample natural gas occurs.

...Increasingly Africa could move towards self sufficiency in processed foods countries particularly well-placed for increasing production of sugar are Ethiopia, Madagascar, the Congo (Brazzaville) and the Senegal river basin countries. Africa is also a major potential producer of meat. Apart from Kenya, already established, there are prospects in Ethiopia and in the inland countries of Central and West Africa this in turn giving rise to processed meat and by products. Much more could be done with Africa's resources of fish both at sea and fresh water.

It would be logical in terms of harmonised industrial development to increase textile production primarily in the cotton growing countries. Increased manufacture of leather products would be associated with the meat industry. The principal manufacturers of rubber products would be Zaire the Cameroon, Nigeria and Liberia[18]".

The foregoing quotation from A.F. Ewing's article though by now overtaken by events is a perfect exemplification of what Africa could be with increased co-operation viz highly specialized and thus logically industrialised resulting in economic development which would in turn make Africa a capable negotiating body with ability to bargain in international trade.

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[18]Ewing A.F. African Economic Co-operation Revisited Journal of World Trade Law. Vol. 4 p. 365-366

3.1 MODALITY OF AFRICAN CO-OPERATION

We have thus far looked at the issue of economic co-operation in a very fluid manner. Much as it may be accepted that close economic co-operation will greatly benefit Africa by enabling her to expand her economy and thus be able to bargain effectively on the international market scene. It remainss to be said what sort of economic co-operation we have in mind in order to avoid the danger of using the call to co-operation as mere slogans. This is what we should address in this section. To realise economic co-operation what machinery will be used.

To propound theoretical solutions to practical problems can be a very exciting errand in self deceit so that it is important to subject theories to the test of experience which for our purposes is international experience.

To that end having sort to show that economic co-operation is one potentially rewarding means of bringing about economic development in Africa it now behoves us to enquire into the question of what method of co-operation is tenable. What do we have in terms of experience on the continent to back or illustrate economic co-operation.

Economic co-operation may be carried out in a number of ways viz creating a common market, customs union, freetrade area or else co-operation may be maintained at a low level whereby the states concerned merely seek to harmonize their economic policies or undertake common projects for common good.

3.2 CUSTOMS UNIONS AND FREE TRADE AREAS

When one talks about co-operation for collective good in discussions related to the GATT the natural provision that comes into issue is Article 24 of the said instrument which deals with customs unions and free trade areas as an exception to the GATT, M.F.N. principle. Under these two creatures of the GATT countries undertake to enhance the expansion of trade among themselves through the gradual elimination of tariff barriers to trade amongst themselves.

A customs union is an association of a group of countries governed by an agreement to remove tariffs levied on imports from member countries while establishing common external tariffs on imports from non-member countries. A customs union is distinguished from a free trade area in that the member countries of a free trade area are at liberty to fix their own individual tariffs on imports from third countries[19].

Are we then by talking about co-operation among African states as a means for collective self reliance advocating any of the afore said means[20]?

The search for a strategy for economic co-operation raises in-escapable questions, such as what is it that the countries want to achieve through it? How will such co-operation be realised? What effect will such co-operation have on the national economies.

Countries may wish to embark on economic co-operation ventures because of a desire to mitigate general constraints to economic development efforts such as the inadequacy of infra structure in most of Africa and the high capital out put requirements of modern industry[21].

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[19]Mutharika B.W.T. Toward multinational economic co-operation in Africa. 1972. Praeger publishers New York. p.47

[20]Free trade area or customs union method

[21]Mutharika B.W.T. Toward multinational economic co-operation p.33

We propose to look at ECOWAS from West Africa and SADCC from Southern Africa as providing alternative means of realising economic co-operation.

The high level methods of market conglomeration that seem to be popular in Africa seem to face a lot of problems. These aspirations have found expression in instruments such as the Lagos plan of action which looks forward to an African common market (A.C.M) by the year 2000, or more recently the Abuja treaty on the African economic community.

The problems that such aspirations are likely to face are very basic, for instance a common market strives to liberalise trade among its member countries but there is little purpose and value in liberalising trade when the parties have nothing in terms of goods to exchange, hence when one is thinking about co-operation in Africa it must be in terms of finding ways of co-ordinating the utilization of resources in a wider framework through schemes of economic co-operation in such fields as industry, transport manpower training and agriculture which would involve mainly the harmonisation of national development plans and policies which in the long run will create a basis for economic co-operation[22].

Regional co-operation in Africa must start from the premise that requisites for integration do not presently exist but should be created, acknowledgement being made of the structural diversities of African countries and also their ideological differences making certain types of integration or co-operation at very high level such as market fusion in-appropriate on both economic and political grounds[23]. This seems to discount the customs union and free trade area high level method of economic co-operation.

Africa needs to concentrate on project by project development co-operation efforts so as to create a basis for future integration or else increased trade. For instance roads and other means of communication need to be created so as to enable intra-African trade to expand which will stimulate industrial expansion. Such co-operation may also include joint ventures for the production of

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[22]Mutharika B.W.T. Toward multinational economic co-operation p.29

[23]Onwuka R.I. Sesay A. The future of regionalism in Africa. 1985. Macmillan publishers London p. 207

particular goods or joint action to improve bargaining power on the international trade scene[24].

such co-operation will evoke a desire to participate from African countries firstly because returns from this kind of co-operation can be expected in the short run and secondly the co-operation is "flexible functionally specific impinging very little on the sovereignty of participating states thus being considerably acceptable[25].

Let us now turn to see how far the two regional grouping selected respond to the need highlighted above.

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[24]Mutharika B.W.T. p.44

[25]Onwuka and Sesay. p.211

3.3 ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

The economic community of West African states was founded in May 1975. It links sixteen countries. It was the first major regional scheme to bridge the Anglo-phone Franco-phone divide which bedevilled previous co-operative movements in West AFrica.

ECOWAS is the realisation of a long frustrated desire for a West African Economic Community which can be traced back to proposals made by the Economic Commission for Africa in 1963 for co-ordinated industrial development in the region.

The means that ECOWAS chose to realise its drive toward economic co-operation was to create a common market. By so doing ECOWAS chose a means that imposes maximum constraints on the autonomy of the member states which may evoke reluctance to fully participate from West African government because the gains which might be realised from the a liberalisation of trade are modest in comparison with the costs imposed. States will therefore be reluctant to relianguish their sovereignty when they know that they stand to gain very little[26].

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[26]Ibid

ECOWAS appears to have been creating alot of unnecessary difficulties for itself in the choice of initial projects. It tried to implement a protocol on free movement of people which would inevitably be controversial due to opposition given the social tensions that have arisen between migrants and host populations in West Africa in the past[27].

It is surprising that rather than beginning with a project which would bring immediate and cognisable gains the implementors of the ECOWAS treaty chose to begin with a project that would lead to immediate and cognisable economic gains except raising alot of controversy.

They also included a sensitive protocol on defence. Why this should be a part of the package of an economic organisation which has no commitment towards political integration is unclear.

We would however like to think it was probably a result of instability in African politics, so that some leaders party to the said organisation felt

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[27]Ibid

it expedient to include such an understanding in the ECOWAS agreement as was seen in recent times ECOWAS sent a peace keeping force to trouble torn Liberia, that is the reason why the defence part was included.

One obvious problem that arises from an integrated market in a continent such as Africa with great diversity in terms of levels of economic advancement is in the words of Dell "the tendency of new enterprises to gravitate to those areas where an industrial base with all the requisite facilities already exists ... The problem is intensified by a system under which the poorer areas are compelled to buy high cost manufactures from the richer areas thus in effect subsidizing their industries[28]".

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[28]Sidney Dell, Trade Blocs and Common Markets. New York: Alfred A Knopt 1963. p.239

This brings about the problem of unequal or else unfair distribution of the fruit of integration.

For instance investment would tend to move to countries where the infrastructure the trained workmen and the enterprenuers already exist[29]. This problem is sometimes referred to as the 'matthew effects' which is to say' "whosoever hath, to him shall be given, and he shall have more abundance but whosoever hath not from him shall be taken away even that he hath[30]".

This problem is execebated by the fact that in a grouping such as ECOWAS a rigid framework which all members are required to accept is put in place through a treaty when it is quite clear that some aspects of the treaty have little or no relevance to some of the parties to the treaty[31].

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[29]Weintraub Sidney, Trade preferences for L.D.C.s Frederick A. Praeger publishers New York. 1967. p.187

[30]Holy bible, matthew 13:12 cited in Onwuka and Sesay at p.208

[31]Ibid

In the circumstances flexibility would have been more desirable in that it would have been a recognition of the fact that the interests of the members are not the same instead of creating massive interlocked institutional structures in which the institutional frame (not the content of the programme) becomes the justification of the continued co-operation and through which problems of co-operation in one field are magnified into general problems affecting the entire arrangement[32].

The potential of an institution such as ECOWAS lies in the development of co-operation on functional issues, independent of mere grandiose designs for market integration. This we can deduce from the fact, for instance, that the most successful project undertaken under ECOWAS is the telecommunications project linking West Africa.

Africa countries seem to become increasingly sceptical of grand designs of market integration unless they provide demonstrable benefits to the participants which are easily perceptible in less complicated schemes of co-operation.

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[32]Ibid

3.4 SOUTHERN AFRICAN DEVELOPMENT COORDINATION CONFERENCE (SADCC)

SADCC offers an alternative approach to African co-operation one which is better grounded in the realities of the African situation.

Contrary to the framers of the ECOWAS treaty the framers of the SADCC agreement drew from the unsuccessful efforts at co-operation in the past.

SADCC has chosen to identify concrete projects where gains from co-operation may be realised in the immediate future that is projects which lay the foundation for further co-operation once the basis for trade has been established.

The SADCC was established by a memorandum of understanding signed by the leaders of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe[33].

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[33]Mhone Kandako, Law as a factor for regional integration. SADCC: Problems and prospects in Legality journal 1990'91 issue p.3_

SADCC proposes to realise its efforts at co-operation through a step by step process of rehabilitating existing infrastructure and building new facilities in a balanced way so that development is spread evenly and not concentrated in one country[34].

The late Sir Seretse Khama one of its founding fathers had this to say "The basis of our co-operation, built on concrete and on specific programmes rather than on grandiose schemes and massive bureaucratic institutions, must be assured mutual advantage of all participating states[35]".

It would appear from the foregoing that SADDC realised the need to provide demonstrable benefits to its members or participants if it was to find adherents. At the first summit conference of the group each participating state was given responsibility for drawing up plans for co-operation in one or more of the principal areas identified by the group. Rather than erecting an elaborate regional superstructure, co-operation would be designated and implemented by national governments.

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[34]Ibid p.5

[35]SADCC Hand Book p.3

So that its purpose (SADCC) was co-ordinating the activities of the national governments in the region[36].

SADCC avoided the creation of a large bureaucracy in favour of a system which places responsibility for implementation of its programme in the governments of member states.

There was to be no single SADCC head quarters though a secretariat consisting of four professionals and four support staff was established.

It is quite evident that SADCC did not want to emulate the unnecessarily elaborate regional arrangements that went before it.

An approach to co-operation such as SADCC has taken were co-operation is based on specific projects minimises the problem of imbalances in the distribution of gains realised from the said co-operation. This is further improved in that SADCC members are not obliged to take part in all projects instead they are free to chose which ever projects they perceive as rewarding to themselves.

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[36]Onwuka R.I. and A. Sesay p.219

This system seems to work best because it is possible to co-operate without involving high level political considerations. The simplicity of these arrangements are not only the great attraction but also account for the success of this type of co-operation[37].

SADCC's decision to focus on specific projects appears to have paid early dividends. By the second summit 22 of the 97 original transport and communication projects were being implemented for instance. This by merely taking advantage of regional complementarities[38].

The SADCC leaders seem to have managed in a measure to avoid some of the most obvious factors which have contributed to the failure of co-operation in Africa.

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[37]Mutharika B.W.T. Toward Multinational Economic Co-operation in Africa. p.44

[38]Onwuka R.I. and Sesay p.221

3.5 CONCLUSION

Having looked at the two variants or modes of co-operation represented in ECOWAS and SADCC it would appear firstly that the traditional GATT means of co-operation through market fusion which assume that the requisites of intra-regional trade exist are not appropriate for a situation such as is found in Africa, (one of general impoverishment).

Co-operation that would suit our needs is such as would create the basis for growing intra African trade via industrialization and specialisation.

Africa needs flexible means of co-operation such as the type offered by SADCC which appears to offer greater potential than the wishful thinking represented in grandiose schemes such as the Abuja treaty on an African Economic Community.

CHAPTER FOUR

CONCLUSION OF THE MATTER

Having given the aim of this paper as being an attempt to show that even though Africa may be mistreated or even mocked by a system such as the G.S.P there is a way of benefiting from it. especially one of close intra African Economic Co-operation, it is only fitting that we now turn to look at how African countries may benefit from the G.S.P. despite the restrictions that attend its operation.

4.0 THE 'DEFECTS' IN THE G.S.P. NEED NOT BOTHER L.D.Cs

Undoubtedly the preferences offered by industrial or developed economies are accompanied by numerous restrictions some of which we have looked at, but rather than condemning the defects in the G.S.P. we wish to look at what benefits may be derived from the current set up of the G.S.P.,through the ingenuity of the L.D.Cs themselves realising that the G.S.P perse is not sufficient to expand their exports and contribute to their economic development.

The contribution of the L.D.Cs to realising the fruit of a system like the G.S.P. is rarely discussed probably because it requires action principally from the L.D.Cs themselves, while the other part has to do with what the powerful economies can do for L.D.Cs. The L.D.Cs should not be excessively dependent on the developed economies for their own development as has been the case. Such an attitude of dependence is detrimental in the long run[1].

Having laid the foregoing background let us recuputilate on the defects pointed out in the G.S.P which are said to be operating against the L.D.Cs.

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[1]Weintraub S. Trade preferences for less developed coutries. Praeger publishers New York. 1967. p. 171 open cit.

In considering the issue of defects within the G.S.P. three heads will suffice to illustrate our thesis that L.D.Cs need not be bothered by the defects in the G.S.P. but should simply try to benefit as much as they can from the current set up. The three heads we shall look at are:

1. The argument that, the G.S.P does not cover all industrial products limits the benefits that may be had from it by L.D.C.s.

2. Secondly it is argued that not all developing countries are given preferential treatment which again limits the real benefit that the L.D.Cs should have otherwise derived from the G.S.P.

3. Thirdly the G.S.P. is attacked for subjecting some goods that it covers to value and quantitative restrictions as we saw under the japanese and E.E.C. schemes that we made specific reference to earlier.

We are aware that many other criticisms may be raised here, but be that as it may for our purposes the three points will suffice to illustrate our point.

4.1 RESTRICTIVE PRODUCT COVERAGE

In terms of agricultural produce the G.S.P. schemes cover only selected products. Products of current export interest to a large number of developing countries are excluded. With regard to manufactured goods the schemes cover almost all products but notably leaves out textiles, leather and petroleum products[2].

The first reaction that is likely to be evoked by the ambit of the G.S.P. product coverage is the feeling that the inclusion of those products left out would substantially increase the immediate benefits acruing to developing countries. But is this really so?

The question that we ought to be asking in addressing the issues raised are such as why was the G.S.P. formulated? What was its rationale? Answering which questions then we must turn and ask the question do these products that are left out need G.S.P. treatment according to its rationale.

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[2]UN DOC TD/B/C.5/9

General report on the implementation the G.S.P. study by UNCTAD. Chapter III paragraph 10 and 11

It is now trite that the G.S.P. was designed to help L.D.Cs develop economically viable industrial bases or manufacturing sectors. Naturally the G.S.P. was targeted at those fields that were not industrially developed so as to stimulate the same (industrial development).

In the light of the foregoing it becomes quite clear that the petroleum industry for instance which is adequately industrialised wherever it is found in Africa and thus able to complete favourably on the international market scene does not need G.S.P. treatment.

It may be argued with some validity for instance, that these products are meeting restrictive conditions in the developed international market[15], but be that as may still the G.S.P. need not apply to these products because there is great demand for the same on the continent of Africa so that all that needs to be done is to shift concentration of sells from the developed economies to Africa.

What we are here proposing is instead of Zambia getting her crude oil from Kuwait for instance she would get the same from Angola in which case Angola would not need to seek market very far from her oil fields. Angola would in turn procure Zambian products which she needs such as electricity power and copper cables for use in her industry.

We see from the foregoing therefore that petroleum, going by the rationale of the G.S.P. does not need G.S.P. treatment. The same applies to textiles and leather products. These products in our view are or may be produced in such quantities and of such quality as to be able to compete favourably even in developed markets but when they are not able to, there is sufficient market on the continent.

Further it goes without saying that Africa and indeed most L.D.C.s have such problems of food and other agricultural products so that there is no need for any L.D.C. to seek preferential entry into developed markets when there is an insatiable demand for the same within easy reach.

Africa with proper distribution policies and co-ordination should be able to consume all that she produces without needing to penetrate developed markets in the West of any were else for that matter. If those market need our produce then we should determine the conditions of sell or else be able to do without selling to them.

What we are saying up to this point is that the L.D.Cs should utilise the preferences when they are given but when they are not forth coming there is a big enough market among themselves which they should turn to. Which market they must begin to organise to suit themselves.

It should be said at this point that preferences should not be sought for their own sake they should only be sought to stimulate the development of industries which indeed will be a basis for increased trade in future.

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[15]Behnam B.M. Development and structure of G.S.P. In J.W.T.L Vol 9 No 4 1975 p.44

4.2 CONSTRUCTIVE EXCLUSION OF L.D.D.Cs FROM G.S.P. TREATMENT

The issue of eligibility has usually ensued the foregoing issue of product coverage. It has been argued that the product coverage of the G.S.P. in effect restricts the utility of the G.S.P. to the more developed of the developing countries. That is the G.S.P. constructively excludes the least developed developing countries (LDDC) which do not produce manufactured goods which are predomingly covered by the schemes, thus failing to take advantage of the G.S.P.

It is probably true to say that the LDDCs may not benefit directly from the G.S.P. but need they benefit directly? If L.D.Cs expect the developed economies to help them why shouldn't we expect the more developed L.D.Cs to assist the L.D.D.Cs How may this be done?

A more developed L.D.C. with the capacity to utilise primary products which the L.D.D.Cs produce should do so thus providing market for the primary products of the L.D.D.Cs and also utilizing the G.S.P. for their own benefit with the result that in the end the L.D.D.Cs indirectly benefit from the G.S.P. and in the long run may develop from being mere traders in primary commodities to manufacturers of finished goods.

This will not come about automatically but will only be realised through deliberate close economic co-operation which co-operation should be concentrated on specific joint actions where realisation of gains and actual benefits can be fore seen in the short term.

The L.D.Cs need not spend all their time complaining that the G.S.P. does cater for all L.D.Cs when they could do something about it themselves. It should be realised by now that there is simply no substitute for self help. Africa just has to exert her own effort if she is to realise any benefit from most of these arrangements.

4.3 VALUE AND QUANTITATIVE RESTRICTIONS IN THE G.S.P.

As seen earlier all schemes offered under the G.S.P. exception to the GATT M.F.W. provision provide for safeguard mechanisms so as to retain some degree of control by preference giving countries over the trade which might be generated by the new tariff advantages given to the L.D.Cs.

It is interesting to note that the foregoing has been highlighted as being a defect in the G.S.P. which it probably is, but to expect a preference giving country to limit-lessly grant preferences without having regard to its own market is to expect too much. No country will sacrifice national interest and prosperity so that another country's economy might be probed up. These are realities that L.D.Cs must face. It becomes unrealistic for them to expect the Developed economies to give them unfettered preferences.

To that end therefore if L.D.Cs are going to derive real benefit from a system such as the G.S.P. and international trade generally they must collectively co-operate as a cohesive body and thus become a positive economic and political force in the international economic order.

We say again their is no substitute for self effort and exertion in economic development.

The co-operation envisaged is not one grounded on huge declarations of intention which are never fulfilled but we are here proposing co-operation based on concrete projects such as we discussed in the last chapter.

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