TRADE POLICY AND PERFORMANCE IN SUB-SAHARAN AFRICA

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1   Introduction

The majority of African countries have liberalised their trade regimes during the past two decades. Some countries began this process in the early1980s, but most have only implemented sustained and significant reduction in barriers to imports since the late 1980s or early 1990s. The major trade liberalisation reforms in almost all countries were unilateral – reforms made by the country acting alone. The policies were not implemented as part of an agreement with trading partners. However, various agreements with trading partners have 'locked in' the reform efforts. Most obviously, the multilateral negotiations during the Uruguay Round of the GATT that culminated in the establishment of the WTO in 1995 resulted in African countries making commitments to open trade policies. Numerous regional trading agreements, some of more substance than others, exist whereby African countries have agreed to more open trade with other African countries. There are also special agreements relating to trade between groups of African countries and the EU and US. Trade and openness are now high on the policy agenda in African countries.

This chapter concentrates on the experience with trade reforms in Africa since the 1980s and African trade performance in the 1990s. Although the focus is on sub-Saharan Africa (SSA), some results are reported for all of Africa (allowing comparison between North Africa and SSA). The major reforms implemented were unilateral, and it is these that may have affected economic performance over the past decade. Multilateral and regional agreements will feature prominently in prospects for the future, but have not been the major determinants of trade performance in most African countries over the past decade. For example, the tariff bindings that African countries have committed to in the WTO are often higher than the tariffs currently applied. Similarly, with a few exceptions, intra-regional trade is not a significant share of the trade of African countries. In other words, regional agreements are less important than trade with the rest of the world. This chapter addresses a specific question: what trade reforms have African countries implemented during the past two decades and what has been the economic effect?

The direct impact of trade liberalisation should be to increase the exposure of economies to international trade (a common definition of openness), which would be

reflected in an increase in the volume of trade. The expectation is that increased trade encourages a more efficient use of resources, increases competitiveness and contributes to economic growth. However, trade reform is likely to have a more direct and immediate effect on imports than on exports. Factors external to an individual country, such as world prices, are typically more important determinants of the volume and value of exports than a country's own trade policies. Furthermore, the ability of a country to increase exports (its export supply response) is constrained by structural rigidities in production capacity and infrastructure and institutional barriers to trade (trade costs). This is especially true in sub-Saharan Africa (SSA), where exports are predominantly of primary commodities subject to world prices and demand determined elsewhere and, in the case of agriculture, affected by weather and other natural phenomena. There are therefore a variety of reasons why the beneficial effects of increased openness to trade may be slow to materialise for African countries.

2   Overview of African Trade Performance

In global terms, Africa as a region, and especially SSA, has exhibited poor economic performance over at least the past two decades. While some countries have been exceptions to the trend and performed very well, the regional performance is cause for concern. The dollar value (in current terms) of exports from Africa actually declined in the 1980s and rose by only three percent in the 1990s. The Africa region's share of world merchandise trade, in terms of both exports and imports, declined between 1990 and 2000 (Table 1). It is clear that Africa has not shared in the growth of world trade.

Table 1: Regional Shares of World Merchandise Trade, 1990 and 2000

Region	Exports (%)		Imports (%)	
	1990	2000	1990	2000
North America	15.4	17.1	18.4	23.2
Western Europe	48.3	39.5	48.7	39.6
Asia	21.8	26.7	20.3	22.8
Latin America	4.3	5.8	3.7	6.0
Africa	3.1	2.3	2.7	2.1

Source: WTO *International Trade Statistics 2001*

The Africa region accounted for just over three per cent of world merchandise exports in 1990, but this had declined to a 2.3% share in 2000. Over the same period, Africa's

share of world merchandise imports also declined. Annual variability in the value of exports was very pronounced in the late 1990s, declining by 17% in 1998 but rising by 27% in 2000, for example. The value of imports, in contrast, has been quite stable – negligible change throughout the 1980s, and a four per cent increase in the 1990s.[1]

Table 2: Composition of Regional Exports (Sector % Share in Regional Total)

Region	Agriculture		Minerals		Manufactures	
	2000	2002	2000	2002	2000	2002
North America	10	10.7	7.2	7.2	78	76.9
Western Europe	9.4	9.4	7.1	6.9	80.3	80.7
Asia	6.5	6.6	7	7.1	84.2	83.6
Latin America	18.4	19.3	20.5	20.3	60.5	59.5
Africa	12.9	15.8	59.7	55	24.6	25.2

Source: WTO (2001 and 2003) *International Trade Statistics*.

Table 3: Composition of Regional Imports (Sector % Share in Regional Total)

Region	Agriculture		Minerals		Manufactures	
	1999	2002	1999	2002	1999	2002
North America	6.3	6.2	9	11.2	80.5	78.5
Western Europe	11	10.2	8.2	10.7	77.2	75.7
Asia	10.6	9.5	14.5	16.9	72.5	71.1
Latin America	9.6	9.8	9.1	10.9	78	76.3
Africa	16.6	15.9	10.1	10.8	70.2	70.9

Source: WTO (2001 and 2003) *International Trade Statistics*.

This variability in exports, as compared with imports, can also be seen in the sector composition of trade. Africa's exports are principally of minerals (mining and petroleum). Sector shares of export earnings are determined more by trends in world prices than changes in export volumes. In the early 2000s, the value of mineral exports declined slightly while the value of agriculture commodities increased slightly, with manufactures remaining quite stable (Table 2). Africa's imports are predominantly of manufactures, and sector shares of imports are quite stable (Table 3).

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[1] Data from World Trade Organization, *International Trade Statistics 2001* (Geneva: WTO), p77.

One of the principal factors accounting for the decline in the value of SSA exports is that the world prices of many of the primary commodities they export have declined. Primary commodities dominate African exports. While the export prices of primary commodities overall held their value in the 1990s, this was driven largely by increased world prices for timber and crude petroleum. World prices for many products important to Africa declined between 1990 and 2000: cocoa by 29%, sugar by 26%, coffee by 9%, cotton by 28% and copper by 32% (while minerals overall declined by 14%).[2]

Table 4: Trends in Primary Commodity Export Prices (1995 = 100)

Commodity	1998	2000	2001	2002
All Primary	79	116	106	106
Food and Beverages	89	77	78	79
Cereals	79	67	70	80
Sugar	73	66	67	56
Coffee	82	50	35	36
Cocoa	117	63	76	124
Tea	145	151	121	109
Agriculture Raw Materials	76	81	77	78
Cotton	67	60	49	47
Minerals	74	82	74	72
Copper	56	62	54	53
Crude Petroleum	76	164	141	145

Source: WTO *International Trade Statistics 2003*.

Although primary commodity prices overall recovered in the early 2000s, prices of some commodities important to Africa continued to decline (Table 4). For example, between 1995 and 2002, prices of cotton, sugar and copper lost almost half of their value while coffee prices collapsed to almost a third of their 1995 value. On the other hand, exporters of cocoa and tea will have seen some recovery, while oil prices showed the largest increase. Even where the trend in prices is upward, Table 4 highlights the extreme variations in commodity prices from one year to the next. This variability in prices is the principal cause of instability of African export earnings. Exporters of sugar to the EU under the Sugar Protocol are protected from this instability, as they are allowed to export a quota at a guaranteed European price (well above the world price).

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[2] Derived from *ibid*, p212.

This is a significant benefit to countries such as Mauritius, for example, and a benefit to other countries such as Madagascar and Cote d'Ivoire.

Only those countries with high shares of manufactures in their exports are relatively protected from unstable export earnings, although they are operating in a competitive world market. South Africa is the only African country with a significant share of diverse manufactures in exports. Mauritius has significant exports of textile and clothing manufactures, but these rely to some extent on preferential access to the EU. Other countries, such as Lesotho and Kenya, have increased clothing exports to benefit from preferential access to the US under AGOA. In general, preferential access to developed country markets, especially the EU, has been an important feature of African exports. A downside of multilateral trade liberalisation is that it erodes the margin of these preferences.

The African 'export problem' is not simply the general dependence on primary commodity exports, but the heavy dependence of most countries on a narrow range of primary commodities. In the late 1990s, 39 African countries depended for more than half of their export earnings on just two primary commodities.[3] The collapse of world commodity prices in 1998 was equivalent to a real income loss of 2.6% of SSA GDP in 1997-98.[4] Commodity prices have not shown any dramatic sign of recovery in recent years. For example, world coffee prices in 2002 were below a third of the level in 1997. The implications of primary commodity dependence and the difficulty of diversifying exports will be addressed later in the chapter. Zambia illustrates a severe case of dependence on a badly performing commodity, copper in this case.

A few countries account for most of all Africa's exports. In 2000, only six countries had individual shares above five per cent of total African exports (South Africa, Nigeria, Algeria, Libya, Angola and Morocco), and together accounted for almost 70% of African exports (in 1980 they had accounted for 76% of African exports).[5] Three of these are very dependent on oil and a fourth (Angola) on minerals more generally.

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[3] UNCTAD, *Trade and Development Report 1999* (Geneva: UNCTAD) p33.
[4] *ibid* p29.
[5] WTO *op. cit.*, p77.

There are other African countries that have had export success, but these are small countries (even relative to Africa) and their success is usually due to specific features. For example, Botswana has managed its diamond resources well and had a steady export performance, while Mauritius has benefited from preferential access to the EU for its sugar and clothing exports. The majority of SSA countries, however, are economically small and dependent for their exports on relatively low-value primary commodities.

3. Why Trade Policy Reform?

Although SSA countries may not be important relative to world trade, trade is economically important for these countries. The vast majority of SSA countries have had restrictive and distortionary trade policies since independence until the 1980s (at least), typically motivated by some desire to protect domestic industries. Irrespective of the merits of supporting domestic producers, most economists would agree that trade restrictions are not the best way of achieving this objective.

For one reason or another, many SSA policy-makers have become persuaded that trade restrictions are not the best way to support domestic producers. In many cases, it was the World Bank and other donors that exercised the persuasion, although more recently participation in the WTO has become a force for change. Whatever the reason, the end result is that most SSA countries have begun implementing trade policy reforms, some earlier and more extensively than others. These reforms have aimed to make it easier to import, by reducing tariffs and non-tariff barriers, and to encourage exports, by eliminating export taxes and providing incentives. Before discussing these reforms and their effects, it is worth digressing to consider why policy-makers may find trade reform attractive.

There are four broad ways in which trade benefits an economy, and trade policy reforms are intended to increase the ability to avail of these benefits. First, trade implies that the country has access to a global market that is much larger than the domestic market. For many products, production costs fall as the volume produced increases, so access to a larger market increases the amount that can be produced competitively. This is especially beneficial for small countries. Second, trade encourages a more efficient allocation of resources. Countries are encouraged to concentrate on producing goods in

which they are internationally competitive. These are then exchanged globally for goods the country cannot produce efficiently (exports are traded for imports). For this reason growth in imports often 'tracks' growth in exports. Third, in this way, imports increase consumption possibilities by expanding the variety of goods available. A country can gain access to goods it is unable to produce itself, or at least that it is unable to produce efficiently. Taken together, these are the static gains from trade – countries can expand production and consumption possibilities and allocate resources more efficiently.

The fourth benefit is that trade can contribute to economic growth, generating long-run gains. One aspect of this is that the cumulative effect of the static gains may be to generate dynamic gains. As countries engage in trade, they engage with the rest of the world. There are incentives to avail of new techniques and technologies to increase efficiency, and imports provide access to these. Increases in efficiency and trade stimulate growth. There is also a macroeconomic stimulation to growth as exports earn foreign exchange that can purchase imported inputs and technology, permitting domestic demand to grow faster without generating a balance of payments deficit.[6]

Associated with these gains, however, are costs and challenges. Exporters have to compete with producers from other countries, so there is no guarantee that access to the world market will lead to an increase in the value of exports. Access to an increased variety of cheap, or cheaper (than domestically produced), goods is a benefit to consumers but a challenge to local producers of import-competing goods that face increased competition. Some local firms will fail, imposing adjustment costs on the economy. The challenge is how local firms can respond to the competition and how the economy can adjust, i.e. can it reallocate resources effectively. The latter depends crucially on the ability of export sectors to expand; exporters face the challenge of competing on the world market. It is certainly not inevitable that the end effect is a net cost on the economy. If sufficient local firms can become competitive and the economy does reallocate resources, the country can rise to the challenge and benefit from trade..

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[6] See Thirlwall, A. P. (2003), *Trade, the Balance of Payments and Exchange Rate Policy in Developing Countries* (Cheltenham: Edward Elgar), pp 16-20. An increase in consumption or investment components of domestic demand will tend to increase imports. If this is not 'covered' by increased exports, the resulting trade deficit will create macroeconomic imbalances that retard growth.

There are also potential adjustment costs on the macroeconomic side. Specifically, if imports grow faster than exports, the result is a balance of payments deficit that can have an adverse effect on growth. While such an imbalance cannot persist in the long-run, it has often been observed following trade liberalisation.[7] An example is provided by Ethiopia, where the trade deficit widened in the 1990s. This is not surprising as reforms can have a direct effect on imports, there being unconstrained supply from the rest of the world, whereas the responsiveness of exports is much slower. Trade reforms can generate a payments deficit in the short-run, imposing macroeconomic adjustment costs on the economy.

It is evident that there are gains from trade, especially for relatively small countries (and most African countries are small in this sense) who need the larger foreign markets to provide demand for their products. However, there is no reason to suppose that the gains from trade are evenly distributed, and some countries may even lose. Those SSA countries that depend on a few primary commodities for their exports are the least likely to gain from trade, as the growth benefit from exporting is crucially dependent on price and income elasticities of demand. One country's growth rate relative to all others 'is equi-proportional to the ratio of the income elasticities of demand for exports and imports'.[8] Many SSA countries have experienced slow growth because demand for their exports is not very responsive to world incomes, whereas their demand for imports is more responsive to their income.

Thus, trade presents both opportunities and challenges, and the latter are often more direct and immediate and the former. The opportunities are heavily influenced by what other countries do – is one granted easy access to the markets of other countries for one's exports? It is in this respect, access to foreign markets, that multilateral and regional trade liberalisation is so important. Nevertheless, a country's own policies can affect its ability to avail of opportunities, for example by supporting the competitiveness of export sectors, and can influence the willingness of other countries to grant access (reciprocal trade policies). Furthermore, a country's own policies can affect the ways in which trade impacts on the economy. Encouraging foreign firms to locate in Export Processing Zones may increase exports but with minimal linkages to

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[7] Thirlwall, *op. cit.* pp 65-9.
[8] *ibid*, p 22.

the rest of the economy. If the aim is to spread the gains more widely, it may be better to focus on supporting competitive local production.

An important feature of trade is that it represents economic relationships with other countries. The effects of one country's trade policies are not independent of other countries' policies. Multilateral liberalisation refers to the situation where all countries act together in reducing barriers to trade in a reciprocal manner by mutual agreement. The WTO is the global institution that facilitates negotiations on multilateral reform and that monitors implementation of and compliance with agreements. The aim of the WTO is to ensure that global trade is non-discriminatory, rather than to promote free trade in itself. The potential gains from trade are greatest if all countries act together.

Although negotiated multilateral or regional liberalisation is important, SSA countries have typically implemented trade reform independently (unilaterally). As the WTO operates by countries making commitments on 'bound' tariffs (the maximum rate they will apply on specific products) at some point in the future, many SSA countries currently have lower tariffs than they are committed to under the WTO. Consequently, attention in this chapter concentrates on what countries have actually done regarding tariffs towards the rest of the world, rather than what they have agreed in multilateral or regional negotiations. Current and prospective negotiations are considered in the final section. Before discussing the reforms implemented, we need to consider how one measures trade liberalisation.

Measuring Trade Policy Reform

In principle, any policy reform that alters the ease of importing or exporting could be considered as relating to trade. It is obvious that a wide range of policy instruments may be used to affect, directly or indirectly, the price and volume of trade, and there is no ready way of adding together various instruments. Furthermore, to evaluate trade reform one wants to be able to capture the effects on prices, from which one can then evaluate effects on volumes and impacts on the economy. It is quite easy to measure changes in tax instruments, such as tariffs or export taxes, and these have quite direct effects on prices.

While changes in other instruments can sometimes be identified easily, such as reducing quantitative restrictions or relaxing non-tariff barriers, the effects on prices can only be quantified with difficulty. Furthermore, instruments may be applied and altered at varying levels of intensity across different products, making it difficult to provide an aggregate summary of reforms, and even more difficult to evaluate the effect on prices and incentives. This is a major problem for SSA countries that have reformed complex trade regimes in a piecemeal manner.[9] Consequently, it is extremely difficult to produce comprehensive summary measures of trade policy reform for one country, never mind for comparing countries over time. A common and expedient approach in the face of this difficulty is to use relatively simple measures and acknowledge their weaknesses.

There is a large literature on theoretical representation and empirical measurement of trade policy reform, [10] but two relatively simple measures are used most frequently. The first of these is the ratio of exports plus imports to GDP, often referred to as a measure of openness but more appropriately considered a trade volume measure. As a country with a less restrictive trade policy is more open to trade, it could be expected to have a larger trade volume relative to countries with restrictive trade policies. Thus, across countries, this is a reasonable measure of openness to trade.

The trade volume measure has particular weaknesses that make it inappropriate as a measure of trade liberalisation, i.e. inappropriate to capture changes in trade policy. One of these is that the measure of the denominator (GDP) can change for reasons unrelated to trade. Another important weakness, especially in the context of SSA countries, is that exports are largely determined by factors other than a country's trade policy, such as world demand and prices. There are other weaknesses, but these two are sufficient to show that the trade volume measure can change for reasons unrelated to trade policy, so it is unsuitable as a measure of policy reform.

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[9] See C. Milner and O. Morrissey, 'Measuring Trade Liberalisation in Africa', in M. McGillivray and O. Morrissey (eds), *Evaluating Economic Liberalisation* (London: Macmillan, 1999), pp. 60-82.
[10] A reasonably thorough review is provided in D. Greenaway and C. Milner, *Trade and Industrial Policy in Developing Countries* (London: MacMillan, 1993).

The second simple measure of trade policy is to calculate some average of the scheduled tariffs, a measure of nominal protection. To assess the effects on prices, one would like to know the actual tariff paid (collected tariff as a percentage of the import price). This, however, will depend on other factors such as exemptions, preferences and evasion, and data are often not available. Although the scheduled tariff is not the actual tax paid on imports, one can argue that it captures policy as it represents what policy-makers intended. Furthermore, as one is averaging across all tariffs to get a summary, it is a reasonable summary of the policy intention, and changes should capture at least the direction, if not the degree, of policy reform.

The change in the average scheduled tariff is not a very accurate measure, but is indicative of tariff policy reform. However, this is only one part of import liberalisation, so it may not be good indicator of trade reform. Non-tariff barriers, such as import quotas, are not accounted for. These are important restrictions on trade in many SSA countries and their removal represents a significant liberalisation, the effect of which is not captured by a measure of tariff changes.[11] As a quota is more restrictive than an equivalent tariff, the process of replacing quotas with tariffs is a liberalisation of the import regime. Such a process could give rise to an increase in the measured average tariff as the number of products subject to tariffs is increased. This would be misleading if the products subject to quotas initially had zero scheduled tariffs. As the average tariff measure does not account for this, one should look for information on changes in non-tariff barriers, especially quotas, to obtain a better picture of overall import liberalisation.

Finally, it should be noted that the average nominal tariff is not an accurate indicator of the effects of reforms on relative incentives. As it is only an average measure of gross tariff protection on domestic output, i.e. the extent to which domestic producers can raise the price of those outputs, it fails to account for the effect of trade taxes on intermediate inputs. The effective rate of protection accounts for taxes on inputs and outputs, providing a measure of the protection afforded to value added (which more accurately captures the effect on production incentives. Furthermore, nominal

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[11] Changes in non-tariff barriers can be captured by measuring trade reform as changes in tariff equivalents. This approach also shows significant liberalisation in Africa from the mid 1980s, see V. Ancharaz 'Determinants of Trade Policy Reform in Sub-Saharan Africa', *Journal of African Economies* (2003, volume 12, pp. 417-443).

protection is generally greater for importables than for exportables (which often have zero protection or are taxed), so that effective protection of exports is frequently negative and invariably less than that for import-competing goods. Unfortunately, the data requirements for estimating effective protection are reasonably demanding and such measures are not readily available for a large number of countries.[12]

Natural Barriers to Trade

Policy barriers, and especially trade policy, may be only a part (and often a small part) of the total barriers to trade, the various factors that increase the transactions costs of trade. Some recent literature has measured 'natural' or geographic barriers, such as those associated with distance, being remote or landlocked, usually focussing on transport costs as a major source of trade barriers and of effective 'taxation' of exports.[13] This latter issue can be very important for 'small' countries that have to bear the costs of importing and of exporting, i.e. they are unable to shift trade costs to foreign markets (as competition is intense from more favourable placed producers). It is likely to be the case for many African countries that even if policy barriers to trade are reduced significantly, substantial non-policy barriers remain, and these tend to discriminate against exporters. This is one reason why export supply response is often low for African countries.

Transport costs is one of the more obvious non-policy barriers to trade. It is a particular problem in SSA, not only for the many landlocked countries but also because most countries with sea coasts also have large interiors. One proxy for transport costs is to compare the 'cost, insurance and freight' (cif) price with the 'free on board' (fob) price of imports. As the former includes transport, the ratio captures the significance of transport costs. For example, a cif/fob ratio of 1.2 suggests that transport and related costs are 20% of the fob price. Table 5 and Chart 1 compare such ratios for various regions of the world in 1980, 1990 and 1994.

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[12] For example, Greenaway and Milner (*op. cit.* p: 92) list 25 studies of effective protection (published in 1990 or earlier), only four of which relate to SSA countries. The number of studies has not increased greatly since then.

[13] See, for example, C. Milner, O. Morrissey and N. Rudaheranwa 'Policy and non-Policy Barriers to Trade and Implicit Taxation of Exports in Uganda', *Journal of Development Studies*, (2000, volume 37, pp. 67-90).

Table 5: Transport Costs, by World Region, selected years

Region	cif/fob ratio		
	1980	**1990**	**1994**
Sub-Saharan Africa	1.112	1.115	1.157
Asia	1.093	1.086	1.086
Central and Eastern Europe	1.201	1.212	1.078
Middle East	1.124	1.103	1.108
Latin America	1.094	1.091	1.083
Western Europe	1.056	1.053	1.047

Notes: Figures are the ratio of cif and fob import prices, averages by region.
Source: Derived from IMF (1995).

Two interesting patterns emerge. The first is that for all regions except SSA, transport costs (measured in this way) declined between 1980 and 1994 – SSA is the only region in which transport costs increased. In most regions except for Central and Eastern Europe, this decline was moderate, but by 1994 transport costs were less than 10%. The second observation is that, by 1994, SSA had the highest transport costs of any region. Such costs are a barrier to trade: they are equivalent to a tax on exports, making African countries less competitive, and they increase the price of imports (thereby conferring some natural protection on domestic producers).

Chart 1 – **CIF/FOB Ratios by World Region** about here

4   Trade Policy Reform in sub-Saharan Africa

Since the 1980s, and especially in the 1990s, almost all African countries liberalised their trade regime to some extent, and many countries reduced trade barriers significantly (especially restrictions on imports). In most cases, these trade policy reforms were undertaken unilaterally under the auspices of a World Bank programme. Although the vast majority of African countries signed the Uruguay Round Agreement in Marrakech in December 1994 and therefore were members of the WTO at its establishment, the WTO has not been the driving force for trade liberalisation in the continent. Typically, the bound tariffs countries committed to under the WTO are higher than the tariff rates they currently have. Similarly, although there has been a proliferation of regional trading agreements (RTAs) in the continent, few of these have

been associated with significant trade policy reform. Consequently, in this section the focus is on unilateral trade reforms.

A broad picture of trade policy reform can be obtained by examining trends in tariffs. Although, as mentioned above, there are limitations of average tariff measures, it is the one measure that is fairly widely available for many countries at different points in time. Even still, the data are patchy. The data presented here are based on average (scheduled, unweighted) tariffs for as many countries as available covering three periods – 1980-85, 1990-95 and 2000-02. Where data were available for more than one year in any period, the average for available years is calculated. This indicates the pattern of changes in average tariffs. Summary data are in Table 6.

Table 6: The Pattern of Tariff Changes in Africa

	Average Scheduled Tariffs		
	1980-85	**1990-95**	**2000-02**
All Africa	32.8	23.6	16.1
Regions			
North Africa	31.0	27.2	22.5
West Africa	38.5	22.8	14.2
Central Africa	30.0	21.7	16.7
East Africa	37.3	28.3	15.9
Southern Africa	19.5	19.7	12.7

Notes: See Appendix for classification of countries into regions; North Africa included for comparison. Averages reported are simple averages across countries in each group.

The figures in Table 6 are simple averages in three senses. First, for each country they are unweighted averages of scheduled tariffs. Second, within each period they are annual averages for each country (although often there is only one observation for a country in any period). Finally, they are simple averages, not weighted by trade, across countries in each of the groups (and are thus affected by individual countries that may have very low, or very high, values).

Chart 2 – Average Tariffs by Region – about here

Being simple averages, the data are no more than indicative, but some clear patterns emerge (see Chart 2). Average tariffs have been reduced significantly, roughly halved on average, in Africa over the past 20 years. Comparing different regions of Africa, although the overall variation or spread in tariffs has been reduced, progress varies. North Africa reduced tariffs the least, and by 200-02 had the highest tariffs of any region (this is influenced by Tunisia having increased tariffs). Southern Africa has consistently had the lowest tariffs (and the trend is influenced by significant reductions in South Africa). Although West Africa appears to show the greatest reduction, the 1980-85 value is distorted by very high tariffs in Guinea, so as a region it is East Africa that reduced the tariffs the most.

Table 7: Changes in Average Unweighted Tariffs in Africa

	Number of Countries		
	1980-85	**1990-95**	**2000-02**
Sample size	23	32	26
Average tariff <20%	3	12	24
Average tariff >30%	10	7	2

Notes: Gives number of countries in each tariff range.
Source: Derived from figures in Appendix Tables

The pattern of tariff reductions (trade liberalisation) can be observed in almost all African countries, although the timing and extent of reductions varies across countries. Of the 32 countries for which data are available in at least two periods, only two (Tunisia and Zimbabwe) had higher tariffs in 2000-02 than in 1980-85, and one other (Sierra Leone) had higher tariffs in 1990-95 than in 1980-85 (with no data for 2000-02). Table 7 shows that whereas only three of 23 countries had average tariffs of less than 20% in 1980-85, only two of 26 countries had tariffs higher than 30% by 2000-02. In other words, the percentage of countries with tariffs above 30% declined from 43% in the early 1980s to eight per cent in the early 2000s. The share with tariffs below 20% increased from 13% to 92% over the same period.

Table 8 Distribution of Average Trade-weighted Tariffs in SSA

Average tariff	N=35	N=26	
	1990s	1980s	1990s
Under 10%	6	3	6
10-19%	21	2	14
20-29%	6	8	4
30-39%	2	10	2
40% and over	0	3	0

Notes: The column N=35 refers to a sample of observations for the mid to late 1990s, whereas
N=26 refers to 26 countries for which values in the 1980s and 1990s can be compared.
Source: Derived from data in WTO website.

Table 8 reports data on average trade-weighted tariffs for 35 (SSA) countries only. By the 1990s, three-quarters of the SSA countries had an average weighted tariff under 20%, and only two countries had an average tariff over 30%. We have information to compare average weighted tariffs in the 1980s and 1990s for the 26 countries: 21 countries (80% of sample) had an average over 20% in the earlier period, but only six (23% of sample) in the later period. About three-quarters of these countries had average tariffs below 20% in the 1990s, suggesting the sample is quite representative of SSA. While this is not directly comparable with Table 7, a similar pattern is revealed so we can be confident that the use of unweighted tariffs gives a fairly reliable picture of the pattern of change.

Table 9 Average Tariff Rates by Sector in SSA and Other Regions (1990s)

Country	Tariff Rate (%, unweighted)			
	Year	All Goods	Agric.	Man.
Benin	1996	13.1	13.7	12.8
Botswana	1996	11.1	12.3	11.0
Burkina Faso	1998	31.1	37.0	29.1
Cameroon	1996	18.1	24.3	17.8
Central Africa Rep	1997	7.0	7.6	6.8
Chad	1997	15.8	17.0	15.5
Congo Rep.	1997	17.6	18.0	17.5
Cote d'Ivoire	1996	19.2	21.2	18.8
Gabon	1998	20.6	25.1	19.7
Ghana	1995	15.0	20.1	14.1
Guinea	1998	16.4	16.6	16.3
Kenya	1999	18.0	16.7	18.2
Madagascar	1998	6.8	6.4	6.9
Malawi	1998	15.7	15.6	15.7
Mali	1999	11.2	16.1	10.4
Mauritius	1998	19.0	14.9	19.5
Mozambique	1997	15.6	16.9	15.3
Nigeria	1998	23.4	23.0	24.0
Rwanda	1993	34.8	58.0	31.1
Senegal	1996	12.3	13.5	12.1
South Africa	1999	8.5	8.0	8.6
Tanzania	1999	16.1	17.4	16.2
Togo	1997	13.3	13.6	13.3
Uganda	1996	13.2	23.7	11.6
Zambia	1997	13.6	15.9	13.0
Zimbabwe	1998	22.2	27.0	21.7
Averages for Regions (number of countries)				
All developing countries (96)	1993-99	13.1	17.0	12.4
East Asia (15)	1994-99	9.8	13.9	9.4
South Asia (5)	1996-99	27.7	26.3	28.0
Sub-Saharan Africa (26)	1993-99	16.5	19.2	16.0
Middle East & N. Africa (11)	1995-99	14.4	20.8	13.2
Transition Europe (15)	1996-99	9.6	15.7	7.8
Latin America (24)	1995-99	10.1	13.8	9.5

Notes: Agric refers to agriculture products and Man to manufactures.
Sources: WTO, IDB CD ROM 2000 and Trade Policy Review, various issues, 1993-2000; World Bank, World Development Indicators, 2000 and UNCTAD, World Investment Report 2000

Table 9 provides more detailed data, reporting unweighted average tariffs for all goods, agricultural goods and manufactures (for years generally in the mid-to-late 1990s). Although tariffs are generally higher in agriculture than manufacturing, the gap is rarely large and there are only two countries with average tariffs in agriculture in excess of 30% (Burkina Faso and Rwanda). It is interesting to note that SSA averages are relatively close, by this time, to the average for all developing countries; higher than East Asia and Latin America, but lower than South Asia. It is also worth noting that for other regions tariffs are generally lower for manufactures than for other goods (all or agriculture). This suggests that African exporters are globally disadvantaged because they tend to export goods facing relatively high tariffs elsewhere.

5.   Policy and Trade Performance

The presence of import barriers or restrictions creates an anti-export bias by raising the price of importable goods relative to exportable goods. Removal of this anti-export bias through trade liberalisation should encourage a shift of resources from the production of import substitutes to the production of exports. Following trade liberalisation, one would expect to see an increase in imports and exports, with domestic production of import-competing products declining. Typically, import supply from the rest of the world responds more rapidly than domestic export supply. That is, imports increase faster than exports, imposing adjustment costs, as jobs are lost in import-competing sectors faster than they are created in export sectors, and possibly increasing the trade deficit.

Trends in Imports

The most obvious trade policy liberalisation measures are reducing the average tariff, reducing the dispersion of tariffs and reducing or eliminating non-tariff barriers to imports. All such forms of import liberalisation were implemented by African countries in the 1990s. The most immediate effect is to make it easier to import and, specifically, to reduce the domestic price of imports. One would therefore expect to observe an increase in imports following liberalisation. Table 10 shows that this was indeed the case. For Africa overall, imports (measured relative to GDP), increased by some 12% during the decade of the 1990s.

All regions of Africa recorded an increase in imports over the decade, with the exception of North Africa. Interestingly, North Africa is the region that reduced tariffs the least (proportionally) and that had the highest average tariffs at the end of the decade. Southern Africa, the region that had consistently the lowest average tariffs also had the highest import/GDP ratio. This high starting point may explain why the percentage increase in imports was relatively low.

For the other three regions, there is no evident correlation of tariffs and tariff reductions to growth in imports. West Africa reduced tariffs the most and to the lowest level (of these three regions), but did not have the highest import growth and actually has the lowest import/GDP ratio of the three regions. However, as the data for average tariffs are not weighted, whereas the data on trade performance are relative to GDP, one should not necessarily expect a strong correlation. There is some indication that imports are highest and grow faster in countries with low and declining tariffs, whereas imports are least in countries with relatively high (or slowly declining) tariffs.

Table 10: Import Performance in Africa in the 1990s

	Imports (%GDP)		Change	
	1990-92	**1998-00**	**%points**	**%**
All Africa	39.8	44.7	4.9	12.3
Regions				
North Africa	34.1	32.1	-2.0	-5.7
West Africa	35.8	40.8	5.0	14.0
Central Africa	35.4	44.6	9.2	26.0
East Africa	41.9	45.2	3.3	7.9
Southern Africa	51.4	54.1	2.7	5.3

Notes: Change between 1990-92 and 1998-2000 averages is given in percentage
points and in percentage terms.
Sources: Derived from data in Appendix tables.

Trade liberalisation increases competition faced by domestic producers. Although some firms may fail, generating production and employment losses, others may respond by increasing efficiency (this is especially relevant for firms using imported inputs). There are potential gains for consumers who can purchase an increasing variety of goods, potentially of better quality, at lower prices. The immediate effect of import liberalisation is losses in some sectors offset by gains in other sectors; the net impact is

indeterminate. The long term impact will depend on how effectively the export sector responds to improved incentives.

Export Performance

Although trade liberalisation does not usually affect actual export prices (as these are typically determined on a world market), it increases the return to exportables relative to the return to importables. Producers of importables face increased competition from cheaper imports, reducing the profits of those that remain competitive. The competitive position of producers of exportables is not adversely affected, and may be improved if they can access cheaper inputs and/or the trade reform included specific export promotion measures. Thus, the relative incentives to producers of exportables are improved. An adequate export response is usually sufficient to ensure that the net impact of trade liberalisation is favourable.

Table 11: Export Performance in Africa in the 1990s

| | Exports (%GDP) | | Change | |
	1990-92	1998-00	%points	%
All Africa	27.3	32.4	5.1	18.7
Regions				
North Africa	29.5	29.9	0.4	1.4
West Africa	25.3	28.6	3.2	12.6
Central Africa	22.2	35.2	13.0	58.6
East Africa	25.8	28.9	3.1	12.0
Southern Africa	35.5	39.1	3.6	10.1

Notes: Change between 1990-92 and 1998-2000 averages is given in percentage points and in percentage terms.
Sources: Derived from data in Appendix tables.

Table 11 shows that overall export growth in Africa was quite strong over the decade, with the export/GDP ratio increasing by almost 20%. Interestingly, the lowest growth was in North Africa, the least 'liberalised' region, whereas the highest export/GDP ratio (with moderate growth) is in Southern Africa, the most liberalised region. There are many factors affecting export performance. Domestic trade policy is only one, and rarely would it be the most important, at least in the short to medium term. Thus, one would not expect to observe a strong correlation between relative tariff reductions and relative export growth, although it is encouraging that export growth was generally

strong throughout Africa. Only a few individual countries recorded sustained export growth in the 1990s, but these are mostly countries that reduced tariffs. Ghana is one example, even if imports may have grown even faster. As export earnings are the basis of financing imports, one might expect to see a relationship between export and import growth. This is evident comparing Tables 10 and 11. Regions with the highest export growth also tended to have the highest import growth. The two come together in the effect on the balance of trade.

Table 14: Trade Balance in Africa (as % GDP) (Country Groups)

	1990-92			1998-2000		
	M	**X**	**X-M**	**M**	**X**	**X-M**
All Africa	39.8	27.3	-12.5	44.7	32.4	-12.3
Regions						
North Africa	34.1	29.5	-4.6	32.1	29.9	-2.2
West Africa	35.8	25.3	-10.5	40.8	28.6	-12.2
Central Africa	35.4	22.2	-13.2	44.6	35.2	-9.4
East Africa	41.9	25.8	-16.1	45.2	28.9	-16.3
Southern Africa	51.4	35.5	-15.9	54.1	39.1	-15.0

Notes: Columns give imports (M), exports (X) and the trade balance (X-M), where a negative sign indicates a deficit, all expressed as percentages of GDP.
Sources: Derived from data in Appendix tables.

Trade Balance

In percentage terms, export growth exceeded import growth for Africa overall and in most country groups. However, as import/GDP ratios were initially higher than export/GDP ratios, this need not translate into an improvement in the trade balance. As Table 12 shows, the trade deficit for Africa overall was almost unchanged, at just over 12% of GDP at the start and end of the 1990s. The deficit declined noticeably in North and Central Africa. In the former this can be attributed to a decline in imports (reflecting relatively high trade barriers), whereas in the latter it is due to the dramatic increase in exports (as a number of countries in this region emerged from political and economic instability during the period). The deficit declined slightly in Southern Africa, the region most dependent on imports, and was largely unchanged in East Africa. Only in West Africa was there a noticeable increase in the deficit. This is the

region in which average tariffs were reduced the most, highlighting the danger that, following rapid liberalisation, imports can increase faster than exports.

These results show that there is a clear danger from relatively rapid liberalisation, as import supply is more immediately responsive than export supply. This problem is most pronounced for countries exporting primary commodities subject to weak and volatile world prices. Kenya, for example, has tended to experience an increasing trade deficit. Oil exporters have fared reasonably well and maintained a surplus as a group, although this was significantly reduced in the late 1990s, and agriculture exporters have fared better than may be expected. Countries dependent on mining exports, however, have not fared well in the 1990s. Whilst overall, it would be wrong to conclude that Africa has not gained from trade liberalisation in the 1990s, export supply response has been a major constraint in many countries. This is one reason why trade reforms may not have delivered the growth dividend anticipated.

Trade and Growth: The Importance of Exports

The empirical evidence on the relationship between trade and economic growth can be quite confusing, as often studies are writing about different issues. Some commentators take a narrow focus on the association between exports and growth. Exports, by providing a market for surplus and by earning foreign exchange (to finance imports), will tend to be associated with growth. This need not require a very liberal import regime. Nevertheless, many commentators refer to the openness of the trade regime , the core argument being that minimising protection against imports reduces relative price distortions and encourages production of exportables. Some commentators take a very broad focus, considering the openness of the regime not only to imports but also to foreign investment, technology, institutions and ideas.[14] Our interest is the middle ground, of the link between trade policy and growth.

There is very strong evidence that trade is associated with growth, although causality is difficult to prove. Rapidly growing economies will increase their trade, but for very large economies there may not be a big effect on trade/GDP ratios. Initially, it is the demand for imports that increases, but there may be pressure to expand exports to pay

for these imports (again, it is usually only very large economies that can finance a sustained trade deficit with capital flows). But this begs the question of where the rapid growth comes from in the first place.

For small economies, and all African economies are small in this sense, export expansion can be the driver of growth. Uganda is an example of a country for which this was the case. The evidence associating exports and growth is also quite strong. Countries that achieve high export growth rates also achieve high economic growth rates, whereas it is rare for a small economy to achieve high economic growth without export growth. However, it is not so clearly evident that trade liberalisation increases exports and therefore contributes to growth.[15] As observed above for SSA in the 1990s, imports often grow faster than exports following trade liberalisation, such that in the short to medium term the impact on growth may be minimal if not adverse. The long run gains require export growth, but this often fails in Africa, especially SSA, because of constraints on export supply response.

There are a number of reasons why the beneficial impact of trade policy on growth may be muted in Africa. A general problem is that there is a weak link between unilateral trade policy reforms and the effect on export trade. Domestic policy reforms have their direct effect on imports, while export performance is largely determined by external factors, notably world prices and demand. In the latter respect, multilateral (and regional) trade liberalisation can be important because it increases countries' access to foreign markets. Specific concerns relate to the structure of African exports, and these are most relevant for SSA countries (as few of these are significant exporters of manufactures). First, SSA countries relative endowments of land and natural resources result in export dependency on primary commodities, as shown above. On the one hand, this subjects exports to the vagaries of a volatile world market. On the other, it means that exports are likely to be relatively bulky with high volume-to-price ratios, hence relatively high unit transport costs.

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[14] A good example of the broad scope approach is D. Rodrik (1999), *The New Global Economy and Developing Countries: Making Openness Work* (Washington, DC: Johns Hopkins University Press, ODC Policy Essay No. 24).

[15] For a review of the evidence see D. Greenaway, C. W. Morgan and P. Wright (1997), 'Trade liberalisation and growth in developing countries', *World Development*, 25 (11), 1885-1892.

Second, SSA countries tend to face 'natural barriers' that increase the costs of trade – imports are more expensive and exporting more costly. While these barriers confer protection to producers of importables, they imply effective taxation of exports.[16] Transport costs are the most obvious such costs. Many SSA countries are landlocked (and suffer the additional costs of slow Customs procedures at borders) and many of those that are not have large interiors. The primary commodities they produce have to be transported large distances overland to reach ports; road and rail systems tend to be inefficient throughout SSA, and sea shipping costs are relatively high. [17]

Although the evidence that trade liberalisation increases growth is weak,[18] there is almost no evidence that trade liberalisation retards growth beyond the short-term adverse effect on the balance of payments discussed above. Whilst increased competition from imports could have adverse effects on manufacturing industries, there is no convincing evidence that trade reforms caused de-industrialisation in Africa.[19] In general, trade liberalisation offers benefits to African countries. The evidence is stronger that exports promote growth, even in African countries. There is some evidence that growth has been higher in more outward oriented SSA economies, suggesting that trade liberalisation offers the potential for SSA countries to increase growth rates.[20] Even in those countries dependent on primary commodity exports, a less restrictive trade regime is conducive to increased efficiency of resource allocation and hence growth.

Trade Structure

Trade structure, in particular dependence on primary commodities, is an important determinant of trade performance, and therefore mediates any link between trade and growth. Resource endowments will be a major determinant of trade structure. A

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[16] See, for example, C. Milner (1997), 'On Natural and Policy-Induced Sources of Protection and Trade Regime Bias', *Weltwirtshaftliches Archiv*, 132, 740-752.

[17] For a quantification of these costs see C. Milner, O. Morrissey and N. Rudaheranwa (2000), 'Policy and non-Policy Barriers to Trade and Implicit Taxation of Exports in Uganda', *Journal of Development Studies*, 37 (2), 67-90.

[18] For a review, see J. Mbabazi, C. Milner and O. Morrissey, 'The Fragility of empirical links between inequality, trade liberalisation, growth and poverty', in R. van der Hoeven and A. Shorrocks (eds), *Perspectives on Growth and Poverty* (2003, Tokyo and New York: United Nations University Press).

[19] See P. Bennell (1998), 'Fighting for survival: Manufacturing industry and adjustment in sub-Saharan Africa', *Journal of International Development*, 10 (5), 621-637.

[20] See O. Onafowora and O. Owoye (1998), 'Can Trade Liberalization Stimulate Economic Growth in Africa', World Development, 26:3, 497-506. See also P. Mosley and J. Weeks (1993), 'Has recovery begun? "Africa's adjustment in the 1980s" revisited', *World Development*, 21 (10), 1583-1606.

standard hypothesis is that countries with relatively low endowments of natural resources, thus relatively high labour endowments, will need to industrialise to promote export growth and utilise their comparative advantage. However, countries endowed with natural resources coupled with low skill levels will tend to have export dependence on unprocessed primary commodities. This can retard growth because extractive industries have weak linkages with the rest of the economy, agricultural exports are largely unprocessed and primary commodities tend to face volatile and deteriorating terms of trade.

Constraints on Export Supply Response

Trade liberalisation is expected to remove the relative disincentive to produce exports and the anticipated beneficial effect is that exports will increase and, in turn, fuel economic growth. However, trade policy is only one factor constraining exports, and relative prices are rarely the major constraint on export supply response. For countries dependent on agricultural exports, non-trade policies (e.g. marketing boards and price controls) have often been biased against agriculture and discouraged export production. In addition, farmers face many constraints in gaining access to factors, inputs and technology that limit their ability to increase production in response to improved (export) price incentives.[21] As mentioned previously, transport costs can be quite high for many SSA countries and this can act as an important constraint on primary commodity exports. The slow pace in implementing institutional reforms is yet another reason for low export supply response.[22] Given the many and varied constraints to increasing production and distribution of primary commodities, one may not observe a quick export response to trade liberalisation. This does not mean that trade reforms should not be undertaken; it does mean that one should exercise care in interpreting the evidence.

Transport costs are some 15% of unit values on average in Africa, which is considerably higher than the averages for other developing country regions (Table 5).

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[21] For a discussion see A. McKay, O. Morrissey and C, Vaillant (1997), 'Trade Liberalisation and Agricultural Supply Response: Issues and Some Lessons', *European Journal of Development Research*, 9 (2), 129-147. See also F. Noorbakhsh and A. Paloni (1998), 'Structural adjustment programmes and export supply response', *Journal of International Development*, 10 (4), 555-573.
[22] For example, see D. Belshaw, P. Lawrence and M. Hubbard (1999), 'Agricultural tradables and economic recovery in Uganda: The limitations of structural adjustment in practice', *World Development*, 27 (4), 673-690.

Table 12 illustrates the importance of transport costs, reporting the cif/fob ratio for groups of African countries. Unsurprisingly, Landlocked countries (or Central Africa, which is similar) face the highest transport costs, of over 20% unit values, while North Africa faces the lowest transport costs. In general, transport costs declined slightly between 1980 and 1994. The main exceptions are landlocked, Southern Africa and Agriculture groups. The increases in all of these groups are largely due to Malawi, where the ratio in 1994 rose to 1.67 (because the war in Mozambique denied the shortest route to the sea).

Table 12: Transport Costs in Africa, Country Groups

Grouping	cif/fob ratio	
	1980	**1994**
Landlocked Countries	1.227	1.249
Regions		
North Africa	1.101	1.096
West Africa	1.196	1.191
Central Africa	1.244	1.224
East Africa	1.161	1.146
Southern Africa	1.137	1.222

Source: Derived from data in IMF (1995).

Differences in transport costs between groups of countries reflect differences in the direction and composition of trade as well as location characteristics. The latter seems most important. Remoteness, poor infrastructure and being landlocked are clearly damaging to trade because they raise trade costs, and such costs are a particular burden on SSA countries.[23]

A more general point can be made regarding the link between trade liberalisation and openness. While the latter may give rise to concerns regarding the competitiveness of domestic producers of importables, access to imported investment goods and the technology embodied in imports may be very beneficial. Furthermore, trade openness and being seen to implement trade reforms may attract foreign investment. Foreign

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[23] See also N. Limao and A. Venables (1999), 'Infrastructure, Geographical Disadvantage and Transport Costs', *World Bank Research Paper No 2257*. They show that unit transport costs between the US and SSA are more than twice the costs for trade between the US and Germany and the US and Japan. Furthermore, intra-regional transport costs are often higher than extra-regional costs.

investors tend to be attracted to countries with relatively open trade regimes and increasing trade volumes. Furthermore, the injection of funds, know-how and marketing contacts associated with foreign investment may itself be a boost to exports.

Thus, there are many explanations as to why the export response to trade liberalisation in SSA has been limited. These include factors relating to the effectiveness of the liberalisation itself (what trade reforms were actually implemented), and to the response of producers to the apparent shift in the incentive structure (do they believe that the reforms are credible and sustainable). However, trade liberalisation has now been sustained for some time in most SSA countries. The issue for the future is how the effectiveness of trade reforms is contingent on the existence of other characteristics of the environment in which production and investment decisions are made. We have identified trade structure and constraints on supply response as predominant among these. Some commentators emphasise the role of institutional (political and legal) and infrastructure factors in affecting private sector confidence in achieving and securing adequate returns.[24] The simple point is that there are many factors other than trade policy that help explain the poor export performance of SSA countries. Consequently, the benefits of trade liberalisation may not be immediately apparent. This does not imply that, at the margin, trade policy reform is not beneficial.

6   Conclusion

There is no doubt that SSA countries have liberalised their trade regimes quite significantly over the past decade or so. The pace and pattern of trade reforms varies from country to country, but the broad trend is towards lower barriers to imports. The anticipated export supply response has not, however, materialised with any consistency.

SSA countries have already taken major steps in liberalising import regimes. Evidence for this can be found in lower average tariffs, and perhaps more significantly in increases in imports as a share of GDP. Multilateral and regional agreements have committed them to these reforms – the clock can not be turned back, although the appropriate pace of future liberalisation is an important policy issue. To date, there is

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[24] For example, M. Söderbom and Teal, F. (2003), 'Are Manufacturing Exports the Key to Economic Success in Africa?', *Journal of African Economies*, 12:1, 1-29.

little aggregate evidence that the trade policy reforms and liberalisation since the late 1980s have produced a significant export response. Exports have not increased consistently, and there is no evident correlation between the extent of trade liberalisation and the rate at which exports have grown.

One of the keys to future prospects is 'discovering' how to bring about improved export performance. A core element of any strategy is the need to diversify exports. Trade liberalisation can do no more than provide opportunities – unilateral reforms increase relative incentives to exporters, and multilateral or regional liberalisation increase market access. Domestic policies are necessary to reduce the varied constraints on supply response, increase transport and marketing efficiency, and encouraging investment. To benefit from trade, and channel these benefits into helping reduce poverty, SSA countries need to increase the flexibility and efficiency of resource use so that they can be competitive in global markets. African countries should concentrate on their own policies and not rely on actions by other countries. Policies in other countries, and especially multilateral and regional agreements, will be important in the long term, but will not ensure that any particular country is able to benefit from the opportunities provided by trade rather than succumbing to the challenges and costs. The major benefit to SSA countries of acting together is not that it increases trade volumes but that it reduces trade costs.

APPENDIX - Country Classifications Used

Classifications of Countries by Region

North Africa

Algeria, Egypt, Libya, Morocco, Tunisia

West Africa

Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo

Central Africa

Burundi, Cameroon, Central African Republic, Chad, Congo, Dem. Rep of Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe

East Africa

Comoros, Eritrea, Kenya, Madagascar, Mauritius, Seychelles, Somalia, Sudan, Tanzania, Uganda

Southern Africa

Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa   , Swaziland, Zambia, Zimbabwe

APPENDIX Table A: Average Tariffs by Country

Country	AVERAGE ANNUAL TARIFFS		
	1980-85	**1990-95**	**2000-02**
Algeria	29.6	23.9	19.2
Benin	48.3	41.0	12.0
Burkina Faso		21.0	12.0
Burundi	37.9	7.4	
Cameroon	28.3	18.6	18.0
Central African Republic		18.6	18.0
Congo, Dem. Rep.	23.7	29.4	
Congo, Rep.		20.6	18.0
Cote d'Ivoire	27.7	22.9	12.0
Egypt, Arab Rep.	47.4	32.9	19.9
Ethiopia	29.0	22.6	18.8
Gabon		18.6	17.9
Ghana	33.3	16.7	14.6
Guinea	76.4	11.9	
Kenya	41.0	33.3	17.1
Libya	14.4	27.0	17.0
Malawi	19.4	19.1	13.4
Mauritania	24.6	28.2	10.9
Mauritius	36.2	29.0	19.0
Morocco	37.5	24.3	
Nigeria	33.8	33.7	30.0
Rwanda		38.4	9.9
Senegal		13.3	12.0
Sierra Leone	25.8	30.3	
South Africa	29.0	9.6	5.8
Sudan	50.6	33.5	
Tanzania	23.9	28.4	16.3
Togo		15.0	12.0
Tunisia	26.3	27.9	33.9
Uganda		17.1	9.0
Zambia		25.5	14.0
Zimbabwe	10.0	16.7	18.3
Average	*32.8*	*23.6*	*16.1*

Source: Compiled from various WTO sources.

APPENDIX Table B: Trade Shares by Country

Country	IMPORTS (%GDP)			EXPORTS(% GDP)			TRADE (%GDP)		
	90-92	98-00	Change	90-92	98-00	Change	90-92	98-00	Change
Algeria	24.1	23.6	-2.3	26.0	31.0	19.5	50.1	54.6	9.0
Angola	39.6	81.4	105.6	46.0	77.9	69.3	85.6	159.2	86.1
Benin	27.7	28.9	4.6	14.9	16.5	10.8	42.5	45.4	6.8
Botswana	45.9	33.4	-27.2	52.3	31.2	-40.3	98.2	64.6	-34.2
Burkina Faso	25.5	30.4	19.3	11.6	12.3	5.6	37.1	42.7	15.0
Burundi	28.4	20.6	-27.5	8.8	8.6	-2.3	37.2	29.2	-21.5
Cameroon	16.8	25.5	52.2	20.2	27.2	34.4	37.0	52.7	42.5
Cape Verde	44.7	58.2	30.4	11.5	21.0	81.9	56.2	79.2	41.0
C African Rep.	24.7	18.6	-24.6	12.9	13.7	6.1	37.6	32.3	-14.1
Chad	26.1	31.5	20.8	12.2	17.0	39.3	38.2	48.4	26.6
Congo, Rep.	44.3	57.8	30.5	47.2	71.9	52.4	91.5	129.7	41.8
Cote d'Ivoire	27.4	37.8	37.8	31.2	44.2	41.7	58.6	82.0	39.9
Egypt	33.4	24.3	-27.4	25.6	15.8	-38.2	59.1	40.1	-32.1
Equatorial Guinea	61.2	105.1	71.8	27.4	96.8	252.8	88.7	202.0	127.8
Eritrea	56.7	88.6	56.2	20.1	13.9	-30.8	76.9	102.6	33.4
Ethiopia	12.0	28.3	135.8	6.0	15.1	151.7	18.0	43.4	141.1
Gabon	32.6	39.1	19.8	46.5	42.7	-8.2	79.1	81.8	3.4
Gambia, The	74.1	62.8	-15.3	62.2	48.3	-22.3	136.3	111.1	-18.5
Ghana	26.7	55.2	106.6	17.0	38.3	125.1	43.7	93.5	113.8
Guinea	26.5	27.6	4.2	24.4	22.9	-6.2	50.9	50.5	-0.8
Guinea-Bissau	41.6	45.7	9.7	8.3	23.7	186.5	49.9	69.4	39.0
Kenya	28.9	33.2	14.7	26.8	25.6	-4.4	55.7	58.8	5.5
Lesotho	124.3	96.8	-22.1	17.0	26.4	54.9	141.3	123.2	-12.8
Madagascar	25.7	32.3	25.4	17.0	23.6	38.7	42.7	55.9	30.7
Malawi	35.1	40.4	15.4	23.4	28.9	23.2	58.5	69.3	18.5
Mali	33.7	36.9	9.3	16.9	24.8	46.4	50.7	61.7	21.7
Mauritania	55.0	53.2	-3.4	42.4	39.9	-5.9	97.5	93.1	-4.5
Mauritius	67.4	67.8	0.6	62.7	65.2	4.0	130.1	133.0	2.2
Morocco	31.3	34.4	9.8	25.2	29.7	17.9	56.5	64.1	13.4
Mozambique	40.4	34.2	-15.3	11.1	12.3	11.3	51.5	46.5	-9.6
Namibia	55.5	57.0	2.7	47.3	47.4	0.3	102.8	104.4	1.6
Niger	19.5	24.0	22.8	15.3	16.4	7.3	34.8	40.3	16.0
Nigeria	33.5	40.1	19.5	41.0	40.9	-0.1	74.5	81.0	8.7
Rwanda	16.8	23.2	38.3	6.2	6.5	5.0	22.9	29.7	29.4
Senegal	30.9	38.8	25.5	24.5	31.3	28.0	55.4	70.1	26.7
Sierra Leone	29.0	24.7	-14.7	27.1	15.0	-44.6	56.1	39.7	-29.2
South Africa	17.8	24.6	38.4	22.7	26.9	18.5	40.5	51.6	27.2
Swaziland	86.2	89.3	3.6	75.2	72.8	-3.2	161.4	162.1	0.5
Tanzania	36.8	25.5	-30.8	11.8	13.9	18.3	48.6	39.4	-18.9
Togo	41.0	47.2	15.2	31.3	33.6	7.4	72.3	80.8	11.8
Tunisia	47.5	46.1	-2.9	41.2	43.1	4.6	88.6	89.2	0.6
Uganda	21.9	22.8	4.4	7.8	10.6	35.4	29.7	33.4	12.6
Zambia	40.6	42.1	3.8	35.6	26.6	-25.3	76.2	68.8	-9.8
Zimbabwe	28.8	41.7	44.6	24.7	40.8	65.6	53.5	82.5	54.3

Source: WDI 2002 CD-ROM

Appendix Table C: Transport Costs (cif/fob ratio)

Country	cif/fob ratio		Country	cif/fob ratio	
	1980	**1994**		**1980**	**1994**
Algeria	1.100	1.100	Mali	1.428	1.429
Benin	1.205	1.205	Mauritania	1.130	1.130
Botswana	1.176	1.176	Mauritius	1.210	1.148
Burkina Faso	1.279	1.282	Morocco	1.136	1.099
Burundi	1.150	1.150	Mozambique	1.120	1.120
Cameroon	1.100	1.100	Niger	1.246	1.173
Cape Verde	1.150	1.150	Nigeria	1.107	1.107
C African Rep.	1.194	1.089	Rwanda	1.514	1.436
Chad	1.330	1.350	Senegal	1.144	1.144
Congo	1.222	1.229	Seychelles	1.150	1.150
Cote d'Ivoire	1.223	1.244	Sierra Leone	1.099	1.136
Egypt	1.111	1.111	Somalia	1.149	1.149
Ethiopia	1.176	1.186	South Africa	1.051	1.087
Gabon	1.201	1.211	Sudan	1.099	1.066
Gambia	1.167	1.167	Swaziland	1.006	1.014
Ghana	1.069	1.069	Tanzania	1.177	1.176
Kenya	1.149	1.163	Togo	1.217	1.164
Liberia	1.158	1.155	Tunisia	1.058	1.072
Libya	1.111	1.111	Uganda	1.111	1.110
Madagascar	1.244	1.205	Zambia	1.230	1.200
Malawi	1.138	1.670	Zimbabwe	1.150	1.150

Source: IMF, IFS Yearbook 1995