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Intereconomics

Suggested Citation: Griesau, Hans-Dieter (1972) : Chances for Africa's trade in farm products, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 9, pp. 283-286, <https://doi.org/10.1007/BF02929620>

This Version is available at:

<https://hdl.handle.net/10419/138702>

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Chances for Africa's Trade in Farm Products

by Dr Hans-Dieter Griesau, Bonn *

African LDCs are hard-hit by the decline in the world's agricultural trade but there are still fair chances for increasing African farm produce exports. Yet instead of relying on commodity agreements and preferential tariffs, the countries of Africa ought to apply an offensive marketing strategy to certain products and improve trade in their home markets.

Agricultural protectionism and increasing self-sufficiency of industrialised countries, coupled with deteriorating terms of trade for farm produce are all having an adverse effect upon LDCs', notably those in Africa, foreign trade in agricultural commodities. There have been proposals to use international commodity agreements for overcoming these difficulties, intended to support or even push up the volume of revenues from commodity exports. The concept of worldwide joint agricultural policies are promoted especially by LDCs, but also by France and the EEC Commission. During the recent UNCTAD Conference, much time was taken up by the discussions on this subject. The German Federal Government, too, looks with a favourable eye upon commodity agreements, though only after careful examination of suitable cases of individual commodities.

Regional Commodity Agreements

In working out such commodity agreements, it ought to be seen to it that the rules of the free market and of a liberal trade policy are not ploughed under — they should be vitiated as little as possible, because age-old experience goes to show that artificially inflated prices tend, in the first instance, to lead to overproduction and to replacement of natural raw materials by synthetics and other substitute substances. In other words, frequently such practices are counteracting their aims: they do not obviate but reinforce the pressure on prices. Lastly, commodity agreements must not completely exclude the regulating mechanism of prices because this destroys an essential part of the natural economic checks and balances. And that again tends to preserve obsolete structures of production and marketing and

gravely endangers African single-crop economies. A dangerous expedient is also the use of international commodity agreements as tools of development aid by trying to make up for declining revenues by granting so-called supplementary finance (grants-in-aid or loans) by industrial nations, as these imply the risk of artificially upholding outdated and useless economic structures.

Where it proves impossible to make commodity agreements on a worldwide scale, it has been suggested negotiating such agreements between the EEC and its associated states. However, it is clear that such agreements are fundamentally different from truly international commodity arrangements even if non-associated African countries are offered the chance to affiliate to them. If, for example, a country of the immense importance of the USA is excluded from a cocoa agreement, it is doubtful whether this will take care of the real interests of cocoa-producing nations. Raw material agreements make sense only if all main partners in their marketing and production are participating. One-sided regional agreements only disturb world trade and make liberalisation of world trade more difficult than ever.

Existing Trade Preferences

Though one has to be critical of commodity agreements, it must not be forgotten that genuine aid by trade has its advantages, because it is a form of aid which permits LDCs to help themselves by increasing their exports. They must not be deprived of the chance to get ahead through their own efforts by improving their export position because, otherwise, the whole concept of development aid and the EEC's association policy in Africa will lose their credibility.

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The EEC and the countries of the British Commonwealth have accorded trade preferences to LDCs. The Treaties of Yaounde and Arusha, which consider the granting of favourable conditions for mutual trade as one of their most important tools, exclude from this system of preferences, on principle, all the goods subject to managed markets within the EEC. But apart from tropical produce, they also grant limited import preferences to such managed goods normally produced within the EEC. But whilst the Treaty of Arusha confers only trade preferences, the Yaounde pact also lays down conditions for financial and technical cooperation.

LDCs in the British Commonwealth have in the past enjoyed special Commonwealth preferences and they practise widespread financial and technological cooperation with the UK. Institutional cooperation is only loosely arranged under the Commonwealth Secretariat. For the future of Commonwealth LDCs in their relation with the enlarged EEC, the UK's entry into the Communities will offer possibilities of cooperation.

Fears of AASM States

It remains to be seen whether the establishment of new preferences will indeed increase the export outlets of African countries. It is not to be denied that there will be shifts between present sources of supply. The so-called AASM States (African Associated States and Madagascar) have, so far, not been able to increase the volume of their exports by high percentages, as an effect of the preferences which they enjoy now. But it must be admitted that many of the associated states are among the least developed countries, and that is the reason why AASM fear lest they be unable to compete successfully with more highly developed Commonwealth states.

Plans have been mooted to supplement EEC and Commonwealth trade preferences by including more farm produce into general tariff preference agreements under GATT, but moves towards this aim have met with the united resistance of AASM during the UNCTAD Conference held at Santiago de Chile because they are afraid that this would lead to the erosion of their association preferences. UNCTAD III then appointed a committee for studying the chances for improving the general system of preferences. Since general preferences became effective during the first half of 1971 only, it is difficult to assess their effectiveness conclusively now, but one thing may already be confidently asserted: they have not disadvantaged the AASM states.

With all the help that may be offered LDCs, the main burden of development efforts is to be borne by LDCs themselves. Africa's farm produce exports can only grow if and when Africa itself takes vigorous steps for diversifying production and agricultural exports, and for controlling population growth. For some agricultural products there are good chances, relatively, even though restrictions of imports from third-party countries into the EEC area, because of the EEC's growing self-sufficiency, form obstacles. Some examples may be listed here:

☐ **Coffee:** About 25 p.c. of world coffee exports consist of the Robusta variety, which is grown mostly in Africa, and especially so in the AASM. 60 p.c. of all Robusta exports come from AASM countries, which means that their starting position is definitely favourable. Whether they will be able to broaden this basis largely depends on the success of the measures taken by Brazil and Colombia, the main growers of the Arabica coffee variety, for the replacing of Robusta. At any rate, African countries will have to meet this challenge if they want to make their export growth secure for the future. An adequate share in growth of consumption per head, which can be foreshadowed, is attainable only by means of dynamic export policies.

Africa's Role in the Cocoa Market

☐ **Cocoa:** Cocoa markets are divided into three compartments — that of marketing cocoa beans, of semi-finished intermediate products (e.g. cocoa butter), and of finished products (chocolate and chocolate products). Africa claims 80 p.c. of the two first of these markets, for cocoa beans, and for intermediate products. It was able to maintain and/or increase its market shares, respectively, in world trade. In spite of current drastic price cuts, due in large part to a drop in consumption and to the expansion of production, further favourable growth conditions are to be foreseen in world markets in the medium and long terms. On the other hand, European markets show certain symptoms of saturation. Growth of demand is to be expected mainly in the Eastern socialist countries and in Japan.

☐ **Peanuts:** For the countries south of the Sahara, the most important vegetable oil crop is peanuts. In the EEC, the peanut share in vegetable oil supplies is very different as between individual countries. France draws about 80 p.c. of its vegetable oil supplies from peanuts, West Germany about 35 p.c., and Italy only 9 p.c. France's and Belgium's high peanut consumption is due to the close links of the countries with their former colonies. But also in France and

Belgium, as earlier on in the Federal Republic of Germany, peanuts have to compete progressively with other oil crops, including soybeans, rapeseed, olives, and sunflower seeds. Although the FRG and the EEC rank first in world fat imports due to their low self-sufficiency degree, imports from Africa declined. This, however, is not due to EEC market management, because the European Common Market has liberalised just this type of import very widely. The decline in peanut turnovers is most likely to be due to increased keenness of competition by other countries, especially the US in the marketing of soybean oil.

Chances of Expansion for Tropical Fruit

□ **Bananas:** West Germany has completely liberalised the import of bananas, which is not the case in France and Italy. The so-called banana protocol provides for a duty-free banana quota in the Federal Republic of Germany (1972: 632,000 tons), but African states have so far not been able to benefit from it because they could not supply the quality demanded by German consumers in continuous cargo runs, and in wrappings attractive enough for consumers. Their lack of a German market share is therefore a question of efficient merchandising. It is likely that banana consumption per head will rise in all EEC countries, over the coming years, at annual growth rates of 3 to 4.5 p.c.

□ **Pineapples:** Another tropical fruit is the pineapple, which weighs heavily in African agricultural exports. The market for tinned pineapples and fresh fruit has grown steadily in recent years, whilst sales of pineapple juices are stagnating. Entry of pineapples in tins and cans from AASM is duty-free in all EEC states. East African associated states were granted a duty-free ceiling of 860 metrical tons p.a., which was later raised to 2,000 tons through intergovernmental agreement by EEC states. Supplies from associated states have strongly increased during the past years. The Ivory Coast, which is the main pineapple grower, next to South Africa, reported a rise in exports to the EEC by 25 p.c. in 1971. Kenya, which has entered this market only recently, was able to increase its pineapple exports from 400 tons in 1970 to 2,000 tons in 1971.

Sales Offensive for New Products

□ **Other Tropical Fruit:** Important amounts of foreign currency are also being earned by types of tropical fruit, like avocado pears, mango and papaya fruit, which are not, or have not been, till recently, well known to European consumers. The efforts of African countries to establish such fruit in European markets will

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certainly be successful provided that they will be promoted through dynamical sales strategies. Possible annual growth rates are estimated at 10 to 15 p.c.

☐ **Vegetables, Temperate Latitude Fruit:** Several African countries have tried to introduce their temperate area fruit and vegetables during the off-season for harvesting them in Europe. Such efforts have recently been specially encouraged by EEC tariff cuts for products including green peas, beans, pimentos, aubergines, pumpkins, and melons. According to an enquiry mounted by the EEC Commission, AASM countries will probably be able by 1980 to export to the EEC about 100,000 tons of temperate area fruit and vegetables.

☐ **Beef:** Hardly any beef is at present being supplied to West Germany or other EEC states though there is a market gap here which should make successful exports possible. The EEC area is only about 88 p.c. self-sufficient in beef, and rising consumer demand in the enlarged EEC will lead, in all likelihood, to enlarged import chances. At present, massive rises in African beef supplies are being prevented by veterinary regulations and anti-epidemic legislation enacted to protect Western Europe against the intrusion of exotic foot and mouth viruses. These regulations permit, now, only the import of tinned beef made germ-free by heating it over 100° centigrade (212° F), whilst fresh, chilled, or frozen beef cannot enter. But FAO and the International Animal Epidemiological Institute are working hard at developing methods for fighting cattle diseases and making it possible, in the foreseeable future, to export fresh beef from Africa.

Sugar: An Unsolved Problem

☐ No sugar is being imported now into the Federal Republic of Germany. But it is eminently important for sugar-producing African countries (notably Madagascar, Congo [Brazzaville], the East African States, Swaziland, and Morocco) how the EEC will regulate the sugar market after Britain's Commonwealth sugar preferences will lapse in 1975, consequent on its entry into the EEC, in favour of associated states. France pleads for immediate opening up of import quotas—without the EEC equalisation tax—for the associated African States and Madagascar, when the UK becomes a member, but the other EEC member countries have refused such an early quota regulation, because of the present situation in the sugar markets of the EEC. But after Commonwealth preferences have lapsed, at the latest, the Community will have to solve the sugar problem with regard to AASM and the Commonwealth

countries, as it has promised this during the negotiations for Britain's entry.

☐ **Other farm produce:** Miscellaneous, but important, export commodities for Europe are oil palm and coconut products, cattle cakes, manioc (cassava), timber, cotton, leather, hides, furs, and spices, also cut flowers, etc. For them, the most important steps to be undertaken are marketing efforts, in order to maintain or to enlarge market shares.

Chances for Trade Development

Of overriding significance, apart from conquering new, and preserving old, markets in industrialised countries, is the development of inner-African trade. Statistical returns about inner-African trade are of doubtful use. Its value was estimated in 1969 at US \$ 150 mn, mainly consisting of food, drinks, and tobacco. In 1969, exports of African states to other African countries represented only 5.8 p.c. of all African exports.

The reasons for this extremely low share are numerous obstacles to inner-African trade, including lack of inter-state economic cooperation, lack of inter-state exchanges of information and communications, transport difficulties, protectionist tariffs and physical import controls, and non-convertibility of African currencies against each other. Growing inner-African trade is an urgent need, because this can help Africa to dismantle its obsolete trade structure, which ties African countries, by their trade, overwhelmingly to the former colonial powers, which take mainly primary commodities. Dismantling inner-African trade barriers would also mean a brilliant future for African farm produce, which might enable African farmers to utilise their productive resources much better and to cut their costs, whereby their competitive strength in world markets would also grow.

A Hopeful Beginning of Integration

Successful European integration should be an incentive to African countries for emulation by economic cooperation and by the dismantling of inner-African obstacles to trade in progressive steps. A hopeful beginning appears to have been made through the formation of the East African community and through the endeavours to set up a West African economic community. One of the first results of such efforts was the first All-African Trade Fair, which took place in Kenya in February and March of 1972, after the Organisation for African Unity had tried hard for years for such an effect. This fair put a spotlight on the chances of inner-African trade in farm produce, which do exist.