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The Structure of German Trade with Africa

by Hans Wallner, Bonn *

The structure of Germany's trade with Africa differs substantially from the general pattern of its foreign trade relations. But there is a further peculiarity in this trade. Each of the African countries concerned has a very specific importance as a trading partner. The following article reviews the characteristic features of African-German trade relations.

The monetary instability which lasted throughout the better part of the year 1971 affected German exporters more than the exporters of other industrialised countries. Export transactions with overseas countries and thus also African countries are according to commercial practices often denominated in US \$ or pound sterling. With US \$ or pound sterling denominated transactions, the risk of a DM revaluation or a US \$ and/or pound sterling devaluation is borne by the German exporter. If he tries to shift this risk to the buyer by choosing the DM as contract currency or introducing forward rates into the contract he does not seldom run the risk of losing the contract altogether. Despite these monetary uncertainties, German foreign trade with Africa did not develop unfavourably in 1971, which may be seen from the table 1

Table 1
German Trade with Africa from 1967—1971
(in mn DM)

Item	1967	1968	1969	1970	1971
Exports	3,648	4,059	4,721	5,433	6,073
Imports	5,769	6,993	7,717	7,903	7,992
Balance	2,121	2,824	2,996	2,470	1,909

Stagnating Imports from Africa

It may be seen from these figures that — as in previous years — German exports to Africa took a favourable development in 1971 with an increase of about 10 p. c. above the level of the

preceding year. On the other hand, imports of products having their origin in African countries tended to stagnate. The 1971 order of magnitude of imports from African countries was largely the same as in 1970. The figures relating to German foreign trade with Africa have to be seen against the background of total German foreign trade with third countries, which developed as shown in table 2 in the quinquennium 1967—1971.

Table 2
Total German Foreign Trade from 1967—1971
(in mn DM)

Items	1967	1968	1969	1970	1971
Exports	87,045	99,551	113,556	125,276	135,991
Imports	70,183	81,179	97,972	109,805	120,116
Balance	16,862	18,372	15,584	15,671	15,875

When comparing German-African trade with total German foreign trade it is noteworthy initially that the first is in a continuous state of deficit, whereas the latter shows a considerably favourable balance regularly. It should be stated furthermore that German imports from African countries stagnated in 1971, whereas total German imports from all third countries continued to expand vigorously in 1971 over the level of 1970. This countervailing trend may be explained by the fact that German imports from Africa consist essentially of agricultural and mineral raw materials, some of whose prices developed unfavourably in 1971. On the other hand, imports from the EEC member countries, which consist mainly of industrial finished products, increased

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from a value of DM 48,436 mn in 1970 to a value of DM 56,018 mn in 1971.

Booming Exports to Liberia

The 38 independent countries as well as the still existing dependent territories on the African continent are of rather different importance for Germany's foreign trade. Major buyers of German products are in particular the countries registered in table 3.

Table 3
German Exports to Africa by Countries
(in mn DM)

Country	1967	1968	1969	1970	1971
1. South Africa	1,251	1,418	1,634	1,940	1,997
2. Liberia	78	39	89	219	511
3. Nigeria	244	266	274	374	492
4. Algeria	77	182	331	363	432
5. United Arab Republic	220	264	312	449	354
6. Libya	156	225	238	169	208
7. Morocco	175	171	219	118	207
8. Zaire	79	121	160	177	192
9. Canary Islands	130	113	143	116	170
10. Ghana	100	107	134	156	169
11. Angola	157	126	132	140	155
12. Kenya	118	105	98	114	133
13. Mozambique	62	72	97	108	115
14. Ivory Coast	61	85	96	94	89
15. Tunisia	78	77	71	102	86

It can be seen from table 3 that — as in previous years — German exports to the majority of the African states increased in 1971 over the level of 1970. Noteworthy is in particular the rise of German exports to Liberia from DM 89 mn in 1969 to a level of DM 219 mn in 1970, reaching an extraordinarily large volume of DM 511 mn in 1971. This spectacular development is probably explained by special factors, e. g. the delivery of ships to shipping companies operating under the Liberian flag and investments in Liberian iron ore mining, which are not likely to occur again in the coming years.

Incentive Effects of Oil Production

Further important buyers of German products are the oil producing countries Algeria and Nigeria. In the case of Nigeria the rapidly growing figures of the years 1970 (DM 374 mn) and 1971 (DM 492 mn) are indicative of the speedy economic growth registered by that country which started after the termination of the civil war in January 1970 and is favoured by the swift growth of oil production. It may be expected in the case of Algeria and Nigeria that the expansionary forces, supported by the oil boom, will continue to determine the situation; both countries will therefore record growing investment goods imports in the coming years.

German exports to South Africa tended to stagnate at a level of almost DM 2 bn in 1971. In view of South Africa's growth potential, the import volume of this country is likely to rise in the coming years. However, the pattern of South African imports is likely to change in view of the rapid industrialisation process which is being vigorously supported by the Government through fiscal and credit measures. Because of South African industry's growing ability to manufacture certain investment goods and a great number of durables at competitive prices and in good quality, imports are likely to concentrate more and more on higher-grade investment goods.

Handicaps through DM Revaluation

German industry will have to adjust to this gradual change in the South African demand structure. Its position on the South African market was in no way facilitated by the parity realignment of December 1971. While the South African Rand was depreciated by about 12 p. c. and the US \$ by 7.89 p. c., the DM was revalued by 4.61 p. c. This implies a substantial improvement of the competitiveness of US products on the South African market. This is all the more important, because already to date the USA ranks second after the United Kingdom as supplier on the South African market and exported to South Africa in 1971 goods worth US \$ 622 mn. Moreover, Japan was in a position last year to expand its position on the South African market substantially. Despite the revaluation of the Yen by 14 p. c., Japan will continue its efforts persistently to increase its exports to South Africa.

The declining tendency of German exports to the United Arab Republic probably has mainly political reasons. This country's economic resources have largely been strained by the Middle East conflict during the last few years. This has resulted in a substantial weakening of its ability to pay for imports or obtain suppliers' credits for the payment of imports. This state of affairs will not change as long as the Middle East crisis continues. In the case of its termination, the suppressed demand will lead to a considerable rise of import volume which would open enormous additional sales outlets to German exporters.

Competition among Suppliers

Not only are the individual African countries as buyers of German products of rather varying importance, but also the Federal Republic as supplier is of different importance for the individual African countries in relation to the position of other suppliers. In the French speaking countries in North, West and Central Africa, France

is as a rule the most important supplier. For the English speaking countries in West and East Africa as well as the states in Southern Africa, the United Kingdom is the most important supplier. The importance of the United Kingdom and France as major suppliers for the majority of the African countries results from the fact that in the last 100 years traditional flows of trade have developed between the European colonial powers and their dependent territories which have continued also in the post-colonial period. However, in recent years certain changes have become visible. The share of the United Kingdom and France in the imports of a great number of African countries is on the decline. Other countries, notably Japan, the Federal Republic, Italy and the USA have been able to increase their percentage shares in the imports of many African states. A particularly high growth rate has been recorded for Japanese exports to African countries. In the past few years Japan has for instance relegated the Federal Republic from the second to the third rank as supplier in the markets of Kenya and Uganda, with the United Kingdom occupying the first rank. Similar developments in other African countries are likely. In the last two

years, the Federal Republic was overtaken in the markets of Tanzania by the People's Republic of China. Germany now ranks third after the United Kingdom and China.

Questionable Practice of Aid-tying

An important supplier for Africa is the United States which was in a position to increase its exports to Africa (excluding UAR) from US \$ 682 mn in 1961 to US \$ 1,202 mn in 1968. Its 1971 volume of exports to African countries came to US \$ 1,607 mn. In 1971, the most important African buyers of US products were South Africa with US \$ 622 mn, Nigeria with US \$ 168 mn, Morocco with US \$ 102 mn, Zaire with US \$ 84 mn, Algeria with US \$ 82 mn and Libya with US \$ 78 mn.

In addition to the traditional trade relations and monetary involvements, the exports of the United Kingdom and France to African countries are likely to have been favoured by the fact that these two countries make available the bulk of their development assistance to African countries, with those funds being tied to purchases in their former mother countries. It has to be considered

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NEW PUBLICATION

GRUNDFRAGEN DER DRITTEN WELTHANDELSKONFERENZ

(Main Issues of UNCTAD III)

Ahmad Naini

The object of the present study is to analyse the most important questions of trade and development policy discussed at the first and second session of the United Nations Conference on Trade and Development (UNCTAD) and to show how these questions were further dealt with by UNCTAD committees. In this context the problems of UNCTAD III are described and the standpoints of the industrial and the developing countries as well as the present solution approaches are investigated.

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that credits made available within the framework of German development assistance are not tied to procurement in Germany. It remains to be hoped in the interest of the African developing countries that in the course of the coming years the other industrialised countries, too, will abandon the practice of aid-tying.

Downward Tendencies

German imports, which came to DM 7,903 mn in 1970 and DM 7,982 mn in 1971, had their origin mainly in the countries shown in table 4.

Table 4
German Imports from Africa by Countries
(In mn DM)

Country	1967	1968	1969	1970	1971
1. Libya	1,402	2,365	2,556	2,426	2,339
2. South Africa	1,045	982	1,208	1,219	1,051
3. Algeria	515	556	624	549	968
4. Nigeria	376	192	285	571	891
5. Liberia	293	283	275	328	313
6. Ivory Coast	211	267	347	310	300
7. Zambia	258	396	514	467	249
8. Morocco	172	160	193	229	204
9. Zaire	145	186	162	185	169
10. UAR	115	109	158	207	166
11. Cameroon	91	114	138	149	130
12. Tunisia	79	89	87	78	128
13. Sudan	141	180	161	145	123
14. Ghana	103	131	173	171	110
15. Kenya	84	71	82	85	82

The rapid increase in imports from Algeria and Nigeria is worth noting, because it reflects the growing importance of these two countries as crude oil suppliers for the German economy. The substantial decline of German imports from Zambia, which decreased from DM 467 mn in 1970 to DM 249 mn in 1971, is attributable to the decline of copper prices in the last 18 months. The downward trend of German imports from the Ivory Coast, Ghana and Cameroon is explained by decreasing prices on the cocoa and coffee markets.

Deteriorating Terms of Trade

German imports from Africa consist mainly of raw materials of the mining and agricultural sectors. The most important items are crude oil, copper, iron ore, coffee, cocoa, timber, cotton, tropical fruits as well as vegetable oils and fats, including oil fruits and oil cake. These products are particularly sensitive to price and demand fluctuations on the world market. The development of prices of these products has tended to stagnate in the past. On the other hand prices for investment goods and durables, which have largely to be imported by the African states, are

remaining on the increasing side because of the permanent cost inflation in the industrialised countries.

In the past 10 years this has resulted in a continuous deterioration of the terms of trade of many African countries. A gradual change of this unfavourable trend will in many African countries probably be possible if these countries process or convert into finished goods the raw materials they produce.

The importance of Africa as a supplier of raw materials to the Federal Republic is made clear by table 5.

Table 5
Africa's Share of Total Raw Material Imports to Germany 1970
(in mn DM)

Item	Total German imports 1970	Imports from Africa 1970	Percentage share
Crude oil	5,937	3,494	58
Copper	3,453	789	22.8
Iron ore	1,870	547	29.3
Coffee	1,472	284	19
Timber	1,448	534	36.9
Tropical fruits	1,285	203	15.8
Cotton	619	125	20
Cocoa	417	317	75

German exports to the African countries consist mainly of machinery including machine tools, motor vehicles, electrotechnical equipment, ironware and chemical products.

Increasing Efforts Needed

In the years ahead one of the main tasks of the European countries will be to contribute as far as they are able to the accelerated growth of African economies, to the diversification of the exports of African countries and to an industrialisation of the African states based on indigenous raw materials. In the achievement of these goals, however, the main burden will fall on the African countries themselves. They must endeavour more strongly than in the past to mobilise the full extent of their own resources through appropriate economic and financing policies. In addition, the economic development of Africa could be considerably speeded up by increased economic cooperation among African countries. This cooperation is of particular importance in Africa in view of the limited size of many of the national markets. A promising start has already been made in the creation of larger markets in Africa, and one must hope that in the years ahead increased trade within Africa as well as trade between Africa and Europe will contribute to economic development and social progress on the African continent.