Europe 1992: A Challenge to Sub-Saharan African Development

Kwame Boafo-Arthur*

Résumé: *L'Afrique est confrontée à de sérieux problèmes comme la dette et les contraintes de son service, des prix bas pour ses produits d'exportation, la baisse de l'aide extérieure, un taux d'intérêt élevé, des infrastructures faibles et une instabilité politique. L'Afrique au Sud du Sahara ne pourra jouer son véritable rôle dans le marché interne de l'Europe 1992 que si les différentes stratégies de réforme économique en cours améliorent sa capacité d'exportation. Il est urgent que les parties tiers lèvent les contraintes aux investissements contenues dans les conventions de Lomé. Il faudra beaucoup insister sur la diversification commerciale et la création de facteurs incitatifs pour la réhabilitation des produits d'exportation existants. Les efforts de promotion de l'exportation doivent être complétés par des négociations sérieuses pour des concessions commerciales et autres réalistes et contraignantes de la part de la CEE. Il est également important d'augmenter la mobilisation des ressources ainsi que le commerce intra-africain et régional. Bref, c'est sur les aspects internes du développement que les pays Africains doivent maintenant mettre l'accent. Sans d'importantes améliorations sur ces aspects, l'espoir de l'Afrique sub-saharienne d'entretenir des rapports commerciaux avantageux avec une Europe unie sera vain.*

Introduction

In March 1985, the Council of the European Economic Community (EEC) called on its executive wing, the European Commission (EC) to prepare a comprehensive programme with a specific timetable for the establishment of an internal market in Europe. Consequently, in June 1985, the Commission published a White Paper containing 300 legislative proposals, later reduced to 279, on the internal market. In December 1985, the EEC member states passed the Single European Act (SEA), which became effective in July 1987. The legislation is to facilitate the creation of a European internal market by December 31, 1992.

This legislation ushered the European Community into a new and dynamic phase which is bound to have far reaching socio-economic effects on sub-Saharan Africa (SSA). The countries of this sub-region have binding relations with the European Community through their membership of the EEC-ACP group. In fact, of the 66 ACP countries, 44 are from SSA. Issues affecting SSA countries invariably affect the remaining non-African members of the ACP group and vice versa. The links between SSA countries and the EC have recently been strengthened with the adoption of the Lome IV

Africa Development Vol. XVII, No. 2, 1992, pp. 27-43

Convention in December 1989. Like the previous conventions, the emphasis is on trade concessions and financial and technical aid to SSA.

This paper discusses the implications of the internal market for Europe and the challenges they pose to the socio-economic development of sub-Saharan Africa. The central question is: what should Africa's response to Europe 1992 be? Our contention is that, SSA's competitiveness in Europe 1992 will be dependent on successful domestic economic restructuring with emphasis on the rehabilitation and expansion of the traditional export sectors, diversification of the existing export base and vigorous promotion of trade, investment and intra-regional or African trade.

First, we discuss the rationale for the SEA and its potential impact on the EC. This is done to underline the strong economic underpinnings of the internal market, the international economic competition it seeks to invoke, and hence the necessity for SSA countries to pursue viable economic policies. Second, we examine briefly, SSA's relations with the EC under the Lome Conventions. We believe that SSA's reaction to the internal market will be influenced to some extent by this relationship. Positive responses, however, will depend on how some of the bottlenecks in the existing relationship that tend to frustrate third party investment in ACP countries are eliminated.

Preparations towards Europe 1992 have coincided with the unexpected breaking of the Eastern bloc. How this will affect Africa's capabilities to meet the 1992 challenge is also examined. Finally, the dimensions of possible African response to the developmental problems of sub-saharan Africa and the challenges posed by Europe 1992 are discussed.

The European Community and the Single European Market

The concept of a large single internal market for Europe was envisioned by the European signatories to the treaty of Rome in 1957. In the preamble to the treaty, the six nations declared their intention of laying the foundations for an enduring and closer union between European peoples through systematic removal of all political and economic barriers. They agreed to the establishment of a common market and a common external tariff for all goods; common policies to be devised for agriculture, transport, labour mobility and other important sectors of the European economy. These were in line with the major goal of the Community which according to Article 1 of the treaty was to ensure the achievement of a harmonious development of the economy within the whole Community, a more rapid improvement in living-standards and closer relations between the member countries[1].

1 On the Treaty of Rome and the common market concept, see A.E. Walsh & John Paxton (eds.), *The Structure & Development of the Common Market*. (Hutchinson, London, 1968).

Article 8A of the SEA also states: 'the internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured...'[2]. The SEA is thus a re-statement of the objectives of the Treaty of Rome. The singular differences between the 1957 and 1985 positions are the urgency now attached to the latter and the determination to see it through. This is reflected in the deadline of December 31,1992 for the implementation of the single European market. The SEA seeks to do the following;

- removal of all internal border controls, especially eliminating delays at frontiers for custom purposes and related administrative burdens for companies and public administrations;
- elimination of technical barriers to trade by applying the principle of mutual recognition of standards, the harmonization of technical standards with respect to health, safety, consumer protection and the environment;
- opening up of government procurement to competitive bidding;
- recognition of professional qualification within the Community;
- harmonization of indirect taxes (eg. value added and excise) and,
- liberalization of capital movements and related liberalization of financial services[3].

The question arising from this is: what instigated this new urgency and commitment to an internal market by the end of 1992?

The impetus for Europe 1992, as it has become known, appears to be the outcome of the great concern expressed about economic and technological stagnation in the member countries of the European Community. It is felt that through the internal market, EC companies operating on a wide market will be able to carry out the necessary research and development, a precursor to improved technological advancement. The reason as Jacques Pelkmans and Peter Robson note is that:

> *... the member states were finding themselves individually specialized more and more on low-technology, stagnating sectors of industry, and failing to adjust intersectorally towards medium-technology and more particularly high technology sectors with the vigour of Japan and the US. To many observers, it appeared that the EC's refusal to make*

2 Cited in Ehlerman, C.D., 'The Internal Market following the wing the Single European Act, *Common Market Law Review*, (24), 1987, pp. 363-364.

3 See Gita Bhatt, 'Europe 1992: the quest for Economic Integration', *Finance and Development*, June 1989, pp. 40-42.

timely industrial adjustment was encouraged by the fragmentation of its internal market[4].

A single market is therefore intended to enhance Europe's capabilities in competition with strong economies such as the US and Japan. The internal market will lead to effective and efficient channelling of resource flow of labour, capital and materials to 'areas of maximum economic advantage'. Of immediate economic significance, however, is that the programme will create a united market of 320 million consumers. Since there will be no obstacles to the movement of goods, services and capital, growth in various sectors are envisaged. In fact, a single market will immediately transform the EC into the world's second largest economy after the US.

A major study titled *Research on the Cost of Non Europe*, and popularly called the Cecchini Report, analyzed the economic prospects of the internal market by focussing on the cost of 'non Europe', namely how much it will cost Europe if the internal market is not formed.

The direct gains from the removal of barriers to trade is a low 0.2-0.3% of GDP. The elimination of barriers to production in the form of protective public procurement, different national standards and regulations has an anticipated gain of between 2.0% and 2.4% of GNP. The indirect effects reflected in gains from economies of scale, intensified market competition and market integration are 2.1%, 1.6% and between, 2.1 and 3.7% respectively. Judged on the basis of 1988 prices, the overall gain is expected to be between 170 and 250 million Ecu per annum[5]. The Cecchini Report concluded that a completely free and competitive internal market could in the course of five to six years create between 2-5 millions jobs, raise the EC's GDP to 7% and reduce consumer prices by between 4.5-6%[6]. As of June 1990, considerable progress had been made in the areas of border controls, technical standards, public procurement; and in the free movement of labour, capital and financial services. Clearly, the underlying factor for the internal market is the quest for European economic power reminiscent of the pre-1945 era. As argued by Hans-Jorg Rudlof, 'the European challenge in to

---

4 Jacques Pelkmans and Peter Robson, 'The Aspirations of the White Paper', *Journal of Common Market Studies*, vol. xxv, No. 3, March 1987, p. 181, 5, Gita Bhatt, op. cit. p. 40.

5 All figures except in the last line are expressed at 1985 prices and relate to seven member states. The aggregate result is scaled up in terms of the 12 member states. The last line expresses 1988 GDP. The seven member states (Germany, France, Italy, United Kingdom, Belgium and the Benelux) account for 88% of the GDP of the EC-12. For further information on the cost of Non-Europe, see Paolo Cecchini, 'Study Analyzes Impact of 1992 Internal Market', *Europe* Oct. 1988, p.18ff.

6 See Gita Bhatt, op. cit. p. 41, and *Europe*, Oct. 1988, p. 16.

restore the Europe of 1914 when Europe was the biggest economic power is the world...'[7].

While the aim is not to assume imperial status, it is undeniable that world economic and political power move side by side. Besides the potential economic benefits, there is a veiled political dimension to the whole economic push. Politically, the SEA has given the community a significant push towards its ultimate goal of political integration. Economic unity and stability, it is hoped will create the necessary conditions for political integration, there is also an underlying quest for world power. With regard to this, Hans-Jochen Vogel, the leader of the German Social Democratic Party declared:

> *... We will need the Single Market to be able to face competition with other important trade partners in the world. But more importantly, we are convinced that only in this way will Europe be able to increase its strength as an international power and capacity for self-assertion*[8].

The existence of the EEC-ACP accord and the sort of influence the Community wields in Sub-saharan Africa will be further enhanced by the anticipated economic impact of the internal market; Given the close relationship between economic power and political influence in the international system, the success of the internal market is expected to manifest itself in Europe's renewed global power.

In sum, very significant and far reaching steps have been taken by the EC in an attempt to meet its December 1992 deadline, for the creation of an internal market. It is obvious that the internal market is a challenge to the economic dominance of the US and Japan. In the light of the developmental problems facing many developing countries and the stress on international economic competition in Europe, however, a more serious challenge faces SSA countries. The challenge is rendered more daunting by Europe's failure to adequately address its external trade policy under the SEA and the recent developments in Eastern Europe. Even though Mr. Willy De Clercq, the EC Commissioner for Foreign Relations hinted that many developing countries will not be asked to make reciprocal concessions[9], the fact still remains that the EC has not streamlined its relations with SSA under the SEA.

Notwithstanding De Clercq's assurance on concessions for the developing world, the primary goal of the single market which is to reinforce the

---

7 See Hans-Jochen Vogel, 'The Political Dimension of the European Single Market', *The International Spectator*, vol. xxiv, No. 1 January-March 1989.

8 See *New York Times*, April 3, 1990, pp. A1 and C1.

9 See David Buchan, 'EC Clarifies External Implications of 1992 Program', *Europe*, November 1988, p. 14.

competitiveness of European Industry must be underscored. It must be stressed further that third country producers (especially the developing world, would still have to face stiff competitions among themselves, with individual European producers, with advanced countries like Japan, the US and the Newly Industrializing countries (NIC).

In view of the low level of development in SSA countries, it could be safely assumed that any unfair trade competition or any negative effects in terms of international trade war is bound to affect the most vulnerable of EC's partners - the sub-Saharan African countries. Would it be wise then for sub-saharan African countries to count on non-binding assurances on concessions in the internal market? The clue seems to lie in the failure to explicate on the form EC-ACP relations will take when the single internal market is finally established.

It must be noted that the existing EEC-ACP relationship was the outcome of negotiated agreement which is supposed to be binding on the EC, since the SEA drastically reforms aspects of the Treaty of Rome, the rules governing existing relations must of necessity change. The fact is, instead of SEA exports going to a Community with fragmented market with often different rules by 1992, there would be a single market, and hopefully, uniform rules. Whereas the conditions under which African exports entered EC markets were mutually arrived at under the Lome Conventions, there has been no binding agreement on the conditions under which African exports will enter community market in 1992. In the light of the history of the relations under the Lome Conventions, would it be enough for SSA to depend on the existing accords to guide its trade and other relations with the Community after 1992? Answers to these questions call for brief examination of what the Lome Conventions are and what they are not.

EC-sub-Saharan African Relations

The Community and SSA relations trace their origin to the Treaty of Rome which established the Community in 1957. The Treaty included special provisions (part IV) which inaugurated a new association in 1958 between the original six members of the Community and their overseas and colonial territories. The purpose of the association as spelt out in Article 131 of the Treaty was "to promote the economic and social development of the countries and to establish close economic relations with them and the Community as a whole". The members of the Community subscribed to the idea of closed and exclusive relationship. It was evident that commercial motivations were overriding factors when deciding the inclusion of the dependencies as associate members. In fact, France which originally mooted the idea of association and made it a condition for their own membership of the

EC had to concede the right of other member states to establish business ties with the territories under her control[10].

By the early 1960s, most of the associated territories had attained independence. The association proved over the years to be a remarkably useful and a firm base through which the Community could steadily extend its influence in Africa. Thus, the Yaounde I Convention was signed to ensure the continuity of the ties between the newly independent countries and the EC[11]. Britain's entry to the Community in 1973 paved the way for the inclusion of Commonwealth African countries and led to the signing of the Lome I Convention in 1975 between the Community and 46 ACP countries. The provisions of this multilateral agreement included cooperation in the fields of trade, aid, investment, industry and stabilization of ACP export earnings[12].

By the end of the first convention in 1979, the initial euphoria over the possible developmental impact of the relations had given way to cautious optimism. Nevertheless, in 1980, the original five-year convention was renewed (with some modifications) by the Community and 58 ACP states as Lome II. In December 1984, the ten EC member nations and 65 ACP countries signed the Lome III Convention[13]. On December 15, 1989, the new Lome IV Convention was signed between the 12 members of the EC and 66 ACP countries. One major feature of Lome IV is the extension of the duration of the convention from five years to ten years.

Running through the conventions are three distinctive features covering aid, stabex and trade[14]. Under the conventions, the Community is obliged to give a certain negotiated amount of aid to ACP countries through the European Development Fund (EDF). This amounted to 3,390 million Ecu and 5,400 million Ecu under Lome I and II conventions respectively. However, inflation, population growth and the expansion of the ACP countries reduced aid under Lome II (as compared with Lome I, by about 20% per

---

10 See Majorie Lister, *The European Community and the Developing World*, Gower Publishing House, England, 1988, p. 15.

11 Ibid.

12 John Ravenhill, *Collective Clientelism: The Lome Convention and North-South Relations*, Columbia University Press, New York, 1985, p. 1.

13 See Twitchett, *A Framework for Development*, London: George Allen and Unwin, 1981, pt. 1 and Cecil Rajana, Lome II and ACP-EEC Relations, *Africa Quarterly*, vol. xx Nos. 1-2.

14 For detailed and informative analysis of the conventions, see C. Stevens. 'EEC and Africa', *African Contemporary Record*, 1983/84, pp. A203-205: 'The EEC's Year in Africa', A.C.R., 1984/85, pp. A163/170; 1985/86, pp. A208-215, and Tony Hill, 'Whither Lome? A Review of the Lome III negotiations', *Third World Quarterly*, (3) July 1985, pp. 661-681.

ACP citizen[15]. Under Lome III and IV, an amount of 8.5 billion Ecu[16], and 12 billion Ecu[17] respectively, were allocated to the ACP countries.

Another salient feature of the Conventions concerns Stabex regulations. Under this, the Community makes up for short falls in the export earnings of selected commodities from ACP countries. An ACP country qualifies for stabex assistance if external earnings from a listed commodity falls by 7.5% below the average price in the community market over the previous four years[18]. A commodity under stabex must account for 7.5% of export income for a particular country and 2.5% of export income of the poorest ACP countries. Through this mechanism, many sub-Saharan African countries have benefited from stabex transfers. Lome II introduced SYSMIN, for minerals. Certain minerals were excluded but Lome IV expanded Sysmin coverage to include gold and uranium. Trade concessions for the exports of sub-Saharan African countries is another prominent feature of the relations. Over 99% of SSA exports enter the Community market duty-free.

Over the years, however, the ACP countries have been frustrated by the rejection of demands for increased aid per capita in real terms, improved stabex and trade liberalization. Generally there have been disappointments because of Lome's failure to meet the developmental needs of SSA. In spite of the signing of Lome IV, the EC's failure to guarantee the existing relations in the 1985 White Paper on the modalities for the establishment of the European internal market tends to undermine the relationship.

Although the special relationship seems to be losing its attraction for the Europeans on account of changed international economic conditions, there is no reason to believe that the existing pact will be abrogated by either party in the foreseeable future. The reasons are that, the threat of OPEC style commodity producers cartel which was cause for alarm in some European circles in the 1970s, no longer exists. Furthermore the relationship as Ravenhill argues, 'continues to produce tangible benefits for many of its parties'[19]. For the ACP countries, it is in the form of guaranteed assistance in spite of the generally dwindling external capital inflows to the Third World, while for the EC, it is the assured access to markets and raw materials. It is certain, however, that the EC is guaranteed access to certain minerals and commodities (Table 1). Access to minerals of ACP countries as covered by Sysmin under Lome IV underlines the importance the EC attaches to the guarantees. Stabex and Sysmin offer, not only a form of social insurance for

15 Jeffrey Herbst, 'Theories of international Cooperation: The Case of the Lome Convention, *Polity*, vol. xix, No. 4, Summer 1987, p. 638.

16 See *West Africa*, 25 February, 1985, p. 362.

17 *The Courier*, No. 119, 1990, p. 1.

18 J. Herbst, op. cit. p. 639.

19 Ravenhill, op. cit. p. 4.

the ACP but also an insurance policy for the patron helping to increase the security of future supply of raw materials[20]. The fact is, commodities not exported to EC markets do not attract stabex or sysmin transfers in case of shortfalls in price.

Table 1 - ACP share in EEC Imports of Raw Materials (1976, in percentage of extra EEC imports)

95 - 100	Uranium 90 - 85-
85 - 90	Pineapples, palm nuts, and kermels
80 - 85	Groundnut oil
75 - 80	-
70 - 75	-
65 - 70	-
55 - 60	Groundnuts, raw sugar, sisal, wood, aluminium ore
50 - 55	Copper ores and concentrates, alumina
45 - 50	Groundnuts cake
40 - 45	Coffee
35 - 40	Refined copper
30 - 35	Manganese
25 - 30	Tea, tin
20 - 25	-
15 - 20	Beef, bananas, palm oil, raw cotton, phosphates, iron ore
10 - 15	Rice, rubber (natural), skins, diamonds
10 - 15	Copra, raw tobacco, unrefined aluminum, zinc, chrome, crude petroleum

Source: Ravenhill John, Clientelism.... op. cit. p. 39.

In spite of the trade concessions as well as stabex and aid provisions under the Lome Conventions, SSA's developmental problems persist. In fact, the convention was hailed as a 'new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order'[21], but the much anticipated economic or developmental break-through for SSA is yet to materialize. Contrary to expectations, the gap between the North and South has widened and investment levels have not risen[22].

The fact is that the prolonged developmental problems of SSA countries have adversely affected the regions overall performance in world commodity and manufactured trade. For instance, economic growth and living standards of SSA countries have deteriorated over the past decade. The dependence on primary commodities has made most of them vulnerable to external shocks.

20 Ibid. p. 41.

21 Preamble to the first Lome Convention, cited in Ravenhill, op. cit. p. 1.

22 Roger C. Riddel, *Foreign Aid Reconsidered*, p. 94.

The debt burden has become unbearable and the consequent economic stagnation has engendered political instability and social fragmentation.

These developmental problems have contributed to a steady fall in SSA's share of EC market since 1975 when the first Lome convention was signed. Before 1975, the ACP held 8% of EC market but this fell to 6.5% ten years after Lome[23]. A World Bank study has also shown that SSA exports, in relation to other Least Developed Countries (LDCs) have slumped in both volume and total earnings as shown in Table 2.

Table 2 - Sub-Saharan African Export Performance (1970-1986). Average Annual Percentage Change

Export Vol.	1970-1979	1980-1984	1985	1986	1987
Africa	- 0.7	- 2.7	- 4.6	1.7	2.7
Other ldcs	3.0	7.1	3.1	5.8	9.4
Export earnings					
Africa	13.1	- 6.1	- 3.1	9.5	3.6
Other ldcs	22.3	4.0	- 1.3	1.6	22.9

Source: World Bank/UNDP, Africa's Adjustment Recovery and Growth: Trends and Perspectives in the 1980s, (Washington D.C.) March, 1989

In the 1970s, there was only 1 percentage increase in Africa's export volume while that of other developing areas was 3%. The difference widened in the 1980s. For instance, while the increase for Africa in 1987 was 2.7, that for the other developing areas was 9.4. Export earnings, as the table shows, also reflect the same differences. In 1987, Africa registered 3.6 percentage change in export earnings while that of other developing areas was 22.9.

By 1987, average export earnings for SSA countries was only 64% of their 1980 levels. This was in spite of a 16% rise in export volume[24]. Since most of the economies depend on one or two primary commodities, decline in export prices always herald serious dislocations in national development plans. Most of the countries depend on four main crops-coffee, cocoa, cotton and sugar. Together these crops constitute about 70% of total agricultural export from SSA (Table 3).

23 See Matthew McQueen and C. Stevens, 'Trade Preferences and Lome IV: Non-traditional ACP Exports to the EC', *Development Policy Review*, Vol. 7, 1989, pp. 239.

24 Joshua Greene, 'The Debt Problem of Sub-saharan Africa', *Finance and Development*, June 1989, pp. 9-12.

Table 3 - Share of main commodities in total agricultural exports of sub-Saharan Africa, 1944-1984 (percentage)

Commodity	1944-1966	1969-1984	1978-1980	1984
Coffee, cocoa and cotton	46	54	63	66
Coffee, cocoa and sugar	51	58	69	72
Coffee, cocoa, copra & tobacco	56	61	72	78

Source: OECD Development Centre, Crisis and Recovery in Sub-saharan Africa, (Paris, 1985), p. 51

With such narrow export base, every negative price fluctuation affects external cash inflow and therefore development programmes. This situation has been aggravated by the low level of flexibility in the production system. As a result, African countries are not able to benefit much, in times of higher prices and suffer most when prices slump. Trade concessions have had little impact on export promotion because of the lack of efforts to enhance production capacities and the over dependence on primary products.

It must be stressed, however, that the nature of the various Lome Conventions have contributed to SSA's inability to break from the primary commodity dependence syndrome.

Generally, it is assumed that under the terms of the Lome convention, there are no barriers to SSA exports to EC markets. In reality, there exist some tariff and non-tariff barriers. Calls for the removal of these barriers during negotiations for Lome III went unheeded and Lome IV also did nothing about it. For instance, textiles and fish flies from Malawi and strawberries from Kenya continue to face daunting barriers in EC markets[25].

Further constraints are indirectly imposed by the existence of the 'safeguard mechanism' and 'the rules of origin' clauses in the convention. The EC reserves the right to invoke the safeguard mechanism clause if in its opinion, SSA exports have the potential of seriously disrupting EC markets. Simply, the safeguard mechanism restricts the range of goods that the ACP countries can currently export to the Community. Even though this clause is yet to be invoked, its existence deters would - be third party investors in Africa as there are no guarantees for their products in EC markets.

The rule of origin clause strengthens the safeguard mechanism clause. It specifies the percentage of the final products' components that must

25 See Tony Hill, op. cit. p. 662. On the interesting story of fish from Malawi made from feathers and attached to hooks, see Adrian Hewitt, "Malawi's First Eight Years of Co-operation with the EEC: The Result of the Lome Convention", *ODI Working Paper*, No. 12, 1983.

originate from either the ACP or EC member country before it qualifies to enter EC market. On the one hand, it appears EC companies are reluctant to invest in SSA countries because of political instability in most countries and fear of low economic returns on investment. On the other hand, the existence of these clauses seem to scare non-EC investors. With regard to foreign investment it appears the ACP countries are in a no win situation. The best SSA countries can do is to re-negotiate with the EC on the 'safeguard and rules of origin mechanism'. Successful negotiations of these clauses will possibly lead to increased investment in various sectors by third parties. Additionally, governments could come out with attractive investment policies to lure foreign entrepreneurs. This is imperative because SSA need to improve upon the manufacturing sector and through that minimize the dependence on the export of primary products. It must be noted that investments in the manufacturing sector over the last decade were low. As such its contributions to external earnings were marginal. As compared to other developing areas, SSA's share in global manufacturing is very low. The World Bank notes that between 1965 and 1986, the ratio of manufacturing value added (MVA) to GDP for SSA has been stagnant around 10% while it has increased from an average of 20% to 30% for all developing countries[26]. Many reasons account for this but a significant disabling factor in the context of EC-ACP relations is the very little external aid expended on this sector. External assistance to manufacturing industry was 'less than 12% of the total official aid to Sub-saharan Africa at the start of the 1980s; it has fallen sharply since then and the trend appears set to continue'[27]. As a result of this trend, ACP export of manufactured goods to EC market fell from 6.6% in the 1970s to 1.5% in 1988[28]. At present EC sponsored projects in SSA are agricultural biased. Sub-saharan African countries will be able to maximize their gains from the manufacturing sector and compete in Europe only if appropriate policy prescriptions aimed at improving the sector are taken. A push could also be given to domestic industrial entrepreneurs. Given the low level of capital formation and technological development, the EC could be of immense help by increasing investment in this sector and also by relaxing the safeguard mechanism and the rules of origin clauses of the Lome Convention. This will guarantee export avenues to third parties interested in this sector.

Furthermore the much vaunted preferential treatment for ACP exports has also suffered over the years. This is the result of the lowering of the

26 World Bank, *World Development Report*, 1986, pp. 184-185.

27 Roger C. Riddel, 'A Forgotten Dimension? The Manufacturing Sector in African Development', *Development Policy Review*, vol. 8, 1990, p. 5.

28 *South*, January 1990, p. 17.

general level of EEC custom duties and the signing of special arrangements with other countries. So far as the Lome preferences are concerned, the African Development Bank notes that 'less than 30% of ACP exports to the Community are treated more favourably than exports of other countries'[29]. Exports of tropical products which originally had favourable treatment are bound to suffer because of the newly instituted general trade liberalization for such products from other regions. Since this effectively reduces the margin of preferential treatment under the Lome Convention, ACP states will surely lose. To some extent then, SSA's trade relations with the EC after 1992 will be influenced by the nature of the preferential treatment and the capabilities of individual countries to enhance production capacities.

The accession of Spain and Portugal to EC membership poses another challenge to SSA countries. Cote d'Ivoire, Senegal and Ghana have gradually developed their canned tuna industries. About 63% of the aggregate canned tuna produced by these countries and Fiji, Mauritius and Solomon Islands enter EC market. Spain and Portugal are among the leading canned tuna producers in Europe. However, until their accession to membership of the EC in 1986, they were not exporting to EC market because of Community tariff of 24% and 9.6% imposed on Spain and Portugal respectively[30]. These tariffs have been eliminated since 1986. Sub-saharan African producers now compete with Spain and Portugal. The odds against SSA countries (in terms of accessibility, communications etc.) will be greater when all internal barriers to trade within the EC are removed by 1992.

The unexpected collapse of communism in Eastern Europe threatens to affect external aid flows from some donors to SSA. In fact, the Lome IV committed 12 billion Ecu to the ACP countries but this has not lessened the apprehensions of many countries about the possible diversion of development assistance from Africa to Eastern Europe. The breakdown of communism has effectively eliminated trade and other barriers between the EC and the former Soviet satellites. Various western companies with support from their governments are seriously exploring trade and market links with the COMECON countries at the expense of SSA countries. According to Nigel Twose, London Director of the Panos Institute, there are 'clear off-the-record indications from a number of European governments that Eastern European economic reform will be at the expense of aid to Africa and the rest of the Third World[31]. For instance, the EC has voted $4 billion in support of Poland's economic reforms and aid pledges have been made to Hun-

29 African Development Bank (ADB), *African Development Report*, 1990, p. 39.

30 M. McQueen and C. Stevens, *op. cit.* p. 242.

31 Cited in Baffour Ankomah, 'The 1990s: An African burning point', *African Business*, March 1990, p. 10.

gary and Romania. These are in addition to serious attempts to incorporate Eastern European countries into a broader European economic scheme. The Italian Prime Minister, Guilio Andreotti openly expressed his willingness to rechannel aid meant for the Third World to Eastern Europe[32]. The Community also seeks 'closer collaboration' with COMECOM countries because they represent a considerable market[33]. Draft agreements on trade and economic co-operation have already been signed by the EC with the Soviet Union, Hungary, Czechoslovakia and Poland[34]. It seems therefore that the development of the fledging democracies in Eastern Europe will be at the expense of assistance to SSA countries. This will surely affect the volume of development assistance SSA countries receive from bilateral and multilateral sources. There is no doubt therefore that the ability of these countries to develop their economies will be further constrained by events in Eastern Europe. Even though the opening up of Eastern Europe will possibly lead to greater demand for tropical products, SSA countries will find it difficult to take advantage of that because of the same development problems, the constraints imposed by the Lome Convention and the possible diversion of development assistance to Eastern Europe.

African Responses

African countries have however, responded to the developmental crisis by the adoption of various policies. These responses when carefully followed, will greatly enhance economic growth and improve upon Africa's competitiveness in the European market. First, efforts at the widening of the export base have been intensified by many countries. For instance, there has been an appreciable growth in non-traditional exports comprising of canned tuna, leather products and vegetables to EC markets[35]. Although the overall contributions to GDP by these exports are small, prospects are bright if the momentum is maintained.

One area that holds immense promise for African development in the long term is intra-African trade. Attempts to promote intra-African trade (which predate the decision to establish a single market in Europe in 1992), have led to the formation of various regional economic groupings such as the economic Community of West African States (ECOWAS), made up of 16 countries in the sub-region and formed in 1975 and The Preferential Trade Area (PTA) comprising 15 countries in Eastern and Southern Africa formed in 1982. It must be noted that intra-African trade is less than 5% on

---

32 See Ibid. pp. 5-6 and *African Business*, February 1990, pp. 10-11.

33 Hans-Jochen Vogel, op. cit. pp. 5-6.

34 ADB, *African Development Report*, 1990, p. 41.

35 Ibid. p. 109.

the average[36] and there is practically no trade between the West African countries and their East African counterparts. The formation of these trade blocs with the sole aim of promoting economic cooperation and intra-African trade will boost self-reliance and trade. In 1984 for instance, total intra-regional imports in the West African sub-region increased to $943 million, from $396 in 1976, an increase of approximately 139%. During the same period, total exports rose from $490 million to $891 million, a rise of approximately 82%[37]. This humble beginning could be built upon. However, effective intra-regional trade has been hampered over the years by several factors. These include the nature of African economies which are non-complementary, but competitive raw materials and agricultural products. Weak or limited infrastructural facilities such as transport and communications, the existence of multiple currencies, the existence of other competing sub-regional economic unions such as the francophone Communauté Economique de l'Afrique de l'Ouest (CEAO) and the Mano River Union (MRU), and disharmonious legal and administrative set up, are other problems undermining intra-regional trade[38].

Concerted efforts and practical policies that will guarantee effective intra-regional trade are needed. Finding lasting solutions to most of the problems bedeviling intra-African trade will help in minimizing Africa's dependence on European markets and boost south-south cooperation.

Many countries have also adopted internationally sponsored structural adjustment programmes aimed at improving their economies and ensure steady development. Various studies have shown that those countries with such programmes have better chance of stimulating economic growth and hopefully, overall development than those without[39]. However, one must carefully evaluate such optimistic prognosis in the light of what is actually happening in countries that have adopted such programmes. It is on record that only 9 out of 30 African countries with SAPs in the early 1990s are working satisfactorily[40]. The fact is that the social consequences of such strategies have in most cases tended to be negative. In short, the structural adjustment programmes have not provided the needed solutions to Africa's

---

36 McQueen and Stevens, *op. cit.* pp. 242-245.

37 Julius E. Okolo, 'Obstacles to increased intra-ECOWAS trade', *International Journal*, XLIV, Winter 1988/89, p. 178.

38 For further explication on the dimensions of these constraints, see Julius Okolo, op. cit. pp. 185-210.

39 For detailed discussions on aspects of the performance of countries undergoing Structural Adjustment Programmes, see Charles Humphreys and William Jaeger, 'Africa's Adjustment and Growth', *Finance and Development*, June 1989, pp. 6-8 and Saleh M. Nsouli, 'Structural Adjustment in Sub-saharan Africa, *Finance and Development*, Sept. 1989, pp. 30-33.

40 ADB, *African Development Report*, 1990, p. 123.

developmental problems. This point was well conceded by the Chairman of Ghana's Provisional National Defence Council (PNDC). Flt/ Lt. J.J. Rawlings when he declared

> *I should be the first to admit that the economic recovery programme... has not provided all the answers to our national problems*[41].

African countries need to do a lot more in terms of restructuring their economies, promoting industrialization, improving the manufacturing sector, boosting regional trade and diversifying the economic base in order to meet some of the challenges posed by the decision to set up a single European market. In fact, African development could be enhanced and its competitiveness improved by increased trading among African countries. In addition, the pursuit of sound initiatives aimed at providing congenial political and economic atmosphere to attract capital from within and without Africa will be in order.

Conclusion

There is no doubt about the enormity of the developmental problems confronting sub-Saharan Africa. These range from debt and debt servicing obligations, difficulties generated by low commodity prices, declining external assistance, high interest rate, weak and deteriorating infrastructure and political instability. Since Sub-saharan Africa, like other third parties must compete for market in Europe 1992, the prospects of the region benefiting from the internal market, (even if the existing preferential treatment under the Lome accords are maintained), depend critically on the successful resolution of most of the developmental problems.

Even though some serious economic restructuring steps have been taken by some countries, the fact still remains, however, that no rapid and easy solutions exist, especially where drastic restructuring of the economy and re-orientation of economic policies are concerned. It must be stressed that sub-saharan Africa's full potential in the internal market of Europe 1992 will be reached, only if the various economic reform strategies being carried out improve its export capacity. There is also an urgent need for the removal of constraints to investments by third parties inherent in the Lome Conventions. Given the depth of the problems, it is too early to judge whether positive change will emerge ultimately from the various strategies.

The only consolation for SSA countries is that 1992 in itself is problematic because nobody knows how successful it will be. Its impact on Africa will therefore vary demanding upon its outcome. For the interim, however, strong emphasis on trade diversification, provision of incentives

41 See *African Business*, March 1990, p. 11.

for the rehabilitation of existing export products, and export promotion drive must be coupled with serious negotiations for realistic and binding trade and other concessions from the EC. Internal resource mobilization and intra-African or regional trade must also be stepped up. In short, African countries should now place primary emphasis on the internal aspects of development. Without substantial improvement along these lines. sub-Saharan Africa's hopes of beneficial trade with Europe will remain a dream, come 1992.

---

* Department of Political Science, University of Ghana