

Trade between China and Africa: Challenges and Opportunities

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ABSTRACT

Trade in Africa is not vibrant as it is obtainable in other continents of the world. This is the more reason this review is undertaken to comparatively juxtapose Africa and China in terms of trade, so as to unveil the challenges as well as opportunities embedded. The major aim of this work is to highlight some of the key factors that explain why Africa as a continent has not been able to fully benefit from world trade. Several reasons have been presented to explain this appalling phenomenon, but what stands out is the fact that Africa's uncompetitiveness in world trade has three dimensions, namely: internal; regional and foreign factors. To boost trade, African countries need to diversify into high value products, liberalise the service sector to open it up for increased investment and focus on pro-poor policies.

Keywords: Africa, China, World Trade, the West, South-South Cooperation

INTRODUCTION

The extent to which Africa has been involved in world trade is appalling to say the least (Chea, 2012). Amoah (2014), Brenton (2012), Hammouda and Osakwe (2010) attribute this situation to internal failures within African States, while Kohnert (2008); Brenton (2012) reason that African countries have failed collectively even after purporting to create regional trading blocs. Bagumhe (2012), Ajayi (2011), Arinaitwe (2006) and Langan, (2011) argue that Africans have found themselves in this low competitive position because of factors brought about by Western imperialists. Whatever reasons explain how Africa gets to this state of affairs are probably of little consequence now. What is of critical importance is for African countries to take on the mantle individually and collectively and put in place mechanisms that can re-ignite, stimulate and sustain trade and investment in the Continent. This paper is largely derived from literature sources and is not intended to delve into greater detail to explain the characteristics of trade in Africa and China. Rather, the main thrust of the work is to highlight some key factors that explain why Africa as a continent has not been able to fully benefit from World Trade.

Limited African Involvement in Global Trade

Africa's performance in world trade has been dismal. For example, between 2008 and 2009, Sub Saharan Africa contributed to only 3 per cent of global exports and

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imports as opposed to Latin America and developing Asia which contributed up to 6 per cent and 27-30 per cent respectively (Chea, 2012). Reasons put forward to explain this trend point to both outside and inside Africa. Arinaitwe (2006) reasons that although World Trade Organisation's (WTO) main goal is to develop a stable global market for its 140 member States, many of its policies are protectionist in nature and in many instances, constrain Sub-Saharan African countries from accessing the global market place. In addition, developing countries, although constituting two thirds of WTO, struggle to make their voices heard in terms of their trade objectives (Oduwole, 2009). As much as WTO's first principle is trade without discrimination, it essentially means that imported and locally produced goods should be treated equally. This favours stable economies that have developed capacities to trade at the global level and would constrain growth of local firms, especially from developing countries, which need to be nurtured (Arinaitwe, 2006). Such a situation creates trade imbalances that favour developing nations against those that are still developing.

However, Arinaitwe (2006) argues that WTO policies are not entirely to blame for the plight of developing nations. African countries are also culpable in that they: have not developed their own capabilities to negotiate on trade issues; have not developed a strong skill base; suffer from brain drain; and experience political uncertainties, poor governance and corruption tendencies (Amoah, 2014; Ajayi, 2011). All these factors lower the ability of developing nations to compete favourably in the global market. Trade between African countries has not improved significantly (Brenton, 2012) due to high transport cost and lack of true regional integration (Amoah, 2014). Freight costs of African exports are largely caused by poor infrastructure, geography (landlocked countries), non-tariff and regulatory barriers (Brenton, 2012), limited resource endowment and weak institutions. These costs are significantly higher than for similar goods sourced from outside the Continent, making such costs a greater impediment to inter-African trade than import tariffs and trade restrictions (Amoah, 2014). As such, Africa is more integrated with the world more than within itself (Brenton, 2012). On regional integration, the eight recognised communities in Africa by African Union (AU)² have had little success particularly on inter-Africa trade and investment, which have all remained low mostly because of lack of openness (Chea, 2012), lack of political consensus and the unwillingness to divest of national prerogatives and other non tariff barriers (Kohnert, 2008).

Non-tariff barriers and regulatory barriers affect the smaller traders more and thus constrain them from being able to exploit smaller markets across the borders which would help them to grow gradually into stronger entities (Brenton, 2012). These small traders, mostly women who provide income for their households, earn very small profit margins (Lesser and Moisé-Leeman, 2009) and yet they are the most vulnerable to abuse in form of bribes and sexual harassment. Quoting one of such traders, Brenton (2012) says "I buy my eggs in Rwanda. As soon as I cross to Congo, I give one egg to every official who asks me. Some days, I give away more than 30 eggs!" (p. 12). In Southern Africa, Brenton (2012) notes that the need for

many permits, licenses and other customs procedures at the border points significantly to slow down cross border trade causing huge losses to the traders. For example, the supermarket chain Shoprite reports that “each day one of its trucks is delayed at a border costs US\$ 500 and it spends US\$ 20,000 per week securing import permits to distribute milk, and plant based goods to its stores at Zambia alone” (Brenton, 2012). Even with the service sector, professionals such as accountants, lawyers, doctors, engineers, and others who would otherwise easily provide such services across borders are constrained because of restrictions imposed by governments on the movement of these professionals as well as delivery of such services (Brenton, 2012). This could perhaps explain why developing countries opposed services liberalisation during the Uruguay Round of negotiations, thinking that this was an area of interest to developed countries alone, and yet services have been among the fastest growing component of world trade over the last decade and half (Bagumhe, 2012). Such non-trade barriers increase the cost of trade and raise prices, which makes investment unsustainable (Brenton, 2012).

Bagumhe (2012) blames Africa’s underdevelopment to the development paradigms pursued by the Continent’s countries themselves. He reasons that this situation resulted from poor macro-economic and sectoral policies that gave the state a bigger role in production and regulation of economic activities. Government protectionist policies augmented by import substitution strategies and widespread use of tariff and non-tariff barriers, encouraged monopolistic tendencies and reduced competition that would have fuelled productivity. As a result, African countries found themselves facing dire economic crises of the 1980s, not helped by a weak or non-existent private sector. Similarly, Hammouda and Osakwe (2010) attribute Africa’s underdevelopment to lack of high and sustained economic growth coupled with pursuit of policies that are not pro-poor as well as poor investment climate.

Ajayi’s (2011) arguments for the causes of Africa’s underdevelopment are perhaps more radical. He reasons that up to the 15th century, no country was noticeably more developed than others, not until the Europeans came to colonise Africa. By incorporating Africa into the capitalist systems, the West has continued to transmit and impose ideologies, specific skills and a certain authority which the Africans must abide with. By so doing, Ajayi (2011) reasons, indigenous development approaches have been lost, leaving the continent to be exposed to the effects of the protracted recession in the global capitalist system. Africans were diverted from producing food crops to cash crops which were exported to Europe as raw materials. True to this argument, African countries have to this day continued as producers of cheap primary commodities, while at the same time consuming expensive imported finished goods (Arinaitwe, 2006; Kohnert, 2008). African countries have even failed to diversify and produce goods for local consumption (Ajayi, 2011; Arinaitwe, 2006). A similar argument to Africa’s present economic situation is presented by Kohnert (2008). He argues that the former colonial masters’ geo-strategic concerns and Cold War politics promoted corrupt and autocratic governments in Africa, in utter disregard

for good governance (Hammouda and Osakwe, 2010). The European governments' unfair trade policies premised on tilted power relations, coupled with the "strings attached" aid, have essentially diverted the attention of African countries from exploring and promoting indigenous innovations (Ajayi, 2011), while increasing brain drain from Africa. Worse still, Europeans have continued to exercise double standards; on one hand they are complaining about the emergence of Chinese and Indian dominance in Africa, while on the other hand, they really do not care about what happens in Africa as long as their interests have been met (Kohnert, 2008).

Furthermore, European countries' double talk; pretentious generosity, broken promises and show of cultural superiority have not made matters any better for Africa, whose countries actually need true and equitable partnership as a lasting solution (Kohnert, 2008). Even when European countries try and support private sector development initiatives in developing economies such as in Africa to get integrated into global trade through initiatives such as reciprocal trade and trade financing, such initiatives often fall in favour of Western companies who disproportionately benefit from lucrative deals and other commercial investments that fulfil donor strategic interests (Langan, 2011). The above arguments indeed demonstrate that Africa's problems have been largely caused from within and escalated from without.

Trade between China and Africa

Trade between China and Africa has undergone significant changes from being one based on support for socialism and political liberation to that influenced by economic opportunism and resource needs for an expanding Chinese economy (Obuah, 2012). These resources are required to support China's growing economy as she is now the world's single largest exporter (worth \$2.21 trillion in 2013), surpassing the United States. China is now the world leader in gross value of agricultural output and leads in gross value of industrial output (CIA, 2014).

China's trade with Africa has significantly grown from \$8.7 billion in 2000 to more than \$114.8 billion in 2010 and surpassed \$200 billion in 2013 (Daly, 2014). As such, China is now Africa's single largest trading partner, surpassing both the European Union (EU) and the United States. China's cooperation with Africa has been enriched by the formation of Forum for China-Africa Cooperation (FOCAC) in 2000³, and the development of special economic zones (SEZs) in 2003 in various parts of Africa (Obuah, 2012). These zones are aimed at developing infrastructure, improving custom procedures and overcoming obstacles to investment in Africa. Unlike European agreements which have skewed conditionalities, FOCAC is about collective dialogue between China and African countries on the basis of equality and mutual benefit (Wu, 2012; Kohnert, 2008). China's African Policy is based on four principles, namely: sincerity, friendship and equality; mutual benefit, reciprocity and common prosperity; mutual support and close coordination; learning from each other and seeking common development (Wu, 2012). These principles underscore the distinctiveness of China's trade policy which is based on mutual respect and

non-interference rather than the ‘strings attached’ orientation of the Western frameworks. Two driving forces have fuelled trade between China and Africa. Both China and African countries have made policy changes that facilitate trade between them. China’s policy changes have included: increasing aid to Africa (to over \$1 billion); providing preferential loans and buyer’s credits to Africa; establishing a China-Africa development fund to encourage Chinese companies to invest in Africa; opening up China’s market to Africa by increasing the number of export items to China receiving zero-tariff from least developed countries in Africa; cancelling debt in the form of all interest-free government loans that matured at the end of 2005 owed by heavily indebted and least developed countries in Africa; establishing trade and economic cooperation zones; building expertise of African professionals; and creating an enabling and facilitating environment for both bilateral and multilateral cooperation (Obuah, 2012; Wu, 2012; Kidane, 2012).

African countries on the other hand have also enacted appropriate policy changes that include: improving incentives on Foreign Direct Investment (FDI); simplifying and establishing more transparent investment liberalization policies; establishing Investment Promotion Agencies; and increasing the number of international agreements with China; among others (Obuah, 2012). The Joint Africa European Union (EU) Strategy, which is based on governance and human rights values, has attracted resistance from African states, with the latter perceiving imposed conditionality as opposed to mutual negotiations (Wu, 2012). Indeed, Africa and the West have always disagreed on what constitutes true democracy and human rights, with the Western rendition being in contrast with African cultural systems. Being cognisant of this controversy, China has based its African trade policy on the purposes and principles of the United Nations (UN) Charter and the Charter of the Organisation for African Unity (the OAU) (Wu, 2012). The determination of African states against perceived imposed conditionality could have not been put in a better way than the following:

No country or group of countries has the right to impose its will on others, to interfere, under whatever pretext, in other countries’ internal affairs, or to impose unilateral coercive economic measures on others. Each country has the right to choose its own social system, development model and ways of life, and to choose its own approaches and models to promote and protect human rights (Beijing Declaration of the FOCAC, 2000 para. 1 and 4). The message of the Beijing Declaration of the FOCAC is clear – that this arrangement is more straight forward, powerful, and arguably more appealing than the ‘holier-than-thou’ preaching of the Western countries on governance and human rights (Wu, 2012). However, the FOCAC does not mean that China has no interests to protect or no need to exercise influence, Wu (2012) warns. Indeed, detailed examination of the China trade policy instruments and implementation measures needs to be done before announcing the arrival of the ‘angel’. Therein may lay some subtle conditions that may sway the China-Africa trade and diplomatic relations. Recognising the likely impact of the arrival of the

'new man in town' - in form of China - towards the EU-Africa relations (Ombaba *et al*, 2012), the EU in 2008 came up with *The EU, China and Africa: Towards trilateral Dialogue and Cooperation* as a way of promoting trilateral dialogue and cooperation towards a gradual but progressive EU China Africa trilateral cooperation (Wu, 2012). It is hoped that this triad arrangement will be better at promoting multilateral cooperation and will contribute to sharing the responsibility for global governance and development (Wu, 2012). It remains to be seen, however, whether this arrangement is not just reactionary on the part of EU to Chinese threats, or is a result of the recognition of the sovereignty of African states to determine their own destiny.

However, recent developments in form of funding cuts to Uganda by Norway, Denmark, The Netherlands and Sweden, and the promised "review of relations" by the World Bank and United States, after the enactment of the Anti-Homosexuality Act (2014) show that Western countries still attach their values to development assistance to African countries (Daily Monitor, 2014). For the triad arrangement to succeed, all parties should recognise that the subject matter is Africa and therefore, Africa should steer the debate and policy direction. The triad relationship should be driven by genuine interest to learn from each other, to promote fair and sustainable development, and to expand the dialogue beyond governments - to bring on board other stakeholders such as parliaments, local authorities and civil society (Wu, 2012). Kidane (2012) also advises that trade between Africa and China will be successful if mechanisms for prevention and resolution of trade, investment and commercial disputes are available. Such trade commitments must have legal value and be backed by strong and independent dispute resolution mechanisms.

Unfortunately, Kidane (2012) argues that policy makers on both sides - Africa and China - have paid little attention to conflict resolution mechanisms. Although an attempt has been made to define a cost effective dispute resolution mechanism, Kidane (2012) insists that it is misunderstood and poorly defined, and has received little support from scholars. In the meantime, China and Africa agreed to resolve their trade differences amicably using FOCAC's principles of mutual understanding and mutual accommodation, and also utilising national and regional arbitration organs (Kidane, 2012). The trilateral arrangement between Europe, China and Africa needs to be treated with cautious optimism (Wu, 2012). First, it is not clear to what extent Europe and China will continue to cooperate on African matters given their ideological differences on development. Secondly, it is also not clear to what extent Africa will continue to balance relationships with both China and Europe given their ideological differences and the need for African countries to maintain their independence. Thirdly, no one knows the extent to which China will continue to 'toe the line' with Western countries without getting into conflicts that will complicate the delicate relationships, while trying to exploit its political and economic interests in Africa. Clarity on these important issues can only emerge with time as the three parties navigate the delicate trilateral cooperation amidst their individual interests. As much as trade with China is a welcome development for Africa, there seems to be no common position on the

true benefits of the China-Africa trade relations (Kidane, 2012). The Economist hosted a debate on this subject in February 2010⁴. During the debate, some optimistic views were expressed to the effect that China's trade with Africa would help re-establish the continent as a source of valuable commodities for the global market. Conversely, other people were of the view that this trade has impeded the Continent's steps towards democratic accountability and better governance, noting that there is no incentive for African countries receiving aid from China to improve governance. The consensus, however, was that China's growing involvement in Africa is beneficial and should be welcomed (The Economist, 2010). Despite the growth of trade between China and Africa over the years, only a few African countries such as Angola, South Africa, Sudan and Nigeria, have benefited significantly, owing to their resource location advantages, level of economic development and leverage of strategic importance in the Continent (Obuah, 2012). This scenario shows that trade between China and Africa maintains and re-enforces the disparity between the resource rich African States and the less endowed ones (Watson, 2013).

Similarly, despite the opportunities that South-South⁵ trade presents for countries in Africa, it is not yet time to celebrate. For instance, African share of trade with other developing countries is minimal: China (10.6%), India (3.5%), Brazil (2.6%), Saudi Arabia (2.4%), and South Korea (1.2%) (EwelukwaOfodile, 2011). Moreover, as has been the case with trade between Africa and the West, African countries are once again predominantly exporting raw materials and yet import value-added manufactured goods (Watson, 2013) from their developing counterparts. In addition, it seems that the main attraction of other developing countries to Africa is the continent's primary commodities as inputs to their value adding processes (EwelukwaOfodile, 2011). The likely resultant trade imbalance from what was otherwise a very promising venture is akin to running away from the lion and eventually meeting a viper.

China has undoubtedly injected a lot of investment into Africa. Through investment and aid, China has channelled some US\$75 billion to Africa in the past decade compared with \$90 billion from the US. In East Africa alone, China has injected about \$11 billion in investment and development aid between 2001 and 2011 (Kenyan Investment Authority, 2013). Uganda and Tanzania got 80 per cent of the funds to the tune of \$4.6 billion and \$4.5 billion respectively because of their mineral endowment, while Kenya received \$1.6 billion, and Rwanda and Burundi received \$469 and \$165 million respectively. China's investment is especially targeting infrastructure development projects, the region's telecoms, and mineral extraction, and engineering, and consumer goods markets. These are areas that were previously dominated by Western firms. On the other hand, Trade between Kenya and China, has grown from approximately \$535 million in 2007 to approximately \$1.72 billion in 2011 (Kenyan Investment Authority, 2013). As in Kenya, there have been mixed results for China-Africa relations (Ombaba *et al*, 2012). On one hand, Kenya has benefited in a number of ways such as road construction projects

(construction of approximately 905.4kms of road at an estimated cost of •316 million). In 2011, China and Kenya governments signed 10 agreements, including a concessional loan to finance several infrastructure development projects such as: the proposed Kenyatta University Teaching and Referral hospital; solar energy generation; a malaria treatment project; hydropower station construction and upgrading; Film and Television and Kenya's Ministry of Information and Communication; among others (Chinese Embassy to Kenya, 2014). In addition, the people of Kenya have been able to access low priced imports of both consumer and producer goods. On the other hand, there have been cases of low quality imports from China, proliferation of counterfeit goods, and Kenyan businesses being outcompeted by Chinese firms resulting into job losses and business shut downs (Ombaba *et al*, 2012). Indeed China has emerged as a viable alternative partner on conditions that are more favourable to African states. What remains is for African countries to take on the mantle and improve their trade competitiveness both within the Continent and in the global arena.

Measures to enhance Africa's Role in World Trade System

The actions that African countries need to take to improve their competitiveness in world trade bear three dimensions (domestic, regional and foreign). On the domestic front, African countries need to build their capacity in international trade negotiations (Evans, 2005); establish and/or join bargaining coalitions (Oduwole, 2009) and; develop skills in areas that are critical for their economic development such as science, engineering, technology, and business instead of social sciences and humanities. These skills help the workforce to absorb, process, and integrate new ideas into production and service delivery (The World Economic Forum, 2011). This does not however underestimate the place of social sciences and humanities in nation building. African countries also need to develop the capacity to identify and actually exploit realistic opportunities in global markets with products and services that meet international required standards (Evans, 2005).

African countries should reduce brain drain by creating conducive work environments for workers and strengthening political, economic and social governance structures. In addition, African countries need to form alliances with other developing nations especially those who have more experience in world trade (EwelukwaOfodile, 2011; Oduwole, 2009). Similarly, these countries need to create alliances with current and potential partners which involve reciprocal trade arrangements and diversify their economic bases by focusing on high value processed products rather than relying on just one or two main commodity products (Arinaitwe, 2006; Chea, 2012). In addition, African countries need to put in place measures that can reduce the cost of trade such as investment in infrastructure especially roads as well as improve factors that facilitate trade, including customs, ports and administrative procedures (Amoah, 2014). In a similar vein, IMF (2011) and Brenton (2012) separately advise African countries to strengthen regulatory and institutional

reforms that are aimed at reducing non-tariff barriers and facilitate more efficient cross-border trade of both goods and services. Such reforms, however, need to be informed by detailed sector-specific knowledge and must involve wider consultations especially with those who feel the brunt of regulatory outcomes (Brenton, 2012). African countries should liberalise the services sector (Chea, 2012). Citing the efforts of the East African countries, Bagumhe (2012) argues that the services sector should be at the heart of development strategy. For example, Burundi has identified financial and communication services as key drivers for its economy. Vision 2030 of Kenya has prioritized six sectors, four of which are services sectors that include interconnectivity through a network of road, railway, port, water and sanitation as well as telecommunication. Rwanda's Vision 2020 emphasises the services sector as crucial to the attainment of the country's development goals.

Vision 2025 of Tanzania emphasizes education services, health, communication, infrastructure development and utilities as key to her development policy, while Uganda in her Vision 2025, highlights communication and transportation as key drivers to economic development. Underlining the importance of services, United Nations Conference on Trade and Development (UNCTD) emphasizes the importance of the service sector in the global economy and the growth and development of countries, and outlines its role in assisting developing countries to develop their services sectors; increase their participation in services trade in order to realize development benefits.

Bagumhe (2012), however, warns that the liberalisation of the service sector, as much as it comes with many benefits to developing countries, should not be taken lightly (Chea, 2012) because it requires a broad and complex set of policies, regulatory instruments, institutions and constituencies. The liberalization process should be progressive rather than revolutionary. The process should also be coupled with investment in capacity building, mainly in areas of negotiation of trade agreements, formulation of sound regulatory frameworks, effective implementation of trade agreements, and enhancement of supply-side responses. Caution should be exercised because the mismanagement of the liberalization process could cause dire economic implications and since services are deeply intertwined with production processes, poor service delivery could affect the rest of the production chain (Bagumhe, 2012).

Although African countries are similar in terms of their endowments, which could impact on the ability of regional integration to facilitate intra-African trade, there are still opportunities for cross-border trade (Brenton, 2012). For example, staple foods can be moved from areas of surplus production to growing urban townships and other rural areas where food supplies are limited. In addition, simple manufactured goods such as metals and plastics can also be traded locally instead of importing them from global markets. Unexploited opportunities still exist in areas such as regional production chains for both goods and services that could be produced for export (Brenton, 2012). Increasing trade between regional blocks (Chea, 2012) also helps to boost regional trade, offering member States a route to faster growth.

For example, IMF (2011) projects that growth in the East Africa Community (EAC) region would reach 5.9 percent in 2011, increasing to approximately \$2 billion in 2012 (EAC, 2013) much higher than in the rest of Sub-Saharan Africa. Trade between EAC countries has also enabled them to exploit new markets, including those within the region. Exports to EAC member States are nearly at the same level to the EU, and higher than to the rest of Africa and the developing Asia. Intra-regional trade within the EAC has been facilitated by lowering of tariffs from an average of 26.1 percent in 1994 to an estimated 9.2 percent in 2011 (IMF, 2011). Cross-border trade need not be for only bigger firms. Even small firms can be encouraged and supported to exploit cross-border opportunities through a number of initiatives (Lesser and Moisé-Leeman, 2009).

First, African countries can simplify trade modalities by lessening documentation formalities (for example using simplified Customs and Certificate of Origin documents), lowering trade-related fees and charges, and releasing immediately goods kept in customs custody below a certain threshold. Secondly, incentives could be used to encourage micro-, small and medium-sized enterprises to formalise their low value cross-border transactions. Thirdly, goods of necessity such as staple foods could be treated as duty free items as long as they are below a certain threshold. These and other measures should be aimed at helping smaller businesses on either side of the borders to grow and become sustainable (Lesser and Moisé-Leeman, 2009). Similarly, African countries can pursue both trade and agriculture-led growth as a simultaneous way for fighting poverty and stimulating enterprise growth (Chea, 2012).

Pursuing an arrangement such as the South-South economic cooperation, unlike trade with developed Western nations, promises more balanced, development-oriented trade and investment relations between participating nations, unlike the former that was shaped by colonialism and was structured primarily to benefit European nations (EwelukwaOfodile, 2011; Wu, 2012; Chea, 2012). The South-South economic cooperation envisions a more mutually supportive and beneficial relationship that is likely to yield huge development dividends for all participants. The proponents of such an arrangement see this as an opportunity for developing nations to exploit new trading and investment opportunities on mutually beneficial terms. Recent developments such as: The FOCAC (2000), the Korea-Africa Forum (2006), the Africa-South America Summit (2006), and the India-Africa Forum Summit (2008) all indicate that there is evidence of a growing trend of ties between countries in Africa and other developing countries (EwelukwaOfodile, 2011).

To finance trade, African countries need to mobilize domestic (through savings) and external finance and make sure that these funds are put into productive investments (Hammouda and Osakwe, 2010). Mobilising savings can be done through both public and private sectors. Private sector savings can be enhanced through improving access to financial services and encouraging firms and individuals to save locally rather than abroad. Government on the other hand can also enhance the

efficiency of the tax system to collect both trade and non-trade taxes as well as improve its fiscal discipline. External finance includes both Official Development Aid (ODA) and private capital flows in form of equity. African countries should focus on mobilising equity financing in form of FDI rather than portfolio equity that is more volatile and often leaves countries vulnerable to sudden withdrawals as a result of sentimental driven investor actions. However, to attract FDI, African countries need to put in place policies that create conducive environments for investment, diversify economic bases, enhance human capital and improve their infrastructure (Hammouda and Osakwe, 2010).

Another approach to mobilising external trade finance is through the International Finance Facility (IFF) where donor countries can borrow from international capital markets and then pass over to developing countries. The argument is that donor countries will be forced to honour their commitments in a timely manner otherwise they will have to pay higher interest rates. Other avenues for raising external funding include global environmental taxes, taxes on currency transactions, air-ticket taxes and migrant remittances. Although ticket tax has largely been successful, other avenues have had obstacles to their implementation mainly because there is no universal agreement by developed countries (Hammouda and Osakwe, 2010).

African countries can also draw from the Special Drawing Rights (SDRs) to finance their development. The SDRs, issued by the IMF, are interest-bearing international instruments that are allocated to members in proportion to their quotas. African countries can use SDRs to supplement their official reserves, while at the same time accumulating the reserves through running current account surpluses and other low interest borrowing. The problem with SDRs is that altering them beyond the quota allocated to members requires amendment of the IMF Articles of Agreement by 85% of the members including convincing the shareholders with veto powers (Hammouda and Osakwe, 2010).

Other external actions by African countries to improve their trade competitiveness include lobbying the WTO to consider facilitating preferential trade concessions to developing countries especially in areas such as protectionism and trade liberalisation (Arinaitwe, 2006; Chea, 2012). In this case, developing countries can be supported to nurture local enterprise by limiting imports of locally available goods while at the same time being able to export to foreign markets without reprisal. World Trade Organization (WTO) would also consider reviewing its tariff goals (Arinaitwe, 2006) in relation to imports to and exports from developing countries to enable these countries raise sufficient tax revenues for economic growth. Similarly, WTO would also consider reviewing conditionalities for debt relief and aid which involve implementing some measures, which have been known to be unfavourable to developing nations (Arinaitwe, 2006).

CONCLUSION AND RECOMMENDATIONS

This study has highlighted the fact that African countries have not had a fair share of world trade. Several reasons have been presented to explain this appalling phenomenon, but what stands out is the fact that Africa's uncompetitiveness in world trade has three dimensions, namely: internal; regional and foreign factors. The internal factors have several elements. First is poor governance that has fuelled corruption tendencies. Second is inability of African governments to put in place policies and programmes that stimulate economic growth and create favourable investment climates. Third is inability to put in place sufficient infrastructure that facilitate efficient movement of goods and services. Forth is the existence of non tariff barriers such as excessive documentation and rigid customs procedures that slow down the pace of trade or create unwanted bottlenecks making it unduly costly for businesses.

Regional factors inhibiting African nations' global competitiveness are attributed to lack of trust between African countries, poorly structured regional integration mechanisms that have since failed to stimulate trade and investment between members, as well as poor interconnectivity between member States. Regional integration has also failed to escalate inter-border trade between small and medium sized enterprises. Foreign factors limiting Africa's competitiveness are attributed to unfavourable WTO trade policies that are asymmetrical in favour of developed economies and donor aid that is skewed in favour of Western strategic interests. Even when Western countries open up to trade with African countries, the latter are forced to trade commodities in exchange for expensive processed goods.

As African countries grapple with limited lucrative trade opportunities with the West, a new window of opportunity opened up in the form of the South-South Cooperation, with China leading the blocks. This option offers trade opportunities on mutually beneficial non-interference terms, which have been welcomed by African States. As much as cooperation with China promises a lot, it is not open to all countries in Africa especially those that have little to offer in exchange in form of limited natural endowments and strategic locations. Even then, the trade with China is also skewed towards supplying raw materials and inputs for China's growing economy, again in exchange for finished products, some of them whose quality is suspect.

Africa finds itself as its own real saviour by undertaking legal, policy and structural reforms that facilitate more efficient trade. The starting point is to mobilise trade finance through domestic private and public savings, attracting FDI and seeking low cost and favourable external financing. When resources have been mobilised from whatever source, they need to be deployed into viable and prioritized ventures where trade and non-trade revenues can be significantly generated, including investment in infrastructure development. To boost trade, African countries need to diversify into high value products, liberalise the service sector to open it up for increased investment and focus on pro-poor policies. African countries also need to open up to regional trade by building sustainable alliances as well as opening up

borders to allow free flow of goods and services from other sister countries. Building capacity in international trade negotiations, lobbying WTO to review its trade policies in favour of developing nations are also essential. Most importantly, African countries need to learn how to work together towards common goals that are beneficial to the Continent as a whole. It is important to note, however, that this work, while recognising the distinctiveness and differing levels of development of the individual African States, chose to take a macro perspective of the Continent as a whole. While some African countries have indeed done better in world trade than others, the majority are still faced with situations that are discussed in this work. The issues raised can be enriched by a more detailed examination of specific country involvement in world trade as this will bring out specific recommendations that are applicable to specific contexts.

Notes

² These include: Arab Maghreb Union (UMA), Community of Sahel-Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Inter-Governmental Authority on Development (IGAD), and Southern African Development Community (SADC).

³ The FOCAC arrangement, however, excludes countries which maintain diplomatic relations with Taiwan (Wu, 2012)

⁴ For details of this debate, see www.economist.com/debate/overview/165

⁵ Trade with other developing countries such as Brazil, China, India, and South Africa

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