Trade and Development at the Dawn of A New Millennium:

Challenges And Strategies For Africa And The Role Of Afreximbank

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*Introduction and Foreword**

by

C. C. Edordu

Mr. Chairman, Honorable Ministers,
Your Excellencies,
Distinguished Delegates, Ladies and Gentlemen

It is to me an honour and privilege to welcome you to the Sixth Meeting of the Advisory Group on Trade Finance and Export Development in Africa (the "Group"). Back in November, 1994 when the inaugural Meeting of this Group was held in Cairo, 1 tried in my Keynote Address on that occasion to convey the rationale for the initiative we took to set up the Group and attempted to define what we considered the important contributions the Group could make to the work of the Bank and the development of African trade. That Meeting was held at a critical moment of the Bank's history when we were only a few months old - and commenced operations barely two months previously. Although expectations were high about how effective the Bank could be in resolving Africa's trade finance problems, many skeptics remained doubtful. This was not surprising given a history of many African initiatives that started up with much promise but subsequently performed below expectation.

*Being keynote address presented by Mr. C.C. Edordu, President Afreximbank on the occasion of the sixth meeting of Afreximbank Advisory Group on Trade Finance and Export Development in Africa, Tunis, May 2000. It was on the occasion of this meeting that this Distinguished Lecture was delivered.

We in Management were determined to live up to expectation knowing that skeptics would be converted if they saw progress. In this regard, while we were reasonably clear in our minds about the challenges before the Bank, we knew that our focus could be further sharpened by informed discussion. This was very important given the myriad of problems that needed urgent attention and the limited resources available to address them. It was obvious to us that prioritization was necessary.

Establishing the priorities was a major challenge given the slant particular problems took in different regions of the Continent and our desire to make the maximum impact across the Continent. These factors reinforced our belief that a shared vision was necessary. The idea of this Group was thus born. We challenged participants at the inaugural meeting to find solutions to those problems, especially with emphasis on determining the priority we should attach to each and every one of them. We were not disappointed. The papers presented and the discussions that followed generated far-reaching ideas that eventually found their way into our first five-year strategy document for the period 1996—2000. The document not only served as an intellectual compass but provided practical insights that guided the Bank's operations in the past five years. The results of our operations during that period provide solid evidence of the effectiveness of the work of the Group on that occasion and we must thank all those who participated in that meeting for contributing to whatever success the Bank had achieved.

Today, Ladies and Gentlemen, we are again at the threshold of history for a number of reasons. First, the Bank's first Strategic Plan will be expiring this year and a successor needs to be launched. Second, we are entering the Third Millennium, which many see as the magic period when all Africa's development problems would be solved. Third, the last decade of the second Millennium witnessed many political, economic and technological changes that are confounding and have redefined relations of production as well as many economic parameters. Indeed, the last five years were particularly turbulent bringing new issues to the traditional trade and development problems the Bank had been familiar with.

Permit me Ladies and Gentlemen to itemize some of these issues as that will help us in understanding the peculiarity of today's world and perhaps broaden the scope of our discussion. Some of the old problems of African trade which still remain with us are:

(i) low volume of export production, arising from low level of overall production;

(ii) low level of Africa's share in world trade — about 2%;

(iii) high concentration of exports on primary commodities with low price elasticities;

(iv) high market concentration (with exports destined to a few low growth developed country markets);

(v) low level of intra-African trade even though high potential for such trade exists; and

(vi) several sub-regional integration arrangements which are sometimes detrimental to the move towards a continent-wide integration.

The "New Issues" that have arisen are as follows:

(i) trade liberalization from which "NEW" Commodity Sectors in Africa have emerged where there are: No Commodity Boards; No price stabilization (domestic or international); No specialized commodity financing arrangements; No export growth inspite of a decade and half of macro-economic and export-sector reforms; and No processing of commodities;

(ii) new entrants on the liberalizing scene (financial and trading organizations) who create new difficulties and risks and add doubtful value;

(iii) globalization of financial services, telecommunications and professional services which create new problems and risks for trade;

(iv) mergers and acquisitions in the financial and mining industries which have complicated African trade;

(v) internet technology and e-commerce which have created opportunities and risks; and

(vi) the African banking system which continues to function along colonial lines with limited intra-regional links — a situation that weakens the system's ability to support serious export development, as well as growth in intra-African trade.

As you can see, distinguished Ladies and Gentlemen, some of the "New Issues" have become problems even though they arose as attempts were made to solve some of the old problems. For example, commodity sector liberalization had worked to worsen export performance and export diversification because it eliminated commodity boards and commodity export infrastructure built around them without creating substitute structures.

The challenge before us is to develop appropriate strategies for addressing the above problems. What can banks in general and our Bank in particular contribute to the solution of the problems given that our industry is itself assailed by problems of change.

Examining the issue of strategy development in the context of changes in our industry, Mr. Brian Pitman, Chairman of Lloyds TSB Group, said sometime ago "It is beginning to dawn that we are in a new era of change. Not merely a cyclical change, but a fundamental structural change. We are not managing evolution. What we are managing is transformation." In many respects, that assertion is not in doubt. Some elements of the changes, nay transformation, include the following:

(i) the demise of a sacrosanct banking industry. In other words, the industry now hardly has boundaries. It is being invaded by non-traditional providers of what was originally seen as banking services. The implication is that competition has become even keener and any bank that continues to engage in banking and does not recognize the nature of the industry as provider of financial services will be repeating the error of rail-roaders in the American transport industry in the 19th century who saw themselves not as in the transport business, but kept on rail-roading.

(ii) A further phenomenon that has characterized the industry arising from liberalization and competition is what Henry Manne calls the emergence of numerous provoking corporate predators. The activities of these entities have resulted in widespread corporate acquisitions and mergers in the banking industry. The consequences have been serious for victims and survivors. It has also created uncertainties and new risks.

(iii) The changes mentioned above have been accompanied by the narrowing of margins in the industry, which any operator must respond to.

(iv) For us, in Africa, our market has witnessed very tremendous changes in the trade finance arena. Our clients are no longer the safe commodity boards of old but numerous new generation exporters. The environment has become more fragile with weak support services calling for imaginative responses if survival in our business is to be assured.

(v) Changes in our industry also imply that funding a bank raises enormous challenges. Numerous environmental risks have assumed profound dimensions from managing interest rate risks to exchange rate risks. Following the abandonment of fixed exchange rates, the international regime of floating rates now means that no corporate treasurer, a new animal on the scene, makes easy concessions.

The question for strategy formulation which we hope that the current meeting will address is how to use our financial system to address our Continent's trade problems in an environment of change. In 1994, we were faced with the same situation and we received far-reaching recommendations from this Group. We are again assembled to seek the collective wisdom of participants, so that the solutions we find today can become our products of tomorrow. It is for this reason, Ladies and Gentlemen, that we have brought a leading African thinker, renowned economist and scholar in the person of Professor V.P Diejomoah to lead our reflection on this issue. Some of the questions we hope he will excite our minds about include:

(i) what should be done to expand exports and export production in a competitive manner? We say this bearing in mind that the major indicator of export production and export performance is the ratio of exports to GDP and that this had been in order of 20-23% in Africa. The leading Asian economies have similar ratios standing at close to 40%.

(ii) What should be done to rapidly bring economic diversity, including trade diversity to African economies?

(iii) What realistic targets should be set for growth in export production, export diversity and intra-African trade and how can these be achieved?

(iv) What should be done to ensure the emergence of genuine cooperation among African economies as distinct from mere expressions (declarations) of cooperation intentions?

(v) How can the Continent be rapidly integrated in the "New (Internet) Economy, given low teledensity and the risk that this portends with respect to widening the development gap between Africa and the rest of the world?

(vi) What should be the role of finance in the above? Given considerable diversity in the financial markets of the Continent, how should a coherent mechanism for financial sector integration emerge to promote a genuinely African growth-oriented objective?

(vii) How do we build an information system to facilitate intra-trade based on credit insurance and intra-African capital flow?

These are important issues we are bringing before this Meeting. As usual, we hope that participants can express their views freely on the issue of strategy formulation against a tide of change. Our objective is to come out at the end of this meeting with what I will like to call a "Tunis Declaration" that should serve as a blue-print as we prepare our next 5-year strategy. We also hope that participants will take the "Declaration" with them and espouse them at every opportunity. May I now call on our Distinguished Lecturer to present his paper and set the stage for what I am sure will be a most lively debate on the way forward not only for our Bank but for our beloved Continent as we enter the Third Millennium.

TRADE AND DEVELOPMENT AT THE DAWN OF A NEW MILLENNIUM: CHALLENGES AND STRATEGIES FOR AFRICA AND THE ROLE OF AFREXIMBANK

by
*Prof. Vremudia P. Diejomaoh**

Introduction

By discussing the topic of trade and development, one jumps into an on-going debate, both in the academic and professional circles. Many scholars have tried to solve the puzzle of which comes first, trade or development? Is the best way to promote trade, to concentrate on trade promotion or on development strategies which will promote trade, or to concentrate on both trade and development strategies, simultaneously? In attempting to answer these questions, this paper starts by identifying the major challenges and problems confronting African trade and development. Thereafter, it examines the strategies and policies that should be put in place to address the challenges facing African trade and development at the dawn of the new millennium. Finally, it extracts some issues which AFREXIMBANK should address in order to contribute its quota to the growth of African trade and development in the coming years.

*Professor P. Diejomaoh presented this Lecture while he was with the International Labour Organization in Addis Ababa, Ethiopia. The Lecture was delivered at the 6th Meeting of the Bank's Advisory Group on Trade Finance and Export Development in Africa held in Tunis, Tunisia on May 9, 2000.

It should not come as a surprise or great news to anyone that the greatest challenges facing African trade at the dawn of this millennium are, mainly, the relatively low value and growth rates of African exports. These in turn, have resulted in a relatively small and declining share of African trade as a percentage of world trade. Further, it is also a known fact that imports, fundamentally, depend on exports, even though other resource inflows such as net capital and current account resource inflows may compensate, somewhat, for poor export earnings. However, in the longer term, sustainable imports will depend on export performance. This is why Africa's poor export performance has generally translated into poor import performance as well. Table 2.1 illustrates these broad statements.

Table 2.1: Share of African trade in World total, 1950-97

Year	1950	1960	1970	1980	1990	1995	1997
Percentage	5.3	4.2	4.1	4.6	2.3	1.5	2.2

Source: UNCTAD (1998) *World Trade Report, 1998*

In addition, the share of African imports in world trade has been falling, from 5.7 per cent in 1950 to 1.7 per cent in 1995 and 2.1 per cent in 1997, in tandem with the share of exports. These figures tend to show that the deterioration in the performance of African exports and imports was particularly accentuated in the 1980s and 1990s.

To make matters worse, the offsetting effects that foreign direct investments might have provided for declining export shares did not materialise. The African share in global foreign direct investment has also been declining over time, falling from 2.3 per cent in 1994 to 1.4 per cent in 1997[1]. This poor export and import performance of African countries, has generally been referred to as the marginalisation of Africa in the world economy and the failure of Africa to integrate into the global economy. This relative poor performance has also led a number of analysts to conclude that Africa does not trade enough. For instance,

[1] UNCTAD: World Investment Report, 1998

according to the exponents of the "export-led" growth and "openness" theories of development, the poor African performance in exports is at the heart of Africa's overall poor development record.

However, another school of development theorists contends that poor export performance in Africa is actually the result of Africa's poor overall development record, and not the other way round. Let us therefore, look briefly at Africa's development record. The concept of development is complex, and has since gone beyond the early definition of the per capita income measurement, by economists. Development is now perceived as a complex process involving the inter-play between the social and economic transformation measured by a wide array of indices of social and economic development. According to the UNDP, *"the real wealth of a nation is its people, and the purpose of development is to create an enabling environment for people to enjoy long, healthy, and creative lives*[2]. However, regardless of whatever index of development is chosen, African countries are usually crowded at the bottom of the league table. The most unfortunate thing is that all indices are positively correlated to national output per capita. This notwithstanding, while the per capita income index is not an adequate or sufficiently comprehensive index to track development performance, it is a necessary index to use, given the time constraint. Moreover, in the final analysis, a nation can only consume what it produces, if its development is to be on a sustainable basis.

With respect to Africa's production figures, statistics reveal that African per capita income has been on the decline since the 1980s. The United Nations Economic Commission for Africa (UNECA) states that *"the rate of growth for the 1990-1999 decade averaged 2.1 per cent per annum. This performance was less than the corresponding yearly increase in population estimated at 2.8 per cent. In consequence, the quality of life continued to erode during the decade of the 1990s as it did during the previous decade. If Aftican countries and their development partners are to realise the objective of reducing poverty during the foreseeable future, the rate of growth needs to be increased and*

[2] UNDP: Human Development Report, 1990.

sustained at a higher trend[3]*."* Further, the UNECA Report observed that the annual rate of growth that would reduce poverty in Africa by half by 2015 is estimated at 7 per cent. The Report went on to state that about 52 per cent of the African population and 56 per cent of sub-Saharan African population are living at the margin of survival, that is, in poverty.

With the declining per capita income trend in Africa over the past two decades, Africa's share in world production, just as in export and imports, has also declined over time. It is currently estimated that the share of Africa's production in the world **total, has declined to** about 4 per cent, in spite of the fact that Africa accounts for about 12.5 per cent of the world population.

However, the overall poor performance of African trade and development mask regional differences, as well as changes in performance over given periods of time. For instance, it is generally accepted that during the second half of the 1990s, the performance of African countries, in terms of trade and development, was better than in the early 1990s, or in the "lost development decade" of the 1980s. In terms of sub-regional performance, the North African countries have, in general, performed much better than the countries in Sub-Saharan Africa.

Major Challenges to Trade

Whether or not one is an exponent of the "export-led" or "openness" theories of development, there is consensus among development theorists that in the context of developing countries, especially those in Africa which have very small domestic markets, the expansion of exports is a "sine qua non" for successful development. There is also a growing consensus that in order to successfully promote exports, there is the need for African governments to not only concentrate on trade policies and strategies, but also look at development strategies as a whole, particularly those strategies that impact directly on exports and imports.

[3] UNECA: Economic Report on Africa, 1999.

Considering that Africa's shares of exports and imports in the world total are falling over time, implying that African exports and imports are growing less rapidly than world trade, what can be done to accelerate the rate of growth of Africa's exports which in turn largely determine import growth? To find satisfactory answers to this question will require further analysis to explain the observed relatively poor performance of African exports.

It is a well known fact that African countries are, largely, agricultural and rural economies and dependent, mainly, on the exports of agricultural products which generally have low income elasticities on the world market[4]. The low income elasticities of exports combined with scientific and technological advances, which have led to the production of synthetic substitutes for some of the primary commodities and the consequent, insufficient if not declining demand for African primary products on the world market. African countries which do not concentrate on exports of agricultural produce tend to concentrate on the exports of minerals, and usually depend on one or a few minerals such as petroleum in the case of Nigeria and other African OPEC members, and gold and copper for countries, like, Ghana, South Africa, and Zambia. Fluctuating prices and slow growth in the demand for mineral exports on the world market have also impacted adversely on Africa's mineral exports. In addition, policy-induced difficulties have also affected Africa's export performance in a number of ways.

First, it has been argued that the slow growth of African exports was primarily due to market distortions caused by overvalued exchange rates, excessive taxation of exports through Marketing Boards and export taxes in general. To correct these distortions, most African countries adopted Structural Adjustment Programmes (SAPs), which have, generally, led to the adoption of market determined exchange rates. Export taxes have largely been abolished, or substantially reduced. Marketing Boards have largely been dismantled and import taxes reduced drastically.

[4] To make matters worse, African countries tend to concentrate on the export of one or a few agricultural products, such as, coffee, cocoa, tea, tobacco, sugar, etc..

In spite of the above reforms, the rate of growth of exports and imports has, in most African countries, continued to fall below world averages. This development has prompted some analysts to question the efficacy of the economic reforms and call for alternative solutions. Such calls have mainly revolved around the diversification of African exports from traditionally agricultural and primary commodities to other non-traditional exports (NTEs) that have greater income elasticities. There have also been further calls for the diversification of African exports from primary commodities in which some analysts believe Africa has a comparative advantage, to exports of labour intensive manufacturers. Some analysts argue that because of Africa's geographical constraints,[5] Africa may in fact have a greater long-term comparative advantage in exports of labour intensive manufactures.

On the other hand, opponents of this view point out that Africa's poor record in the production and export of manufactures is due to numerous factors, including Africa's limited labour skills, low productivity, limited economies of scale, and protectionist measures in the developed countries.

An eclectic school of thought argues that African countries must try to exploit whatever opportunities they come across, be it in the export of traditional primary products, non-traditional primary products, and/or the export of labour intensive manufactures. However, in spite of this forward-looking view, it is generally agreed that barriers to African exports to developed countries exist and these need to be dismantled. These include, non-tariff barriers such as quotas, domestic production subsidies for products competing with African exports, and other administrative protectionist measures, like attempts by the World Trade Organisation (WTO) to link trade with labour standards[6].

Second, policy-induced difficulties have adversely impacted on the growth prospects of African exports, especially of manufactures through the premature application of wholesale liberalisation of foreign trade. This has denied African industries of the protection they need whilst in their "infant stage". The wholesale

[5] Unfovourable weather conditions and its associated debilities, distance from world markets, landlocked nature of some countries all resulting in high export costs.

[6] This move was previously rejected in the International Labour Organisation and by the OAU Labour and Social Affairs Commission.

opening up of foreign trade therefore had led to massive dislocation and destruction of African manufacturing industries.

However, some analysts have rightly argued that African industries should not be perpetual infants. They should have the capacity to compete and export, just like the newly industrialising countries in South-East Asia have demonstrated. The above notwithstanding, there is a growing global consensus that globalisation and economic reforms with their associated tenets of trade liberalisation, must work to the advantage of the entire world community. It has been repeatedly pointed out by scholars, international organisations, anti-globalisation forces, international civil society (NGOs), etc., that globalisation and trade liberalisation indiscriminately implemented were raising the level of unemployment and poverty in the world, especially in developing countries. Africa has been repeatedly mentioned as a weak region which is not benefiting on the whole, from globalisation and trade liberalisation. The challenge facing African policy-makers now is how to ensure that Africa benefits from globalisation and trade liberalisation.

Related to globalisation and trade liberalisation is the emergence, around the world, of strong trading blocs, like the European Union, the North American Free Trade Area (NAFTA), MERCUSOR in Latin America, and the APEC and ASEAN in Asia and the Pacific Rim, respectively. Following these global developments, Africa's economic integration efforts as expounded in the Abuja Treaty of 1991 are very much in an embryonic stage. Intra-African trade, which would have provided the much needed geographical diversification of trade away from the sluggish and protected markets of the OECD countries, is very low when measured as a proportion of total exports and imports. UNCTAD now estimates that intra-African trade has increased to about 8 per cent, after stagnating for a long time at 5-6 percent. A major challenge still remains on how to increase intra-African trade in the new century.

Globalisation is now extending its frontiers to services such as financial, telecommunications, and professional services and is affecting business structures through mergers and acquisitions. Increasingly, multinationals are for ever getting bigger, dwarfing most national economies in Africa. Government-owned banks and private entrepreneurs in many African countries stand like Lilliputians when compared to the banking giants emerging out of globalisation. How can these African Lilliputian institutions be expected to compete effectively with the gigantic multinationals of the developed countries, when it comes to their support of African trade?

These challenges are further heightened by another face of globalisation - e-commerce and the internet. In May 1999, UNECA organised a major African Development Forum on the theme of information technology with all its ramifications. The Forum interestingly observed that although Africa is not totally left out of these innovations as compared to trade and production, still Africa is very much marginalised.

In summary, the following challenges have been identified as the ones inhibiting the growth of African trade and development:

- First, how do we accelerate the rate of growth of African exports and imports, so that the African share in total world trade begins to increase rather than maintain its downward trend of the past 50 years?

- Second, how can we best diversify African exports away from traditional primary commodities with low income elasticities, to non-traditional primary exports and exports of manufactures, so that African export growth begins to exceed the world average?

- Third, how can we accelerate the pace of intra-African trade as a means not only to diversify African export markets and reduce vulnerability to shocks in world markets, but also to increase the overall rate of growth of exports?

- Fourth, how can we best accelerate the pace of African economic integration at the regional and sub-regional levels, so that economic integration now begins to boost intra -African trade and development as it has done in other regions of the world?

- Fifth, how can globalization be made to work in favour of African trade and development, especially with respect to financial and other services including e-commerce and the internet so that it contributes to the needed acceleration of African export growth as well as social and economic development?

- Finally, how can African economic growth and development be dynamised and accelerated so that it contributes to the acceleration of export growth and African trade in general?

These are, indeed, major challenges. Let us now turn to the strategies that could address these challenges.

Main Strategies to Address the Challenges Facing Trade and Development in Africa

Despite implementing wide-ranging economic reforms, which included trade liberalization, African trade has performed poorly consistent with Africa's weak development record. However, for Africa to reduce poverty on a sustained basis by half by 2015 as called for by the world Summit for Social Development in Copenhagen in March 1995, the ECA and the world Bank advise that African economies need to grow annually by between 7-8 per cent. This pace of economic growth requires an increase in the investment to GDP ratio from its current level of about 20.5 per cent to about 33 per cent. These challenges therefore call for African development strategies that are broad-based.

The ILO African Employment Report of 1997/98 outlined elements of such development strategies as follows:

- Accelerating economic growth and investment;
- Maintaining macroeconomic stability;
- Increasing the employment intensiveness of the economic growth process by investing more in employment intensive activities and sectors,

such as, agriculture, small scale enterprises and employment intensive infrastructure, and;

- Increase labour productivity, especially by giving priority attention to education and training.

Employability in the Global Economy: How Training Matters

If African countries are to tackle head-on the challenges facing trade and development, they must invest sufficiently in human capital. In today's globalising world, the economic and development success of any country is increasingly being based on the level of knowledge, education, and skills of the labour force. Both, the World Bank[7] and the UNDP[8] in their Annual Reports of 1999 highlight the importance of knowledge and the centrality of human development in the context of globalization. Similarly, the IL0[9] also argued for the adjustment of the magnitude, pace, and sequencing of economic reform programmes to match national realities, as well as building national and social consensus around the economic reform programmes. The issue of building national consensus around reform and development programmes in many ways takes us to issues of good governance in Africa. The centrality of good governance to our discussion of trade and development challenges and strategies at the dawn of the new millennium cannot be overemphasised. Good governance, political stability, peace, security, democracy, transparency and accountability are necessary conditions for the attainment of African trade and development goals and objectives.

If the above conditions can be met, there is a good prospect that African countries can achieve the same trade and development feats as the newly industrialising countries (NICs) of East Asia. Comparative analysis shows that initial development conditions in Sub-Saharan African (SSA) countries were not signifticantly different from the conditions in the Asian NICs in the 1960s and early 1970s. North African countries and South Africa are in much better

[7] World Bank: World Development Report, 1998/99.
[8] UNDP: Human Development Report, 1999
[9] ILO: African Employment Report, 1997/98.

conditions. Therefore, with determined political and socio-economic reforms, and faithful implementation of well conceived national economic reform programmes, it is quite feasible for SSA countries to catapult themselves into the ranks of middle income countries within the next three decades.

However, it is only when African economies become dynamic and grow at an average rate of about 7 per cent per annum in a milieu of good governance that the trade sector will begin to boom and together with an increase in foreign direct investment, ultimately raise or improve the share of African trade in the world total. It is in the context of such dynamic economic growth and development that trade specific strategies are more likely to succeed.

Turning to the issue of specific strategies that could boost African trade, it is important to note that diversification of African exports away from their current composition, is critical. The choice of the sectors to diversify may not be easy. However, some countries have had varying success with such strategies and so should others. Though the role of the state and state export promotion entities may come in handy, sometimes their intervention may have perverse results.

However, better results may be achieved with closer cooperation between the state and the private sector, as was the case in Asian countries. It has also been persuasively argued that appropriate macroeconomic policies aimed at getting the foreign exchange rate right may also boost both traditional and non-traditional exports. Nevertheless, cutting costs, raising labour productivity, and eliminating supply side rigidities caused by infrastructural bottlenecks, could help accelerate growth of all categories of exports. Getting preferential access to the markets in developed economies such as Europe through the Lome Convention I-IV, and the US through the Africa Growth and Opportunities Act (AGOA), and the other markets of the OECD countries, should also help to accelerate export growth. African governments must make concerted efforts to negotiate preferential access to these markets.

In the face of flourishing trading blocs all over the world, a strategy to boost African trade lies in strengthening intra-African trade, and regional and sub-regional economic integration. African countries are grappling with this problem within the framework of the African Economic Community. At the OAU Summit in Algiers in 1999, African leaders reaffirmed their commitment to achieving the African Common Market by 2025. Accordingly, at a special OAU Summit held in Libya in 1999 that culminated in the Sirte Declaration, African states, rightfully, resolved to accelerate the pace and depth of African integration through the speedy establishment of an African Union. There is also a need to involve the private sector and the civil society in efforts directed at accelerating the pace of economic integration and cooperation in Africa. Africa's development partners also need to play a more active supportive role than has hitherto been the case.

The other set of strategies that need to be considered relate to making globalisation boost African trade and development, instead of further marginalising Africa, as has been the case in the past two decades or so. While this is a complex issue, the main thrust of this strategy is to convince the international community to realise Africa's weak position in the world and, accordingly, accord it differential treatment in the WTO and other global arrangements requiring equal treatment. This cannot come on a silver plate. Africa needs to negotiate for preferential status. To this effect, it is gratifying to note that African countries have actually been pursuing this strategy and have in preparatory meetings for the WTO meeting in Seattle[10] and UNCTAD X in Bangkok[11], made special demands for preferential treatment of Africa[12]. The argument for preferential treatment appears to have been accepted by the international community as stated in the Bangkok Declaration, which stated that *"many countries have difficulty in coping with the increased competition and lack the capacity to take advantage of the opportunities brought about by globalisation. This requires a decisive effort in favour of those at risk of marginalisation. In this regard, Africa, which has as much potential as any other region, should be given special attention"*.

[10] Held from 30 November - 3 December 1999.
[11] Held from 12-19 February 2000.
[12] For more on this see statement of the OAU/African Ministers of Trade on the Third World Trade Organization Ministerial Meeting in Seattle, USA.

This special attention should be translated into exemption from the rigours of WTO liberalisation regimes, so that African countries can offer the necessary tariff protection to their nascent industries, especially those oriented towards foreign trade. Special treatment should also imply more Official Development Assistance (ODA) and private sector inflows of a concessional nature, and more generous external debt cancellation so that the resources saved could be channeled towards productive sectors as well as social investments in education to raise human skill capabilities. African countries need to do more to protect themselves against dumping as called for in WTO rules. In this regard, the resolutions of the OAU/EU Summit in Cairo, as contained in the Cairo Declaration and Plan of Action, should lead to the provision of the required technical and financial assistance to Africa, to further strengthen its position in the global economy. African countries should also take advantage of the availability of technical assistance from the WTO to strengthen their skills and positions during negotiations with other trading blocks. It is only through such initiatives that Africa can benefit and exploit the opportunities available within the global system.

The Role of the African Export-Import (AFREXIM) Bank in Boosting African Trade and Development at the Dawn of the New Millennium

In view of the challenges and strategies elaborated above, what role can the AFREXIM Bank play more effectively in the coming decades to further boost African trade and development? To answer this question, the role that the AFREXIM Bank currently plays is derived from its Mission Statement, which is *"to stimulate a consistent expansion, diversification and development of Africa trade while operating as a first class profit oriented financial institution and a centre of excellence in African trade matters"*. The Bank also provides various types of financial and related services to African Governments and companies, including African banks and international banks. Generally, it provides an international partnership for promoting African trade.

In the light of the foregoing challenges and strategies, the magnitude of the task facing the AFREXIM Bank is daunting. However, the Bank needs to intensify its efforts to contribute to changing the current negative perception about Africa as a high risk place and try to establish the fact that Africa is a very attractive emerging market. The Bank should also help enhance the flow of information to potential international investors on the prospects and opportunities for trade and development in Africa. This was echoed by the ECA Ministers' Declaration on Accelerating Trade and Investment in Africa issued in Addis Ababa in May 1997, which specifically called on the AFREXIM Bank to, among others, *"continue to play an important role not only in providing substantial financial resources to Aftican countries but also in providing technical assistance to Aftican countries in carrying out analysis of, especially, profitability risk, and environmental factors on projects"*. In addition, the Bank must provide advice and technical assistance to African countries on how best to maximize their trade prospects in the context of challenges posed by globalisation.

Conclusions

On the whole, Africa continued to be marginalised in world trade, investments, and development, during the past two decades or so. However, trade performance has varied amongst sub-regions and individual countries. Africa has had its individual success stories in North Africa and in Mauritius, Uganda, Ghana and Botswana, to mention but a few.

The upward trend in development performance across many countries especially in the second half of the 1990s is encouraging and must be supported. If Africa's laggard nations and sub-regions can emulate the successes achieved in other regions such as the NICs, then a brighter future awaits Africa's trade and development at the dawn of a new millennium.

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