
Effects of Post-Crisis Foreign Trade Policy Measures on Economic and Trade Performance in Africa

Eric Kehinde Ogunleye

African Center for Economic Transformation

1 Introduction

The role of free trade in rapid socio-economic development of African countries cannot be overemphasized; it is a major source of the strong economic performance of most African countries in recent times. The importance of trade for global development and especially for developing African countries is underscored by the fact that Goal eight of the Millennium Development Goals (MDGs) centers on trade, aiming to "develop further an open, rule-based predictable, non-discriminatory trading and financial system". Thus, improved market access through reduced unilateral trade restrictive measures is a very important step for African countries in sustaining its recent progress in economic performances and consolidating on this success to improve the livelihood of its people and move closer to realizing the MDGs.

Trade expansion by African countries has been achieved at the heels of vigorous trade liberalization and export orientation coupled with relatively benign global trade policies by multilateral institutions such as the WTO and bilateral trade agreements. Some of the bilateral and multilateral market initiatives that have helped African countries gain better market access include the African Growth and Opportunities Act (AGOA), Everything But Arms, New Partnership for African Development (NEPAD), Aid for Trade, Integrated Framework for LDCs, Enhanced Integrated Framework for LDCs and Blair Initiative. It is hoped that the current round of WTO talks (Doha Development Agenda) will be completed soon with a view to further improving the integration of African countries into the global trading system and strengthen the capacity of the countries to make best use of the increased market access created through these initiatives.

However, the recent financial crisis has led to a proliferation of protectionist trade policies. Restrictive measures emanating from these actions threaten the foundation of the successes recorded by African countries in trade expansion, market access and economic progress of African countries. Several trading partners of African countries have adopted and implemented discriminatory and restrictive trade policy measures that significantly hurt African countries. These measures tend to push the burden of recovery to African countries at the expense of the developed countries. It also further exerts negative pressure on the countries, pushing them further below current economic performance and poverty lines, thus threatening quick recovery from the effects of the global financial crisis. These negative effects are worsened by the fact that African countries do not have the required resources to counteract the

discriminatory policy measures of their developed, richer trading partners. The main objective of this paper is to articulate the nature of post-crisis trade measures adopted and implemented by Africa trading partners and assess the nature and extent of their influence on macroeconomic performance and commercial interest of countries in the continent. The analyses are based primarily on the qualitative policy measures in the GTA database.

Following this introduction, section two provides evidence on the post-crisis protectionist and restrictive measures adopted and implemented by Africa trading partners, classified under green, amber and red¹. Section three provides an evidential assessment of the effects of foreign trade policy measures adopted during the financial crisis on commercial interests and economic performance of African countries with focus on both positive and negative effects of these measures. Section four offers some policy reflections for African countries while section five presents the concluding remarks.

2 Evidence of protectionist and restrictive measures of trade during the crisis

The advent of the global financial and economic crisis has led to a proliferation of trade restrictive and trade distorting policy measures, especially by developed countries such as the European countries, Japan, the United Kingdom and the United States. Unfortunately, the emerging economies are joining this league as countries like Brazil, China, Mexico, India, Indonesia, South Africa and the Russian Federation have also implemented some forms of trade restrictive measures. Putting the figures in perspective, a total of 297 beggar-thy-neighbor policy measures have been adopted by governments of the world within one year, with the list increasing to 353 when measures that are likely to have harmed some foreign commercial interests are added (Evenett 2009). By May 2010, a total of 959 measures have been implemented, out of which only 141 are non-discriminatory². In brevity, this demonstrates the attitude and policy response of African trading partners oblivious of the negative impact of their response on African countries.

Table 1 shows the nature of trade policy measures implemented by selected trading partners of African countries. A cursory look at the table reveals that more trade restricting and discriminatory measures were implemented vis-à-vis liberalization and trade enhancing measures. One notable observation from this data reveals that as individual countries, most African trading partners developed and implemented very

1 Red measures refer to policy measures that have been implemented and almost certainly discriminates against foreign commercial interest. Amber measures are: (i) Policy measures that have been implemented and may involve discrimination against foreign commercial interests; OR (ii) Measures that have been announced or is under consideration and would, if implemented, almost certainly involve discrimination against foreign commercial interests. Green measures are: (i) Measures that have been announced and involves liberalization on a non-discriminatory (i.e., most favored nation) basis; OR (ii) Measures that have been implemented and is found , upon investigation, not to be discriminatory: OR (iii) The measures have been implemented, involves no further discrimination, and improves the transparency of a jurisdiction's trade-related policies.

2 <http://www.globaltradealert.org/site-statistics#>

Table 1 Post-crisis trade policy measures implemented by selected Africa trading partners

Partner	Green measures	Amber measures	Red measures	Total measures	Tariff lines affected by red measures	Sectors affected by red measures	Trading partners affected by red measures
G8	29	91	135	255	674	52	181
G20	90	227	292	609	1119	61	233
EU27	7	19	140	166	371	52	163
Argentina	5	28	35	68	276	23	145
Austria	4	10	17	31	41	10	105
Belgium	4	10	11	25	203	23	132
Brazil	15	15	17	47	440	22	232
China	6	17	19	42	335	26	152
European Communities	4	16	10	30	23	7	103
Finland	4	10	12	26	19	8	103
France	5	13	14	32	88	17	121
Germany	5	12	28	45	23	23	124
India	8	35	27	70	282	23	144
Indonesia	5	11	20	36	346	31	165
Italy	4	10	18	32	26	11	104
Netherlands	4	10	16	30	47	10	104
Portugal	4	9	14	27	19	8	107
Russian Federation	14	18	48	80	487	25	137
Spain	4	11	17	32	48	15	115
UK and N. Ireland	4	10	22	36	134	12	128
United States	4	44	14	62	127	20	120

Source: GTA Database (accessed 18 May, 2010) and can be found at <http://www.globaltradealert.org/site-statistics/table/3>

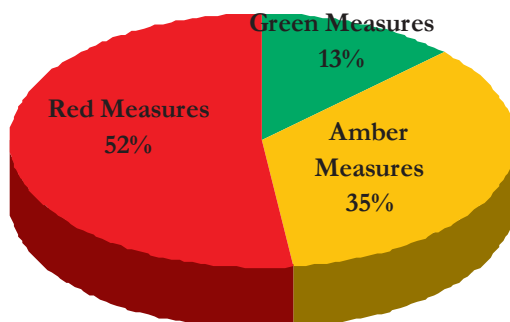
limited liberalizing measures that impacted positively on African countries. For instance, given their purported support for non-restrictive policy measures, one would expect the UK and US to implement more liberalizing trade policy measures. On the contrary, the UK and US implemented respective 4 liberalizing policy measures as at May 2010, while 22 and 14 respective discriminatory measures have been implemented. A closer look reveals that the UK and US have another respective 10 and 44 measures that have the potential for discriminating against the interests of their trading partners³. As a group, the G20 has implemented 292 discriminatory measures with additional 227 measures that have the potential for restricting foreign interests. It is interesting to note, however, that the G20 has also implemented 90 measures that are favorable to foreign trading partners, including African countries.

Up to 18th May 2010, discriminatory measures remain the most prominent post-crisis policy response of most Africa trading partners, representing 52% of total trade policy measures implemented. If the potential discriminatory measures are added to this, they both represent 87% of total post-crisis policy measures while positive, liberalizing measures was paltry 13% (see Figure 1). This has serious implications for African countries that depend highly on foreign trade and investment for post-crisis recovery and for re-launching the economies on the path of sustained growth.

The G8 countries alone have 226 trade restrictive measures in the GTA database. These measures have affected no less than 181 trading partners and 674 tariff lines.

3 <http://www.globaltradealert.org/site-statistics/table/3>

Figure 1 Post-crisis measures implemented by selected Africa trading partners



Source: Based on GTA database (accessed 18 May 2010).

Considering the G20 countries, they have a total of 519 trade restrictive measures that affected 233 trading partners and 1,119 tariff lines. Comparatively, less developed countries have a total of mere 21 trade restrictive measures affecting only 31 trading partners and 15 sectors. This demonstrates that developed countries are more prone to using restrictive trade measures during the crisis as opposed to developing countries. At country level, Russian Federation implemented more discriminatory measures as both red and amber measures numbered 66. Noteworthy, however, is the fact that the same country implemented more liberalizing measures that exceeds those implemented by the US, UK and Germany put together. The use of protectionist measures by these traditional economic partners of Africa is a cause for serious worry. Another important cause for worry is the use of discriminatory trade measures by African emerging economic and trading partners such as Brazil, China, India and Indonesia. By May 2010, these countries have implemented red and amber measures totaling 161. This is a cause for worry because such protectionist measures could jeopardize sustainability of the emerging relationship and limit the real and potential benefits accruable to African countries from the partnerships.

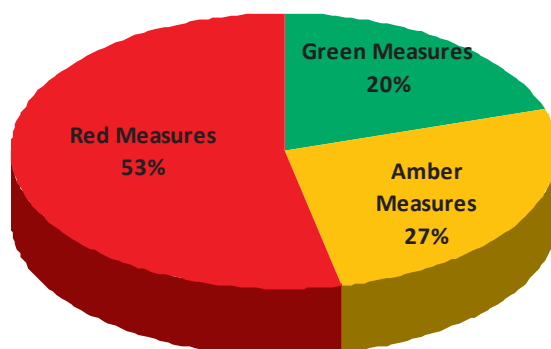
Most of the measures implemented by Africa trading partners are affecting, and in most cases hurting the developing and emerging African economies more than they hurt the developed countries. Liberalizing trade policy measures by trading partners of African countries remain very minimal while there is a proliferation of hurting measures (See Table 2). South Africa tops the chart of African countries on the number of discriminatory measures being faced with 80 measures and another 39 measures that have the potential for discrimination. This is followed at some distance by Egypt, Tunisia, Morocco and Kenya, which are facing 56, 40, 33 and 31 red measures, respectively. A notable observation is that relatively advanced economies, especially those of Northern Africa are more affected by these discriminatory measures. Similar trends could be gleaned from the potentially discriminatory measures. This suggests that the trade policy measures of several African trading partners were aimed at protecting their domestic economies and shielding them from possible foreign competition from African countries.

Table 2 Post-crisis trade policy measures affecting African countries

Country	Green measures	Amber measures	Red measures	Implemented measures affecting country	Total pending measures classified as amber and red	Number of pending measures
Algeria	5	10	24	34	4	5
Angola	5	8	10	20	3	3
Benin	4	5	7	13	3	3
Botswana	6	5	7	15	2	3
Burkina Faso	4	3	6	12	1	1
Burundi	4	4	7	13	2	2
Cameroon	8	6	7	17	3	4
Cape Verde	4	5	5	13	1	1
CAR	4	3	2	8	1	1
Chad	4	4	2	8	2	2
Comoros	3	3	3	8	1	1
Congo	4	7	10	18	3	3
DR Congo	6	7	13	25	1	1
Cote d'Ivoire	5	9	23	32	5	5
Djibouti	5	5	6	13	3	3
Egypt	18	23	56	80	14	17
Equatorial Guinea	4	6	3	10	3	3
Eritrea	3	3	3	8	1	1
Ethiopia	5	7	22	31	3	3
Gabon	4	5	5	12	2	2
Gambia	4	3	8	14	1	1
Ghana	7	9	21	31	5	6
Guinea	4	5	12	19	2	2
Guinea-Bissau	4	4	6	13	1	1
Kenya	9	9	31	45	4	4
Lesotho	4	4	4	10	2	2
Liberia	3	3	4	9	1	1
Libya	4	7	17	24	4	4
Madagascar	6	8	16	27	3	3
Malawi	4	7	14	22	3	3
Mali	5	3	15	22	1	1
Mauritania	4	4	11	17	2	2
Mauritius	6	10	17	29	4	4
Morocco	8	13	33	45	8	9
Mozambique	4	9	14	21	6	6
Namibia	4	7	17	25	3	3
Niger	4	5	11	18	2	2
Nigeria	7	11	22	33	6	7
Rwanda	5	4	7	13	2	3
Sao Tome and Principe	3	2	5	10	0	0
Senegal	6	9	23	33	5	5
Seychelles	3	5	4	9	3	3
Sierra Leone	4	4	4	11	1	1
Somalia	4	3	4	10	1	1
South Africa	26	39	80	122	20	23
Sudan	5	7	16	24	4	4
Swaziland	5	9	8	17	4	5
Togo	4	4	15	21	2	2
Tunisia	8	12	40	53	5	7
Uganda	5	9	18	28	4	4
Tanzania	6	11	19	30	6	6
Zambia	5	7	15	24	3	3
Zimbabwe	4	9	17	25	5	5

Source: GTA Database (accessed 18 May, 2010).

Figure 2 Post-crisis trade policy measures affecting African countries



Source: Based on GTA database (accessed 18 May 2010).

Taking a holistic view of the effects of post-crisis policy measures on African countries, red measures are of utmost prominence, accounting for 53% of total measures. If we combine this with the potential restrictive measures, they represent 80% of total measures affecting African countries. This leaves only 20% of the total measures as liberalizing. Again, this suggests the heavy and unexpected additional burden being heaped on African countries during the financial crisis and recovery period in addition to those emanating from the traditional channels.

In terms of impact, the restrictive policy measures can be broadly classified into two: minor and temporary measures targeted at specific products and complex measures that have the potential for significant, long-term effect on trade generally and especially trade activities of developing and emerging African countries. Viewed by classification, these measures take the forms of subsidies, support packages, tariff and border measures. While the developed countries apply subsidies, bail-out and support packages to restrict the engagements of other countries in their economies, developing and emerging economies adopt border and tariff measures to achieve the same aim.

It is discouraging to note that African countries are at serious disadvantage because existing laws automatically allows for price supports in form of increased subsidies with declines in agricultural prices. Such subsidies are prominent among the developed countries such as Canada, EU countries, UK, US, Japan and South Korea. To illustrate, in the US alone, trade restricting subsidies valued at over \$8 billion was recorded with a projection for a rise to about \$10 billion in 2009 (Gamberoni and Newfarmer 2009).

African trading partners have adopted varying and diverse restrictive and discriminatory trade policy measures during the period of financial crisis. Some of these are local content requirement, bailouts, export subsidies, export restrictions, investment measures, public procurement, trade defense measures, import duties, import ban, import licensing, price referencing, and other services, technical and trade defense measures.

One key observation on the response of African countries to these trade restrictive measures is that only relatively developed African countries are able to respond with

retaliatory measures. These countries are usually the North African countries and South Africa. For instance, South Africa has used both border and behind border measures aimed at restricting trade, especially from the developed countries. The country has a significant support package for the local clothing and textile industry that include procurement provisions. This general support is extended to border measures that include a planned increase in import tariffs for to up to 45 percent for 35 categories of textiles and clothing. Again, this is worrisome given the role of South Africa in intra-African trade and the fact that the restrictions do not exclude African countries.

3 Evidence of the effects of foreign trade policy measures adopted during the financial crisis on economic performance in Africa

The trade policy measures implemented by trading partners of most African countries have had both positive and negative impact on economic performance of African countries. While there are a pocket of measures that have impacted positively on these economies through increased exports, imports of critical inputs, domestic employment creation and increased investment opportunities, most of the measures have had severe adverse effects on the economy. Some of these negative effects include sharp decline in exports, FDI, private capital flows, national savings, rise in unemployment, worsened terms of trade and current account balance. In this section, we provide selected specific discriminatory policy measures adopted by some African trading partners and encapsulate their effects on these economies by examining the trends in some basic macroeconomic and trade indicators.

The elimination of export duties or interim export duties by China in January 2010 on 17 tariff lines involving minerals, iron and steel has had a positive effect on some African countries⁴. It is noteworthy that several African countries depend on China for supply of cheap processed iron and steel for infrastructure projects development. Some of these countries include Angola, Cameroon, Ethiopia, Nigeria and South Africa. China's policy to eliminate tariff on these commodities has further reduced the cost of imports of these materials, thereby helping African countries to benefit from the relatively cheaper materials for both private and public infrastructure and construction projects. The reduction in cost of processed iron and steel resulting from this move has also strengthened China's engagements in infrastructure development in Africa given the relatively lower cost of iron and steel and with potential increase in number of projects. Given the high infrastructure gap in Africa, this policy measure is a welcome development as it holds the potential for closing this gap through cost reduction.

On the other hand, Indonesia issued a new policy measure aimed at the contrary. Effective 31st December 2009, the country introduced a new regulation on domestic market obligation aimed at prioritizing mineral and coal for use in the domestic

4 <http://www.globaltradealert.org/measure/china-elimination-export-duties-certain-mineral-and-iron-or-steel-products>

economy⁵. The regulation requires that producers of these resources allocate certain minimum percentage for domestic consumption at the expense of exports. Strict compliance is required as extreme sanctions are imposed on firms for non-compliance. Such restrictive measure could starve developing African countries of these requisite resources for use in infrastructure development. Earlier and beginning from November 2009, Indonesia imposed stricter regulation on fruits and vegetable imports, demanding checks on imports for hazardous chemical residues⁶. While this may seem good when viewed from health point of view, it could be easily abused and used in controlling general imports, especially imports from African countries under the guise of non-compliance. If so abused, this will have severe effect on employment and general welfare given that almost all African countries are engaged in and depend on agriculture exports, with greater percentage of their workforce engaged in this sector.

The US "American Recovery and Reinvestment Act of 2009" is a major foreign partner policy with very strong negative effect on African economic performance, especially trade and investment. Signed into law in February 2009, the comprehensive bailout and procurement package provides support for the American economy to the tune of \$787 billion with provisions for "Buy American"⁷. This provision extends to commodities usually exported by African countries to the US, prominent among which are textiles and textile fibers, yarns and spun silk yarn, fabrics, etc. While this might not override the AGOA Initiative, the implication for African countries is that the competitiveness of fledging agriculture and industrial products and its potential entry into the American market is temporarily diminished.

On February 18, 2010, the French government exerted pressure on the management of Philips to restart dialogue with staff to ensure jobs are saved for those employed in the firm in France⁸. This move portends a negative effect on South Africa where Philips has a major factory and office that employs several local people. This negative effect emanates from the fact that employment protection for Philips' employees at home might require reduction in foreign subsidiary operations, including South Africa. This would result in lower foreign direct investment and possible divestment by the company in South Africa, employment will reduce, welfare loss will follow as those who lose their jobs would experience higher poverty.

In February 2010, the French government exerted pressure on Total to rethink its decision to close the refinery in Dunkirk because this would lead to loss of both direct and indirect jobs⁹. Caving in to this pressure, Total was forced to guarantee jobs for the workers, confirming its decision against earlier move to close the refinery. However, this was achieved at the expense of foreign commercial interest because Total will most likely transferred the cost to its subsidiaries abroad through reduced investment and general operations in foreign subsidiaries. One of the African countries that would bear the brunt of this reduced investment and operations is

5 <http://www.globaltradealert.org/measure/indonesia-domestic-market-obligation-dmo-mineral-and-coal-producers>

6 <http://www.globaltradealert.org/measure/indonesia-stricter-regulation-fruit-and-vegetable-imports>

7 <http://www.globaltradealert.org/measure/united-states-america-expanded-buy-american-provisions-public-projects>

8 <http://www.globaltradealert.org/measure/france-government-pressurises-philips-preserve-jobs-dreux>

9 <http://www.globaltradealert.org/measure/france-government-pressurises-total-preserve-jobs-dunkirk>

Nigeria where Total is involved in oil exploration and marketing. This could involve scaling down on staff and complete hold on new investment and jobs. This could also have significant impact on oil production in the country, worsening the declining oil production resulting from insecurity in the Niger Delta region of the country.

The comprehensive bailout package of the Russian Federation that was approved in June 2009 has also had negative effects on African countries¹⁰. The discriminatory support the package provided for agriculture, textile and timber processing sectors are the main channels through which the negative effects spring. About €5 billion worth of support was provided for the agriculture sector in 2009, about 45% higher than the support provided in 2008. This support includes subsidy for bank credits to farmers and provision of agricultural machines and equipment. In addition, €7.6 million was allocated for subsidizing interest rates on banking credits for the wood sector, and to create seasonal reserves of rough wood and fuels. This move further restricts and limits exports from several African countries to the Russian Federation.

In response to the effects of the financial crisis and fundamental structural problem facing the agriculture sector, the French government provided a rescue package worth €1.65 billion for its farmers in October 2009 with the intent of defending the 'French national identity'¹¹. This rescue package consists of €1 billion subsidized bank loans with a range of just 1% to 1.5% interest rates and €650 million in land and energy tax cuts coupled with reduced social charges. The measures are aimed at activities meant for exports, thus discriminating against foreign farmers. Earlier, the same country implemented similar discriminatory policy that focused on improving international competitiveness of the fruits and vegetables sector with financial support worth €15million in August 2009¹². The EU countries took similar step in July 2009 when the European Commission approved 16 programs in 12 member countries¹³ aimed at supporting EU's agriculture production in organic products, dairy products, meat, wine, fruit and vegetables, olive oil, honey and flowers¹⁴. The program valued at €62.1 million was aimed at strengthening EU's agriculture product competitiveness in the international market. This is a direct competition and discrimination against agriculture products from African countries as the negative effects of this protectionist policy measure on African exports into the EU and third market is easily discernible.

Switzerland has adopted similar discriminatory policy aimed at protecting its agriculture sector¹⁵. In October 2009, the Swiss Federal Council approved 28 million Swiss franc aimed at supporting agriculture production, increasing credit price compensation by 18 million Swiss francs. The objective of the credit was to ensure that local raw materials including butter, milk powder and grain are used in food

10 <http://www.globaltradealert.org/measure/russia-programme-anti-crisis-measures-russian-government-2009>

11 <http://www.globaltradealert.org/measure/france-immediate-eur-165-billion-rescue-package-french-farmers>

12 <http://www.globaltradealert.org/measure/france-new-subsidies-fruits-and-vegetables-sector>

13 The member countries are Austria, Belgium, Finland, France, Greece, Italy, Luxembourg, Latvia, the Netherlands, Portugal, Spain and the United Kingdom.

14 <http://www.globaltradealert.org/measure/ec-support-promotional-activities-agricultural-products-12-member-states>

15 <http://www.globaltradealert.org/measure/switzerland-federal-council-approves-chf-28-million-agricultural-sector>

manufacturing instead of foreign ones. In addition, subsidy for cattle breeding and productive livestock exports was increased to a maximum level of 1.5 million Swiss francs with the aim of stabilizing the milk and meat markets. Furthermore, the amount of direct payments for open farmland was increased from 620 Swiss francs to 640 Swiss francs per hectare, bringing the total financial commitments to 6 million Swiss francs.

Developed countries have also responded to the financial crisis by adopting protectionist immigration and employment policies that discriminate against foreigners, including Africans (McCabe, Lin and Tanaka 2009). There have been restrictions on immigration in these countries with many of them announcing changes to work permits for foreigners. Some of these countries that earlier proposed 'carrot' measures have resorted to using 'stick' to achieve their protectionist policy. In February 2009, Czech Republic adopted a protectionist immigration policy measure targeted at the non-EU migrants to return home. In Italy, illegal immigration was recently made a criminal offense. Moreover, France and Italy are encouraging other European Union countries to adopt tighter border patrolling measures, especially along the Mediterranean Sea. These protectionist measures affect migrant Africans more than other nationals given the large number of Africans in these countries.

The United Kingdom announced changes to its high-skilled migration criteria in 2009. Beginning April, highly skilled immigrants (Tier 1) seeking to enter the United Kingdom are required to hold master's degree and earn at least 20,000 pounds per annum (approximately US\$31,000)¹⁶. This is a significant upward revision from the previous conditions that required a bachelor's degree and 17,000 pounds annual income (approximately US\$26,400). In the same vein, employers seeking to bring skilled workers into the UK are mandated to advertise such job to resident workers through a government-run job web site for two weeks, with extension to four weeks as of mid-December 2009. This is to be complemented by one other permitted method before a non-European Union worker can be brought into the UK. Moreover, the government has reduced the list of jobs on the skilled shortage occupation list from 700,000 to about 500,000 over the last year. This policy seriously discriminates against African migrants who are generally of lower qualifications and skills. It also tend to discourage the migration of African youths that are interested in seeking educational qualifications at vocational, technical, bachelor's and master's levels. This could seriously hamper skills and educational development that are required for the long-term economic growth and transformation of African countries.

Ireland instituted similar policy measures when the Minister for Enterprise, Trade & Employment announced changes to the work permit and green card regimes on 15 April 2009¹⁷. Effective 1st June 2009, the Irish government began restricting eligibility and imposed tougher tests for the issuance and renewal of work permits. Specific various middle-level jobs were declared ineligible for green cards. The new policy is premised on the decision "to allow the maximum opportunity for any available job vacancies to be filled from within the Irish labor market and wider EEA". Jobs in healthcare, financial services and industry/service that pays between €30,000 and €60,000 have been removed from the Green Card list. Issuance of new work permits

¹⁶ <http://www.migrationinformation.org/Feature/display.cfm?id=759>

¹⁷ <http://www.migrationinformation.org/Profiles/display.cfm?ID=740>

for low-paid jobs was scrapped, stiffer penalties in form of higher fees and labor market requirements are required for work permits renewal, jobs such as domestic workers and low-paid jobs are classified as ineligible for new work permits. The perceived negative effects of this policy development on African countries is through loss of job and remittances of emigrant Africans in this country to family members left behind at home.

Table 3 provides an encapsulation of the effects of protectionist trade, investment and migration policy measures on African countries. A major highlight of the negative effects of the post-crisis trade policy measures on African countries is decline in imports, exports and net FDI and worsened terms of trade and current account balance. It is hoped that as the global economy recovers and partners of African countries relax and desist from the current protectionist measures, Africa will gradually recover from its current weak economic condition, as demonstrated by the projections for most economic and trade indicators.

Recent studies have endeavored to analyze the impact of foreign trade policy measures on African trade. For instance, using sectoral bilateral trade data for 1976-2002 and a gravity equation approach, Berman and Martin (2010) quantify the deviation of exports from their "natural" level generated by financial crises. They find that African exports are more sensitive to large negative income movements in the countries they trade with, and this hold true for both manufacturing and primary goods exports. The study concludes that disruption effect is the main channel through which a given fall in income and demand by African trading partners adversely affect African exports.

Table 3 Pre- and post-crisis performance of Africa in selected indicators

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Investment (% GDP)	17.4	18.1	19.5	19.3	19.7	19.4	20.3	21.5	22.0	21.7	22.6	22.8
Savings (% GDP)	18.1	16.8	16.1	16.7	18.3	19.2	24.8	22.6	23.3	20.3	21.6	21.5
Inflation rate (%)	15.4	14.1	11.2	10.9	7.6	8.9	7.3	7.1	11.6	10.6	8.0	6.9
Import goods & services (% change)	-1.6	8.1	8.2	7.4	6.9	11.7	6.8	15.6	11.1	-7.9	11.9	6.8
Export goods & services (% change)	9.3	2.1	2.1	6.7	7.7	6.6	3.8	7.3	0.3	-7.0	7.0	6.2
Terms of trade, goods & services (% change)	6.4	-2.6	0.0	3.1	3.9	10.0	8.0	2.0	10.2	-14.8	10.6	1.0
Current account balance (% GDP)	0.6	-1.6	-3.9	-3.0	-1.6	-0.4	4.3	1.2	0.9	-2.1	-1.7	-2.0
Net FDI (\$billion)	6.2	17.9	10.7	12.7	11.8	16.7	9.0	22.9	32.6	22.8	25.4	30.8

Source: World Economic Outlook Database, April 2010.

4 Policy reflections

One major policy reflection on the actions of African trading partners during the crisis is the need to further broaden economic base and exports of African countries. As earlier observed, African countries were affected most through the policy measures that discriminate against entry of African agricultural commodities into the markets of trading partners and into third market. Continued and intensified production and exports of primary commodities will deepen the competitive problems facing African countries with limited room to maneuver in times of crisis like this. On the other hand, capacity for economic and export diversification into higher value products will provide some latitude for African countries and better negotiating power in its trading relationships.

Specific policy actions are required to help diversify economic base and trade in African countries. One, countries should work to improve productivity of agriculture through value-added processing of existing commodities as opposed to the current trend of exporting them in their raw forms. For instance, instead of continuing to export tomatoes, corn, cocoa, vegetables in their raw form, efforts should be made to ensure movement up the value chain by processing them into paste, thus improving their value and lifespan. In addition, countries should vigorously work at adopting high yield products and improved use of technology to increase quantity and quality production of existing products and include new products. Two, there is need for innovation in services through better technology to reach more people. A classical example here is mobile banking. A good percentage of Africans remain unbanked. Such innovation in e-banking as demonstrated in the case of Kenya has a very high potential for broadening economic base for self-reliance. Finally, resource-rich African countries need to invest a good chunk of the revenues accruing from resources in other sustainable activities such as agriculture and industry. Moreover, they need to invest more in resource exploration and development than in exploitation. This will help in the discovery of new untapped resources while improving the level of exploitation of existing ones.

The post-crisis policy actions of African trading partners also drive home the imperatives for domestic resource mobilization. Most African countries were, to some extent, helpless in the face of the crisis due to limited resources and thus could not do much to rescue their sinking economies nor counter the discriminatory measures adopted by their trading partners. Worse still, many of these that depend on foreign aid could not receive the pledged aid commitments from their development partners who were busy bailing out their own economies. The crisis has revealed the futility of continued dependence on developed countries and development partners in providing the required financial resources for financing long-term economic growth. African countries need to intensify efforts aimed at looking inwards and developing strategic policies for mobilizing domestic resources for long-term economic growth.

There is also need to concentrate on reducing supply-side and cost raising constraints. For instance, the elimination of import tariff on natural rubber¹⁸ and reduction of import tariff on articles of apparel, clothing accessories and other articles

18 <http://www.globaltradealert.org/measure/russia-elimination-import-tariff-natural-rubber>

of furskin¹⁹ by the Russian Federation provides excellent opportunity for several African countries producing this commodity to deepen market entry in to the Russian market. However, the supply-side constraints largely limit the extent to which this opportunity could be exploited. Put together, supply-side constraints increase cost of production, worsening the competitiveness of African products in the international market. Some of the constraints that require urgent attention are infrastructure deficiency that includes roads, railroads, electricity, port infrastructure and management, installed industrial and manufacturing capacity. In addition, there is need to improve electricity generation in most African countries as this continue to represent a major operating cost for producers. This can be done through public-private partnership initiative as there are several local and foreign private firms that are interested in such projects. Reducing these constraints will further reduce the cost of production and ease market entry for African commodities vis-à-vis their competitors.

Finally, the policy actions of Africa trading partners have demonstrated the need to act swiftly to conclude the WTO's Doha Development Agenda. Developed countries will continue to effectively exploit discriminatory tariffs and subsidies on agriculture products as deemed fit without consideration for developing trading partners. Concluding the negotiations and finalizing on import and export rules as they relate especially to agriculture commodities will provide safeguards for developing African countries.

5 Conclusion

This paper sets out to examine the nature of post-crisis trade measures adopted and implemented by Africa trading partners and assess the nature and extent of impact on trade and commercial interests of African countries based primarily on the qualitative policy measures in the GTA database. Pre-crisis liberal and benign global trade regime has been a major positive for the encouraging economic performance of African countries in recent times. However, discriminatory and restrictive post-crisis trade policy measures implemented by most Africa trading partners seriously undermine the successes achieved and threaten post-crisis recovery. This paper has enhanced our understanding on the nature of policy measures implemented by Africa trading partners during the crisis. A very clear finding is that most Africa trading partners have resorted to protectionist and discriminatory trade policy measures that are of great disadvantage to African countries. The effects of these measures on trade and economic performance of the continent has also been elicited. Among other things, the policy measures have resulted in sharp decline in imports and net FDI coupled with worsened terms of trade and current account balance. The policy reflections reveal what urgent actions are required to correct the current factors discriminating against competitiveness of African economies and exports in the markets of partners and in the third market. To correct these perceived negative effects and ensure quick recovery, African countries must work at broadening their

¹⁹ <http://www.globaltradealert.org/measure/russia-reduction-import-tariff-articles-apparel-clothing-accessories-and-other-articles-furs>

economy and export base, significantly improve domestic resource mobilization as described above.

References

- Berman, Nicolas and Philippe Martin (2010) "The vulnerability of Sub-Saharan African countries to financial crises: the case of trade", CEPR Discussion Paper 7765.
- Evenett, S. (2009) *The Unrelenting Pressure of Protectionism: The 3rd GTA Report*. Centre for Economic Policy Research (CEPR).
- Gamberon, Elisa and Richard Newfarmer (2009) Trade Protection: Incipient but Worrisome Trends. Trade Notes No 37, March 2. International Trade Department, PREM, The World Bank.
- McCabe, Kristen, Yi-Ying Lin, and Hiroyuki Tanaka (2009) Pay to Go: Countries Offer Cash to Immigrants Willing to Pack Their Bags. Migration Policy Institute, Piotr Plewa, European University Institute. Available at <http://www.migrationinformation.org/Feature/display.cfm?ID=749>.

About the author

Eric Kehinde Ogunleye is an open economies macroeconomist with strong background in macroeconomics, econometrics, international trade and finance. Eric holds a Ph. D and M. Sc. in Economics from the University of Ibadan and a B.Sc. in economics, (Suma cum Laude) from the University of Calabar. As a PhD student, Eric was a recipient of the prestigious African Economic Research Consortium's scholarship for the Collaborative Ph.D. programme in Economics for sub-Saharan Africa. Eric was at the University of Cambridge in 2008 to attend the Cambridge Advanced Programme on Rethinking Development Economics. He was a Ph. D research intern at the United Nations University's World Institute for Development Economics Research in Helsinki, Finland where he worked on exchange rate and foreign direct investment issues. He has work experiences at the WTO and UNCTAD in Geneva. At UNCTAD he worked with the team that prepared the UNCTAD's flagship publication, World Investment Directory for Africa in 2008. He has published a number of articles in reputable economic and business journals in addition to active participation in international research conferences.