In principle, free trade among nations can provide opportunities for economic growth that are absent when economies remain closed to one another. The theory of comparative advantage suggests that if a country exports the goods that it produces at relatively low cost and imports the goods that it could produce only at great expense, its people will be able to consume more than would be possible without international trade. Moreover, if revenues from exports are invested in public goods such as schools and transportation infrastructure, trade will help a country become increasingly productive and prosperous over time. In the face of these theoretical gains from trade, Africa’s experience reveals that a concentration on exports can coexist with economic stagnation and decline. Rather than disproving the theory of comparative advantage, this outcome reflects the problematic history of Africa’s relations with the global economy. The patterns of international trade that persisted through the 20th century were not established through bargaining among independent entities, but were imposed as part of a colonial strategy to benefit European states. The particular form of export orientation that was established in the colonial period was never intended to maximize Africa’s economic potential and the preservation of that trade structure did not serve the continent well.

From the end of the 19th century, the colonial enterprise in Africa aimed to extend a trading system in which Africa served as a source of primary products for European industries and consumers. European manufacturers could then export processed consumer goods to African markets. In this way, African economies were “developed” to play a limited role in a larger, colonial system. While the colonial strategy integrated Africa into a global commodity market, it did so in a manner that was not ideal from the perspective of an independent economy.

The colonial trading system did not and could not develop under conditions of free trade. From the early decades of the 20th century, firms such as the British East Africa Company operated in colonies with charters from the government that gave them protection from competition. These firms’ profitability was aided by a pattern of public investment that concentrated on infrastructure to serve the nascent export sector. Moreover, the power of the state was used to compel Africans to produce crops or provide labor to support the business enterprises. The charter companies and the forms of public investment ensured that trade was oriented toward the colonial center. In the 1930s and 1940s, controls on foreign exchange and imports reinforced a tendency to import from the colonial metropole.

In the colonial scheme, there was little imperative to invest the profits from trade in order to develop African economies in new, sustainable directions. Instead, profits were spent in Europe. The drive to extract the maximum value from the continent probably reached a peak during the Second World War, when colonial powers sought to control the African economies to support the war effort. To the extent that profits were reinvested in Africa, investments were in activities that generated profits for the international firms doing business there, not in infrastructure to serve a public good. Thus, development tended to be concentrated around mining sites, ports, and areas of European settlement.

The colonial regime succeeded in creating export-oriented economies in Africa. Between 1938 and 1949, the value of exports from Africa (excluding South Africa and Egypt) rose from US $788 million to US $2,632 million; by 1960 exports reached $5.220 million, amounting to almost 20 percent of the total domestic product of the region. In a number of newly independent
countries, exports amounted to half of the national income. These exports were almost entirely in the form of unprocessed agricultural, forest, or mining products, and they were almost entirely directed to Europe. This pattern of trade left the African colonies economically dependent on the ability and willingness of consumers in Europe to buy their products. That an economic downturn in Europe could be transmitted through trade contraction into an economic crisis in Africa was not a major concern to colonial administrators, but it was a problem for leaders of independent African states.

Not only were colonial African economies highly dependent on exports, their exports tended to be concentrated on a very small number of commodities. In 1950, a single product accounted for more than 70 percent of exports from Gambia, Egypt, Liberia, Mauritius, Sao Tome and Principe, Reunion, Northern Rhodesia (Zambia), Uganda, Gold Coast (Ghana), and Sudan. In each of these economies the top three exports made up more than 90 percent of total export revenues. A number of economies, including Angola, Morocco, Nigeria and Tunisia, were considerably more diversified in their range of exports, but their exports were also primary products. Seven products (copper, cotton, coffee, cocoa, groundnuts, petroleum and wood) accounted for 45 percent of the continent’s exports in 1960 and over half of its exports in 1965. Other products that were critical in particular countries included palm oil, rubber, and tobacco. Concentration on a narrow commodity base placed independent states in an exceedingly vulnerable position in the world market. Small changes in the prices of a single commodity could have tremendous impacts in the domestic economies. While this vulnerability was a small concern when these economies were conceived as components of a larger colonial whole, it became critical in the post-colonial period.

Early post-colonial leaders were well aware of the dependent economic relationships that tended to after political independence. To break these ties, many African states adopted trade policies that aimed to develop domestic industrial capacities to reduce the need for imports and therefore reduce the need to export. In the name of “import substitution industrialization” countries established or attracted industries to produce the finished products that had been imported in the colonial system. This typically implied relatively little investment in the existing export sectors (agriculture or mining) and taxation of those sectors to support the new industries.

It soon became apparent that the goods that African consumers desired were not necessarily those that could be produced domestically at a low cost. In many cases the industries that were established to reduce the need to import finished products could only operate by importing large amounts of capital equipment and intermediate inputs. In other cases industries required such costly inputs or inappropriate technologies that they could not be sustained at all.

Reliance on imported inputs to support industrial production meant that African states remained dependant on commodity trade with Europe. Thus, the continent faced the continued need to export primary products to pay for imports. Because relatively little investment had been made in the export sector, exports remained highly concentrated and the pattern of trade with Europe had not been altered. Moreover, since industries had not thrived after an initial period of rapid growth, the export sector remained a large share of African economies. In 1965, exports accounted for 21 percent of the continent’s total domestic product. In four countries, Liberia, Libya, Swaziland and Zambia, exports were over half of gross domestic product. By 1980 exports accounted for 31 percent of Africa’s total domestic product, with 10 countries (Botswana, Republic of Congo, Gabon, Liberia, Libya, Mauritius, Namibia, Seychelles, Swaziland, and Togo) receiving over half their national income from exports. In terms of concentration, there was a similar intensification of the colonial pattern. In the 1965, for example, Kenya’s top three exports accounted for 31 percent of its total exports; in 1980 the country’s top three exports accounted for over 60 percent of the total. For East Africa as a whole, 32 percent of exports came from the top three commodities in 1970, 45 percent in 1980 and 60 percent in 1990. In West Africa the concentration on the top three export products rose from 39 percent in 1970 to 70 percent in 1980 and 81 percent in 1990.

In 1980 after some 20 years of independent rule, African economies remained dependant on a narrow base of exports sent to a small number of countries. The implications of this vulnerability were made dramatically clear in the 1980s when Africa experienced declines in the prices and quantities of exports from across the continent. Between 1980 and 1990, the terms of trade (the price of exports compared to the price of imports), fell by over 50 percent for the continent as a whole. Export revenues dropped substantially in all regions of the continent over this period. As a result of declining export revenues, foreign exchange was not available for
importing the inputs required in many of Africa’s industries. Consequently industry declined in much of the continent. Faced with simultaneous drops in industrial production, per capita food production, and export revenue, many countries in Africa turned to international lenders to finance imports. These countries eventually found themselves in debt crises that drove them into structural adjustment programs at the behest of the international financial institutions that financed their borrowing.

Economic dependence on the export of a small number of primary products left African economies vulnerable to price shocks resulting from factors such as demand changes in Europe, the entry of other suppliers, and the development of synthetic substitutes. The continent was also vulnerable to declines in revenues if output fell due to weather shocks, decaying infrastructure, or farmers’ disinclination to grow or sell crops that were subjected to heavy taxation. To make international trade work well for Africa, most observers agree that diversification of exports is needed. This diversification could take the form of expanding both the range of commodities exported and the range of trading partners.

Diversifying products exported would open new areas to development and would protect countries from declining terms of trade. Developing new trading partners would reduce the tendency for negative economic trends in Europe to be transmitted to Africa and might also lead to further diversification of export products. To achieve diversification of exports to Europe and North America, African states will have to invest in the development of new sectors. In some cases, exports of new products will also require negotiation to gain access to developed economy markets that are protected from imports.

Diversifying trading partners is another mechanism whereby African economies may get more from international trade in the future. Whereas most countries of the world trade most heavily with their near neighbors, African states persist in the colonial pattern of trading more with Europe than with each other. In 1960, 70 percent of African exports went to Western Europe and a similar share of imports came from those states. At the same time, less than 7 percent of the goods exported from African states or colonies were traded within the continent. Intra-African trade remained less than 7 percent of the exports of African countries in 1997, while exports to Europe remained over 50 percent of their trade. While increased trade among African states seems to hold potential, obstacles to such trade include: (1) the orientation of much of the continent’s infrastructure, which was built to facilitate the movement of products out of Africa rather than across it; (2) the tendency for many countries to have similar resources and thus similar production options; and (3) the small size of the African markets. While obstacles to diversification remain great, the potential for constructive international trade can only be realized if African economies develop new patterns of engagement in the global economy.

**FURTHER READING**


**WEBSITES**

World Trade Organization
[www.wto.org/english/thewto_e/whatis_e/whatis_e.htm](http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm)

Africa Recovery Office, UN Dept of Public Information

Global Exchange
[www.globalexchange.org/campaigns/wto/](http://www.globalexchange.org/campaigns/wto/)

Third World Network – Africa
[www.twnafrica.org/](http://www.twnafrica.org/)

**CASE STUDIES - Cotton Subsidies & Africa**

Farm Justice Alliance
[www.subsidieskill.org/index.htm](http://www.subsidieskill.org/index.htm)

Global Policy Forum


U.S. Cotton Board
[www.cottonboard.org/](http://www.cottonboard.org/)

**CURRICULUM MATERIALS**

African Virtual Trade Mission
[www.afst.uiuc.edu/virtualtrade.html](http://www.afst.uiuc.edu/virtualtrade.html)

The goal of the Africa Virtual Trade Mission is for students to understand the political, social, and economic impact of trade for the United States and its trade partners.