LEARNING, HERDING OR COERCION? :

THE CASE OF THE 'TRADE POLICY REVOLUTION' IN SUB-SAHARAN AFRICA

Chris Milner

GEP and School of Economics
University of Nottingham

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1. Introduction

"In a broad swing of the pendulum, developing countries have been shifting from severe and destructive protection to free trade fever."
(Dornbusch, 1992)

"There seems little doubt that a small revolution in trade reform has taken place across the developing world"
(Dean, 1995)

Although it is generally viewed that the process of 'unilateral' trade reform generally started rather later in Africa than in other regions, from the second half of the 1980s onwards it would be right to represent Sub-Saharan Africa in general as undergoing a substantial change in its trade policy stance. Regimes that were typified by extensive use of quantitative import restrictions, foreign exchange controls and explicit and implicit taxation of traditional exports have been replaced by ones where tariffs are generally the binding constraint on imports and where there is significantly reduced anti-export bias and significantly greater currency convertibility. The relative slowness in starting the process of trade reform is therefore one distinctive feature of Africa, the other is the clustering or simultaneous initiation of reform by many African countries once the process was underway. The relative slowness of the starting the reforms might be consistent with a learning process; learning from the experience of other reforming regions and/or via a slow diffusion of trade policy ideas associated with the regions limited institutional and human capital capacity. By contrast, the apparent stampede of reforming countries might be interpreted as a herding effect driven by the incentive to maintain countries' relative standing with donors and foreign investors in terms of the attractiveness of their policy regime. Or still again the initial slowness and subsequent stampede of 'unilateral' reform might be indicative of external coercion; shared crisis conditions reducing the ability of governments to resist the imposed (trade and other) policy conditions for the stabilisation and structural adjustment funds required by these countries.

The aim of this paper is to explore the relative importance of learning, herding and external coercion in explaining why and how trade policy reform has come about in sub-Saharan Africa. In order to explore this issue we need first to review three areas; how ideas about trade policy changed in advance of the trade policy reforms (Section 2), how ideas about trade policy may be learned or transferred internationally (Section 3), and how the trade policy revolution occurred in Africa (Section 4). This allows us to offer an explanation in section 5 for trade policy transfer in Africa, and to provide an overall evaluation in Section 6 of how much 'learning by doing' there has been. The paper concludes with an assessment of whether the limited response to trade policy reform and changing conditions may undermine African commitment to more liberal trade policies.

2. **The Evolution of Trade Policy Ideas**

For the present purposes it is not essential to identify all the nuances in the literature on the nature of what economists and policy makers thought were previously and are now good or appropriate trade policies for development. Clearly there are differences of interpretation about the extent to which the actual import substitution policies pursued, pre- the shift in 'orthodoxy', accurately represented what was advocated by those supporting interventionist trade policies. Similarly, there are differences about the extent to which illiberal trade policies as opposed to poor macroeconomic policies (fiscal indiscipline and currency overevaluation) and the resulting macroeconomic disequilibrium brought about poor trade and growth performance. This, in turn, has led to marked differences of opinion as to the nature of the policy regime and successes in the East Asian tigers. In the case of Krueger (1997) for example, the basis of a new orthodoxy of liberal trade policies was founded on a general failure of import-substitution and on the success of the East Asian tigers in promoting exports through diminishing intervention and reducing anti-export bias. By contrast, Rodrik (1996) argues that the label of 'import-substitution' described a wide variety of trade policy regimes across developing countries, and of macroeconomic policy and institutional conditions; attributing failure to trade policy can therefore be misleading or inappropriate. Similarly Rodrik perceives the success of the Asian tigers as being less about less interventionist microeconomic (including trade) policies and more to do with initial conditions (higher educational levels and greater income and wealth equality) that allowed these countries to manage active trade policies and macrostability without inviting rent-seeking behaviour and political resistance to economic adjustments.

What is required for the present purpose is to establish that there was a substantial change with regard to the consensus or orthodox view as to the role of trade and trade policy in economic development, and that this change of view among economists (and policy makers and influencers in the Bretton Woods institutions) took place in general after the 1960s. By the late 1960s and during the 1970s there were significant empirical and theoretical contributions in the research on trade policy, which undermined many of the premises on which a case for general import substitution had been based. Krueger (1997) critically explores these premises and identifies the major relevant research developments during this period that contributed to the change in consensus. She points to how the empirical studies of *inter alia* Little et al (1970), Bhagwati (1978) and Krueger (1978) about how import-substitution regimes in developing countries generally worked, and about how the refinement and reinterpretation of theory (eg Baldwin (1969) on the infant industry argument, Bhagwati and Ramaswami (1963) and Johnson (1965) on market failure and optimal intervention, or (Bhagwati (1974) on rent-seeking and the political economy of protection) altered economists' and policy makers' views on appropriate trade policies for economic development. More controversially Krueger argues that the East Asian tigers provided a demonstration of the viability of an alternative trade strategy based on export or outward-orientation and <u>relatively</u> uniform incentives within and across sectors. Without dwelling on the adequacy of this interpretation of the East Asian experience or the alternative interpretations (eg Ranis, 1984; Singer, 1988), the East Asian tigers certainly demonstrated that greater export orientation could produce high growth rates (and higher than generally experienced under import-substitution) and could be sustained without specialisation on primary products.

3. Alternative Views of Trade Policy Learning and Transfer

In line with a social learning principle, we follow the structuring of models of policy learning and transfer provided by Morrissey and Nelson (2001). They outline three alternative models of policy learning: learning by doing, learning from others and ‘hierarchical learning’.

Learning by Doing

In a pure learning by doing case there is no possibility to learn from the experience of others. We might, for the sake of simplicity at least, think of a typical small developing country as faced with a straight choice between either import substitution (IS) or export promotion (EP) where the outcome (“good”/high growth or “bad”/low growth) is fashioned both by the relative effectiveness of the alternative trade policies and by factors beyond the control of the policy maker (eg movements in world incomes and prices). Even if the policy makers have prior beliefs about the superiority of one of the trade policy stances, the outcome of a particular policy choice only provides information on the effectiveness of that policy in the present external conditions. It does not provide information about the effectiveness of the policy under alternative conditions or about the effectiveness of the alternative policy. What is learned therefore is fashioned by initial choices and history, and by the costs and scope for policy switches and policy experimentation. It may be that with sufficient time and limited costs of or resistance to policy switches the best policy (if it exists) could be learned. Of course learning may be incomplete and constrained and the policy maker may choose and stick with the inferior (trade) policy (at least for a significant period of time).

In a more complex world where there are other, probably simultaneous and possibly more important sources of policy transfer, some learning may take place even if the inferior trade policy remains in place. Policy-makers and technicians (or at least some of them) may well be aware of the possible ‘inferiority’ of the policy choice. Experience of policy failure may make these policy makers more receptive to alternative sources of policy transfer. In the extreme there may be changes in the beliefs of incumbent policy makers or changes in the incumbents which bring about policy change, perhaps in the face of policy crisis. Krueger (1991) and Morrissey and Nelson (2001) point to the apparently influential role of specific academics in Taiwan’s shift away from import substitution.

Learning from Others

In the context of trade policy there would appear to be broadly two possible forms of social learning, direct learning from observation of the policy choices (and possibly experiences) of other countries or indirect learning of the experience of others through the evaluation of and dissemination of research (importantly including that by the international agencies).

One might anticipate that, for developing countries, especially small and low income ones, the scope for observing and learning from other countries might be restricted by limited resources and by "distance" (physical, cultural and commercial) barriers to networking of individuals working in both the public and private sectors. More direct observation of policy and performance is likely to be on a regional basis, fostered also by regional integration initiatives and the need to negotiate policy differences and harmonizations. Of course, globalisation influences (communications improvements and transnational production) may have lowered barriers to extra-regional learning effects, but given the large number developing countries and the growth in data and large scale/cross country empirical research one would expect the international agencies (World Bank, IMF, WTO, UNCTAD etc) to play a major role in influencing the extent and nature of trade policy learning in many developing countries. These agencies gather comparative information, conduct their own research on trade and related policies, and evaluate other private research. They have the resources, expertise and opportunity to give policy advice and to affect as a result the prior beliefs of policy makers on the relationship between policy choices and outcomes.

Social learning, by both direct and indirect means, may tend to engender herding effects (towards 'bad' or 'good' policies). In the case of direct learning, there may only be information readily available on the policy choices (not policy outcomes) of other countries. Specific countries (large developing countries, culturally or linguistically important ones etc) may be particularly important in initiating cascades of policy information. Similarly to the extent that specific international institutions have a degree of 'monopoly' control of responsibility for areas of policy information and dissemination or there is a consensus of policy beliefs across international institutions, then the international institutions may be fashioning the nature of reputational cascades.

Hierarchical 'Learning'

International agencies may (in principle at least) play a supportive role only in the social learning process. Given the concentration of expertise and responsibilities mentioned above, combined with the scope to sanction countries, then an international institution may also play a less passive role in fashioning policy choices in developing countries. The agency may be able to provide insurance about bad outcomes following the adoption of the policy preferred by the agency and/or to provide prior or contemporaneous transfers as rewards for following the preferred policy. It should be clear that in this environment the initial belief (fixed or otherwise) about the particular policy area of the relevant or key international agency (or initial 'consensus' of several agencies are involved) is central in the initiation of the downward cascade of policy information or design. Again the commonality or uniformity of the policy advice or specification given will induce herding, or at least the appearance of herding. There may be an actual convergence of beliefs of policy makers in developing countries towards the international institutions' preferred policy. (Indeed the hierarchical 'learning' process may reinforce other forms of learning in this respect; learning about the failures of previous policy choices or learning from the experiences of earlier reformers.) If, however, the insurance or bribe offered by the agency is sufficiently large, it is possible to have a convergence of actual policies without any convergence of beliefs or social learning on the part of national policy makers. Such involuntary convergence of policies should be distinguished from voluntary social herding.

4. **The 'Trade Policy Revolution' in Sub-Saharan Africa**

In this section we consider the relative importance of alternative possible sources of trade liberation in a sub-Saharan Africa (SSA) context. Specifically we explore multilateral, bilateral/regional and unilateral influences on SSA trade policies.

Multilateralism

Formal involvement with multilateral trade rules and negotiations is in general not a recent phenomenon in sub-Saharan Africa (SSA). As table 1 shows in summary form, the majority of SSA countries had signed up to the GATT before the 1970s. Indeed, most had signed up to the GATT by 1994, the year before the creation of the WTO. The majority of SSA countries were therefore also formally involved in the agenda setting and negotiation stage of the Uruguay Round of multilateral trade negotiations, launched in 1986 and formally completed in 1994.

GATT membership did not in practice involve substantial trade obligations as far as SSA countries' own trade policies were concerned. This was in part due to the fact that they were relatively unimportant and less influential in affecting the agenda setting and trade negotiation processes. The GATT provisions, in particular the 'special and differential' arrangements for developing countries, allowed these countries to decline membership of new accords and to avail of wide-ranging exemptions from other obligations. Significant in this latter case was their exemption from the requirement to offer reciprocal tariff concessions. The Uruguay Round agreement and move to WTO membership should be seen as bringing a higher level of commitment and obligations for SSA countries in future. The special and differential (S&D) treatment provisions of the GATT remain, but there is reduced scope for exclusion from obligations and the scope of the multilateral trade rules have been widened (to include for example trade in services). There is also a greater commitment to monitoring and policing of the rules, through the introduction of the trade policy review mechanism.

Although WTO membership is likely to have significant implications for the SSA countries' own trade policies in future, in the immediate years since membership the impact has been relatively limited. Trade policy reviews for example have been relatively slow in covering countries in the region. A significant number of countries have still to be reviewed for the first time, and only three countries (Cameroon, Mauritius and Uganda) have had a second review. Indeed, an immediate direct effect of the UR Agreement on the nature and levels of these countries' own border trade measures is in general completely absent. The overwhelming majority of SSA countries did not offer any concessions (i.e. reductions) on mfn tariffs or on non-tariff barriers. This can be viewed in part as a continuation of the non-reciprocity principles embodied in the S&D provisions of the GATT, and certainly reflected the view among developing countries that recognition should be given for their unilateral liberalisation outside of the UR negotiations. It no doubt also reflects a degree of neglect on the part of the industrial countries, whose attention was focussed on a range of issues of more direct interest and immediate importance to themselves.

The exception to the above assessment applies to the South African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland). The SACU countries made substantial concessions. Indeed they were the only countries to submit comprehensive schedules of information on base and bound tariffs (line by line), with many of the bound rates set at levels below base rates. The schedules also include commitments on the timetable of moving the base rates down to their bound levels; these levels including a significant proportion of zero rated tariff lines.

For the rest of the SSA countries the tariff offers related only to commitments on bound (maximum) rates. All made some commitments, though in a number of cases they are not recorded as applying to all product areas. Most made general commitments on agriculture, often setting a uniform bound rate. Although no information is usually given in the national schedules on base rates, it will be evident that these bound rates were usually well in excess of prevailing rates. About half the countries now have bound *advalorem* rates that are in excess of 80% on agricultural products. The bindings are in general somewhat lower for non-agricultural products, but this may reflect the absence of a recorded general maximum tariff for other products for many of the countries.

The clear conclusion to be drawn is that multilateral negotiation has thus far played little or not role in bringing about lowering or reform of border trade measures in the SSA countries.

Bilateralism and Regionalism

The liberalisation and expansion of intra-regional trade is in principle at least a potential important factor in sub-Saharan Africa. The SSA countries have displayed a high propensity to join regional economic groupings. Virtually all are a member of at least one grouping, most belong to two grouping simultaneously, and a few to three groupings (Swaziland, Namibia, and the Dem. Republic of Congo). The overlapping nature of these agreements and the complexities this creates for rules of origin etc is of course an issue for future trade policy reform, and one of the motivating factors behind the initiatives recently to form an African Community. For the moment the issue is whether the commitments to liberalise intra-regional trade embodied in the protocols of the regional groupings have thus far been a significant source of trade liberalisation. The general consensus is that they have not been. This is certainly in line with the evidence on intra-regional trade volumes, since by 2000 only 7.6% of Africa's exports were exported to other African countries. Most of the assessments point to the limited progress in general in agreeing and implementing regional trade liberalisation, in the presence of similar production structures and limited currency convertibility. There is also wide recognition that traditional trade dependencies on industrial countries has resulted in particularly high infrastructure, in particular transport infrastructure, barriers against the development of intra-regional trade.

A similar conclusion may be drawn about the impact of extra-regional preferential agreements on trade policy openness in SS Africa. They may well become more important in future, but have not been major sources of liberalisation to date. Thus, for example, the bilateral trade liberalising agreements between the US and Africa and between the EU and South Africa and possible specific regional groupings (e.g. EU-EAC)) (which post-Cotonou will be required to provide reciprocal liberalisation of the developing countries' imports) are (actual or potential) future sources of liberalisation in SS Africa.

Unilateralism

Although the Uruguay Round was not a major source of trade liberalisation (of the major border barriers to trade), it was during the UR period that liberalisation was generally and pervasively initiated in SS Africa. In Appendix 1 the trade-weighted tariff average for the mid-1980s mid- to late 1990s is recorded for most SSA countries. If we take a simple average to represent each period then there is a marked fall between the earlier and more recent periods; from 28% to 16%. Indeed for the 26 countries that information is available for in both periods, the average tariff falls for 21 countries and rises for only 6 countries. By the 1990s, as we can see from Table 1 (a), the majority of these SSA countries have an average tariff of under 20% (27 out of 35 countries), with only two countries with an average tariff over 30% and none over 40%. In the second part of this table (1b) we compare the distribution for the 26 countries for which we have information for both periods. We can clearly see the movement down in the average tariff after the 1980s, with 21 countries having an average over 20% in the earlier period and 20 countries having one below 20% in the more recent period.

Table 1 Distribution of Average Tariff in Sub-Saharan Africa

(a) 35 countries (mid to late 1990s)

Average tariff	Number of countries
Under 10%	6
10-19%	21
20-29%	6
30-39%	2
40% and over	0

(b) 26 countries (1980s and 1990s compared)

	Number of countries	
Average tariff	1980s	1990s
Under 10%	3	6
10-19%	2	14
20-29%	8	4
30-39%	10	2
40% and over	3	0

By the mid 1990s, therefore, the bulk of SSA countries had moved quite substantially to lowering import tariffs on both agricultural and manufactured goods. Although tariffs are generally higher in agriculture than manufacturing, the gap is generally not large and again there are only two countries with average tariffs in agriculture in excess of 30% (Burkina Faso and Rwanda). It is interesting also to note (Table 2) that SSA tariff averages are relatively close by this stage to the average for all developing countries; higher than East Asia and Latin America, but lower than South Asia. (We return to this issue of relativities later.)

Table 2 Average Tariff Rates Across Developing Country Regions

	Tariff Rate (unweighted in %)			
	Year	All Goods	Agriculture	Manufactures
Memo Items:				
Average/Total LDCs (96)	1993-99	13.1	17.0	12.4
Average/Total INDs (23)	1998-99	4.0	6.4	3.5
East Asia (15)	1994-99	9.8	13.9	9.4
South Asia (5)	1996-99	27.7	26.3	28.0
Sub-Saharan Africa (26)	1993-99	16.5	19.2	16.0
Middle East & N. Africa (11)	1995-99	14.4	20.8	13.2
Transition Europe (15)	1996-99	9.6	15.7	7.8
Latin America (24)	1995-99	10.1	13.8	9.5

Sources: WTO, IDB CD ROM 2000 and Trade Policy Review, various issues, 1993-2000; World Bank, World Development Indicators, 2000 and UNCTAD, World Investment Report 2000

Information on import tariffs is an incomplete guide to the state of countries' overall trade policy stance. There may be other important instruments that protect importables (e.g. NTBs) or that directly tax exports (explicitly or implicitly). As Dean (1995) argues for her sample of SSA countries, it was the extensive use of quantitative import restrictions and foreign exchange controls that in the mid-1980s were the binding constraints on trade in most product areas of (non-CFA) African countries. Indeed the fall in SSA tariffs discussed above in general came after reforms of foreign exchange markets, which had largely been implemented in SSA by the mid-1990's. As Table 3 shows, for a sample of SSA countries pre-form (usually in the mid-1980s) the levels of NTB coverage rates were extremely high (usually over 50% and often 100%), which when combined with elaborate foreign exchange rationing schemes led to black market premium of sometimes several hundred percent (Ghana. Nigeria, Tanzania and Uganda). Although by the 1990s full convertibility of currencies had not been achieved by any of these countries, the reform of currency markets and reduction of NTBs had substantially lowered the black market premium.

Table 3 Selective SSA Information on Pre- and Post Reform NTBs and Exchange Rate Distortions

	Pre-Reform [1]		Post-Reform [2]	
Country	NTB Coverage	Black Market Premium (average)	NTB Coverage	Black Market Premium (average)
Cameroon	hundreds	-	hundreds	-
Cote d'Ivoire	38%	-	38%	-
Ghana	100%	985%	2%	17%
Kenya	71%	16%	0%	9%
Madagascar	100%	37%	0%	13%
Malawi	100%	51%	few	12%
Mali	58%	-	0%	-
Nigeria	100%	210%	17%	27%
Senegal	-	-	15%	-
South Africa	55%	0%	23%	3%
Tanzania	100%	242%	100%	119%
Uganda	-	303%	5%	79%
Zaire	100%	71%	100%	9%

(1) Various years, usually 1980s
(2) Various years, usually early 1990s.
Source: Dean (1995)

A trade policy revolution took place therefore in most SSA countries sometime between the mid-1980s and the mid-1990s; starting first in general with foreign exchange reform, moving into liberalisation of NTBs and the lowering and elimination of export taxation and finally into the reform of import tariffs

In Appendix 2 we report the Sachs-Warner (SW) indices of trade policy openness up to 1992. The criteria used to set this index go beyond narrow trade policy characteristics, but interestingly the index records 25 (out of 35 SSA countries) as closed up to and including 1992. Bar for two countries (Botswana and Mauritius) classified as early liberalisers by the SW index, the remaining 8 countries are recorded as open at some point after 1985.

But what about relativities in the extent of trade policy reform? Table 2 gave some guidance on relativities between regions, which points for example to greater liberalisation in Latin America and SSA but less liberalisation in South Asia. In Appendix 3 we report on individual country (1997) rankings for some SSA countries among both developed and developing countries. (Note that simple unweighted averages of applied tariff rates are used here, and are not necessarily comparable with the earlier information on tariffs.) The coverage of SSA countries is somewhat restricted, but what emerges is the relatively 'poor' ranking in general for the region. Of 21 SSA countries covered, 17 countries are in the bottom half in terms of average tariff levels. While for NTBs 9 out of 13 SSA countries are in the bottom half of the 'league table'.

5. **Learning, Herding or Coercion?**

The previous section has established that the trade policy revolution in sub-Saharan Africa came later than for other developing countries, was introduced by many SSA countries at much the same time, and came about through unilateral policy choice rather than negotiation regionally or multilaterally about reciprocal concessions. One might view some of these features as consistent with policy transfer coming about through both learning from doing (experience of the failures of previous trade policy choices) and/or learning from others (from the successes of earlier reformers in East Asia) supported by technical advice and information from the international agencies.

There were no doubt specific individuals (politicians and technocrats) in many of the SSA countries whose beliefs about trade policy choice were influenced, even changed, by these sources of transfer. Personal experience and the views of other observers of trade policy reform in SSA does not persuade one to believe that there was substantial changing of policy makers beliefs driven by learning about alternative policy choices and outcomes. Trade policy reforms in SS Africa were (initially at least) largely imposed upon policy makers in these countries. Pressured by crisis conditions, they had little or not option but to accept trade policy conditions attached to the lending from the IMF and World Bank to which they were forced to turn. Foreign exchange reforms were often initiated as part of IMF conditionality for stabilisation funds. Direct trade policy reform invariably followed World Bank conditionality attached to Structural Adjustment Loans (SALs) or similar sector-specific lending.

Table 4 provides some comparative information on macroeconomic performance across developing country regions. The extent of the deterioration in macroeconomic conditions after 1980 is stark; stagnant output, falling exports and imports and steeply rising external debt. There were crisis conditions where the scope for macroeconomic stabilisation with further external borrowing and for borrowing from the private sector were severely constrained for most SSA countries.

Table 4 Comparative Macroeconomic Performance Across Developing Country Regions

	GDP Growth (1965-80)	Export Growth (1965-80)	Import Growth (1965-80)	External Public Debt / GDP (%)
SS Africa	4.8	6.6	4.9	12.5
East Asia	7.2	9.7	8.6	15.0
S Asia	3.7	1.7	0.6	14.3
Latin America & Caribbean	6.0	-2.0	4.4	10.5
	(1980-88)	(1980-88)	(1980-88)	
SS Africa	0.8	-0.7	-5.0	78.2
East Africa	8.5	10.4	6.9	20.1
S Asia	5.1	5.4	4.4	24.0
Latin America & Caribbean	1.5	3.2	-4.1	40.6

Appendix 4 sets out information on the timing of SAL programmes in individual SSA countries, and the dating of the start of trade policy reforms indicated by other studies. Only six of the twenty-four countries with SAL programmes commenced their programme before 986; the other eight beginning between 1986 and 1992. It is also interesting to compare when SAL's become effective and with the independent dating of trade policy reform being initiated. Trade policy reform is indicated in most cases to come after or at the start of the SAL programmes. In some of the few cases where trade reforms preceed the SAL programme (eg Uganda) or are in the absence of a SAL (eg Tanzania), policy conditionality attached to alternative forms of Bank lending may apply. It is certainly the case that trade policy conditions tended to be central to SAL (and sector adjustment lending SECAL) programmes. Table 5 provides the results of an analysis of policy conditionality up to 1990 of 183 SALs and SECALs to 61 developing countries. Trade policy is one of the major areas of conditionality; 58% of loans carrying conditions on trade policy in general and for SSA countries. Only fiscal policy and agriculture received more coverage.

Table 5 Share of Loans with Conditions in Various Policy Areas (per cent)[1]

	All countries (183)	SSA (84)
1. *Supply-side, growth-oriented policies:*		
Trade policies	58	58
Sectoral policies	22	30
Industry		
Energy	15	12
Agricultural	45	62
Financial sector	31	26
Rationalisation of government finance and administration	51	57
Public enterprise reforms	44	58
Social policy reforms	11	13
Other	28	42
2. *Absorption reduction policies:*		
Fiscal policy	51	69
Monetary policy (Money Supply Targets)	16	14
3. *Switching policies:*		
Exchange rate	16	18
Wage policy	13	23

Source: World Bank (1990)

1. Numbers in brackets are total number of loans

The detail of trade policy reforms was the outcome of a negotiation or bargaining process, one in which there may well also have been prior policy analyses to provide information and some persuasion by both ‘independent’ researchers and Bank officials. One programme could be expected to vary from another, depending on, *inter alia*, initial policy conditions, prospects for sustainability and political consideration. Indeed it has been argued that the World Bank became too inflexible during the 1980s about the content, timing and sequencing of reforms, and sought to apply a fairly standard programme model. By the time many of the SSA countries were beginning their programmes there was greater awareness of this issue. Nonetheless there appears to have been considerable consistency in the components of trade policy reform in SS Africa. Again this is consistent with conditionality being the key driver of the reforms.

The new orthodoxy by the 1980s on trade policy, and certainly the one represented by the "Washington Consensus', was that trade reform packages should be guided by the desirability of reducing overall import protection, simplifying protective structures, increasing transparency and reducing anti-export bias. Table 6 summarises the main components of trade policy reform for a sample of 40 countries subject to SALs up to the mid-1980s, taken from a study by Halevi (1988). Different elements of import and export policy reform are identified, as are judgements as to the degree of significance of the reform requirements or conditions. Significant conditionality appears to apply more to quantitative restrictions (QRs) than tariffs. Indeed lowering of the average tariff level does not seem to be a major element of conditionality up to this stage. As we saw earlier, both strong QR and tariff liberalisation are generally evident between the mid-1980s and mid 1990s in the case of SS Africa. Further, the World Bank (World Bank, 1997) reports a high degree of compliance with trade policy conditionality in SS Africa. One would not expect such similarity of reform packages to come out of negotiations with sovereign nations, faced with differing circumstances, unless the bargaining power of these countries was uniformally weak.

Table 6 Main Components of Trade Policy Reform (1980s) [1]

	Number of countries where reforms were:						
Area of Reform	Signific-ant	Less Signific-ant	Negligi-ble	Total	Present	Not present	Total
Overall import policy	19	10	11	40	-	-	-
QRs on non-competitive imports	12	16	12	40	-	-	-
Protective QRs	12	17	11	40	-	-	-
Tariff level	7	20	13	40	-	-	-
Tariff dispersion	8	22	10	40	-	-	-
Protection level	13	26	1	40	-	-	-
Schedule of future reduction	6	29	5	40	-	-	-
Protection studies	-	-	-	-	28	12	40
Overall export policy[2]	15	14	11	40	-	-	-
Exchange rate[3]	-	-	-	-	38	2	40
Export promotion[4]	-	-	-	-	33	7	40
Imports for exports	17	15	8	40	-	-	-

Source: World Bank (1988)

Notes:

1. The assessments refer to proposals supported by the World Bank. They do not necessarily refer to policy implementation.
2. Judgement on the significance of the overall reform proposals.
3. Often these were not explicit conditions, but constituted understandings frequently made under the programme.
4. Includes such schemes as export credits, insurance, guarantees and institutional development.

6. On Commitment and the Outcomes to Trade Policy Reform

As argued in the previous sections, although SS Africa is viewed as having been slow or reluctant to liberalise trade initially it has applied substantial trade reform and the World Bank's own assessment is that trade policy is one of the areas where compliance with conditionality has in general been good. It is possible to view this simply as imposed policy transfer without belief; a willingness and ability to satisfy the policy conditions without a fundamental commitment to the superiority of the new trade policies. In need of the further tranches of the loan(s), SSA countries had to satisfy at least some of the conditions of the loan(s) and found trade policy reform easier to implement and sustain than at least some of the other policy conditions. Certainly, greater exchange rate flexibility has reduced the need to use import restrictions to ration foreign exchange, and some diversification of the domestic tax regime has helped to reduce fiscal dependence on trade taxes. However, there are alternative indicators of greater commitment to at least more (if not fully) liberal trade policies. There has been continuing external persuasion from the international agencies (now including a greater role for the WTO through the trade policy review mechanism and the increased compliance requirements arising from the Uruguay Round agreement), but there are also indications of greater domestic commitment to the new trade policy environment. There are elements of 'learning by doing' associated with this. Policy makers and domestic pressure groups (producers, traders, foreign investors etc) that can see improvements in terms of access to imported intermediate and raw materials and reduced scope for corruption and rent-seeking. There is also wider recognition in many SSA countries of the limits on the capacity of the state to fulfil functions that the private sector can do, and of the need to have more attractive policy regimes and policy administration than they previously had in order to be more competitive in the attraction of foreign investment. This increased ownership of a strategy of export promotion, however, is likely to be sustained by 'good' trade outcomes.

The Trade Response

Trade liberalisation should increase openness or the exposure of the SSA economies to international trade. In Appendix 5 we report on these trade to GDP ratios for SSA countries for 1990 and 2000. The general picture is certainly consistent with liberalisation leading to increased openness; the average ${}^{M}\!/_{GDP}$ ratio rising from 37.1% to 40.6% and the average ${}^{X}\!/_{GDP}$ ratio rising from 28.4% to 31.6%. Rises in individual country ratios were also the general pattern, with the ${}^{M}\!/_{GDP}$ ratio rising from 25 countries (out of 37) and the ${}^{X}\!/_{GDP}$ rising for 23 countries. There are some countries where the increase in openness is dramatic, with the ratios more than doubling in Angola and Ghana for example. Equally there are a few countries (e.g. Gambia, Mauritania) which witnessed a decline in both ratios over the 1990s, and including two countries (Botswana and Mauritius) that were relatively early liberalisers.

The aim is that increased openness and the associated increase in access to competitive inputs, greater competitiveness and increased incentives to produce for export markets will bring about growth in export production and GDP, and in diversification of exports into (higher income elastic) manufactured goods production. Table 7 provides some aggregate data for the whole of the Africa region. It shows that there has been some recovery of both import and export growth post-1985, with a moderate but not substantial annual export growth rate over the 1990s of 3% for the region as a whole.

Table 7 Merchandise Trade Growth for Africa
(Billion dollars and percentage)

	Exports	Imports
Value	145	137
Share in world merchandise	2.3	2.1
Annual trade percentage change		
Africa		
1980-85	-8	-6
1985-90	5	6
1990-00	3	4

Source: WTO, International Trade Statistics, 2001

Africa still only accounted for 2.3% of the world's merchandise exports by the year 2000; a share that has fallen from 5.9% in 1980. Indeed the picture for sub-Saharan Africa, rather than Africa region as a whole is equally disappointing; its share of world merchandise exports falling from 3.8% to 1.4%. As summarised in Table 8, we can see that, although the dollar value (in current terms) increased between 1980 and 2000 in 29 countries, the share of world trade exports declined in this period for 31 SSA countries. Further there were only six countries (two very marginally) that increased their share of world exports over the period.

Table 8 Changes in Export Performance in SS Africa (1980-2000)

Category (no. of countries)	Countries
Dollar Value Increase + Share of World Trade Increase (6)	Angola Sudan Benin Botswana Guinea Bissau Mauritius
Dollar Value Increase + Share of World Trade Constant (2)	Chad Lesotho
Dollar Value Increase + Share of World Trade Decline (21)	Burkina Faso Kenya Swaziland Cameroon Madagascar Tanzania C.A.R Malawi Togo Congo Mali Uganda Cote d'Ivoire Mauritania Zimbabwe Gabon Senegal Ghana South Africa Guinea
Dollar Value Constant + Share of World Trade Decline (1)	Namibia
Dollar Value Increase + Share of World Trade Decline (9)	Burundi Dem. Rep Congo Gambia Niger Nigeria Rwanda Sierra Leone Somalia Zambia

It is hard to conclude other than that the substantial trade policy liberalisations and resulting increases in trade openness in sub-Saharan Africa from the late 1980s onwards had not in general produced significant export responses by the end of the century. They had also had limited impact on the composition of exports. It is evident that there are only a handful of countries that had become manufacturing exporters by 2000, with only South Africa and Mauritius with over 50% of merchandise exports accounted for by manufactures.

The limited nature of the export response to liberalisation of the 1990s might well be explained by other than trade policy factors. Indeed a variety of factors have been suggested in the literature; problems of history and credibility, problems affecting investor confidence (Collier, 1997), lesser commitment to wider reforms in Africa and the limited institutional and human capacity (Rodrik, 1999), the extent of supply constraints and ‘natural’ barriers, in particular international transport costs (Milner, 1997; Milner, Morrissey and Rudaheranwa, 2000). But the absence or slowness of an export response may well serve to undermine the more recent increase in internal support for reform. Rodrik (1999) interprets the lateness of trade reform in SS Africa and the more gradual and interrupted progress with them than in other regions as evidence of greater scepticism in the region to a free market doctrine, and of a suspicion among African policymakers ‘that trade reform may not “work” in Sub-Saharan Africa . . . ‘ (Rodrik, 1997, p 130). Indeed, there are emerging signs of dissatisfaction with non-interventionist trade policies in countries like Uganda, that have been viewed as major and successful liberalisers. It is not expressing itself as desire to reverse the shift towards export-orientation, rather an interest in whether ‘picking-winners’, ie infant-export industries, might bring about a larger and more rapid growth and diversification of exports.

Ironically, it is over the actual role of state intervention in the East Asian tigers success, and therefore over the appropriate role of interventionist trade policies, that there is less consensus among trade economists. This is where further social rather than hierarchical learning may now be helpful in allowing SSA countries to acquire ownership of their trade policies. One will never know what exactly would have happened in the absence of policy conditionality (and it is not the aim of this paper to investigate the normative issue of what form of policy transfer would have been better for SS Africa), but there are fair grounds for believing that imposed policy transfer has brought about more and more rapid trade policy reform than would otherwise have taken place in Sub-Saharan Africa.

Appendix 1 - Average Tariffs in Sub-Saharan African Countries: 1980s and 1990s Compared

country	Earlier %	(year)	Recent %	(year)
Angola				
Benin	48.3	1985	11	1998
Botswana	30	1995	11.1	1996
Burkina Faso	60.8	1987	31.1	1998
Burundi	37	1986	7.4	1993
Cameroon	32	1987	18.1	1996
C.A.R.	32	1986	7	1997
Chad			15.8	1997
Congo	32	1986	15.7	1998
Cote d'Ivoire	26	1986	19.2	1997
Dem.Rep.Congo	22.4	1986	17.6	1996
Gabon			20.6	1998
Gambia			13.6	1997
Ghana	20	1986	8.5	1997
Guinea	8.9	1986	16.4	1998
Guinea-Bissau		1986		
Kenya	39.2	1986	18	1999
Lesotho			17.4	1995
Madagascar	6	1986	6.8	1998
Malawi	25.5	1986	15.7	1998
Mali			11.2	1999
Mauritania	23.1	1986	20.3	1995
Mauritius	41.7	1986	19	1998
Mozambique	15.6	1987	16.9	1997
Namibia			24.4	1996
Niger			18.3	1996
Nigeria	35	1984	21.8	1999
Rwanda	33	1987	34.8	1993
Senegal	15	1986	12.3	1996
Sierra Leone	25.8	1986	21	1995
Somalia				
South Africa	29	1984	8.5	1999
Sudan				
Swaziland			15.1	1997
Tanzania	32.1	1986	16.1	1999
Togo			19.5	1998
Uganda	30	1986	13.2	1997
Zambia	29.9	1987	6.8	1998
Zimbabwe	8.7	1986	21.8	1999

Source: World Bank (Development Economics Research Group on International Trade)

Appendix 2 - Sachs - Warner Indices of Trade Policy Openness [(1)] (up to 1992) for Sub-Saharan Africa Countries

country	closed (0) upto	open (1) from	fraction of years (1973-92 open)
Angola	1992		0
Benin	1989	1990	0.15
Botswana	1978	1979	0.7
Burkina Faso	1992		0
Burundi	1992		0
Cameroon	1992		0
C.A.R.	1992		0
Chad	1992		0
Congo	1992		0
Cote d'Ivoire	1992		0
Dem.Rep.Congo	1992		0
Gabon	1992		0
Gambia	1985	1986	0.35
Ghana	1985	1986	0.35
Guinea	1986	1987	0.3
Guinea-Bissau	1986	1987	0.3
Kenya	1992		0
Lesotho			
Madagascar	1992		0
Malawi	1992		0
Mali	1990	1991	0.1
Mauritania	1992		0
Mauritius		1968	1
Mozambique	1992		0
Namibia			
Niger	1992		0
Nigeria	1992		0
Rwanda	1992		0
Senegal	1992		0
Sierra Leone	1992		0
Somalia	1992		0
South Africa	1991	1992	0.05
Sudan			
Swaziland			
Tanzania	1992		0
Togo	1992		0
Uganda	1987	1988	0.25
Zambia	1992		0
Zimbabwe	1992		0

[1.] . Indices taken from Centre for International Development, Harvard, Reseach Data Sets

Appendix 3 - Relative Trade Policy (Tariff and Non-tariff) Performance and Country Rankings (1997) for Sub-Saharan African Countries

	TARIFFS			**NON-TARIFF BARRIERS**	
country	**Rank (98 countries)**	**Simple Average %**	**Standard Deviation %**	**Rank (70 countries)**	**Coverage %**
Angola					
Benin	**93**	37.4	n/a	**54**	17
Botswana					
Burkina Faso					
Burundi				**5**	0.3
Cameroon	**72**	18.7	12		
C.A.R.	**71**	18.6	960	**29**	5.1
Chad					
Congo	**70**	18.6	9.5		
Cote d'Ivoire	**10**	4.8	1.1		
Dem.Rep.Congo					
Gabon					
Gambia					
Ghana	**60**	15	8.3		
Guinea	**35**	8.9	n/a	**62**	38.2
Guinea-Bissau					
Kenya	**92**	35.1	13.3	**61**	37.8
Lesotho					
Madagascar				**12**	1.7
Malawi	**82**	25.3	11.6	**67**	91.3
Mali	**5**	3	2.4		
Mauritania					
Mauritius	**86**	29.1	56.2	**60**	35.2
Mozambique	**61**	15.6	14.3		
Namibia					
Niger					
Nigeria	**90**	34.3	25	**38**	8.8
Rwanda	**91**	34.8	33.1		
Senegal	**89**	34.2	n/a	**34**	7.2
Sierra Leone	**83**	25.8	n/a	**70**	100
Somalia					
South Africa	**34**	8.8	11		
Sudan					
Swaziland					
Tanzania	**77**	22.1	13.9	**66**	79.7
Togo					
Uganda	**66**	17.1	9.1		
Zambia	**56**	13.6	9.3		
Zimbabwe	**78**	22.2	17.8	**68**	93.6

Source: World Bank Competitiveness Indices constructed from 1998 World Development Indicators.

Appendix 4 – Structural Adjustment Lending and Dating of the Start of Trade Policy Reforms in Sub-Saharan African Countries

country	World Bank[1]	Dean et al.[2]	SALs Effective : I	11	111	1V
Angola						
Benin			1989-2006	1991-2010		
Botswana						
Burkina Faso			1991-2009			
Burundi			1986-2009	1988-2011		
Cameroon	1989	1989	1989-2011			
C.A.R.	1987		1986-2010			
Chad						
Congo			1987-2010			
Cote d'Ivoire			1981-2012	1983-2008	1987-2002	
Dem.Rep.Congo	1987	1986	1987-2009			
Gabon			1988-2005			
Gambia			1986-2010	1989-2008		
Ghana	1983	1986	1987-2005	1989-2006		
Guinea			1986-2005	1989-2003		
Guinea-Bissau			1987-2006	1989-2008		
Kenya	1980	1988	1980-2006	1982-2008		
Lesotho						
Madagascar		1987				
Malawi	1985	1988	1981-2008	1984-2001	1985-2012	
Mali			1991-2003			
Mauritania			1987-2008			
Mauritius	1984		1981-2006	1984-2003		
Mozambique						
Namibia						
Niger	1986		1986-2005			
Nigeria		1986				
Rwanda			1991-2010			
Senegal	1981	1986	1981-2003	1986-2002	1989-2005	1990-2002
Sierra Leone	1976					
Somalia						
South Africa	1976	1989				
Sudan						
Swaziland						
Tanzania		1984				
Togo	1983		1983-2009	1985-2009	1988-2006	1990-2012
Uganda		1987	1992-2001			
Zambia	1985		1991-2003			
Zimbabwe	1976					

1. As identified by World Bank evaluation studies
2. As identified by Dean, Desai and Riedel (1994)

Appendix 5 - Aggregate Import [1] and Export [1] Ratios for Sub-Saharan Africa Countries (1990 and 2000)

country	*Imports* (% of GDP)	Imports (% of GDP)	Exports(X) (% of GDP)	Exports(X) (% of GDP)
	1990	2000	1990	2000
Angola	21	74	39	90
Benin	26	29	14	15
Botswana	50	33	55	28
Burkina Faso	26	30	13	11
Burundi	28	24	8	9
Cameroon	17	27	20	31
C.A.R.	28	16	15	13
Chad	29	32	13	17
Congo	46	42	54	79
Cote d'Ivoire	27	39	32	46
Dem.Rep.Congo	29		30	
Gabon	31	35	46	37
Gambia	72	61	60	48
Ghana	26	70	17	49
Guinea	31	31	31	26
Guinea-Bissau	37	58	10	32
Kenya	31	36	26	26
Lesotho	122	88	17	28
Madagascar	27	35	17	25
Malawi	33	38	24	26
Mali	34	40	17	25
Mauritania	61	57	46	41
Mauritius	72	67	65	64
Mozambique	36	39	8	15
Namibia	56	56	47	49
Niger	22	23	15	15
Nigeria	29	41	43	52
Rwanda	14	24	6	8
Senegal	30	40	25	31
Sierra Leone	25	33	24	17
Somalia				
South Africa	19	26	24	29
Sudan		16		17
Swaziland	76	81	76	66
Tanzania	37	23	13	15
Togo	45	50	33	36
Uganda	19	26	7	10
Zambia	37	46	36	31
Zimbabwe	23	31	23	30

Source: Human Development Report, 2002

[1] trade in goods & services

Appendix 6: Export Performance in Sub-Saharan Africa (1980-2000)

	Value of Exports (billion $)				Share of World Exports (%)		
	1980	1990	2000		1980	2000	
Angola	1.88	3.91	7.89		0.092	0.123	
Benin	0.06	0.29	0.39		0.003	0.006	
Botswana	0.5	1.78	2.71		0.025	0.042	
Burkina Faso	0.09	0.15	0.21		0.004	0.003	
Burundi	0.07	0.08	0.05		0.003	0.001	
Cameroon	1.38	2	1.83		0.068	0.028	
C.A.R.	0.12	0.12	0.16		0.006	0.002	
Chad	0.07	0.19	0.18		0.003	0.003	
Congo	0.91	0.98	2.49		0.045	0.039	
Cote d'Ivoire	3.13	3.07	3.89		0.154	0.060	
Dem.Rep.Cong	2.27	2.33	0.76		0.112	0.012	
Gabon	2.17	2.2	3.15		0.107	0.049	
Gambia	0.03	0.03	0.01		0.001	0.000	
Ghana	1.26	0.9	1.63		0.062	0.025	
Guinea	0.4	0.67	0.75		0.020	0.012	
Guinea-Bissau	0.01	0.02	0.06		0.000	0.001	
Kenya	1.25	1.03	1.73		0.061	0.027	
Lesotho	0.06	0.06	0.22		0.003	0.003	
Madagascar	0.4	0.32	0.82		0.020	0.013	
Malawi	0.3	0.42	0.36		0.015	0.006	
Mali	0.21	0.36	0.55		0.010	0.009	
Mauritania	0.19	0.47	0.3		0.009	0.005	
Mauritius	0.43	1.19	1.49		0.021	0.023	
Mozambique	0.28	0.13	0.36		0.014	0.006	
Namibia	1.46	1.09	1.46		0.072	0.023	
Niger	0.57	0.28	0.28		0.028	0.004	
Nigeria	25.97	13.6	20.98		1.277	0.326	
Rwanda	0.07	0.11	0.05		0.003	0.001	
Senegal	0.48	0.76	0.92		0.024	0.014	
Sierra Leone	0.22	0.14	0.01		0.011	0.000	
Somalia	0.14	0.15	0.12		0.007	0.002	
South Africa	25.53	23.55	29.98		1.255	0.466	
Sudan	0.54	0.37	1.81		0.027	0.028	
Swaziland	0.37	0.56	0.81		0.018	0.013	
Tanzania	0.51	0.33	0.66		0.025	0.010	
Togo	0.34	0.27	0.36		0.017	0.006	
Uganda	0.35	0.15	0.46		0.017	0.007	
Zambia	1.3	1.31	0.75		0.064	0.012	
Zimbabwe	1.41	1.73	1.93		0.069	0.030	

Source: WTO

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