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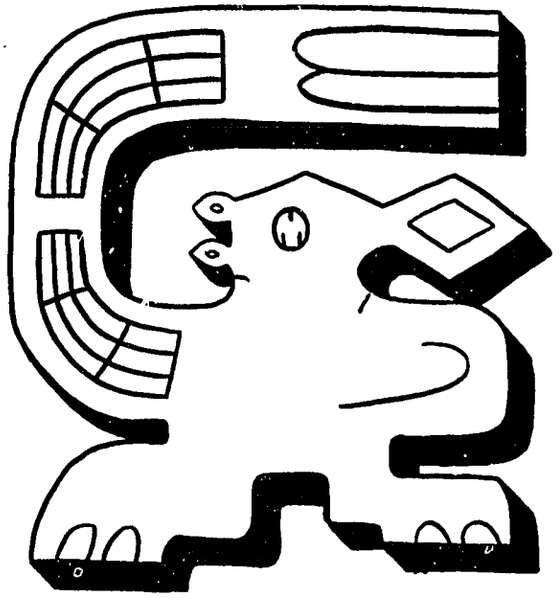

Prospects for Africa's Exports

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Prospects for Africa's Exports

by ANN SEIDMAN*

Two conflicting views have been presented in this *Journal* recently concerning the necessity for African countries to restructure their economies and reduce their dependence on exports in order to attain development.[1] Rather than attempt to enter into the controversy in detail, I propose to describe the dominant characteristics of the world markets for the major exports of sub-Saharan African countries, which render export expansion by itself unlikely to contribute to higher standards of living for the broad masses of the population.

First of all, the growth of demand for Africa's main agricultural exports – in the production of which millions of peasants as well as wage earners are employed – is likely to be limited in most cases to less than 3 per cent a year, barely enough to permit export expansion to keep up with population growth rates. This is particularly true of the demand for the four major agricultural crops, which, just after independence, added up to over a third of sub-Saharan Africa's exports.

These projected rates of growth have been criticised as too high, particularly in so far as they may not adequately take into consideration the possibility of competition among producing countries leading to further price reductions.[2] Two sets of projections are therefore shown in Table 1. Even the higher figures suggest the futility of formulating development policies which rely heavily on export expansion. They reflect long-term trends:[3] (i) the expansion of demand in developed countries for food items, such as coffee, cocoa, and tea, is unlikely to exceed population growth rates by much, if at all; (ii) the introduction of new technologies and the increased share of world trade devoted to consumer durable goods means a relatively lower requirement for agricultural raw materials; (iii) the development of synthetics is

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[1] See J. F. Rweyemamu, 'International Trade and the Developing Countries', in *The Journal of Modern African Studies* (Cambridge), VII, 2, July 1969; and Leslie Stein, 'Developing Countries and International Trade: an alternative view', ibid. VIII, 4, December 1970. See also Reweyemamu's reply, 'The Causes of Poverty in the "Periphery"', pp. 000, below.

[2] Cf. R. K. A. Gardiner, 'Development and Trade in Africa', in *African Affairs* (London), 65, January 1966.

[3] Ibid.; and R. H. Green and A. Seidman, *Unity or Poverty? the economics of pan-Africanism* (London, 1968), pt. 1.

slowing the expansion of demand for natural raw materials, such as cotton and sisal; and (iv) the policies of developed countries, especially the imposition of tariffs and quotas, have tended to restrict imports of traditional African products.

TABLE I

Projected Rates of Growth of Demand for Major African Exports[1]

Commodity	Share of exports, 1965 % of total	Demand growth projections Low % per annum	High
Agricultural			
Coffee	11·9	2·1	2·3
Cocoa	8·6	3·0	3·3
Oilseeds	8·3	2·6	2·6
Cotton	7·1	1·7	2·5
Timber	3·3	3·3	4·4
Rubber	1·3	0·8	1·9
Sisal	1·3	0·4	1·0
Sugar	—	1·4	2·8
Tea	—	2·2	2·6
Mineral			
Copper	14·6	3·9	4·4
Petroleum	4·9	Minimum	6·0
Iron	3·5	5·6	6·2
Tin	2·2	1·1	1·3
Aluminium	—	6·6	7·0

An examination of the major African agricultural exports suggests that their expansion during and after World War II has, at least in part, taken place at the expense of other developing countries. This is particularly notable in the case of coffee, but is also true of oilseeds and tea. African cotton exports have grown in recent decades partly because those of the U.S. have been considerably reduced. There are signs that European imports of cotton are likely to expand at slower rates or even to contract as synthetic fibres become more widely used.

Secondly, the world markets for African agricultural exports are dominated by a handful of giant, increasingly multi-national and multi-commodity corporations. There is still a degree of competition among these firms, but it is unlikely to be beneficial to African producers, since all seek to utilise their far-flung marketing networks to obtain the lowest possible raw material prices.

Given the slow growth in world demand, these firms may be expected to take advantage of the rapidly expanding export production of competing developing countries to lower the costs of such raw materials. This already appears to have been a major factor underlying the tendency of the world prices of sub-Saharan Africa's major export

[1] Source: U.N.C.T.A.D. Document T.D./34, App. A (New York, 1968).

crops to decline over the last decade, and the reluctance behind consumer-country governments – especially that of the United States – to support international price stabilisation agreements.

This article aims to examine some of the evidence for these propositions relating to sub-Saharan Africa's five main exports, four of them agricultural, and one, the most important single export for the area, copper.

EXPORT CROPS AND MARKET STRUCTURE

The output of most individual African countries is marginal to world production in the case of the continent's four major export crops – see Tables 2 and 3. The major exceptions are Ghana's cocoa and the U.A.R.'s cotton. Nevertheless, the continental expansion of African production – stimulated by the extensive efforts of national and international agencies in recent years to encourage peasants to increase output – has been an important factor contributing to the increasing tendencies to over-supply on the world market. Hundreds of thousands of African peasants are entering cash-crop production for the first time. They grow most of their own subsistence crops, viewing export crops as a supplementary source of cash to augment their meagre living standards. As a result, they have been able to accept relatively low prices for their output.

The output of Africa's most important agricultural export, *coffee* – increasingly produced by peasants on small farms – has almost quadrupled in the post-war era. The African output is particularly suitable for instant coffees, which are widely replacing ground coffee in developed countries. It has contributed to a growing over-supply on the world coffee market, a major factor leading to reduced world prices. As a result, serious economic problems plague those countries, particularly in Latin America, which have long depended on coffee for a major share of their export earnings.

Africa has traditionally been the world's major producer of *cocoa*, the continent's second most important export crop. African production has almost doubled in the post-war decade, outpacing the growth of output in other cocoa-growing areas. In the 1960s, falling prices have had serious consequences for African producers – see Table 3 – particularly in Ghana, which still depends on cocoa for two-thirds of its foreign exchange earnings.

Among *oilseeds* – Africa's third most important agricultural export – groundnuts, oil palms, and copra are the most important in export

TABLE 2

Major African Producers of Coffee, Cocoa, and Cotton[1]

Countries	1952–6 Output (000 metric tons)	1952–6 % of world total	1968 Output (000 metric tons)	1968 % of world total
Coffee				
Ivory Coast	752	2·9	2,040	5·4
Uganda	487	1·9	1,890	5·0
Angola	633	2·5	1,860	4·9
Ethiopia	470	1·9	1,650	4·4
Madagascar	421	1·7	670	1·7
Cameroun	129	0·2	637	1·6
Tanzania	185	0·1	610	1·6
Congo-Kinshasa	278	0·6	600	1·6
Kenya	151	0·2	280(?)	0·7
Rwanda	54	—	120	0·3
Guinea	81	—	108	0·2
Total: Africa	3,927	16·0	11,313	30·1
World	25,211	100·0	37,488	100·0
Cocoa				
Ghana	2,446	29.5	3,387	27·1
Nigeria	1,060	12·8	1,865	14·9
Ivory Coast	648	7·8	1,445	11·5
Cameroun	605	7·3	1,030	8·2
Equatorial Guinea	197	2·3	380	3·0
Togo	52	0·6	200	1·6
Sao Tomé	78	0·9	106	0·8
Sierra Leone	17	0·2	50	0·4
Total: Africa	5,172	62·0	8,614	68·9
World	8,280	100·0	12,485	100·0
Cotton				
U.A.R.	354	3·8	437	3·8
Sudan	87	0·9	184	1·6
Uganda	64	0·6	76	0·7
Chad	21	0·2	57	0·5
Tanzania	18	0·1	52	0·4
Mozambique	32	0·3	44	0·3
Nigeria	25	0·2	27	0·2
Central African Republic	13	0·1	22	0·2
Mali	2	—	15	0·1
South Africa	6	—	16	0·1
Congo–Kinshasa	49	0·5	12	0·1
Total: U.S.	3,193	34·6	2,384	21·0
World	9,227	100·0	11,336	100·0

trade. They may be used for a variety of end-purposes, including foodstuffs and soap; industrial uses include paint production and tin-plating. World War II stimulated major changes in the international market for oilseeds, partly by forcing changes of habit in Europe, the major importing area, partly by accelerating the invention of new processes, which have tended to increase the substitutability of fats

[1] Source: *F.A.O. Production Yearbook, 1969* (Rome, 1969).

TABLE 3

Major African Producers of Oilseeds[1]

Countries	1968 Output (00 metric tons)	1968 % of world total
Palm kernels and oil		
Nigeria	5,433	22·7
Congo–Kinshasa	3,489	14·6
Sierra Leone	1,064	4·4
Dahomey	977	4·0
Cameroun	901	3·7
Ghana	630	2·6
Ivory Coast	580	2·4
Liberia	552	2·3
Angola	473	1·9
Total: Africa	15,028	63·0
World	23,841	100·0
Groundnuts		
Nigeria	13,750	9·1
Senegal	8,280	5·5
Niger	2,680	1·7
South Africa	2,270	1·5
Uganda	2,000	1·3
Sudan	1,970	1·3
Upper Volta	1,330	0·8
Malawi	1,310	0·8
Cameroun	1,250	0·8
Congo–Kinshasa	1,150	0·7
Chad	1,100	0·7
Mali	1,000	0·6
Total: Africa	44,650	29·6
World	150,340	100·0
Copra		
Mozambique	598	1·8
Tanganyika	140	0·4
Zanzibar	120	0·3
Total: Africa	1,171	3·6
World	32,232	100·0

and the introduction of synthetic products. African countries' exports to Europe expanded with the decline of Asian output, so that by the 1950s they produced over 10 per cent of world exports, compared to under 9 per cent in the 1930s. On the other hand, changed consumption patterns in Europe and the rapid development of synthetics imposed narrow limits on the continued expansion of overseas African sales to their main customers. Oilseed prices have in recent years tended to move together because of their increased substitutability. A study of oilseeds production and marketing for the O.E.C.D. has emphasised that 'The sensitivity of oilseed prices to changes in the economic outlook

[1] Source: *F.A.O. Production Yearbook, 1969.*

is a source of weakness for the countries or territories which are economically dependent on these products, and it affects producers who sometimes rely on them for their sole livelihood.'[1]

By the end of the 1950s the main oilseeds producers in Africa were Nigeria (which produced about a third of Africa's output), the French West African colonies, particularly Senegal (all together, about 13 per cent), the Congo (about 13 per cent), and Egypt and South Africa (about 5 per cent each). The remaining producers contributed about 30 per cent of the total African output.

Prior to independence, the British consumed almost the entire output of their colonies' oilseeds. During the initial post-war oilseeds shortage the British Government made long-term contracts with the colonies for their entire output. In 1954 these were for the most part replaced by private contracts between the overseas marketing boards – then still subject to the colonial authorities – and private British buyers. The surplus was sold on the free market. The French Government, on the other hand, provided a guaranteed market for the companies buying and/or producing oliseeds in French West Africa by restricting imports from other sources. As a result, prices in France tended to be higher than world market prices.

The available data suggest that in the case of palm oil the percentage received by the African producers tended to be low, and a significant share of the difference to go directly to the companies. Higher prices of company imports tended to offset the slightly higher producer prices, so it is doubtful whether they benefited much by the differential. The price paid by the companies to African palm-oil producers in the Congo, on the other hand, appeared to be a significantly smaller proportion of the final selling prices than in either French or British West Africa. (The prices paid to African producers are not reported for Portuguese Guinea or Angola.)

After independence, British private firms continued to buy from the national marketing boards, still consuming a major share of the oilseeds output of their former colonies. France, on joining the European Common Market, pledged to reduce the price differentials in her trade with former colonies and to permit the extension of sales to the rest of Europe.

African *cotton* output has expanded to about 10 per cent of the world total. United States production, in contrast, was a third of the world total in the 1950s and dropped to just over 20 per cent in the 1960s. European nations rely heavily on imported cotton for their textiles

[1] For the above data, see Organisation for Economic Co-operation and Development, *The Main Products of the Overseas Territores – Oilseeds* (Paris, 1957).

industry. The desire to diversify the sources of raw cotton has played an important role historically in their colonial policies. The United Kingdom textile industry was founded on imported raw cotton, so that the maintenance of adequate supplies has 'always been a matter of concern both to the industry and the Government'.[1] In the mid-nineteenth-century, when the United States provided 75 per cent of the United Kingdom's cotton, the British Government sought to broaden its sources of supply by distributing seed and cotton gins in the Near East, India, and South America. The defeat of the Southern slave states in the American Civil War accelerated these efforts, particularly leading to encouragement to Egypt to expand its output. In 1902 the British Cotton Growing Association was established to foster production throughout the British Empire. Uganda's cotton exports date back to that period. After World War I, the Empire Cotton Growing Corporation, consisting of industry and government representatives, began to carry on research and other non-trading activities. The Sudan's Gezira scheme was initiated by a private British firm with substantial government encouragement.

TABLE 4

Prices of Some Major African Exports Crops ($ per kilo)[2]

	Coffee			Cocoa			Cotton
Year	France (Ivory Coast)	Germany	U.K.	U.S. (Ghana)	London (Ghana)	France (Ivory Coast)	U.K. (Egypt)
1955	0·89	1·30	—	82·4	83·2	96·6	1·43
1956	0·84	1·35	—	60·2	61·1	62·7	1·60
1957	0·89	1·31	—	67·5	66·2	70·8	1·09
1958	0·92	1·17	0·74	97·7	92·5	106·2	0·78
1959	0·70	0·89	0·62	80·7	75·1	86·3	0·98
1960	0·70	0·85	0·44	62·6	60·4	70·1	1·03
1961	0·67	0·83	0·40	49·8	48·2	55·0	0·95
1962	0·68	0·83	0·45	46·3	45·4	53·5	0·91
1963	0·62	0·81	0·60	55·8	55·8	65·1	1·01
1964	0·79	1·07	0·77	51·6	51·0	59·0	1·15
1965	0·62	1·02	0·66	38·1	37·9	42·2	1·10
1966	0·78	0·93	0·73	53·8	52·7	58·4	1·13
1967	0·77	0·91	0·72	64·0	63·2	69·3	1·23
1968	0·74	0·90	0·74	75·8	74·2	84·0	1·38

By the 1950s the African colonies had become an important source of raw cotton for British industry. But Lancashire's cotton production and exports had begun to decline, reflecting a growing shift to non-textile

[1] R. Robson, *The Cotton Industry in Britain* (London, 1957), which gives a useful background.

[2] Source: *F.A.O. Production Yearbook, 1969*. By design, this table starts with a year of relatively high prices to indicate the extent of world market fluctuations for these major sub-Saharan export crops.

production.[1] The European Common Market countries, producing about 70 per cent of O.E.C.D. cotton output, imported almost two-thirds of their raw cotton from non-U.S. sources.By the late 1960s they were importing about 80 per cent of it from non-U.S. sources, but had also begun to reduce their imports, in part reflecting the growing trend towards non-cotton textiles.

African countries, competing to expand their exports to the limited markets for their four main export crops, in order to augment foreign exchange earnings, confront a relatively small number of increasingly interlinked multinational corporations. To disentagle the multitude of strands and interconnexions between these oligopolistic enterprises would require volumes. A few examples must here suffice.

Consider coffee, the largest single African export crop in the 1960s. The largest world importer of coffee is the United States, which imports about four times as much as the next largest consumer, Western Germany.[2] Four companies – the General Foods Corporation, Standard Brands, Inc. (a Coca-Cola subsidiary), Tenco, and Nestlé – handle about 80 per cent of all U.S. coffee imports and sales.[3] These firms are engaged in a wide range of businesses related to foods. They have been rapidly expanding their ties with European firms as well as those in other areas of the world in the post-war era. Table 5 gives some indication of rising company incomes during the 1960s.

TABLE 5

Net Income of Some Major Coffee Purchasing Firms ($ millions)[4]

Company	1963	1969
General Foods	78·5	103·3
Standard Brands	21·5	35·3
Unilever	60·0	67·2
Coca-Cola	52·0	110·0

General Foods acquired a British food manufacturer and processer in 1947, a major interest in a Stockholm coffee processer in 1963, and a 51 per cent share of a Spanish instant-coffee producer in 1965. It owns

[1] For post-war trends in European cotton consumption, see O.E.C.D., *Textile Industry in O.E.C.D. Countries, 1967–1968* (Paris, 1969).

[2] *U.N. Yearbook of International Trade Statistics, 1967* (New York, 1969), pp. 284 and 310.

[3] For the following information relating to these companies and their relations with others, see *Moody's Industrial Manual* (New York), 1970.

[4] Source: *Moody's Industrial Manual*, 1970. Net income is usually calculated after costs depreciation, and taxes. Because each company uses its own accounting methods, the data cannot be considered strictly comparable. They are only indicative of trends. This table does not include Nestlé, which, as a Swiss holding company, reports only limited information in *Moody's*; its 1969 net profit was 146 million swiss francs.

subsidiaries in Mexico, Italy, Australia, Spain, Sudan, Canada, the United Kingdom, West Germany, Japan, Denmark, South Africa, France, Brazil, and Venezuela. Its 1969 income before tax was $216 million. This exceeds the combined 1969 current and development budget of Uganda, one of Africa's biggest coffee producers, which sells most of this output to the United States.[1] Standard Brands, while not as big as General Foods, also has an extensive business in food and allied products. It owns subsidiaries in 15 countries, including Latin America, the United Kingdom, Asia, and South Africa, and it owns major shares in a French coffee processer, a Portuguese food manufacturer, and firms in Germany, Italy, and Spain. Nestlé is a Swiss holding company with extensive interests in food industries, including milk, chocolate, soluble coffee, soups, diabetic products, frozen foods, and so on. It owns 820 factories, sales branches, depots, and operating units throughout the world. In 1970 there was a merger with Unilever to operate a joint food business throughout Germany, Australia, and Italy.

The link between Nestlé and Unilever directly ties a major purchaser of African coffee and cocoa with the company which has been buying a predominant share of African oilseeds and other agricultural produce. Unilever itself is a holding company, the second largest firm in Great Britain, excluding oil companies. It has long dominated agricultural purchases, particularly from West Africa, through the United Africa Company.[2] It owns subsidiaries in Cameroun, Congo-Kinshasa, Ghana, Ivory Coast, Kenya, Malawi, Nigeria, Rhodesia, Sierra Leone, South Africa, and Zambia. Its Congolese subsidiary, *Huileries de Congo Belge*, owns hundreds of thousands of acres of plantations in that country; it manufactures a range of goods for household consumption in 70 countries, owns over 200 related companies, and operates 150 factories. Its 1969 world sales totalled $7·4 billion, not much less than the total value of all African exports – about $8·5 billion – in 1967.[3]

A similar expansion of the range of business and mergers of existing giants in unrelated fields appears to be taking place among firms handling all Africa's major exports. Hershey Chocolate Corporation – long one of the 'big three', with Nestlé and British Chocolates, in the cocoa-buying business – recently changed its name to Hershey Foods Corporation, to reflect its expanding range of production, including macaroni and spaghetti, biscuits and crackers, coffee-brewing equipment, air treatment appliances, and 'convenience foods'.

[1] Republic of Uganda, *Background to the Budget, 1970–1971* (Entebbe, 1970), ch. IX.

[2] P. T. Bauer, *West African Trade: a study of competition, oligopoly and monopoly in a changing economy* (London, revised ed. 1963), especially pp. 68–75. See also *Moody's Industrials, 1970*, p. 3037.

[3] *U.N. Yearbook of International Trade Statistics, 1967*.

Recently Hershey reached a joint agreement with another firm, Anderson Clayton and Company, to sell chocolates in Latin America. Anderson Clayton, which at one time described itself as the world's biggest cotton dealer, has also expanded its own business into handling coffee, cocoa, oilseeds, and general foods, apparently reflecting a desire for increased flexibility and broadened profit opportunities in the face of a narrowing market for cotton. This expansion has been paralleled by growing concentration among textile manufacturers.

The British cotton textile industry, the main consumer of cotton from the English-speaking African countries, had already become relatively concentrated by the end of World War II, with the ten largest companies handling over half the exports, and the five largest spinning firms controlling almost 40 per cent of the output. Immediately after the war, the British Government established a monopoly to buy raw cotton, 'to obtain whatever benefits there were to be derived from bulk buying'.[1] When the Conservatives came to power, the Liverpool market was re-opened, but more integration of spinning and weaving firms began to take place, in part because expansion into the production of non-cotton textiles required higher capital investment.

These trends suggest that the post-war merger movement in the developed countries has tended to strengthen the bargaining power of the firms dominating the markets for African produce. They no longer find it convenient or necessary to risk direct investment in African agricultural production as they did in the days of outright colonial rule. With their governments' support they encourage African governments and peasants to expand their own investment to produce more export crops, taking advantage of the consequent competition to buy the output at the lowest possible prices. The resulting fluctuations and overall downward trends in the prices of sub-Saharan Africa's major exports have already sharply reduced the contribution which these exports might have made to African development.

At the same time, the profits of the resulting conglomerates have tended to rise. The shift of emphasis from actual overseas investment to marketing control appears to have been a factor contributing to these rising profit margins. For example, the British firm of Brooke Bond, initially a tea-producing and marketing firm which has now merged with Leibig meat-packing interests, was reported not to have suffered as a result of recent declines in tea prices. The depressed prices reduce plantation profits, on which local taxes tend to be high, as in India; but the 'wholesale end can make up much of the deficit', since Brooke

[1] Robson, op. cit. p. 260.

Bond controls about 38 per cent of the United Kingdom market which consumes about 40 per cent of the world's tea export. The company reportedly did not separate the tea turnover or the profit on tea in its overall accounts – 'possibly because of politically sensitive relations with tax-hungry primary producing nations' – but its overall accounts showed a 3 per cent rise in its pre-tax profits in 1969.[1]

International agreements to stabilise the agricultural prices of developing countries' exports may be a partial solution to these problems. Although they may secure a degree of stability of returns, however, they cannot significantly change the world patterns of demand for African agricultural exports, and hence cannot alter the fact that such continued dependence on the export of primary products is unlikely to attain adequate rates of development. International efforts to attain and maintain such agreements, furthermore, have confronted continued opposition by the multinational buying firms.

The International Coffee Agreement – currently the only one affecting major African exports which seems to be working – suggests the limitations of this approach. First, coffee prices are still relatively low, although providing a better return to coffee growers than prevailed before the agreement. Secondly, the quotas are not large enough to accommodate the existing output of producing countries, so a significant share (at least 6 per cent) is sold in non-quota markets, sometimes to be resold in competition with quota coffee.[2] African countries, in particular, have complained that their quotas have not taken into consideration the existence of coffee trees already planted but not yet bearing, so their quotas are not large enough. Thirdly, the buying countries – and particularly the United States, which is by far the largest – have argued that the agreement constitutes a form of 'aid' which, going mainly to coffee producers, does not contribute to the diversification of the developing countries' economies. The U.S. Comptroller-General, in a report to the U.S. Congress, argued that from 1964 to 1967 total U.S. coffee 'aid' totalled $601 million a year, 8 per cent of all the aid disbursements of the O.E.C.D. countries, including the U.S.; and he asked Congress to consider whether this was the 'best form' of providing aid.[3]

[1] 'Brooke Bond – Leibig: no stir in the tea leaves', in *The Economist* (London), 22 November 1969.

[2] In Uganda's case, in 1969–70, non-quota sales were almost 40 per cent of the quota; *Background to the Budget, 1970–1971*, p. 12.

[3] 'Foreign Aid Provided through the Operations of the United States Sugar Act and the International Coffee Agreement – Report to the Congress by the Comptroller-General of the United States', in *Inter-American Economic Affairs* (Washington), XXIII, Winter 1969, pp. 82–96.

Fourthly, the buying companies have sought to influence the quota system to prevent the import of processed instant coffees into 'their' markets. Since instant coffees are cheaper to ship, since labour costs in developing countries are lower, and since the domestic prices of coffee beans in the developing countries are considerably lower than the I.C.A. price, the big U.S. firms have argued that they are at an unfair competitive disadvantage. It has been suggested, on the other hand, that the less developed countries should be permitted to benefit from their comparative advantage here, to expand their processed coffee sales, and that the big companies should shift into other products. Nevertheless, in 1967 the Brazilian delegation to the I.C.A. appeared to have been forced to agree to tax Brazilian manufacturers an amount equivalent to the advantage gained from lower-cost domestic beans, in order to secure the support of the United States delegation for the renewal of the agreement.[1]

Whereas the coffee agreement has encountered problems, the producing countries have been unable to get the companies to reach any kind of agreement on cocoa. The 'self-interested lobbying' of the cocoa dealers seems to have determined the United States stand on the proposed cocoa agreement, including opposition to increased processing by less developed countries into cocoa butter and other produce. It appeared initially that an agreement was about to be reached in 1967 for the establishment of a buffer stock, which would purchase cocoa whenever the price fell below £160 a ton and sell it whenever the price rose above £230 a ton. But a 'howl of opposition' arose from cocoa traders in the United States and Europe, accompanied by concentrated lobbying in Washington and London. They argued that the price limits were too narrow (although they allowed for 50 per cent fluctuations) and that the minimum was too high, although the proposed range was clearly on the low side of the actual post-war price range. It has been suggested that the United States cocoa conference failed to overcome the few remaining hurdles to attain an agreement because of 'pressure' from trade representatives on the U.S. delegation.[2]

OLIGOPOLY IN THE COPPER MARKET

Although sub-Saharan Africa's minerals at present constitute a smaller share of the area's total exports than agricultural produce, their projected rate of growth is much higher (see Table 1, above).

[1] *The Economist*, 3 February 1967 and 24 February 1968.
[2] Ibid., 18 November and 23 December 1967.

Copper, which already makes up the largest share of African exports of any single commodity (14·6 per cent), is expected to expand by 3·9–4·4 per cent annually. The export of aluminium, which is increasingly being substituted for copper in a range of final outputs, is projected to expand by 6·6–7 per cent annually. Iron-ore exports – some of the biggest mines in the world have been opened in Western and Southern Africa – are expected to grow by 5·5–6·2 per cent a year. Petroleum exports, as a result of extensive exploration – stimulated perhaps by the tension and growing nationalism in the Middle East, as well as Latin America – are expected to expand at a minimum rate of 6 per cent annually.

TABLE 6

Major World Copper Producers (000 metric tons)[1]

Country	1953	1963	1968
U.S.	840·5	1,100·6	1,092·8
U.S.S.R.	305·0	600·0	800·0
Zambia	372·7	588·1	684·9
Chile	361·1	601·5	656·7
Canada	229·7	410·6	562·5
Congo-Kinshasa	214·1	271·3	326·0
Peru	33·6	201·4	194·5
South Africa	35·9	54·8	127·7
Japan	58·9	107·2	119·9
Australia	38·1	114·8	108·6

The foreign mining firms have in the past invested directly in Africa and elsewhere in the Third World. The largest of them have direct links with parent companies processing the crude exports in the metropolitan area. Because their total investment is so vast, there has historically tended to be a far higher degree of concentration in the processing of minerals than of agricultural produce. Thus, for example, two iron and steel firms, Bethlehem and United States Steel, which dominate the entire industry in the United States, have joined with European firms in opening up new iron-ore deposits in Liberia and Gabon since the war. Krupp, by far the biggest German iron and steel firm, has opened a mine in Angola. In aluminium, three firms, Alcoa, Kaiser, and Reynolds, are the dominant producers in the United States and in the world market. Kaiser has shown considerable interest in Africa: it built a smelter using Ghana's cheap hydro-electric power to smelt bauxite hitherto imported from the West Indies (though Ghana, as well as other African countries, has bauxite which could be processed into alumina).[2] In oil, Shell–BP, the biggest British firm, and a limited

[1] Source: *U.N. Statistical Yearbook, 1969*, p. 172.

[2] While it is true that Ghana might not have been able to build the Volta Dam project if Valco had not built the smelter, it may be questioned whether, given its high costs and

group of the biggest United States oil firms have joined the widespread exploration for oil throughout the African continent, and are already pumping oil out of several countries, including Nigeria, Angola, Libya, Gabon, and Algeria.

TABLE 7

Net Income of Selected Copper Companies ($ millions)[1]

Company	1963	1968	1969
Kennecott	56	—	165
Phelps Dodge	38	—	89
American Metal Climax	37	—	69
Anglo-American	n.a.	42	—
Union minière	n.a.	25	—

The structure of the copper industry, which buys the largest share of all African exports, is perhaps not as concentrated as that of iron and steel, aluminium, or oil; but the evidence suggests that nevertheless a handful of firms dominate the market.[2] Since new discoveries of copper deposits are still being made, and new technologies are opening up old deposits for further exploitation, the world sources of copper ore are not fixed. In the last 15 years Canada has expanded her output very rapidly, while Japan and South Africa have increased theirs significantly from negligible amounts. Nevertheless, Zambia and Chile remain among the leading world copper sources, next to the U.S.A. and the U.S.S.R., as may be seen from Table 6. Congo–Kinshasa stands sixth, following Canada. A new mine is being opened up in Mauritania, said to be among the largest in the world, and another is planned for Botswana.

Although 60–70 per cent of the costs of refined copper have historically been mining costs, the major control of the industry rests in the ownership of the smelters and associated refineries established by the biggest copper companies – see Table 7 – for the most part in the metropolitan areas. The top four firms, which produced about half the world output in 1956, have remained substantially the same since before

relatively low returns to Ghana, this vast capital-intensive project constituted the best possible allocation of scarce resources immediately after independence. See my *Ghana's Development Experience, 1951–64* (Nairobi, forthcoming).

[1] Source and footnote as for Table 5. Net income may be arbitrarily influenced by company decisions as to allocation of funds between costs, as well as among branches and affiliates. Three Anglo-American affiliates, for example, reported net income totalling $53·1 million, considerably more than that of the holding company itself. More important than the actual amounts would appear to be the trends, which suggest that from 1963 to 1969 some copper companies almost doubled or trebled their net profits.

[2] For a discussion of the historical development of the industry see O. C. Herfindahl, *Copper Costs and Prices: 1870–1957* (Baltimore, 1958).

World War I, based on their integrated mining–smelting–refining business in the United States. They are Kennecott, Anaconda, Phelps Dodge, and American Metal Climax.[1] Sometimes fourth place has been contested by *Union minière de Haute Katanga* and International Nickel, both of which have large holdings in African minerals.

The extensive intertwining of the structures of these giant companies has had direct consequences affecting their investment and development policies in Africa. Anglo-American of South Africa, although initially engaged in the production of gold, has over the decades expanded its holdings, not only into copper – it was one of the two big companies which owned mines in Zambia – but also into diamonds (it owns de Beers' diamond operations), iron ore, uranium, tin, coal, and a range of industrial and financial interests throughout southern African and in some politically independent African countries as well.[2] It has ties with the U.S. Kennecott Copper Corporation.

Although in 1960 Kennecott sold its interests in South African gold-mining companies to C. W. Englehard of Rand Mines (an Anglo-American affiliate), it did so in exchange for a 20 per cent share of the profits. Kennecott continues to carry on prospecting for metal deposits in South-West Africa. It has an interest in Kaiser Aluminium.

The second big firm with interests in Zambia's mines is American Metal Climax (Amax), which began investing in Zambian Copper through the Roan Selection Trust in 1929.[3] Amax is allied with Patino (copper, tin, and other metals) and the French interest in the *Sicoété des minerais et métaux* in a combination known as Coframet. In the post-war period, Amax has been expanding into other fields, purchasing the Tsumeb Corporation with its mines in South-West Africa, Bikiti Minerals, which owns lithium–beryllium properties in Rhodesia, and in 1962 aluminium interests as well as other alloys in the United States and West Germany. Amax proposes to mine copper jointly with Kennecott in Puerto Rico. By 1969, two-thirds of its sales were aluminium, molybdenum and other special metals, chemicals, and petroleum. In 1969 it agreed to hand over 51 per cent of its mine ownership to the Zambian Government, continuing to provide management, and

[1] For information relating to their holdings and income status, see *Moody's Industrial Manual*, 1970.

[2] For current data re Anglo-American, which is a holding company, see *Moody's Bank and Financial Manual* (New York), 1970. For background information, see Kwame Nkrumah, *Neo-Colonialism: the last stage of imperialism* (London, 1965), especially ch. 9.

[3] For detailed current information, see Amax, *1969 Annual Report* (New York, 1969); Roan Selection Trust, Ltd, *Annual Report, 1969* (Lusaka, 1969); Roan Selection Trust Ltd. *Explanatory Statement for Meetings of Shareholders to be Held on 6th August, 1970* (Lusaka, 1969)[5] and its separate *Appendices*.

to sell the produce through its marketing affiliate. At the same time, it maintained a controlling interest in a proposed new copper-nickel mining venture in Botswana. An Amax marketing affiliate, the Ametalco Group, sells for 12 companies outside the Roan Selection Trust, which publishes accounts for barely over half the total sales of its companies.

Union minière de Haute Katanga, originally established to carry out Belgian government exploitation of Congo's rich mineral wealth, has extended its interests over the last half-century into a wide range of financial and business activities in that vast Central African country.[1] When the Congo achieved political independence, it was the world's leading producer of cobalt and a major source of uranium, as well as one of the largest copper-producing countries. Several *Union minière* affiliates had connexions with the Anglo-American Corporation, directly or by way of Tanganyika Concessions. *Union minière* owned the Lubumbashi copper refinery, the world's third largest smelter, and completed a 100,000-ton electrolytic copper plant in Luilu in the 1960s. Before independence, the company had been able to set aside for dividends, re-investment, and depreciation about a third of its gross income, which suggests a net profit rate of 15–20 per cent after tax. Tanganyika Concessions, which built the copper-export railway from the Katanga mines to the Angolan port of Benguela, owned some 14 per cent of *Union minilre's* shares, and had directors on its board. Tanganyika Concessions is in turn controlled by major international financial groups, including Tanganyika Holdings in London, *Lazard frères* in Paris and *Société générale* in Brussels.[2]

Before World War II, the big U.S. copper firms made several overt efforts to shape the world market. In the 1920s, with U.S. government sanction under the Webb–Pomerene Act, they formed first the Copper Export Association and then Copper Exporters, Inc., through which they were estimated to control directly or indirectly about 85 per cent of the market. In the 1930s, after intensifying their domestic co-ordination with U.S. government assistance under the National Recovery Act, U.S. and foreign firms joined together to form an international copper cartel, setting world-wide quotas and regulating the trade practices of the members. These links were extended and tightened during World War II. In the post-war years, although there appeared to be no such overt co-ordination, copper prices on the London Metal

[1] Herfindahl, op. cit., especially p. 195.

[2] The agricultural affiliates of *Société générale* produce perhaps 35–40% of Congo's export crops; together with a Unilever subsidiary, *Huileries de Congo Belge*, it dominates the entire produce trade of the country.

Exchange appeared significantly different from U.S. prices, indicating that manufacturers contrived to maintain fixed relations with producers. It has been suggested that this might be because, during crises like the Korean war, those who did not have such ties paid a very high price to obtain blister copper.[1]

In the post-war period the major copper companies began to diversify their interests to increase their own flexibility in maximising their profits. Their price and output policies are adjusted in view of their global holdings, rather than their impact on individual producing countries. As the African countries began to attain political independence, the copper companies appeared to be producing at between 80 and 85 per cent of capacity from mid-1961 to mid-1964, to hold prices up; the consequences for the host countries were additional numbers of unemployed. By 1965, the copper companies were selling Zambian crude copper at £260 a ton, £240 *below* the London price, allegedly to keep their share of the European market;[2] this, of course, reduced the share of value attributable to Zambian production, and hence the share which the independent government might tax.

In the later 1960s, as Rhodesian–Zambian disputes, Congolese uncertainty, and Chilean demands for the nationalisation of U.S.-owned mines appeared to threaten the major traditional sources of supply, world copper prices mounted rapidly. The major importers reduced their purchases, substituting aluminium and plastics where possible; copper price increases raised their costs. The copper companies began shifting their investments into aluminium, the main competitor for copper, as a hedge against further reductions in copper sales. This option was, of course, not easily available to the African producing countries, which had neither the mineral deposits nor the capital to make the shift.

The existence of market control by a handful of big copper firms has apparently influenced their reactions to the efforts of the politically independent African governments to attain greater benefits from their rich copper resources. When the Congo Government tried to take over a major share of the ownership of its mines, it found the companies blocking the sale of its copper in Europe.[3] The upshot was that the Congolese gave *Union minière* a lucrative management and sales contract for 25 years, with compensation in the region of $800 million. Meanwhile, *Union minière* formed a separate Canadian subsidiary with Tanganyika Concessions and Sogemines, and an Australian subsidiary,

[1] Herfindahl, op. cit. p. 195.
[2] *The Economist*, 8 May 1965.
[3] Ibid. 25 October 1969.

to take over its assets in those countries. In 1968 *Union minière* reported a net profit from its re-organised business – minus its former Congo mining assets – of $25 million.

When the Zambian Government sought in 1969 to take over a 51 per cent share of the business of its copper mines – which produced about 95 per cent of the country's exports – it found the companies more co-operative. They were reported to have learnt that they 'can still have a tolerably profitable operation in Central Africa and one that is less vulnerable to political pressure.'[1] The mine companies' shares on the London Stock Exchange recovered fairly quickly from an initial fall. Fears that foreign investment would be reduced were counteracted by the expansion of investment in new copper deposits outside the previously staked-out copper belt. The Zambian Government granted four-year permits to explore to companies other than the Anglo-American Corporation or Roan Selection Trust, as long as the Zambian Government could take a majority of shares, for which it would eventually pay out of its share of the profits.

The Zambian Government's deal – which was said to look as though it would leave the shareholders 'better off than they expected'[2] – provided $316 million in compensation, including interest, over a ten-year period, free of Zambian taxes, and a ten-year management and sales arrangement. Roan Selection Trust was to receive $6·24 million a year as a management fee, out of which it was to pay overheads. In other words, while African countries have paid considerable sums in compensation to acquire the nominal ownership of a majority of the shares in their national copper resources, multi-national corporations retain the management and take the critical decisions affecting price and output in the light of their own profit-maximising requirements. It is perhaps significant that the biggest copper firms have shown steadily increasing profits, despite such semi-nationalisations in the Third World. There is always the implicit threat that any country which seeks a more significant degree of control may lose its place in the world market altogether.

RESTRUCTURING AFRICAN ECONOMIES

In sum, an examination of the characteristics of the world market for sub-Saharan Africa's major exports holds out little hope that expanded export production alone will lead to higher standards of living for the

[1] Ibid. 25 October 1969.

[2] Ibid. 22 November 1969. See also M. L. O. Faber and J. G. Potter, *Towards Economic Independence: papers on the nationalization of the copper industry in Zambia* (Cambridge, 1971).

broadest masses of the population. The expansion of world demand for the continent's major agricultural exports is barely keeping pace with African population growth. Moreover, the giant marketing and processing firms which purchase the major African agricultural crops appear to be becoming increasingly interlinked, strengthening their power to bargain with the many competing producing countries to obtain low-priced raw materials. Efforts to achieve international price and output stabilisation agreements have encountered well-organised company opposition. African countries' attempts to expand peasant crop production for export – stimulated by western national and international economic aid and advice – have been rewarded by fluctuating prices, frequently exhibiting a general downward trend. As a result, many African nations' real output has risen dramatically – doubling and tripling in the war era – but their real incomes have stagnated and in some cases have actually fallen.

In the case of mineral exports, where the growth of developed countries' demand is likely to be more favourable, the domination of the market by a few larger firms is even more pronounced. In the case of sub-Saharan Africa's largest single export, copper, the biggest firms are consolidating their control over the world markets through their smelting, refining, and fabricating facilities, exploring for new sources of copper in order to broaden their sources of raw materials, and acquiring interests in the production of competing materials, such as aluminium. Any single producing country, if it becomes 'too' independent, may discover that it has lost the traditional market for its major mineral export.

These facts suggest that an African nation, seeking higher standards of living for the masses of its population, will need to restructure its entire economy to reduce its dependence on exports. Its planners will need to formulate a development strategy directed to achieving an internally integrated, balanced, national economy, in which increased productivity in every sector is matched by expanding internal demand. The implementation of such a strategy will require a careful re-examination of the entire institutional structure inherited from colonisation, which hinged its economic well-being to the world market for exports.

This is not to suggest that exports would play no role in such a development strategy. This would include increased processing of primary products, an important feature in the development of the national industrial sector. A careful analysis of export possibilities would be essential to maximise foreign exchange earnings for the purchase of essential capital equipment and machinery. But, as rapidly

as possible, new investment and efforts to increase productivity should be redirected – in all sectors of the economy, not just those producing for export – towards meeting the needs and expanding the incomes of the people. There is no doubt that if the balkanised nations of sub-Saharan Africa could attain the degree of political unity necessary to implement regional industrial allocation plans, this process could be significantly accelerated.[1]

[1] This possibility is discussed at length in R. H. Green and A. Seidman, *Unity or Poverty?* –see also A. Seidman, *Comparative Development Strategies in East Africa*, especially chs. VI and X.