NOTES ON INDIVIDUAL COUNTRIES BY THE SECRETARIAT

SENEGAL

1. Senegal occupies 200,000 square kilometres at the westernmost point of the west coast of Africa. It is bounded on the north by Mauritania, on the east by Mali and on the south by the Republic of Guinea and Portuguese Guinea. The climate of most of the territory is sub-Saharan or Sahelian and it is only with the Casamance in the south that the gallery forest begins. The indigenous population exceeds three million inhabitants, to whom should be added 50,000 expatriates, mainly French. Some 750,000 persons live in towns, Dakar being the principal town with around 400,000 inhabitants. The working population is estimated at 1,500,000 persons, mainly occupied in farming; the wage-earning population is in the neighbourhood of 125,000 persons, including 17,000 expatriates.

2. Statistical information concerning the structure of the Senegalese economy can be given on the basis of the detailed economic accounts drawn up for 1959. The gross domestic product of Senegal amounted to $560 million and the national income to $480 million. Household consumption came to $375 million (including nearly 90 million for the expatriates alone). Gross capital investment amounted to $70 million.

3. The Senegalese economy is heavily dependent on foreign trade. In 1959 imports amounted to $150 million and accounted for more than one quarter of the gross domestic product. Seventy-five per cent of exports, valued at $125 million, were made up of groundnut products (shelled groundnuts, oil and oilcakes) intended mainly for the French franc area.

4. Agriculture supplied about 42 per cent of domestic production and industrial activities (including construction) about 20 per cent. It should be noted that the growing, marketing and processing of groundnuts accounts for, depending on the year, between 20 and 25 per cent of overall production.
5. Public civil expenditures in Senegal in 1959 amounted to around $100 million and military outlays to $52 million. A part of these expenditures, in the neighbourhood of $70 million, was made up of capital transfers from France. Revenue from taxes amounted to around $110 million of which $70 million were for taxes levied on imported and exported products. Fiscal and para-fiscal charges levied on exported groundnut products represented about $20 million. In 1961 duty rates were $36 per ton for shelled groundnuts, $69 per ton for crude oil, $74 per ton for refined oil, and $4 per ton for oilcakes. The corresponding revenue may be estimated at about $25 million.

6. A co-operation agreement between Senegal and France reached in 1960 governs the economic and monetary relations between the two countries. It provides, in particular, that Senegal "undertakes to make the exchange regulations of the French franc area applicable on its territory". Senegal and France "agree to maintain their trade relations within the framework of a reciprocal preferential system". This preferential system "entails among other things privileged access which may result, in particular, from market organization and the principle of free movement of goods and duty-free entry". Moreover, France declared its readiness to support Senegal's efforts towards its economic development. "The help of the French Republic to Senegal will take the form inter alia of the carrying out of studies, the supplying of equipment, the provision of experts and technicians and the granting of financial aid".

7. A "four-year development plan" for the period 1961-1964 was approved by the National Assembly on 8 May 1961. It provides for an increase in gross domestic production at a rate of 8 per cent per annum, through substantial growth in industrial activities and the stepping up of agricultural production.

I. Probable effects on Senegal's export earnings of a general removal of import barriers on fats and oils

8. In its note on oilseeds and vegetable oils the secretariat arrived at general conclusions as regards world market developments over the next few years (see pages 14-17 of document W(63)5).

9. As pointed out above, groundnuts hold a predominant place in Senegal's foreign trade. Under arrangements between France and Senegal, Senegal obtains for its groundnuts prices appreciably higher than those received by exporting countries outside the French franc area. In 1961, if Senegal's groundnut exports had had to take place at world prices, the value of its total exports would have been reduced by nearly $15 million (i.e. 11 per cent). For 1962, when there was a marked drop in world prices for groundnuts, the advantage accruing to Senegal from privileged access to the French market can be estimated at about $30 million.
10. Senegal's Four-Year Plan provides for an annual increase of about 5 per cent per annum in production and exports of groundnuts over the next few years. These estimates are based on the premise of Senegal's enjoying privileged access to the market of the countries constituting the European Economic Community. If Senegal had to envisage exporting its groundnuts at world prices, without privileged access to European markets, it would seem that its export earnings in 1964 - the final year of the Plan - would be noticeably lower than the estimates. The shortfall might amount to about $50 million, i.e. almost one fourth of projected export earnings for 1964.

11. The Plan provides for an increase in the volume of Senegal's total imports at a rate of about 8 per cent per annum, which would permit imports of industrial products, in particular of capital goods, to develop at a rate high enough to ensure the carrying out of the projects which are envisaged. The effect of a drop in export earnings, if nothing were done to offset it, would be to slacken the pace of imports and the general economic growth.

12. As was indicated earlier, taxes levied on exports account for 15 per cent of total public revenue. A reduction in the prices of export commodities might induce the Government to modify the present fiscal system, inasmuch as it might decide to reduce or abolish the taxes levied on these products at present, so as to maintain prices paid to producers at the highest level possible. Such fiscal modifications may however present difficulties, as the administrative infrastructure of the country may not be adequate to allow for a systematic recourse to direct fiscal measures to be envisaged. However, to the extent that a reduction in traditional export receipts might be compensated by a growth in other lines of production or by an additional inflow of foreign capital, it would seem that these new resources might contribute to a change in the fiscal system.

II. Development possibilities for agriculture and industry

13. In order to ascertain the extent to which a loss in export earnings on groundnut products could be offset by expansion in other sectors, it seems relevant briefly to mention the various projects considered by the Senegalese authorities when drawing up the Four-Year Plan. Some of the projects in the Plan were not adopted, either because the cost of the investment involved exceeded the country's financial possibilities, or because the market is still not large enough to permit the establishment of a domestic industry.

14. Since the present paper is more particularly concerned with foreign trade problems, it is relevant to distinguish, although this is somewhat arbitrary, between projects purporting to achieve an expansion of exports and those designed to bring about a reduction of imports.
(i) Production for export

15. The western coasts of Africa are rich in fish and the only obstacle to fishery development is the size of available markets. Estimating that there is a potential market of about 150,000 tons per annum for preserved tunny-fish from West African countries, the authors of the Plan have made provision for expansion of the productive capacity of Senegal's fish canneries from the present level of 10,000 tons to a possible 40,000 tons in 1964, which would permit an increase in exports of about $12 million. Since other West African countries have made plans to develop their fish canning activities, any subsequent expansion of Senegal's production would seem possible only within the framework of a rapid expansion of foreign markets.

16. Large deposits of phosphate with a very high content (84 per cent) exist in Senegal. Current production is in the neighbourhood of 500,000 tons per annum and is expected to double over the next few years. Provision has also been made for a triple superphosphate factory to process part of the natural phosphate output (100,000 tons per year) to meet Senegal's requirements and permit exports to neighbouring countries. Construction of the factory is scheduled to begin in one year's time. It would seem that, apart from these phosphate deposits, Senegal does not have any mineral resources which could be profitably extracted in the near future.

17. Apart from groundnuts, it would seem that the only agricultural products for which production conditions in Senegal would enable that country to compete on the world market are market gardening products. Sales of such products currently amount to about $4 million and it is considered that this figure could be doubled in the near future. As the peak output period coincides with the European winter, market garden produce could perhaps be exported to European countries.

18. Exports of the products mentioned in the three preceding paragraphs amounted to $9 million in 1961, i.e. 7 per cent of total exports, and the value might reach $28 million in 1964.

(ii) Production intended to replace imports

19. Almost one half of Senegal's imports consists of foodstuffs and about one sixth of textile products and footwear. According to the data collected when the Plan was being drawn up, it would seem that local production could replace part of these imports. The Plan also calls for the establishment of several plants producing metal manufactures, as well as of an oil refinery.
20. In the past few decades, the development of groundnut production has been accompanied by a steady decline in production of millet, consumption of which is tending to fall in favour of rice, which does not call for any arduous home preparation. At present, imported cereals constitute nearly 40 per cent of consumption, representing about $25 million in foreign exchange expenditure. Under the Plan millet production, which is at present about 400,000 tons, might rise by about 8 per cent per annum over the next few years, due mainly to improved yield. It is also estimated that production of rice and maize, which at present amounts to 80,000 tons, might be increased by about 30,000 tons. Furthermore, in the peasant production sector, it should also be mentioned that cattle and sheep are at present raised in a non-intensive manner and Senegal's imports of livestock are in the neighbourhood of $7 million per year. The Plan provides for this situation to be progressively improved. Cotton growing is at present on an experimental basis but trials so far do not point to the possibility of achieving economic production of this fibre in Senegal.

21. In the past few years studies have been made of the development possibilities of the Senegal river basin. Construction of a dam would enable vast areas in the Dagana area to be irrigated. On such newly-irrigated land, the main crops cultivated would be rice and sugar-cane. Sugar consumption will amount to 50,000 tons towards 1964 and if sugar-cane cultivation proves economically worthwhile, the installation of sugar refineries may be envisaged along the river. This project was not adopted as part of the first Four-Year Plan, in the first place because the necessary studies have not yet been completed, and secondly, and more important, because its financing and implementation could not be envisaged without considerable foreign aid.

22. As indicated above, Senegal's imports of textile products and footwear amount to between $25 million and $30 million per annum. Cotton yarn and textiles make up the major part of these imports. A cotton textile industry already exists in Senegal but its output covers only one fifth of the market. The Plan provides for expanded production capacity, but the substitution of all imports by domestic products cannot be envisaged. In the first place, the non-indigenous population, whose consumption (at c.i.f. prices) amounts to about $8 million, looks for products of a quality which it would not be possible to produce in Senegal in the near future. Secondly, in view of the fact that Senegal's industry could hardly aim to produce a range of printed fabrics comprising more than 100 designs or so - whereas imported fabrics include about 2,000 different designs - it would seem difficult for it to achieve a turnover in excess of $15 million.

23. In the engineering and chemical industry sector the scope of possible activity is considerably restricted by the limited nature of the market. The Plan provides for expanded output of metal containers and for the establishment of production units, in particular, for ironmongery and metal constructions. It is also envisaged that metal scrap which is currently exported (amounting to from 12,000 to 15,000 tons per annum) might be used on the spot for the production of bar iron for concrete.
24. Lastly, an oil refinery with a processing capacity of 700,000 tons of imported crude petroleum a year is under construction.

III. Conclusions

25. If preferential arrangements were eliminated, and if Senegal had to export its products at world prices, the value of its total exports and, therefore, its essential imports would remain stagnant to the detriment of the country's economic development unless this situation could be offset in some way.

26. In this connexion it should be mentioned that the co-operation agreement between Senegal and France provides that Senegal should grant privileged treatment to imports originating in the French franc area.

27. This question is outside the scope of these country studies by the secretariat, but any final analysis of gains and losses that would result from such an important development as the disappearance of sheltered markets would have to take into account the possibility of other changes in economic, fiscal and commercial policies.

28. As regards the possibility of going beyond the estimates contained in the Plan for agricultural production, millet production should rise very rapidly in coming years and it is doubtful that the rate of increase could be accelerated further to any appreciable extent. On the other hand, rice production could probably be considerably stepped up. Account should be taken, however, of the fact that the traditional methods of rice cultivation call for considerably more labour than groundnut cultivation for a similar income per hectare. It therefore seems neither very rational nor practicable to encourage any broad expansion of rice cultivation other than within the framework of large-scale reclamation works, unless there is a marked change in the relative prices of rice and groundnuts. As mentioned above, it seems possible from the technical point of view to irrigate extensive areas in the Senegal river basin, and to envisage rice cultivation on such land, subject to the construction of a dam and the installation of an irrigation system. The project would involve costly investment but, without recourse to large-scale investment, it does not seem practicable to envisage more rapid progress in agricultural production than is provided for in the Plan.

29. The development of industrial production is greatly limited by the narrowness of the Senegalese market. Any more rapid expansion of industrial production than that foreseen in the Plan therefore depends on the availability of adequate external outlets for Senegalese products. Having regard to the wage levels prevailing in Senegal, it seems difficult to envisage the systematic establishment of factories working mainly for trade in exports to the developed countries. It seems, on the other hand, that exports to neighbouring countries might rise if Senegal's products enjoyed free access to such markets. In 1959, before the Federation of Mali broke up, a large proportion of imports by neighbouring countries moved in transit through Senegal. These transit operations represented about $50 million, of which $35 million were proceeding to
Mali and $10 million to Mauritania. In addition, Senegal exported to those countries a fairly wide range of processed products (flour, cigarettes, cement, vegetable oils, paint, beer, confectionery, etc.) amounting to $20 million. These few figures illustrate the importance for the vigorous development of industry in Senegal, of harmonizing the commercial policies of the West African countries. Lastly, it should be mentioned that the heads and senior technical and managerial staff of private industry are largely non-indigenous: general economic growth, and the growth of industrial activities in particular, are limited by the shortage of local entrepreneurs and managerial personnel.

30. The deficit in the trade balance which would result from a removal of the preferential arrangements enjoyed by Senegal might, as was estimated above, be of the order of $50 million towards 1964. To offset this deficit two main ways suggest themselves: one consists in increasing exports, mainly of processed goods, either to neighbouring or to other countries; the other way consists in replacing imports, especially of foodstuffs, by domestically produced goods. In both cases production would have to rise faster than foreseen in the Plan and any such rise would be followed by a series of repercussions throughout the economy. In particular, an increase in agricultural or manufacturing output would entail an increase in services of the same order of magnitude and furthermore the additional output would contain a certain proportion of additional imported materials. Increased production would also necessitate additional investments. The relations between the level of production and changes in foreign trade and between investment and output are therefore neither direct nor simple and cannot be determined with any precision until the existence or extent of possibilities for increasing production beyond the targets set by the Plan are themselves investigated by means of relevant technical studies.