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**Africa in the context of the High-Level Segment of the TDB on
Globalization, Competitiveness, Competition and Development**

Summary by the Chairperson of Sessional Committee II
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The broad aim of the discussion was to consider, in the context of globalization, the prospects for Africa to become competitive in international markets and to integrate more fully in the world economy. The specific economic problems of Africa and the more general issue of development policies for faster and sustainable economic growth were considered. Competitiveness was seen as playing an important role in this respect.

There was broad agreement that the term "competitiveness" was often used in different senses. While the term did not have much meaning when applied to countries or regions, it had relevance at the level of the sector and of the firm. In another sense, competitiveness referred to the factors which determine the locational behaviour of internationally mobile firms. A narrow focus on factor prices as a determinant of competitiveness was rejected, and a variety of intangible factors such as product quality, the capacity for timely delivery etc. were highlighted. Transaction costs, in particular transportation costs within countries and across borders, also had a decisive impact on both competition and the competitiveness of individual suppliers. Appropriate policies with regard to the real exchange rate constituted an important element in managing the link between investment and exports.

High transportation and transaction costs in relation to the value of tradeable goods were considered a major reason for the loss of international market shares of African exporters and also for the extremely low level of intra-regional trade in Africa. These costs resulted from an underdeveloped physical infrastructure. But the political, legal, institutional and social infrastructure, sound exchange-rate management, and the quality of governance were also important factors influencing a country's ability to expand trade and to attract FDI. Moreover, for countries to succeed in international markets, it was essential to have well functioning local markets and domestic economic networks. This was not the case in a number of African countries. Another factor for Africa's poor export performance was insufficient international marketing efforts.

While the importance of macroeconomic and exogenous factors was emphasized by a number of speakers, there was broad agreement that country experiences differed considerably within Africa. Hence, there could be no common explanation for the loss of the share of African exporters in the world markets. Explanations had to be sought at the country and product level. There was also broad agreement on the need for greater investment and better management of infrastructure, especially in the areas of transportation and telecommunications, and a strengthening of domestic markets and local entrepreneurship in African countries. Supply-side constraints were perceived as the greatest obstacle to higher exports from Africa, although some contended that these constraints could only be addressed in relation to specific products. Measures to improve the investment climate were recognized to be central to the policy agenda, but these should not be defined simply in relation to FDI but, perhaps more importantly, in relation to domestic savings and capital accumulation. In many countries, increased investment also required support by the international community.

African countries should identify those products for which there is both a supply potential and the likelihood of rising international demand, and target such sectors accordingly. However, there was not complete agreement as to which sectors should be given priority. The suggestion was put forward on the one hand that Africa should concentrate its export efforts on sectors where it had a natural comparative advantage, such as the primary sector and tourism. It was argued on the other hand that countries should seek to develop dynamic comparative advantages in new areas, as diversification into non-traditional sectors held out the greatest potential for gains in the medium and longer term.

Strengthened regional cooperation and intra-regional trade were considered to be important elements of an African development strategy. Trade with neighbouring countries was often easier to expand, and offered opportunities for firms to learn how to compete globally. In this context there was inconclusive discussion about the potential role of growth poles in Africa.

With respect to policy options of African Governments in the context of globalization, it was argued that despite the limitations resulting from the WTO, active trade policies would remain important, especially for the least developed countries. National policy choices continued to be crucial, especially with regard to the import and capital-account regimes. Moreover, developing countries should not underestimate their potential for influencing the international framework for trade and financial relations. This required intensified cooperation among these countries, with a view to arriving at common positions in international negotiations of the relevant rules. The forthcoming negotiations on Lomé V were a test of the leverage that developing countries possess, against the background of the constraints resulting from WTO rules.

The debate also extended to UNCTAD's contribution to development in Africa. UNCTAD's technical assistance programmes, especially in the areas of trade efficiency, trade facilitation and communication, were considered important elements which should be strengthened further. UNCTAD was also called upon to strengthen its support for South-South cooperation. While UNCTAD's research on successful development experiences in East Asia could provide possible lessons for African countries, the experience of Northern African countries in expanding their non-traditional sectors should also be studied. UNCTAD should focus on the specific implications for African countries of globalization and increased international competition. However, the debate ought to be based on a study of specific country situations and experiences.

With respect to the crucial issue of infrastructure development, work in UNCTAD should focus on its international dimension. UNCTAD had also a unique capacity in analysing the potential contribution of FDI, including FDI from the more advanced developing countries, to development in Africa. Moreover, UNCTAD should examine the experiences of African countries with regard to their trade policies, make proposals on how to develop new dynamic export sectors, and identify the remaining scope for industrial and trade policies following the conclusion of the Uruguay Round.