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**Draft report of Sessional Committee II to the Trade
and Development Board at its fifty-fifth session**

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Sessional Committee II

Economic development in Africa: Trade liberalization and export performance in Africa

Chair's summary

1. It was noted that Africa's substantial efforts in terms of trade liberalization over the previous three decades had yielded limited benefits. In fact, in spite of the commodity price hike experienced in the previous few years, Africa's export market share had been halved during the period of liberalization. From 6 per cent in 1980, Africa accounted for only 3 per cent of total exports in 2006. A key obstacle to export growth was the lack of adequate supply in the agricultural and manufacturing sectors. Hence, for trade liberalization to have a strong impact on Africa's exports, the State would have to put in place accompanying measures that strengthened Africa's production and trading infrastructure. At the firm and farm level, there was a need to raise productivity and adopt technologies that increased competitiveness if Africa was substantially to take advantage of the liberalized trading system.

2. The analysis in the 2008 *Economic Development in Africa* report highlighted the limitations of policies that considered trade liberalization as an end in itself rather than a means through which African countries could increase their economic growth through trade and achieve the MDGs and other internationally agreed development goals. African countries and their development partners would need to work together to do more than liberalize trade to benefit from trading opportunities offered by the international economy. African economies needed to be more diversified and more competitive. That required massive investments in productive and trading infrastructure, implying a shift in the allocation of development resources towards more infrastructure financing. Effecting such change would require strong domestic institutions, particularly a capable and enabling State able to articulate that vision into actionable policies and put in place a conducive business environment while, at the same time, facilitating economic agents' access to factors of production. The State would have to ensure that Africa's infrastructure – including roads, railways, ports, airports, telecommunications and power generation – was reliable, to help achieve a smooth production and trading process at low cost.

3. Participants felt that, for Africa to increase its infrastructure and productive capacities, it needed financial and technical resources which were beyond its capacity. Moreover, international support measures, particularly from Africa's trading and development partners, would be needed to help Africa derive maximum benefits from trade. It was felt that importing economies should provide greater access for African products to their markets. That was particularly important for agricultural products, which were affected by unfair domestic policies in importing countries. Where African products failed to enter export markets due to standards which did not meet the strict requirements of the importing economies, the latter should increase their assistance to help Africa's exports meet such requirements.

4. It was felt that Africa's development partners should be sensitive to the fact that many African countries had weak institutions which limited their capacity to defend their economic agenda in an isolated way. As a result, multilateral negotiations rather than bilateral forums should be favoured as the best avenue for Africa to make its case. In the same connection, Africa's development partners' development assistance should respond to the needs of beneficiaries rather than just fulfilling the interests of donors.

5. Intra-African cooperation offered important trade and investment possibilities for African economies. Whereas many African countries had seen their trade and investment with other developing regions soar over the previous few years, intra-African trade and investment had remained relatively low. One explanation was that African economies were still dependent on colonial economic structures which were oriented towards the colonial Powers. Putting in place regional economic infrastructure as advocated by the New Partnership for Africa's Development (NEPAD) could create substantial investment and trade opportunities within the continent.

6. The current food crisis facing many African countries brought to the fore the importance of agriculture for Africa's development. Despite the fact that agriculture was the backbone of many African economies, the sector had been declining over the previous few decades. One explanation was that the disengagement of the State from economic activity in the early 1980s had resulted in the neglect of the agricultural sector, given the prominent role the State had been playing in that sector. That needed to change. In the medium term, with appropriate assistance from the State, many African countries had the potential to substantially increase their agricultural production to meet their food needs and even to export. If the current market trends continued, refocusing on Africa's agriculture by committing at least 10 per cent of the budget to the sector – as provided for in the African Union and NEPAD 2003 Maputo Declaration – could offer a rare opportunity to diversify African countries' export base. To achieve that, Africa could learn from the experience of many countries which had succeeded in overcoming a number of challenges to become some of the most efficient agricultural producers.

7. There was agreement that Africa played almost no role in the trade of manufactured products, which explained its extreme dependence on the volatility of the international market in primary products. Although Africa's business environment had improved over the years, there was still a pressing need to attract investment from both domestic and foreign investors. That explained the continent's weak manufacturing performance. It was felt that the trend could be reversed by (a) reducing risk and uncertainty through improvements in political and economic governance; (b) better access to factors of production, such as credit and human capital; and (c) adoption of an industrial policy that would enable small manufacturing firms to grow into efficient and competitive units. Such an environment would also encourage domestic and foreign investors to create large firms that were competitive in international markets.

8. In order to ensure that the interesting recommendations contained in the report were useful to member States, it was felt that UNCTAD must find ways of making them operational at the country level. UNCTAD should continue to improve its dissemination strategy of the findings of its analytical reports so as to reach as many development stakeholders as possible at the regional and country levels. Regional and national dissemination workshops had been used in the past, and it was felt they should be increased whenever resources permitted. In line with African countries' own development strategies, those findings should also inform UNCTAD's technical assistance and support to those countries, both at the domestic and international levels. UNCTAD must take advantage of the Aid for Trade and Enhanced Integrated Framework initiatives as some of the available delivery mechanisms to channel its trade-related assistance to Africa.

9. There was interest in the economic partnership agreements between countries from the African, Caribbean and Pacific Group of States and the European Union, although that topic was not specifically discussed in the report. In general, many delegations cautioned against the risk that economic partnership agreements, as they

currently stood, could generate asymmetric benefits to the parties unless the key concerns expressed by some of the signatories were genuinely addressed.

10. Participants noted that the New Asian-African Strategic Partnership provided opportunities to exchange experiences and lessons learned, and also to promote interregional business opportunities and capacity-building activities. The importance of UNCTAD's support in strengthening the partnership was stressed, and there were calls for the International Trade Centre to help strengthen business-sector interactions between Asia and Africa.
