ECONOMIC DEVELOPMENT IN AFRICA
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EXPORT PERFORMANCE FOLLOWING TRADE LIBERALIZATION:
Some Patterns and Policy Perspectives
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CONTENTS

Explanatory notes .......................................................................................................................... vii
Abbreviations ............................................................................................................................... viii

INTRODUCTION ............................................................................................................................ 1

CHAPTER 1

TRADE LIBERALIZATION AND EXPORT PERFORMANCE TRENDS IN AFRICA ....................... 3

A. Historical timeline .................................................................................................................... 3
B. Why trade liberalization? .......................................................................................................... 5
C. Trade liberalization in Africa .................................................................................................. 7
D. Export performance following trade liberalization ................................................................. 12
E. Conclusion ............................................................................................................................... 27

CHAPTER 2

AFRICA’S EXPORT PERFORMANCE FOLLOWING TRADE LIBERALIZATION: AGRICULTURE .......... 29

A. Agricultural production and exports ....................................................................................... 29
B. Explaining agricultural export performance ........................................................................... 35
C. Conclusion ............................................................................................................................... 51

CHAPTER 3

AFRICA’S EXPORT PERFORMANCE THROUGH MANUFACTURING EXPORTS ............................ 53

A. Trends in manufacturing exports ............................................................................................. 53
B. Is Africa’s failure to export manufactured products due to comparative advantage? ............... 62
C. Trade liberalization and manufactured exports: lessons from the microeconomic empirical literature ......................................................................................................................... 66
D. Conclusion ............................................................................................................................... 75
CHAPTER 4

STRENGTHENING AFRICA’S EXPORT PERFORMANCE: SOME POLICY PERSPECTIVES

A. Agricultural exports .............................................................. 77
B. Exports of manufactures ....................................................... 85
C. Conclusion ............................................................................ 91

NOTES .......................................................................................... 93
REFERENCES .................................................................................. 98

LIST OF BOXES

1. Measuring trade liberalization .............................................. 14
2. Food price increases and low-income net food-deficit countries ...... 38

LIST OF FIGURES

2. Unweighted average tariffs in 1995 and 2006 ............................ 7
7. Export concentration index, 2006 .......................................... 21
8. African export destinations ...................................................... 24
10. Shares of African exports to top three destinations .................... 25
12. Agriculture as a proportion of GDP ...................................... 31
13. Agricultural exports by value, sub-Saharan Africa and other developing regions ................................................................. 32
14. Proportion of agricultural output exported ................................. 34
15. DAC ODA to agriculture, fisheries and forest as proportion of total DAC ODA, 1967–2006 ................................................................. 43
16. Cereal yields, sub-Saharan Africa and other developing regions .......... 45
17. Cocoa beans yield (kg/ha) in Africa and Asia, 1961–2006 ...................... 46
20. Developing regions’ shares of manufacturing exports to total merchandise exports, 2000–2006 .......................................................... 56
21. Manufacturing value-added to GDP .................................................... 57
22. Africa’s terms of trade for the period 1965–2004 ............................... 63

**List of Tables**

1. Unweighted average tariff changes in African countries ......................... 9
2. Year of trade liberalization of a sample of African countries .................... 13
3. Trade performance before and after liberalization .................................. 15
4. Average yearly increases in merchandise export values, volumes, and prices, 1995–2006 .......................................................................................................... 17
7. African countries’ average manufacturing exports ................................ 55
8. Africa’s manufactured export shares, 1999–2006 ................................. 58
9. Developing regions: shares in global manufactured exports, 1999–2006 .. 60
10. Trade liberalization and investment in Africa ........................................ 70

**Box Table**

Cereal import bills in low-income food-deficit countries by region and type . 38

**Appendix Table**

Trade liberalization and trade performance:
Generalized Method of Moments econometric results ................................. 92
EXPLANATORY NOTES

The $ sign refers to the United States dollar.

Sub-Saharan Africa: Except where otherwise stated, this includes South Africa.

North Africa: In this publication, Sudan is classified as part of sub-Saharan Africa, not North Africa.

Tables: Two dots (..) indicate that data are not available or are not reported separately.
ABBREVIATIONS

ACP     African, Caribbean and Pacific (group of States)
AMS     Aggregate measure of support
CFA     Communauté financière africaine
DAC     Development Assistance Committee (OECD)
ECA     Economic Commission for Africa
ERP     Economic Recovery Programme
FAO     Food and Agriculture Organization of the United Nations
FDI     foreign direct investment
GATS    General Agreement on Trade in Services
GDP     gross domestic product
ICT     information and communication technology
IMF     International Monetary Fund
ITC     International Trade Centre
IDA     International Development Association (World Bank)
IEG     Independent Evaluation Group (World Bank)
LDC     least developed country
LIFDC   low-income food-deficit country
MFN     most favoured nation
NAFTA   North American Free Trade Agreement
NEPAD   New Partnership for Africa’s Development
n.e.s.   not elsewhere specified
NTM     non-tariff measure
ODA     official development assistance
OECD    Organization for Economic Cooperation and Development
RTA     regional trade agreement
SADC    South African Development Community
SITC    Standard International Trade Classification
WDI     World Development Indicators
WTO     World Trade Organization
The objective of this year’s report is to examine Africa’s export performance after trade liberalization in order to draw lessons for use in the design of future development strategies. The main message is that the efforts made by African countries in terms of trade liberalization over the last 25 years have removed most of the policy barriers considered to be the main impediments to these countries’ export performance. Though there has been some improvement in Africa’s export performance after trade liberalization, the level and composition of the continent’s exports have not substantially changed. The performance of the export sector after trade liberalization fell short of expectations and the improvement has been small relative to the experience of other developing regions. African countries have not diversified their exports towards more dynamic primary commodities and manufacturing goods, which are less prone to the vagaries of international markets. Africa as a whole has even lost export market share, which was down from 6 per cent of world exports in 1980 to about 3 per cent in 2007. Hence, it is clear that the recent substantial rises in African countries’ export earnings have not allowed Africa to recover its lost market share. The report identifies Africa’s weak supply response as the most important impediment to the continent’s export performance, suggesting that future export policies should focus more on ways to increase production for export. The report proposes some policies that could help Africa to refocus its development priorities on structural transformation in order to increase the continent’s supply capacity and export response.

The discussion in this report is timely for several reasons. First, it takes place at a juncture when many African countries are deriving substantial benefits from the current commodity boom. For the first time in 30 years, several countries have a good opportunity to accumulate financial resources which, if prudently used, could allow these countries to build a strong and diversified productive sector that is more responsive to export opportunities. Nevertheless, the current boom should not lure African countries into a false sense of prosperity. Commodity booms have tended to be cyclical and it is doubtful if the current one can last forever. Second, Africa, like other regions, is affected by the current severe food crisis. Over the last five years, Africa’s cereal import bill has trebled, putting household and State budgets under immense stress. Given that the region was consistently a net food producer until 25 years ago, this is an opportune time to reflect on what has happened to Africa’s agricultural production and on how
to reconstruct its agricultural export sector. Third, African countries have been implementing trade liberalization measures for a long period now, so it is perhaps time to take stock of trade performance after liberalization in order to propose remedial actions where needed. The report argues that improvements in trade policies have not in themselves been sufficient to increase exports from Africa. Based on the lessons learned, some policy proposals are suggested.

Trade in services is becoming important in Africa, particularly in the context of intra-African trade. However, in the context of the Uruguay Round of multilateral trade negotiations, trade liberalization in services started much later than merchandise trade liberalization, and the process is ongoing. For this reason, trade in services is not covered here and the focus of the report is on merchandise trade liberalization, which has reached a more advanced stage in Africa.

The theme of the report also presents an opportunity to continue the analysis of some of the issues raised in the 2007 *Economic Development in Africa* report, particularly the nexus between firm investment and export performance. Specifically, the report seeks to answer a number of questions, including the following: Have export volumes increased after trade liberalization? How does export performance in Africa compare to export performance in other developing regions? Why has Africa not diversified its export products, particularly in terms of increasing the share of manufactures vis-à-vis primary exports? Should Africa specialize according to its comparative advantage in the production and export of primary commodities?

Chapter 1 briefly discusses the history of trade policy in Africa and the rationale for trade liberalization and its timing. It also provides an overview of Africa’s export performance to date in value, volume and composition. Chapter 2 examines Africa’s export performance in agriculture while chapter 3 investigates why Africa has failed to diversify into the manufacturing sector in order to increase manufacturing exports. Both chapters attempt to identify the factors that underlie the trends in exports of agricultural and manufacturing products. The final chapter discusses some policy options for improving Africa’s export performance. They revolve around the issues of productivity, competitiveness, market access and access to factors of production, both in the agricultural and manufacturing sectors.