



TICAD 8 Side Event Promoting export diversification: The catalytic role of services

21 September 2022 at 6 pm (UTC+9)

Short summary

This side event at the 8th Tokyo International Conference on African Development (TICAD) provides a timely opportunity for dialogue amongst various stakeholders, on the importance of diversification in Africa. As the global economy becomes more integrated, and with innovation taking place at a much faster pace, so too must the African economy adapt. Over 80 per cent of African economies are commodity dependent, leaving them prone to vulnerabilities associated with the boom-burst cycle of commodity prices. Consequently, high growth periods in Africa are associated with high commodity prices, often disrupted by shocks such as the 2008 financial crisis, the 2020 Health pandemic, and most recently, the geopolitical tensions in Eastern Europe. Recognizing the importance of innovation in the effort to strengthen diversification, the dialogue will bring together African Governments and the private sector in a bid to foster discussions on innovative, non-traditional paths for structural transformation towards a more diversified and stronger African economy.

UNCTAD's innovative research provides new evidence on the diverse drivers of export diversification of African countries, and it shows how cost-effective supply of services, including financial services, can be decisive in the overall diversification process. This side event will exchange views and experiences on how African countries and development partners can support unlocking high knowledge-intensive services to enhance diversification of African economies.

Context

Africa is among the least diversified regions in the world with regards to exports. Commodities account for more than 60 per cent of total merchandise exports in 45 of the 54 African countries, leaving them highly vulnerable to global commodity prices shocks and undermining the continent's inclusive growth and development prospects.

For Africa to realize the promise of the African Continental Free Trade Area, economic diversification and structural transformation must pass through strong headwinds. Soaring food and energy prices are hitting African countries especially hard as they struggle with the impact of the COVID-19 pandemic, climate change and the war in Ukraine. To cope with current crises and insulate itself against future shocks, Africa must diversify its economies.

UNCTAD research shows that neglecting the potentially transformative role of high knowledge-intensive services, such as information and communications technology, business services and digital financial services, is among the key reasons why export diversification remains a challenge in Africa. African SMEs can create more opportunities for sustained growth, trade diversification and competitiveness in high value added and growth services sectors, such as tourism and travel, as well as ICT services.

However, trade in services on the continent is both low and heavily dominated by traditional services, while high knowledge-intensive services represent only 20% of total services exports. Effectively addressing barriers to services trade under the AfCFTA requires strong partnerships between public and private sectors in order to unleash the transformative role of services in enhancing the diversity and complexity of African economies.

The side event will feature strategic insights from African governments, development partners and leading business and investment executives, on how African countries and development partners can support unlocking high knowledge-intensive services to enhance diversification of African economies.

Objectives

This side event to the 8th Tokyo International Conference on African Development (TICAD) provides a forum to explore innovative and sustainable pathways to promote export diversification in Africa through unlocking high-technology services.

Many challenges could slow the industrialization process and undermine the implementation of the AfCFTA: low resources (including technical skills, investment opportunities and regulatory frameworks) to innovate and drive industrialization, limited national capacities to address the impact of tariff liberalization on short-term revenue losses; weak institutional and policy measures to overcome non-tariff barriers and inadequate transport infrastructure, to name a few. Critically, limited access to trade finance, particularly for intra-African trade, remains a challenge for the successful implementation of the AfCFTA. Africa's average annual trade finance gap exceeded \$80 billion prior to the Covid-19 pandemic.

The increased quality and availability of services, supported by sound regulatory systems and policies facilitating trade in services, will be a key contributing factor for the upgrading and diversification of African markets.

The panel session will address the following questions:

- What role can private sector, innovation and technology play in facilitating the AfCFTA?
- Can private sector financing be mobilized for public investments/public goods that in turn increase efficiency and strengthen transformation in private sector?

- What is the role of development partners in promoting growth of knowledge-intensive services and facilitating linkages between services and diversification?