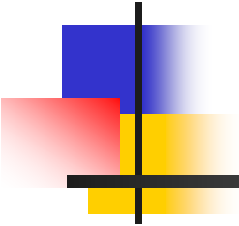


**EXPORT SUPPLY CAPACITY CONSTRAINTS,
EXPORT EXPANSION AND DIVERSIFICATION IN
AFRICA: THE ROLE OF EXPORT
DEVELOPMENT STRATEGIES.**



T. Ademola OYEJIDE



1 Introduction

- Can Africa Claim the 21st Century?
 - Yes, Condition upon movement along four broad fronts
 - One of these is Trade Policy
 - re-orientation
 - export diversification
 - pursuit of regional integration



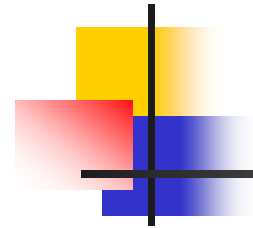
Trade policy challenges

- Regain lost ground with traditional exports
- Build new comparative advantage in non-traditional exports



“Pressing policy actions

- anchoring export-orientation on competitive and stable currencies.
- Making trade policy more credible and effective.
- Eliminating remaining anti-export bias.
- Providing effective compensating mechanisms for exporters.
- Integrating trade policy reforms with national development strategies.
- Implementing open regionalism



- Creating a platform for effective African participation in trade negotiations
- Introducing complementary measures, beyond trade reform, for lowering costs and risks.
- Increasing consultation with business and labour.



An activist (?) role for government.

- Efficient delivery of stable macroeconomic policy, strong incentives, rule of law, and basic infrastructure.
- Dealing with problems arising from market imperfections (subsidizing activities associated with export-related information gathering and dissemination, technology acquisition, compliance with export-standards, export-related training).



Where are we now?

- How much of the recommendations have been adopted, and implemented?
- What are the effects?



2. STRUCTURE AND GROWTH OF AFRICAN EXPORTS.

- Return to the ultimate trade policy challenge:
 - Export expansion and diversification.
 - What has happened during 2000-2004 period?

(A) GROWTH




Table 5 shows:

- Africa fell behind Asia and Latin America in export growth performance during 1980-95.
- Africa's export growth rate caught up from 1995 and maintained the momentum through 2004.

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- Table 6 shows the following comparative growth rates (annual average) for Africa's major export product groups.:

	Annual 1990-01	% Change 2000-04
Total Merchandise export	3	12
Fuels and Mining	3	12
Manufactures	5	12
Agric Products	2	10

- Table 7 shows that sub-regional real export performance improved between 2000/03 and 2004.



■ Central Africa	3.1%	vs.	18.7%
Eastern Africa	7.2%	vs.	7.9%
Northern Africa	5.0%	vs.	5.5%
Southern Africa	2.9%	vs.	3.3%

- except for

Western Africa 4.9% vs. 1.2%

- and the sub-regions with the most rapidly growing exports contributed relatively little to total African exports (central Africa 7.4%; Eastern Africa 5.2%)

- Table 8 shows that the countries with very high real export growth during 2000-2004 were mostly small in size.

Chad:	218.1% (2004)
Gambia:	42.3% (2004)
Mozambique:	35.2% (2000-03); 41.4% (2004)
Equatorial Guinea:	29.9% (2000-03)
Lesotho:	28.9% (2000-03)
Ghana:	20.8% (2000-03); 32% (2004)

- Most export-intensive (export per capital: \$) countries in 2004 were ;



Equatorial Guinea :	\$8,540
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Seychelles :	\$7,112
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Gabon :	\$3,266
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Libya :	\$3,148
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Mauritius :	\$2,732
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Botswana :	\$2,056
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Swaziland :	\$1,512
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Tunisia :	\$1,235
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South Africa :	\$1,067
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Algeria :	\$1,041
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(B) STRUCTURE

■ Table 1 shows little change in Africa's export structure during 1990-2004

- share of primary commodities was 78.1% in 1990 and 74.4% in 2004
- by comparison; in L. America, share of manufactures was 38% (1990) and 39.5% (2004); in Asia, share of manufacture was 80.5% (1990) and 87.5% (2004).



Table 2 shows that, during the 1990's

- SITC 3: mineral fuels, lubricants and related materials grew fastest (annual average of 10.45%).
- SITC 8: Miscellaneous manufacture articles grew second fastest (8.72%)
- but other manufactured export product groups did not do so well: SITC 6 (-0.83%); SITC 7 (3.25%)



- Table 3 shows that:

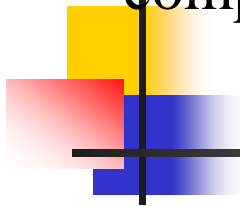
- SITC 3 (mineral fuels, lubricants and related materials) not only dominated total African exports (47.96%) but also that of three sub-regions; i.e., central Africa (63.47%), Western Africa (66.72%), and Northern Africa (61.57%).
- by comparison, Eastern Africa's export structure is dominated by SITC 0 (food and live animals) (41.56%)
- while Southern Africa is not only the most diversified sub-region (no single SITC contributes more than 30% of total exports), it is also the sub-region where the main manufactured export product groups SITC 6,7,8 together account for as much as 42% of total exports.
- second in this respect is Northern Africa (24%).



3. BUILDING EXPORT SUPPLY CAPACITY .

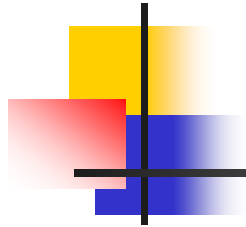
- Necessary but not sufficient conditions for promoting export expansion and diversification.
 - maintaining macroeconomic stability, eliminating anti-export bias in the trade regime and ensuring a stable and realistic exchange rate.
 - eliminating the key export supply response capacity constraints: deficiencies of trade-related infrastructures, and inefficiencies of trade-related inputs and services.

- use of special export development strategies as more focused and complementary measures for building export supply capacity.



- national export strategy

- identification of priority export sectors and priority external markets
- strengthening market positioning of the priority export sectors and products.
- policy reforms (trade, investment and private sector development) to enhance incentives for exporting activities and to improve external market access.
- export-related business services for eliminating constraints to exporting activities.
- specific assistance programmes for enhancing export competitiveness and exploiting export market opportunities.



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- exploitation of production sharing opportunities
 - under inward-oriented regime
 - under outward-orientation
 - current situation
 - potentials and challenges

 - production clusters and marketing Networks
 - positive agglomeration externalities and advantages
 - export-orientation: linkage to international distribution networks
 - increased competitiveness and productivity advantages




Moving up the value chain

- key requirement of export development
- mechanisms
 - downstreaming
 - market positioning and branding
 - niche marketing
 - product innovation

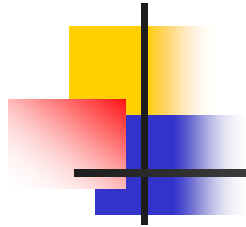
- Supply management
 - shortening the supply chain

4. ENHANCEMENT OF EXTERNAL MARKET ACCESS

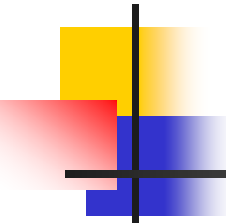


■ Table 6 shows the following trends with respect to the main destinations of Africa's merchandise exports during 1990-2004.

- declining share of Europe in total exports (57.6% in 1990 and 42.8% in 2004); in fuels and mining exports (61.5% to 35.5%); in manufactured exports (62.1% to 56.8%) and in agricultural exports (61.2% to 49.3%).
- increasing share of Asia in total exports (7.7% to 16.8%), fuels and mining (5.9% to 18.6%), manufactures (5.9% to 8.8%), and agric (15.1% to 18.0%).
- increasing share of intra-African trade in fuels and mining (3.2% to 5.8%), manufactures (8.0% to 11.4%) and agric (11.8% to 18.6%).



- But there are constraints to the expansion and diversification of African exports to Asia.
 - high tariff rates, especially on food and live animals (11.65%), beverages and tobacco (18.59%), animal and vegetable oils and fats (24.97%), chemicals and related products (22.22%) and other commodities (34.14%).
 - substantial tariff escalation for example raw cotton (2.73%) versus cotton fabrics (19.21%) oil seeds (0.88%) versus vegetable oil (42.59%), cocoa beans (4.07%) versus cocoa powder (15.77%) and unroasted coffee (0.06%) versus roasted coffee (8.12%).

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- enhancing Africa's market access in Asia may require mutually beneficial south-south trade negotiations.
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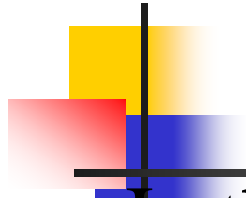
- recent Chinese decision to grant tariff preferences to African countries is a good start.

- as in the case of Asia, there is need for concerted effort to complete the process of eliminating all remaining barriers against intra-African trade.

- non-reciprocal preferential trade arrangements have largely determined the access of African exports to the markets of high-income countries

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- But only a few African countries appear to have used this opportunity effectively to expand and diversify their exports due to;

- limited export supply response capacity
 - restrictions associated with the preference schemes (rules of origin, high access costs, e.t.c.)
- Benefits of AGOA are concentrated in two groups of countries.
 - Oil exporters (essentially Gabon and Nigeria)
 - Clothing exporters consisting of Lesotho, Malawi, Madagascar, Swaziland, Mauritius, Kenya and South Africa.



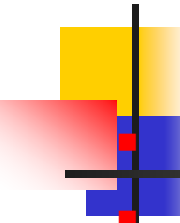
■ In the case of Cotonou, many African countries do not receive significant benefits because

- a large proportion of their exports to the EU has zero mfn tariff rates; these include Congo(96%), Nigeria(95%), Gabon(94%), Botswana(91%), Cameroon(79%).
- they export to the EU mainly products that are excluded from Cotonou preferences: Swaziland (73%).



- The main Cotonou beneficiaries are African Countries with at least 30% of their exports eligible for preferences;
 - Seychelles (86%), Senegal (73%), Zimbabwe (69%), Mauritius (67%), Kenya (53%), Namibia (51%), Ghana (44%), Cote d'Ivoire (37%), and South Africa (35%).
- Current Doha negotiations may erode much of these benefits significantly and, naturally, the main losers include the more significant beneficiaries.

- Available estimates suggest that the following countries suffered the magnitude of preference erosion losses indicated in \$million:

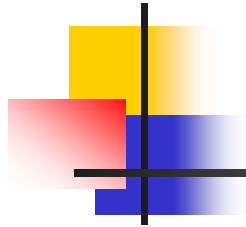


■ Mauritius:-	209.5
■ Cote d'Ivoire:-	80.2
■ Swaziland:-	58.3
■ Kenya:-	53.7
■ Madagascar:-	51.7
■ Lesotho:-	49.6
■ Cameroon:-	40.2
■ Zimbabwe:-	29.9
■ Malawi:-	27.8
■ Namibia:-	27.2
■ Ghana:-	25.2
■ Senegal:-	22.0
■ Mozambique:-	15.5
■ Tanzania:-	14.8

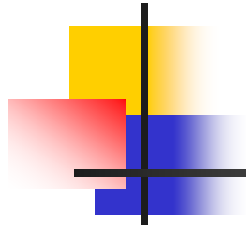


- A different kind of preferential benefit erosion has already occurred.

- the phasing out of the quota system in the textile and clothing trade resulted in sharply increased competition.
- its implication is that between 2004 and 2005 overall AGOA exports of clothing fell by 17%.
- key affected countries suffered declines as well: South Africa (-45%), Lesotho (-14%), Madagascar (-14%), Swaziland (-10%), Kenya (-3%).



- Hence, African countries must recognize the danger associated with long-term dependence on preferences for their export expansion and diversification.
- The current EPA negotiations will transform Cotonou from a non-reciprocal to a reciprocal preferential trade agreement.
- This is likely to have far reaching implications for the participating African countries.



- Among these, at least two are particularly relevant for the expansion and diversification of African exports.
 - The US may insist on a similar transformation of AGOA to avoid the inevitable trade diversion impact of the EPAs
 - EPAs will also lead to trade diversion against intra-African trade.



5. CONCLUDING REMARKS

The role of the ADB

- Use of its analytical work, policy dialogue and operational (lending and grant-making) activities in the regional member countries to assist them to:
 - more effectively mainstream trade in their national development strategies.
 - articulate and implement comprehensive national export development strategies.
 - identify and apply innovative export development tools.
 - aggressively work to enhance external market access wherever good potentials can be found.