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DISCUSSION PAPER

TRADE AND ECONOMIC DEVELOPMENT

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Over the past thirty years many developing countries have taken advantage of an increasingly open world trade and investment system to grow and develop. Unfortunately, a number of African countries have not been part of the global trade system and, as a result, their growth has not been as rapid as it could have been. Addressing the barriers to greater African participation in the global commercial system can be an important spur to future economic development in Africa.

This paper is intended to promote discussion as to the role that trade can play in speeding development in Africa and the possible steps that can be taken to enable Africa to participate more fully in the global market. It does not cover all the barriers to expanding trade by African countries. Other important topics – notably infrastructure, especially ports and roads, and corruption – are discussed in other conference papers. It also does not include issues that are not directly related to trade and which can only be dealt with in the longer term, such as improved health and education, which were critical components of the success of the Asian "tigers".

It is important to emphasize that the 53 member countries of the African Union vary widely in environment, access to markets, governance and institutional capacities. They include oil producers and fifteen land-locked states. Moreover, thirty-three African Union countries are classified as "least-developed" by the United Nations.

However, change now is underway in Africa. A number of African countries are growing rapidly, and have reduced the level of poverty. The opportunity now is to craft strategies to help these countries and those lagging behind to sustain and deepen progress.

Africa's Trade Record

The good news is that exports from the 53 member countries of the African Union increased as a percent of total world exports from just over two percent in 1999 to slightly more than three percent in the ten years ending in 2009[1] (See Attachment 1). The bad news, however, is that while 33 African Union countries increased their share of total world exports, 19 countries experienced a decline[2].

[1] Any time period, of course, is arbitrary. In considering this table, it needs to be borne in mind that 2009 was a year of severe global recession.

[2] Data is not available for the Sahrawi Arab Democratic Republic, the 53rd member of the African Union.

A number of those countries that experienced an increase in their share of world exports are oil exporters that benefited from the rise in the price of oil. However, many of the countries that increased their export share – such as Tanzania, Uganda, Zambia, Rwanda, Ghana, Namibia, Benin, Egypt and Tunisia – achieved this result through the pursuit of effective policies. Additionally, most impressively, nine of the fifteen landlocked African nations increased their share of world exports.

For those 19 African Union countries that experienced a decline in their share of world exports, political unrest was often a major factor. Additionally, several, particularly Botswana and Mauritius, whose growth has been spectacular, experienced a decline in their share of world exports because their principal exports experienced a decline in prices in 2009, diamonds in the case of Botswana and sugar and apparel for Mauritius.

Increasing economic growth is the sine qua non for increasing trade both within Africa and with countries on the outside. Fortunately, there is a group of sub-Saharan countries that have grown rapidly over the last decade. Steven Radelet has identified 17 “emerging” sub-Saharan African countries that between 1996 and 2008 have averaged growth rates of 3.2 per cent a year. For these countries, trade and investment have doubled, school and health indicators are improving, the number of people living in poverty has been cut from 59 per cent to 48 per cent, and the overall distribution of income has actually improved.

Much of the trade expansion by these emerging countries has been with traditional trade partners, including the U.S. and Europe, but a growing share has also come from new partners, such as China and India. “It has included a wide range of products: fruit, flowers, rubber, wood, aluminum, ore, electricity . . . furniture, jewelry, data entry, and canned tuna, to name a few.”[3]

Radelet also categorized an additional six countries as “threshold” – that is countries that fall short of his 2% standard for the emerging countries, but which look set to embark on sustained economic growth. His other two categories are “oil exporters” and “other”. Oil exporters face both the blessing and the curse of natural resource abundance and experience very different dynamics than other nations. Countries in the “other” category have made little change in income levels, social indicators and governance.

Giving Priority to Growth

Fortunately, a great deal has been learned from those countries that sustained economic growth over several decades. To sustain economic growth in the long run, more complex and politically difficult reforms are necessary. The Commission on Growth and Development identified 13 economies that have experienced average annual growth of seven percent or more for a quarter of century or longer since 1950. These high-growth economies share a number of distinctive characteristics, including:

1. Fully exploiting the world economy;
2. Maintaining macroeconomic stability;
3. Achieving high rates of saving and investment;

[3] Radelet, Steven. *Emerging Africa: How 17 Countries are Leading the Way*, page 39.

4. Letting markets allocate resources; and
5. Having committed, credible, transparent, and capable governments.

These principles of mainstream economics, however, do not lead to a single strategic design or universal policy prescription applicable to all developing countries. In other words, there is no magic "development" bullet **-** a development model that fits all. The lesson is that countries must make their own choices and learn from trial and error.

All the countries that have grown rapidly for sustained periods designed their own sets of policies and institutional arrangements, which did not necessarily conform to the standard policy recommendations provided by either bilateral or multilateral development institutions. Moreover, these countries have been willing to experiment with both policies and institutions and, importantly, they have been able to end experiments that did not pay off.

However, starting economic growth is easier than sustaining it. Many countries have grown rapidly, only to fall off the wagon after five or ten years. In fact, only the13 countries mentioned in The Growth Report have managed to sustain growth at high levels over two decades[4] (See Growth Commission report).

Trade can be an engine for growth. Economic growth is, at its base, an indigenous process. However, once countries make the commitment to speed growth and increase exports, the policies of countries outside Africa also have an important impact on Africa's ability to trade.

Obstacles to Increasing Trade and Recommendations for Improvement

African countries can all benefit from strong export growth. There are a number of specific actions that African countries themselves can take to accomplish this, and there are a number of measures that need to be taken by their trade partners to support this effort.
Three key barriers must be overcome if African countries are to achieve their export potential. Some recommendations for overcoming these barriers are:

1. Almost all African economies are small. Accordingly there is a need for deeper regional integration*.* "Of the 53 African countries, 39 have fewer than 15 million people, and 21 have fewer than 5 million. Although Africa has 12 percent of the world's population, it produces just 2 percent of the world's output because its productivity is low. . . . [Regional Economic Communities], by creating larger markets, are thought to enable African countries to exploit economies of scale and enhance domestic competition as well as to raise returns on investment and, hence, attract more foreign direct investment."[5] The intent of the Regional Economic Communities is not to divert trade from other countries, but to build competitiveness within the region so as to better compete in world markets.

There are seven Regional Economic Communities (RECs) recognized by the AU:

- Arab Maghreb Union (UMA),
- Common Market for Eastern and Southern Africa (COMESA),

[4] See Growth Commission report, page 14.
[5] Yang, Yongzheng and Sanjeev Gupta. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, page 9.

- Community of Sahel-Saharan States (CEN-SAD),
- East African Community (EAC),
- Economic Community for Central African states (ECCAS),
- Economic Community of Western African States (ECOWAS), and
- Southern African Development Community (SADC).

The South African Customs Union, the East African Community and the West African Economic and Monetary Union (WAEMU)[6] have all made good progress in removing internal trade barriers. COMESA and SADC have also made some progress toward eliminating barriers to trade among their members, although liberalization is behind schedule to varying degrees, while ECOWAS[7] has made minimal progress. Liberalization has often been particularly slow on import sensitive products (and unfortunately, these are precisely the areas which can have the largest beneficial impact.) UMA, CEN-SAD and ECCAS have made virtually no progress toward trade liberalization.

Some of the RECs also call for removal or liberalization of non-tariff barriers (NTBs), but only limited progress has been made in this effort. NTBs include quantitative restrictions, import bans, roadblocks, delays at ports, cumbersome customs formalities, and restrictive and cumbersome rules of origin that define which products can qualify for liberalized trade within the REC.

Given the relatively small degree of trade liberalization within some of the RECs, it is not surprising that the increase in intra-REC trade has been correspondingly small. As can be seen in the table below, since 1980 intra-arrangement trade has increased for WAEMU and SADC, but not significantly for CEMAC, COMESA and ECOWAS.

Table. Intra-Arrangement Trade[8] (percent of total trade)

		1980	1990	1998	2003
Exports					
	CEMAC	1.6	2.3	2.3	1.4
	COMESA	9.1	8.1	8.9	8.6
	ECOWAS	10.6	8.9	11.1	10.1
	WAEMU	12.6	15.3	13.0	16.2
	SADC	2.7	6.9	6.0	6.0
Imports					
	CEMAC	3.7	3.6	3.9	2.9
	COMESA	2.8	3.4	3.9	5.8
	ECOWAS	10.2	14.9	12.9	11.5
	WAEMU	7.6	14.8	9.8	13.3
	SADC	3.8	6.0	6.1	6.3

[6] WAEMU is a customs union of six former French colonies which are all part of the larger ECOWAS community.

[7] ECOWAS requires that "products need to meet relatively stringent rules of origin, and need to be registered through a complex two-stage (national and regional) process." (Brenton, et. al., page 5.)

[8] Yang, Yongzheng and Sanjeev Gupta. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, page 17.

The main obstacle to removing barriers to internal trade within the RECs is political, as vested interests in many countries resist liberalization. Generating increased political will has to come from Africa's political and business leaders.

However, if Africa's leaders decide to make a renewed and greater effort to liberalize trade within the RECs, there are several measures that might be taken.

First, as can be seen in Attachment 2, a number of African Union countries are members of two or more RECs. Multiple memberships make trade liberalization more complex, since the different agreements all seek to liberalize trade on a different schedule and have made varying degrees of progress toward trade liberalization. In order to prevent trade diversion, countries that are members of multiple RECs will have to have very strict rules of origin, which will limit trade liberalization and increase the costs of doing business.

Recommendation***: The African Union, working with member countries, should rationalize membership in the various RECs.***

Customs duties constitute almost one-third of government revenues in African countries[9]. This dependence on tariffs has sometimes been a factor that has limited the ability of the RECs to eliminate tariffs; this can be particularly an issue for customs unions which have to determine the distribution of tariff revenues among the members. Over the longer term, African Union countries will steadily identify other sources of revenue, such as value added taxes or income taxes, which will facilitate removal of tariffs. In the meantime, where revenue concerns are not a major factor, the RECs should move as rapidly as feasible to remove tariffs on internal trade.

Recommendation***: Consideration should be given by the development agencies to increasing assistance to African countries for improving tax systems to make up for revenue lost due to removal of tariffs on inter-REC trade. For would be customs unions, where distribution of tariff revenues is an issue, the REC should first concentrate on eliminating tariffs on internal trade before trying to adopt a common external tariff.***

Third, non-tariff barriers are a bigger obstacle to free trade within the RECs than tariffs, and removing non-tariff barriers would not have an adverse revenue effect. Barriers to trade in food are particularly severe, which results in smuggling and waste. African traders know which barriers create the biggest problems and they need to be able to provide regular input to governments on NTBs. The experience of the EAC in addressing NTBs suggests that raising awareness of NTBs and improving transparency, however, is not sufficient to ensure their removal. SADC has had some success with a formal dispute settlement mechanism with a legally binding outcome, and this should be considered for the other RECs.

Recommendation***: Removal of non-tariff barriers on inter-REC trade should be given a higher priority and mechanisms need to be developed to enable the private sector to help identify barriers. Dispute settlement mechanisms for rapid resolution of complaints regarding NTBs should be considered.***

[9] Yang, Yongzheng and Sanjeev Gupta. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, page 14.

Along with expanding trade for goods within the RECs, there is enormous potential for expanding services trade. The EAC, COMESA and SADC are all committed to creating an integrated regional market for services and have made some progress, and UEMOA allows the free circulation of a number of professional services, including doctors, architects, and lawyers[10]. A number of types of services can provide an enormous boost to economic development, such as trade in electricity, engineers and business services.

2. African exports face numerous trade barriers in their potential global markets.

Even if trade barriers were completely eliminated on internal RTA trade, however, Africa would still need to expand trade with the rest of the world. In the short term, increasing trade within the RECs is limited by the fact that most of the African countries have similar economies that are reliant on subsistence agriculture. Perhaps more importantly, Africa's export infrastructure is more oriented toward outside trade than trade within the RECs, and this will take time to correct.

Finally, many of the products that African countries need are not produced in Africa. "For example, machinery and transport equipment account for approximately three-fourths of total (global) African imports, but they account for less than 4 percent of intra-African trade. ". . . This "suggests that the greatest boost to African trade in the short to medium term must come from policies promoting trade with the rest of the world. The African market is too small to sustain high export growth."[11]

To pay for these imports, of course, Africa must export, but unfortunately the continent's exporters face an array of barriers and trade distortions, particularly on the products where they are most competitive. First off, most developed and advanced developing country tariff structures feature higher tariffs on processed goods than on raw materials. "For example, the United States charges no duty on raw cocoa beans, but imposes duties as high as 52 cents per kilogram on imported chocolate."[12] This tariff escalation is a part of the reason why most agricultural and mineral products are not processed in Africa, but instead are exported as raw materials.

Additionally, the U.S., EU, Japan, China and many other countries have far higher trade barriers on agricultural goods than on manufactured goods, and agriculture, of course, is Africa's relative strength. For the U.S. and China, import restrictions on agricultural goods are roughly twice as high as those on manufactured goods, Japanese restrictions on agricultural imports are roughly five times as high, and EU restrictions on agricultural imports are roughly 7.5 times higher than for manufactured goods, according to Alberto Portugal-Perez and John Wilson[13].

African countries themselves also have high barriers to trade in agricultural products, which limit trade opportunities, increase costs of food, and cause waste of scarce food resources.

[10] Brenton, Paul, Nora Dihel, Ian Gillson and Mombert Hoppe. *Regional trade agreements in sub-Saharan Africa: supporting export diversification.*

[11] Yang, Yongzheng and Sanjeev Gupta. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, page 27.

[12] Radelet, Steven. *Emerging Africa: How 17 Countries are Leading the Way*, pages 155-156.

[13] Portugal-Perez, Alberto and John S. Wilson. *Why Trade Facilitation Matters to Africa*, page 9.

Removing these barriers would enable African agricultural surplus countries to export to those that have food shortages.

African farmers also have to compete with producers in developed countries, particularly the U.S. and EU, which receive enormous subsidies from their governments. The silver lining of the current U.S. and EU budget crises is that these huge subsidies might finally be significantly reduced. These subsidies on products such as cotton depress world prices, and this reduces the return to African farmers and robs them of potential markets.

Recommendation: ***The U.S. and other developed countries should reduce the trade distorting impact of their agricultural subsidies.***

For most of their exports, almost all African countries benefit from preferential schemes, which provide duty free treatment in the U.S., EU, Japanese and other markets. For the products that qualify under these programs, tariff escalation is not an issue, since both raw materials and finished goods are duty free. However, some products of importance to African producers face quota limits on the amount that can be exported duty free (for example, Malawi could export more tobacco if the U.S. quota were removed). While the U.S. *African Growth and Opportunity Act* and the EU *Everything But Arms* programs cover virtually all products, a number of other countries, such as Brazil, China, India and Turkey, could expand the coverage of their programs.

These preference programs can be important; according to Bernard Hoekman and Alessandro Nicita of the World Bank, a 1 percentage point advantage over competitors provides an increase in exports of about 3.5 percent[14]. However, the actual effective rate of these preferences for a beneficiary depends on how many competitors also receive the preference, transportation costs and whether there are non-tariff barriers that impede trade. For example, Mexico, Chile and a number of other countries have duty free access to the U.S. market, and are subject to lower transportation costs than African countries. Hoekman and Nicita estimate that the effective preference margin is almost always less than one percent. "Only Madagascar has significant preferential margins – greater than 2 percentage points – in more than two markets. Most countries have meaningful preferential margins in only one or two markets. . . . these calculations suggest that the value of preferential programs is quite limited[15]."

Additionally, every country's preferential scheme has unique rules of origin which means that a product may be eligible for duty free treatment under one country's scheme but subject to the MFN duty rates in other countries. And some rules of origin are more liberal than others. For example, under the EU's EBA, yarn must be woven into fabric and then made into apparel in the same country, while under AGOA fabric from any country may be used. The AGOA rule has been more successful in facilitating African apparel exports.

Recommendation: ***Developed countries should expand the coverage of their preference programs for Africa and harmonize their preference schemes, particularly the rules of origin, and apply the most liberal rules to products from Africa. The G-20 countries***[16]

[14] Hoekman, Bernard and Alessandro Nicita. *Trade Policy, Trade Costs, and Developing Country Trade.* World Bank Policy Research Working Paper 4797, December 2008, page17.

[15] Ibid. Page 11.

[16] The Group of 20 (G-20) is made up of the finance ministers of the EU and the following 19 countries:

should all give African countries duty-free, quota free access under their preference programs.[17]

Perhaps one of the most difficult barriers for African countries trying to expand exports is the need for compliance with sanitary and phytosanitary measures (SPS) and technical product standards (known as "technical barriers to trade" or TBT) in the rest of the world. These standards are intended to serve an important purpose of protecting the health and safety of the consumer, preserving the environment or other similar purposes. Under WTO agreements, these measures may not be more trade restrictive than necessary to achieve the legitimate purpose of the measure and they must be non-discriminatory. Additionally, SPS measures must be science based. Finally, countries are supposed to base their measures on international standards and guidelines; the intent of this is to harmonize different country measures to the greatest extent possible.

The costs of compliance with these standards can be high. "Proving conformity with standards and technical regulations requires establishing efficient testing, certification and accreditation mechanisms that conform to the requirements of the SPS and TBT Agreements and enjoy international recognition. Testing, calibration and certification facilities thus take on extreme importance for African countries wanting to benefit from trade opportunities[18]."

Unfortunately all too often countries have different tests and requirements. For example, "out of a total of 67 different tests applicable to compliance for different fish and shellfish products, [the U.S.], EU and Japan all require different combinations and total number of tests[19]."

Recommendation: ***Developed and Newly-Industrialized countries should make a major effort to better harmonize their SPS and TBT standards.***

While SPS and TBT standards have a legitimate role, often countries design them to be deliberately protectionist. For example, the EU imposed a *de facto* moratorium on the importation of genetically modified (GMO) crops, which the U.S. challenged in the WTO. In 2003 the WTO ruled that the EU's moratorium and some of the member state bans on marketing of biotechnology agricultural products was not consistent with WTO obligations since it was not science based. However, these restrictions largely remain in place today.

This EU action has a major negative impact on Africa. GMO crops include corn, cotton and other products widely grown in Africa, and the GMO varieties are resistant to pests, thereby reducing the need for pesticides. A number of African countries, particularly in West Africa, have hesitated to use these varieties because of concerns about being blocked from export to the EU. However, this renders their agriculture less competitive with countries that use these

Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Korea, Turkey, UK and the U.S.

[17] *Open Markets for the Poorest Countries: Trade Preferences That Work.* The CGD Working Group on Global Trade Preference Reform. Kimberly Ann Elliott, Chair. The Center for Global Development. April 2010.

[18] United Nations Industrial Development Organization. *Trade Capacity building Background Paper: supply side constraints on the trade performance of African countries*, page iv.

[19] Ibid. page 7.

products, such as South Africa. And their use has important health risks, since pesticides are often sprayed by hand, thereby exposing workers to potentially severe health threats.

Recommendation: ***The EU should work with the African Union to ensure that their de facto moratorium does not inhibit African nations from using GMO crops if they so choose.***

3. Trade facilitation costs are high for African exporters and importers, which limits their ability to compete in global markets. Even if other countries eliminated import barriers on African goods, most African countries would still be at a competitive disadvantage compared to many of their competitors from Asia and the Americas. For example, Alberto Behar and Lawrence Edward report that "it costs more than twice as much to clear a standard 20-foot container for exports or imports in . . . SADC countries as in the East Asia & Pacific. . . . The time taken to export and import is also high in . . . SADC countries compared to other regions: more than three times that of the OECD and twice that of Latin America & Caribbean[20]."

Yongzheng Yang and Sanjeev Gupta note that "customs administration . . . is weak in most African countries . . . Crossing a border in Africa can be equivalent to the cost of more than 1,000 miles of inland transportation, while in Europe the cost is equivalent to 100 miles[21]." Murat Seker reports a finding "that each additional day a product is delayed prior to being shipped reduces trade by at least 1%[22]."

Trade facilitation costs include such things as: the number of documents needed to import or export a product, the costs of obtaining approvals for import or export, and the efficiency of the ports. As can be seen in Attachment 3, some African countries such as Egypt, Mauritius and Tunisia have done a great job in reducing the costs of trade. Others, such as Somalia, Eritrea, Sierra Leone, Chad and the Central African Republic still have a great deal of work to do.

According to Alberto Portugal-Perez and John Wilson "the gains for African exporters from cutting trade costs half-way to the level of Mauritius [would have] a greater effect on trade flows than a substantive cut in tariff barriers. As an example, improving logistics so that Ethiopia cuts its costs of trading a standardized container of goods half-way to the level in Mauritius would be roughly equivalent to a 7.6 percent cut in tariffs faced by Ethiopian exporters across all importers[23]."

Recommendation: ***Reducing the costs of importing and exporting needs to be a very high priority for those countries with high costs. Individual countries and donors need to focus on those specific factors in each country that are the largest cost factors.***

Landlocked countries such as Ethiopia, of course, have to ship most of their exports through neighboring countries to reach the nearest port, and accordingly trade costs can only be cut in cooperation with these nations. The East African Community has made significant progress in reducing trade costs for its landlocked members through developing efficient trade corridors.

[20] Behar, Alberto and Lawrence Edward. *How Integrated Is SADC? Trends in Intra-Regional and Extra-Regional Trade Flows and Policy*. page 17.

[21] Yang, Yongzheng and Sanjeev Gupta. *Regional Trade Arrangements in Africa: Past Performance and the Way Forward*, page 29.

[22] Seker, Murat. Trade Policies, Investment Climate, and Exports, page 3

[23] Portugal-Perez, Alberto and John S. Wilson. *Why Trade Facilitation Matters to Africa*, Abstract.

Recommendation: ***Substantial emphasis needs to be given to developing efficient trade corridors to better enable landlocked countries to benefit from world trade.***
In addition to constraints on exporting, many African countries lack an infrastructure that can support a vibrant export sector, such as efficient customs brokers, export financing facilities and information on foreign market conditions. Sometimes, government regulations even promote inefficiencies by giving special preferences to select service providers that can then charge higher prices than would be the case under free competition.

Recommendation: ***An important area for capacity building is to assist Africa in strengthening and developing the critical services, such as financing, customs brokers and other trade facilitators, needed to support a vibrant export sector.***

Become part of global value chains

A large portion of world trade today is conducted by multinational firms that buy and sell from all over the globe. Often these firms buy for their own account, but often they are specialized firms that purchase raw materials, process them and then sell to other firms that market to retailers.

For example, one firm specializes in buying raw coffee, tea and spices from around the world, processing them in central locations and then selling the product to companies such as Starbucks, Coca-cola and McCormick Spice Co. In deciding where to purchase and process the raw materials, this firm looks to the desire of local farmers to produce for world markets. For example, under guidance from this firm, vanilla bean growers in Tanzania formed a cooperative which now includes some 7000 small farmers so that they can produce the quantity needed. And the firm works with the growers to help them produce the highest quality vanilla bean that they demand for world markets. In deciding where to do business, this firm looks first to countries that have a business friendly environment, which includes a government that actively tries to remove barriers to its enterprises.

The advantage of working with these global supply chains is that they handle all aspects of exporting, from finding buyers in markets around the world to financing all aspects of the shipment and to working with local enterprises to develop world-class quality control systems and large-scale production. "African enterprises need to link with global supply chains to market their products internationally. SMEs [small and mid-size enterprises], which predominate in African economies, have inherent difficulties with access to capital, productive capacity, technology and servicing because of resource limitations[24]."

Reducing the impediments to exporting and to business generally is critical to becoming part of these global supply chains. But in addition, countries need to develop an export strategy that involves identifying areas of potential comparative advantage, working with the private sector to strengthen these areas, and then reaching out to these global supply chain purchasers to encourage them to consider the country as a supplier.

[24] United Nations Industrial Development Organization. *Trade Capacity building Background Paper: supply side constraints on the trade performance of African countries*, page iv.

An example of a successful export strategy is mangoes from Mali. "Though the government identified mangoes as an option for diversifying Mali's export base in the 1990s, it faced several significant inefficiencies: high costs of air freight, poor access to sea ports, and weak harvesting and post-harvest techniques . . . lack of finance, insufficient management capacities, an unfavorable investment climate. . . . In 1993, Mali began implementing a multi-modal (road, rail, and sea) transportation system to move mango exports to destination markets in Europe more efficiently. Through partnership with private operators and backed by donor financing, a cold-chain (refrigerated) system was developed, phyto-sanitary improvements were made, certification and traceability programs were implemented, and training in orchard management practices and post-harvest handling was offered to Malian agricultural workers. . . . Mali's mango exports increased 1,042 percent between 1993 and 2008, from 1,050 to 11,995 metric tons[25]."

Aid for Trade

Support for building the human and institutional capacities within Africa to promote growth and expand trade can come from a variety of sources (including the private sector), but there is an important opportunity for non-African countries and institutions to help African countries and their entrepreneurs build trade capacities.

As part of the initial discussions in the WTO concerning the Doha Round, the industrial countries committed to providing funds to help build trade capacities - now better known as "Aid for Trade" (A4T).[26] A4T includes aid for transportation and logistics infrastructure (the largest share of A4T), meeting international product standards, improving management of borders, and projects that link rural producers to markets. It also includes adjustment assistance to workers and communities adversely affected by trade liberalization.

Aid for Trade flows are not negligible. A4T increased from 2002 to 2008 by 21 per cent in real terms; the share of the low income countries went from 44 to 54 per cent. More than half of that went to sub-Saharan African countries[27], and more than half goes for infrastructure - an important factor in increasing exports. In particular, lack of good roads and rail lines, and access to low cost, high quality services such as telecommunications and transport and distribution are critical to competing in international markets.

Trade-related aid suffers from all of the short-comings of other aid programs. There are simply too many donors doing too many projects in too many countries. There are more than 40 bilateral and multilateral agencies involved in trade related technical assistance. There is no central coordination mechanism for delivering aid for trade; most is delivered through existing bilateral and multilateral aid agencies. A recent evaluation of trade-related assistance by the OECD's Development Assistance Committee found major weaknesses in existing programs.

[25]. *Africa's Future and the World Bank's Support to It.* The World Bank. 2011. page 9

[26] One widely cited study of the costs of implementing just three of the agreements reached in the Uruguay Round for restructuring domestic regulations in just three of the poorest countries would cost these countries $150 million a year, more than the annual *development* budget for 12 of the least-developed countries. (Finger, J. Michael and Phillip Schuler, "Implementation of the Uruguay Round Agreements: The Development Challenge," in *The World Economy*. April 2000. pp 511-525

[27] Bernard Hoekman and John S. Wilson. *Aid for Trade: Building on Progress Today for Tomorrow's Future*, page 8.

"...inadequate needs assessment, weak project management and governance, a lack of integration into an overall trade strategy or development program, weak links to poverty reduction, inadequate donor coordination, and inadequate communication to, and expertise in, filed missions[28]."

However, the available literature indicates that "... aid for trade can be effective, provided that countries own the program and incorporate trade objectives thoroughly into their development strategies."[29]

Recommendation: ***Focus trade-related aid on those countries committed to expanding trade and equitably sharing the benefits as widely as possible. Aid providers should make long-term commitments to build capacities to trade so that user governments know that funding will be available for a longer-term effort.***

Recommendation: ***Key constraints to trade often are outside individual country borders, and this is particularly true of land-locked countries, where more than a quarter of Africa's population lives. The need for regional cooperation is widely recognized, and the gains could be substantial, but support for these programs has been limited. Aid for trade should help build regional cooperation and integration of markets to a significantly greater extent than is currently the case. Focusing on building capacities to expand trade in services is particularly important.***

Recommendation**:** ***There is a great need for consistent country data on trade outcomes, particularly on tracking performance over time. A concerted effort is needed to insure that data is collected on the impacts of policy reform and interventions so that they can be compared across countries and over time. Such a capacity does not now exist.***

Conclusion

Africa has made progress in taking advantage of the opportunities to stimulate economic growth through expanded trade, but much work remains to be done. The situation is different in each country and the measures needed must be tailored to meet those needs. But in each case the country itself must play the lead and key role.

Removing barriers to trade within the Regional Trade Arrangements and those maintained by outside trade partners is important. However, a number of observers believe that for most African countries the greatest payoff can come from removing their internal barriers to export and to strengthening their resources for promoting exports.

Donors do have an important role to play in assisting Africa in promoting exports. In this connection, the trade capacity building work has much promise and a number of areas have been highlighted where this assistance could be helpful. The African Union should continue to press for a successful conclusion to the negotiations on aid for trade (A4T) and then for implementation of the A4T agreement.

[28] Ibid, page 12.

[29] Ibid, page 13 (Underlining is the authors)

Appendix 1: Comparison of Merchandise Exports of African Countries, 1999 – 2009

Appendix 2: Memberships in Regional Trade Agreements

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ATTACHMENT 1

Comparison of merchandise exports of African Union countries, 1999 and 2009

	1999	1999 as % of world	2009	2009 as % of world	Growth as a Percent of World Trade (%)	Radelet Classification	Coastal or Landlocked
World (million dollars)	5712000		12490000				
Africa (million dollars)	116700	2.0431%	383900	3.0737%	50.4434%		
Increased Share of World Exports							
Sierra Leone	6	0.0001%	231	0.0018%	1658.1252%	Threshold	Coastal
Equatorial Guinea	709	0.0124%	9100	0.0729%	486.9768%	Oil Exporter	Coastal
Chad	243	0.0043%	2800	0.0224%	426.9598%	Oil Exporter	Landlocked
Sudan	780	0.0137%	7834	0.0627%	359.3422%	Oil Exporter	Coastal
Mozambique	263	0.0046%	2147	0.0172%	273.3673%	Emerging	Coastal
Angola	5157	0.0903%	40080	0.3209%	255.4345%	Oil Exporter	Coastal
Egypt	3559	0.0623%	23062	0.1846%	196.3379%	NA	Coastal
Tanzania	543	0.0095%	3096	0.0248%	160.7768%	Emerging	Coastal
Uganda	519	0.0091%	2478	0.0198%	118.3931%	Emerging	Landlocked
Libya	7947	0.1391%	35600	0.2850%	104.8673%	Oil Exporter	Coastal
Sao Tome and Principe	2	0.0000%	9	0.0001%	104.3789%	Emerging	Coastal
Lesotho	172	0.0030%	750	0.0060%	99.4153%	Emerging	Landlocked
Zambia	1063	0.0186%	4312	0.0345%	85.5140%	Emerging	Landlocked
Congo, Dem. Rep. of	809	0.0142%	3100	0.0248%	75.2423%	Other	Coastal
Mauritania	358	0.0063%	1370	0.0110%	75.1049%	Oil Exporter	Coastal
Nigeria	13856	0.2426%	52500	0.4203%	73.2795%	Oil Exporter	Coastal
Mali	571	0.0100%	2100	0.0168%	68.1934%	Emerging	Landlocked
Algeria	12525	0.2193%	45194	0.3618%	65.0170%	Oil Exporter	Coastal
Congo	1560	0.0273%	5600	0.0448%	64.1683%	Oil Exporter	Coastal
Ethiopia	467	0.0082%	1596	0.0128%	56.2133%	Emerging	Landlocked
Burkina Faso	255	0.0045%	850	0.0068%	52.4420%	Emerging	Landlocked
Rwanda	60	0.0011%	193	0.0015%	46.9388%	Emerging	Landlocked
Cape Verde	11	0.0002%	35	0.0003%	46.4524%	Emerging	Coastal
Ghana	1720	0.0301%	5500	0.0440%	46.2379%	Emerging	Coastal
Niger	287	0.0050%	900	0.0072%	43.4123%	Other	Landlocked
Seychelles	145	0.0025%	431	0.0035%	36.0388%	Emerging	Coastal
Namibia	1234	0.0216%	3553	0.0284%	31.6851%	Emerging	Coastal
Djibouti	28	0.0005%	75	0.0006%	24.7252%	NA	Coastal
Kenya	1747	0.0306%	4421	0.0354%	15.7345%	Threshold	Coastal
Tunisia	5872	0.1028%	14445	0.1157%	12.5023%	NA	Coastal
Benin	422	0.0074%	1000	0.0080%	8.3711%	Threshold	Coastal
South Africa	26707	0.4676%	62603	0.5012%	7.1997%	Emerging	Coastal
Guinea-Bissau	51	0.0009%	115	0.0009%	3.1225%	Other	Coastal
Decreased Share of World Exports							
Gabon	2394	0.0419%	5100	0.0408%	-2.5747%	Oil Exporter	Coastal
Senegal	1027	0.0180%	2180	0.0175%	-2.9240%	Threshold	Coastal
Somalia	191	0.0033%	400	0.0032%	-4.2250%	Other	Coastal
Togo	391	0.0068%	800	0.0064%	-6.4295%	Other	Coastal
Malawi	453	0.0079%	920	0.0074%	-7.1215%	Threshold	Landlocked
Madagascar	584	0.0102%	1140	0.0091%	-10.7275%	Other	Coastal
Côte d'Ivoire	4661	0.0816%	8900	0.0713%	-12.6754%	Other	Coastal
Cameroon	1601	0.0280%	3000	0.0240%	-14.3050%	Oil Exporter	Coastal
Swaziland	937	0.0164%	1500	0.0120%	-26.7888%	Other	Landlocked
Guinea	636	0.0111%	1010	0.0081%	-27.3401%	Other	Coastal
Comoros	9	0.0002%	13	0.0001%	-33.9418%	Other	Coastal
Botswana	2644	0.0463%	3458	0.0277%	-40.1948%	Emerging	Landlocked
Gambia	12	0.0002%	15	0.0001%	-42.8343%	Other	Coastal
Mauritius	1554	0.0272%	1942	0.0155%	-42.8500%	Emerging	Coastal
Zimbabwe	1887	0.0330%	2269	0.0182%	-45.0119%	Other	Landlocked
Burundi	54	0.0009%	64	0.0005%	-45.9069%	Other	Landlocked

Central African Republic	146	0.0026%	120	0.0010%	-62.4116%	Other	Landlocked
Eritrea	21	0.0004%	15	0.0001%	-67.3339%	Other	Coastal
Liberia	469	0.0082%	150	0.0012%	-85.3734%	Threshold	Coastal

Sahrawi Arab Democratic Republic - Data not available

Source: http://www.wto.org/english/res_e/statis_e/its2010_e/appendix_e/a06.xls

ATTACHMENT 2

Memberships in Regional Trade Agreements								
	CEN-SAD	**COMESA**	**EAC**	**ECCAS**	**ECOWAS**	**SADC**	**UMA**	**Number of Memberships**
Algeria							X	1
Angola				X		X		2
Benin	X				X			2
Botswana						X		1
Burkina Faso	X				X			2
Burundi		X	X	X				3
Cameroon				X				1
Cape Verde					X			1
Central African Republic	X			X				2
Chad	X							1
Comoros	X	X						2
Congo				X				1
Congo, Dem. Rep. of		X		X		X		3
Côte d'Ivoire	X				X			2
Djibouti	X	X						2
Egypt	X	X						2
Equatorial Guinea				X				1
Eritrea	X	X						2
Ethiopia								0
Gabon				X				1
Gambia	X				X			2
Ghana	X				X			2
Guinea	X				X			2
Guinea-Bissau	X				X			2
Kenya	X	X	X					3
Lesotho						X		1
Liberia	X				X			2
Libya	X	X					X	3
Madagascar		X				X		2
Malawi		X				X		2
Mali	X				X			2
Mauritania	X	X					X	3
Mauritius						X		1
Mozambique						X		1
Namibia						X		1
Niger	X				X			2
Nigeria	X				X			2
Rwanda		X	X					2
Sahrawi Arab DR								0
Sao Tome and Principe	X			X				2
Senegal	X				X			2
Seychelles		X				X		2
Sierra Leone	X				X			2
Somalia	X							1
South Africa						X		1
Sudan	X	X						2
Swaziland		X				X		2
Tanzania			X			X		2
Togo	X				X			2
Tunisia	X						X	2
Uganda		X	X					2
Zambia		X				X		2
Zimbabwe		X				X		2

ATTACHMENT 3

Comparison of trade facilitation costs of African Union countries

	Logistics Performance Index	Ease of Doing Business Index	Ease of Trading Across Borders Index
South Africa	3.46	34	149
Senegal	2.86	152	67
Tunisia	2.84	55	30
Uganda	2.82	122	148
Benin	2.79	170	127
Mauritius	2.72	20	22
Congo, Dem. Rep. of	2.68	175	172
Madagascar	2.66	140	106
Egypt	2.61	94	21
Tanzania	2.6	128	109
Togo	2.6	160	93
Guinea	2.6	179	129
Kenya	2.59	98	144
Nigeria	2.59	137	146
Cameroon	2.55	168	155
Niger	2.54	173	174
Côte d'Ivoire	2.53	169	160
Gambia	2.49	146	87
Chad	2.49	183	171
Congo	2.48	177	180
Ghana	2.47	67	89
Comoros	2.45	159	135
Ethiopia	2.41	104	157
Gabon	2.41	156	134
Djibouti	2.39	158	38
Liberia	2.38	155	116
Algeria	2.36	136	124
Libya	2.33	na	na
Botswana	2.32	52	151
Mozambique	2.29	126	133
Zambia	2.28	76	150
Mali	2.27	153	154
Angola	2.25	163	166
Burkina Faso	2.23	151	175
Sudan	2.21	154	143
Guinea-Bissau	2.1	164	137
Rwanda	2.04	58	159
Namibia	2.02	69	153
Sierra Leone	1.97	143	136
Eritrea	1.7	180	165
Somalia	1.34	na	na
Seychelles	na	95	36
Swaziland	na	118	147
Cape Verde	na	132	55
Malawi	na	133	173

Lesotho	na	138	140
Zimbabwe	na	157	168
Equatorial Guinea	na	164	137
Mauritania	na	165	163
Sao Tome and Principe	na	178	92
Burundi	na	181	176
Central African Republic	na	182	182

Sahrawi Arab Democratic Republic - Data not available

African Union countries are in order of the best score on the Logistics Performance Index. The 11 countries that have not been ranked on LPI, are in order of the best score on the Ease of Doing Business Index.

The Logistics Performance Index is based on a worldwide survey of global freight forwarders and express carriers to assess the logistics friendliness of 155 countries. It measures such things as the efficiency of the clearance process, the quality of trade and transport related infrastructure, and the timelines of shipments in reaching their destination. Scores are on a scale of 1 to 5, with higher scores indicating a more effective system. The LPI is available on the World Bank's web page at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/EXTTLF/0,,contentMDK:21514122~menuPK:3875957~pagePK:210058~piPK:210062~theSitePK:515434,00.html.

The Ease of Doing Business Index ranks economies from 1 to 183, with 1 indicating the most business friendly economy. The ranking for each economy is based on a simple average of its percentile rankings on each of the following 9 indicators: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.
The Ease of Doing Business Index is available at http://www.doingbusiness.org/rankings.

The Ease of Trading Across Borders Index ranks economies from 1 to 183, with 1 indicating the most trading friendly economy. The ranking for each economy is the simple average of the percentile rankings on its component indicators: Number of documents needed to export and import, days required to export and import, cost (US$ per container) incurred to export and import. The Ease of Trading Across Borders Index is available at http://www.doingbusiness.org/rankings