

### AFRICA'S TRADE PATTERNS AND COMPETITIVENESS

A recent study by Bouët, Laborde and Deason<sup>1</sup> examines trends and patterns in Africa's global and regional trade in goods,

services, and agricultural products. Trade has increasingly become an

important part of African economies. For Africa as a whole, the share of goods and services traded in total gross domestic product (GDP) rose from 21% in 1990 to 30.4% in 2012; and although Africa trades much less than other developing regions, its share of global trade has, in recent years, been increasing. The recovery largely took place in African countries north of the Sahara, which export oil, petroleum, gas, and raw materials.

Africa's trade has been traditionally characterized by specific features. First, contrary to

other continents' increasingly intra-industry trade,<sup>2</sup> African trade remains overwhelmingly of the inter-industry type: it exports

mineral products, pearls, precious stones, metals and base metals while it

imports machinery, vehicles, and electronics. Second, there is a clear lack of participation by Africa in global value chains. For example, Africa ranks last in exportation of intermediate goods, and in 2009 only made up 2% of world exports of intermediate goods compared to Asia's share of 35 percent. Third, the geographic structure of African exports and imports have been traditionally dominated by trade with OECD countries. In general, intra-African agricultural exports were low-value, relatively high-calorie agricultural products like

*It is crucial that Africa becomes more specialized in high-value products and diversifies its exports and imports*

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The **benefits of being an AGRODEP member**

include opportunities for research grants, free access to cutting-edge economic research tools, data, and training. Members also gain access and exposure to large global networks of economic researchers and experts. [Learn more.](#)

<sup>1</sup> Bouët, A., Laborde, D., and L. Deason, 2014, Global Trade Patterns, Competitiveness and Growth Outlook, in O. Badiane, T. Makombo and G. Bahiigwa, eds., 2014, *Promoting*

*Agricultural Trade to Enhance Resilience in Africa*, ReSSAKS, Annual Trends and Outlook Report, 2013.

<sup>2</sup> Brulhart M., 2008, *An Account of Global Intra-industry Trade, 1962-2006*,

Background Paper, World Development Report: Reshaping Economic Geography.

peanuts, cashew nuts, sugar, rice, vegetable oil, and corn; high-value, low-calorie (or non-calorie) agricultural products such as coffee, cotton, tobacco, flowers, tea, and fruits and vegetables were exported to Europe and Asia. Finally, the product concentration of African exports has been highlighted in the economic literature. For example, it was estimated<sup>3</sup> that, as a group, African economies export on average 54 different goods. This number is around 213 for the G7.

In the recent period, however, one can see changes in these patterns. The geographic structure of Africa's international trade has shifted as recent increases in Africa's agricultural exports and imports have resulted in greater trade within Africa. From 2002 to 2007, about 31.4% of Africa's agricultural exports in calorie terms were destined for Africa, compared to 13.8% during 1990-1995. Africa's intra-continental agricultural imports also increased, in value terms, from 6.8% in the period of 1990 to 1995 to 12.4% in the period of 2002 to 2007.

Within the agricultural sector, African exports have undergone a gradual diversification that started in

2000. In particular, at the end of the 1990s the top ten HS6 agricultural products exported by African countries represented 51% of total agricultural exports in value terms. The top three agricultural exports were coffee, sugar, and tea, followed by cotton, wine and grapes, oranges, and cut flowers. Meanwhile, Africa's main agricultural exports in calorie content terms included sugar products (including alcohol), wheat, corn, palm oil, and cashew nuts. In contrast, on average during 2005 to 2010 the top ten HS6 agricultural products exported by African countries represented 40% of the total agricultural export value, with exports including cocoa, coffee, cotton, cashew nuts, oranges, tobacco, tea, and cut flowers. Over the same period, exports of calories by African countries consisted mainly of corn, potatoes, rice, mixed vegetable oil (groundnut, palm), and sesame seeds, while exports of sugar products declined.

Finally, Bouët *et al.* conduct a decomposition of African countries' global market share over the period of 1995 to 2007 in order to evaluate each country's performance and causes of the performance: a geographical specialization

effect, a sectorial specialization effect, or a domestic performance (increased competitiveness) effect. For example, Togo more than doubled (+112.1%) its world market share in agricultural exports between 1995 and 2007. Behind this performance is the negative impact of Togo's initial sector specialization, which reduced its world market share by 13.5% (Togo's exports are highly concentrated in products that did not benefit from a substantial increase in demand between 1995 and 2007, like poppy seeds, cotton, cotton seeds, oilcakes from cotton seeds), and the positive impact of geographic specialization that increased its world market share by 29.7% (Togo's exports are concentrated on destinations that benefitted from a substantial increase in demand between 1995 and 2007). The residual is attributed to an increase in competitiveness (domestic performance) that increased Togo's world market share in agricultural products by 95.9%.

Of the 27 countries studied, ten countries (Togo, Rwanda, Ghana, Ethiopia, Mozambique, Gabon, Malawi, Tunisia, Tanzania, and Niger) experienced an increase in their

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<sup>3</sup> Kose M.A., and R. Riezman, 2001, Trade Shocks and Macroeconomic fluctuations in

Africa, *Journal of Development Economics*, 65(1): 55-80.

agricultural world market share between 1995 and 2007, primarily due to a positive domestic performance effect and a positive geographical specialization effect (except in Tunisia) outweighing a negative sectorial specialization effect (except in Ghana). The positive geographical specialization effect in Niger shown by a more than doubling of its world market share is noteworthy. Niger exports cowpeas and horticultural products such as onions and hot peppers, commodities with destinations that experienced substantial demand increases during 1995-2007. Also noteworthy is the quadrupling of Rwanda's world market share over the same period, driven largely by an improved domestic

performance, i.e. competitiveness.

Meanwhile, the remaining 17 countries (Kenya, Cote d'Ivoire, Senegal, Congo, Mauritius, Mauritania, Uganda, Cameroon, Nigeria, Gambia, Guinea, Zimbabwe, Guinea-Bissau, Chad, Burundi, Central African Republic, and Liberia) experienced a deterioration in their agricultural world market share between 1995 and 2007, mainly due to negative domestic performance. The exceptions to that explanation were Kenya, Congo, Mauritius, and Uganda; in those cases, a negative sectorial specialization effect is at fault.

International trade is a major channel for development, poverty alleviation, and food

security, and the improvements in Africa's trade performance over the last decade presented in this study invite further research. In particular, it is crucial that Africa become more specialized in high-value products and diversify its exports and imports, in terms of geographic structure as well as sector. The implementation of the right supply-side and trade policies could amplify the opening of African countries to international trade and the benefits that these countries accrue from the process.

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## AGRODEP DATA REPORTS

### Data Report Three Released

AGRODEP recently released the latest Data Report, designed to document AGRODEP datasets and provide a fuller understanding of the data's technical aspects.

"[Social Accounting Matrices for The Gambia, Liberia, Mauritania, and Sierra Leone](#)" is based on 2009 Social Accounting Matrices (SAMs) for The Gambia, Liberia, and Mauritania, and a 2008 SAM for Sierra Leone. These SAMs and the documentation in Data Report 03 were prepared by Ismael Fofana, Lacina Balma, Fousseini Traore, and Dieynaba Kane.

## AGRODEP WORKING PAPERS

### Eighth Working Paper Released

Working Paper No. 0008, "[Rainfall and Economic Growth and Poverty: Evidence from Senegal and Burkina Faso](#)", by AGRODEP member François Joseph Cabral, is now available on the AGRODEP website. The paper investigates the effects of rainfall shocks in Burkina Faso and Senegal. This paper was completed with funding from the 2011 AGRODEP Innovative Research Grant.

## DATA

### Recent statistics about Africa

One of the Millennium Development Goals is to achieve universal primary education. Although Africa continues to register the lowest completion rates in the world in terms of net primary school enrolment rates, there has been considerable improvement with an increase of nearly 20% in Sub-Saharan Africa since 2000.

SOURCE: UN, 2014:

[HTTP://WWW.UN.ORG/MILLENNIUMGOALS/2014%20MDG%20REPORT/MDG%202014%20ENGLISH%20WEB.PDF](http://www.un.org/millenniumgoals/2014%20MDG%20REPORT/MDG%202014%20ENGLISH%20WEB.PDF)

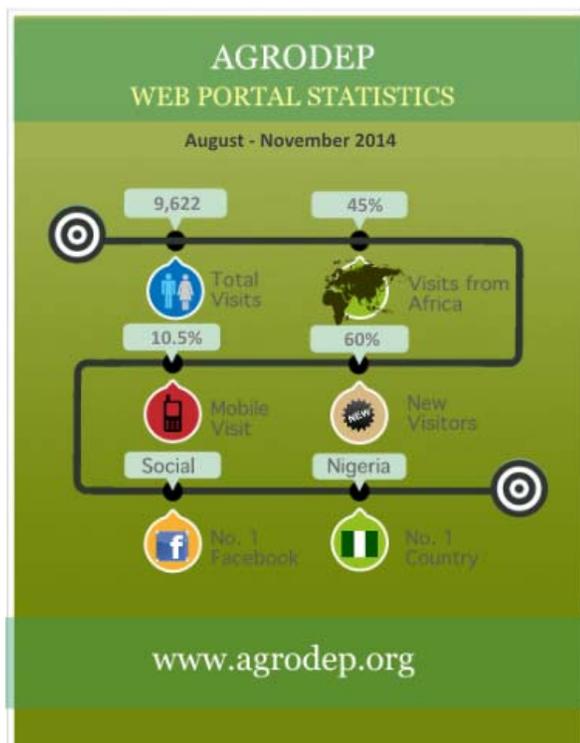
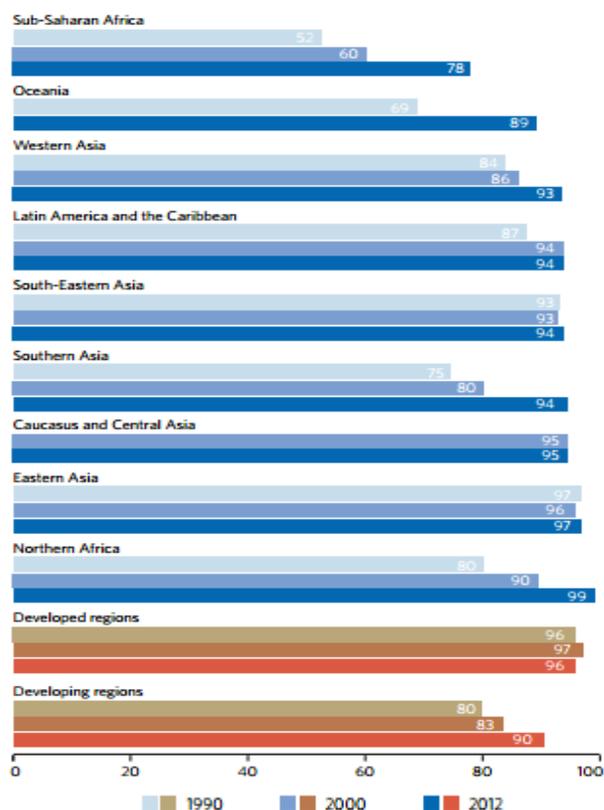


FIGURE 1: NET PRIMARY SCHOOL ENROLMENT RATES BY REGION



## UPCOMING AGRODEP TRAINING

After a brief hiatus due to the Ebola outbreak in West Africa, 2014 AGRODEP training courses will resume in December, starting with a course on **Evaluation of Public Policies** from December 8 - 10, 2014 followed by a course on **Productivity and Efficiency Analysis** from December 15 - 19, 2014. Both courses will be held at the University of Pretoria in South Africa. Two additional courses, one on **Applied Microeconometrics** and another on **Applied Panel Data Econometrics**, will be rescheduled for 2015.

### WHAT IS AGRODEP?

The African Growth and Development Policy (AGRODEP) Modeling Consortium is an initiative led by the International Food Policy Research Institute (IFPRI). The goal of AGRODEP is to position African experts to take a leading role in both (1) the study of strategic development questions facing African countries as a group and (2) the broader agricultural growth and policy debate, which traditionally has been dominated by external actors and concerns.

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