The Recent Trade Performance Of Sub-Saharan African Countries: Cause for Hope or More of the Same?

This study examines empirical information for major Sub-Saharan African countries and provides an analysis of whether recent trade and economic policy changes by some Sub-Saharan African (SSA) countries enhanced their international competitiveness and improved their export performance. Specifically, it addresses the following points:

- Have recent exports from the Sub-Saharan African countries recently grown at a relatively faster pace and now come close to matching the average growth in world trade?

- Studies show Sub-Saharan African countries have been increasingly marginalized in world trade, as reflected in secular declines in their shares of this exchange and in shares of their major traditional exports (Ng and Yeats 1997). Does the available evidence indicate these trends have been reversed?

- Aggregate analyses of the composition of African countries' exports typically reveals a structure often held to be detrimental to industrialization and growth. African exports are typically concentrated in a relatively few primary commodities whose unstable prices (and export revenues) are thought to make development planning difficult. Does the available evidence indicate that shifts are occurring in the structure of exports toward products (like labor-intensive manufactures) that could play a more positive role in improving the prospects for industrialization and growth?

- Are positive micro-level changes occurring which are not reflected in aggregate trade statistics? Specifically, is the "revealed" comparative advantage of the SSA countries changing, has their competitive position improved (as reflected in changes in their market shares for traditional exports), or have they made progress in shifting the composition of exports up commodity processing chains?

- Some studies of factors that influence the success or failure of efforts to promote industrialization and growth conclude a high level of intra-industry trade plays an important positive role. Related studies show that cross-country production sharing, which often involves a special type of intra-industry trade, assists participating countries to integrate into global and regional markets and may also act as a catalyst to industrialization and growth. Does the evidence suggest that the level of this trade has increased in African countries?

- Studies suggest there may be adverse consequences (like paying higher prices for imports and receiving lower prices for exports—see Hirschmann (1948), Avramovic (1979) or Yeats (1981) among others)—for countries whose trade is highly concentrated on a geographic basis. Does the available evidence suggest that the African countries have been more...
successful in establishing new trade ties and penetrating non-traditional markets?

- Finally, what evidence exists with regard to the importance of self-imposed government and commercial restrictions in the SSA countries? Are current trade and other economic other policies which affect the general business environment still sufficiently onerous so as to constitute a major "drag" on African exports and growth?

United Nations statistics show that the relative importance of Sub-Saharan Africa in world trade experienced a sizeable decline over the past four decades. While Sub-Saharan Africa accounted for 3.1 percent of global exports in 1955, by the early 1990s this share had fallen to 1.2 percent—a decline that implies annual trade losses of approximately $65 billion. This study focuses on the recent trade performance of twenty-eight of the largest and mid-sized Sub-Saharan African countries in an attempt to determine whether the adverse longer-term trends have slowed or reversed. The primary conclusions are as follows.

- From the early 1980s to the early 1990s, Africa’s share in global exports fell sharply to about one-half their earlier level. However, from 1993 onwards, the data suggest that decline in this share may have slowed or even stabilized. However, it is difficult to draw strong conclusions from statistics for such a relatively short time period. This problem is further complicated by evidence showing that global market conditions for Africa’s major exports were far more favorable in the early and mid-1990s than over most of the last three decades.

- For the larger African countries as a group, manufactures share of all exports rose from 19 percent to 28 percent. However, much of the increase was due to a relatively few countries like Mauritius and South Africa, although several "unusual" products like precious stones increased the share of manufactured exports for several other countries. The share of foods in total exports rose by about 5 percentage points (to 19 percent), while declines of about 20 percentage occurred for fuels.

- No meaningful expansion occurred in the diversity of Sub-Saharan African exports. Indeed, the product composition of some of the African countries’ exports become more concentrated. Somewhat surprisingly, the geographic destinations of African exports became more diversified as SSA countries were able to penetrate new foreign markets.

- A decomposition of the 1990-1998 export performance of the Sub-Saharan African countries as a group into supply and demand components shows that their exports were approximately $6.3 billion dollars lower than they would have been if the continued erosion of regional market shares had been halted. However, SACU’s (the Southern African Customs Union) export performance ran counter to the general African trend as competitive market share gains added $2.5 billion to its exports. The data also show that recent years witnessed a remarkable expansion in global demand for many key products that Africa exports, with world trade in coffee, cocoa, and cotton expanding at least 50 percent faster than the average for all goods. Over the period 1993-96, the buoyancy in demand for these goods resulted in a $9.6 billion increase in African exports. Given the dimensions and implications of the recent economic problems in East Asia and several other "emerging" economies, a slowdown in the demand for these products should be expected.

- Several of this study's findings have clear negative implications. Recent changes in Africa’s exports indicate no general increase occurred in the number of industries or product groups in which the African countries have a "revealed" comparative advantage. Furthermore, little evidence exists that the relative importance of exports of processed domestically-produced primary commodities generally increased. The former observation may be particularly disappointing to those who advocated "natural resource-based" industrialization strategies,
which focus on the potential gains associated with the further processing of domestically-produced primary commodities, to accelerate industrialization and growth.

- Some analyses of factors influencing the success or failure of efforts to promote industrialization and growth conclude that a growing level of intra-industry trade plays an important positive role. Related studies show cross-country production sharing, as reflected in the exchange of parts and components, assists participating countries to more fully integrate into global and regional markets, and may also act as a catalyst to industrialization and growth. However, with the exception of SACU, no meaningful increase in intra-industry trade or production sharing has yet taken place in Africa and the level of this form of economic activity remains very low.

- Several recent empirical studies show that many countries which implemented trade and other economic reforms experienced an acceleration in exports and an enhanced international competitiveness. A key related question concerns the scope for further reforms that would improve African economic performance. Cross-country indices of the quality of governance and the commercial "environment" in SSA countries indicates that much remains to be done. The local business climate is still generally less favorable than in many countries which compete with Africa for foreign commerce and investment. African policies affecting taxation, security of property rights, the regulation of commercial activity and trade are still far more restrictive than in those developing countries that experienced, or are now experiencing, successful export-led industrialization drives. These findings indicate that any improvement in Africa's trade performance will be dependent on the further implementation of outward oriented governance and commercial policies.

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