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Abstract

United Nations Industrial Development Organization (UNIDO)

Simulating a Meeting of the Industrial Development Board

"Trade as a Source of Economic Growth and Regional Development: The Case of Sub-Saharan Africa"

Trade can be a strong growth engine. The importance of trade for development, growth and poverty alleviation in the developing countries is widely acknowledged today. The extent to which countries benefit from trade depends from their ability to supply world markets with competitive products. Developed countries account for almost two thirds of global trade and some developing countries, such as China, have made remarkable strides in their exports. The Sub-Saharan African States (SSA) however, account for only a small share of the total world exports, with a declining tendency.

Exports from SSA accounted for 3.8 % of world exports in 1998, but by 2004 its share had fallen to 1.6 % (UNCTAD). One reason for this is that many of the SSA States have for a long time relied on exports of low-value resource based and labor-intensive manufactures like textiles to galvanize growth. Due to low diversification and increased global competition their export earnings dwindle, a scenario that is called “fallacy of composition”. China’s accession to the WTO - it accounts for over 5% of the global market share - has also fuelled the problem. In two thirds of SSA countries, only one or two products are responsible for at least 60% of the country’s total exports. Declining commodity prices lead to falling prices in the manufactures in many of the SSA countries, which results in deteriorating labor conditions and negative impacts on purchasing power and standard of living. Bad governance in some of the SSA states, social conflict, insufficient production and quality standards and an inadequate transport infrastructure are also deteriorating the situation. Furthermore, preferential tariffs, quota and customs regulations in many cases had only limited impact or even undermined the gains the developing countries could have got from trade.

Aid programs so far have not been able to deal with this situation in a comprehensive way. To present, aid is administered by a great number of public bureaucracies and largely donor driven. Additionally, foreign direct investment is mainly going to the oil exporter countries (in 2005: 60.5% of total net foreign direct investments in SSA). Despite receiving billions of dollars of aid, most of the population in SSA remains poor. Therefore, it is of utmost importance to reconsider the trade regulations with the LDCS and work on more efficient aid programs.

The Doha round was launched by the WTO in 2001 with the ambitious goal to make globalisation more inclusive and to help the world's poorest. The initial agenda comprised both further trade liberalization and new rule-making. Agreement has not been reached yet, despite the additional negotiations in Cancun 2003 and at the Sixth Ministerial Conference in Hong Kong in 2005. In the same year, a High Level Forum on “Joint Progress Towards Enhanced Aid Effectiveness” took place in Paris in order harmonize and align aid delivery, resulting in the Paris Declaration on Aid Effectiveness.

Most recently, the importance of trade for development was emphasized at the General Conference held by UNIDO in November 2007 in Vienna. Despite numerous initiatives, most developing countries are still only getting a marginal share of the exponentially increased international trade. The building-up of trade-related institutional infrastructure, in particular in the area of supply-side development and the compliance with international standards has received preceded attention in the last years. UNIDO with its two core functions - as a global forum and technical cooperation agency - provides a platform for the various actors in international trade. Better cooperation and more effective institutional work as well as further technical assistance are necessary to achieve growth and a decent standard of living in SSA. To respond better to the increasing needs in this area and to streamline its ongoing trade-related assistance activities especially in the field of quality infrastructure and conformity, UNIDO established a new Trade Capacity Building branch in early 2006. Moreover, UNIDOs Service Module 3, “Industrial Competitiveness and Trade”, deals with the integration of the LDCs in the global market. Finally, UNIDO is, among other organizations, member of the new Aid for Trade Initiative which was launched by the WTO in 2005.

The Millennium Declaration (A/res/55/2) pays attention to the special needs of the Least Developed Countries. Since 34 of the 49 LDCs are located in Sub-Saharan Africa, in essence the challenge to meet the Millennium Development Goals remains in SSA. Trade plays a crucial role in realizing directly and indirectly almost each of the United Nations Millennium Development Goals and is explicitly mentioned in Goal 8 of the Millennium Declaration:

Goal 8: Develop a Global Partnership for Development:

Develop an open, rule-based, predictable, nondiscriminatory trading and financial system;

address the special needs of the Least Developed Countries (includes tariff- and quota-free access for LDCs' exports, enhanced program of debt relief for heavily indebted poor countries and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction);

deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term;

in cooperation with developing countries, develop and implement strategies for decent and productive work for youth; In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies.