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Mainstreaming Trade in Africa: Lessons from Asia and the Way Forward

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Mainstreaming Trade in Africa: Lessons from Asia and the Way Forward

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Abstract

There is increasing emphasis on mainstreaming trade into national development strategies of African countries as a means to enhance their ability to harness the potential of trade for poverty reduction and better integrate into the global trading system. While progress has been made by some countries in including trade and trade-related issues in national development documents, there is an understanding that many countries are yet to effectively integrate trade into their development strategies. It is against this backdrop that this paper examines the experiences of three Asian countries (China, the Republic of Korea and Singapore) that have successfully used trade to engender development and draws lessons from these experiences for Africa. The paper also argues that despite the growing interest in mainstreaming trade, no criteria have been set or defined on how to measure success. To fill up this lacuna, the paper proposes measurable criteria on how to determine whether or not African countries have successfully mainstreamed trade into their national development strategies.

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Note

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List of Acronyms

AfDB	African Development Bank
AU	African Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
JTC	Jurong Town Corporation
MDG	Millennium Development Goals
MOFCOM	Ministry of Commerce
MOTIE	Ministry of Trade, Industry and Energy
MTI	Ministry of Trade and Industry
NEPAD	New Partnership for Africa's Development
REACH	Reaching Everyone for Active Citizenry at Home
SDG	Sustainable Development Goals
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organisation

I. Introduction

Africa is a heterogeneous, vast and vibrant continent. It is home to 54 countries, has about 15 percent of global population, is endowed with enormous natural resources, and has experienced relatively strong economic growth over the past decade. Yet, most countries on the continent continue to grapple with the challenge of how to achieve sustained poverty reduction and build inclusive societies (UNECA, AU, AfDB and UNDP 2014). Trade has the potential to contribute to addressing this challenge. It has played this role effectively in developed countries and also in several countries in Asia and Latin America. It could also play this role in Africa if appropriate measures are taken to unlock and harness its potential for growth and development. Despite the progress that has been made by African governments in economic policy formulation and management over the past decade, trade priorities have not been fully and effectively integrated into national development strategies of many countries on the continent and this has had serious consequences for their ability to effectively integrate into the global trading system and increase their share of the benefits of global trade. Mainstreaming trade is important for Africa because the benefits of trade are not automatic. They accrue to countries that have taken proactive steps to exploit opportunities created in the global trading system. In this context, there is the need for African countries to elaborate their trade priorities and fully integrate them into overall development strategies to ensure better development outcomes from trade than was the case in the past.

While there is no generally accepted definition for mainstreaming trade, it is well-known that one of its main objectives is to have a trade strategy or framework that is consistent with overall national development goals. But effective trade mainstreaming is not only about policy coherence. It requires including trade policies, programmes and projects not only in national plans but, more importantly, also in national budgets. Furthermore, it entails building human and institutional capacities for trade, improving infrastructure, developing productive capacities for trade and transforming economies, recognizing and dealing with the adjustment costs of trade reforms, strengthening coordination across government ministries and departments, building effective partnerships between governments and local stakeholders, and ensuring effective implementation of policies by governments. This is clearly a challenging exercise, but it has been successfully done in both developed and emerging economies in different continents. In particular, several countries in Asia have effectively integrated trade in their national development strategies with very positive results. In this context, as African countries grapple with the challenges of trade mainstreaming there are useful lessons they can learn from the experiences of Asian countries. For ease of exposition, the discussion and analysis in this paper will be based on the experiences of three Asian countries (China, the Republic of Korea and Singapore) that have made significant progress in integrating into the global trading system and in transforming their export and production structures over the past few decades.

Each of the three Asian countries has unique features that make it an interesting case for drawing lessons for Africa. For example, Singapore is the second most trade dependent economy in the world and in the 1960s was a small vulnerable country with low levels of per capita income as most African countries today. Yet, it has been able to successfully integrate into the global trading system and make the transition from a developing to a developed economy. The Republic of Korea is particularly interesting because over the past four decades its status shifted from aid recipient to an aid donor indicating that development can take place even in aid recipient countries. With regard to

China, it is interesting because despite its status as a developing country it is now one of the three big economies in the world and has made significant progress in trade and poverty reduction despite following an unorthodox development path.

The organization of the rest of the paper is as follows. Section II identifies salient features of the trade policymaking frameworks and processes in China, the Republic of Korea and Singapore while Section III draws lessons from the experiences of the three Asian countries for Africa. Section IV discusses some challenges facing African countries in mainstreaming trade into their national development strategies and Section V contains concluding remarks.

II. Trade Policy-Making in China, the Republic of Korea and Singapore: Salient Features

This section discusses the development and administration of trade policy in China, the Republic of Korea and Singapore with a view to identifying features of their trade policy-making process and framework that African countries could learn from as they grapple with the challenge of mainstreaming trade into their national development strategies. There are significant differences across the three Asian countries selected for the analysis. In terms of size, China is a very large country with a population of 1.36 billion in 2013, Singapore is a very small country with a population of 5.4 million and the Republic of Korea is medium sized with a population of 50 million. In addition, China is a developing country while Singapore and the Republic of Korea have made the transition from a developing to an advanced country. The three countries also differ in terms of natural resource-endowments. China is rich in natural resources, the Republic of Korea is relatively poor in natural resources and Singapore has no natural resources. Furthermore, the three countries also have different political systems and economic management philosophy. China has a socialist market economy, Singapore is regarded as a free market economy, and the Republic of Korea has a market economy with significant government intervention. Notwithstanding these differences in size, resource-endowments, and political and economic systems, the three countries are heavily dependent on trade, have relatively coherent and well-developed trade policy frameworks, and have been able to effectively exploit the potential of trade for growth and development. For instance, while the share of Africa in global merchandise trade fell from 4.6 percent in the period 1970-1974 to 3.3 percent in the period 2009-2013, the share of each of the three Asian countries increased over the same period. In particular, China's share of global merchandise trade increased from 0.8 percent to 10.1 percent while Singapore's share rose from 0.7 percent to 2.1 percent and the Republic of Korea's share from 0.6 percent to 2.9 percent (table 1). A key reason why China, Singapore and the Republic of Korea have been able to better reap the benefits of trade than countries in Africa is that they have relatively effective trade policymaking processes and frameworks that have allowed them to exploit trade opportunities. Some of the salient features of their trade policymaking processes and framework that have contributed to their trade success are described below.

Table 1: Comparative Statistics for Africa and Selected Asian Countries

		Per capita income ($)	Trade/GDP (%)	Share of global merchandise trade (%)	Share of global FDI inflows (%)
1970-74	Singapore	1,470	264	0.7	1.2
	China	142	..	0.8	0.0
	Republic of Korea	374	47	0.6	0.7
	Africa	272	59	4.6	6.4
2009-13	Singapore	47,126	366	2.1	3.6
	China	5,008	52	10.1	8.1
	Republic of Korea	23,118	102	2.9	0.7
	Africa	2,488	80	3.3	3.7

Source: Computed by author based on data *from World Development Indicators* database (11 March 2015).

First, trade has been at the heart of the development strategies and plans of the three Asian countries. In each of the countries, there was a deliberate effort by the government to promote trade as well as fully integrate it into national development strategies, plans and budgets. The high trade-ratios as well as shares of global trade observed in these countries reflect in part the fact that the governments give priority to trade and trade-related issues in their development strategies. As shown in table 1, Singapore had an average trade to gross domestic product (GDP) ratio of 366 percent in the period 2009-2013 and a share of global merchandise trade of 2.1 percent, which is quite high for a country with less than 0.1 percent of world population. Over the same period, the Republic of Korea had a trade-ratio of 102 percent and a share of global merchandise trade of about 3 percent. With regard to China, its trade-ratio was 52 percent which is less than the figure for Singapore and the Republic of Korea. However, its share of global merchandise trade increased from 0.8 percent in the period 1970-1974 to 10.1 percent in the period 2009-2013.

Second, the development of productive capacities and structural transformation was part and parcel of the trade mainstreaming agenda. In the three Asian countries, trade mainstreaming was not seen as simply a matter of ensuring policy coherence and mentioning or including trade in national development documents. Rather it was part of an overall strategy to develop productive capacities for trade and transform the structure of their economies to maximize the gains from trade and minimize its risks. In Singapore, for instance, the development framework for the period 1965-1978