Sub-Saharan Africa and Global Trade: What Sub-Saharan Africa needs to do to maximize the Benefits from Global Trade Integration, Increase Economic Growth and Reduce Poverty?

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Abstract: The paper begins with the brief analysis of the role of trade liberalization and its impact on economic growth. It then discusses issues of SSA participation in the global trading system and the impact of intra-regional trade in SSA. Also analyzed are challenges to SSA trade facilitations and role of the international community in building SSA capacity to integrate into the global economy. This is followed by discussion of the dynamism of trade between SSA-South. The paper ends with a set of policy implications and recommendations for SSA.

Keywords: Sub-Saharan Africa, International Trade, Economic Growth, Development, Poverty Reduction;

Objectives of the Paper
The objectives of chapter are to discuss and analyze the following: (1) Historical perspective of trade liberalization (2) SSA participation in global trade (3) Intra-regional trade and challenges to SSA regional integration (4) Benefits of global trade to SSA and the role of the global trade community (5) Standards and technical regulations and challenges to trade facilitations for SSA (6) Trade finance and market access for SSA exports (7) The link between trade, economic growth and poverty reduction and (8) Policy recommendations for SSA Policymakers and the global trade community.

INTRODUCTION
There is a large body of empirical evidence showing that global economic integration and trade liberalization—easing tariffs and other important restrictions as well as reducing or eliminating domestic supports and export subsidies—tends to boost economic growth, at least in the longer term, and this has helped to reduce the number of persons living in absolute poverty (Dollar and Kraay, 2000). In the longer term, and in the absence of externalities, own-country liberalization tends to increase aggregate welfare through improvements in resource allocation and employment generation. However, in the short term structural adjustment costs and the immediate impact on the poor may be negative, particularly in developing countries that do not have the resources, institutions or infrastructure to facilitate the changes nor the social safety nets to cushion the negative effects. Changes in trade policies in other countries also have an impact through altering a country’s terms of trade, which again can generate
winners and losers within each developing country. If the combination of the effects of reforms at home and overseas is pro-poor, it will reinforce any positive growth effects of trade reform on the poor; but for countries where those changes are not likely to be pro-poor, governments may need to amend domestic policies or boost public investments to prevent a decline in the welfare of vulnerable groups. To achieve this, the developing countries are likely to need some leeway and external support through the provision of resources to build “soft” and “hard” infrastructure (Anderson, 2004).

TRADE LIBERALIZATION

In the past twenty years, trade liberalization has been used as an effective development tool, based on the evidence that there are many benefits that a country can gain through a more active participation in world trade. However, there is a challenge to advance the liberalization agenda (Ruggiero, 1998). This is because there is a debate on what further liberalization can really mean (Ruggiero, 1999). While tariff liberalization was initially pursued through trade agreements under the auspices of the World Trade Organization (WTO), preferential trade agreements (PTA) are the basis behind the recent trade liberalization process. The proliferation of PTAs in the recent past has been impressive. At the launch of the WTO in 1994, only 37 such agreements were in place. By 2008, more than 200 had been implemented with more in the implementation stage. Participation in regional and bilateral trade agreements is widespread, as virtually all members of WTO have notified participation in one or more PTAs. One consequence of the large number of PTAs is that an increasing share of global trade is not subject to the most favored nation (MFA) tariff, but enters markets through preferential access. Preferential access affects trade because, by providing some countries with a relative advantage, it is essentially a discriminatory practice (Fugazza and Nicita, 2011).

In general, the existing literature on the effect of trade liberalization suggests that preferential access has a large impact on trade flows. For example, Baier and Bergstrand (2007) find that the average impact of free trade agreements is to double the bilateral trade after a 10-year period. Similarly, Magee (2008), in estimating the anticipatory and long-run impact of PTAs, finds that PTAs have increased trade among members by an average of 90 percent (Fugazza and Nicita, 2011). Moreover, liberalization of services in developing countries could provide as much as $6 trillion in additional income in the developing world by 2015 (WTO News, 2002).

Opening up an economy will often reduce risk and variability because world markets (which have many players) are more stable than domestic ones. But sometimes it will increase risk either because official stabilization schemes are undermined or because residents switch completely from one activity to another that offers higher average rewards but greater variability. In these cases economic vulnerability could increase, which could increase the incidence of poverty even as the average incomes of the poor increase. Key to sustained poverty alleviation is economic growth. While growth may not benefit everyone in an economy, the growth process must be strongly biased against poor people to produce perverse outcomes on poverty. There is little reason to fear that growth associated with freer trade will fall systemically into this class, and the argument that openness stimulates long-term growth has a good deal of empirical support (David, Nordstrom & Winter, 1999).

For instance, the last decade was characterized by trade dynamism and enhanced participation of developing countries, realizing robust growth and important progress towards the
Millennium Development Goals (MDGs), though poverty and lack of access to essential services (health, water, education, and housing) remained widespread. This is reflected in developing countries’ strong share of global trade in GDP, rising from 35 percent in 2000 to 42 percent in 2008 and from 23 to 29 percent for least developed countries. Merchandise exports expanded annually between 2000 and 2008, averaging 17.1 percent for developing countries, 23.2 percent for least developed countries, 11.2 percent for developed countries and 13.6 percent for global exports. Consequently, developing countries’ share of global exports rose from 31.2 to 38.7 percent. SSA, for the first time in decades, saw their aggregate share exceeding 1 percent in 2008 but remain marginalized. Commodity prices reached historic peaks by mid-2008, especially for metals, minerals, and crude oil. Many SSA countries, however, experienced persistent current account deficits. Between 2000 and 2007, SSA’s total merchandise trade balance reached a negative peak of $18.2 billion in 2003 and then decline to $2.7 billion in 2007 (UNCTAD, 2010).

SSA’s PARTICIPATION IN GLOBAL TRADE
SSA countries remain on the margins of global trade flows. In 2008 and 2009, SSA accounted for an insignificant 3 percent of global exports and imports as compared to about 6 percent for Latin America and a massive 27-30 percent per for developing Asia. Even the 10 Association of South East Asian Nations (ASEAN) together accounted for around 6 percent of global trade, twice as high as SSA’s share. In order for SSA to capture a larger share of global trade, it would need to venture more forcefully into the production and trade of goods and services that command higher value and enjoy growth prospects, as seen from the case of some Asian countries. Despite their marginal share of global trade flows, in nominal terms the value of aggregate global exports of SSA and Regional Economic Communities (RECs) perform quite well compared to the world average or Asian economies since 2000. During 2002-2009, the average nominal export growth of SSA reached 15.1 percent outpacing world average of 9.7 percent and those of developing countries in Asia (13.7 percent) and Latin America (9.9 percent). In regional terms the global export of all RECs expanded much faster than those of developing Asia (21.3 percent). A similar trend can be seen in the case on imports. Average yearly growth rate of imports in SSA (16.9 percent) outpaced that of developing Asia and America (9.7 percent leading to increase in openness of SSA economies to world trade. The nominal trade is indicative of value of economic activities. However, these do not measure real change in the volume of exports or imports. Real export indices do not indicate any superior performance of SSA export over developing Asia or developing America. During 2002-2008, SSA real average growth (3.3 percent) lagged behind both developing Asia (12.7 percent and America (4.3 percent) as well as the world economy as a whole (6.9 percent). For example, ECOWAS’ real export performance (.5 percent) is far from being satisfactory as a stimulus for sustainable development in SSA (UNCTAD, 2012). All in all, the share of the developing countries in global trade is on the rise. However, the full potential is far from being exhausted. SSA still occupies a position on the fringe as far as global trade is concern (Grosse-Wiesmann, 2007).

INTRA-REGIONAL TRADE IN SSA
Following the wave of political independence that swept across the developing world including SSA in the early 1960s, there was an accompanying conscious effort at promoting economic
independence. This led to widespread adoption of an inward oriented development strategy which placed emphasis on the imposition of trade barriers and non-trade barriers to grow domestic infant industries. This strategy failed woefully as the observable lack of growth and slow pace of economic development over the decade of the 1980s and 1990s has been largely attributed to lack of openness in these economies (Dollar, 1992). The policy response to these findings marked the beginning of the shift in emphasis from protectionism to openness and trade liberalization as a means of promoting growth and development.

Since then, regional integration has been an important component of the development strategies of most SSA countries. The enthusiasm of SSA governments is also reflected in the large number of regional integration arrangements that they have concluded in the post-independence era. The regional integration arrangements are generally ambitious schemes with unrealistic time frames; they are usually neighborhood arrangements and overlapping membership is common (Hartzenberg, 2011). Regional integration is also viewed as a rational response to the challenge of small national markets and small marginalized economies. What is questionable is the specific paradigm of regional integration adopted by SSA countries. The linear textbook model, demonstrating a preoccupation with tariff liberalization, may not be the most effective means of addressing the challenges of smallness, marginalization and under-development.

The structure of intra-SSA trade, similar to SSA’s trade with the rest of the world, has concentrated on few primary commodities. The product traded among SSA economies can largely be grouped into two categories: (a) primary commodities including petroleum oils, crude, nickel ores, coal, minerals, carbon, copper ores, tea, lime, gold; (b) some limited manufactures including printed material, cement, sleepers of wood, tobacco, tea, ships, boats, aircraft and associated equipment, perfumery and cosmetics (UNCTAD, 2011). And of its modest global trade, intra-regional exports account for less than a tenth, barely more than in 1960. The usual explanation for the failure to trade is the region’s resource curse. Because it is so easy to export commodities, sub-Saharan African countries have failed to develop significant merchandise exports. And because so many export relatively the same things—commodities—they naturally do not trade with each other. Even if that were the whole story, the region would still need to develop competitive manufacturing or services to cope with demographic change. Commodities cannot generate the tens of millions of new jobs that predominantly young African countries will need. But it is not the whole story. Sub-Saharan Africa could trade with each other more than they do, and part of the reason that they do not is self-inflicted (Economist, 2012).

According to UNCTAD, the contribution of intra-SSA to SSA’s aggregate trade performance is the lowest compared to other regions. Intra-SSA trade accounted for about 10 percent of SSA total trade in 2009 as compared to 22 percent of Latin America and 50 percent for Asia. So far intra-SSA liberalization since the 1980s when the Lagos Plan of Action was adopted does not seem to have provided a significant boost to intra-SSA. The modest levels of intra-SSA and RECs trade are attributed to several factors, most commonly of which, apart from inherent economic constraints arising from limited size of markets and low incomes, are SSA’s unfinished business in trade policy such as reducing and elimination of tariffs, and addressing non-tariff barriers, and limited and weak trade-related complimentary measures including infrastructure, trade
financing, investment, human and institutional capacities, underdeveloped agriculture, manufacturing and services sectors (UNCTAD, 2012).

In terms of Regional Economic Communities’ (RECs) trade performance, with the notable exception of SADC and EAC, intra-group trade is minimal. SADC showed the highest level of intra-group trade (exports plus imports) with a share of over one tenth, followed by ECOWAS and others. Intra-group exports in EAC are relatively higher (18 percent) than in other RECs, however, the value of such export is lower than in other RECs. The largest regional market is CEN-SAD with a value of trade (exports plus imports) of over $320 billion. In comparison, intra-ASEAN trade accounts for over one quarter of the group’s total trade, showing a much higher level of intra-group trade, and much higher value at $1.4 trillion. As with overall intra-SSA trade, apart from SADC, mutual trade among members of RECs presently is negligible notwithstanding over several decades of efforts at liberalizing trade and strengthening economic integration. These huge regional differences between SSA’s regional economic communities and ASEAN highlight the fundamental weakness of SSA regional integration and the need for the continent to take serious steps to expedite and deepen trade and economic integration (UNCTAD, 2012).

Considerable benefits may be derived from economic integration in as far as it promotes the building or upgrading of trade-supporting infrastructure across the region. Thus, on the trade facilitation front, deepened regional integration is critical for highly fragmented region like SSA which has more landlocked countries than any other region. This points to a more limited agenda, tailored to regional capacities. But external actors have a critical role to play in supporting development of institutions such as customs authorities and infrastructure systems through an aid for trade agenda. These initiatives may have the added benefit of promoting regional value-chains and integrated production, thereby developing economies of scale to compete globally (Draper and Qobo, 2007).

Additionally, more trade would have familiar benefits: larger markets should enable firms to reap greater economies of scale, increase returns to investment and adopt more new technology. Just as important in the sub-Saharan Africa context, more open trade would begin the process of dismantling over-centralized states and create a constituency for further economic change. Of course, trade liberalization is no substitute for privatization, deregulations, financial reform and other domestic measures. Because the steps required are relatively small ones (reductions in red tape, for instance) they should provoke less resistance from insiders; and because regional trade can be presented as a pan-African goal, it does not have the same taints of “Westernization” that discredited earlier reform efforts. Regional trade would be only a start. But the main thing is to start somewhere (Economist, 2012).

**CHALLENGES TO REGIONAL INTEGRATION**

Obstacles to regional trade are legion. Costly “trade logistics”—nontariff barriers, red tape and poor infrastructure. It costs companies an average of 95 men-days a year just to deal with trade bureaucracies. It takes longer and is more expensive to ship goods between two sub-Saharan African countries than to send them from sub-Saharan Africa to the USA or Europe. Such market fragmentation is the consequence of the region’s centralized, relatively state-led economic policies (Economist, 2012).
Research shows that the fundamental underlying problem is that of weak states. Weak states, in the sense of lacking institutional capacity are common in SSA; they lack the capacity to make and effectively implement policy and regulation. This also has an impact on regional integration in SSA. There is much evidence of strong political commitment to regional integration, but very poor performance on the implementation of commitments. It may be argued that a regional integration agenda which includes the establishment of strong supra-national institutions (to manage for example the affairs of a customs union) by taking decisions on behalf of the collective regional integration arrangement membership, and monitoring compliance with regional commitments, could remedy some of the challenges of weak nation states. Experience indicates, however, that SSA states demonstrate a distinct reluctance to empower regional institutions, citing loss of sovereignty and policy space as key concerns. Regional institutions therefore remain weak, performing mainly administrative functions.

For example, the structural challenges faced by SSA economies manifest in high costs of doing business generally, and specifically in high trade transaction costs. The sources of high costs of doing business can be traced to many factors including the small market constraint, poor infrastructure (road, rail, port, communications, energy, and water), policy and regulatory mistakes or deficits, as well as geography. These factors have significant implications for the competitiveness of SSA business, trade performance, growth and development trajectories. Unfortunately, SSA’s integration agenda which still focuses predominantly on trade in goods liberalization (the establishment of free trade areas and customs unions, with a strong focus on a single trade policy instrument, the import tariff) does not address the issues that really matter for the promotion of SSA’s trade performance, either intra-SSA trade or trade with the rest of the world. Anecdotal evidence suggests that the tariff may be minor concern compared with other challenges such as border procedures, and that competition from producers in emerging markets such as China and India prove far more challenging to local producers. It may be argued that what SSA needs is a regional integration agenda that enhances the capacity to produce tradeables competitively, and contribute to intra-regional trade facilitation.

In additional to the infrastructural challenges that SSA countries face, lack of competitively-priced, good quality services and non-tariff barriers (including burdensome customs and administrative procedures, the use of technical standards to frustrate trade) are important. SSA’s regional integration agenda should have less emphasis on tariff liberalization, and include factors which will enhance the supply-side capacity of SSA economies. For instance, the development of transport, communications, energy and water infrastructure, through investment in infrastructure, and the development of sound policy and regulatory frameworks (including competition policy to guard against anti-competitive practices) as well as a trade facilitation agenda to harmonize and simplify customs procedures, will not only enhance intra-regional trade, but also support the development of supply-size capacity. In short, SSA’s integration agenda should focus on behind-the-border issues (services, investment, competition policy), infrastructure development and trade facilitation (Hartzenberg, 2011).

Finally, another concern for many SSA countries is that large-scale imports of manufactures from other developing countries are increasingly competing with domestic production, with dire consequences for local manufacturing production. This is especially the case for the fact that the manufactured products imported from other developing countries tend to be consumer rather than capital goods. Consequently, these imports are not goods that contribute
to improving productive capacity of SSA economies. Rather, they tend to compete with products that were either imported from other sources or might previously been produced in the region. Indeed, it has been reported in SSA that the influx of cheap manufactured products, mostly from China, presents challenges for local manufacturing firms (Onjala, 2008). In some cases the competition has been so severe that even traditional products that had been manufactured in SSA for several centuries are now being almost exclusively produced in China (Idun-Arkhurst, 2008). This threat to manufacturing exports potentially has large consequences for industrial development and competitiveness as it has been found that exporting firms have significantly higher productivity than non-exporting firms in SSA (Mengistae and Pattillo, 2004).

**BENEFITS OF GLOBAL TRADE INTEGRATION TO SSA**

The predominant focus on a trade-in-goods agenda in SSA integration initiatives, also characterizes SSA countries’ extra-regional relations. There is a decided reluctance to engage for example a services agenda. The on-going negotiations with the European Union to conclude World Trade Organization compatible Economic Partnership Agreements are a good example of the strong adherence to a trade-in-goods agenda. The Economic Partnership Agreements (EPAs) have made an unintended contribution to critical review of the SSA integration agenda. Historically, the European Union has been SSA’s most important trade, investment and development partner. Trade with the European Union was governed by a series of Lome Conventions, which granted SSA, Caribbean and Pacific countries (excluding South Africa), preferential access to EU markets. The European Union and ACP countries concluded the Cotonou Agreement in 2000, paving the way for the negotiation of WTO compatible EPAs. Various configurations of SSA countries constituted negotiating groups; many of which cut cross existing neighborhood regional integration arrangements, adding an additional layer of complexity to the regional integration process in SSA. The protracted and difficult EPA negotiation process has, among other things, highlighted some of the challenges of SSA regional integration. The EPA negotiations revealed important gaps between political ambitions and economic reality in SSA regional integration. Debates about the SSA integration agenda and indeed SSA’s strategy for integration into the global economy are emerging from these negotiations (Hartzenberg, 2011).

Nonetheless, few areas where progress in policy will help sub-Saharan Africa reap further gains from global trade integration and enhance their potential for sustainable development includes:

**Agriculture:** It is and has always been a fundamental sector and for many SSA countries, agriculture is an issue of life and death. Agriculture is critical to the successful development to the region. Ambitious liberalization in this sector can offer big potential gains for all countries. The eventual elimination of trade distorting measures which affects agriculture trade will be a tremendous boost for sustainable development. The World Bank has estimated that phasing out restrictions on agriculture could lead to higher income in developing countries including SSA of some $400 billion by 2015. The gains from this are several times larger than all the debt relief granted to developing countries so far.

**Textiles and clothing:** This is another key sector where SSA countries have comparative advantage. The full integration of this sector into global economy has a huge potential for generating employment and foreign exchange for many SSA economies.
Tariff peaks and tariff escalation: After many rounds of trade negotiations, average tariffs on non-agricultural products have been significantly reduced. But relatively high tariff still remain on some products in which SSA is competitive and tariffs go up as the level of processing increases. Tariff escalation prevents SSA from moving away from dependence on a few commodities. Tariff peaks and tariff escalation must be brought down, if SSA countries are to be able to meaningfully gain from world merchandise trade. Transforming market access opportunities into concrete gains will also depend on the willingness of countries to implement reforms at home to enable their firms to take advantage of market openings abroad (Panitchpakdi, 2005).

THE ROLE OF THE GLOBAL TRADE COMMUNITY

The IMF has launched a trade initiative designed for certain developing countries, in particular LDCs and net food importing developing countries including SSA, to deal with a terms of trade shock, the erosion of preferences and loss of tariff revenues. The World Bank has also put in place an initiative called “Aid for Trade Initiative”. These are important initiatives that can help net food importing SSA economies, it should not be forgotten that there is an important allocation effect from the removal of market distortions. By allowing world food markets to fix their own prices, it will be inducing more production globally, including from net food importing SSA countries. The allocation effect can only be positive in the long run. Moreover, addressing tariff peaks, tariff escalation, trade-distorting domestic support and export subsidies would open up trading opportunities not just between developed and developing countries including SSA, but also between developing countries. In 2003 about 46 percent of agricultural exports of SSA countries were sold in the markets of other developing countries, up from 32 percent in 1990 (Panitchpakdi, 2005).

Also, the World Bank’s work on trade is an important part of its mission in support of development and poverty alleviation. Trade has been a key engine for economic development over several decades. Liberalization of international trade markets has had a strong positive effect on economic growth, including SSA. Similarly, efforts to integrate SSA economies into the global trading system and multilateral framework established in the World Trade Organization (WTO) should include a renewed focus on trade facilitation.

As part of the work toward this goal, the World Bank supports trade policy reform and implementation of Uruguay Round commitments by developing countries including SSA in several areas directly related to (1) accelerating transparency and modernization of customs, (2) regulatory reform and standards, and (3) expansion of transport access and infrastructure modernization among others. The Bank’s work program on trade specifically focuses on these areas from a development context as a primary objective. For example, the institution’s project lending supports government institution reform and infrastructure and facility modernization related to health, safety, or environmental goals (Wilson, 2001).

But non-tariff measures are emerging as more significant barriers to the export from SSA. Non-tariff measures can include rules of origin, domestic content requirements, as well as environmental standards. Market access and entry issue for SSA exports of agriculture and manufactures deserve serious attention at international level. Important actions in this regard include:
1. Trade negotiation issues of concern to SSA in the WTO Doha Round which need addressing with practical solutions include (a) erosion of preference; (b) an ambitious, expeditious and specific outcome for cotton trade-related aspects, in particular the elimination of trade distorting domestic support measures and export subsidies and granting duty-free and quota free market access for cotton and cotton by-products originating from SSA; (c) provision of commercially meaningful market access global market; (d) a waiver decision on preferential and more favorable treatment to service and service suppliers of SSA; (f) strengthened, operational and effective special and differential treatment provisions for SSA; and facilitating accession of SSA to the WTO on terms consistent with their development level.

2. With regard to non-tariff barriers, the international community could bring more transparency to such measures and address them. These could be done within the context of WTO, regional economic integration agreements, and other cooperative arrangements such as through UNCTAD’s multi-agency initiative on identifying and classifying non-tariff measures or its Consultative Task Force on Environmental Requirements Affecting SSA.

3. Improving regional integration and South-South cooperation and enhancing effective and greater participation of SSA so that they derive economic benefits from South-South trade where there is deeper integration, particularly among neighboring countries, including by paying more attention on full liberalization of services, especially granting SSA market access.

4. A key concern in any trade negotiations for SSA is that market access alone is not sufficient to stimulate trade growth—such access has to be accompanied with supply-side enhancement initiatives for SSA to effectively take advantage of the opportunities. SSA’s trading partners should consider proving as a package, market access and supply and related trade infrastructure capacity building provisions to SSA in any trade agreement (UNCTAD, 2011).

STANDARD AND TECHNICAL REGULATIONS
Standards and technical regulations are applied to mitigate against health and environmental risks, to prevent deceptive practices, and to reduce transaction costs in business by providing common reference points for quality, safety, authenticity, best practice, and sustainability. In practice, however, standards and technical regulations may be used strategically to enhance the competitive position of countries or individual firms. Depending upon the particular industry or market circumstances, standards and technical regulations can improve or lower economic efficiency; promote or block competition; facilitate or constrain international trade; and enable or exclude the participation of the poor in remunerative economic activities. These issues are of particular importance to SSA economies as they seek to strengthen industrial performance, increase agricultural productivity and competitiveness, and increase their net benefits from international trade.
Empirical research shows that several trends can be discerned which have significant implications for SSA economies. First, there has been a proliferation of standards and technical regulations for agricultural and light manufactured products as awareness grows regarding food and environmental safety risks and as international competition intensifies. Second, an increasing proportion of such standards are being determined outside of the local economy, whether at the regional/trading bloc level or at the international level. Third, there has been an accelerated development of private standards with supply chain integrators, who set increasingly stringent product or process standards in order to differentiate their products and services and manage product liability risks (Wilson, 2001).

This implies that specific actions should include: building awareness on the range, importance, and impact of international standards and technical regulations on SSA’s trade in agriculture and manufactured goods; analyzing SSA regulatory and certification systems in light of relevant international agreements; highlighting good practice models for implementing reforms and capacity-building; developing infrastructure upgrading plans for SSA countries in order to expand their access to and use of international standards; and developing a database on standards and technical regulations that can be readily accessed. In addition to country studies, multi-country industry studies should be undertaken in industries with high export potential, such as textiles, leather, wood, meat, fish, horticulture, beverages, and spices. This initiative could serve as an informative model for future policy discussion on trade facilitation. It should also include the design for a new “Standard Access Africa” network to deliver information on standards and regulations relevant to SSA countries which leverage the World Bank’s Global Distance Learning Network (Wilson, 2001).

LESSONS LEARNED FROM TRADE FACILITATION
Trade facilitation is essential to further development and alleviation of poverty. While there has been significant progress in lowering trade barriers at the border, such as tariffs, quotas, and other such measures, the implementation of the WTO accords has revealed problems in meeting basic requirements. However, these problems can be addressed by applying the lessons drawn from the World Bank’s work in trade facilitation. These lessons can be summarized as follows:

Excessive regulation curtails private sector participation and competition, thereby stifling entrepreneurship and private investment.

Wherever possible, countries should make use of information technology to streamline and simplify customs and other regulatory procedures.

Those responsible for implementing trade facilitation projects should be flexible and ready to adjust activities in order to respond to changing priorities

Care should be taken to avoid optimistic goals and to develop realistic timetables for implementing trade facilitation measures

Detailed indicators, such as increasing outputs, government revenues, cost savings, customer satisfaction, productivity gains, job creation, and more efficient public institutions, should be used to monitor performance

Improving the enabling environment through infrastructure modernization and regulatory reform increases the ability of a country to improve efficiency, and to attract and retain appropriate private investments.
In the area of capacity building, emphasis on beneficiary’s participation, intensive supervision, organization and coordination in the field are critical for timely and effective implementation of trade facilitation and reform measures. Ownership and political commitment are key to ensuring strong local leadership, availability of counterpart funds, and clear delineation of ministerial responsibility. When developing new standards, training and other follow-up measures beyond the drafting should be taken to ensure that those who must apply those standards comprehend and accept them (Wilson, 2001).

CHALLENGES TO TRADE FACILITATION FOR SSA

As can be seen from the foregoing analysis, the evolution of trade facilitation presents significant challenges. As the above discussion suggests, substantial obstacles remain with respect to the implementation of the commitment to trade and reform that have already been made in the WTO.

1. Funding to support modernization and reform: Foremost among those obstacles is the lack of modern facilities and training necessary to support customs and other government functions which facilitate trade. Development funding to address these needs is required. This does not only imply development lending or grants to SSA countries. There is also a role for private sector assistance in meeting public sector functions. Priorities given available resources are clearly needed.

2. Ensuring non-tariff barriers in technical regulations are address: Second, as the global economy integrates, and as more SSA economies become part of the global trading system, the potential for trade barriers to arise in such non-traditional areas as regulations and standards governing products and process becomes greater. Consequently, reform measures in areas beyond traditional definition of trade facilitation, which tend to focus strictly on border policies, must be undertaken. A coordinated approach across the WTO to next steps in liberalization is critical.

3. Estimating the economic benefit of reform: Customs and related revenue from regulations imposed at the border through licensing and other requirements continue to generate significant funds for SSA economies. In the least developed SSA countries, this may total 30 percent of government revenue. The average share of import duties in the OECD countries is .5 percent and in other low income countries approximately 25 percent. Outlining the economic benefits of trade facilitation reform to highlight the systemic spillover impact of reform is critical to efforts to advance the liberalization agenda. The synergies of reform across these measures are a largely unexplored area in the economic literature based on empirical data and analysis (Wilson, 2001).

4. The volume of international trade has grown faster than many countries ability to cope administratively with in it (Walkenhorst and Yasui, 2004).

TRADE FINANCE FOR SSA
Trade finance is the oil that keeps the wheels of global trade running, hence active interest and ongoing participation in global initiatives to address the impact of the global financial crisis on the availability and cost of trade finance.

While experts say that there is a large appetite for risk and ample liquidity to finance trade from China, India, Brazil and Korea, at the lower end of the market, there continues to be strong constraints. This is particularly true for SSA where some financing capacity seems to have been lost. At this stage it is not possible to determine whether this is permanent or temporary. The explanation given by commercial banks is that the cost of collecting information on counterparty risk is high and that coupled with the low profitability of small operations in the SSA, trade financing remains unattractive, particularly on the import side.

Given the commodity dependence of SSA, this remains a serious matter for concern: financing commodity exports and not imports would be a short-sighted strategy. Import financing is also allowing for essential inputs to make future exports, be it commodity-based, competitive. Should developed nations wish to be regarded as long-term partners for SSA development, developed nations should remain involved in the financing of substantially all trade of SSA, and their lines of credit open, not just for most profitable commodity deals, where competition for offering financing will tighten when commodity prices start to go back up again.

On the side of public back institutions, which have done a good job at supporting trade finance during the recent period, particularly in regions that had suffered from the retreat of global commercial financial institution, developed nations should avoid winding down the G-20 trade support package too rapidly. Clearly, credit risk support will still be needed for some time to go but official support and emergency financing will not remain forever. It will therefore be up to developed nations to allow for greater exposure to places such as SSA where access to trade finance remains a problem where prices have not returned to affordable levels.

While trade finance for commodities trade is crucial for ensuring that trade flows, the environment within which this takes place is equally critical. This is why WTO members need to work hard to revamp the rules that regulate multilateral trade and to better level the playing field. As it is well known, commodities trade suffers from distortions that can be traced to the colonial times and as such are structured in favor or rich countries at the cost of SSA. A good example is the fact that there is still an imbalance in the WTO rules between the stringency of the rules for imports, and their laxity for exports. Or that tariff escalates as products undergo a transformation and value added, an old feature of the colonial rule which would at last disappear. By taking action now, it would address not only tariffs, but also subsidies and non-tariff barriers, thus significantly reducing the current distortions in global commodities markets, particularly those that impact on SSA’s trade performance, including in sectors like cotton or fisheries to name a few (Lamy, 2010).

MEASURES TO IMPROVE MARKET ACCESS FOR SSA

As SSA economies undertake structural changes toward value addition and diversification, market access and entry issues affecting their products remain important in their traditional markets and in new markets, including in emerging economies of the South. Market access conditions for SSA have improved over the years through provision of trade preferences by both developed and emerging economies, and from tariffs being reduced through multilateral
and regional agreements and autonomous actions. SSA benefit from preferential trade access for most of their labor-intensive exports (agricultural goods, clothing and textile) (UNCTAD, 2011).

However, more positive measures can be taken to improve market access conditions in favor of SSA economies. These include:
Actions to improved market access conditions for SSA economies should be taken to correct the supply-side constraints that at present are limiting their capacity to produce for export;
Preferential access for SSA countries’ exports has an important role to play. Hence, to enable SSA to benefit to the maximum, preference schemes should be simple and transparent. The conditions attached to them should be applied flexibly.
Preference schemes could also be structured in such a way as to encourage SSA countries to diversify their exports into high value-added, processed and manufactured products;
Where SSA economies account for a significant share of world exports of particular products, consideration could be given by their main trading partners to reducing and, where possible eliminating, tariffs on a bound most favored nation (MFN) basis. This would minimize the risk of preferences in favor of SSA diverting trade from other low-income suppliers of the same products;
Non-tariff border measures can cause particular difficulties for SSA suppliers. In keeping with the proposal made in the WTO Plan of Action for the Least Developed Countries that “WTO Members should endeavor to make use, when possible, of the relevant provisions of the Agreement on Textile and Clothing to increase market access opportunities for SSA countries. WTO members may also consider removing quantitative import restrictions on products of particular export interest to SSA at the earliest opportunity, particularly where SSA suppliers account for only a small share of the domestic market; and
High priority could be given to assisting SSA to build the necessary domestic institutional capacity to meet technical regulations, product standards and sanitary measure which they encounter in their main export markets (UN, 2009).

IMPACT OF TRADE INTEGRATION AND ECONOMIC GROWTH ON POVERTY REDUCTION

Academic studies show that international trade has the potential to lift developing nations out of poverty on a scale that could generate several times any conceivable benefits derived from direct monetary aid. The link between trade and economic growth operate through various channels, including changing the relative prices of tradable goods and the incentives for investment and innovation. Trade acts as a catalyst for economic growth by encouraging investment, efficiently allocating resources and opening markets for those goods that people can produce most competitively. Agriculture is vital in this process because it is the dominant industry in most developing countries including SSA; the rural poor make up of 75 percent of the total population in the developing world and suffer the most from deficiencies in capital and technology (WTI, 2008).

There is strong evidence that open trade regimes (and more generally open economies) are associated with higher rates of economic growth. On average, open economies grew 3.5 percent annually versus closed economies, which grew at less than one percent annually (Berg and Krueger, 2002). Over time, the difference in these two growth rates on the level of incomes is stunning: at a one percent growth rate, it takes 62 years for income to double; at 35 percent,
income will increase 16 times in 62 years. Even a small annual difference in growth rate can be dramatic.

International trade allows countries to specialize in activities where they have a comparative advantage. Trade extends the market facing local producers, allowing them to take advantage of economies of scale. Trade reform encourages a more efficient allocation of resources and thereby raises incomes, since finding new and better ways of using land, labor and capital is vital to economic growth. According to a study, the differences in economic performance between the United States and Niger have less to do with endowments of physical and human capital, and much more to do with the effective utilization of their respective resources. If the two countries were on par with respect to all other factors except capital and education, the U.S. would only be 6.4 times richer than Niger. As a result of differences in overall resources use and allocation, driven by the differences in each nation’s social infrastructure, institutions and government policy, the output per worker in the U.S. is in fact 35 times greater than in Niger.

Openness to international trade is also closely linked to supportive investment climate (both foreign and domestic), which is positively correlated with economic growth. When markets are freed up, private investors see greater opportunities and reduced uncertainty where previous barriers may have restricted their business. Private investment brings intellectual capital and technology, and can also nudge other aspects of social infrastructure in a positive direction. Openness to trade also strengthens the financial services sector, which can better mobilize resources for domestic and foreign direct investment. The effects of trade on investment are often overlooked in models because they involve a more complicated analysis, and investor decisions are often difficult to predict. Yet this linkage is vital to the development of a modern economy (Tutwiler and Straub, 2005).

Growth and investment in the agricultural and agro-food sector has an especially important role in poverty alleviation because the benefits of increased primary agricultural production spill beyond the sector and spur more general economic growth. First, there is the direct impact of agriculture growth on farm incomes, which account for a large share of the GDP in SSA. Second, these spin-offs or multiplier effects expand other economic activities because of strong linkages with other sectors. An additional dollar of income in the rural sector generated an additional three dollars in rural income through increased demand for rural goods and services. More jobs are created in agricultural-related industries and in the non-farm sector as farmers spend additional income. Third, there are national impacts, including lower prices for food and raw materials to the urban poor, increasing savings, and reduced food imports or foreign exchange costs. Therefore, even poor and landless workers who may be net buyers of food benefit from the indirect effect of trade from through higher wages and an increased demand for unskilled labor.

Agriculture-led economic growth is particularly effective at addressing rural poverty. Agricultural trade reform in developing countries through tariff reductions is likely to improve the conditions of the poor because tariffs have a disproportionate impact on the rural poor. A study of SSA countries indicates that a reduction from 40 percent to 10 percent in average tariffs on all products caused a real income loss of 35 percent among urban employers and a 40 percent loss from urban workers in protected industries, but an income gain of 20 percent for rural farmers (UNCTAD, 2011). In addition, trade reform often comes as part of a package of
reforms that together support macroeconomic stability and development. The agricultural sector in particular requires clear property rights, more research and improved infrastructure to increase competitiveness. These investments are often forthcoming once the economic potential becomes apparent.

There is strong evidence that trade-driven economic growth is related to simultaneous poverty reduction. A study of 80 developing countries including SSA over the past 40 years illustrates that the income of the poorest 20 percent of the population in developing countries increase dollar for dollar with increase in per capita GDP. Another study that used national accounts data for 130 countries, and took account of initial inequality, found that poor people raise their incomes at twice the rate of others as average income rises (UNCTAD, 2010). In a survey of the literature by Anderson (2004) concluded that after fifty years of studying poverty, inequality and growth, it can be generally agreed that economic growth reduces poverty, and that growth in average incomes raises the income of the poor.

SOUTH-SOUTH TRADE

There has been a marked increase in the importance of developing countries in SSA’s merchandise trade. SSA’s total merchandise with non-SSA developing countries increased from $34 billion in 1995 to $283 billion in 2008, while trade with developed countries increased from $138 billion to $588 billion over the same period. As a result of these developments, the share of non-SSA developing countries in SSA’s extra-regional trade increased from 19.6 percent in 1995 to 32.5 percent in 2008, while their share of the region’s total trade rose from 15.4 percent to 28.7 percent in 2008 over the same period. The growing share of developing countries in SSA’s trade has led to a reduction in the proportion of the region’s trade going to its traditional partners in Europe and North America. While the European Union remains SSA’s largest trade partner, its share of SSA’s trade has declined from around 55 percent in the mid-1980s to below 40 percent in 2008. The United States has also experienced a fall in its share of SSA’s trade relative to the early 1980s. Since the mid-1980s it shares has hovered between 10 and 14 percent of SSA’s trade (SAIIA, 2009).

Total merchandise exports among developing countries, for the period of 2001-2007, increased from $752 billion to $2.38 trillion. Annually, Least Developed Countries’ (LDCs) goods exports to the South expanded considerably in value terms and their share of total trade among developing countries increased from 1.7 percent in 2001 to 2.4 percent in 2007. This growth is significant in that it took place alongside an equally strong expansion in South-South trade. These trends indicate the potential for further expanding South-South trade and enhancing deeper integration of LDCs in such trade. However, as with global trade flows, LDCs’ aggregate share of South-South trade remains insignificant hence the need to take proactive measures to enhance the participation of LDCs in South-South trade and derive trade and development gains.

SSA’s cooperation with the South is generally of three types. The first form of cooperation arrangement is bilateral, between SSA countries and a developing country in another region. For example, it includes, among others, bilateral partnership between SSA and developing countries such as China, India, Korea and Turkey. The second form of cooperation is trilateral in the sense that it is between an SSA country and two developing countries in different regions. The main cooperation framework in this category is the India-Brazil-South Africa partnership.
The third form of cooperation is at the regional level between SSA and other developing regions. The three main cooperation arrangements in this category are the New Asian-SSA Strategic Partnership, the SSA-South America Initiative and the SSA-Arab Cooperation Initiative (UN, 2009).

South-South cooperation is also attractive to SSA because it increases and diversifies the sources of development finance available to the region. SSA is a major recipient of foreign aid and there is a growing disappointment in the region with existing aid mechanisms, which most countries regard as characterized by a lack of fulfillment of commitments as well as reliance on policy conditions that influence their development policy choices. Consequently, several SSA are increasingly seeking financial support through South-South partnerships because these do not come with the policy conditions associated with aid from traditional donors. Moreover, the inability of SSA to influence the agenda, pace and decisions made in the international economic, financial and trading systems has also increased SSA’s interest in South-South cooperation as a mechanism for increasing the region’s bargaining power in global affairs. For example, SSA countries are often not in a position to protect their interests in multilateral negotiations and in the reform of the international financial architecture. Consequently, SSA sees South-South cooperation as an effective way to increase its voice and representation in the world economy. There is growing recognition that the formation of alliances with other developing countries in the Doha Round could help alter the pace and dynamics of the negotiation and increase the region’s bargaining power. The need for SSA to enter into these alliances has become even more important with the rapid pace of globalization and concerns that the region has so far not derived sufficient benefit from the process (UNCTAD, 2010).

Such South-South trade occurs under trading conditions of sub-regional and regional as well as interregional trade and economic cooperation, and integration agreements to which SSA is party. These arrangements could be further strengthened in realizing their goals of free trade, customs unions and common markets to create the wider trade and investment area. In many such arrangements, preferential treatment is provided to SSA in terms of market access conditions, less reciprocal liberalization commitments and development assistance. However, the trade schemes need to be accompanied by infrastructure building, trade facilitation measures and other complementary measures to ensure that goods and services flow easily across borders. Further, duty-free quota-free trade preferences to SSA offered by developing countries such as by Brazil, China and India—accompanied by production, technological, human and institution capacity-building programs—can bring important trade and welfare benefits. For example, products of immediate interest to SSA which are covered under such schemes, include cotton, cocoa, copper ores, cashew nuts, cane sugar, ready-made garments and fish fillets. Improvements to the scheme including in rules of origin and increased product coverage will enhance the impact of these scheme (UNCTAD, 2011).

Unfortunately, high tariffs and nontariff barriers between developing countries inhibits the potential for South-South trade, and thus the ability for developing countries to help each other. South-South trade can serve as a means to lessen the dependence of the South-North; to encourage diversification of production in the South; and to capitalize on geographic proximity. Goods produced in the South may also be better suited for neighboring markets with similar income levels, tastes, cultures and regulatory systems. In terms of improved productivity, South-South trade offers opportunity for SSA to introduce new technologies and resources
through other neighboring developing countries where FDI is steadily rising, thereby offering each other mutual support.

That said, one of the arguments against reducing tariff barriers in developing countries is the negative impact on developing country tax revenues. In many developing countries, tariff revenues comprise a significant share of government resources. Twenty-five developing countries derive 30 percent of their total tax revenue from tariffs, according to an IMF study. Lowering these tariffs may deprive governments of much needed funds. But proponents claim that if tariff are reduced, overall trade volume are likely to expand, potentially canceling out the reduction in tariff levels. The increased growth generated by more open trade may provide governments with higher net tariff revenues. Also, high tariffs drive trade underground unto the black market, something that is already a problem in many developing countries (Wilson, 2001).

Proponents also argue that South-South cooperative initiatives can ease access to trade finance, reduce trade costs and spurs investment. For example, Global Network of Exim Banks and Development Finance Institutions leverages synergies between export-import banks and development finance institutions to address trade finance need in South-South trade. South-South trade constitutes a vibrant avenue for future trade growth for SSA. The share of South-South trade in goods in total exports of the South rose from 38 percent in 2000 to 48 percent in 2008, indicating that half of South’s total exports will flow to other developing countries. Consolidating and strengthening South-South cooperation at the interregional, regional and bilateral levels widens markets and augments domestic demand, especially for SSA and fosters production network (UNCTAD, 2010).

SSA STRUCTURAL WEAKNESSES THAT IMPEDE ITS EFFECTIVE PARTICIPATION IN GLOBAL TRADE

The main challenge of SSA economies in engaging in global trade is their inability to produce a diversified range of exportable goods and services, and move into the global production and distribution chains where export value addition and diversification take place. Trade diversification is generally premised on three interrelated objectives, namely, stabilizing export earnings, expanding export revenue and upgrading value added. All are necessary in reducing SSA’s vulnerability to fluctuations in commodity prices. One way to assess the extent of export diversification or lack of it is to use the diversification index. The degree of diversification of a country’s exports, calculated as a Hirschmann index can be analyzed by studying this export diversification index. The index takes values between 0 and 1 and increases in the index (moving toward 1) indicate low diversification in exports. In other words, the index that ranges from 0 to 1 reveals the extent of the difference between the structure of trade of the country or country group and the world average. The value closer to 1 indicates a bigger difference from the world average.

Furthermore, a number of key development challenges mitigate SSA’s effort at increasing their effective integration into global trading system and deriving development gains. One is the need for fundamental structural transformation of SSA’s from producing and trading in few products with low volume and value into a diversified range of commodities (including for food security), manufactures and services with high value and volume, which also provide jobs and higher incomes, especially to the poor, and protect the natural environment. Services sector production and trade constitute the new frontier for trade and development of SSA.
Hence, a number of policy challenges need to be addressed in promoting deeper structural changes in trade and trade-related areas. These include (a) addressing underdeveloped and narrow supply and productive base and dependence on a few main markets, compounded by weak trade-related infrastructure; (b) market access and entry constraints in developed country markets as well as in South-South markets especially non-tariff barriers and measures inhibiting service exports; and (c) current low policy attention to economic and trade issues in national development strategies together with weak trade-related institutional and regulatory measures (UN 2009).

STRENGTHENING PRODUCTIVE CAPACITIES AND TRADE-RELATED INFRASTRUCTURE FOR TRADE IN SSA

A few SSA economies have diversified and added value in their exports based on deliberate investment in the productive sector. Other SSA countries depend more on few primary commodities exports with limited value addition and diversification. The service sectors which can offer significant development and trade gains potential remain under-developed in most SSA economies. The un-diversified and commodity-based trade economy of most SSA states renders them highly vulnerable to external shocks.

For this reason, a deliberate attention to developing productive capacity, including through private-public partnership, is needed. The productive capacity development will evolve as a complementary action measure of a comprehensive trade policy regime. Key areas of production that can be developed for SSA include (a) new and dynamic sectors in international trade such as electronic or creative industries; (b) sustainable agriculture, especially organic agriculture, and other biodiversity-based products, as well as sustainable fishing; (c) services sectors such as tourism, information and communications technology and movement of natural persons; and (d) value addition in commodity sectors such as coffee or fisheries or forestry (Wilson, 2001).

Likewise, the development of the textile and clothing industry remain central to industrial development in most SSA economies. Thus, efforts in this direction including in terms of cotton production and trade, and ensuring its transformation into processed products, are important to many SSA countries, especially those currently producing cotton.

Apart from producing competitive goods and services, ensuring that these are moved to the consumers remains a big barrier and costly to many SSA economies. Therefore, SSA should lunch program for developing competitive national, regional and international trade facilitation systems, transport to improve administrative procedures and lower transaction cost throughout supply chains have to be addressed. Public and private investment into infrastructure development should be strengthened to facilitate and reduce costs of transporting both exports and imports.

Developing trade-related infrastructure as part of a comprehensive trade policy plan requires that careful planning in ensuring that infrastructure development is not undertaken in a vacuum but specifically directed at linking rural and urban economies in the priority production sectors, and between the country and its major trading partners.

This requires that SSA countries and their development partners collaborate to ensure that other factors that add to costs of production and trade, such as access to adequate and affordable energy sources, including renewable energy, will have to be developed.
Furthermore, accessing affordable trade financing is critical to support trade expansion. Such financing could be provided by national institutions, regional development bank, multilateral institutions and cooperative arrangements (UNCTAD, 2010).

**SPECIFIC INTEGRATION OF TRADE INTO NATIONAL DEVELOPMENT STRATEGIES**

While global trade plays an important role in promoting economic growth, generating finance for development, providing jobs and income, it tends to remain marginalized in SSA national development plans including poverty reduction strategies. Many SSA countries do not have a specific trade policy, discussed through national consensus and enacted by government to guide and strengthen the role of trade in development. This then often results in weak public support for the trade and trade-related sectors, assuming that the private sector can alone foster trade growth. This also results in weak public-private partnership for trade. It marginalizes investment in productive sectors and encourages immediate consumption patterns, often to address important social needs such as health and education. A continued focus on consumption diverts attention from much needed structural changes that can build economic resilience and sustainability.

That said, SSA could consider elaborating and adopting specific and comprehensive trade policy regimes, based on national consensus such as through inter-institutional trade committees, as a key aspect of their development strategies. In many SSA countries, as members of sub-regional economic integration groupings aiming at setting up customs unions such as the West African Economic and Monetary Union or the East Africa Community, they would have a common external tariff and common policies. Thus, any national trade policy regime would be encapsulated within the regional trade and macro-economic policy framework. The trade policy regime should achieve a balance between market orientation and supply-side capacity building. The priorities in the trade policy regime should be mainstreamed into national and regional development strategies, and integrated in development cooperation programs such as the Enhanced Integrated Framework. Such an approach has recently been taken by Rwanda with UNCTAD’s support. A specific trade policy regime would need to be accompanied by strengthened institutional and regulatory framework as well as human resources development that will ensure fuller implementation of the policy (World Trade Indicator, 2008).

Trade-related policies that build up competitiveness of SSA economies also need to be addressed. In this regard, many SSA countries are yet to enact competition policy and regulatory laws and the likelihood that anti-competitive practices may erode any gains accruing from trade, investment and other economic policy measures is higher for these countries. Thus regulatory frameworks are established to oversee the market operations and protect consumers, including a competition law with consumers’ protection provision, anti-competitive agreements, abuse of a dominant market position and merger control regulation. Developing a culture of competition could also be undertaken through advocacy and enhancing understanding of the commercial laws by the business sector.

Other trade-related policies linked to productive sector development would need to be developed to complement the trade policy and enhance the enabling policy environment for production-cum trade development. These include services sector policies, industrial policies linked with small and medium-sized enterprise development, agricultural policies. Trade policy regimes and associated programs deserve support over the medium term to build up a robust
enabling policy framework for encouraging production, competitiveness and contributing to raising job and incomes and alleviating poverty (Mattoo, 2010).

TRADE REFORM AND DOMESTIC POLICY AND THE POOR

Foreign trade policy, through measures promoting liberalization and efficient regulation, is an efficiency promoting instrument with a dual function. Firstly, by promoting more efficient markets, it ensures better conditions for growth, employment and revenue distribution, which, in turn, helps domestic markets to grow and provide more opportunities for entrepreneurs. Secondly, by making industry more productive and promoting efficiency and access to more competitively priced inputs, it facilitates industry’s access to international markets. However, the decline in world export of labor-intensive industrial and agricultural goods will have different implications for different countries, depending on their sectorial production and trade structure (United Nations, 2010).

If foreign trade policy is to ensure these results, it must be perceived by industry as a policy that is not only stable but long term or permanent. This requires that tariff reductions be bound and foreign trade rules consolidated through a process of bilateral, regional or multilateral negotiation (Mattoo, 2010).

Since the poor from most SSA countries live in rural areas, as subsistence farmers, it is vital that trade reforms be coupled with domestic policy reforms and financial assistance to ease the transition and facilitate the adjustment. Trade exerts a positive impact on economic growth because it serves as conduit for new ideas, new technology, and competition, which drives innovation and increases productivity. However, if markets are missing or do not function properly, then shifts in relative prices (i.e. from tariff cuts) will not lead to a shift of production, jobs and investment. Similarly, the lack of good roads, ports, telecommunications, and marketing infrastructure can hamper a country’s ability to participate in and benefit from international trade. Some of these conditions are inherited from geography; some are the result of inadequate or misguided investments, and others are relics of colonial rule.

For poor people to benefit from reform, they must be able to participate in markets. Policies that enhance their abilities to participate in the formal market will ease the transition to reform. Where markets have been liberalized without accompanying policy reforms and investments (such as improved roads, improved communications, marketing infrastructure), the impact of food security and poverty has been detrimental. Complementary policies must also ensure that reform has a positive effect on people living in rural areas, not just urban centers or favored areas. The links between poverty and other national policies in education, health, land reform, micro-credit, infrastructure, and governance are as important as border measures.

Trade is not a cure-all for poverty and slow growth, and to some extent it is unfortunate that the name Doha “Development” Round has led to overly ambitious expectations about the results of trade reform alone. As the WTO’s 2003 World Trade Report acknowledges, that open trade must be part of a constellation of policies that are pro-growth; macroeconomic stability, reliable infrastructure, transparency, predictability, functioning domestic markets, and a good investment climate all advance the gains of economic efficiency from reduced trade barriers. The common thread behind these reforms is creating flexibility in factor markets—labor, land, and capital—that allows the economy to growth (Anderson, 2004).
Even though trade promotes economic growth and alleviates poverty, it is still important to pursue trade reform with a pro-poor strategy. In other words, focus on reforming those sectors that will absorb unskilled labor from rural areas as agriculture becomes more competitive, and on trade reforms in economic sectors that employ people in deprived areas. A checklist to help policymakers assess the poverty impact of trade reforms are as follows:

1. Will the effects of changed border prices be through the economy? If not, the effects—positive or negative—on poverty will be muted.
2. Is reform likely to destroy or create markets? Will it allow poor consumers to buy or sell new goods?
3. Are reforms likely to affect different household members—women, children—differently?
4. Will spillovers be concentrated on areas/activities that are relevant to the poor?
5. What factors—land, labor, capital—are used in what sectors? How responsive is the supply of those factors to changes in prices? How flexible is the market?
6. Will reforms reduce or increase government revenue? By how much?
7. Will reforms allow people to combine their domestic and international activities, or will it require them to switch from one to another?
8. Do the reforms depend on or affect the ability of poor people to assume risk?
9. Will reforms cause major shocks for certain regions within the country?

POLICY RECOMMENDATIONS FOR SSA
Mainstream South-South cooperation into national development strategies. SSA’s cooperation with developing countries opens new options and these can be opportunities that can be seized. Cooperation with other developing countries has the potential to enhance SSA’s capacity to deal with the challenges of poverty, poor infrastructure, development of productive capacity and emerging threats associated with climate change, as well as the food, financial and economic crises. These potential benefits of cooperation are however, not automatic. They accrue to countries that have taken adequate and proactive steps to exploit them. In this regard, SSA countries should adopt a well-defined strategy for South-South cooperation to ensure that it furthers rather than hinders the achievement of national and regional
development goals. This means that South-South cooperation should be mainstreamed into national development strategies as well as efforts to promote regional cooperation with SSA. Ensure that cooperation with developing countries complements existing partnership with developed countries. Developed countries have been and will continue to be important development partners for SSA. Consequently, it is important that the region’s engagement with developing countries complements rather than substitutes for relations with traditional partners. In this context, it is interesting to note that one consequence of SSA’s growing partnership with developing countries is that areas neglected by traditional partners are now being addressed. These include protecting the interest of SSA in the international economic, financial and trading systems, and infrastructure development.

Strengthen efforts to develop productive capacities. For SSA countries to achieve the average 7 percent growth rate needed to meet the MDGs, they have to produce goods with high income elasticity of demand and that present greater opportunities for export market expansion. This requires public and private investment, structural transformation and the development of productive capacities. The current pattern of trade with developing countries is reinforcing commodity dependence and replicating the existing pattern of trade with traditional partners. SSA should reverse this export pattern and transform the structure of their economies. This requires improving the business environment, addressing the problem of poor infrastructure, enhancing access to credit and transfer of skills and technology by, for example, providing targeted incentives to encourage foreign firms to train local employees.

Enhance capacity to negotiate and benefit from the multilateral trading system. SSA countries have formed alliances with other developing countries to pursue common interests in multilateral trade negotiations. Overall, these partnerships have served the region well. However, to derive more gains from these partnership SSA countries need to enhance their capacity to negotiate as well as take advantage of opportunities created in the multilateral trading system. They should also be more strategic in the formation of alliances to ensure that they protect their national interests (Kaplinsky and Farooki, 2009).

Investment in human capital. A necessary condition for development is sufficient spending on primary education, basic health care, nutrition, and family priorities. In many SSA countries, investing in people would require a sharp curbing of wasteful military spending.

Improvement in the climate for enterprise. Growth will improve if governments intervene less in industrial and agricultural pricing, deregulate entry to markets, and focus on improving the infrastructure and institutions—such as the legal system—underpinning business.

Open embrace of international trade and investment. SSA should reduce tariffs substantially and impose fewer nontariff barriers to trade. Particularly needed is a move away from discretionary forms of control, allowing a government agency to choose, without constraint, what can be imported or exported.

Firm macroeconomic policies. SSA governments need to ensure fiscal deficits are low and that inflation is held at a low and stable level. Market-based incentives for saving and investment are essential to ensure domestic resources are available to finance development (Giddy, 1994).

FOR DEVELOPED COUNTRIES PARTNERS
Provide more support for SSA-South cooperation. Traditional development partners increasingly provide support for SSA-South cooperation by financing triangular cooperation
activities. There is a fear that the financial and economic crisis may have a negative impact on funding for these projects from traditional partners. It would be desirable for SSA’s traditional partners to resist any pressures that may arise to reduce financing for triangular cooperation projects in response to the global economic slowdown. It would also be desirable if they consider increasing resources available for aid for trade and earmarking part of it for strengthening SSA-South trade.

Strengthen dialogue with Southern partners. The growing role of developing country partners in SSA has increased the number of project and countries involved in development assistance in the region. It has also increase the fragmentation and made coordination more difficult. Traditional partners should strengthen dialogue with SSA to enhance coordination and sharing of experiences and best practices.

In parallel with the market access negotiations, greater regulatory assistance and cooperation to support trade liberalization are required, because while trade is increasingly global, regulation remains inadequate and national.

Provide more coherent assistance to SSA countries to build regulatory institutions and institute policies that widen access to trade.

Provide more cooperation with SSA on prudential regulation (e.g. on finance and data flows) to deal, for example, with issues raised by financial crisis; and on pro-competitive regulation to ensure that gains from liberalization are not appropriated by international oligopolies (Mattoo, 2010)

FOR REGIONAL AND MULTILATERAL INSTITUTIONS

Coordinate the development of statistics and collection of information on SSA-South cooperation. Lack of reliable information on the development finance activities of SSA partners has made it difficult to get a comprehensive picture of the trends, scale and features of their support to SSA.

In order for SSA to benefit from the WTO negotiations, certain preconditions need to be met. These include: flexibility and an appropriate pace and sequencing of their own reforms; a leveling of the playing field through the reduction and elimination of trade-distorting subsidies and support by OECD countries and, the lowering of market access and entry barriers; adequate resources from developed countries to help SSA adjust to the loss of trade preferences and tariff revenue losses and assistance to overcome supply constraints. SSA has much to gain economically from taking a pro-active stance in the WTO negotiations. They have much to gain from enhanced access to premium markets in developed countries as well as access to other developing countries. In the longer term, their capacity to take advantage of these opportunities can also be enhanced by policies to improve their competitiveness, including supply-side measures, competition policies and the progressive elimination of distortions in sectorial policies in order to increase the pro-agriculture, pro-export and pro-poor thrust of their policies.

CONCLUDING REMARKS
Fundamental structural changes are necessary for SSA, with the international support and enabling economic conditions, to build sustainable and dynamic trade growth. Any program of action for SSA in the next decade should support such transformation. Making trade more development-transmitting, multiplying and inclusive for SSA should constitute a guiding principle and goal for the next decade. The priorities in this regard include: (a) Integration of trade policy priorities and measures into SSA development strategies; (b) pursuing diversification into non-traditional product and services sectors, including in new and dynamic sectors, supported by coherent and integrated trade, industrial, technological and other policies and measures at national, regional and international levels; (c) increasing and improving SSA’s effective participation in international trade in services and services sector development; (d) effectively addressing non-tariff barriers affecting export of SSA; (e) improving further market access conditions for exports of SSA at multilateral and regional levels; and (f) increasing aid for trade support towards SSA in building up their productive capacities, trade-related infrastructure and trade policy, regulatory and institutional capacities (UNCTAD, 2012).

Finally, global trade can play an increasingly important role in SSA’s development. However, the potential development gains that SSA can realize from global trade are not fully exploited due to weak policy, institutional, regulatory and supply capacities, as well as slow progress in full operationalization of international support measures and provision and enhancement of market access condition and removal of market entry barriers especially non-tariff ones. Increased participation in international trade would come from growing sustainable and diversified quality products and services for trading locally, regionally, and internationally, and contributing to creating jobs, increasing incomes, improving living standards, and building economic resilient bases for SSA’s beneficial integration into the global economy (UNCTAD, 2011).

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