

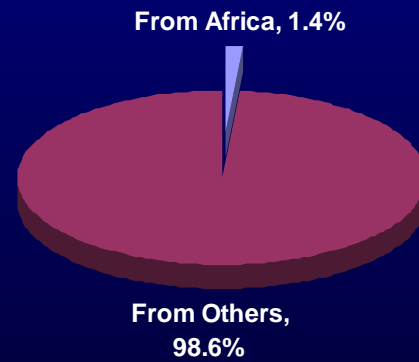
Expanding Africa's Trade & Investment

**Trade and Investment
Facilitation Between Africa and
Asia is Important, because...**

Africa may be small in Asia...

Total Asian Imports = \$ 1,434 billion (2001)

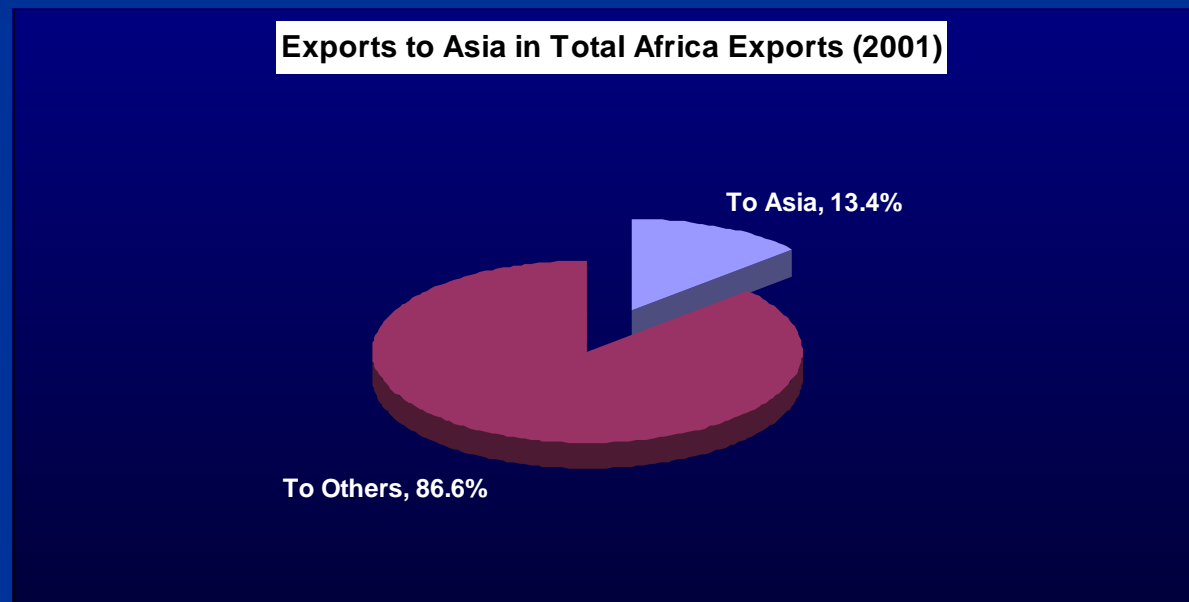
Imports from Africa in Total Asian Imports (2001)



Source: IMF Direction of Trade Statistics Yearbook

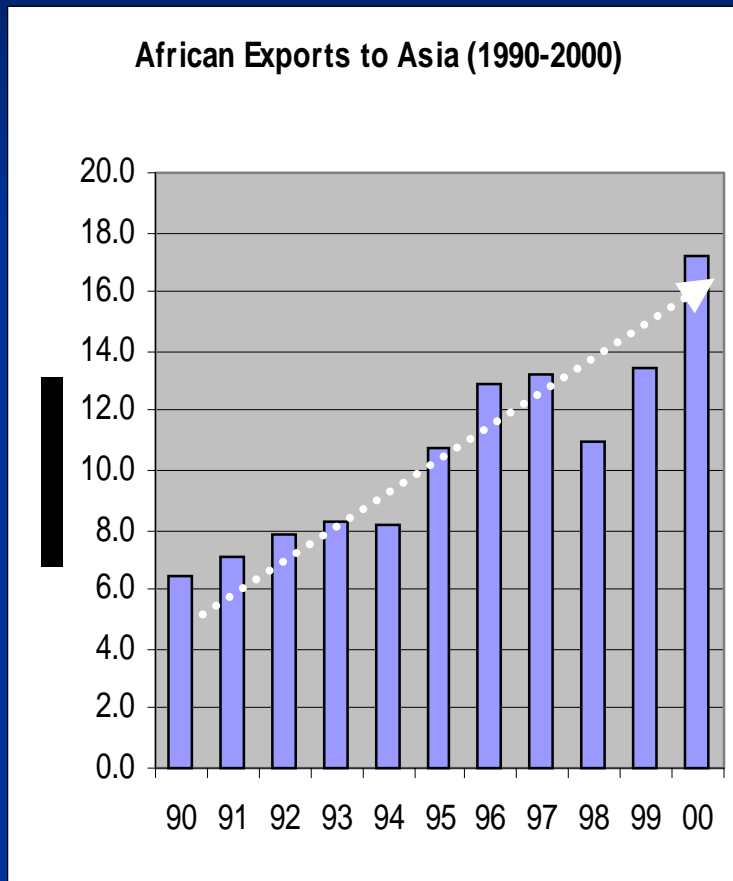
But Asia is large for Africa.

Total African Exports = \$ 126 billion
African Exports to Asia = \$ 17 billion
(2001)



Source: IMF Direction of Trade Statistics Yearbook

In fact, Asia is fast growing market for the African exports



African Export to Asia:

\$ 6.4 billion (90) to \$17.2 billion(00)

Share of Asia in total African Export:

7.7% (90) to 14.2% (00)

Annual Growth Rate (90-00)

EU 3.7%

US 4.6%

Asia 10.4%

Source: IMF Direction of Trade Statistics

Overview

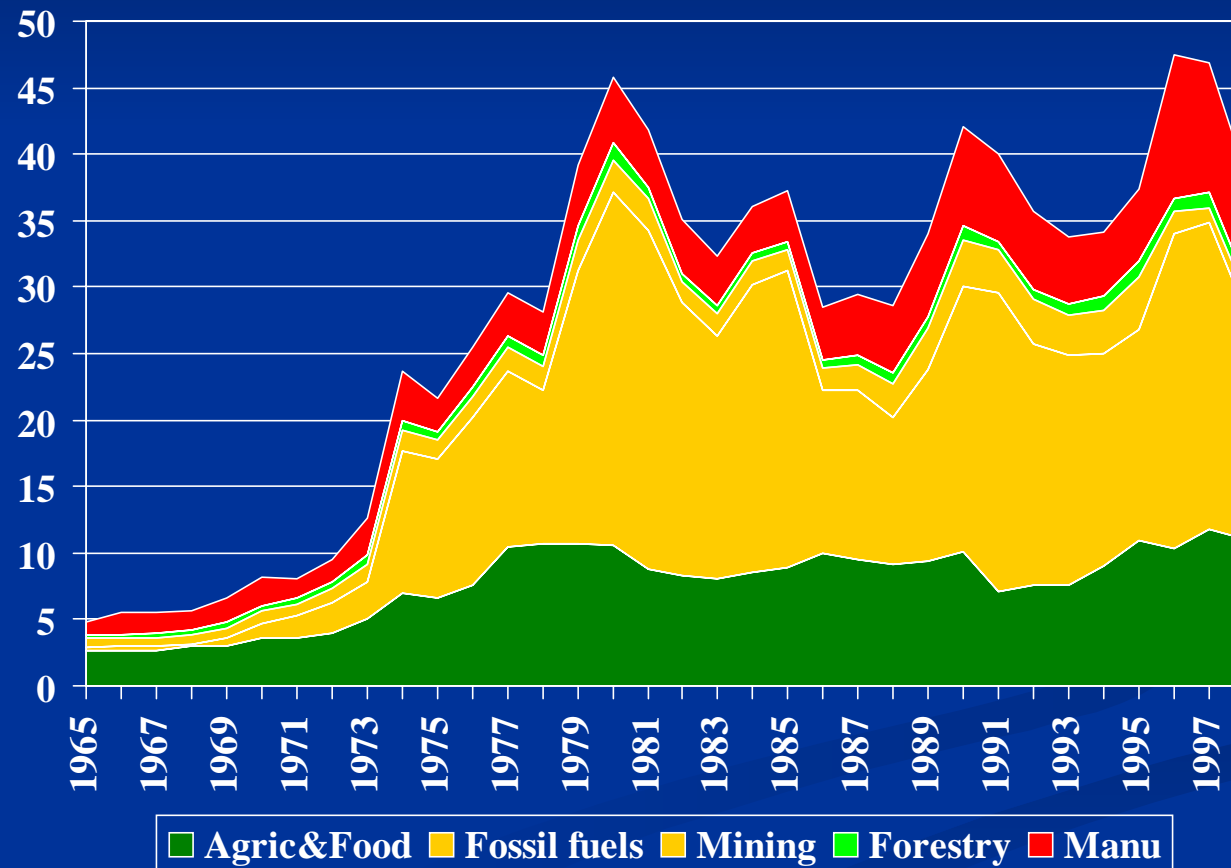
- Part 1: Africa's Trade
- Part 2: Foreign Investment in Africa
- Part 3: What need to be done
- Part 4: World Bank's role

Part 1: Africa's Trade

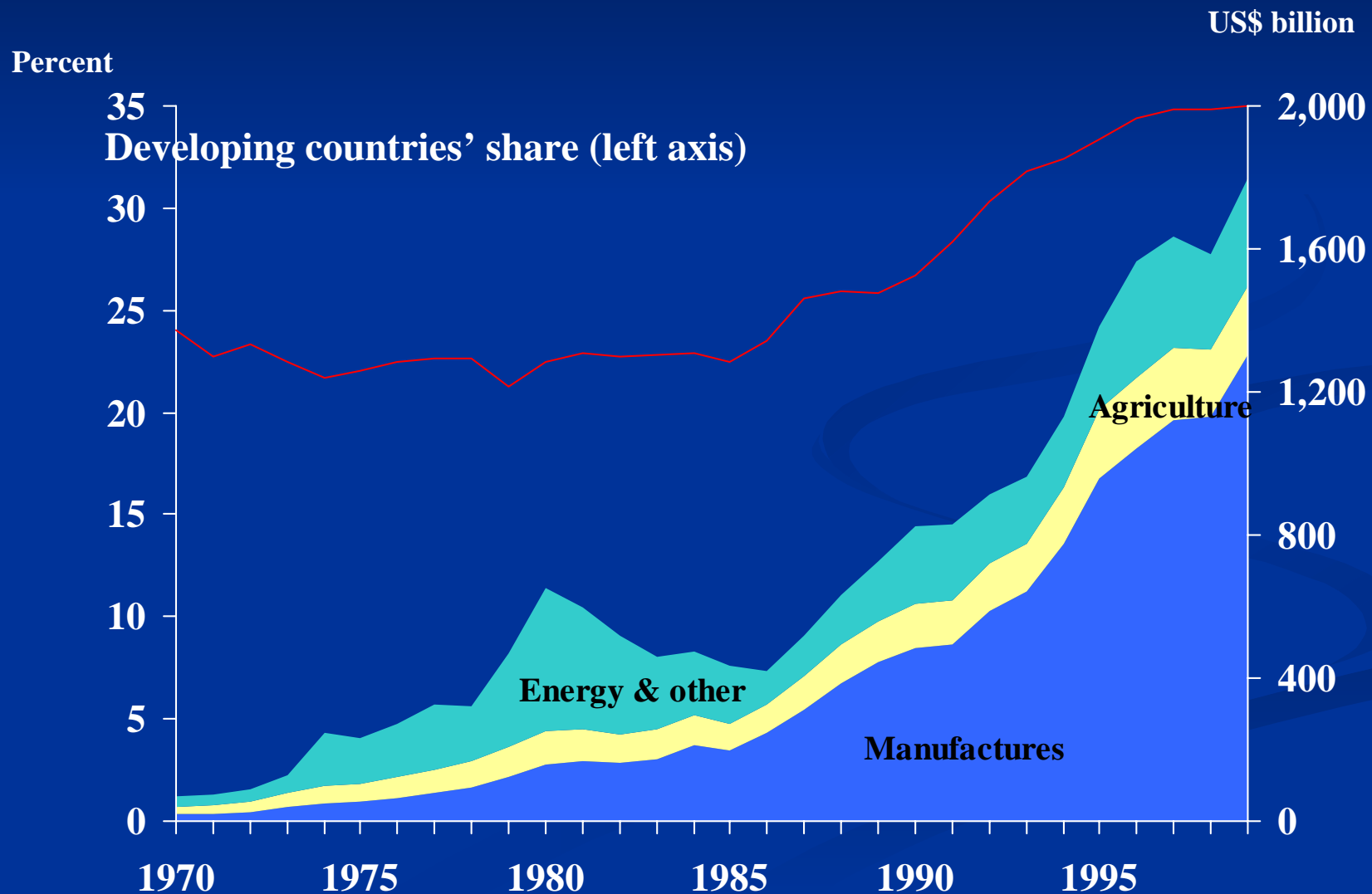
- Africa's share in world exports declined during the past three decades (3.5% in 1970 to 1.5% in 1999).

The loss is equivalent of \$70 billion per year, five times of the current level of ODA.

- Africa's exports are still dependent on natural resource-based products.

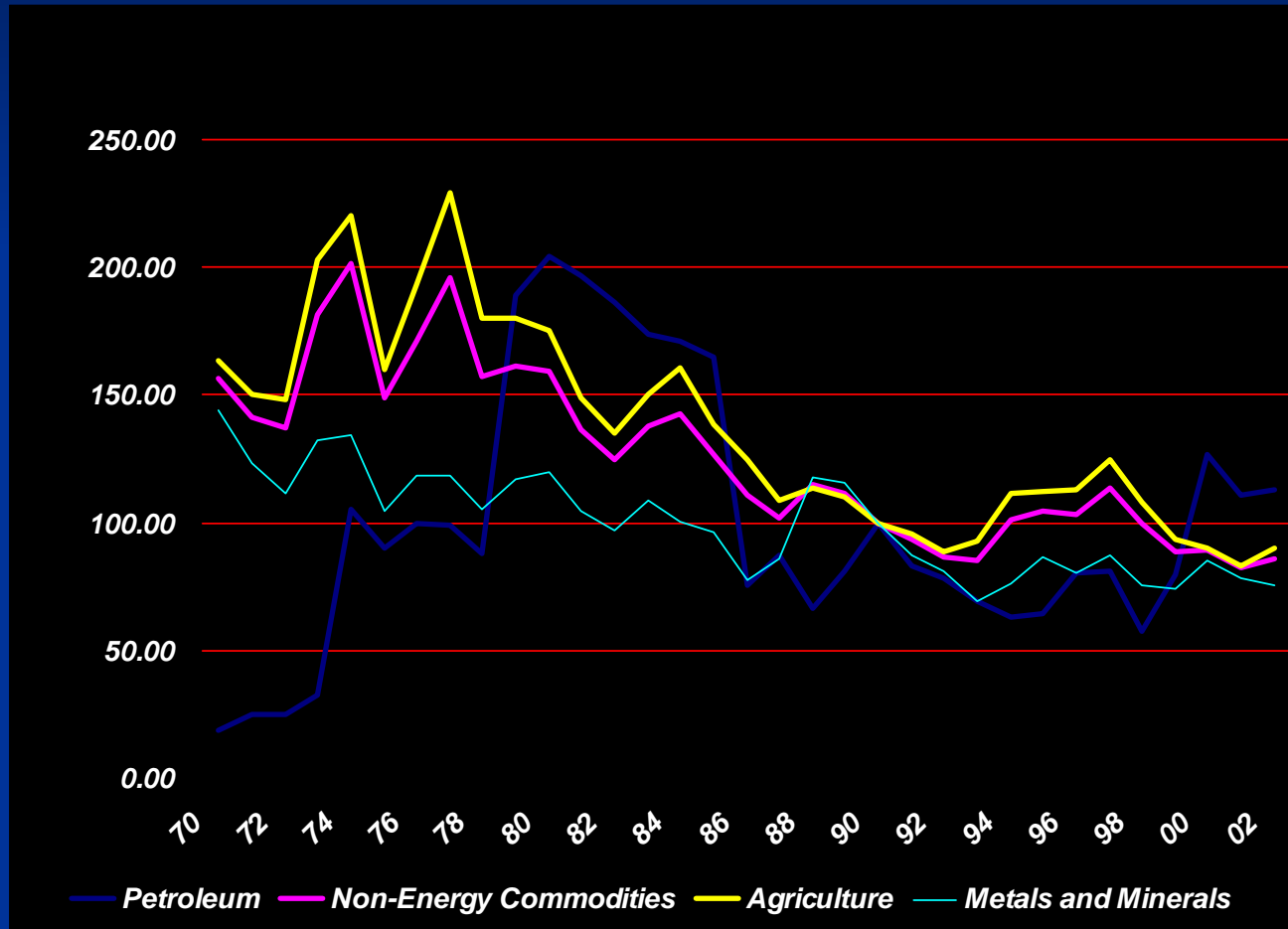


... and this is not what we see in developing countries in general



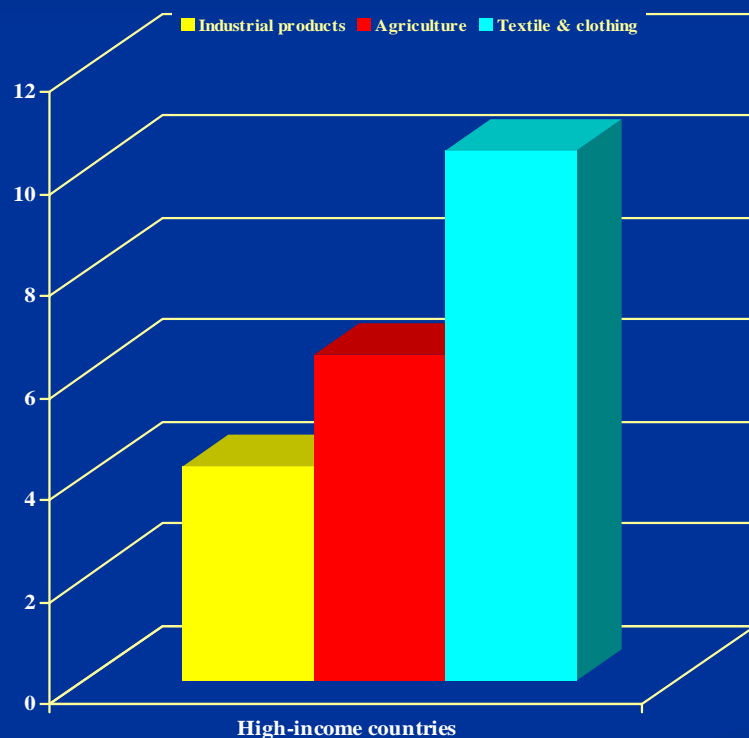
- This makes Africa vulnerable.
 - For many African countries, unfavorable export prices since 1970 have offset the increase in ODA.
 - Since 1997, price of Africa's non-oil commodity exports have fallen by 35%.

Declining non-oil commodity prices since 1970



■ Africa also faces challenges in accessing foreign markets.

Average Tariff on Selected Products



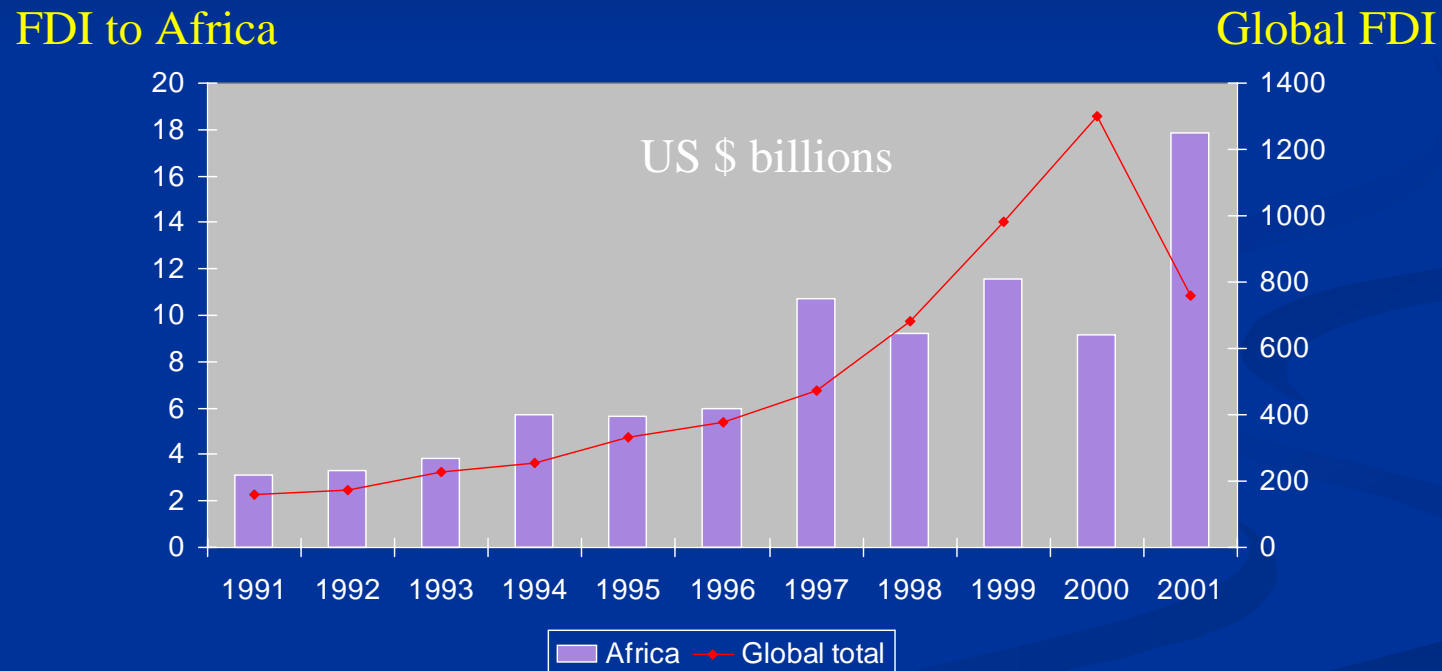
Note: Average MFN tariffs (un-weighted, in %)

Source: World Bank.

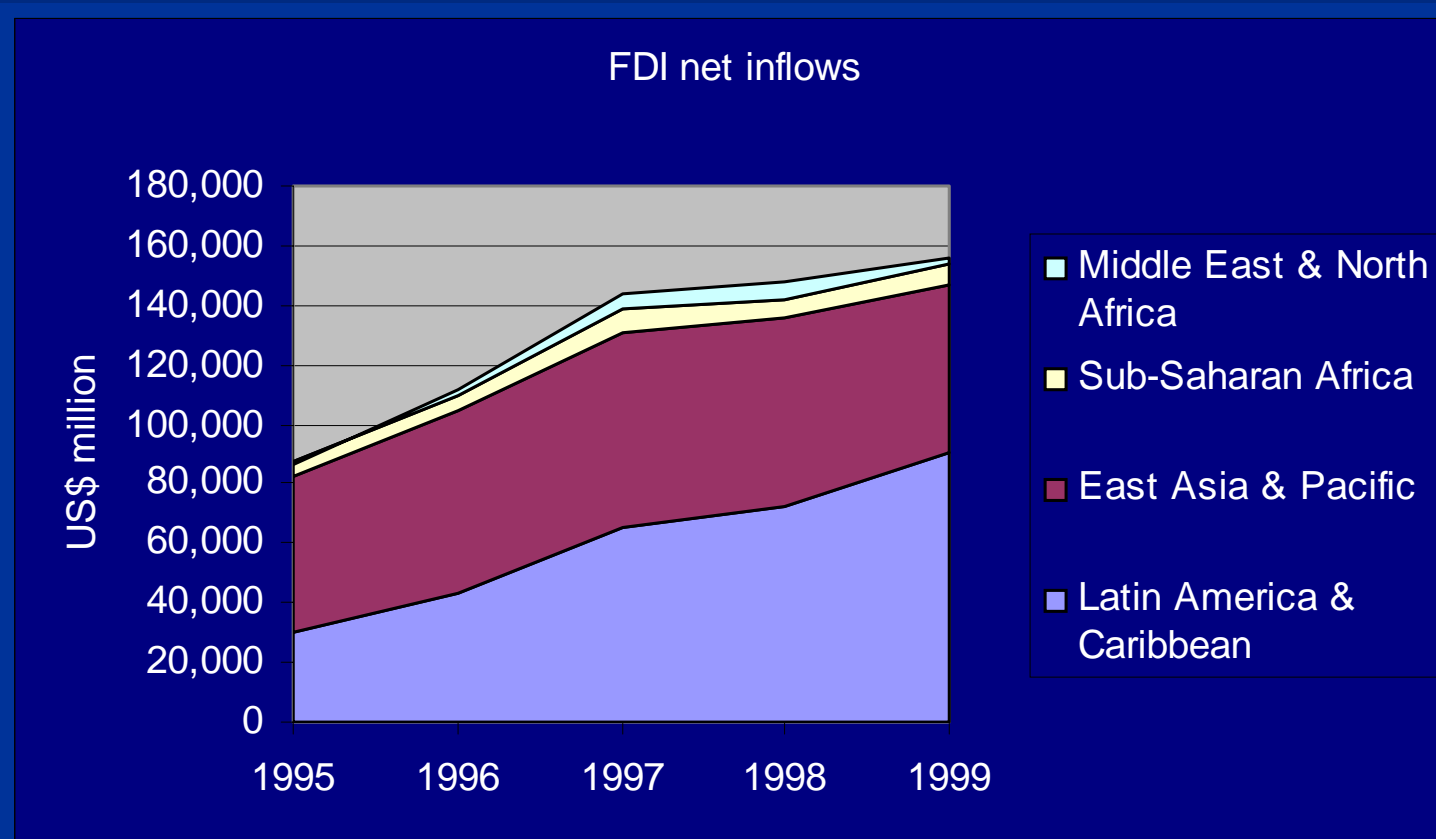
- While overall tariffs appear moderate, trade barriers and subsidies are the constraints in export growth.
- Farm supports in G8 (\$310 billion per year) equals 23 times aid flows to Africa.
- Excessively demanding standards constitute de facto non-trade barriers to African exports.

Part 2: Foreign Investment in Africa

- FDI to Africa is small but resilient

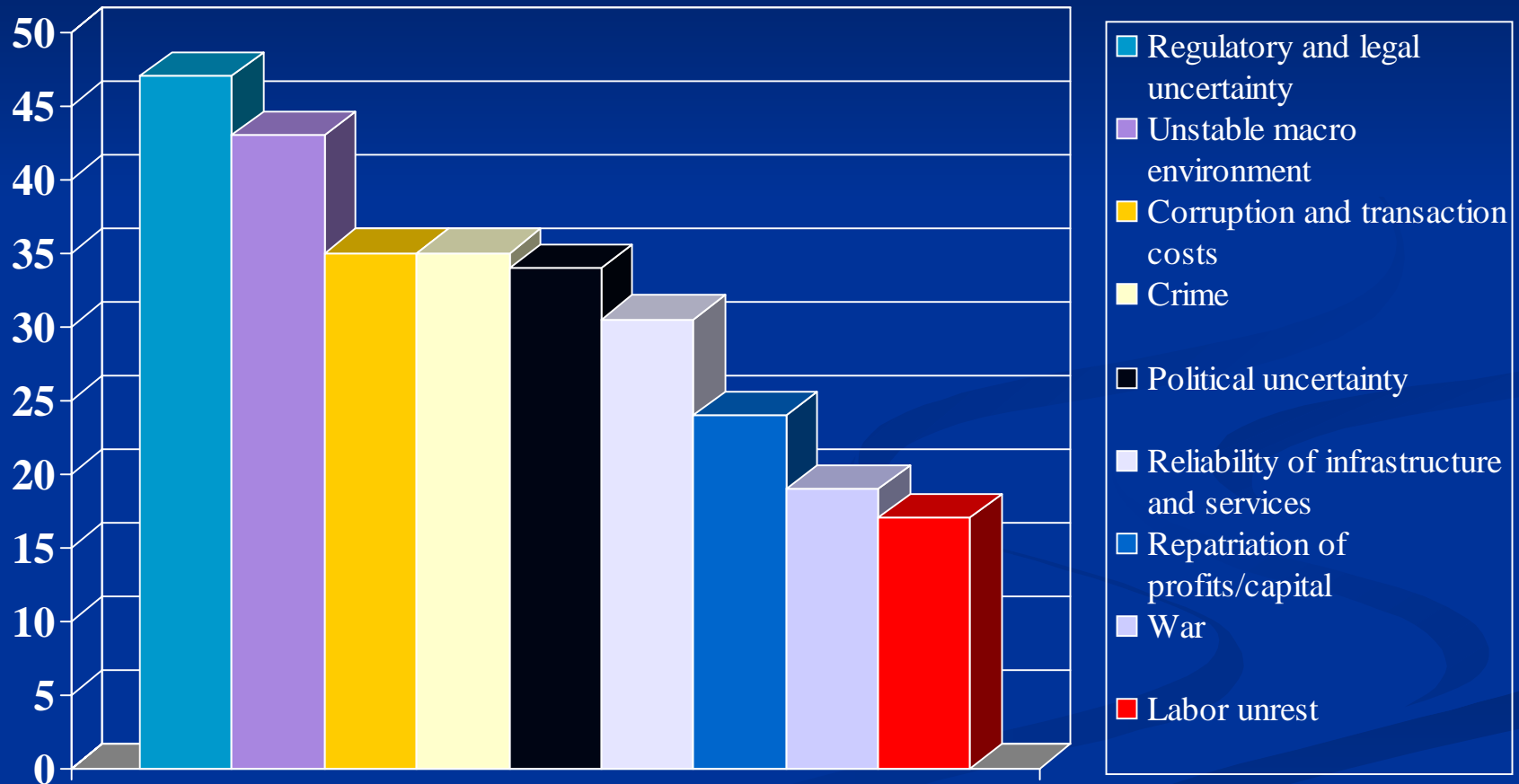


- Africa remains small compared to other regions in receiving FDI.



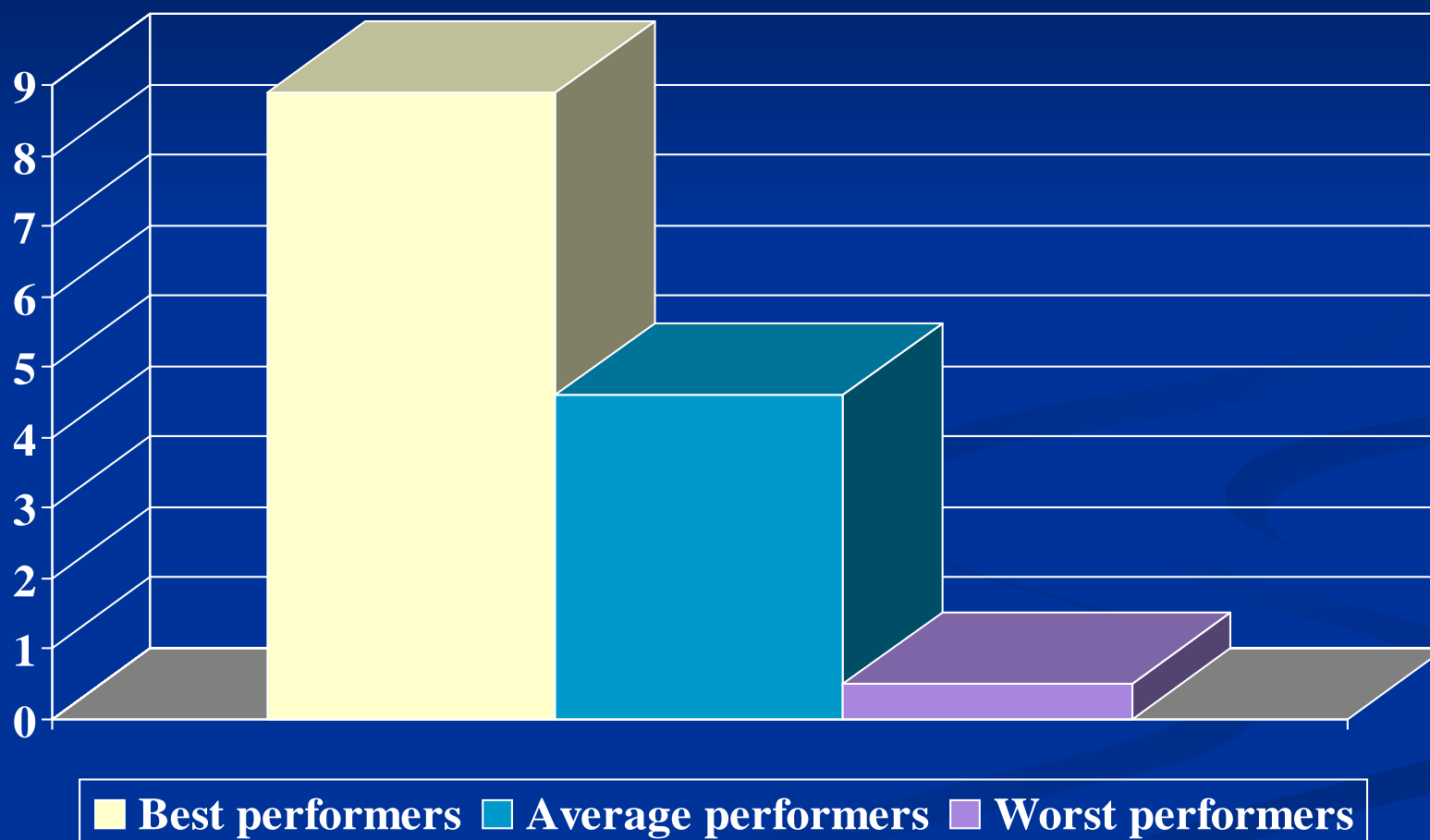
Source: UNCTAD

■ Predictability, stability, and transparency are main areas of concern of foreign investors.



Note: Shares sum up to more than 100% because the respondents named more than factor. Survey was conducted for South African (SADC) economies

and sound policies are key to attracting FDI *(average annual percent change in FDI/GDP ratio, 1996-99)*



Note: Policies as of 1995

Source: Global Development Finance 2002

Part 3: What need to be done?

What need to be done to deal with the challenges that Africa is facing?

- By African countries
- By developed countries

- In African countries:

- Build diversified and competitive domestic industries to ensure strong domestic supply response to new market opportunities.
- Pursue liberal trade policies by eliminating anti-export bias in tariff policies as well as taking liberal import policies.
- Pursue strategies to better integrate with global marketing system.

- In African countries (cont'd)
 - Pursue effective regional integration to overcome capacity constraint of small domestic markets
 - Put high priority in infrastructure services (particularly in telecommunication, transportation)
 - Ensure macroeconomic stability and business-friendly environment.

- Developed countries can:

1. Provide new opportunities to African exports by committing to the following action:

- Reduce tariffs (peaks and escalation) and quantity restrictions in the WTO Doha round.
- Building on existing trade preferences (GSP, US/AGOA, EU/EBA), and provide unrestricted access to African exports in the WTO Doha round.

* Effectiveness of the trade preferences are limited due to the restrictions on coverage and rules of origin.

- Developed countries can (cont'd)

Benefit of Unrestricted Access

Fully unrestricted access by key industrial countries could produce immediate gains for the least developed African countries leading to 13% increase of non-oil exports and boosting their real incomes by 1%.

2. Increase the level and quality of trade and investment related technical assistance

Part 4: World Bank's role

Four Pillars of AFR Strategy

(AFR= Africa Regional Vice Presidency, World Bank)

**IMPROVE
GOVERNANCE
AND RESOLVE
CONFLICTS**

**IMPROVE DEMAND
FOR GOOD
GOVERNANCE
AND
TRANSPARENCY**

**POST-CONFLICT
ASSISTANCE
MODELS
(DRC, LICUS)**

**INVEST
IN PEOPLE**

HIV/AIDS AND MAP

**EDUCATION FOR ALL
(13 OF 23
COUNTRIES)**

**DECENTRALIZED
SERVICE
PRODUCTION AND
TRACKING**

**IMPROVE
COMPETITIVENESS
AND DIVERSIFY
ECONOMIES**

**BUSINESS CLIMATE,
AGRIBUSINESS,
SUPPLY CHAINS**

INFRASTRUCTURE

**TRADE AND
EXPORT FOCUS**

**REDUCE AID
DEPENDENCE
& STRENGTHEN
PARTNER-
SHIPS**

**BUILD ON NEW
PROCESSES
(HIPC, CDF/PRSP,
NEPAD)**

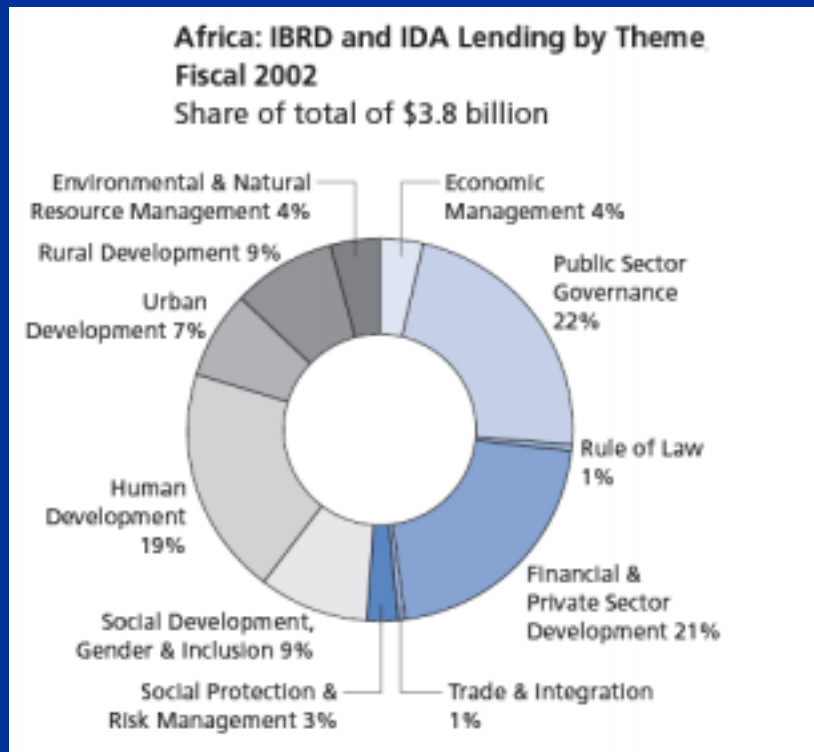
**GET RESOURCES
TO PEOPLE
(CDD AND
EXPENDITURE
TRACKING)**

**SLASH
TRANSACTION
COSTS OF AID!**

Different from Traditional Approach

- **Specific activities:**

- **Lending Operation:** IDA/IBRD lending programs with emphasis on regional integration, institution building, infrastructure improvement, private sector capacity building, EPZ development.



FY 02 New Commitments

IBRD: \$41.8 million

IDA: \$2,615.4 million

Portfolio of Projects

\$15.3 billion

- **Specific activities:**

- **International dialogue “Trade and Aid”:** The Bank is playing a leadership role for a pro-development multilateral round (Doha Development Agenda).
- **Integrated Framework:** The Bank has assumed a leading role in IF for trade related assistance. The IF studies provide LDCs with a diagnostic on trade/exports capacity and technical assistance.
- **Economic and Sector Work:** Fill information gap through analytical work (e.g. Investment Climate Study) or coordinate the platform for multilateral dialogues (e.g. Investment Advisory Board, Enterprise networks)
- **Promotion of Private Business:** IFC and MIGA: Investment and Guarantee programs, Investment Promotion Network (IPA net), Privatization link, FDI Xchange