

Regional Development in a Multipolar World

*Explaining the impact of US-China nexus on African
export performance*



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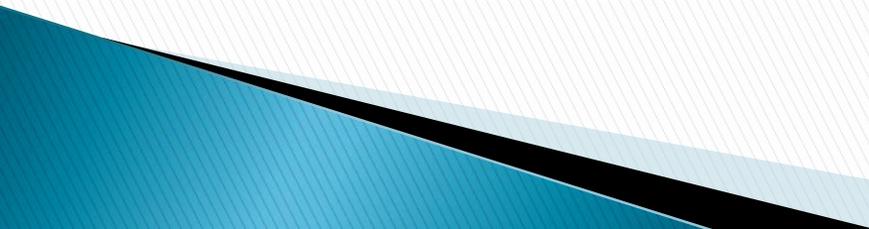
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Organisation

- Background
- Objective
- Framework
- Evidence
- Conclusion
- Policy lessons

Background

- ▶ There is a growing interest in the influence of growth poles on development in other regions
 - ▶ The phenomenon itself does not represent anything new
 - ▶ Since the advent of interactions among nations there have been development consequences for participants
 - ▶ For much of recent history, these developments were driven by the trio of Europe, US and Japan
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- ▶ Current resurgence of interests is principally inspired by the emergence of non-traditional actors like Brazil, Russia, India, China and South Africa (so called BRICS) in the driving seats.
- ▶ However, much of the extant works adopts a bi-polar framework (see Figure 1)
- ▶ Analysis of a multipolar kind is relatively unpopular (see Figure 2)

Figure 1: Bipolar Framework

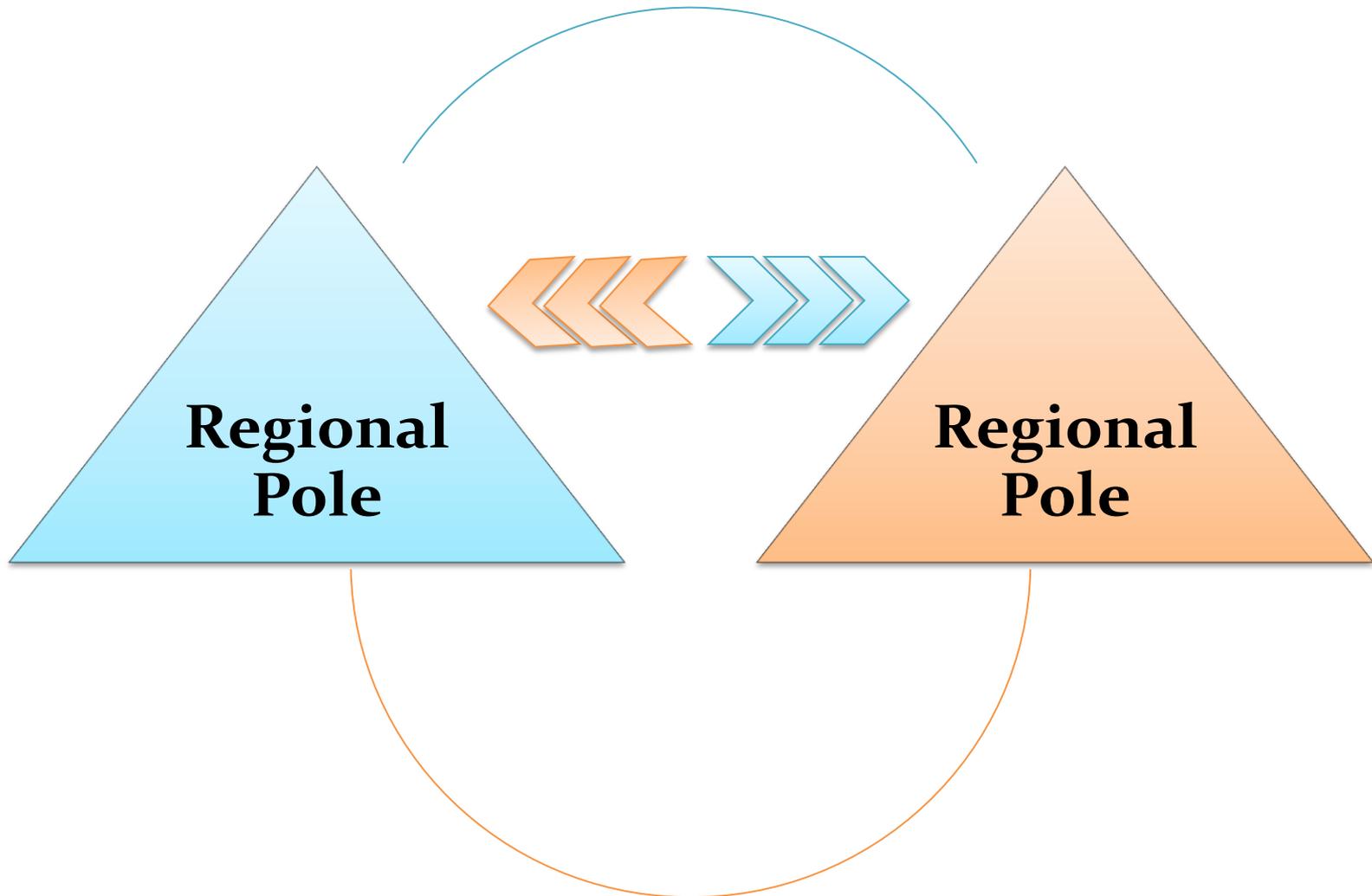
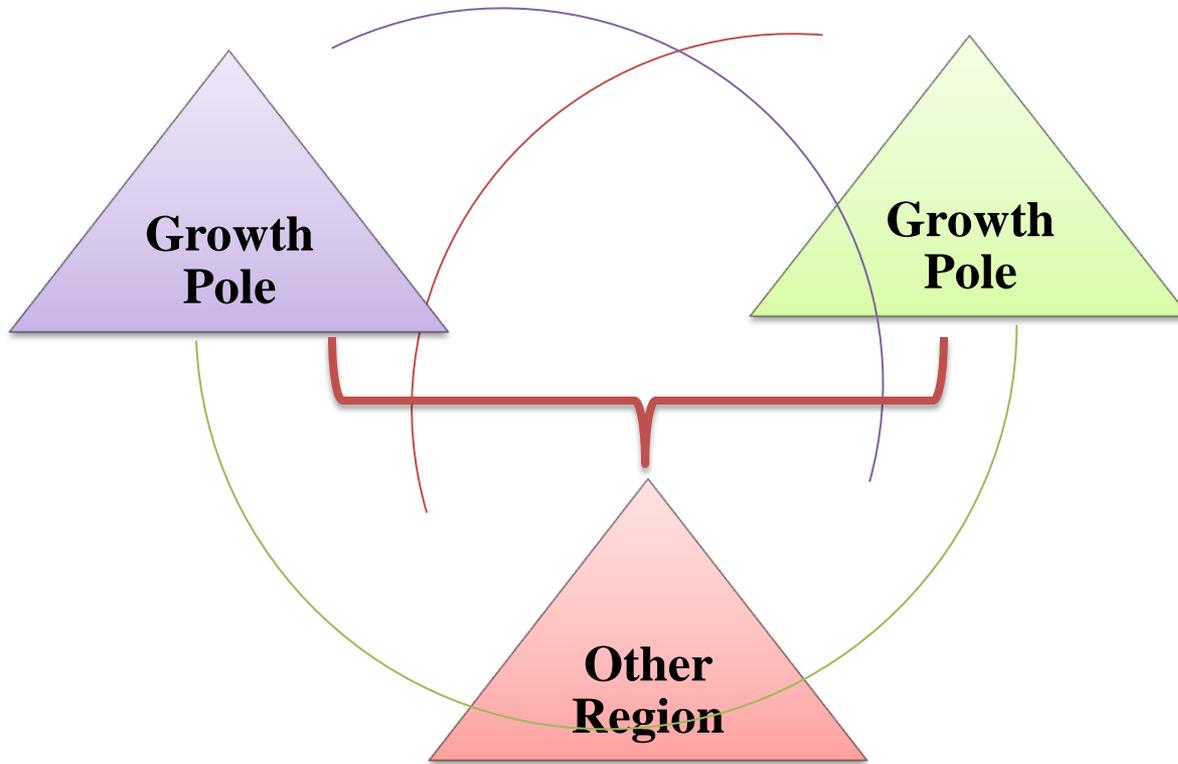


Figure 2: Multipolar Framework



Objective

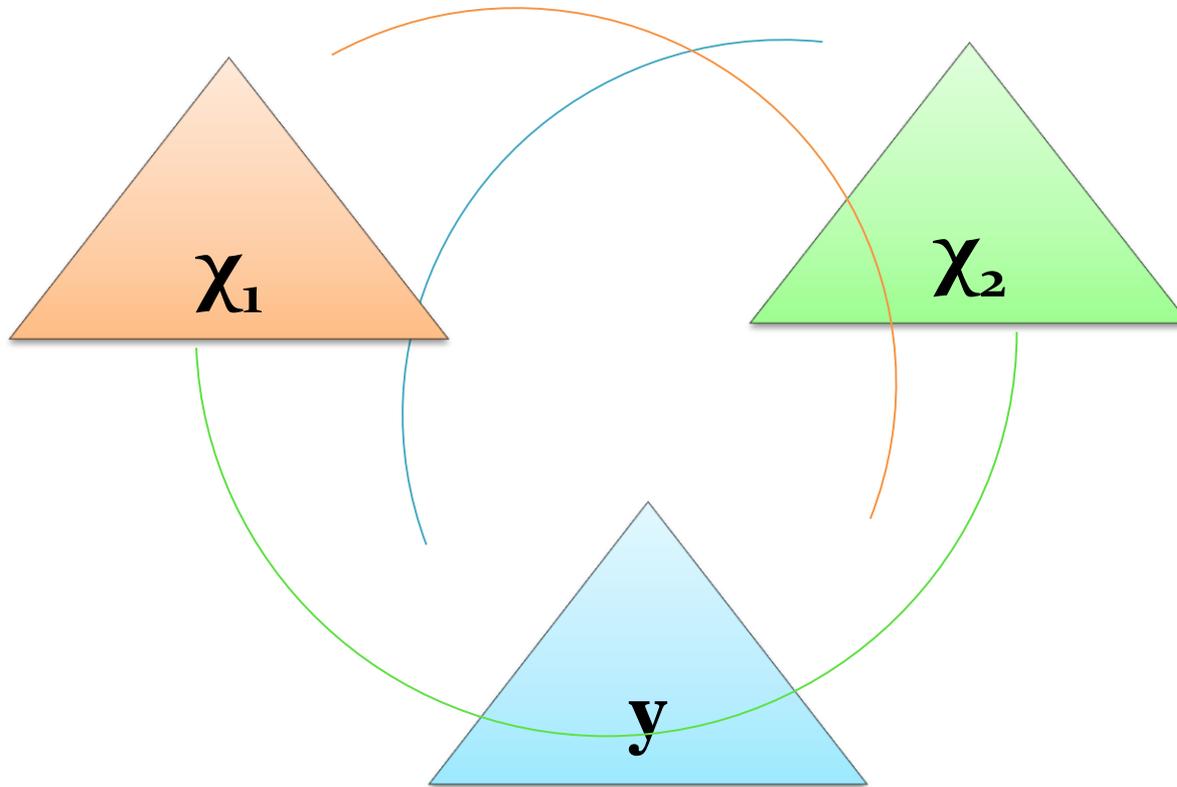
- To explain how variety of activities, undertaken by growth drivers, collectively impacts on development in other region.

To this end:

- a framework that reveals the dynamics linking export performance outcome (in beneficiary pole) with different combinations of activities (of growth drivers) will be presented
- This will be applied to the experience of SSA to illustrate how the interaction of values, externalised by both US and China, helped activate export of apparel from the region

Framework

- Assume a tri-polar world comprising two growth drivers (say χ_1 , χ_2) and one beneficiary (say \hat{y})



- Export performance in \hat{Y} is a function of the quality of its market access and supply capability conditions.

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- But because of its relative backwardness \hat{Y} is unable to muster sufficient capabilities needed to produce result.

- However, X can support either by:

- extending preferential trade treatments to its imports of goods originating from \hat{Y}

or

- investing directly in \hat{Y} 's production sector to help transfer technology needed to improve supply capability.

- In essence, whatever happens to export of firms in \acute{Y} depends on actions of χ poles.

- These actions can be:

- **Complimentary**

- when χ_1 extends preferential treatments to its import from \acute{Y} and χ_2 invests directly in the production sector to enhance supply capability.

- Or

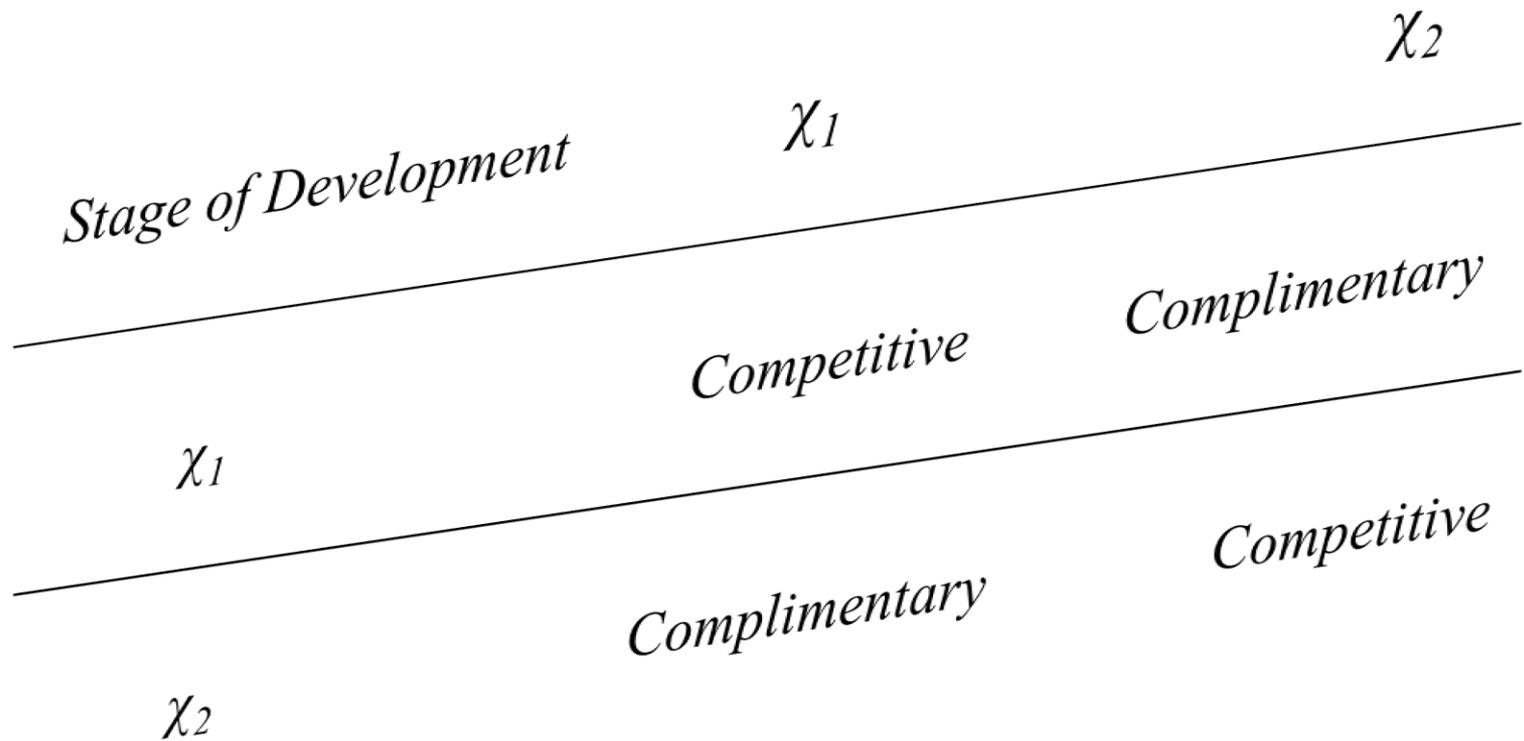
- **Competitive**

- if both χ_1 and χ_2 externalizes the same kind of value for capture by \acute{Y}

Hypotheses

- ▶ Complimentary behaviour produces significant export response while competitive behaviour, because of its potential to crowd out, can only lead to poor export achievements.
- ▶ But whether it is the complimentary or competitive type of behavior that obtains, a lot depends on economic attributes of χ poles
- ▶ Using stage of development as an example of economic attribute where χ_1 represents advanced stage and χ_2 stands for developing stage Table 1 below illustrates the pattern of value interaction that emerges from simulations of possible scenarios.

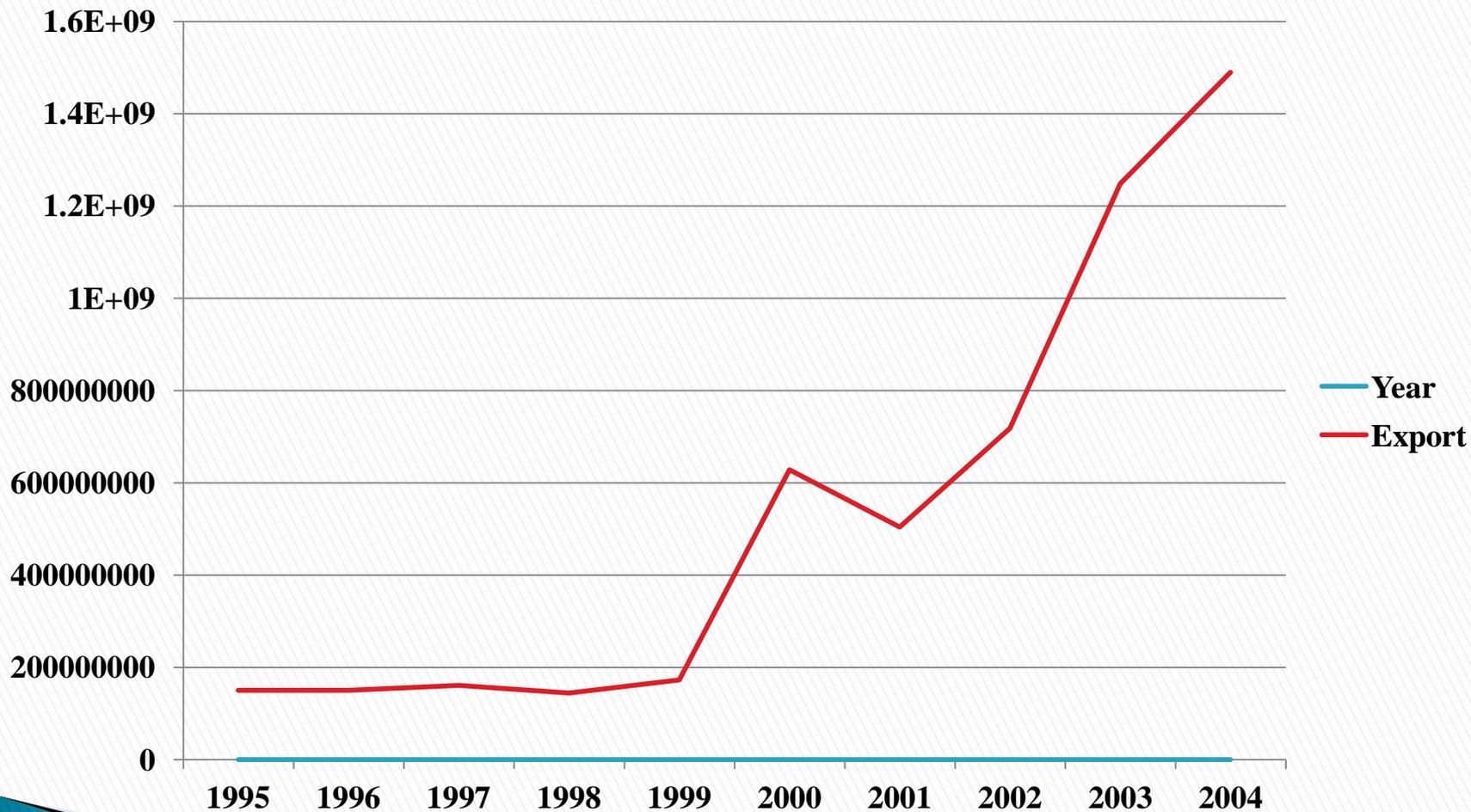
Table 1: Pattern of value interaction that emerges for each intersection of stages of development



Apparel Exports from SSA: The US-China Connection

- **The environment**
 - African economies lack sufficient export capabilities due to poor quality of both market access and local production conditions.
 - However, there are 3 growth drivers with potentials to provide support for African export quests: The EU, US and China.
 - Both EU and US share similar economic attributes that depart from China's.
 - The major attribute of both EU and US that is of interests to Africa is their large internal market for apparel
 - China on the other hand possesses significant capability in the technology of apparel production.
 - With this in mind, let us see how Africa performed in apparel export over the course of recent history.

Figure 4: Value of total apparel exports from SACU to rest of the world, 1995-2004 (\$US)



Observations

- Two major episodes can be discerned:
 - The pre 2000 was characterized by relatively insignificant export achievements.
 - The post 2000 witnessed increasing and relatively significant export achievements.

Pre 2000 episode

- Performance was driven largely by meek external supports:

Market access related support

- There were no significant market access privileges in place for African apparel.
- Only EU had preferential market access programs (Lome Convention, GSP) that extended product coverage to apparel.
- However, due to the paltry preference margins as well as imposition of other restrictive conditions like Rules of Origin (RoO) requirements the market access values (MAV) of these programmes were quite insignificant.
- US GSP did not extend preferential treatments to apparel.

Supply capability related support

- Though Chinese and other Asian firms were present in the region their number was not large enough, possibly because of their host's limited access to markets in both EU and US.

Post 2000 episode

- Performance was driven largely by strong external supports.

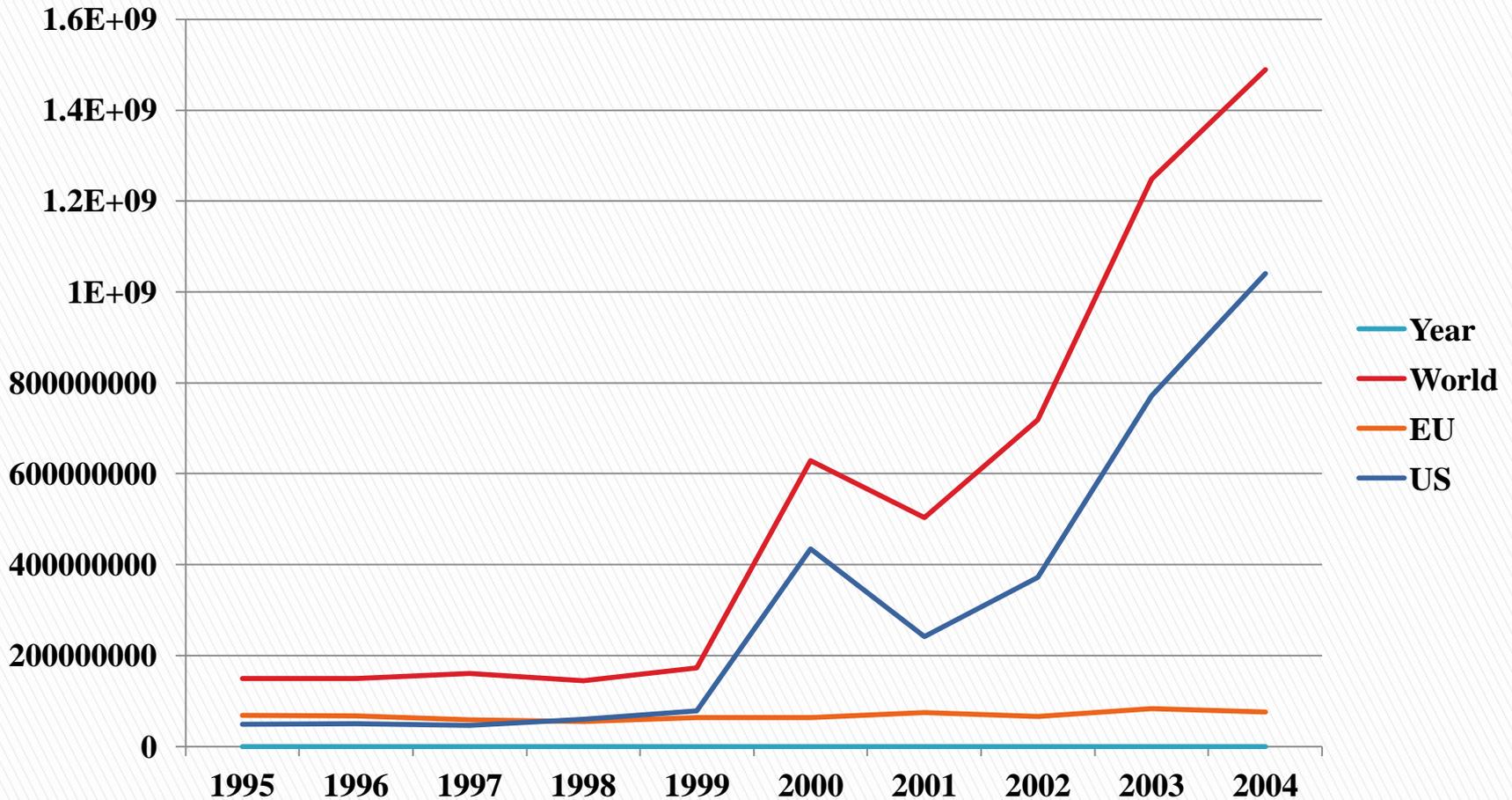
Market access related support

- Two major preferential trade programmes were in place.
- EU's Everything But Arms Initiative (EBA) came into being in 2001 while US launched the African Growth and Opportunity Act (AGOA) scheme in 2000.
- In terms of MAV, both Programmes were significant improvements on previous EU Schemes: RoO requirements were more liberal just as preferential margins were substantial.

Supply capability related support

- The number and activities of Chinese and other Asian firms had increased significantly in the region
- Figure 2 below provides a more detailed illustration of SACU's export performance during the period under consideration.

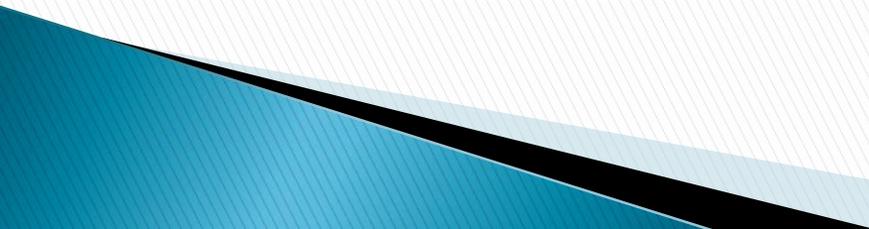
Figure 5: Value of total apparel exports from SACU to rest of the world, EU and US, 1995-2004 (\$US)



Observations

- The share of US's claim in total exports to rest of the world is much larger than the share of EU's claim.
- This superiority reflects two things:
 - 1. Competitive effect of similar values (MAV) externalized by both EU and US.
 - US had an advantage here because the market access incentives of AGOA were more substantial than those of EU's EBA: For instance, AGOA had a more liberal RoO requirements for many of its beneficiaries than EBA had.
 - 2. Complimentary effect of different values externalized by the duo of US & EU (MAV) and China (production capabilities).
 - Here as well, US had an advantage over EU because the orientation of production and marketing technology of Chinese and Asian firms that drove production in the region was towards the US market.

Conclusion

- ▶ In a multipolar world, development outcome for participants is not only a function of bipolar engagements. It extends to cover interactions of a multipolar kind.
 - ▶ The case presented shows how the combined activities of two growth poles (US & China) enabled a third pole (SSA) to record significant export achievements.
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Policy Lessons

- Polar powers interested in making meaningful impacts on development in other regions need to be sensitive to how their own activities interact with activities of other growth drivers
- Beneficiaries interested in making the best out of their integration with growth poles would also need to focus on the collective rather than the individual attractions of actors they engage with.



Thank you