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**TRIPLING AFRICA'S PRIMARY EXPORTS:  
WHAT? HOW? WHERE?**

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# TRIPLING AFRICA'S PRIMARY EXPORTS: WHAT? HOW? WHERE?

*Jörg Mayer and Pilar Fajarnes*

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## Contents

	<i>Page</i>
<i>Abstract</i> .....	1
I. INTRODUCTION .....	1
II. AFRICA'S EXPORT PERFORMANCE IN COMPARATIVE PERSPECTIVE REVISITED .....	2
III. RISING PER CAPITA INCOME AND THE IMPLIED RISE IN AFRICA'S EXPORTS .....	9
IV. PROSPECTS FOR EXPANDING AFRICA'S EXPORTS OF PRIMARY COMMODITIES .....	10
A. Supply potential for primary exports .....	11
B. Opportunities for raising exports to main developed countries .....	12
C. Export opportunities from rapid industrialization and economic growth in Asia .....	14
1. The recent rise in Africa's primary commodity exports to China .....	15
2. Projecting China's primary imports .....	20
V. CONCLUSIONS.....	25
REFERENCES .....	27
<i>Appendix I: The Growth of Africa's Primary Exports Associated with the Rise</i> in the Region's Per Capita Income to Latin America's Current Level .....	29
<i>Appendix II: Coverage and Sources of Data</i> .....	31
 <i>Figure</i>	
1 Regional resource combinations, 1960–2000 (at 5–year intervals) .....	3
2 Regional export composition, 1999–2001 .....	5
3 Rise in total world and China's imports of primary commodities, by major commodity groups, 1990–2003 .....	15
4 China's primary imports from world and from Africa, by major commodity groups, average annual rate of growth, 1994–2003 .....	16
 <i>Table</i>	
1 Regressions explaining sectoral export structure, 2000 .....	6
2 Actual and predicted export compositions of African countries, 1990 and 2000 .....	8
3 Share of Africa in China's total imports, by major commodity groups, 1994–2003 .....	16
4 Share of China in Africa's total exports, by major commodity groups, 1994–2003 .....	16
5 Import value growth, share in total imports and origin of the 20 most dynamic primary commodities in China's imports, 1999–2003 .....	18
6 Magnitude of change in selected raw material imports by Japan, the Republic of Korea and China, selected periods .....	22
7 The composition of primary commodity trade, Africa's exports and China's imports, 2000 .....	24



## TRIPLING AFRICA'S PRIMARY EXPORTS: WHAT? HOW? WHERE?

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### Abstract

*Income growth in Africa sufficiently high to achieve the internationally agreed development goals implies a rise in the region's per capita income by the early 2020s to about Latin America's current level. This would be associated with roughly a tripling of Africa's primary exports. Increased African supply on world commodity markets would tend to make prices lower, but not by much, given the smallness of its market shares. Rising global demand from sustained rapid growth in natural-resource-poor Asian countries, particularly China, would moderate, or even compensate, such a potential fall in prices and provide sizeable new opportunities for Africa's primary exports. In Africa, extractive industries would be poised best to benefit directly from China's rising imports, while exporters of agricultural products would be more likely to benefit indirectly from rising world market prices associated with Asia's growing primary imports.*

### I. INTRODUCTION

Reducing poverty through sustained growth is the key development challenge facing sub-Saharan Africa (henceforth Africa). A rise in Africa's income sufficiently high to achieve the internationally agreed development goals also implies a rise in the region's per capita income by the early 2020s to about Latin America's current level. Given that the export-GDP ratio of most countries changes only little as their incomes rise, Africa's economic development will be accompanied by an expansion of its exports, both primary products and manufactures. Since the relative position of Africa in the world's constellation of resource endowments is unlikely to change rapidly in the near future, primary products will constitute a major part of Africa's future export expansion. This will be the case even accounting for the fact that economic development typically involves structural transformation away from activities in the primary sector.

Any potential expansion of Africa's exports raises questions as to the region's supply capacity and the demand potential for additional exports of primary products and manufactures. Given the abundance of studies on supply constraints and on Africa's potential for rising manufactured exports,<sup>1</sup> this paper concentrates on demand for Africa's primary exports. It addresses the following questions: What magnitude of primary export expansion would accompany a rise in Africa's average per capita income to Latin America's current level? Where could African exporters of primary products find markets which are large enough to absorb greater volumes without a decline in prices? Which products and African countries would benefit the most?

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<sup>1</sup> See, for example, Wood and Mayer (1998, 2001), UNCTAD (1998) and UNIDO (2004).

The paper starts from two observations. First, easing the widespread supply constraints is clearly crucial if Africa is to increase its primary exports. However, many of the existing supply constraints apply across all economic sectors and are related to Africa's poor overall economic performance. Thus, they need to be addressed in any case to achieve the rise in income with which rising primary exports will be associated.<sup>2</sup> Second, it is often argued that due to declining or relatively slow growth in global demand for primary commodities, their relatively low income elasticity of demand and the persistent protection in developed countries agricultural sectors, any attempt to raise export earnings through expanding primary export supply is self-defeating because it will lead to declining prices. It is indeed likely that growing primary exports from Africa will tend to make commodity prices lower than they otherwise would be, thus requiring increases in Africa's export volumes to exceed any given increase in export values. But for most commodities this price decline will not be large because of the smallness of Africa's shares in the world markets for most primary commodities. More importantly, rising global demand for primary commodities could moderate, or even compensate, the fall in prices caused by expanded African supply. Growing world demand for primary exports from rapidly growing natural-resource-poor Asian countries, particularly large ones such as China and India, has sharply increased Africa's potential for primary commodity exports. Africa's exporters will benefit directly from increasing their exports to China. Moreover, given the price effect from rising Asian demand, Africa's earnings from primary commodity exports will rise even if it does not sell directly to these Asian countries.

The paper is organized as follows. The next section uses an updated dataset to revisit the analysis and results of Wood and Mayer (1998, 2001; henceforth WM) that section III employs to calculate by how much Africa's exports of both primary products and manufactures would be higher if the region had Latin America's current per capita income level. Section IV examines Africa's prospects to achieve such a rise in its primary exports without facing declining prices. After briefly addressing Africa's supply potential for primary exports, it concentrates on new export opportunities provided by (i) improved market access to, and the elimination or substantial reduction of domestic support measures and export subsidies by, developed countries in the context of ongoing WTO negotiations on agriculture; (ii) meeting market entry conditions and standards and regulations associated with international trade in food products; and, in particular, (iii) a sustained increase in China's demand for primary imports. Section V summarizes the main conclusions and discusses actions required at both the national and international level for Africa to raise agricultural productivity and seize emerging opportunities to expand its primary exports.

## II. AFRICA'S EXPORT PERFORMANCE IN COMPARATIVE PERSPECTIVE REVISITED

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