Session three

Export growth and movement up the ladder of comparative advantage

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At the basic level,

There is broad similarity in the types of industries in which countries specialised at comparable stages of their development. All countries started with a focus on technologically simple labour intensive goods;clothng,sports goods,toys,processed foods. This is always followed by a move to more capital intensive and sophisticated items

Economic growth and changing economic structure

Level of exports	Type of exports	Contribution to growth
1.Natural resource intensive exports	Raw agricultural commodities	Low
2.Unskilled labour intensive exports	Handcrafts,toys,processed foods	Low to medium
3.Physical and human capital intensive exports	Manufacturing	Medium to high
4.Technology and knowledge intensive exports	High tech goods	High

The flying geese model

Term initiated by Japanese national Kaname Akamatsu in 1931.

The model explains the catching up process of development of less developed economies by entering into an economic relationship with a more developed economy:

1. Intra industry-product development within a developing country with a single industry growing over 3 phases:Import;Production and Export
2. Inter industry-Appearance and development of industries in a country with industries being diversified and upgraded from consumer goods to capital goods and to more sophisticated goods
3. International aspect-Relocation of industries from developed to developing countries during the latter's catching up process

Intra industry

- Import of goods into country leads to the emergence of domestic demand for these products
- Increased domestic demand encourages local production of the product
- When infant industry is sufficiently developed to process half manufactured goods to fully manufactured goods and when domestic production exceeds domestic demand,then exports begins and increases

Inter industry

This is the emergence of different products and industries as a result of demand linkages and complementarities of different products.It is not the relative absence of competitors in a particular segment of the market but rather the presence of complementary products and linkages that lead to economic development

International aspect

With increased export volumes and profitability,FDIs are attracted to the country to exploit the export potential

Lessons from the miracle experience of the Asian tigers

- The Asian economies of South Korea,Malaysia,Taipei,China,Thailand and Singapore all experienced the “flying geese” phenomena
- Can SADC countries learn from this experience?