Regional workshop on export competitiveness

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Session one: a pathway for economic growth

Exports: a pathway for economic growth

Rapid growth in exports has been seen as providing the key demand stimulus to set in a train of cumulative process of high investment, high profits, high savings and high growth; Recent examples include China,India,Singapore and Brazil

How growth is achieved

Demand expansion

When a country breaks into export markets, it overcomes the constraints the sales constraints imposed by the size and dynamism of the domestic market. Operating at higher output levels to satisfy the export markets will lead to per unit cost reductions and this will lead to further gains in market share

Productivity improvement

Exposure to foreign competition, technology and marketing can lead to productivity gains that would not be obtainable from sales in the domestic market. This will include access to advanced technology that will help in the upgrading of production facilities to international standards and thus enhancing productivity

Access to cheaper imports

With the foreign exchange generated by exports, consumers in the exporting country will have access to cheaper intermediate imports which embody superior technology and these can then be used in the production of the goods for exports thus realising productivity gains

Attracting FDIs

A country that is known for exporting a particular kind of goods is more likely to attract higher level of FDIs aiming to take advantage of the environment that makes exporting good business

Export product

There is evidence that growth of manufacturing exports is more valuable in contributing to overall economic growth than agriculture and services mainly due to externalities and dynamic increasing returns to scale.

Some countries have succeeded in export led growth, others have not

The successful exporting countries

Reasons for success:

1. Common goal setting by Government and the private sector
2. Political vision
3. Rewarding winners while abandoning losers
4. Private sector led export development
5. Competition
6. Property rights and the rule of law

Common goal setting by Government and the private sector

- Government's commitment to export led growth in a specific non traditional sector
- Sector valuable foreign exchange earner
- Sector fulfils social objectives-provides employment; provides impetus for regional/rural development

Political vision

The leadership of a country plays a crucial role in the country's economic development; including Exports development. Examples abound;China,India,Singapore,Brazil have had Heads of states with clear focus on promoting their countries' exports

Rewarding winners while abandoning losers

While providing support to organisations that are doing well, those not making the mark should be left to die. The slogan "Fail often in order to succeed sooner" should be applicable both at the corporate level as well as at the national level.

Private sector led export development

Governments do not produce goods and services(except in a few strategic sectors).This is the role of the private sector but a private sector that is waiting for the Government to provide leadership should not hold their breathe. Of course there are few exceptions.

Property rights and the rule of law

A country that does not provide guarantees on property rights and enforcement of the law will find it very difficult to attract investments required for the efficient production of goods and services without which the required competitiveness level can never be realised.

Reasons for failure have been attributed to:

1. Bad luck
2. Poor governance
3. Flawed policy design
4. Weak implementation of growth strategies

Bad luck

This is normally an excuse rather than the actual reason for failure; otherwise we have too much bad luck in Africa!

Poor governance

Governance is about providing boundaries and check points needed to keep programmes and initiatives on the right track. Governance is the foundation that oversees implementation of projects from an objective point of view.

Flawed policy design

Once ambiguity creeps into the strategic plan process, it leads to confusion and failure in execution. Goals must be carefully constructed in order to be crisp and well understood.

Weak implementation of growth strategies

This could be a result of several factors:

- Poor prioritisation-every goal cannot be top priority
- Lack of detailed planning to support goal achievement
- Poor communication and coordination
- Strategy and culture misalignment
- Accountability missing from plan goals
- Poor planning governance
- Ill defined strategic goals