Assessing the impacts of specialization pattern and policy drivers on Tanzania Trade Performance

David Laborde. IFPRI-MTID

REPOA Annual Research Workshop.
April 2018. Dar Es Salam

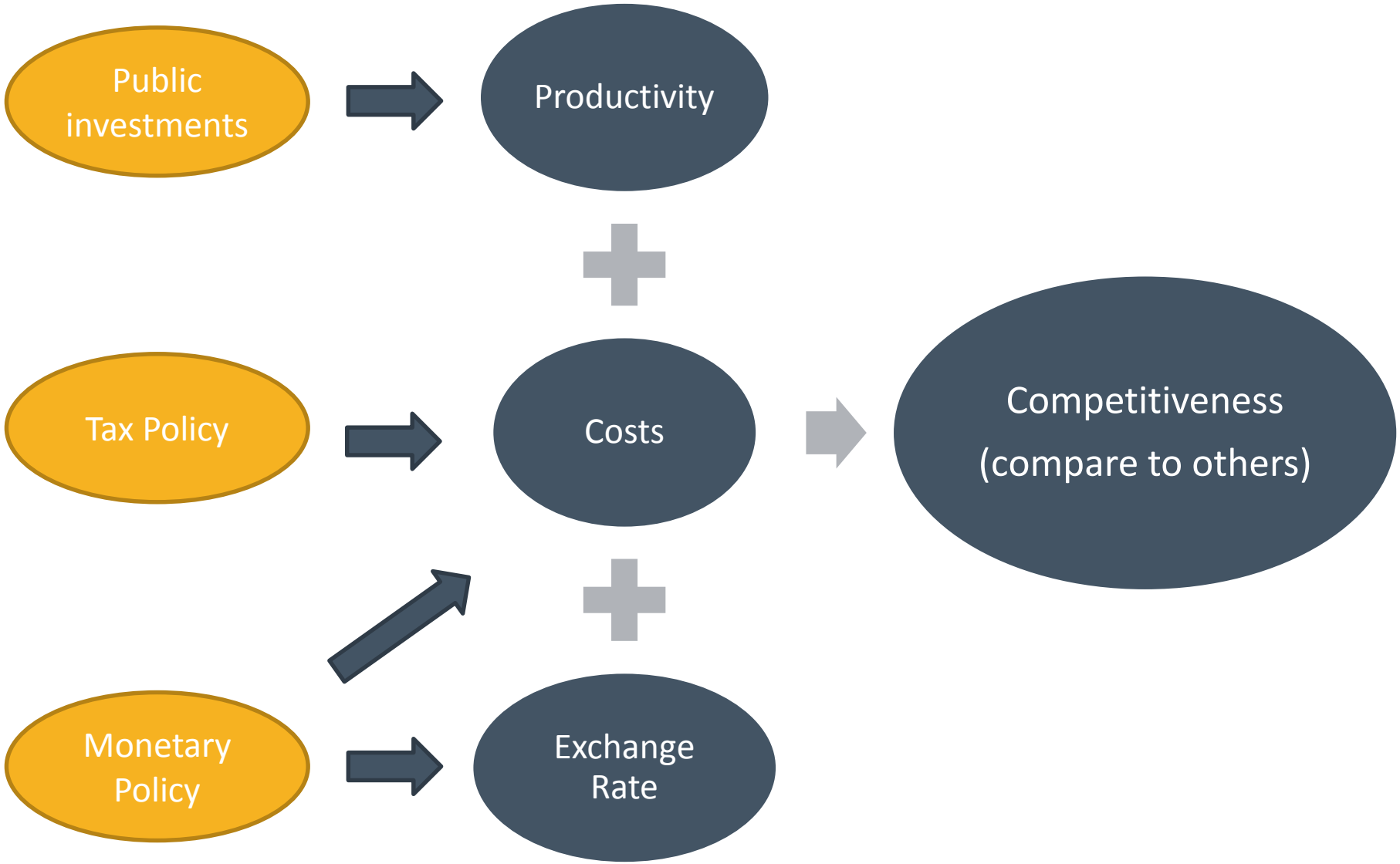
RESEARCH PROGRAM ON Policies, Institutions, and Markets
CGIAR
Led by IFPRI

Overview

- Conceptual framework for competitiveness analysis
  - From productivity to competiveness
  - Macroeconomic and sectoral dimensions
  - Who are the competitors
- Trade performance as an analytical tool
- Policy bottlenecks identification
- Focus on agriculture

Macroeconomics Drivers

Conceptual Framework



Strong economic growth but weak TFP

- Sustained economic growth (GDP, and GDP per capita)
- Reduction in inflation

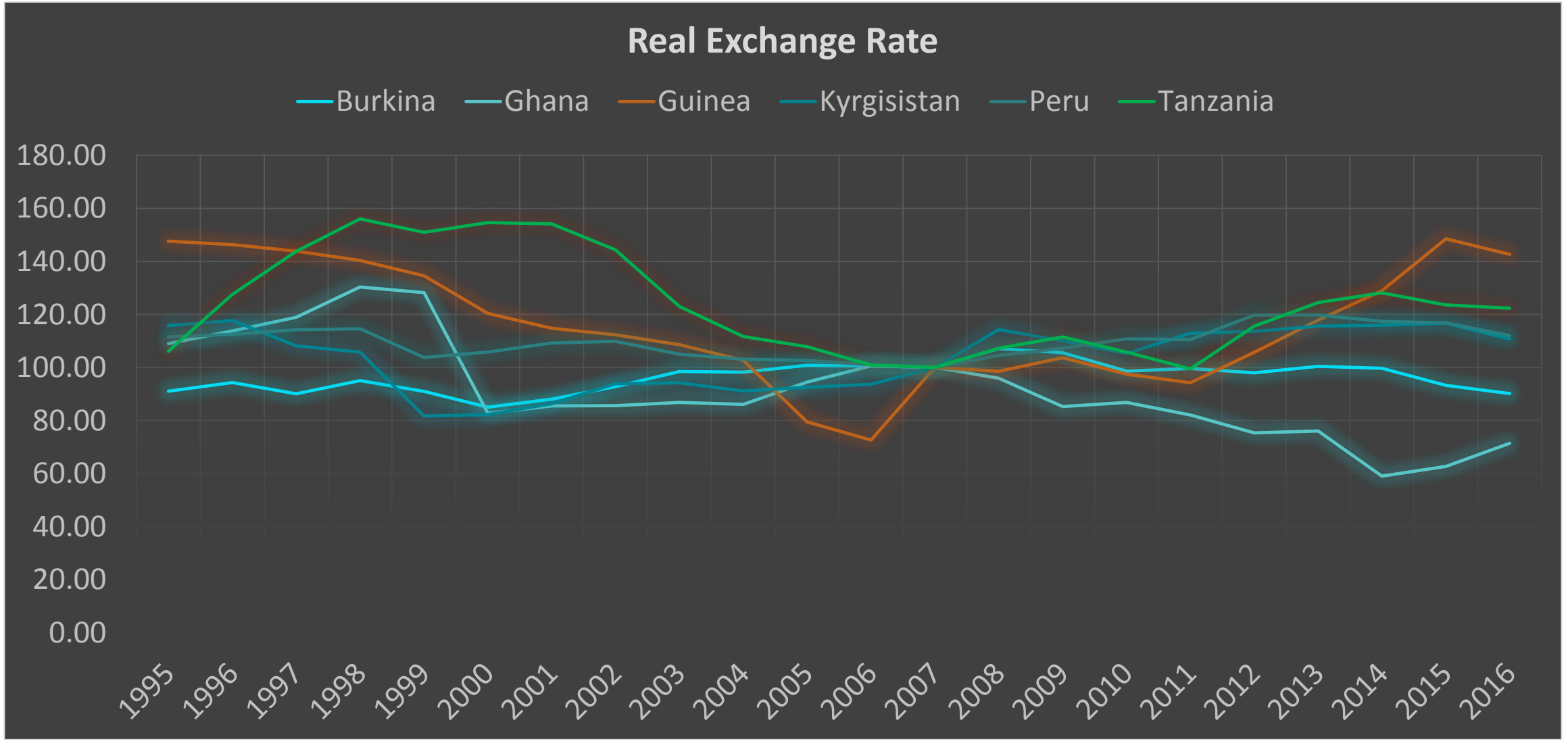
- Slowdown in Total Factor Productivity growth

- Economic and Labour productivity driven by capital accumulation (IMF, 2016)

TFP: 1995-2015 Annual growth rate	**Non Agric**	**All Crops***
Developed Countries*	1	0.8
Developing Countries*	2.5	1.3
Ethiopia	3.1	3.2
Indonesia	1.6	2.8
India	3.4	0.3
Kenya	0.7	0.9
Tanzania	1.8	1.9

Laborde, Martin and Tokgoz (2017)

Role of the real exchange rate: $\frac{ep^*}{p}$



Bruegel (2017)

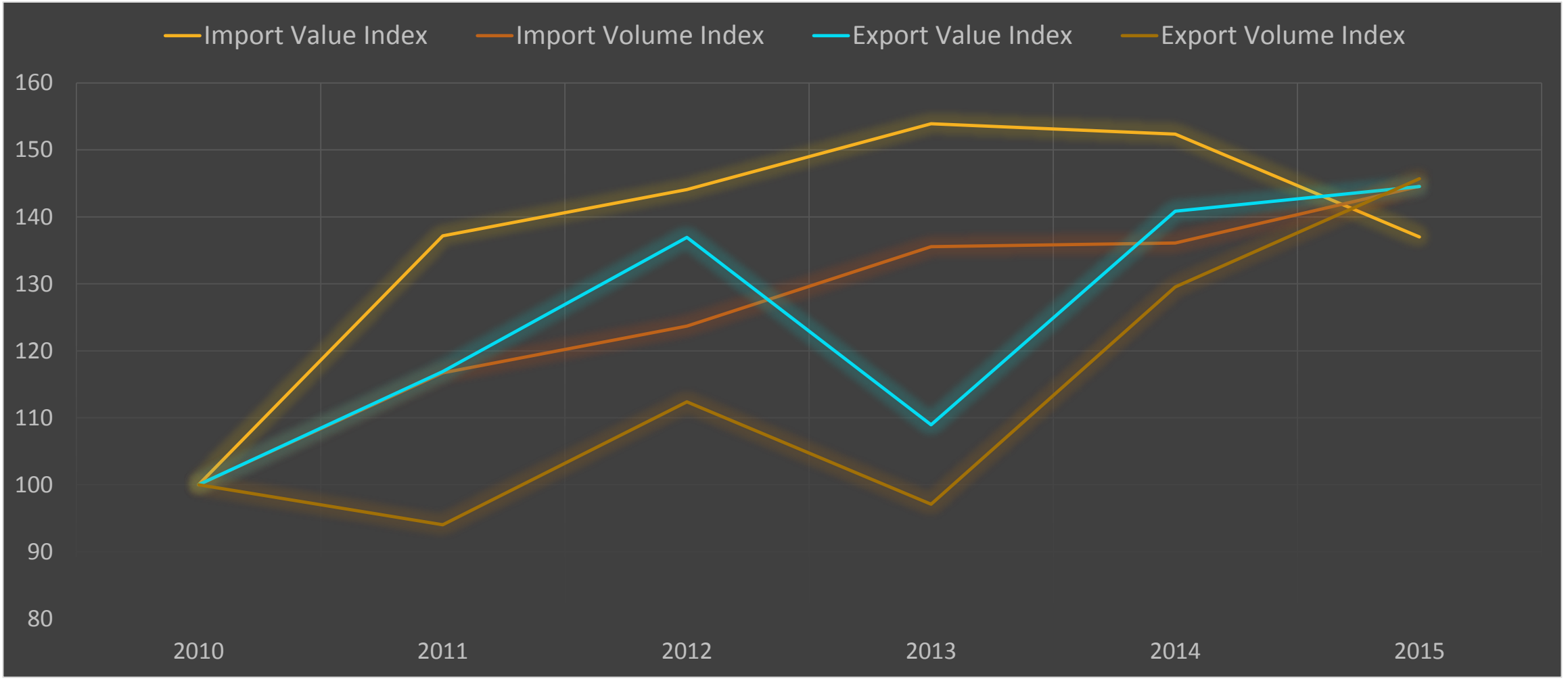
Tanzania as a potential Natural Gas exporter

- Serious risk of Dutch Disease
- Upwards pressure on wages and capital costs

- Need to have an active fiscal policy and public investments to support TFP
- Reduction of energy costs
- New opportunities (e.g. fertilizers)

Trade Performance

Trade Balance dynamics (reduction of the Current Account deficit)



Strongest Revealed Comparative Advantages (Last 5 years)

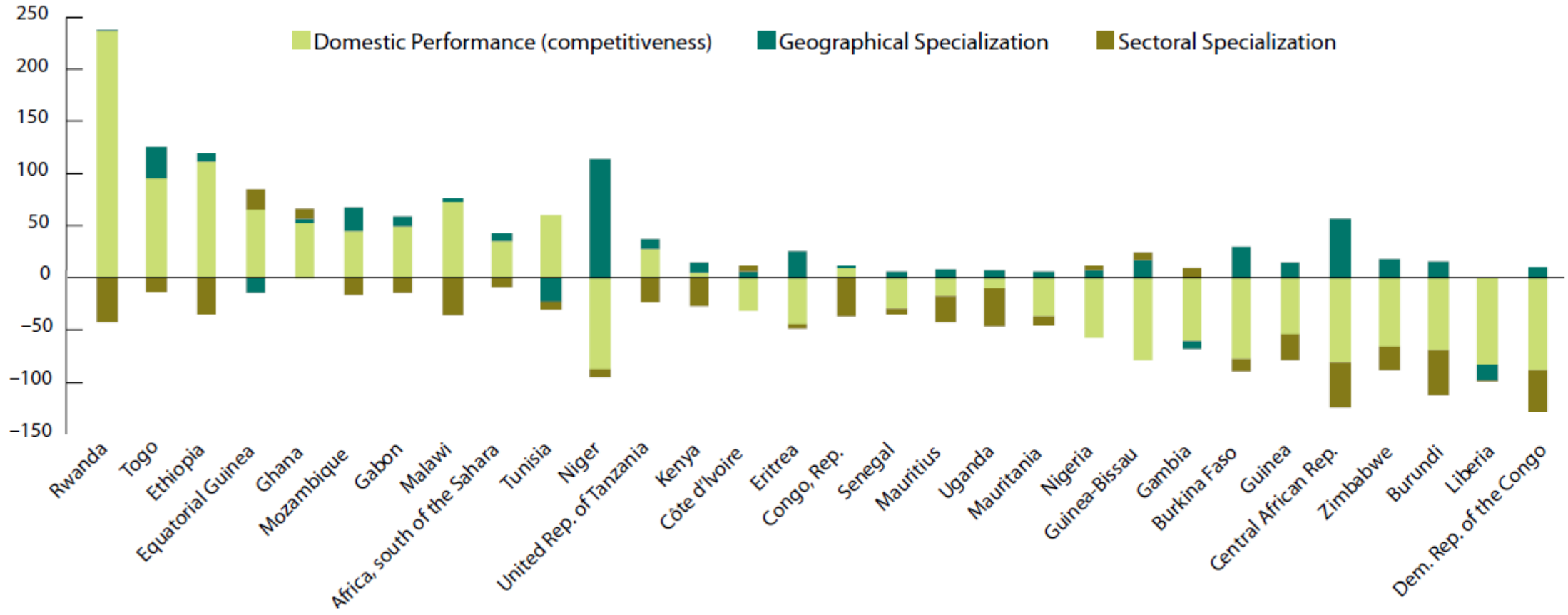
HS4 position	
0907	Cloves (whole fruit, cloves and stems)
5305	Coconut, abaca, ramie and other vegetable textile fibre
2616	Precious metal ores and concentrates
1207	Oil seeds and oleaginous fruits,
2401	Tobacco
0801	Nuts, edible; coconuts, Brazil nuts and cashew nuts, fresh or dried
0713	Vegetables, leguminous; shelled, whether or not skinned or split, dried
2302	Bran, sharps and other residues;
5303	Jute and other textile bast fibres (not flax, true hemp and ramie), raw or processed
3201	Tanning extracts of vegetable origin;

Identifying main competitors: countries with similar exports

Squared Export shares gap	Export similarity index Finger and Kreinin(1979)
Kyrgyzstan	Kyrgyzstan
Nepal	Togo
Uzbekistan	Uzbekistan
Togo	Burundi
Switzerland	Ghana
Dominican Republic	Burkina Faso
Surinam	Guyana
Ghana	Guinea
Peru	Mali
Guyana	Surinam

EVOLUTION OF AFRICAN COUNTRIES' GLOBAL MARKET SHARE OF AGRICULTURAL PRODUCTS (1995–2007)

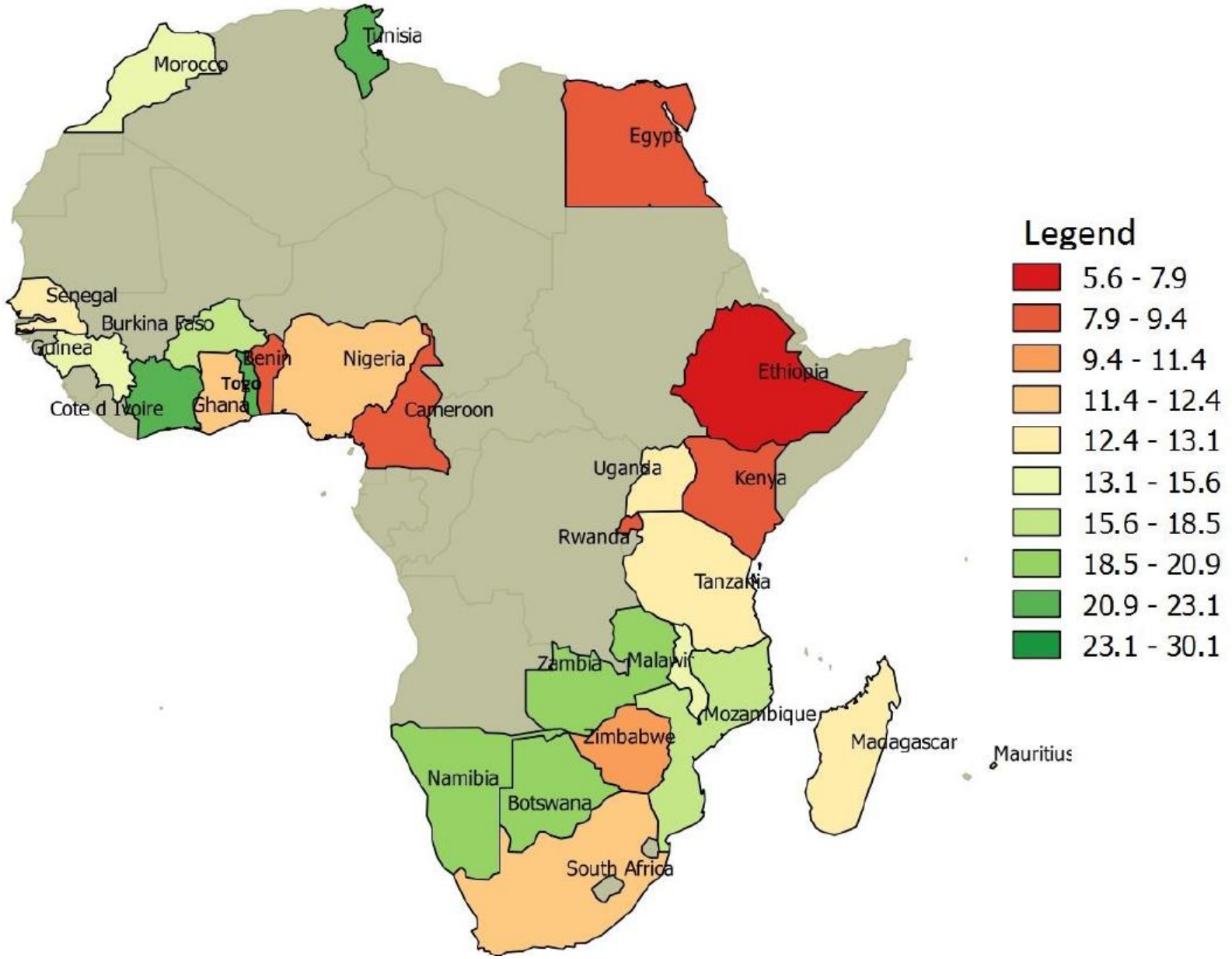
Econometric shift-share analysis of export growth



Source: BACI and authors' calculation, 2014.

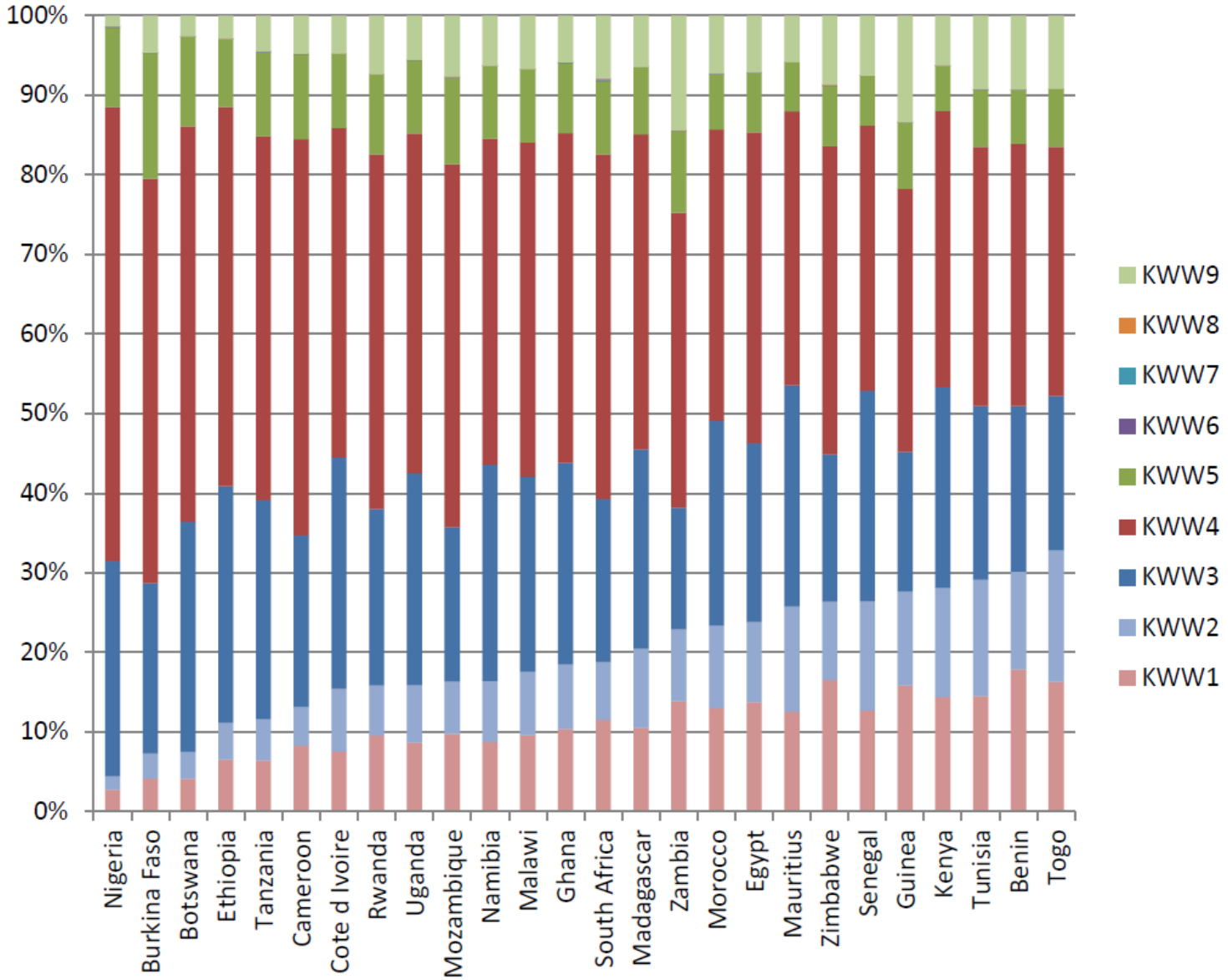
Note: Vertical axis shows percent change in world market shares.

Map of the shares of domestic value added consumed abroad (African countries)



Bouet, Cosnard and Laborde (2017)

Decomposition of gross exports by origin and destination of value-added, 2011



Note: KWW1 = foreign value-added in exports of intermediate goods; KWW2 = foreign value-added in exports of final goods; KWW3 = domestic value-added in direct final goods exports; KWW4 = domestic value-added in intermediate exports absorbed by direct importers; KWW5 = domestic value-added in intermediate goods reexported to third countries; KWW6 = domestic value-added in intermediate exports reimported as final goods; KWW7 = domestic value-added in intermediate inputs reimported as intermediate goods and finally absorbed at home; KWW8 = double-counted value-added originally produced at home in intermediate exports; KWW9 = double-counted value-added originally produced abroad in intermediate exports.

Bouet, Cosnard and Laborde (2017)

Policy Indicators and bottlenecks

Border protection

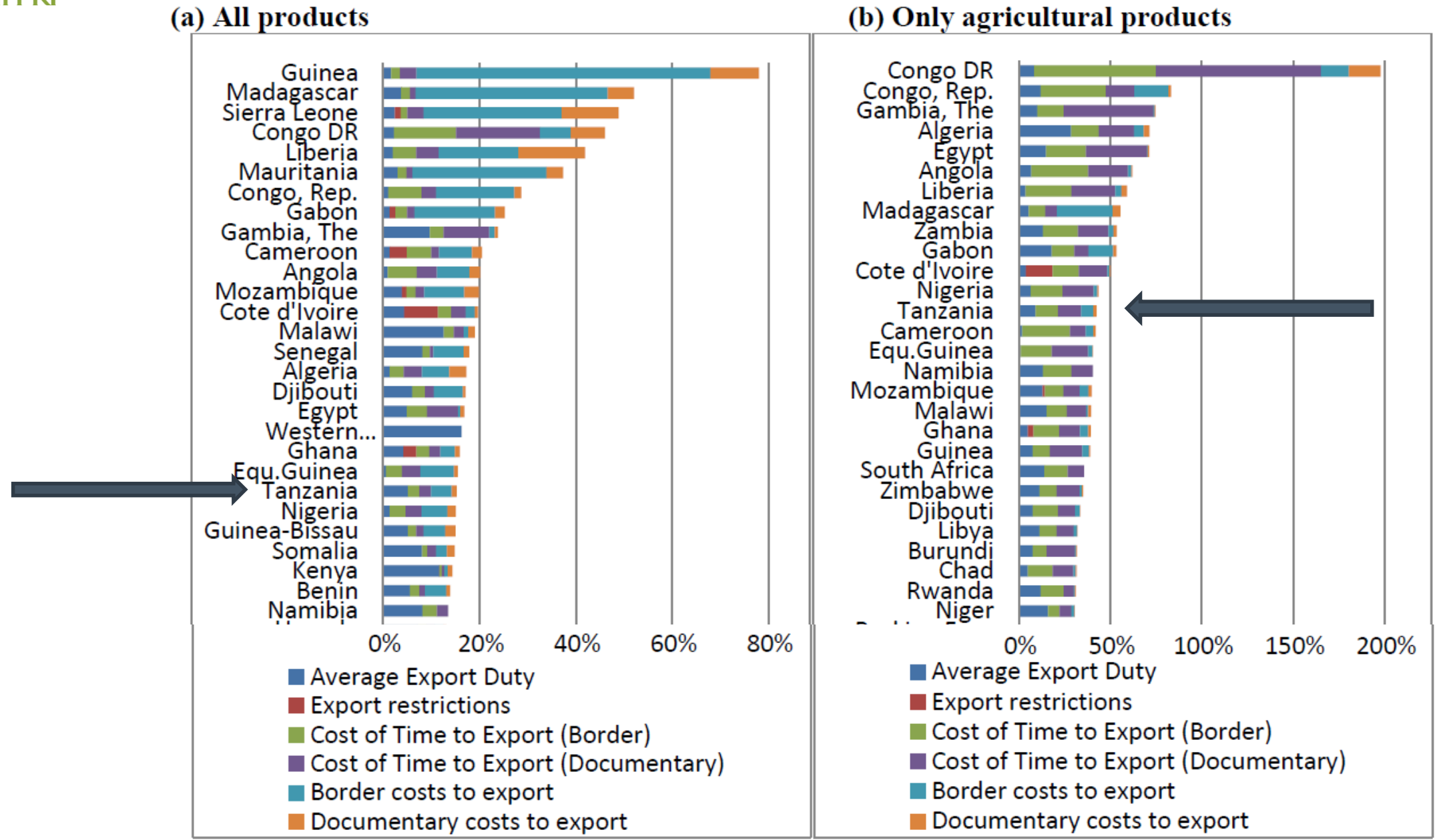
	Average import duty		Average duty faced on exports	
	All	Agriculture	All	Agriculture
COMESA	9.95%	25.50%	3.54%	11.87%
EAC	11.23%	24.22%	8.26%	12.04%
ECOWAS	9.99%	13.96%	2.22%	5.45%
Tanzania	12.10%	25.20%	5.10%	9.10%

Bouet, Cosnard and Laborde (2017)

But also beyond the border policy: Doing business indicators

Source: World Bank, Doing Business Indicators.

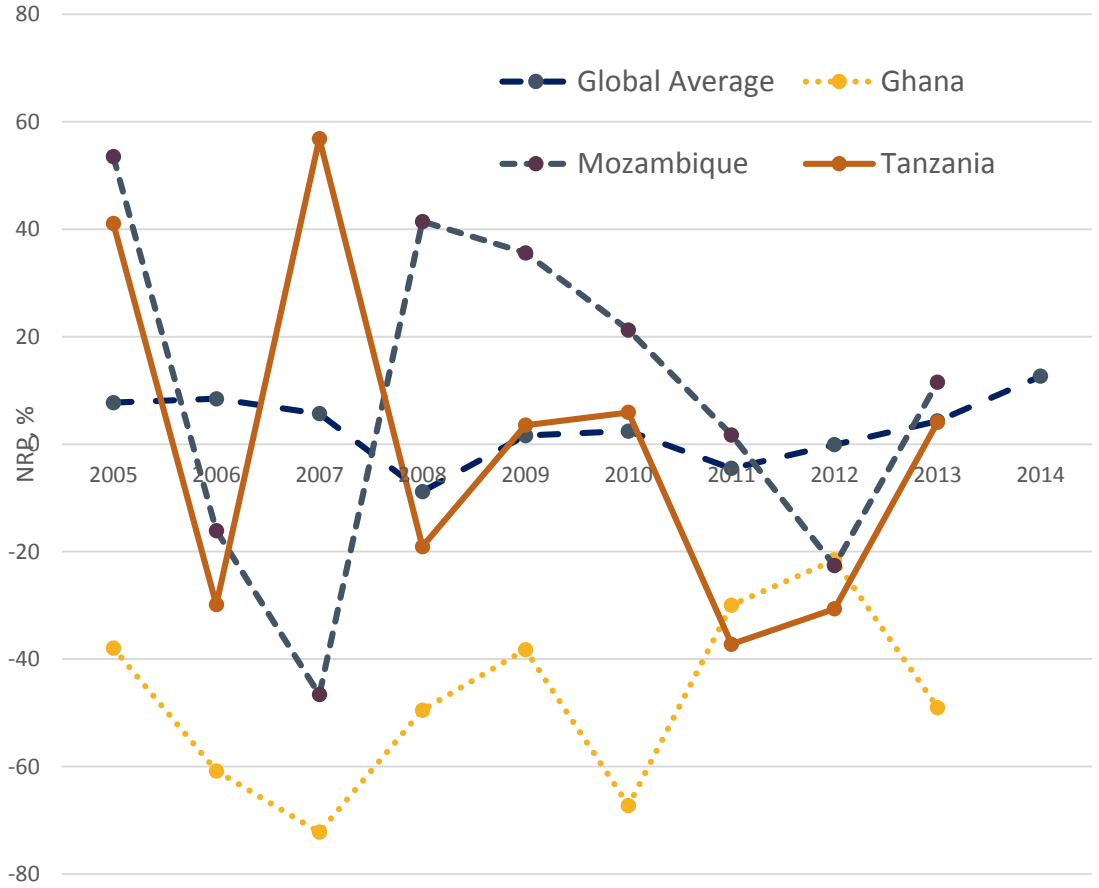
Total Export Cost (Ad. Valorem Equivalent)



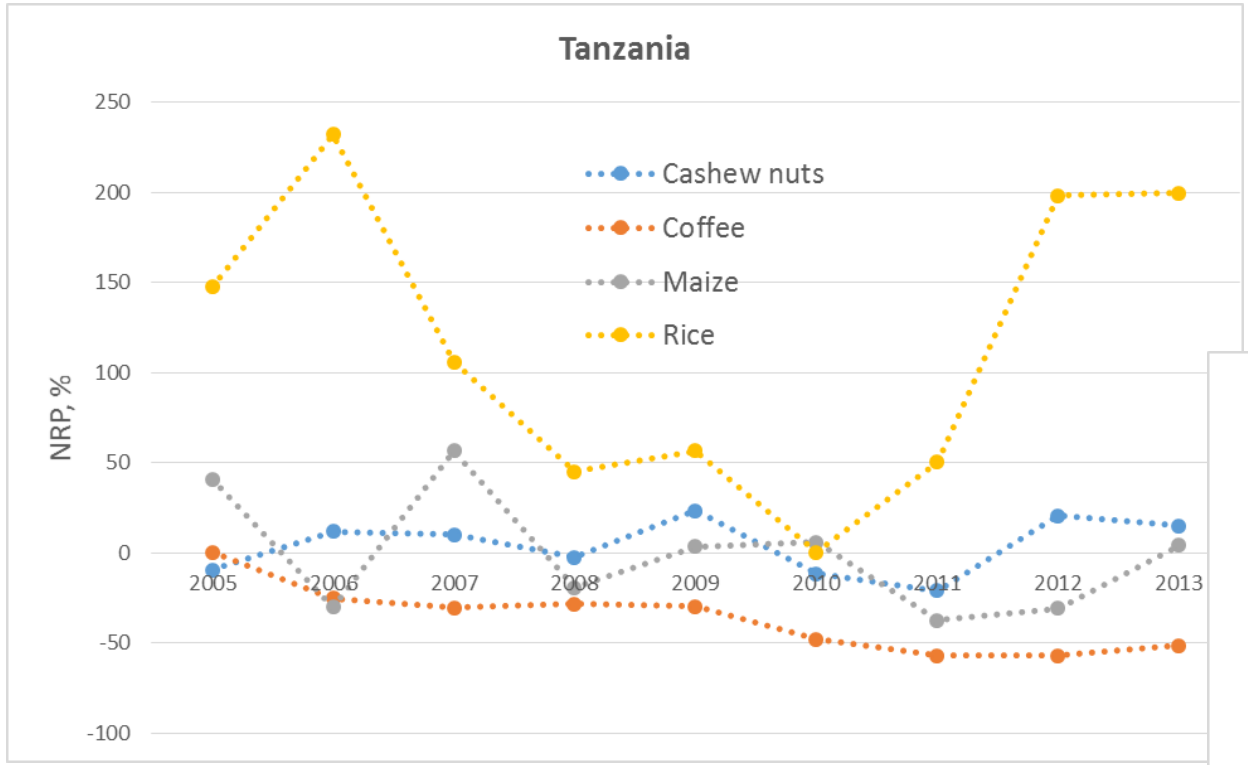
Bouet, Cosnard and Laborde (2017)

Policy Distortions in Agriculture

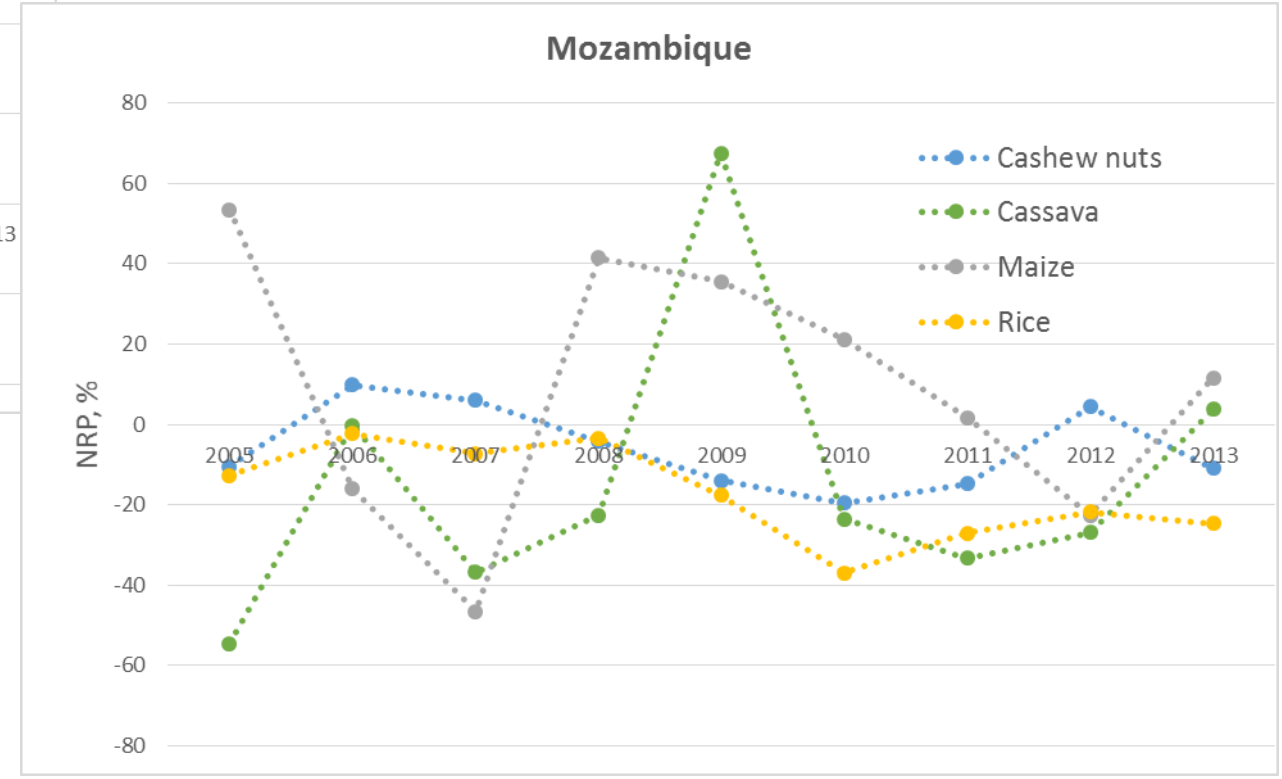
- Using the Ag-Incentives Consortium consolidated database
- Illustration for Maize:
  - Global average (relatively stable, about 10% NRP, except during period of high prices);
  - Focus for Ghana, Mozambique, Tanzania:
    - Much larger distortions;
    - Heterogeneity across countries
    - Much higher instability: Policy Uncertainties (e.g. export/import bans)



Instability and heterogeneity of distortions/incentives

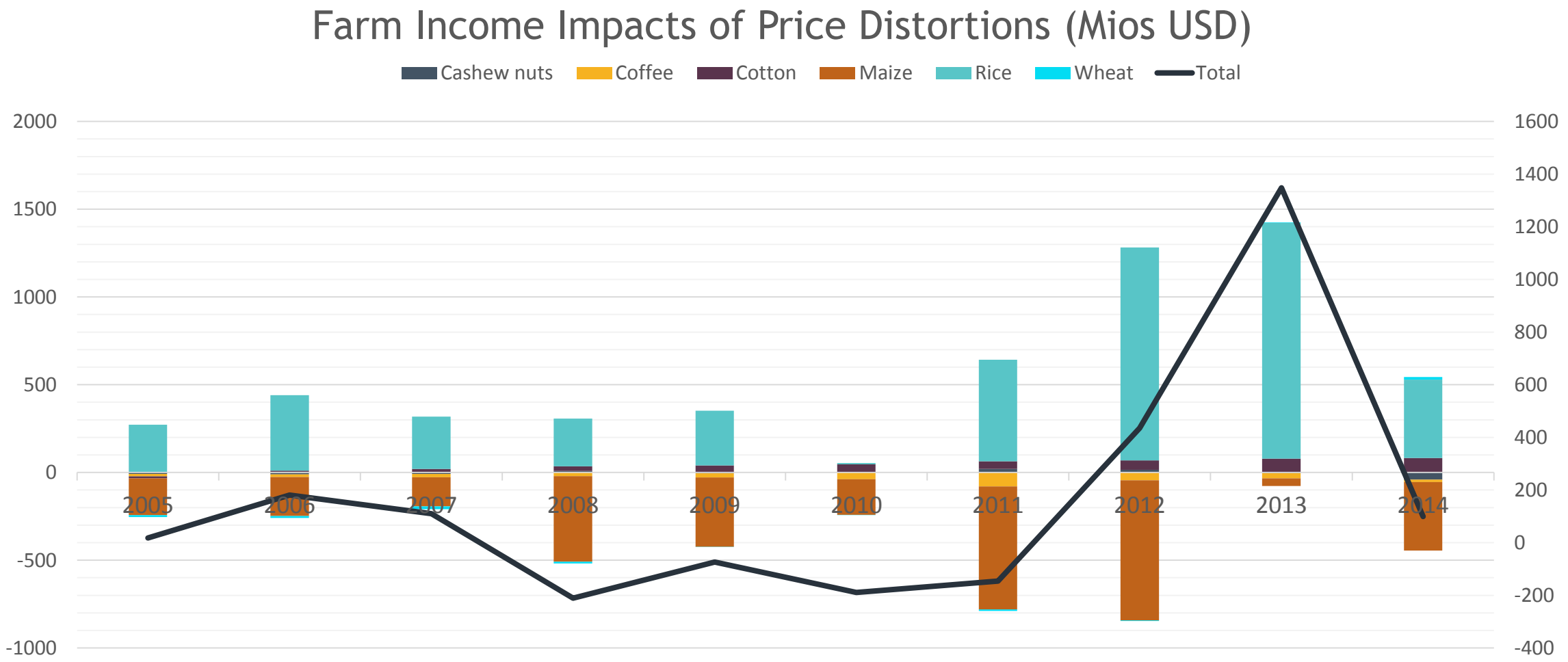


- Heterogeneity across VCs and countries



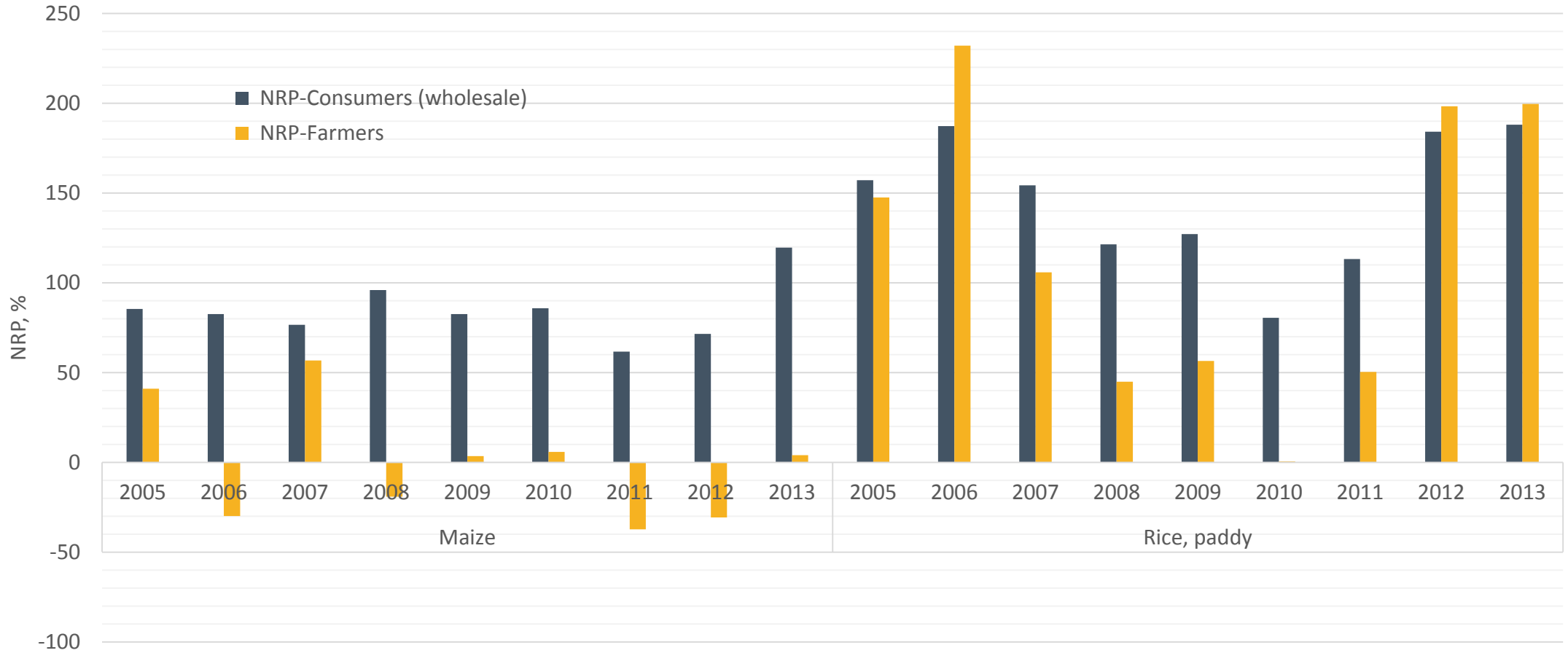
- Positive and negative distortions affect both staple and cash crops
- Volatility of NRPs quite high for staple

Very large distortions distort competitiveness



Distortions along the value chains:

Higher price for consumers does not mean higher incentive for farmers (significant problem for the Maize Value Chains)



Laborde (2016) based on MAFAP (2016)

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- www.ag-incentives.org

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