**SUPPORTING ECONOMIC TRANSFORMATION**

**10 things you need to know about trade and economic transformation.**

1) Whilst many African countries have enjoyed fast economic growth over the past two decades they have experienced **low-quality growth and little economic transformation**. Witness for example the lack of significant structural shifts in production and employment (declining shares of manufacturing in GDP in Africa), weak levels and growth in (labour) productivity within sectors, concentrated export baskets and lack of diversification into complex products.
2) One lesson that emerges clearly from the experiences of countries that have achieved economic transformation is the importance of emphasising global **competitiveness**, even in a large economy with a growing domestic market.[1]
3) **Trade** helps countries to move towards higher productivity sectors, raise within sector productivity through entry and exit and facilitate upgrading in value chains.[2]
4) Countries need to **embrace competitiveness** and begin implementing this throughout government policy. This means encouraging firms to export, promoting zones, and developing clusters of manufacturing and service sectors in tandem
5) Whilst Asian countries have long used **special economic zones** (SEZs) successfully, African countries have a much weaker record (e.g. around preference dependent garments), although recently Chinese firms have located in African SEZs[3] (e.g. the shoe factory in Ethiopia).
6) There are **substantial differences in productivity** levels among firms, sectors and locations, suggesting scope for the enhancement of productivity.[4]
7) Whilst agriculture tends to contribute a significant part of labour productivity change at low income levels, the manufacturing sector takes over, up to a point, but the **services sector has contributed more than half of productivity change** over 1991-2013 in developing countries.[5]
8) Whilst the **manufacturing share in GDP** has been falling in recent decades to 11% in sub-Saharan Africa, the volume increased by 3.4% annually in sub-Saharan Africa (compared to 2.3% globally), with examples such as Tanzania growing 7.9% annually. Overall, the share of sub-Saharan Africa in world manufacturing *increased* from 0.9% in 2000 to 1.1% in 2012.
9) Econometric analysis finds a clear positive association between **infrastructure for trade facilitation and connectivity to international production networks**, particularly in textiles and clothing.[6]
10) Firm-level panel data in Rwanda, Malawi, Senegal and South Africa show that **regional exporters not only have higher productivity than other non-exporting firms but also experience greater productivity growth**.[7]

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[1] Leipziger, D. (2015), Economic Transformation Lessons from large developing countries, Supporting Economic Transformation Programme, London: ODI. http://set.odi.org/economic-transformation-lessons-from-large-developing-countries/

[2] Jouanjean, M.A., Mendez-Parra, M. and te Velde, D.W. (2015) *Linking Trade Policy and Economic Transformation.* Supporting Economic Transformation Programme, London: ODI. http://set.odi.org/trade-policy-and-economic-transformation/

[3] Tang, X. (2015) *How do Chinese 'special economic zones' support economic transformation in Africa?* Supporting Economic Transformation Programme, London: ODI. http://set.odi.org/chinese-special-economic-zones-in-africa/

[4] McMillan, M., Page, J. and te Velde, D.W. (2015) *Supporting Economic Transformation.* [Draft] Supporting Economic Transformation Programme, London: ODI http://set.odi.org/17-december-2015-trade-session-at-trade-and-development-symposium-wto-mc10/

[5] Ongoing SET work on trade in services

[6] Shepherd B. (2015) 'Infrastructure, Trade Facilitation, and Network Connectivity in Sub-Saharan Africa', ODI report.

[7] te Velde, D.W. (2015). 'Regional trade and infrastructure and firm-level productivity in Sub-Saharan Africa', ODI report.