

Explaining Export Growth

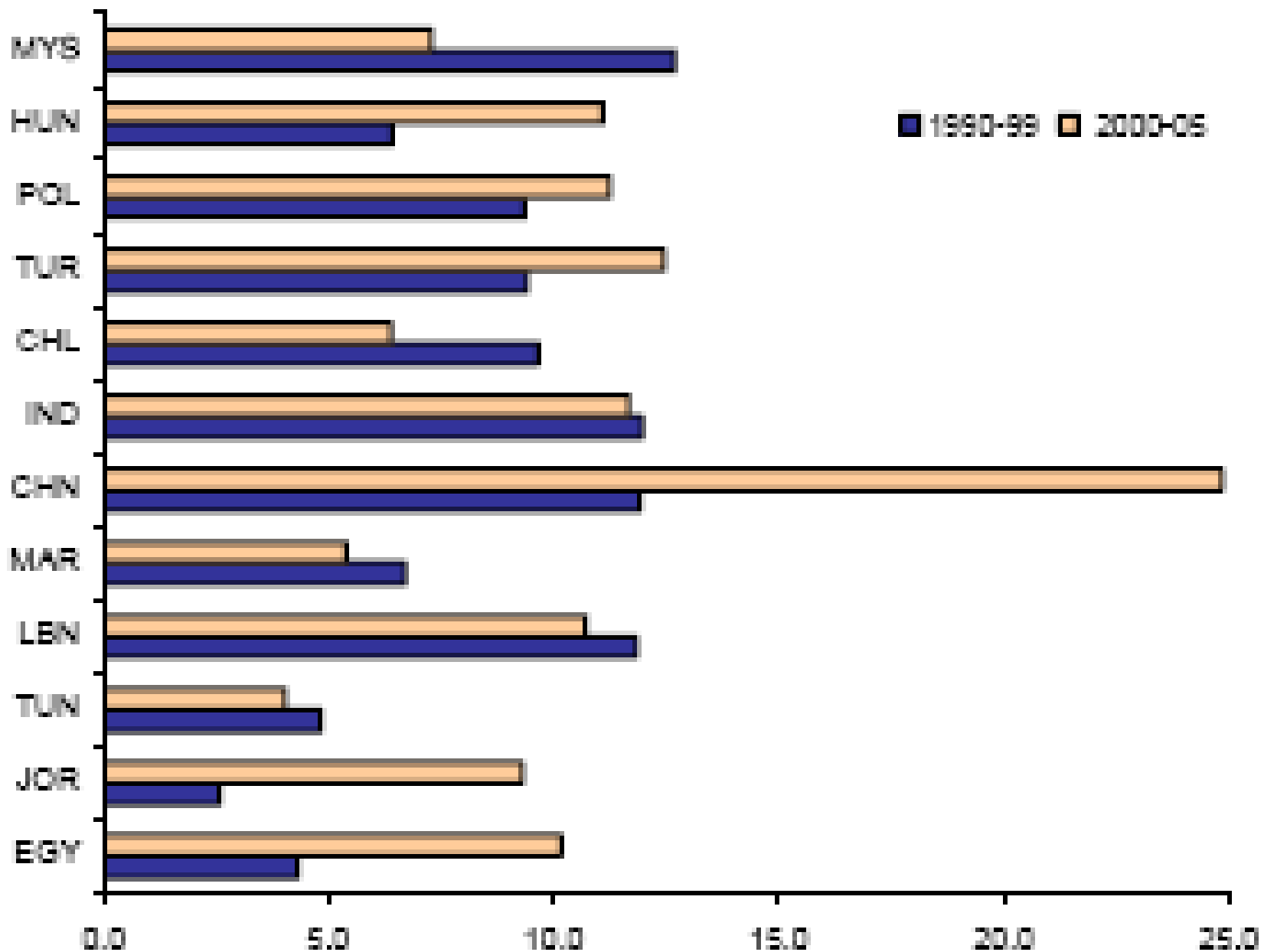
**Some Experiences from the
MENA Region**

Mustapha K. Nabli

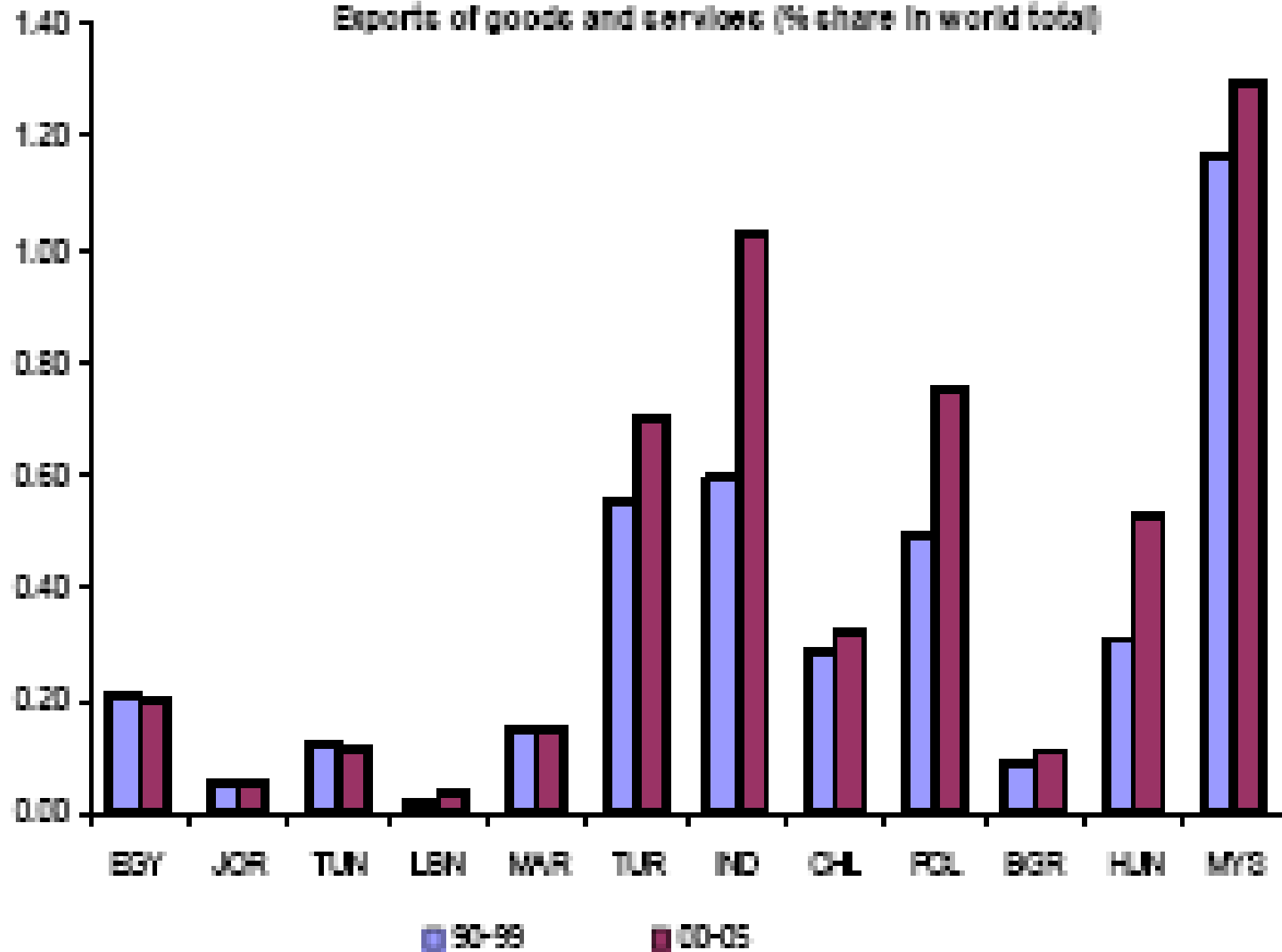
April 28, 2008

General Background: trade

- **Trade openness and integration have improved** – mostly as a result of higher oil prices and volumes. MENA's oil export revenues reached more than \$500 bn in 2006 (up from only \$100 bn only 10 years ago). In 2005-06 MENA increased its share of trade in GDP to 88.1 percent in 2005-06 (68% for China)
- **Export performance during the last ten years has been mixed:** high growth but not steady in some countries, but mostly stable or declining share of world trade.



Exports of goods and services (% share in world total)



General Background: trade policy

- **Trade protection (tariff and NTBs) has decreased but remains relatively high** (particularly in the Maghreb); average tariffs range from about 5% in the GCC to more than 20 % in Iran, Morocco and Tunisia
- Extensive use of **regional arrangements**
- **EU-MED agreements have been main driver for changes in trade policy.** Upcoming negotiations in services and agriculture, as well as the ‘Strengthened ENP’ present new opportunities.

Focus: Manufacturing exports

Analysis from Report on 5 MENA MIC countries focusing on manufacturing exports.

“Export Diversification in Egypt, Jordan, Lebanon, Morocco and Tunisia”

July 2007

Main Messages

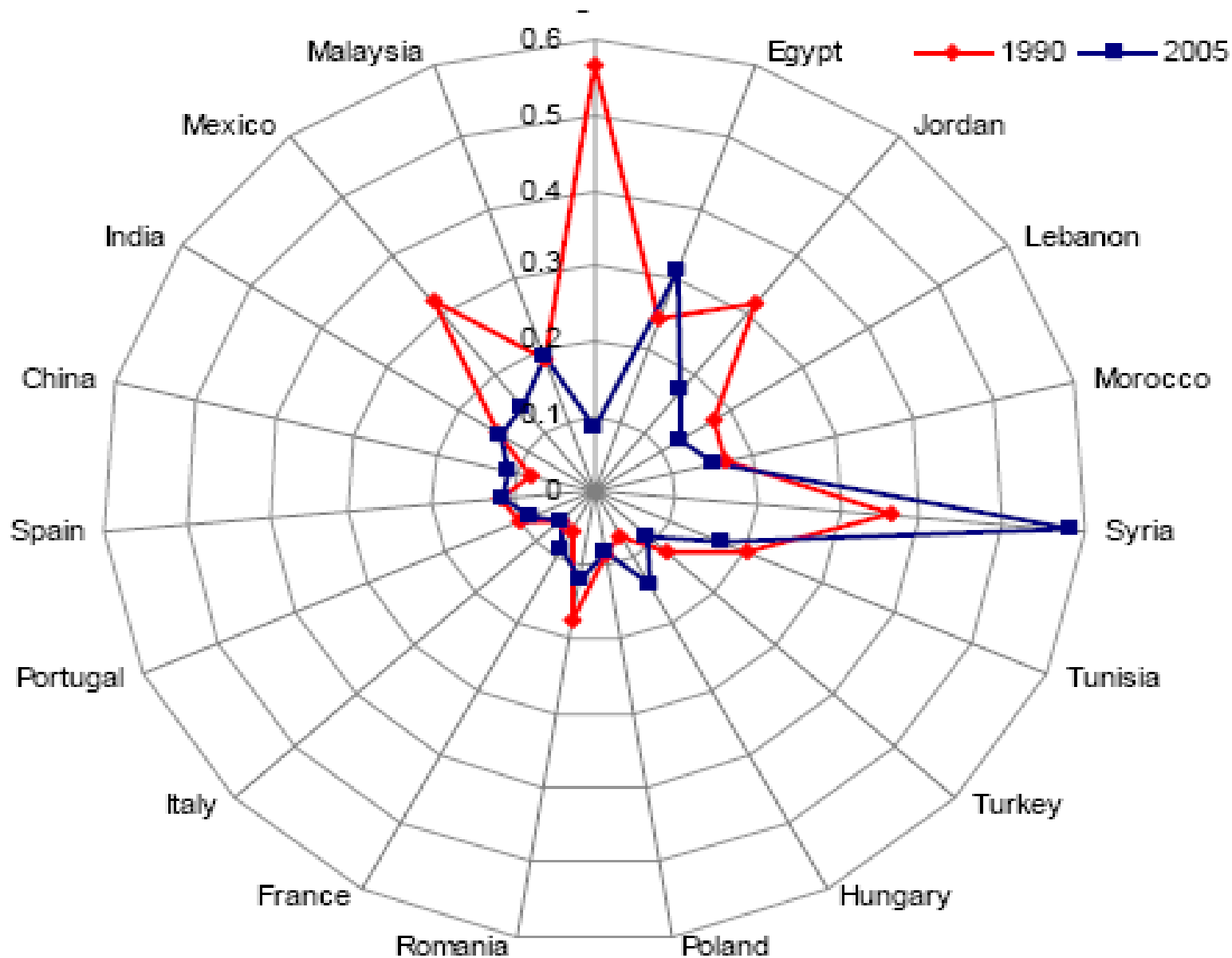
1. High concentration, low dynamism and low technology exports

Exports are represented by less dynamic products: More than half of exports are in products whose export grew less than the world average in 2000–05.

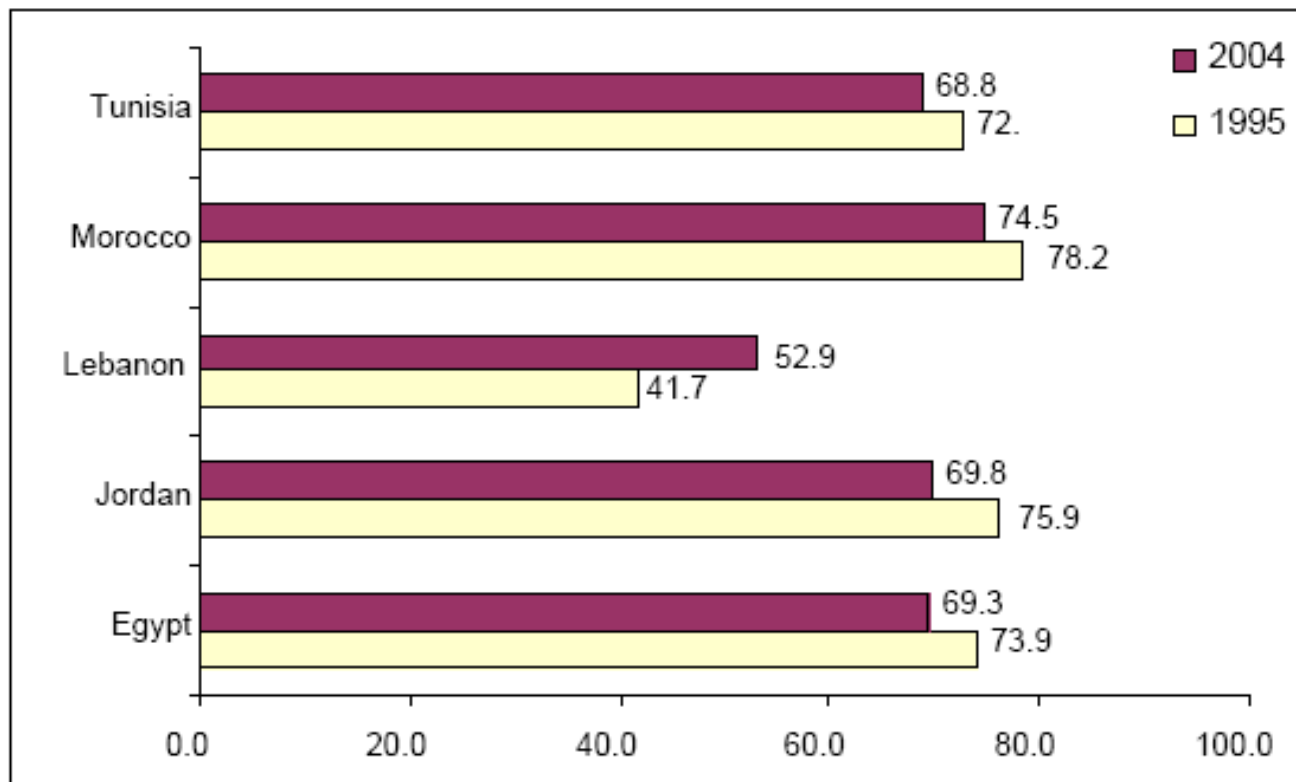
2. Emerging signs of new export dynamism and export diversification (Morocco, Tunisia, Egypt).

3. Complex policy framework with mix of standard and unorthodox policies

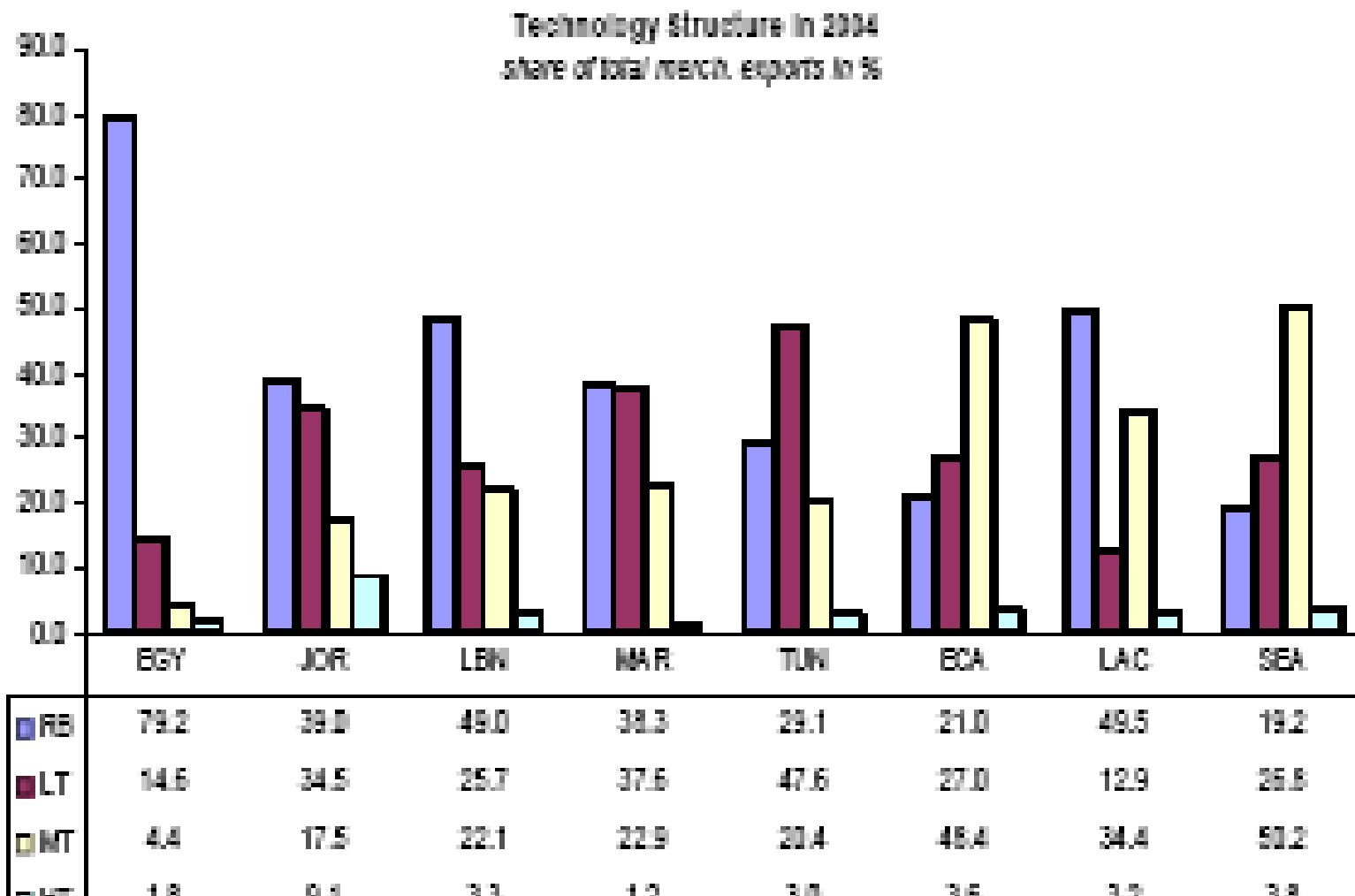
Herfindahl-Hirschmann index of export concentration



High export concentration: The top four merchandise exports accounted for more than two-thirds of export earnings in 2004

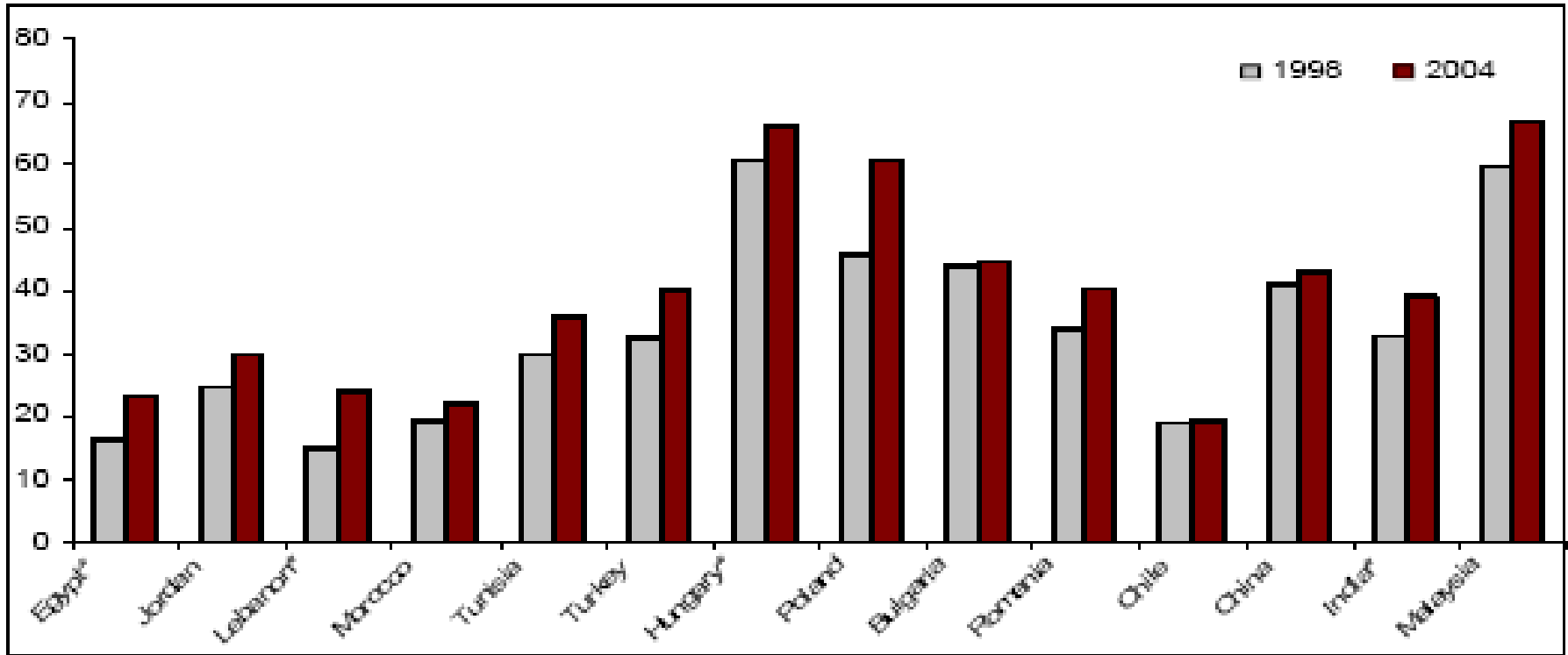


Exports are dominated by low-technology products: 21.2 percent of exports are high- and medium-technology; recent specialization patterns are associated with lower productivity.



Lack of scale economies is a constraint to the development of medium-tech exports: intra-industry trade is low, with an index ranging from 21.9 (Morocco) to 35.7 (Tunisia)—their comparators average around 50.

Grubel Loyd index of IIT



Emerging signs of diversification

- Previous chart shows recent increase in intra-industry trade
- Decomposition of export growth:
 - MENA 30% of growth due to new exports of existing products to new markets, like in ECA, higher than LAC or EAP
 - MENA 2.4% of growth due to new exports of new products to existing markets, like in ECA, more than LAC or EAP.

Policy (I)

Two main drivers for change

Regional integration agreements

- FTAs with the EU (Med countries)
- FTAs with the US (Morocco, Jordan, Bahrain)
- QIZs (Egypt, Jordan)
- Arab FTA and many others

Emergence of China and India, and challenge of competitiveness in Europe and on domestic markets

Policy (II)

Factors which explain the main features, based on econometric analysis of export diversification:

- Trade protection, is the most severe constraint to diversification
- Real exchange , weak or no effect
- FDI, weak or no effect

Policy (III)

Strong tendency to use additional active/unorthodox policies to promote diversification:

- ❑ Active industrial policies
 - In Morocco, seeks to expand its industrial sector to new high-value-added activities by using incentives to extend to three new sectors—nanotechnologies, biotechnologies, and microelectronics
 - Plans for the establishment of 15 industrial zones over the next three years in Egypt
 - Tunisia: case of automobile components in the 1990s
- ❑ Active business development services: support for improved quality standards, better management, better technology (upgrading schemes)
- ❑ National innovation systems: technology parks, business incubation.