



A presentation on:

EXPORT DIVERSIFICATION

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Problem Statement

"COMMODITY DEPENDENCE"



- High portion of commodities in a country's exports.
- Sometimes overall GDP is depended upon one export.

- Commodities dependence was found in:
 - Developing nation LLDCs and LDCs.
 - Also found on African as well as south asian countries

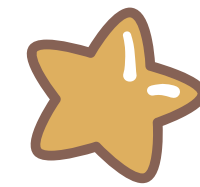
- UNCTAD study on the level of commodity dependence around the world from 1998 to 2017 using trade data from 189 countries.

("State of commodity Dependence 2021")

Why is this a big problem?



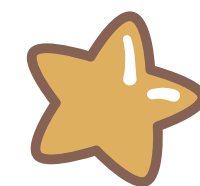
IMPACT ON GOVERNMENT'S
REVENUE



VOLATILE ECONOMY



HARMS OTHER EXPORTS



POLITICAL INSTABILITY

WHAT CAN SOLVE THIS PROBLEM?



Export Diversification



Traditionally,

Transitioning away from dependence on one or a few commodities toward a broader range of sources of production, employment, trade, revenues, and expenditures.

New Definition,

The movement of a country's productive resources from low-productivity activities to higher-productivity activities in the industrial or service sector.

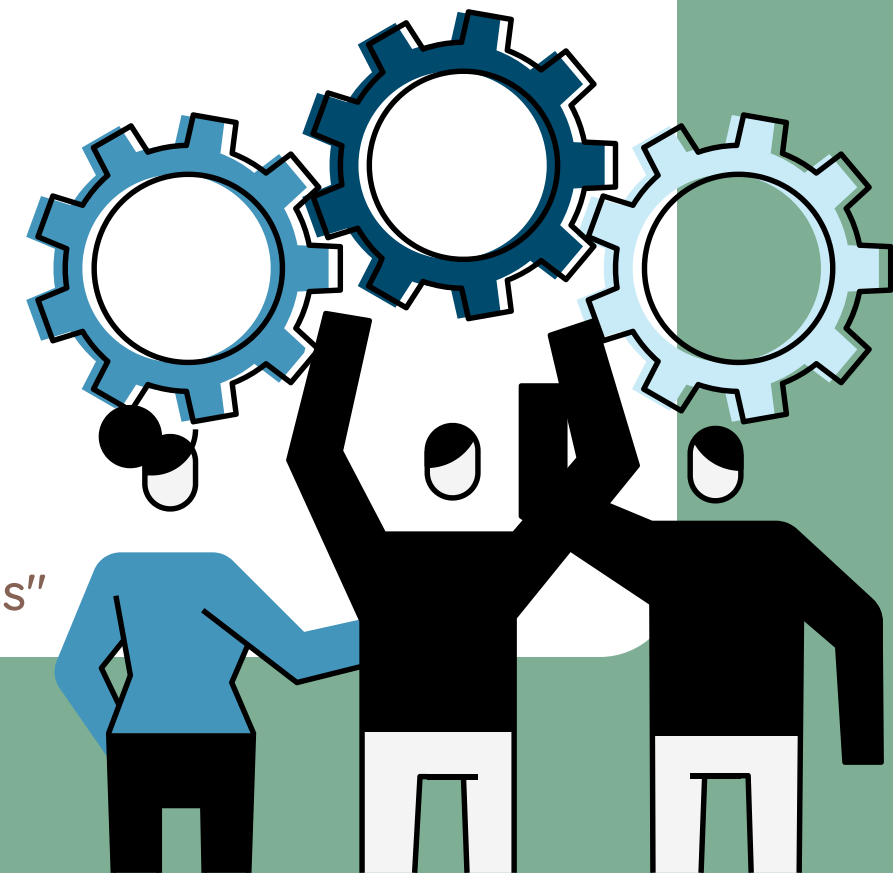
HOW CAN DIVERSIFICATION HELP LLDCS AND LDC ?

- It helps to hedge against trade shocks by stabilizing export revenues.
- Directs favourable terms of trade shocks into growth and increasing returns.
- Input factor in increasing the productivity of other goods.
- Protection from an unpredictable declining trend in international prices of primary exportable commodities --> unstable export earnings.
- Extending investment risks over a wider portfolio of the economic sector --> increases income.
- Economic growth and structural change --> type of products traded --> helps to expand in territories where certain exports are banned.
- Export diversification could help stabilize export earnings in the long run.

Strategies to Promote Export Diversification

- Financial sector development and Foreign Direct Investment (FDI)
- Reducing excessive Costs
- Lowering barriers
- Role of Government
- Research and Development

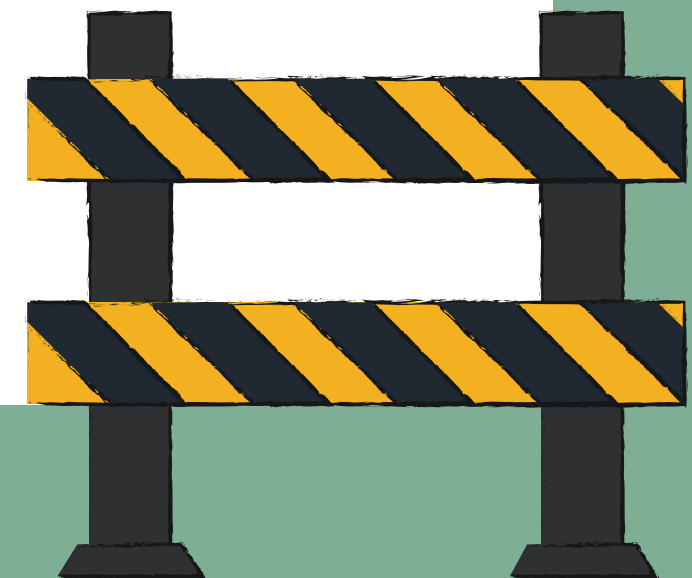
"Export Diversification in International Business"



THE ROADBLOCKS

- Low-income elasticities of Demand
- Lack of finance
- Lack of Adequate Infrastructure
- Bureaucracy and market access
- Lack of strength in the public institutions

"Export Diversification in International Business"



Study 01: Malawi

Brief Info:

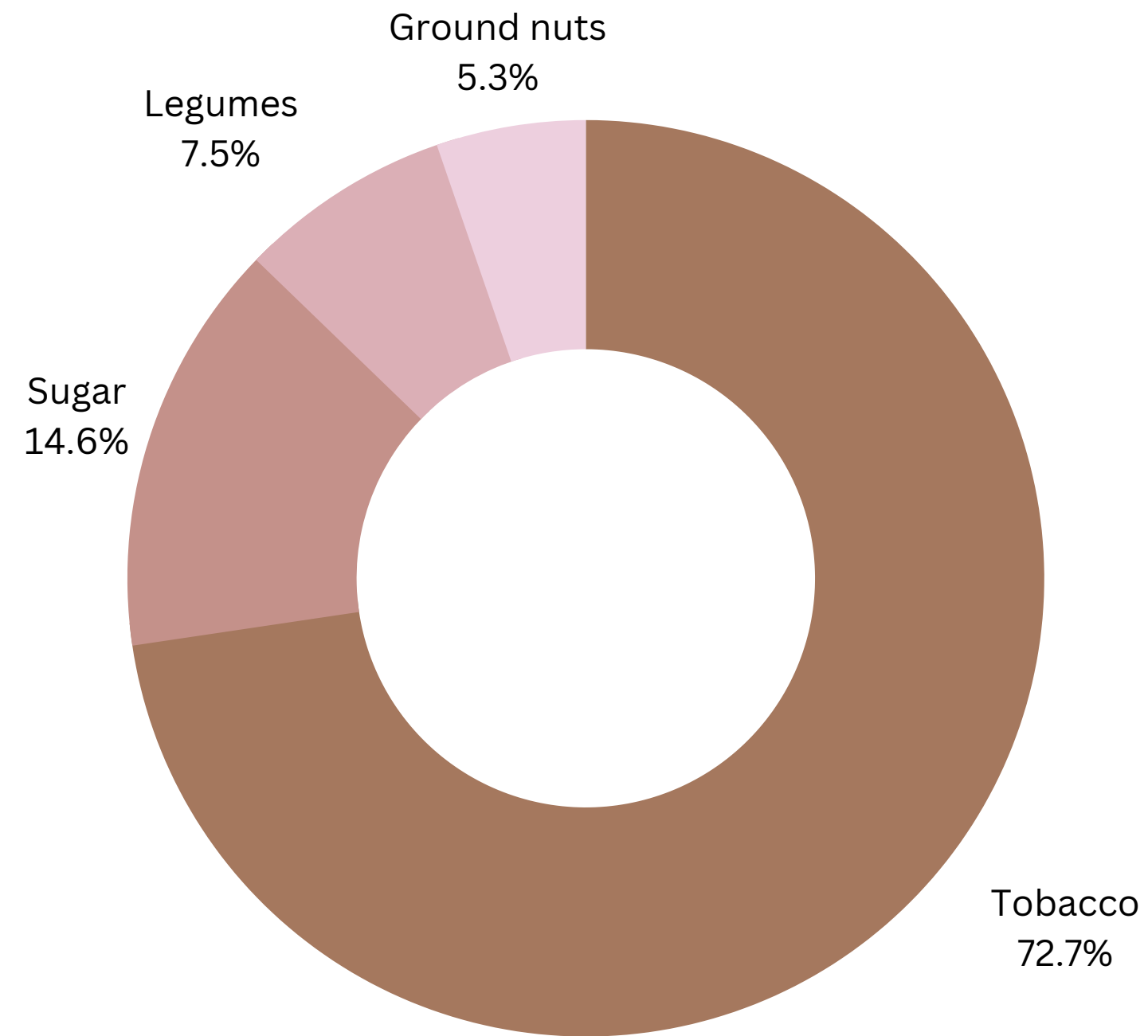
- 👉 A landlocked country in Southeastern Africa.
- 👉 Among the world's least developed countries.
- 👉 Around 85% of the population lives in rural areas.
- 👉 Economy: Agriculture = > 2/3 GDP and 90% exports.
- 👉 Dependent on economic aid from the World Bank, the IMF, and other countries

Malawi :Wikipedia



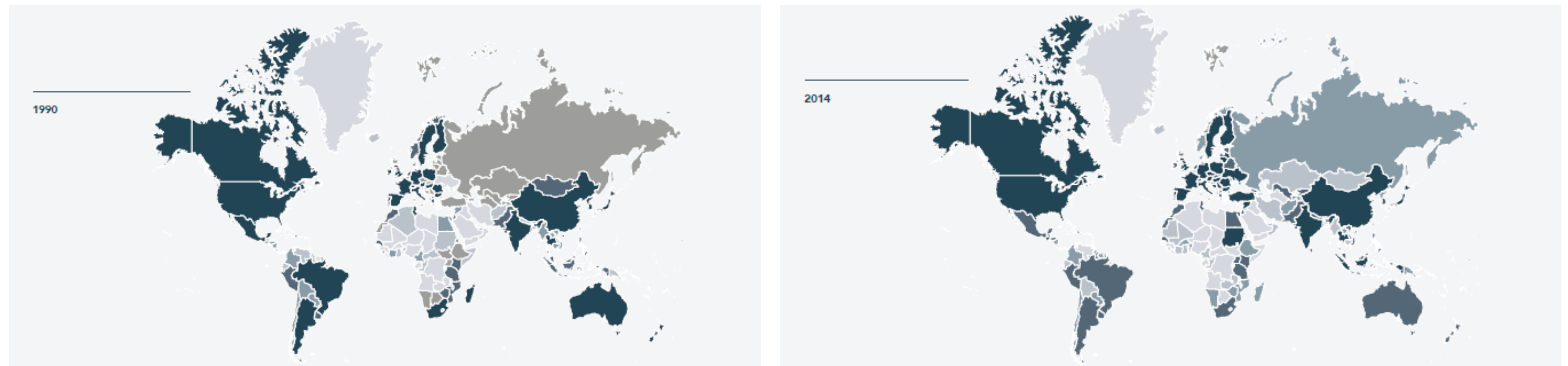
Export Data of Malawi : 2020

156th economy



Export Diversification Index

Between 1990 and 2014, export diversification in Africa improved only marginally. Only Rwanda, Senegal and Sudan increased export diversification during this period.



Intra-African trade: A path to economic diversification and inclusion

■ ≤ 2.38 < ■ ≤ 3.28 < ■ ≤ 4.04 < ■ ≤ 4.77 < ■ No data

Note: Lower numbers (darker colors) indicate more diversified exports.

Source: IMF data and author's calculation

Study 02: Senegal

Brief Info

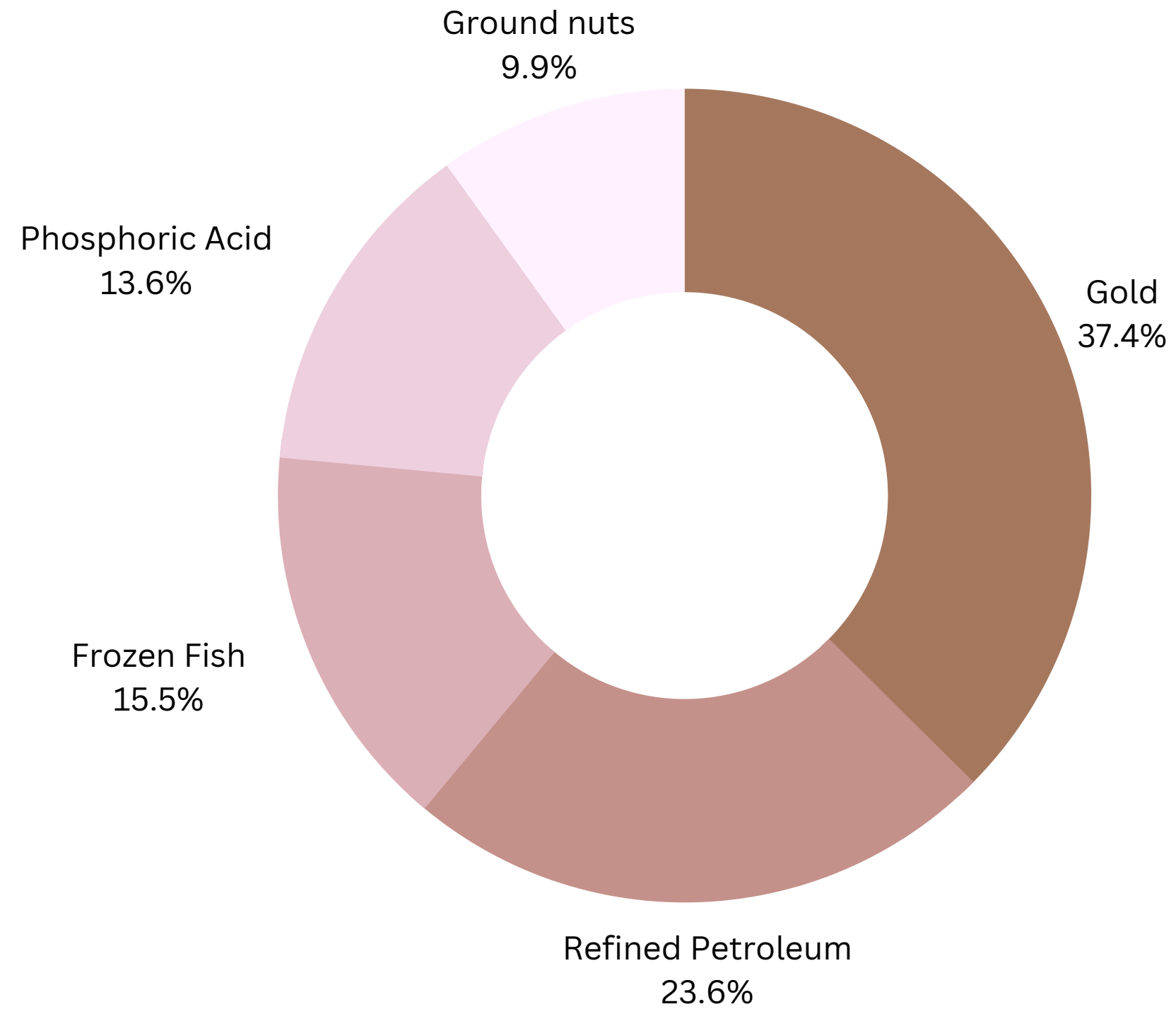
- Former French colony.
- Economic freedom = 60.0 --> 88th freest in the 2022 Index.
- 8th among 47 Sub-Saharan African countries
- Top Industries - Agricultural, Fish Processing; Phosphate Mining, Petroleum Refining
- Top Trade Partners - France, China, Mali
- Senegal has one of best developed tourism industries in Africa.
- GDP - Agriculture (17.03%), Services (49.94%), Industry (23.22%), Manufacturing (14%).
- Bribery, misappropriation, abuse of authority, and fraud is widespread within government

Senegal: Economy



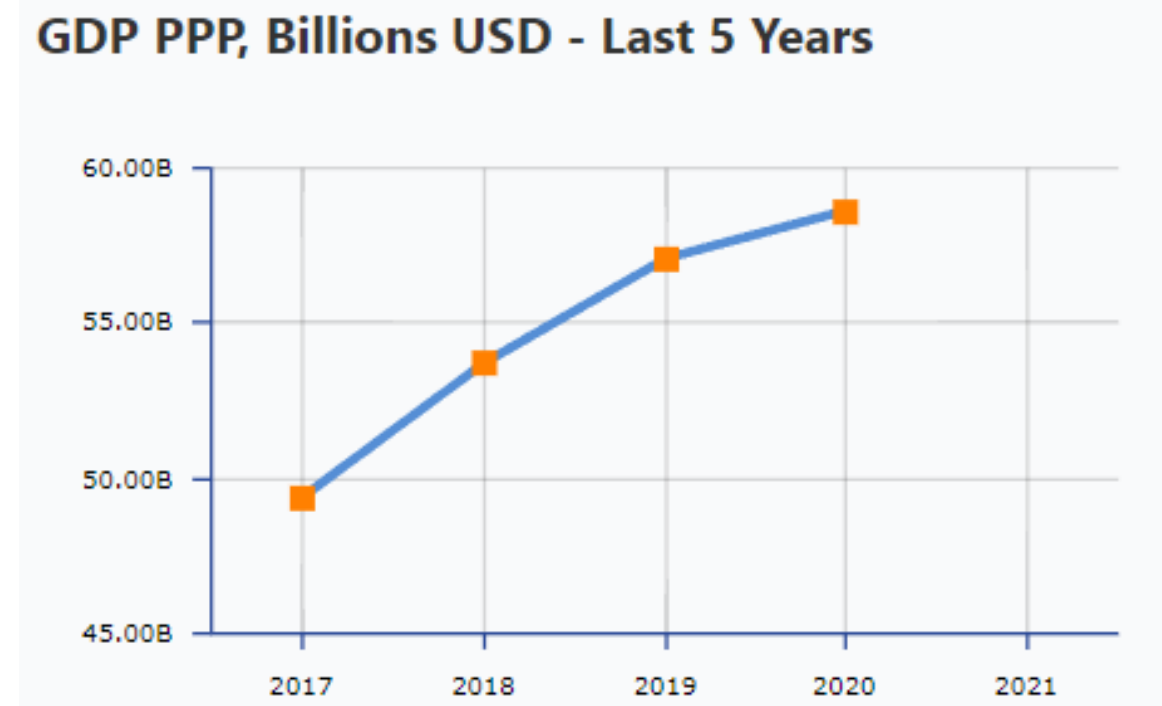
Export Data of Senegal : 2020

104th economy



How Senegal Managed to stay ahead?

- Economy; traditionally revolved around a single cash crop, the peanut.
- Worked to diversify by expanding into agricultural commodities and promoting nonagricultural sectors.
- Successful in making fishing, phosphates, and tourism major sources of foreign exchange.
- Exploitation of gold, petroleum, and natural gas diversified the economy.
- Emerging Senegal Plan (ESP), launched in 2012 one of focus area is economic diversification.



- GDP is steadily growing @ 1.5%.
- Industrial production in Senegal; more developed than in Western African countries

"Senegal: Strength In Diversity

How realistic is Export Diversification?

It has been done before.

- In 1983, Thailand's total agriculture export = \$6.5 B.
- Top exports = Rice, Rubber.
- In two decades, Thailand lessened dependence on rice and rubber exports. Diversified into at least ten major commodities.
- The growth of agri-food exports expanded markets for farmers and, in turn, created jobs and incomes that reduced rural poverty.
- Thailand ranks 6th among top agri-food exporters (WTO).
- From 1983 to 2011, Thai exports grew about 11-folds.

Primary products - Agriculture sector
Secondary products - Manufacturing sector
Tertiary products - Service sector

Dependence on Primary Sector ↓
Involvement in Primary, Secondary & Tertiary sector ↑
= Economic Growth ↗

The differentiating factor between primary and secondary and tertiary product exports is the knowledge content embedded in the products.

"Export Diversification and Economic Growth"

Export Diversification and SDG 8

- Diversification in other sectors create decent job possibilities for all and improve living standards.
- Helps expand revenue streams
- Less sensitive to the ups and downs in a particular industry --> losses in declining industries are offset by opportunities in other stronger industries.

✓ This is how we achieve sustainable growth

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Thank You!

Do you have any question?

