



**Mainstreaming Trade in Africa:
Lessons from Asia and the Way Forward**

**TRADE AND POVERTY
PAPER SERIES No. 4**

November 2015



UNITED NATIONS

Mainstreaming Trade in Africa: Lessons from Asia and the Way Forward

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Abstract

There is increasing emphasis on mainstreaming trade into national development strategies of African countries as a means to enhance their ability to harness the potential of trade for poverty reduction and better integrate into the global trading system. While progress has been made by some countries in including trade and trade-related issues in national development documents, there is an understanding that many countries are yet to effectively integrate trade into their development strategies. It is against this backdrop that this paper examines the experiences of three Asian countries (China, the Republic of Korea and Singapore) that have successfully used trade to engender development and draws lessons from these experiences for Africa. The paper also argues that despite the growing interest in mainstreaming trade, no criteria have been set or defined on how to measure success. To fill up this lacuna, the paper proposes measurable criteria on how to determine whether or not African countries have successfully mainstreamed trade into their national development strategies.

* A preliminary version of this paper was presented at the African Regional Workshop on Mainstreaming Trade into National Development Strategies, held in Maseru, Lesotho, 31 March to 1 April 2015. I thank the participants for useful comments and suggestions. The views expressed in this paper are those of the author and do not necessarily represent those of UNCTAD or its member States.

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This document has not been formally edited.

UNCTAD/WEB/ALDC/2015/4

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List of Acronyms

AfDB	African Development Bank
AU	African Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
JTC	Jurong Town Corporation
MDG	Millennium Development Goals
MOFCOM	Ministry of Commerce
MOTIE	Ministry of Trade, Industry and Energy
MTI	Ministry of Trade and Industry
NEPAD	New Partnership for Africa's Development
REACH	Reaching Everyone for Active Citizenry at Home
SDG	Sustainable Development Goals
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organisation

I. Introduction

Africa is a heterogeneous, vast and vibrant continent. It is home to 54 countries, has about 15 percent of global population, is endowed with enormous natural resources, and has experienced relatively strong economic growth over the past decade. Yet, most countries on the continent continue to grapple with the challenge of how to achieve sustained poverty reduction and build inclusive societies (UNECA, AU, AfDB and UNDP 2014). Trade has the potential to contribute to addressing this challenge. It has played this role effectively in developed countries and also in several countries in Asia and Latin America. It could also play this role in Africa if appropriate measures are taken to unlock and harness its potential for growth and development. Despite the progress that has been made by African governments in economic policy formulation and management over the past decade, trade priorities have not been fully and effectively integrated into national development strategies of many countries on the continent and this has had serious consequences for their ability to effectively integrate into the global trading system and increase their share of the benefits of global trade. Mainstreaming trade is important for Africa because the benefits of trade are not automatic. They accrue to countries that have taken proactive steps to exploit opportunities created in the global trading system. In this context, there is the need for African countries to elaborate their trade priorities and fully integrate them into overall development strategies to ensure better development outcomes from trade than was the case in the past.

While there is no generally accepted definition for mainstreaming trade, it is well-known that one of its main objectives is to have a trade strategy or framework that is consistent with overall national development goals. But effective trade mainstreaming is not only about policy coherence. It requires including trade policies, programmes and projects not only in national plans but, more importantly, also in national budgets. Furthermore, it entails building human and institutional capacities for trade, improving infrastructure, developing productive capacities for trade and transforming economies, recognizing and dealing with the adjustment costs of trade reforms, strengthening coordination across government ministries and departments, building effective partnerships between governments and local stakeholders, and ensuring effective implementation of policies by governments. This is clearly a challenging exercise, but it has been successfully done in both developed and emerging economies in different continents. In particular, several countries in Asia have effectively integrated trade in their national development strategies with very positive results. In this context, as African countries grapple with the challenges of trade mainstreaming there are useful lessons they can learn from the experiences of Asian countries. For ease of exposition, the discussion and analysis in this paper will be based on the experiences of three Asian countries (China, the Republic of Korea and Singapore) that have made significant progress in integrating into the global trading system and in transforming their export and production structures over the past few decades.

Each of the three Asian countries has unique features that make it an interesting case for drawing lessons for Africa. For example, Singapore is the second most trade dependent economy in the world and in the 1960s was a small vulnerable country with low levels of per capita income as most African countries today. Yet, it has been able to successfully integrate into the global trading system and make the transition from a developing to a developed economy. The Republic of Korea is particularly interesting because over the past four decades its status shifted from aid recipient to an aid donor indicating that development can take place even in aid recipient countries. With regard to

China, it is interesting because despite its status as a developing country it is now one of the three big economies in the world and has made significant progress in trade and poverty reduction despite following an unorthodox development path.

The organization of the rest of the paper is as follows. Section II identifies salient features of the trade policymaking frameworks and processes in China, the Republic of Korea and Singapore while Section III draws lessons from the experiences of the three Asian countries for Africa. Section IV discusses some challenges facing African countries in mainstreaming trade into their national development strategies and Section V contains concluding remarks.

II. Trade Policy-Making in China, the Republic of Korea and Singapore: Salient Features

This section discusses the development and administration of trade policy in China, the Republic of Korea and Singapore with a view to identifying features of their trade policy-making process and framework that African countries could learn from as they grapple with the challenge of mainstreaming trade into their national development strategies. There are significant differences across the three Asian countries selected for the analysis. In terms of size, China is a very large country with a population of 1.36 billion in 2013, Singapore is a very small country with a population of 5.4 million and the Republic of Korea is medium sized with a population of 50 million. In addition, China is a developing country while Singapore and the Republic of Korea have made the transition from a developing to an advanced country. The three countries also differ in terms of natural resource-endowments. China is rich in natural resources, the Republic of Korea is relatively poor in natural resources and Singapore has no natural resources. Furthermore, the three countries also have different political systems and economic management philosophy. China has a socialist market economy, Singapore is regarded as a free market economy, and the Republic of Korea has a market economy with significant government intervention. Notwithstanding these differences in size, resource-endowments, and political and economic systems, the three countries are heavily dependent on trade, have relatively coherent and well-developed trade policy frameworks, and have been able to effectively exploit the potential of trade for growth and development. For instance, while the share of Africa in global merchandise trade fell from 4.6 percent in the period 1970-1974 to 3.3 percent in the period 2009-2013, the share of each of the three Asian countries increased over the same period. In particular, China's share of global merchandise trade increased from 0.8 percent to 10.1 percent while Singapore's share rose from 0.7 percent to 2.1 percent and the Republic of Korea's share from 0.6 percent to 2.9 percent (table 1). A key reason why China, Singapore and the Republic of Korea have been able to better reap the benefits of trade than countries in Africa is that they have relatively effective trade policymaking processes and frameworks that have allowed them to exploit trade opportunities. Some of the salient features of their trade policymaking processes and framework that have contributed to their trade success are described below.

Table 1: Comparative Statistics for Africa and Selected Asian Countries

		Per capita income (\$)	Trade/GDP (%)	Share of global merchandise trade (%)	Share of global FDI inflows (%)
1970-74	Singapore	1,470	264	0.7	1.2
	China	142	..	0.8	0.0
	Republic of Korea	374	47	0.6	0.7
	Africa	272	59	4.6	6.4
2009-13	Singapore	47,126	366	2.1	3.6
	China	5,008	52	10.1	8.1
	Republic of Korea	23,118	102	2.9	0.7
	Africa	2,488	80	3.3	3.7

Source: Computed by author based on data from *World Development Indicators* database (11 March 2015).

First, trade has been at the heart of the development strategies and plans of the three Asian countries. In each of the countries, there was a deliberate effort by the government to promote trade as well as fully integrate it into national development strategies, plans and budgets. The high trade-ratios as well as shares of global trade observed in these countries reflect in part the fact that the governments give priority to trade and trade-related issues in their development strategies. As shown in table 1, Singapore had an average trade to gross domestic product (GDP) ratio of 366 percent in the period 2009-2013 and a share of global merchandise trade of 2.1 percent, which is quite high for a country with less than 0.1 percent of world population. Over the same period, the Republic of Korea had a trade-ratio of 102 percent and a share of global merchandise trade of about 3 percent. With regard to China, its trade-ratio was 52 percent which is less than the figure for Singapore and the Republic of Korea. However, its share of global merchandise trade increased from 0.8 percent in the period 1970-1974 to 10.1 percent in the period 2009-2013.

Second, the development of productive capacities and structural transformation was part and parcel of the trade mainstreaming agenda. In the three Asian countries, trade mainstreaming was not seen as simply a matter of ensuring policy coherence and mentioning or including trade in national development documents. Rather it was part of an overall strategy to develop productive capacities for trade and transform the structure of their economies to maximize the gains from trade and minimize its risks. In Singapore, for instance, the development framework for the period 1965-1978 focused on industrializing through an export-oriented strategy, reflecting the fact that policymakers in Singapore recognized clearly the crucial role of economic diversification and transformation in enhancing trade performance (Sally 2004). Similarly, in the Republic of Korea, the transformation of the economy into a dynamic and economic powerhouse was one of the key roles of the then Ministry of Trade and Industry established in 1948. China is also known to have promoted manufacturing development as part of efforts to foster trade.

Third, the three countries have a forward-looking and pragmatic approach to trade policy-making. Singapore provides a very good example of how forward-looking trade policymaking is in these countries. In the period 1965-1978 the focus was on developing the manufacturing and financial sectors of the economy and this led to an increase in the share of manufacturing in GDP from 14 percent in 1965 to 24 percent in 1978. Despite this impressive performance, the government did not

rest on its laurels, it quickly recognized that lower cost producers were emerging in other developing countries and refocused development strategies in the 1980s on restructuring its economy towards higher value-added and skill-intensive activities. As a result of the financial crisis of 2008-2009, its development strategy since 2010 has also been revised to enable it deal with the fact that labour productivity in sectors such as manufacturing and services lag behind those in developed countries. The three Asian countries also have a pragmatic and flexible approach to trade policymaking in the sense that they focus on what works as opposed to ideological fixity. For instance, although China has a socialist ideology, market mechanisms and incentives have increasingly played a key role in its trade policy over the past two decades. In the case of Singapore and the Republic of Korea, they are regarded as market economies but the state frequently uses industrial policies to achieve trade and other national development goals.

Fourth, the three countries have a credible mechanism for public consultation and integration of public inputs into trade policymaking. For instance, in China ministries or agencies are obliged to solicit public comments on draft rules and regulations. In addition, when trade and trade-related regulations are made available for comments, the relevant agency is required to give the public at least 30 days to provide inputs (WTO 2014). The Republic of Korea also solicits inputs on trade issues from the public through discussion groups, internet etc. It has an open trade policy formulation process, and encourages public debates and consultations on trade and trade-related issues. It also has regular consultations with the private sector and foreign firms (WTO 2012b). With regard to Singapore, it has a very interesting scheme (known as the REACH programme) for collection of public inputs for consideration by the government during policy formulation and implementation. REACH stands for "Reaching Everyone for Active Citizenry at Home" and was launched in October 2006 to gather and gauge ground sentiments, reach out and engage citizens, and promote active citizenry through citizen participation and involvement in shaping government policies.¹

Fifth, the three countries all have strong political commitments to their policies and take appropriate actions to ensure they are implemented. Implementation of policies has been made possible by effective leadership, setting of realistic and feasible targets, and incorporating training and capacity-building into policy design and formulation. The fact that monitoring, evaluation and accountability are crucial components of the policymaking process in these countries has also contributed to enhancing implementation of policies. China provides an example of how seriously implementation issues are taken in the trade policymaking process. Following the Third Plenary Session of the 18th National Congress of the Communist Party in 2013, a National Leading Group for Comprehensive Deepening Reform was set up to put together a reform roadmap as well as coordinate, promote and supervise the implementation of the decisions reached at the Third Plenary Session (WTO 2014).

Sixth, trade is treated as a cross-cutting rather than a sectoral issue and inter-ministerial coordination is encouraged and promoted. In addition, the composition of the lead ministry or agency in charge of trade and trade-related issues seems to recognize the interface between trade on one hand and economic transformation and productive capacity development on the other. In the Republic of Korea, for instance, the Ministry of Trade, Industry and Energy (MOTIE) is responsible for trade policy formulation and implementation. It is also responsible for Science and Technology and for

¹ REACH replaced and took over the functions of the Feedback Unit which was created by the government in 1985 to obtain feedback from the public on policy issues. The scope of the REACH programme is however much broader than that of the Feedback Unit that it replaced.

encouraging FDI. These are all components that are crucial for economic transformation and productive capacity development. In Singapore, the lead Ministry on trade policy formulation and implementation is the Ministry of Trade and Industry (MTI). But the Investment Agency (Economic Development Board), the Science and Technology Agency, the Energy Market Authority and the JTC Corporation (dealing with infrastructure) are under MTI (table 2). With regard to China, the State Council has responsibility for decision-making on trade policy issues (Bin 2015). Within this framework, the National Development and Reform Commission is in charge of designing overall economic and social development strategies while the Ministry of Commerce (MOFCOM) is the lead agency on trade policy coordination and implementation. It is also responsible for foreign direct investment (FDI) issues. Although MOFCOM is the lead agency on trade policy coordination and implementation, the National Energy Administration, the Ministry of Industry and Information Technology, and other Ministries such as Agriculture, Finance, Transport, and Environmental Protection play an active role in trade policy formulation and implementation.

Seventh, there is domestic ownership of policies and outcomes in the three countries. One of the reasons for this is that they have been quite successful in mobilizing domestic resources which has provided them ample policy space to adopt alternative development strategies they deem necessary to promote development. In addition, they have relatively credible mechanisms for public consultations and inputs into the policymaking process, which promotes domestic ownership of policies and their outcomes.

Table 2: Ministerial responsibility for trade-related issues in Singapore

Ministry/statutory agency	Competence
Ministry of National Development	
Agri-Food and Veterinary Authority	Agriculture and fishing, sanitary and phytosanitary measures
Urban Redevelopment Authority	Land use and planning, planning and control development projects
Ministry of Trade and Industry	
	Trade policy, anti-dumping, countervailing, and safeguard measures
International Enterprise Singapore	Trade promotion
Economic Development Board	Investment promotion
Standards, Productivity and Innovation Board (SPRING Singapore)	Standards and conformance, enterprise development
Singapore Tourism Board	Tourism
Sentosa Development Corporation	Leisure & resort master planning, development and management
Hotel Licensing Board	Hotel licensing
Agency for Science, Technology and Research (A*STAR)	Science and technology
Competition Commission of Singapore (CCS)	Competition law
Energy Market Authority	Energy
JTC Corporation	Infrastructure
Ministry of Finance	
Singapore Customs	Customs tariff, valuation, rules of origin, trade facilitation, trade enforcement
Prime Minister's Office	
Monetary Authority of Singapore	Insurance; banking; securities and futures industry

Ministry/statutory agency	Competence
Ministry of Law	
Intellectual Property Office of Singapore	Intellectual property rights
Ministry of Information, Communications and the Arts	
Media Development Authority of Singapore	Media (broadcasting, film, publishing)
Info-Comm Development Authority of Singapore	Telecommunications, electronic commerce, information technology, postal sector
Ministry of Transport	
Land Transport Authority	Land transport
Maritime and Port Authority of Singapore	Shipping and ports
Civil Aviation Authority of Singapore	Air transport
Other	
Contact Singapore (EDB and Ministry of Manpower)	Facilitates the entry of potential individual investors into Singapore
National Productivity and Continuing Education Council	Oversees and drives national efforts to boost productivity

Source: WTO (2012a).

Finally, relative to most African countries trade policymaking in the three Asian countries is conducted in an environment characterized by peace and stability. This stability has played a positive role in policymaking and has also made it possible for trade to flourish unfettered. This point is often not underscored in discourses on Africa's economic development and in explanations of why the three Asian countries have had an impressive trade performance relative to other countries that had similar economic structure in the 1960s and yet have not been successful in exploiting the potential of trade for poverty reduction and development.

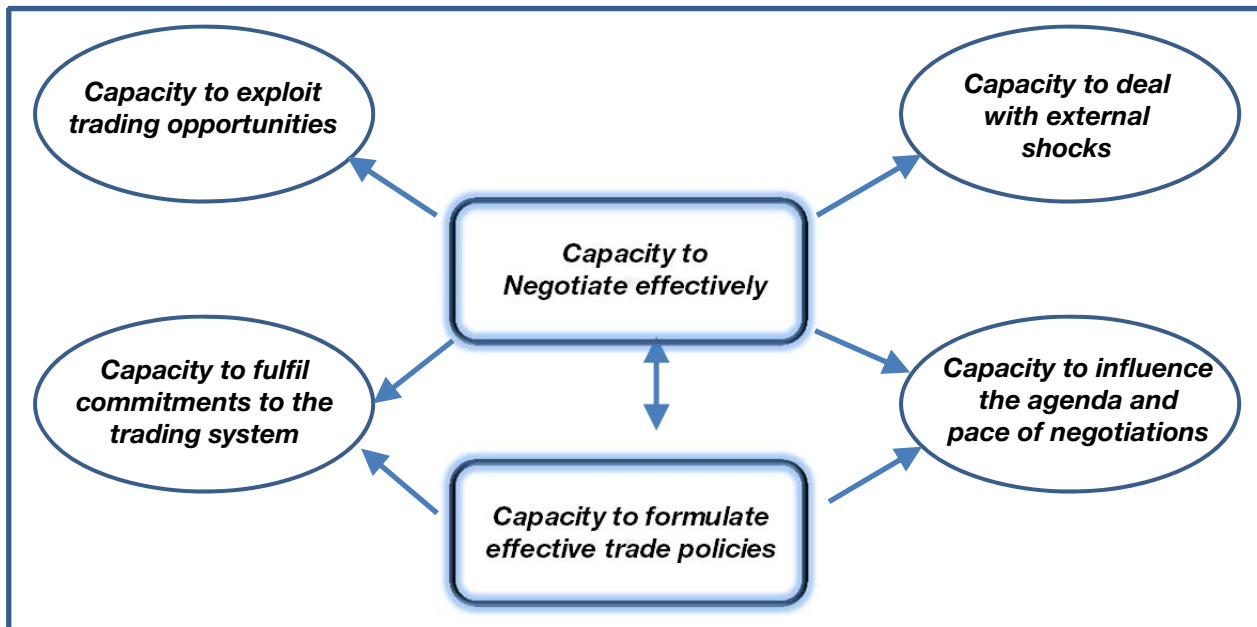
III. Lessons for Africa from the Asian Experience

A relevant question to pose at this juncture is "what are the lessons for Africa from the experiences of the three Asian countries discussed?" One of the key lessons that African countries could learn from the experiences of China, the Republic of Korea and Singapore is that the core elements of an effective trade policy framework and process include: coherence of economic and social policies; consultation across stakeholders; coordination of actions across ministries; communication and raising awareness of trade policies; collection and dissemination of trade information (market opportunities, standards etc); and capacity building. With regard to the capacity-building element, there are weaknesses in capacities in both the public and private sectors that have to be addressed to make effective trade mainstreaming in African countries possible. In the past, the focus of trade capacity-building in Africa has been on the public sector. There is a need to extend this to the private sector and other local stakeholders to enable them play a more active role in the policymaking process than has been the case. Figure 1 presents an overview of the types of trade capacity constraints facing African countries on trade and trade-related issues.

Another lesson from the Asian experience is that effective trade-mainstreaming inevitably involves smart development planning. This reflects the fact that mainstreaming should go beyond trade issues and include, for instance, private sector development, building productive capacities, and economic transformation. In Singapore, for example, industrial policy, private sector development and investment policy were all components of the trade mainstreaming process. Trade mainstreaming

also requires ensuring consistency of government policies and the involvement of a large number of ministries and government agencies, indicating that some form of planning is needed to get it right. By smart development planning I am referring to a non-ideological and pragmatic approach to planning that fosters policy coherence, creates incentives for entrepreneurship, and unlocks binding constraints to development. It differs from the type of planning adopted by African countries in the 1960s and 1970s which was ideological and focused mostly on state-ownership of enterprises and provision of support to firms without challenging them to perform.

Figure 1: Trade Capacity Constraints in Africa: Types and Some Linkages



Source: Adapted from Dupasquier and Osakwe (2007).

Leadership also plays a vital role in trade mainstreaming. If a leader either does not have a clear vision for the country or does not have the political will to implement needed policies, trade mainstreaming will not work. This is an important lesson for African countries because, as is well-known, lack of implementation of policies is a major challenge on the continent. Effective leadership is also needed to manage and reduce inter-ministerial competition and foster coordination. In most African countries the trade ministry generally has coordinating role on trade issues. But other ministries see themselves as playing a lead role on specific aspects of trade such as finance, national economic policy, and regional trade agreements. Often they perform these functions without regular consultation and coordination with other ministries and departments that work on trade and trade-related issues. This creates an atmosphere of competition and requires effective leadership to manage.

Local ownership of the trade policymaking process and outcome also contributes to effective mainstreaming of trade into national development strategies. Experience has shown that domestic resource mobilization plays an important role in fostering local ownership of processes and outcomes. This has to do with the fact that when a country is able to finance its development programmes through domestic resources, it has the freedom to adopt the kinds of development policies and strategies it deems necessary to accomplish its development goals. In this context, there is the need for African countries to strengthen efforts to enhance domestic resource mobilization through, for instance, broadening the tax base, improving customs administration, and stemming

illicit financial flows (UNECA 2015). Fostering local ownership also calls for local stakeholders to be included and be active participants in the trade mainstreaming process.

The experiences of Asian countries also indicate that mainstreaming trade should be seen as a means to enhance the contribution of trade to the development process rather than as an end. To achieve this, mainstreaming has to be done in such a way that it fosters diversification of the export and production structures of African economies to enhance their integration into the global economy and increase their share of benefits from the multilateral trading system. It is not a coincidence that most countries that have been able to exploit the potential of trade for development are diversified and have a coherent trade policy framework. This important fact needs to be recognized and should be taken into account in determining whether or not trade mainstreaming has been successful. So far, there is increasing interest and literature on trade mainstreaming but there is no yardstick to measure success. Against this backdrop, and taking into account the experiences of the three successful Asian countries discussed in this paper, a simple test of success in mainstreaming trade in Africa should be whether: (a) it has led to the development of a coherent trade policy framework; (b) fostered productive capacity development and transformation on the continent; and (c) enhanced local ownership of the trade policy and development process.

Another lesson from the Asian experience is that implementation of policies is important in enhancing the effectiveness of trade mainstreaming. One way to enhance implementation is to establish realistic and feasible targets and also to have a credible mechanism for monitoring and evaluation of policies. There is also the need for accountability to ensure that people take responsibility for their actions and act in ways conducive to the attainment of national development goals.

Trade policy should also be forward-looking and proactive rather than reactive. This requires that policymakers have a dynamic rather than a static approach to policymaking. It also requires that policymakers be proactive rather than reactive. That said, not all countries are expected to have the same type of policies. In fact, the optimal choice of instruments and approaches for mainstreaming will vary from country to country depending on their economic and political realities. As the Asian experience illustrates, the approach adopted by each country often reflects its history as well as political and economic circumstances. For instance, China's approach is quite different from the approach adopted in Singapore and the Republic of Korea.

IV. Challenges of Mainstreaming for Africa in the New Global Environment

The world is changing and so too is the environment in which governments design, formulate and implement trade and economic policies. For instance, there is increasing interdependence between countries due to globalization of trade and financial markets. New regional and international initiatives that provide a vision and framework for formulation of medium and long-term national development policies have been adopted. Climate change is forcing the international community to pay more attention to the impact of trade and other human activities on the environment. And the nature of production has changed significantly with the increasing fragmentation of production and the rise of regional and global value chains. These developments will present challenges for governments as they strive to mainstreaming trade into their national development strategies.

One of the challenges that African policymakers have to address is how to reconcile national development priorities with those associated with regional and international development initiatives. African countries have national development plans and they are increasingly adopting regional development frameworks (such as the New Partnership for Africa's Development (NEPAD) and the African Union's AGENDA 2063). They have also adopted international development initiatives such as the Millennium Development Goals (MDG) and the Sustainable Development Goals (SDG). African governments are expected to implement these regional and international initiatives with priorities often different from those in national plans. This imposes serious challenges for mainstreaming trade at the national level. In the case of regional initiatives, there is an additional challenge arising from the fact that there is overlapping membership of regional economic communities in Africa with different trade agreements that are supposed to be transcribed into national laws.

Another challenge facing African policymakers in the trade mainstreaming process emanates from the fact that the international community is increasingly focusing on the need to foster sustainable development. This implies that trade mainstreaming should not be seen primarily as an economic issue. It also has to take into account social and environmental consequences of trade in the domestic economy. For instance, specific measures to address the adjustment costs of trade reforms should feature prominently in an effective mainstreaming exercise. Also, trade policies must be inclusive and this requires addressing the gender implications of trade. Finally, the environmental consequences of trade should be integrated into trade policy design and implementation.²

The rise of regional and global value chains as well as the increasing fragmentation of production also present challenges for African countries in their efforts to exploit the potential of trade for development through mainstreaming trade into national development strategies. In the past, trade was mostly in final goods. Now, there is increasing trade in tasks which provides an opportunity for African countries to participate in a particular segment of a value chain without necessarily having a comparative advantage in the production of the final product associated with the chain. While this is a welcome development, it also presents challenges for African governments, one of which is how to connect local producers to regional and global value chains. This issue is important because these chains are governed by multinational corporations with enormous financial resources and African governments have no control or influence over these companies. Given the fact that the governance of these chains affects the ability of countries to participate in the chains as well as the benefits they derive from the chain, governments have to address this issue as part and parcel of the process of mainstreaming trade in Africa.

Another challenge that African policymakers have to address is how to finance and implement their trade mainstreaming agenda. While it is imperative that African governments strengthen efforts to mainstreaming trade into their national development strategies, it is equally important for policymakers to recognize that trade mainstreaming is not a costless exercise. It requires devoting significant amounts of human and financial resources to formulating and implementing a coherent trade and development strategy. In this context, there is the need for African governments to ratchet up efforts to develop human capital and, more importantly, mobilize more financial resources to ensure that they can finance their trade mainstreaming agenda and enhance the likelihood that proposed policy actions and activities are fully implemented.

² It is well-known, for instance, that oil production in Africa have had a negative environmental impact in oil exporting countries with consequences for agricultural production and the welfare of rural communities.

V. Conclusion

African countries have development aspirations articulated in national development strategies and frameworks. Some common visions and goals in these documents include: diversifying the economy over a specified period; becoming a middle-income or advanced economy; achieving sustained poverty reduction; and better integrating into the global economy. Economic theory and history suggest that trade is an important vehicle for achieving these national goals and aspirations. This paper argues that for trade to play this role effectively in Africa, it has to be better mainstreamed into national development strategies and plans than has been the case in the past. To this end, it examined the experiences of three Asian countries that have successfully used trade in support of development and drew lessons from these varied experiences for African countries. It also provided a yardstick for measuring success in trade mainstreaming and identified some challenges that African countries have to address in mainstreaming trade into national development strategies in the new global environment.

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