

Promoting exports through connectivity

Chair: Richard Newfarmer, Country Director, International Growth Centre

Commentators: Paul Brenton, Lead Economist, International Trade, World Bank

The first presentation by Ritwika Sen (Uganda Country Economist, International Growth Centre) titled 'Connectivity, Exports and the Supply Chain' drew upon evidence from research commissioned by the IGC in Uganda. The presenter observed that a substantial reduction in transport costs along the Northern Corridor (due to concerted Government efforts and aid for trade facilitation), has enabled Ugandan firms to produce for export – thereby connecting to international markets. Recent research findings by John Spray (University of Cambridge) using firm-level ASYCUDA and VAT data were further presented to highlight that connectivity to international markets contributed to improved firm performance, both for exporters and their supply chains. The presenter concluded that exporting is key for the Ugandan economy, and that policy efforts for export development should - prioritize trade facilitation and transport cost reduction; efficient importation of intermediate inputs for export growth; and, the development of local supply chains that are competitive in terms of both quality and cost.

The second presentation by Victor Steenbergen, (Rwanda Country Economist, International Growth Centre) was titled 'Analysing the impact of the Kigali Special Economic Zone (KSEZ) on firm outcomes'. This offers the first study which offers, robust analysis of SEZs on firm-level behaviour in Sub-Saharan Africa, which is made possible by using firm-level tax data, combined with advanced econometric methods such as propensity score matching. The study was conducted together with Beata Javorcik (University of Oxford). It finds that while Rwanda's SEZ was only established recently (2013), it also has an economically important effect on Rwanda. Moreover, moving into the Kigali SEZ is also associated with large increases in sales, value-added and employment. This is expected to be driven through better trade facilitation and intensive government support. The KSEZ also offers an alternative to the dominant 'Economic Processing Zone' model, and offers a way for governments to catalyse priority domestic industries in a way that is more integrated to the domestic economy.

The third presentation by Alexander Himbert (PhD candidate at the University of Lausanne) focused on "Border Lights: Trade-led Regional Development". This presentation explored how the facilitation of cross-country overland trade (through regional integration) can help contribute to the development of border areas. To do so, this project used annual night-light data for 1995-2010 along all major cross-border road corridors in the East African Community to identify an average border-shadow effect whereby light intensity progressively decreases as one gets closer to the border. Following this approach, it found that cross-border trade benefits all areas, but has a stronger impact on areas closer to the border. This suggests that cross-border trade (and trade facilitation) can help reduce national inequalities by ensuring benefits also accrue outside of capital cities.

Final comments were provided by Paul Brenton (Lead Economist, International Trade, World Bank) who stressed that all three presentations were at the frontier of trade research, both through their use of new data sources and innovative research methods. He noted that these presentations helped address critical questions on the impact and channels through which transport cost and connectivity can improve firm productivity, and on the general distribution of such trade benefits across firms and geographical locations.

A final conclusion was provided by Dr. Richard Newfarmer (Country Director, International Growth Centre), calling for a need to better understand firm-behaviour, especially so for exporters. He noted that industrial policy through SEZs may not only be confined to international trade but can also importantly drive domestic industries. Finally, he noted that understanding who benefits from trade will further assist in future endeavours to utilise trade for growth and poverty reduction.