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Thesis Title: Why Does Manufacturing Export Share Rise Even as Its Output Share Falls in Many African Countries?

Abstract:

For a couple of decades in Africa, manufacturing export of most nations has been rising very rapidly as a percentage of GDP. However, the average manufacturing output has been very sluggish and even grows down as a percent of GDP. This paper theoretically and empirically investigates the possible reasons why the economy tends to export more and more of the goods it produces less and less relative to GDP. Technological advancement and increasing globalization are the prominent features of our current world and are supposed factors to theoretically explain the counterfactual phenomenon. This paper thus empirically tests if these factors can explain it. Manufacturing productivity and non-manufacturing productivity are employed separately as factors capturing effect of technological advancement in own respective sectors because technological innovation is key ingredient to improve productivity. Globalization triggers ease in trade barrier and thus tariff rate is used as the factor to capture the effect of globalization on manufacturing trade and production. Panel data for the years 1997-2014 is used and fixed effect regression technique is applied to analyze the situation. The cross-country regression result shows that the presumed factors capturing important features of our current world do not show significant and theoretically expected strong results for African nations. Thus, the quantitative study suggests that there is no reliable evidence that trade barrier can cause the counterfactual growth between manufacturing output and its export as a percentage of GDP in Africa. The regression result doesn't support the mechanism suggested by Bergoeing et al. (2004) for African economy. The result also indicates the need for a new theoretical model for African manufacturing industries that capture other important features of African economy than mere globalization outcome.