The Effects of Export Diversification on Unemployment and Inclusive Growth in Selected Oil and Non-Oil Exporting African Countries

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Barka Rejoice James,[1] Danladi Jonathan,[2]
Olusegun Paul Adesanya,[3]
and Bamidele Segun Ilugbusi [4]

OPINION PAPER

Africa's economic resilience has been put to the test due to its reliance on raw resources, particularly oil, as its primary export. Sustainable development has been hampered by excessive dependence on the exportation of oil produce. This has exposed many countries to negative consequences like economic vulnerability, Dutch disease and so on.

1. Department of Economics, College of Social and Management Sciences, Afe Babalola University Ado-Ekiti, Nigeria; rejoicejamesbarka@gmail.com; https://orcid.org/0009-0006-6063-8008.
2. Department of Economics, College of Social and Management Sciences, Afe Babalola University Ado-Ekiti (ABUAD), Nigeria; jdanladi@abuad.edu.ng; https://orcid.org/0000-0003-1868-8467.
3. Department of International Relations and Diplomacy, College of Social and Management Sciences, Afe Babalola University Ado-Ekiti (ABUAD), Nigeria; adesanyapo@abuad.edu.ng; segunpaul11@gmail.com https://orcid.org/0000-0002-6885-6855.
4. Department of Business Administration, College of Social and Management Sciences, Afe Babalola University, Ado-Ekiti (ABUAD), Nigeria; segunilugbusi@abuad.edu.ng; https://orcid.org/0000-0002-8040-8705.

However, a route to stability and mutual prosperity is provided by examining the connections between export diversification, unemployment, and inclusive growth. These factors can be examined in order to better understand how African countries can go from vulnerability to resilience.

Export diversification emerges as an essential strategy for economic transformation. For oil-exporting countries like Nigeria, Angola, and Gabon, relying on oil revenues has often resulted in fiscal deficits during global oil price crises (World Bank, 2020). A solution is to diversify into other industries including manufacturing, services, and agriculture to increase economic options and lessen dependency on unstable commodities. Investments in non-oil sectors not only increase export revenue but also create employment across industries, thereby solving the challenge of unemployment and enhancing economic stability (UNCTAD, 2022). Past studies found that diversification contributes positively to economic resilience, particularly in oil-exporting economies, where a broader export base significantly reduces unemployment.

However, the journey towards export diversification is fraught with challenges like weak governance, corruption, and inadequate infrastructure; which are some of the common obstacles that hinder progress. Poor transportation systems and unstable energy supplies, for example, frequently impede nations from expanding their markets and becoming more globally competitive. Policymakers must, therefore, prioritise institutional reforms to strengthen governance and enhance infrastructure development, as these are foundational to achieving diversification goals.

One of Africa's biggest problems is still unemployment, especially for its young people. The results point to a direct correlation between job creation in oil-exporting countries and export diversification. Diversification stimulates demand in labour-intensive sectors, thereby reducing unemployment. However, non-oil-exporting countries face additional hurdles, such as low levels of industrialisation and limited global market access. To address these issues, African governments must foster regional integration and trade openness while investing in skills development programmes to align workforce capabilities with industry demands. Such efforts can enable non-oil-exporting countries to harness the benefits of diversification effectively.

Inclusive growth is another critical variable, reflecting the equitable distribution of economic opportunities and resources. The study highlights that while export diversification can enhance inclusive growth, its full potential is realised only when complemented by targeted social policies. For example, investments in education and healthcare are essential to ensure that marginalised groups benefit from economic progress. Rwanda's experience demonstrates the power of human capital investment in driving inclusive growth, as improved education and healthcare have enhanced the country's competitiveness in diversified exports (Betila, 2023).

The dynamics of inclusive growth and diversification are also influenced by trade openness and exchange rate stability. Volatile exchange rates often disrupt export earnings, particularly in resource-dependent economies. Stabilising currency values through sound monetary policies is essential for fostering a conducive environment for diversification. In a similar vein, trade openness is essential since it makes it easier to access global markets and makes African exports more competitive. High tariffs and non-tariff barriers, however, continue to be major obstacles. Removing these obstacles and streamlining trade policies are crucial steps toward realising the full benefits of export diversification.

While the document provides robust empirical evidence, it could delve deeper into the role of emerging trends such as digital technologies and e-commerce in shaping Africa's export landscape. Digital platforms have the potential to bridge market gaps and allow exporters to reach global consumers directly. The impact of diversification initiatives may be increased by investments in digital infrastructure and trade facilitation policies. Furthermore, chances for group progress are provided by regional collaboration via trade blocs. African countries can increase their economic integration and resilience through pooling resources and harmonising policies.

In conclusion, the relationship between export diversification, unemployment, and inclusive growth provides a comprehensive framework for addressing Africa's economic vulnerabilities. Policymakers must adopt a holistic approach that integrates economic, social, and institutional reforms to drive sustainable development. African countries can build resilient economies which are capable of delivering broad-based prosperity by prioritising diversification, stabilising exchange rates, fostering regional integration, and leveraging technological advancements. The insights from this analysis offer a roadmap for action, underscoring the importance of targeted policies and sustained collaboration to achieve equitable and sustainable growth across the continent.

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