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Malin Nystrand  
*University of Gothenburg, Sweden*

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## Trade Networks: Conducive to Development?

Malin NYSTRAND Global Studies,  
University of Gothenburg, Sweden

Social networks play a large role in economic activities is generally agreed upon by scholars but the assessment of the effect of these networks on economic development differs.

While some emphasise the positive role in terms of trust creation, which facilitates economic activities in the absence of and/or as complement to formal institutions, others highlight the negative sides, such as lack of transparency which hampers competition, social values that crowd out economic logics and illegal activities in relation to networks. Especially in the context of Africa various theoretical approaches have come to very different conclusions on the nature and role of economic networks.

According to the 'social capital' approach empirical material, networks play a crucial role in facilitating trade in Africa. Trust is created through relationship-based networks which make trade possible in spite of the large number of actors and transactions and in spite of weak formal contract enforcement mechanisms.

A contrasting perspective is the focus on the negative side of networks, where the narrowness of the networks is seen as a restriction, and the predominance of reciprocal norms in the networks are seen to be a hindrance to economic development. The institutional approach seems to bridge these two opposites, in suggesting that both types of networks exist and that each network and its conduciveness or not to economic development has to be analysed in relation to the specificity of the network and the context within which it operates.

If a broader perspective on development than just the economic is applied, including at least social and political factors, the inclusion/exclusion mechanisms of these networks becomes important as well as their relationship to relevant governance structures. For reasons of delimitation, this paper focuses on inclusion/exclusion mechanisms. 'Network effects' are described as patterns of socialisation and was measured in terms of number of suppliers and clients known, number of relatives in trade and membership in trade association.

Since the 'network effect' seems to be important it becomes crucial to ask why some people are better connected than others.

Furthermore, it becomes important to differentiate between 'networks of accumulation' and 'networks of survival', along with Meagher's analysis. Even more importantly perhaps, in particular in relation to social aspects of development, is the possible connection between 'networks of accumulation' and 'networks of survival'. The nations that border Lake Victoria are Uganda, Kenya and Tanzania. Trade between these countries consists mainly of agricultural products, fish and industrial products. Kenya is the dominating economic power in the region, which is also reflected in the trade pattern.

Informal trade is, however, large among these countries. According to studies on informal cross-border trade based on monitoring at boarder posts, informal trade is as large as formal trade in the region, meaning that actual regional trade is likely to be roughly double the official figures. This indicates that any study of trade in the region has to take into account the informal trade. The main reasons for trading informally, according to traders, are high tariffs and cumbersome documentation procedures.

Assuming existence of trade networks in the region, the relationship between reciprocity networks and regional 'networks of accumulation' would be an important aspect to explore empirically. The increased formal regional integration, including liberalisation of trade, is likely to improve the preconditions for development of trade networks in the long term perspective, but as with the whole regional integration process it is likely to take time before the results can be seen on the ground. The current regionalisation process is based more on a political agenda than on an analysis of actual compatibility of the economies involved, and the dominance the Kenyan economy in the region is likely to pose challenges to the project.

To sum up, the contextual preconditions in the Lake Victoria region have not been conducive to development of regional trade networks, hence the prevalence of 'networks of survival' and reciprocity networks are more likely than 'networks of accumulation', with the exception of the Asian minority. These hypothetical deductions are up for refutation or corroboration based on forthcoming empirical data.

## New Technology of information as an opportunity for regional integration for East African countries: Case of Rwanda and Burundi Dr William SAHINGUVU, National University of Rwanda

For the last years, the use of New Technologies of Information and Communication (NTIC) have revolutionized the world. The "East African Community" (E.A.C) countries are striving to follow this irreversible and irresistible march of the Society of Information. Initiatives of regional investments in NTIC infrastructures are being put into place in order to create a conducive and effective environment fostering the creation of coherent and integrated spaces of socioeconomic development based on knowledge and innovation.

However these infrastructures are differently distributed, used and appreciated in different countries. Those existing are often of inadequate capacity and poor productivity, slow and difficult to accede. Moreover, one can note a lack of coordination, collaboration, co-operation and sharing of resources at the level of states.

NTIC are tools which accelerate information. The latter is, in the virtual and real world, the driving force of performance, productivity, efficiency, commercial exchanges in real time.

With NTIC, it is becoming easier and easier to develop networks of virtual exchanges that turn into real networks between stakeholders. These networks fluidize the circulation of facts and the communion of entities either at local, sub-regional, regional or even global scale.

ICT as a tool of communication, of exchange of information which allows to coordinate activities. In the East-African zone, the infrastructures are unevenly distributed according to the countries and the regions. The major challenges the promotion of ICT is facing include the poor quantities of infrastructures and the difficulties relating to the access to it. Rwanda and Burundi are lagging behind although remarkable efforts have been made since 2003. The availability of human resources is still inadequate.

The existing ICT networks fluidize goods and services at national and regional level. There are virtual exchange networks. There are levels of cooperation and collaboration among stakeholders and this contributes to the economic integration. It could therefore be suggested that internal backbones should be built so as to prevail competitiveness.

