

Opening Statement by Mrs. Lalla Ben Barka at the Conference on Economic Trends and Investment Opportunities in Africa

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Opening Statement by Mrs. Lalla Ben Barka, Deputy Executive Secretary of ECA

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Your Excellencies,

I bring you the warm wishes of Mr. Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa who is unavoidably absent. He has therefore requested that I represent him on this occasion.

I am pleased to welcome you all to the United Nations Conference Centre in Addis Ababa and the headquarters of the Economic Commission for Africa (ECA). In particular, I wish to extend a very warm welcome to the Honourable Adolfo Urso, Italian Secretary of State for Economic Development and Ambassador Umberto Vattani, President of the Italian Trade Commission.

ECA values its partnership with Italy which has been increasingly strengthened in the recent past and I would therefore like to take this opportunity to salute the visionary and commitment role that H.E. Ambassador Raffaele de Lutio has been playing in this regard.

Mr. Chairman,

Excellencies,

The international economic environment remains fraught with uncertainty due to the current global economic and financial crisis. Indeed, economic data from around the world indicates a rapidly deteriorating situation in developed, emerging and developing economies alike. Latest figures show that output in OECD economies has been contracting at a more rapid pace than initially thought with many workers losing their jobs and unemployment rates rising. Indeed, current scenarios forecast the growth of world output in 2009 at a meager 1 per cent. Given that the world population is growing at a higher rate this means that the world per capita income is likely to decline this year.

Initial assessments forecast that Africa would not be too badly affected by the financial crisis due to the limited integration of region's financial system into globalized structures. However, it soon became clear that the continent would not be immune to the crises as the global slowdown is already having a negative effect on Africa's economic growth rates. We now know that the continent's overall rate of economic growth for 2009, although it is still expected to be positive, will only be a fraction of the robust performance that the continent has been registering during this decade. In the medium term, this situation is also likely to worsen as exports growth and capital flows fall, and African countries experience higher borrowing costs.

Mr. Chairman,

Given these uncertain times, this conference and its theme "*Economic trends and investment opportunities in Africa*" provide us with an opportunity to reflect closely on some basic messages. One such message, and the one that I have been asked to speak about, concerns the indispensability of trade in promoting development. That a positive relationship exists between trade and economic growth is easy to establish and is no longer a contentious issue. There is ample empirical evidence that trade has been a critical ingredient in economic growth in recent decades, both in Africa and globally. Indeed, the example of East Asia has shown that over the long-term trade contributes positively to economic growth.

This positive relationship between trade and economic growth also helps to explain the robust growth that Africa has achieved since the dawn of the 21st Century. Our figures show that, in the ten years preceding the onset of the financial crisis, more than half of the countries in the region experienced trade growth rates above the global average of 9.7 per cent. African exports reached an average growth rate of 20 per cent for the period 2002-2006. Over this same period, Africa's economic performance also steadily increased to reach an average rate of about 6 per cent in 2007 and 2008.

Unfortunately, this positive correlation and outcome, which has played a part in encouraging governments to mainstream trade in national and international development strategies, is now under threat. It is fair to say that the process of increasing trade integration, which has played a major part in driving economic growth in Africa and in the rest of the world, is no longer assured of unquestioned support. As the financial crisis has translated into a full-blown global economic crisis, some have started pointing fingers at the sub-optimality of depending too much on trade as an engine of growth. They may have a point.

Those of you who followed closely the early analysis of the financial crisis must have heard some argue that developing countries had nothing to fear as their economies were *decoupled* from the developed countries. At that time, it was argued that, the economic problems of the major economies would be localized and so the developing economies would be able to offset any downturn in the developed countries. However, this theory has been quickly proved wrong as many developing countries, especially those in Asia, are already showing signs of unexpected rapid economic slowdowns, due to their strong trading links with the developed world.

This has situation has led to a new questioning of the near universal conventional wisdom that export-led development is good. Consequently, there are concerns that this might lead to trade losing its appeal as a development pillar. Moreover, this is all made worse by the fact that there are increasing fears of protectionism even among notable champions of free trade.

We at ECA believe that it is critical for Africa to fight these current sentiments as trade is indispensable to promoting development. While the complement to trade in catalysing growth is strong domestic demand, as we all know, per capita incomes in African countries remain low and it would be asking too much for our economic growth to be driven mainly through domestic demand. If individual African countries were to turn inwards now, such a re-orientation would not only undermine the progress made in regional integration, but also result in low capacity utilization that, in the end, would compromise economic growth. Hence, while accepting that more has to be done to raise incomes in African economies it is clear that this cannot be achieved in an optimal way unless trade remains a central ingredient in national development strategies.

For this reason, the message from Africa is that this is not the time to curtail trade through protection and other inward looking policies. Such actions would drive not only African economies, but also the global economy into a vicious circle of falling per capita incomes. If anything, this should be the time for African countries to work more closely together to deal with those constraints that limit trade between them. It is also an opportunity to come together and forge common positions that would contribute to increased market access for their products. The development of trade-enhancing infrastructure should remain a priority in governments' spending policies, given their potential to enhance regional and global competitiveness.

Africa's trading partners could also help strengthen the utilization of trade to create wealth in Africa, by not only opening up their markets, but also taking advantage of the investment opportunities that despite the economic crises remain in Africa. This is where a country like Italy comes in. Africa is actively engaged in the multilateral trade negotiations at the WTO and in the bilateral EPA negotiations with the EU. Italy could work to simplify the rules that would make it possible for Africa to make full use of trade as a development tool, by supporting the pro-development positions that African countries have taken in these two tracks of trade negotiations.

Italy's term of G-8 Presidency comes at a time when the instincts are for many countries to look inward, and this could be reflected in hardening positions in the trade negotiations. It is therefore our hope that during Italy's Presidency, clear and actionable recommendations will be reached, especially on how to maintain and heighten the pace of implementation of previous G-8 commitments in the area of trade and investments with regards to Africa.

Mr. Chairman,

Excellencies,

In summary, I am sure this conference can play an important role in promoting this important agenda. The opportunities are there. We also know that recent trends in Africa have been positive. What we need now to carry us through the current global financial and economic crisis is stronger, not weaker, trading ties and greater investment flows in a range of sectors across the continent in order to promote growth.

I wish you fruitful deliberations on this theme and look forward to a mutually beneficial deepening in Africa's trading links with Italy.

Thank you for attention.

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