

New trade deals challenge Africa to step on to the global stage

Without growing its economy, Africa risks being left behind, unable to create the jobs it needs to reduce poverty

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Africa needs to grow its economy in order to reduce poverty and create jobs for the millions who will be entering the workforce. In the development community, this statement has become almost trite.

But is it the whole truth? After decades of underperformance, Africa had economic growth rates of 5.8% from 2004 to 2014 (pdf), democracy is now the norm rather than the exception, and corruption is being tackled as the rule-of-law has been strengthened in several countries.

By 2030 sub-Saharan Africa could be adding more working-age people to the global labour force than the rest of the world combined. If jobs can be created, then this demographic transition alone could raise GDP per capita by a further 50% by 2050.

Still, many challenges threaten to reverse this progress. Responding to them will require Africa to diversify its economy and better integrate into the global economy. And this will mean bringing Africa into the new systems of international trade that are being negotiated.

Over the last 18 months many of the key drivers of Africa's growth have changed. Commodity prices have collapsed, contracting government budgets and export income. China - Africa's largest trading partner - is slowing, perhaps by a lot. And the easy monetary policy in the US, which drove cheap capital into investments in Africa, is at an end. As a result, GDP in Africa in 2015 slowed to around 4.5% (pdf) - not bad considering the anaemic growth in most of the world, but significantly lower than Africa needs.

To reduce poverty further and create jobs, Africa will need to become more globally engaged.

As has been seen with the remarkable growth in Asia over the last 30 years, trade openness supports export-orientated manufacturing sectors, which absorb large numbers of low-skilled labourers. There are also opportunities for Africa to expand agriculture exports, a sector responsible for 65% (pdf) of jobs in sub-Saharan Africa, half of which are held by women.

Yet international trade is an area where Africa underperforms.

For instance, in 2014 the share of global exports from sub-Saharan Africa was less than 2%. And this poor performance was despite African business having preferential market access into the United States and the European Union.

Sub-Saharan Africa is also poorly integrated into global supply chains where businesses can contribute inputs into the creation of final products. More than half of world trade is now in intermediate goods. And plugging into these global networks avoids having to develop entire industries from scratch.

But there are also new rules.

While Africa needs to become part of the global economy, the rules of engagement are changing in ways that could further marginalise Africa. This is primarily the result of a US-led push to develop new high-standard trade and investment agreements - the most significant of these being the Trans-Pacific Partnership agreement concluded last October. In addition, the US and the EU are negotiating a bilateral trade deal and there are other large trade negotiations centred in Asia.

No country in Africa is a part of these new trade agreements; yet they will significantly affect Africa's ability to participate in the global economy. As tariffs come down, the value to African businesses of tariff-free access to the US market will be reduced. These agreements also include new rules on labour and environment standards that African businesses are likely to find difficult to meet, further affecting participation in global supply chains.

At the same time, no progress is being achieved on completing the global trade negotiations at the World Trade Organisation. This means that there is currently no large global trade negotiation where Africa's views are being considered.

The risk is that Africa will find it increasingly difficult to compete globally, confining the continent to a shrinking share of international trade and diminishing its attractiveness as a destination for investment, undermining growth, and job prospects.

These challenges underscore the need for leaders, businesses, and civil society in Africa, and globally, to ensure that Africa is not left behind. Progress here could be the difference between a prosperous Africa and a slowly declining, less stable continent, with global repercussions.

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