2013 African Economic Conference

Statement

By

Dr. Abdalla Hamdok
Deputy Executive Secretary of ECA

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It is a great pleasure and honour for me to welcome you, on behalf of the Economic Commission for Africa, to the 2013 African Economic Conference, jointly organized with our partners, AfDB and UNDP. This Conference is an important platform for researchers from different institutions, policy makers and a wide spectrum of development experts to exchange ideas, experiences and perspectives on how to address Africa’s development challenges. It has undoubtedly helped strengthening research capacity on the continent as well as providing policy options for member States to unravel challenges and exploit opportunities to foster economic and social development.

I am delighted to note that the Conference is also a forum through which young African economists make meaningful contribution and infuse new thinking to the development debate. This year 57% of the papers, to be presented and discussed, were contributed by young researchers.

Mr President;
Distinguished Participants, Ladies and Gentlemen;

Regional integration is not a choice for Africa, but an imperative that is both beneficial and possible. Let me start by underscoring the continent’s impressive recent growth record and the notable achievements made by many African countries in areas of social development such as poverty reduction, primary school enrolment, gender parity in education, maternal and infant
mortality and prevalence of HIV/AIDS, and also welcome the narrative of “Africa rising” as evidence of changing perception of the continent.

Notwithstanding these positive developments, promoting structural transformation and inclusive development remains an elusive goal for the continent. Although sources of growth are diversifying, African countries continue to rely heavily on primary commodity production and exports, a growth path that has been accompanied by a marked increase in inequality and a shrinking share of the manufacturing sector. Too many Africans continue to live in chronic poverty, its young people face futures without jobs and the continent remains vulnerable to internal and external risks including shocks emanating from the global economy as well as threats of social and political instability and natural calamities.

This brings to the fore the pressing imperative of economic transformation if the continent is to reverse the recent trends of jobless growth, break historic legacies of economic and social stagnation that plagued African countries for almost half a century and achieve long term inclusive and sustainable development. Economic transformation will ensure that Africa makes optimal use of its human and natural resources, bringing about a shift in the sectoral composition of its economies, in favour of high productivity sectors, especially manufacturing and modern services. It will see its share of manufacturing in GDP rebound, a more diversified manufacturing and
exports base and jobs created for the estimated one billion labour force that Africa will have by 2040.

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The changing global geopolitical landscape that has led to the emergence of new ‘growth poles’ – most notably the BRICS - and their strengthening partnership with Africa presents opportunities to bring about this transformation. The ensuing recalibration of the world economic and political powers opens the way for Africa to also become a prominent player in the global arena. At the regional level, the continent possesses significant natural resources that the world needs and which, if well managed, will provide spur economic transformation. Africa accounts for approximately three quarters of the world’s platinum supply; half of its diamonds and chromium; one fifth of gold and uranium supplies; just over half of the world’s uncultivated arable land, with the potential to become the breadbasket for the world; and it is home to gas and oil production in over thirty countries.

Furthermore, the demographic dynamics show a continent that will have over a quarter of the world’s labour force by 2050 and the lowest dependency ratio in the world by the end of the century. This is in addition to the unprecedented rates of urbanization taking place across its cities. Urbanization, if well managed, will boost productivity, create demand for consumer goods and services, provide opportunities for entrepreneurship and job creation and spur higher quality economic growth.
These mega trends present Africa with a ‘once and for all’ opportunity to seize the moment to transform its economies and prosper in a competitive global economic environment. But these opportunities can also easily be lost if Africa fails to integrate and remain fragmented, politically and economically.

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There is no doubt that Africa is making considerable effort in order to integrate. The decision to fast-track the establishment of the Continental Free Trade Area (CFTA) brought the vision of the Abuja Treaty to create an African Common Market by 2023 one step closer to reality. The successful establishment of a CFTA in Africa would see intra-African trade rising to 22% of total African Trade and, in line with similar efforts worldwide, would add approximately US$ 1 trillion to the global economy.

As the experience of other developing regions of the world has shown, trade can serve as a powerful engine for job creation, inclusive growth, poverty reduction, and sustainable development. But it is participation in the dynamic sectors of global trade—manufactures and services—that has the potentials of delivering these results and not the trade in primary commodities that are characterized by inelastic demand and instability of prices. Evidence suggests that realisation of the regional integration aspirations in Africa can address the challenges that our continent has in the area of trade. In-deed, the deepening
of Africa’s regional integration is necessary for harnessing the potential benefits of a large and growing internal market and for building the industrial production capabilities required for competitiveness in the dynamic sectors of global trade. Thus, enhancement of regional integration will offer enormous opportunities for expanding the trade in manufactures and preparing the continent for effective participation in the more demanding global trading environment.

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Collective efforts, with dynamic political commitment to integration, offer one of the most credible strategies to overcome the daunting Africa’s development challenges. However, some specific caveats must therefore, be noted: i) Regional integration is one instrument for advancing African countries and to be effective, integration must be part of an overall development strategy, ii) Regional integration arrangements can create winners and losers, making it essential that members assess the prospective benefits and costs of regional integration to boost gains and minimize losses. Strategies should include a transparent, equitable, rules-based system for sharing gains and resolving disputes and iii) in order to realize the benefits of regional integration, our Leaders should view these arrangements as more than good “sound bites” in economics and politics and dedicate the effort required to make them work by implementing domestic policies and building domestic institutions that are aimed at promoting equitable and sustainable growth, macroeconomic stability, and combating poverty.
As I conclude, allow me to reiterate that ECA is a committed partner in this process, and will continue to contribute at the highest level to ensure that efforts toward the deepening of regional integration come to fruition by expanding markets, and stimulating value addition, job and income creation, which will ultimately ensure that structural transformation of African economies become a reality.

I thank you for your kind attention.