

Africa and the Global Economic Crisis

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Lausanne, Switzerland

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From July 6-8, GMF and the Evian Group at the International Institute for Management Development (IMD) organized a conference titled "Africa in the Global Crisis & Trade Dis-Order: Transatlantic Policy Options, Regional Integration, and Opportunities for Business Leadership" in Lausanne, Switzerland. The conference brought together U.S., European, and African business leaders, high-level policymakers and civil society representatives on trade-related issues, and assessed the position of Africa in the current global economic environment. The participants also explored future prospects for development, identified trade policy options, and assessed the role of business leadership in moving Africa toward a more robust position in the international trade arena for the enhancement of African prosperity and peace.



The conference emphasized the negative impact of the global economic crisis, which has brought about a reduced demand for African commodity exports, sharp declines in migrant remittances, private capital flows, tourism revenue, and rising protectionism in export markets.

Many countries also face the problem of debt sustainability, while limited financial resources impede governments' ability to cushion the effects of the downturn, particularly on domestic employment. The Evian Group's Founding Director, Jean-Pierre Lehmann, observed that over the coming decades Africa will witness severe demographic pressures that call for substantial job creation.

At this critical juncture, the conference in Lausanne illustrated that knowledge and understanding of Africa's economic challenges will prove to be vital pre-conditions for the establishment of renewed transatlantic leadership on the issues of trade-driven African development and more effective North-South cooperation. The participants of the meeting put forward that Africa is running the risk of a growth collapse, which may jeopardize the modest gains achieved in the past decade in economic development, poverty reduction, and political stability.

Creating capacity for trade and market access

The capacity building challenges of mostly small-scale farmers and exporters were examined in detail by dedicated panels. Several factors that continue to inhibit the development of a greater export capacity were highlighted, including the lack of sufficient infrastructure in the transportation and energy sectors, the scarcity of capital, as well as institutional deficiencies.

Market access was identified as an ongoing challenge for African exporters both at regional and global levels due to persistent tariff and non-tariff barriers. Unilateral trade preferences were criticized for not being functional for African exporters, especially due to complexities created by burdensome sanitary standards and complicated rules of origin. Conference attendees affirmed the significance of the Doha Round for

African economies, which would ultimately render better market access opportunities and ensure substantial cuts in trade distorting farm subsidies in the OECD markets.



The discussion led to a general consensus on the necessity to promote trade within the South, as well as the need to foster regional integration in Sub-Saharan Africa. After emphasizing the fragmented nature of African markets, panelists outlined the necessity to link farmers and producers in the rural areas to domestic, regional, and world markets through more targeted investment and foreign aid. The problems of the agricultural sector were discussed in detail since the sector ensures food security and provides a source of livelihood for millions of people in several African economies.

Aid and Investment for African Development

The participants noted that Africa receives roughly half of global development aid. However, this aid is still mostly donor-driven and motivated by geopolitical interests, thus often missing specific demands on the ground that would potentially drive economic growth. Some speakers cautioned that existing aid is likely to decrease in the near future in light of massive budgetary deficits in developed nations. Robert C. Fisher, managing director of Hills & Company, pointed out that the U.S. aid to Africa would double by 2010 but cautioned: "What happens after that?"

The role of China and India in African development was at the center of a heated debate. Dr. Mills Soko, founding director of South Africa's Mthente Research and Consulting Services, affirmed that, "While the West views Africa as a risk, China sees Africa as an opportunity." Nevertheless, Bright Simons, research director at Ghana's IMANI Centre for Policy & Education, argued that the Chinese development initiatives have focused more on infrastructure, and involved limited technology transfer.

As the world progresses into a new development era with the incorporation of more advanced technologies, conference participants called for renewed transatlantic leadership and strategies that would encapsulate private sector engagement in an effort to prevent Africa from returning to the status of the "forgotten continent."

A podcast interview with Zemedeneh Negatu, a panelist of the "Africa, Economic Crisis, and Investment Opportunities for Transatlantic Businesses" conference is available [here](#). A certified public accountant, Mr. Negatu is a managing partner of Ernst & Young, Ethiopia.

http://web.gmfus.org/mp3s/Serdar_7-27-Africa.mp3