

Africa needs to trade in higher-value goods to aid development

Nairobi May 27 2024 African countries need to trade in value-added and intermediate goods with each other and the rest of the world in order to address the continent's developmental challenges. Platforms like the African Continental Free Trade Area (AfCFTA) must also be used to strengthen value chains across various sectors.

These are some of the points that emerged at a business Breakfast hosted by Brand SA and the South African Chapter of the Brics Business Council. The breakfast took place on the sidelines of the African Development Bank Annual Assemblies, taking place in Nairobi, Kenya this week.

The breakfast set out to explore trade and investment opportunities for Africa presented by the expansion of BRICS to include five new countries. As of January this year Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates joined the emerging markets economic bloc comprising Brazil, Russia, India, and South Africa.

Dr Stavros Nicolau, a member of the BRICS Business Council in South Africa says the expansion of BRICS presents opportunities for the continent. Nicolau noted that Africa currently has a trade deficit with the original BRICS countries, as well as the new countries, especially with China. Nicolau says in order to address the deficit, African countries have to add value to some of the raw materials they exports both goods they trade with each other a well the rest of the world.

Ms Busi Mabuza, the Chair South African BRICS Business Council says the BRICS plus provides a platform to explore and capitalize on the available opportunities for the Continent. These countries are emerging economies with a growing middle class and a substantial consumer market, expanding into these markets can lead to growth opportunities for the Continent. Some of the immediate benefits for the Continent include improving the trade patterns across new BRICS plus members through enhanced bilateral investment agreements, balancing of trade and exploring the value chain opportunities in line with AfCfTA private sector strategy.

While Mpumi Mabuza, the Acting Chief Marketing Officer for Brand SA says South Africa is well positioned to help the continent export higher value manufactured goods due to its large industrial base and capabilities in areas such as advanced manufacturing, automotives and supporting network industries of logistics, telecoms and financial services.

A key message from the session was that the continent has to address its infrastructure deficit, currently estimated at between \$70 billion and \$ 100 billion and spanning energy, water, road, rail and ports as well as digital infrastructure.

Professor Vincent Nmehiell, the secretary general of the African Development Bank says the continent development will be driven by economic collaboration, a focus on value chains, improvement of boarders and immigration as well as education and skills. Some of the value chains to focus on are agro processing to enhance food security, automotive, as well as pharmaceuticals.

Monale Ratsoma, the Director General of the New Development Bank, Africa Region Centre, popularly known as the Brics Bank, says they have learnt lessons from working on various projects on the

continent. One such project is the Highlands Water project between South Africa and Lesotho. The Bank has been able to derisk the project on the South African side due to the country's deep and liquid capital markets. Such capability can help the continent to address its infrastructure.

Josephine Tsele, the Chief Risk Officer at the Industrial Development Corporation (IDC) says the operating environment in the continent is improving but entities like the IDC still have a role to play to reduce the risk associated with the delivery of infrastructure projects, as well as factories and other industrial projects.

Mninwa Mahlangu, South Africa's High Commissioner to Kenya says implementation of the African Free Trade Area requires both improvements in infrastructure as well as a review of trade agreements that Africa has with other regions. He said one area that can be used to drive economic integration is beneficiation, the process of turning raw minerals into finished items. Value added goods earn higher export income.