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Trade and Development Board, fifty-ninth session

Geneva, 17–28 September 2012

Plenary on Interdependence (Item 4) and Development strategies in globalized word (Item 8)

General statements by regional groups Speaker: Nigeria on behalf of the African Group

Tuesday, 18 September 2012

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African Group Statement
Delivered by Nigeria on behalf of the African Group

Trade and Development Board, 59th Session

Agenda item 4 "Interdependence: Coordinating stimulus for global growth"; and
Agenda Item 8-Development Strategies in a Globalised World: : Reducing inequalities for balanced and sustainable development"

18 September 2012

Mr. President,

Growth rates are forecast to increase in Africa to 4.1 per cent in 2012, up from 2.5 per cent in 2011. This is the result of the continuing dynamism in sub-Saharan African economies and a partial recovery in the Northern African countries whose economies had been strongly affected by internal conflicts in 2011. However, it will be difficult for the latter countries to return to their 2010 GDP levels before 2013 owing to a slow revival of their tourism revenues, high unemployment and the recession in Europe which is an important market for them.

2. Overall, the weaker global environment is also taking its toll on several sub-Saharan African economies that are also more dependent on developed-country markets. Moreover, some mineral-exporting countries have witnessed a cooling off of external demand from some large emerging economies, though to a lesser extent. Nevertheless, the external and fiscal balances of many economies continue to be supported by relatively high prices of primary commodities. In addition, a few African countries have also benefited from the exploitation of mining, oil and gas deposits.

3. In contrast to the bleak external conditions, domestic economic activities remain dynamic in many African economies. In sub-Saharan Africa, public spending and the services sector, particularly transport and telecommunications, continue to register robust growth. In parallel, investment in infrastructure and in natural resources has also been supporting domestic expenditure and growth.

Mr. President,

4. The widening of income inequality over the past three decades has been associated with very different development paths. In Africa, this phenomenon has taken place during periods of economic stagnation or depression in the 1980s and 1990s. In Africa as a whole, inequality increased from an already high level.

5. The adverse effect of the Structural Adjustment Programme and the sudden increase in interest rates in the 80s threw many Countries in Africa into stagnation and depression and seriously increased income inequality in these Countries.

6. Fiscal reforms in Africa in the 1980s, together with the loss of tariff revenues resulting from trade liberalization also led to a reduction of public revenue, or prevented it from rising to an extent that would have enlarged the scope for governments to enhance the development process and to act to improve income distribution. This problem was aggravated by the stagnation of per capita flows of official development assistance (ODA) in the 1980s and their dramatic fall in absolute terms in the 1990s. As a result, in many African countries the provision of public services was reduced or user fees for public services were introduced, often with regressive effects or leading to the exclusion of low-income groups from access to such services.

7. In many African countries, the manufacturing sector has not grown fast enough to generate sufficient employment and a much larger proportion of the labour force has been absorbed in informal and less remunerative employment, while price liberalization in agriculture has led to lower incomes of farmers, particularly in Africa. To the extent that liberalization has brought benefits, these have accrued mainly to traders rather than farmers. Moreover, where industrialization has largely relied on integration into international production networks, as in parts of Africa, production activities and job creation have been mainly in simple labour-intensive activities without igniting or sustaining a dynamic process of industrial deepening. As a result, traditional patterns of specialization in primary commodities and natural-resource-intensive manufactures have often been preserved, if not reinforced.

8. After 1995, the income gap narrowed in 15 out of 25 countries for which relevant data are available, mainly in Southern Africa and West Africa. Relatively high prices for primary commodities benefited external and fiscal balances, enabling many countries to adopt fiscal stimulus measures. Investment in infrastructure and in natural resources also supported domestic expenditure and growth. However, sub-Saharan Africa still accounted for 6 of the 10 countries with the most unequal income distribution in the world.

9. Reductions in income inequality over the past decade in parts of Africa occurred in a context of improved external conditions, especially higher international commodity prices and lower debt service burdens. However, owing to different internal structures and domestic policies their effects on income inequality were not the same

everywhere. In many resource-rich developing where the concentration of ownership of mineral resources is typically high, rising prices of oil and mineral products tend to increase income inequality. This contrasts with several countries in Latin America that have successfully averted adverse distributional effects. Especially important in this context have been supportive macroeconomic and wage policies, as well as targeted fiscal and industrial policies aimed at ensuring that most of the income generated in the commodities sector is used within the country.

Thank you