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Note

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Foreword

The *Economic Report on Africa 2004* is the fifth in an annual series that reviews the continent's economic performance and near-term prospects. Targeted to African and global policymakers, the reports are meant to stimulate a process of discussion and change.

This year's report builds on the work of the previous reports by systematic benchmarking of economic performance. It finds that in 2003 Africa recovered from the economic downturn of the previous year with real GDP growth of 3.8%, compared to 3.2% in 2002. This encouraging increase reflects Africa's progress in a number of critical areas: the continent has continued to exhibit good macroeconomic fundamentals; fiscal deficits have been kept under control; inflation has largely stabilized; and the region's current account deficit fell. However, faster overall growth is needed if Africa is to make progress toward achieving the Millennium Development Goal of halving poverty by 2015. Indeed, it is sobering that in 2003 only five countries—Angola, Burkina Faso, Chad, Equatorial Guinea and Mozambique—achieved the necessary 7% growth to make this possible.

Trade is one of the main drivers of growth and development; yet Africa's trade performance is weak. The region's share in world merchandise exports fell from 6.3% in 1980 to 2.5% in 2000 in value terms. It recorded a meager 1.1% average annual growth over the 1980-2000 period, compared to 5.9% in Latin America and 7.1% in Asia. Further, while about 70% of developing countries' exports are manufactures, Africa has hardly benefited from the boom in these exports. Overall on the continent, and particularly in sub-Saharan Africa, progress on export diversification has been slow.

This year's report looks at what needs to be done to help the continent more expeditiously harness the benefits of globalization. The report identifies challenges that are both external and internal.

At the global level, priorities clearly lean away from Africa and developing regions: each year US\$300 billion supports farmers in rich countries, while less than one-sixth of that amount flows to poorer countries in the form of aid. In order to create a fair global trading system, developed nations should show greater commitment to working with African countries on the development agenda of the Doha Round. Enhancing market access for African products is of particular importance.

The trade policies of rich countries are clearly only part of the problem. This report takes an introspective look at what reforms Africa needs to undertake in order to benefit from existing and future opportunities in the global trading system.

The report underscores that African countries need to make trade liberalization work for them within the context of broad development strategies. Trade liberalization can help boost trade performance and growth, and reduce poverty. But liberalization alone is not a silver bullet. The link between openness, growth and poverty reduction is complex and dependent on country specifics. Trade liberalization is most likely to bring benefits when accompanied by good macroeconomic policies, institutional reforms and good infrastructure facilities.

The continent must urgently improve its supply-side capacities. Only then will exporters be able to compete in global markets. The Economic Commission for Africa (ECA)-developed “Trade Competitiveness Index,” which is introduced in this volume, combines the economic and political environment, availability of direct inputs to production and status of infrastructure as factors, to provide insight into why Africa is falling behind other developing regions. It clearly demonstrates that successful integration into the world economy will require better-educated and healthier workforces, improved economic and political governance, and better-quality infrastructure. Based on these findings, this year’s report focuses on how to strengthen trade capacity, boost infrastructure facilities, particularly related to energy use, improve trade facilitation services and address the fiscal implications of trade liberalization. It provides a set of workable recommendations based on best-practice examples from Africa and elsewhere.

It is my sincere hope that this year’s *Economic Report on Africa* will be of particular benefit to African policy makers and governments as they strive to build the long-term competitiveness of their economies and begin to reap more steadily the benefits of globalization, while minimizing the impact of its vagaries. In this way, more of the region’s people will begin to feel and appreciate the tangible improvements in their daily lives brought about by enhanced trade.

K.Y. Amoako
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