

## Mitchell: A Pan-African Trading Area could help lift people out of poverty

In a speech this evening to the Foreign Press Association, Shadow International Development Secretary Andrew Mitchell, will say:

### Check Against Delivery

“Over the last 50 years, the world has been getting freer, fairer, more open, and richer. Global inequality has declined. India and China have lifted millions of people out of poverty. Once desperately poor countries in South East Asia are now economic world leaders.

But Africa has been left behind. It remains a continent mired in poverty. Africa’s share of world trade has declined from 6% 25 years ago to less than 2% now.

Take out South Africa, and it’s just 0.6%. The EU, the US and Japan cling stubbornly to their massive and economically irrational protection.

This hurts their economies, and those of the rest of the world. But even in the face of this injustice, there is a lot that the people of Africa can do to help themselves.

So today I will propose a Pan-African Trading Area. An Area that could help unleash the entrepreneurial dynamism of the people of Africa.

That will remove some of the barriers that are holding people back. For too long, we’ve assumed that Africans should simply be trading with developed countries.

But we’ve overlooked the great potential for Africans to trade with their neighbours. And in doing so, we’ve ignored a powerful potential driver of African growth and development.

Countries which are open to trade enjoy higher living standards, longer life expectancies, better working conditions, and better recognition of human rights. And countries that are getting rich together have less incentive to wage war against each other.

Trade brings so many benefits. It facilitates voluntary co-operation between people all over the world, and increases the range of goods available to people.

It allows countries to specialise in what they produce most efficiently, thus leading to greater poverty reduction and wealth creation. And it is blind to race, creed or religion.

Most people believe that poor people should be free to trade with each other, and they should be free to buy and sell from us in the West.

If people want to buy cheaper goods from abroad, and spend the money they save on food or medicines, they should be free to do so.

Saving a few cents when buying a bag of rice makes little difference to you or me, or to the rich elite in poor countries. But to a poor family it could make the difference between eating at night, or going without.

I turn now to why a Pan-African Trading Area would be a step in the right direction. Ultimately, our vision is a world without barriers: a truly free and fair trading regime.

The best way to get there is through ambitious and successful multilateral negotiation. The WTO has enormous potential to generate subsidy and tariff reductions which would help poor countries.

But in any event the current logjam means that we need also to think about other measures to encourage trade, especially the often-neglected issue of 'South-South' trade between developing countries.

According to Oxfam, in the 1990s, South-South trade generally grew at double the rate of world trade but Africa has participated less in this growth than Asian and South American economies. The World Bank has estimated that African countries would gain as much from liberalising their own agriculture as from European liberalisation. African tariffs are some of the highest in the world.

While OECD countries cut tariffs from an average of 23.7 percent to just 3.9% in the 20 years from 1983, Sub-Saharan Africa only cut its tariffs from 22.1% to 17.7%.

And astonishingly, many African countries impose tariffs on the import of medicines, and even Tanzanian-made anti-malaria bednets. These are, effectively, killer tariffs.

While the world as a whole cut tariffs by 84 percent between 1983 and 2003, Africa only reduced theirs by 20%. For most Africans, it is harder to trade with those across African borders than with distant Europeans

and Americans.

In 1997, the World Bank found that countries in Sub-Saharan Africa imposed an average tariff of 34% on agricultural products from other African nations, and 21% on other products. The results are clear. Only 10% of African trade is with other African nations.

Meanwhile, 40% of North American trade is with other North American countries. and 68% of trade by countries in Western Europe is with other Western European nations. While North America and Europe have been getting richer through trade, Africa has been left standing at the touchline.

The world has lifted more people out of poverty in the past fifty years than at any point in human history – but Africa is the continent that is being left behind. The lack of intra-African trade is missed opportunity. Africa's barriers are seriously undermining the continent's prospects for development.

They are preventing specialisation between African nations, hindering productivity growth, and clogging up Africa's wealth creation engine. And there is another form of barrier that doesn't appear in the formal figures. Roadblocks and arbitrary fees issued by bureaucrats within countries have stopped trade for too long.

The Economist's Robert Guest found that a journey in Cameroon that should have taken him three-quarters of a day took him four days. Customs posts are hot beds of corruption, while roadblocks and arbitrary fees demanded by bureaucrats and policemen along the way have hobbled trade for too long.

Unless these informal trade barriers are tackled, millions of poor Africans will have no option but to continue pay over the odds for essential goods. And Africa continues to suffer from chronically weak infrastructure.

Increased trade between countries creates a demand for better roads, something Africa desperately needs, and provides the wealth to build and maintain them. Unless these informal trade barriers are tackled, millions of poor Africans will remain shackled in poverty.

We believe that removing these informal trade barriers within countries are just as important as the formal trade barriers between countries. There is a growing consensus that Africa is damaging its economic prospects by restricting intra-Africa trade.

As Oxfam has said: “Increasing trade and investment between developing countries by reducing trade barriers could bring real benefits in terms of employment and incomes.” We welcome the growth of the African Union in conflict prevention. It should be matched in the field of trade.

Unfortunately, the trading systems between African nations at present are a spaghetti bowl of complex of small, regional agreements. Therefore, we should support the creation of a single Pan-African Trading Area for all Sub-Saharan African nations.

Where Africans – from Senegal to Swaziland – are free to exchange their goods and services with one another without restriction. Where goods can cross borders tariff and quota free. Of course this is a decision for Africa.

But we can show leadership. The British Prime Minister could host a summit for African leaders to promote such a deal. Some of the ‘aid for trade’ money recently announced at the G8 could be used to fund a secretariat to facilitate negotiations.

By fostering interdependence, a Pan-African Trading Area could help to defeat old animosities and promote peace in Africa.

By creating larger markets and promoting specialisation, it could help generate wealth and reduce poverty. This would bring us closer to the peaceful, prosperous Africa that we all want to see.“