Trade corridors will boost African marketplace - Davies

CAPE TOWN: South Africa is helping neighbouring African countries to develop various transport corridors in a bid to boost regional integration and create a larger marketplace for Africans, the Minister of Trade and Industry Rob Davies said yesterday, 8 March 2011.

Speaking at the 5th Africa Economic Forum, Davies said poor transport links between African countries had long stifled trade between the continent's states.

He said South Africa's assistance in developing transport corridors aimed to remedy this.

This includes the rolling out of the North South Corridor, which will link central Africa to the port of Durban, via Zambia, and the Trans-Cunene Corridor, which will link the Democratic Republic of Congo (DRC) with South Africa through Angola and Namibia.

Davies said the completion of Trans-Cunene Corridor would effectively give South Africa a road and rail link to Angola, one of Africa's fastest growing economies, as the corridor would link with the existing Trans-Kalahari Corridor between Botswana and Namibia.

Added to this, African states, he said, also needed to work together to set common standards and develop common strategies, through a body such as the Council of African Ministers of Industry - which is made up of trade and industry ministers from Africa.

Presently South Africa exports three to four times the value of goods that it imports from neighbouring Southern African Development Community (SADC) countries.

Davies said the massive trade imbalance was as a result of inadequate transport infrastructure and supply capacity in neighbouring countries, as well as their inability to produce goods that can sell in the South African market.

He said it was essential that Africa focuses on creating a local market on the continent, pointing out that the expansion of the domestic market had been central to recent economic growth in emerging countries.

While it had fuelled growth of over 8% an annum in India, growth last year in Brazil's domestic market had helped cushion Latin America's largest economy from the effects of the global economic crisis, while China was now trying to develop its domestic market after seeing the limits of growth through exports developed countries, Davies said.

McKinsey's "Lions on the Move" report, which was released last year, had already identified expanding domestic markets as a one of two key drivers in Africa's recent growth spurt - the other factor being the minerals boom.

Davies said the development of a grand trade agreement between SADC, the East African Community (EAC) and the Common Market for East African States (Comesa) would open up a market of 26 countries consisting of 500 - 700 million people.

He said negotiations were set to kick off around the middle of the year, adding that the agreement was expected to initially focus on trading goods.

Davies said Asia had recently overtaken the EU as a key trade destination for South Africa, and China, in 2008, became South Africa's number export destination and import source.

He said 36% of South Africa's exports were to Asia, 27% to the EU, with 18% of exports destined for sub-Saharan Africa.

Manufacturing in terms of South Africa's trade composition had been increasing in recent years and now made up about 60% of the country's trade, but South Africa's trade to developing countries and Asia was still dominated by primary products, he said. South Africa and Africa had to development more equitable economic growth and add more value to the minerals it mined, he said.

Davies said South Africa needed a job-rich growth strategy to tackle high structural unemployment, which he believed could be traced back to cheap unskilled labour in the mining sector back in 1970s.