

The Case for an Africa Trade Strategy: Emerging Africa

Market Size

In a globalizing marketplace, ignoring frontier markets is a perilous strategy. Over the last few years it has been countries in Sub-Saharan Africa, not Asia or Latin America, that have led the world in percentage economic growth. In 1997, 20 countries reached or surpassed 5% growth, with global leader Mozambique averaging 10% since that year. The International Monetary Fund forecasts that Africa's overall gross domestic product (GDP) should grow by 5% in 2000, up from 3.1% in 1999. Africa's total exports in 1998 were a significant \$124 billion, with non-oil exports increasing 5% per year since 1994. Imports of goods and services are well over \$100 billion per year, at approximately a 75:25 goods to services ratio.

Recent events further illustrate the economic strength of the region's largest economy, South Africa. Disciplined fiscal management has wrestled the budget deficit firmly below 3%, and it continues to fall. International bond rating services Moody's and Standard & Poor's have recently given an "investment grade" rating to South African government bonds, decreasing the cost of international borrowing and paving the way for global bond funds to add South African sovereign debt to their portfolios.

South Africa recently finalized a trade deal with the European Union, after four years of tough negotiations, and it continues to expand its trade links with Brazil and other MERCOSUR (South American Common Market) countries. Despite sluggish gold prices, the Johannesburg Stock Exchange provided tremendous returns to investors during 1999, illustrating the diversity of the economy. And projected South African GDP growth for 2000 is now estimated to reach and perhaps surpass 3.5%.

Existing Canadian Presence

In addition to a strong presence on the continent by Canadian engineering and service firms, based on long-standing CIDA (Canadian International Development Agency) activity in Africa, fully 50% of all mining exploration in Africa is carried out by Canadians. Other more recent sectors of activity for Canadian firms in Africa include oil and gas, telecommunications, electricity generation and transmission, and wood processing. As well, small and medium-sized firms (SMEs) have recently moved into West Africa in many sectors unrelated to traditional CIDA-supported activities.

Canada has also been instrumental in the development of various regional and Africa-wide structures with significant business potential. Among these are the Regional (West African) Stock Exchange, the RASCOM (African Network for Satellite Communications), and the UPDEA (African Union of Electricity Producers) Regional Training Institute, all based in Abidjan.

Sub-Saharan
Africa (SSA)
includes all nations
south of Morocco,
Algeria, Tunisia,
Libya, and Egypt.
The use of the
generic term
"Africa" in this
report is
synonymous with
Sub-Saharan
Africa unless
otherwise stated.

