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Remarks at special OECD event "Africa and its emerging partners; what the global shift means for the continent"

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The rise of the emerging economies since the turn of the century is the most relevant phenomenon in the world economy in recent history.

Trade has been a trigger of the change: in 10 years, between 1999 and 2009, the share of the world exports of the four BRICs have doubled to just below 20% and is now larger than the EU's. During this same time China's share of world GDP has more than doubled and this year it should get close to 10%.

The export-led boom has enormously increased the emerging world's demand for raw materials, both industrial and agricultural, and greatly benefited commodity exporters all over the world.

What does this imply for LDC's, particularly in Africa?

A great deal, if we look at the figures. China has overtaken the United States and, with almost 14% of trade, is now Africa's second trade partner after the EU and a major source of investment as well as aid. India is also gaining ground, although their trade share is still small at 2,4%, notably in Eastern and Southern Africa. This is good news for Africa, that now can choose its trade and investment partners and negotiate better terms of trade.

But Africa needs to move a step forward if it wants to reap the benefits of the increased opportunities.

Its share in world trade and investment is still too low: just around 3%, and not progressing. The bulk of its trade is still in the commodity sectors: fuels, minerals, agricultural products. As an example, above 70% of Africa's exports to Europe in 2010 was still in these sectors. The increased trade with the emerging countries has not substantially changed these traditional patterns, born in the colonial times and consolidated during decades of unilateral trade preferences from developed countries, since until recently most of the trade and investment with emerging countries has been in raw materials and agriculture. Construction has also boomed, but, while improvement in infrastructures is a crucial basis for further development, some of the employment created is short lived and does not necessarily lead to sustainable growth.

There has been some evolution recently. China has substantially invested in manufacturing. However, particularly in African LDC's, there is the urgent need to move further up the manufacturing chain and develop a competitive services sector in order to become active part of the world trade networks and supply chains, and not to get definitively stuck in a resource course. It is an enormous task and there is no ready made solution.

But there are policies that can help, such as:

An open trade policy and active participation in the rules based trade system. Open trade improves business competitiveness and would encourage multinational companies to move part of their operations to Africa.

Improving the business environment. This would attract investment in a higher value production and services. African LDC's have made great progress recently but too many are still at the bottom of the ranking of the World Bank's 2011 *Doing Business report*;

Regional integration, creating a critical mass in domestic markets and fostering development of competitive domestic industry as well as attracting foreign investment;

The EU, as Africa's first trade and aid partner, has supported these policies in the past and stands ready to continue to do so in the future. Beyond giving LDC's the most generous possible market access, which helps but is not sufficient to step up

development levels, the EU supports the efforts of LDC's in Africa and elsewhere to make the most of the opportunities offered by the development of the world economy:

Yesterday, the European Commission adopted a proposal to focus the benefits of its Generalised System of Preferences on the countries that need them most. Since we already give LDCs the best possible access – and unilaterally – to the EU market, our proposal seeks to narrow down the pool of competition for the exports of similar products to the EU.

We go beyond unilateral preferences, the EU offers ambitious Economic Partnership Agreements to those countries that are ready to take the necessary steps; elsewhere in the world, we have signed comprehensive free trade agreements and with economies having a similar level of growth as Africa.

The EU trade and development policies support financially and operationally regional integration process in Africa, both at the continental level with the strategic partnership with the African Union and at the regional organizations' level; national and regional aid programmes support producers who want to upgrade their production and improve their access to high value, sophisticated markets.

And lest we forget: concluding the Doha Development Round within the WTO is the best, no: the only way to guarantee an open trade regime to which all partners – developed and emerging – subscribe. If we fail, we will all suffer the consequences – especially those developing countries that are less attractive and less powerful in bilateral or regional trade agreements.

In addition, institution building and better governance are key to the success of these policies if we look at the future in a sustainable way. For instance, only with solid institutions, including for the financial markets, the shortcomings due to the food price volatility can be overcome.

In the new circumstances, the role of the EU in Africa must change and is changing. The EU is not “the” partner anymore; it is one of the partners, one of the many outlets for African goods, one of the many investors. As a consequence, we must be more active and creative in our relationship. It is not enough to unilaterally open our markets, and deliver development aid in the traditional forms.

The EU needs to build an articulate economic partnership including trade, aid provided in increasingly diversified forms and levels, and exchange of expertise in the domains where the EU has a unique experience: customs, competition policy, services liberalization. This is starting, for example in the framework of the strategic partnership with the African Union.

The change will be beneficial for both sides, and I am confident that it will give a crucial contribution to a stronger, more open and more prosperous Africa in the coming years.