

Africa benefits from commodity costs

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TEXT OF STORY

Kai Ryssdal: The Labor Department said this morning the Producer Price Index, wholesale inflation, shot up 1.8 percent in June. Way more than anybody expected. Record commodities prices are one big reason. Their spiraling cost means trouble for much of the world. But commentator and economist Edward Miguel says that rise in prices presents a real opportunity for some.

TEXT OF COMMENTARY

While high consumer prices for fuel and food capture the headlines, the costs of the basic raw materials for construction and industry — from copper wiring to rolled steel and timber — are also at record highs.

This squeezes U.S. firms. But not everyone around the world suffers from high global commodity prices. Some benefit positively — and not just oil sheiks in the Middle East. It may come as a surprise, but Africa has been a winner in the global commodity game.

In fact, high commodity prices are propelling the fastest economic growth sub-Saharan Africa has seen in over three decades. Continent-wide growth has been at about 5 percent per year since 2002 — not quite at Chinese or Indian levels,

but a big step forward for a region better known for civil wars than corporate profits.

Soaring commodity prices have played a key role. Africa as a whole is a net exporter of raw materials, minerals and many agricultural products — everything from copper to cocoa, coffee to cotton, timber and, of course, petroleum from countries like Nigeria. So record global commodity prices have been a boon to many of its producers.

I've seen the economic turnaround first-hand in Kenya, where new construction sites seem to start every day. More children are attending school. And cell phones have penetrated even the most remote of rural villages.

Yet there are still causes for concern. Political instability is a risk — as we saw this past December in Kenya, one of Africa's most prosperous and democratic countries. Ethnic violence marred national elections. That left hundreds of thousands of homeless refugees. A deep economic recession there would only worsen ethnic tensions.

Africa has also failed to diversify much beyond its traditional commodity exports. And its manufacturing and industrial base remains weak. If commodity prices fall, that could burst Africa's economic bubble.

Many Americans will rejoice when food, fuel and other commodity prices finally fall back down to earth. But this drop may spell hard times for some of the world's poorest people, in Africa.

Ryssdal: Edward Miguel is a professor of economics at the University of California Berkeley. His book "Economic Gangsters...Corruption, Violence, and the Poverty of Nations" is set to be released in September.

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