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POTENTIAL OF THE GLOBAL VALUE CHAINS SHIFT TO AFRICA

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The last few years were difficult for the whole world, and it is still in a fatigue to overcome the Covid-19 consequences. The globe is shaking again on a geopolitical and military levels since February 2022. The most concentrated with production lines countries like China, India and other in Asian region, slowly losing the focus of the companies to continue their presence in the mentioned countries. There are few reasons for it. Firstly, the labor force in China and India is no longer the cheapest. Secondly, the bifurcation processes developing on a geopolitical level during the last year are very sensitive to the behavior, agreements, statements and liability of every country. New bloks and unions are forming or the existing ones are strengthening. As a result, the new region might be needed to move a part of the supply chain and thus the value chain to reduce the costs along the chain.

In the last decade business and academia put a lot of interest to the African countries [1]. This region is attractive geographically and sometimes financially. The minimum wages in South Africa, China and India are compared and presented in a figure 1.

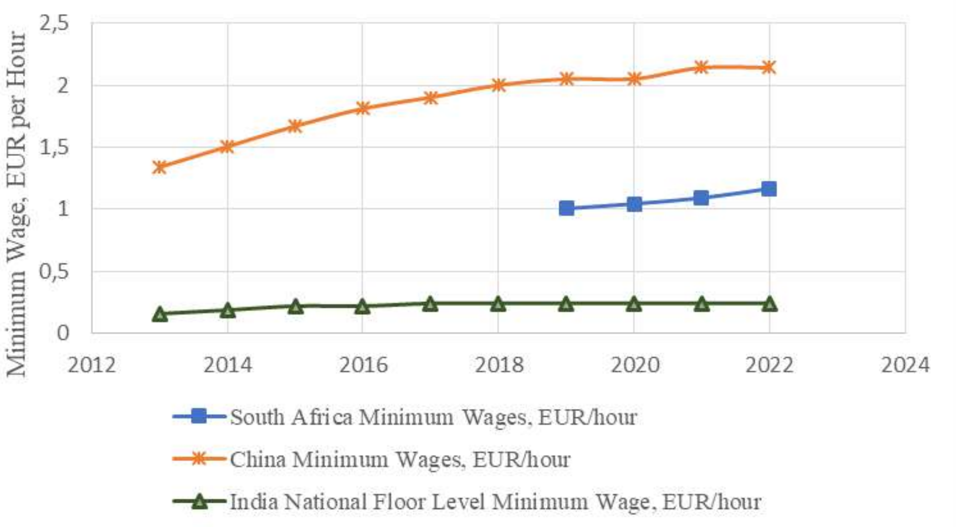

Figure 1 – Minimum Wages in selected countries, 2013-2022 [2]

The African continent might significantly shorten the length of the forward and backward global value chains for the European and American markets. Thus, the logistics costs will be much lower. According to the "World Development Report 2020" [3], the share of African regions in the total global value chain trade was ranging from 21 % to 36 % in 1990 and have risen to 25 % and 40 % correspondingly in 2015.

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