Emerging Partners in Africa's Development
Measuring the Impact of South-South Cooperation

Distinguished guests, Members of the Academic Community, Ladies, and Gentleman, it is a privilege to be afforded the opportunity to engage with you this morning on the pertinent topic on "Emerging Partners in Africa's Development"

1 BACKGROUND

The new political and economics architecture of the international affairs

The global financial crisis has spurred leading emerging states to take an increasingly commanding role in global economic affairs while the Western industrialised states still struggling economics problems.

Nowhere is this trend more evident than in Africa, a continent traditionally regarded as sitting on the margins of the international political economy by the industrialised North. Over the last fifteen years, emerging powers have made significant inroads into Western political and economic dominance in Africa. The result is a diversification of external actors involved across a range of sectors of the African economy with much of this interaction being framed in terms of new forms of multilateral and bilateral arrangements.

In June 2014, the 23rd General Assembly of the African Union approved the Malabo declaration relating to the South-south Cooperation on Africa's Development priorities. In this regard the African Heads of State recognised that enhancing South-south relationship is a new opportunity for the Continent to build a new partnership framework which takes into account the present challenges faced by the people of the African Continent, including the lessons learnt from past experiences.

As we enter a new dimension of global economic and political architecture it is imperative for Africa to analysis this new opportunity towards effective implementation of its priorities.

Indeed, from 1960-1990 the main African partnerships have being important for both exports and imports however since the raise of the new emerging countries in the 1990s to 2000 the main partners of Africa in terms of imports and exports have changed considerably. This is indicative of the need to strengthen the new partnering.

This situation, urges us to orient this new dimension of African partnership to inclusive development actions and how can we engage with partnerships of emerging countries by elevating from the lessons learnt and from the mistakes made in the past.

The purpose of my presentation is to highlight key elements to enable South-south cooperation more beneficial for African countries. To this effect, I will focus on the following three points:

- What are the characteristics of the South-south partnerships
- What are the current impacts of the South-south corporations on African developments
- NEPAD Agency as a privileged African actor

2 WHAT ARE THE CHARACTERISTICS OF THE SOUTH-SOUTH PARTNERSHIPS?

The main characteristics of African partnerships with emerging countries can be identified as follows:

1. The rise of powerful economic partners: a new pole of dependence

Since the turn of the Millennium, Africa’s trade volumes with emerging partners have doubled in nominal value and now amount to 50% of Africa’s total trade, the volume of trade with individual countries like China even surpassing that with traditional partners. China overtook the United States to become Africa's single biggest trading partner in 2009. By 2020, on current trends, Africa’s share of trade with emerging markets could be as much as 70%.

Foreign direct investment from the five BRICS countries reached 25 per cent of total foreign direct investment in Africa in 2010 and continued to increase since then.

But at the same time, figures show that Africa is a minor player in China's overall trade. China's trade with Africa reached nearly $200-billion in 2012 whereas it was quite six fold higher than with the US or the EU alone.

2. Emerging countries development paths are not simply transferable

It is clear that the partnership with emerging countries also benefits from the discredit which struck on traditional donors who were considered the main promoters of economic models that led to the lost decades at the end of the last century. The search for an alternative for development of Africa is justified, given the partial failure of the partnership with Europe and the United States since the 1980s.

Conversely, lessons from the emergence trajectory of Asia directly contradict the economic recommendations made through the IMF. The structural adjustment programs and its conditionality for financial assistance destroyed the economic planning capacity of African states. The application of the Washington consensus has discredited the neoliberal combination of orthodox macroeconomic and microeconomic policies as a viable economic path for Africa.

But this attractiveness for economic take-off models that emerging countries may be proud of and are advocating, may maintain the illusion that these paths are simply reproducible. The initial conditions in Africa are in fact probably very different in particular where human capital level is concerned.

Therefore, considering emerging countries as the model to follow in contrast to old developed countries has to be considered cautiously. Especially as emerging countries in the present time are now part of the globalization movement and don't fundamentally differ in their business practices of that of developed countries.

3. Partnering with Emerging countries

The Doha Round process showed the difficulty of multilateralism in the area of free trade in the context of economic emergence at global level. Competition between nations increased and developed countries make it much more difficult to find a common interest to liberalize multilaterally. States shifted their attitude towards regulating unilaterally in an already highly liberalized environment, and build free trade agreements for additional needs on a bilateral basis. This is a general trend for trade for goods, services and capital and even human migration.

A new difference however is that their new diplomatic capacities of emerging countries provide leverage to mobilize their African counterparts. The Forum on China-Africa cooperation (FOCAC) is a regular event and the Brazil for instance has opened 19 Embassy on the continent since 2003. At the same time they also have developed a "diplomacy of club" such as the BRICS. Again in that sense they are close to the process that led traditional partners to create the G7.

4. Not imposing conditionality gives way to more subtle dependency ties

Given, Chinese aid is less conditional to policies; African Governments are more attracted by this approach. Emerging countries may have a clear strategy on preferring to negotiate bilaterally with a single country for the benefit of negotiations between unequal parties.

Direct award deals and the lack of conditionality for giving grants facilitate political patronage.

For lack of previously clear established rules, all arrangements are possible on an individual basis, even those that are less transparent regarding the law.

3 WHAT ARE THE CURRENT IMPACTS OF THE SOUTH-SOUTH CORPORATIONS ON AFRICAN DEVELOPMENTS?

South-south corporation impacts are political, economic and social

From a political perspective creating groups of G77 allows emerging and African countries to have a powerful voice to engage in global issues. The Group of 77 developing countries and China was formed in June 1964 contributes directly towards deepening collaboration amongst developing countries in international affairs. There were 32 African states which signed the founding Joint Declaration of the Seventy-Seven Countries which established the G77 Plus China, the vast majority of these emerging from colonial rule. At the time of its formation, this grouping served as a platform for the global South to collaborate within the United Nations institutions in order to have a collective voice on major international matters, particularly in the realm of economic justice and diplomacy.

As the technical arm of the African Union the NEPAD Agency has the privilege to address the United Nations general assembly on an annual basis, reporting on our African priorities and partnerships, in order to invite the global community to support the Agency's interventions.

In relation to the economic dimension

Trade between China and Africa may still be modest, but it has grown significantly. In 2003 the total value of the transactions between the two was US$18.5 billion, as opposed to US$12.39 billion the previous year. Currently China is one of the major trading partners with many African countries (Gabon's second largest client after the United States, second largest supplier of goods to Benin, fifth largest to South Africa, sixth largest to Algeria, etc.)

Nowadays China is the primary recipient of direct overseas investments, amounting to US$53 billion in 2003, but is actually also now one of the major sources of such investments. In 2003 China was fifth in the world, after the United States, Germany, the United Kingdom and France. Its overseas investments totalled US$2.087 billion, which represented an increase of 112% over the amount for 2002, and made it an active presence in 160 countries. China is investing massively in raw material deposits overseas, and is multiplying its trading partnerships in order to secure regular supplies. China's presence has undergone rapid expansion in both Latin America and Africa. In 2002 its total overseas investments (leaving aside Hong Kong and Macao) amounted to US$5.083 billion, of which 25% were in North America, 9.5% in Latin America, 8.7% in Africa, and 8% in Australia. The main recipients of Chinese investment in Africa are Zambia, South Africa, Mali, and Egypt.

Brazil-Africa trade has expanded nearly seven fold over the past 12 years, having surged from $4.3 billion to $26.5 billion from 2000 to 2012. Although Africa still accounts for only a small part of Brazil imports (6.8 percent in 2011) and exports (4.8 percent in 2011),8 Africa's stake in Brazil's foreign trade overall increased steadily from 3.9 percent to 5.7 percent between 2000 and 2012. Bilateral trade has the potential to expand further in the near future, particularly when taking into account the complementarities. A closer look at bilateral trade flows highlights a number of distinctive features. Since the late 1990s, trade balance has presented a persistent healthy surplus for Africa as a whole. In 2012, bilateral trade registered a deficit of -$2.05 billion for Brasilia. This is largely explained by Brazil-Nigeria trade flows, its largest trade partner in the continent, with which it has a trade deficit of -$6.95 billion, a result of heavy of oil imports. Brazil has a surplus with most other countries. Another telling feature is that Brazil-Africa trade is very concentrated in a handful of countries. In 2012, four countries alone accounted for nearly 60 percent of Brazil-Africa trade: Nigeria ($9.1 billion), Egypt ($3 billion), South Africa ($2.6 billion) and Angola ($1.2 billion).10 Brazil's exports to the continent are relatively balanced by aggregated value: 42 percent manufactured, 27 percent semi-manufactured, 31 percent basic. As for imports, there is a high concentration on natural resources: 66 percent fuels (oil, natural gas and liquefied natural gas — mostly originating from Nigeria) and 34 percent raw materials.

Brazil only became a significant source of overseas foreign direct investment (OFDI) in the 2000s. Its FDI stock expanded from $50 billion in 2001 to $181 billion in 2010. Even though the number of Brazilian MNCs investing overseas has steadily increased over the past decade, OFDI stock remains highly concentrated in a small number of companies. The top four companies (Itau-Unibanco, banking; Vale, mining; Odebrecht, construction; Petrobras, hydrocarbons) account for 78 percent of Brazil's OFDI stock. Brazilian OFDI stock in the primary sector rose substantially in recent years, from two percent in 2008 to three percent in 2010, totaling nearly $57 billion. The lion's share is mining and quarrying ($49.6 billion), mainly driven by Vale's foreign assets, followed by hydrocarbons ($6.8 billion) mostly under Petrobras. Not surprisingly, a significant share of these investments target Latin America and Africa.

While India's economic interests in Africa have been focused on Eastern and Southern Africa, in 2007 these primarily private commercial concerns received a significant boost from state support. A government-launched multilateral forum, the India Africa Summit involving 15 African countries and Delhi, committed itself to raising its credit line for Indian businesses to US$5.4 billion, to providing US$500 million in grants for development cooperation, improved market access to African exports, training for over 1500 Africans in Indian universities and improvements in defence cooperation. The IBSA (India, Brazil, South Africa) forum launched in 2003 builds on long-standing close ties with South Africa and in recent years Delhi has hoped to enlist African support for its positions in the WTO and in the reform of the United Nations Security Council. The presence of the Indian communities scattered on the African littoral once caused Prime Minister Indira Gandhi to remark that they were 'India's ambassadors' to Africa; this attitude dominated traditional official thinking in Delhi.

The social element involves capacity development and cultural cooperation

Through youth exchange program Chinese and Indian universities welcome hundreds of African student every year. This assures also a transfer of technology and skills to the continent. Moreover, the emerging countries interact with Africa in peace and security issues, given that stability is a condition to attract investment.

4 NEPAD AGENCY AS A PRIVILEGED AFRICAN ACTOR

South- South Cooperation and Aid Effectiveness

At the Second High Level Forum on Aid Effectiveness (2005) it was recognised that aid could be producing better impacts.

In 2008 at the Third High Level Forum on Aid Effectiveness an even greater number and wider diversity of stakeholders endorsed the Accra Agenda for Action (AAA).

The AAA both reaffirms commitment to the Paris Declaration and calls for greater partnership between different parties working on aid and development.

Designed to strengthen and deepen implementation of the Paris Declaration, the Accra Agenda for Action (AAA, 2008) takes stock of progress and sets the agenda for accelerated advancement towards the Paris targets. It proposes the following three main areas for improvement:

Ownership: Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid co-ordination and more use of country systems for aid delivery.

Inclusive partnerships: All partners - including donors in the OECD Development Assistance Committee and developing countries, as well as other donors, foundations and civil society - participate fully.

Delivering results: Aid is focused on real and measurable impact on development.

Capacity development - to build the ability of countries to manage their own future - also lies at the heart of the AAA.

5 CONCLUSION

Key recommendations for a better, more improved South-south corporation for the Continent

African countries should negotiate better terms for aid delivery to promote partnership between emerging country companies and their domestic counterparts, increase local sourcing of inputs and enhance outsourcing arrangements including subcontracting with local entrepreneurs. And when local capacity does not exist, cooperation should be encouraged to incorporate capacity building as part of the aid package. The opportunity presented by multiple sources and rising volumes of aid should be used as leverage to negotiate better terms and ensure that development assistance is driven by the needs of the national development agendas.

This calls for a three-pronged strategy for institutions like ours, with targeted actions on both the public and private sector spheres.

First, to acquire a critical mass of partners for negotiations, leverage complementarities and make the most of the competition amongst them in line with regional priorities; the more partners we have the more leeway we will get;

Second, to develop our own code of conduct in order to change the sequence in imposing conditions, we should assume that by imposing rules ourselves we would have a leveraging effect by creating confidence and then better involvement of partners in the long run. In the short term the conditions should focus on the management of the rent harnessed from natural resources in particular extractive industries. Governance rules and accountability are necessary.

Third, to actively target and mobilize emerging economies, and companies in support of development goals in particular, to fill productive gaps that are useful to trigger the rise of industries where Africa might have comparative advantages.

We must further increase our ability to be selective based on objective and transparent criteria.

This is clearly an agenda for increased leadership, applicable to partnership with emerging countries as well with traditional ones.

I wish you all successful deliberations.

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