

BRIDGES NETWORK

BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

VOLUME 2, ISSUE 6 – SEPTEMBER 2013



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STRUCTURAL TRANSFORMATION

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A Chinese perspective on Africa's lack of good governance



International Centre for Trade
and Sustainable Development

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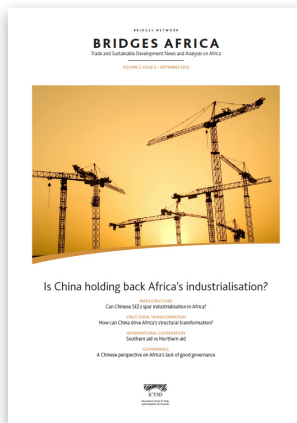
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China in Africa: all is not good



China's growing engagement in Africa opened the chapter of a new trading partnership. It has become a common picture to see the Chinese President greeting African Heads of State or Africans waving the red and yellow flag. China's presence in Africa raises many hopes to achieve Africa's development goals and many countries see China's success as a source of inspiration.

While remarkable achievements have been made in the context of China's engagement with Africa, "everything is not good" says one of the authors in this issue. The commercial relations between China and Africa are still heavily concentrated on the imports of natural resources, perpetuating the continent's dependence on primary commodities. In 2012, trade between China and Africa was estimated over US\$ 200 billion. The past decade has been a period of strong growth for Africa, driven by the Asian demand for African resources. But that same boom in commodities has coincided with a relative decline of African manufacturing.

Cheered up in its early stages for the new breath it provided to African countries, Africa's enthusiasm has now diminished somewhat. Earlier this year, in an article published by the Financial Times, Sanusi Lamido, Governor of the Central Bank of Nigeria, encouraged the continent to view China as a competitor: "China takes from us primary goods and sells us manufactured ones. This was also the essence of colonialism."

At the same time, as China is climbing the value chains, some observers say many opportunities may arise for African countries if they manage to establish an appropriate enabling policy environment.

Currently, Africa is juggling multiple partners in the absence of a coherent and coordinated strategy. The approach towards China remains fragmented and is operated on a case-by-case basis. In a Spiegel interview earlier this year, when asked whether Chinese have a more honest interest in Africa, Rwandan President Paul Kagame answered: "It is not a question of whether China or the West has more honest intentions with us. [...] It is about knowing how we can get on our feet on our own?"

We hope you enjoy reading this edition.

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The Bridges Africa Team

STRUCTURAL TRANSFORMATION

Can Chinese SEZs spur industrial development in Africa?

Vinaye Ancharaz

How much impact do Chinese SEZs have on Africa's industrialisation?

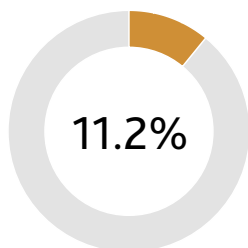
Ever since the Chinese government announced in 2006 that it would support the establishment of "economic and trade cooperation zones" (ETCZ) abroad as part of its "Going Global" policy, Africa has hoped to attract a fair share of the 50-or-so proposed special economic zones (SEZs) to the continent. At present, five zones are at different stages of construction – one each in Ethiopia and Mauritius, and two in Nigeria; the Chambishi zone in Zambia is partially operational while the proposed Algerian zone has been suspended. Only Egypt's Suez ETCZ is fully operational.

The African countries that competed to host the Chinese SEZs saw in these zones long-term prospects for industrial development or upgrading value chains in addition to the much-needed jobs that they would create. Although it is too early to assess the real impacts of the zones, we can put together some elements – based on experiences on the ground, theoretical insights, prospective analysis and even hypotheses about China's underlying motivations – in our attempt to determine whether these zones could be a springboard for industrialisation on a continent where several previous attempts by governments with similar zones have failed.

In this regard, the evidence so far is not very encouraging. The number of SEZs in Africa is too small to spark an effective industrial push at the continental level. Moreover, the countries in dire need of an industrial zone did not receive any attention from the Chinese developers – at least not in the initial round of tenders – and those hosting the SEZs are ill-prepared to benefit fully from the effort. Such evidence seems to weigh in favour of the critics, who claim that the SEZs are meant to extend China's growing influence in the world by trading a few thousand low-skill jobs and half-promises of knowledge transfers for market access, control over resources and 'soft' power. These claims are often fuelled by a dearth of data and the characteristic opacity of the modes of Chinese engagement in Africa.

The state of industrialisation in Africa

Africa's poor state of industrialisation is well known and widely documented, as are the reasons for it. At 11.2 percent in 2011, Sub-Saharan Africa's (SSA) share of manufacturing value added in GDP – a commonly used measure of industrial development – is the second lowest among all regions of the world, only slightly behind the Middle East and North Africa (whose low share is due to the region's historical dependence on oil). Moreover, the SSA share would be 3 percentage points lower if South Africa was excluded, making the region the least industrialised in the world. SSA's export structure tells the same story: the manufacturing share of total exports (about 25 percent in 2011) is low, because SSA produces few industrial products of export quality. More worrying, both indicators have shown a downward trend in recent years, suggesting that Africa's timid industrialisation effort has waned. On the whole, the region (barring South Africa and a few other middle-income countries) remains globally uncompetitive; SSA ranks lowest on the United Nations Industrial Development Organization (UNIDO) competitive industrial performance (CIP) index.



Sub-Saharan Africa's share of manufacturing value added in GDP is the second lowest among all regions of the world.

Enter China

China has dented Africa's efforts at industrialisation in several ways. First, it has perpetuated Africa's dependence on natural resources. China's share of Africa's fuel and mineral exports, which increased from 1.8 percent in 2000 to 19 percent in 2012, was a factor in deepening Africa's concentration in natural resource extraction. The share of fuels and minerals in Africa's exports went up from 54 percent in 2000 to 64 percent in 2012. While China's share of Africa's commodity exports is small relative to traditional partners, like the United States (US) and Europe, China is absorbing an increasing share of these exports. In recent years, over 60 percent of Africa's exports to China have consisted of oil and minerals.

Second, the influx of cheap Chinese imports into Africa has caused significant injury to local industry, with the impact varying in intensity across countries. Trade unions in Zambia have blamed Chinese imports for undermining the clothing and electrical sectors. In Ethiopia, while competition from Chinese shoe imports has forced the local footwear industry to innovate and upgrade, a number of producers have been squeezed out while surviving firms have contracted. Similarly, survey evidence from Mauritius shows that small- and medium-sized enterprises (SMEs) in the clothing, footwear and furniture sectors have borne the brunt of Chinese competition, being unable to match the price-quality ratio offered by Chinese products.

Trade unions in Zambia have blamed Chinese imports for undermining the clothing and electrical sectors.

Third, African exporters of manufactures and processed goods have faced stiffer competition from China in their traditional export markets. In Mauritius, Swaziland and South Africa, the clothing industry suffered major setbacks in the run-up to January 1, 2005, marking the end of the apparel quotas and the beginning of Chinese dominance of the global apparel market. Specifically, more than 25,000 jobs (or 28 percent of employment) were lost in the Mauritian garment sector between 2001 and 2005 as foreign firms closed shop to locate elsewhere.

China's threat to African industry is significant, since China's comparative advantage lies in the same low-skill, labour-intensive and low-technology sectors, such as clothing, furniture and footwear, that offer the best chances for industrialisation in Africa. Some authors (e.g. Kaplinsky, 2008) have argued that China's global ascendancy can permanently damage the future of manufacturing in Africa.

Can Chinese SEZs help?

With the notable exception of Mauritius, Africa's performance with industrial development schemes, such as EPZs, has been lacklustre. The fact that the schemes were government led, marred with policy inconsistencies and failed to attract private investors – local or foreign – meant that they were bound to fail.

Against this background, the Chinese SEZs can be a harbinger of industrialisation in Africa – for at least two reasons. First, the SEZs propose investment in a wider range of sectors, spanning agro-industry, manufacturing and services (Table 1). These sectors will be new to the industrial landscape of most of the countries hosting the SEZs and will be particularly beneficial to Zambia, Nigeria and Ethiopia, which currently have very low levels of industrialisation.

Second, the SEZs are designed to be integrated into the domestic economy, as they are in China. The Chinese government has expressed its wish to transmit to Africa lessons from its own development experience as well as transfer through foreign direct investment (FDI) and aid much-needed knowledge and technology. The Chinese are also supporting African SMEs to develop their businesses in the zones through a US\$ 1 billion fund announced at the 2009 Forum on Africa China Cooperation (FOCAC).

Table 1: Overview of China's official African trade and economic cooperation zones

Country/ zone	Total investment	Start of planning	Current status	Developers	Industry focus
Zambia, Chambishi	US\$ 410 million	2003	Partly operational/ under construction	China Non-ferrous Metal Mining Group	Copper and copper mining-related industries
Zambia, Lusaka	Subzone	Not avail- able	Under construction	China Nonferrous Metals Corpo- ration	Garments, food appliances, tobacco, electronics
Nigeria, Lekki	US\$ 369 million	2003	Under construction	China Civil Engineering Construc- tion, Jiangning Development Corporation, Nanjing Beyond, China Railway	Transport equipment, textile and light industries, home appliances, telecom- munications
Nigeria, Ogun	US\$ 500 million for the first phase	Early 2004	Under construction	Guangdong Xinguang, South China Developing Group	Construction materials and ceramics, ironware, furniture, wood processing, medicine, computers, lighting
Mauritius, Jin Fei (originally Tianli)	US\$ 940 million	2006-07	Construction com- pleted, but zone not operational	Shanxi-Tianli Group, Shanxi Cok- ing Coal Group, Taiyuan Iron and Steel Company	Property development, services (tour- ism, education, finance), manufactur- ing (textile and apparel, machinery, high-tech industries)
Ethiopia, Oriental (Eastern)	US\$ 101 million	2006-07	Under construction	Yonggang (withdrew), Qiyuan Group, Jianglian International Trade, Yangyang Asset Manage- ment, Zhangjiagang Free Trade Zone (not a shareholder)	Electric machinery, steel and metal- lurgy, construction materials
Egypt, Suez	US\$ 524 million	2005	Operational/On- going	Tianjin TEAD Investment Holding Ltd., China-Africa Development Fund	Textiles and clothing, petroleum equipment, automobiles and parts, fiberglass, electrical equipment

Sources: Adapted from Brautigam and Xiaoyang (2011); Scott (2013); press reports.

The question then is how much of an impact will the SEZs (assuming they are successful) have on industrialisation in Africa?

We propose a two-tiered answer to this question. For the SEZs to have any long-term impact at all, they must first address the critical issues that have arisen in each country at the early stages of zone development. These relate to financing gaps and to policy incoherence. Construction works have often stalled owing to delays in the disbursement of loans, grants and subsidies promised by the Chinese government, and the zone developers' inability to raise funding of their own. Similar problems may also constrain subsequent FDI into the zones. Host-country governments, on the other hand, have encountered financial difficulties in providing offsite infrastructure or in refunding zone developers the agreed share of infrastructure costs, as in Ethiopia. Perhaps an even more important challenge is the lack of political will and/or the absence of a coherent incentive framework in the host country to support the SEZs. If the zones are not integrated into the country's national development strategy, they will struggle to achieve the desired impacts.

Beyond these constraints, the SEZs must attract a critical mass of investors, both domestic and foreign; develop linkages with the domestic economy; stimulate higher value-added manufacturing activities and generate significant productivity spillovers if they are to make a lasting impact on industrial development in Africa. However, significant challenges have emerged in each of these areas.

Investment

Zone developers are struggling to attract Chinese firms in the industries proposed, and the economic crisis has made matters worse. For example, the Mauritian zone has failed to attract a single Chinese investor two years after its completion, while the majority of companies operating in the Chambishi zone are merely subsidiaries of the developers. On the other hand, local participation in the SEZs is likely to be restricted by the reluctance of Chinese firms to seek joint ventures (both because of fundamental differences in the business models of Chinese and local firms and certain negative experiences (as in Egypt,

where Chinese developers have accused the local partners of embezzling funds)); by entry barriers, such as excessively high investment thresholds for local investors; by the lack of a supportive incentive framework at home; and, in the case of Mauritius, an outright ban on local investors' access to the zone.

Against this backdrop, it is interesting to note that a number of private Chinese industrial zones (in South Africa and Botswana, for example) are thriving. Even in the countries hosting SEZs, some Chinese investors are choosing to operate outside the zones (for example, Huajian Group, a Chinese footwear company, in Ethiopia) in an attempt to shun governmental control and to avoid high rent and utility costs in cases where the zones are underpopulated.

Against this backdrop, it is interesting to note that a number of private Chinese industrial zones (in South Africa and Botswana, for example) are thriving.

Domestic linkages

Prospects for the SEZs to build backward linkages within the local economy are rather weak both because the raw materials and intermediates needed in assembly-type operations may not be available locally and because of the known propensity of Chinese companies to source inputs through their own networks. At the same time, forward linkages, which usually involve the provision of ancillary services to the zones, may be constrained by deficient infrastructure and logistics and lack of competition in the host economy.

Higher value-added activities

The SEZs promised to bring new industrial activities as well as opportunities for higher value-added processing and upgrading to Africa. This is evident in the Chinese investment of US\$ 220 million in a copper smelter in the Zambian Multi-Facility Economic Zone in Chambishi. A bio-hydrometallurgy project, designed to increase the recovery of Zambian copper by 20 percent is being paraded as a model of technological collaboration between China and Zambia. However, beyond copper, there is no evidence that plans to manufacture televisions, mobile phones and other consumer electronics in the Chambishi zone have materialised yet.

The Chinese are already operating a cement plant in Ethiopia's Eastern industrial zone. Future investments are expected in the electric machinery and steel industries. But, these are yet to come, and emerging evidence suggests that the zone will feature mainly headquarter services. In Mauritius, the marginal impact of the proposed SEZs is likely to be smaller than elsewhere both because the country boasts a relatively diversified industrial base and because the Jin Fei zone will attract investments in sectors – such as property development, tourism and textiles – that are not strictly aligned with the country's future economic orientation.

Technology transfer

Finally, prospects for technology transfer are also limited – both because Chinese investments may not generate significant spillovers (since Chinese firms are notorious for protecting proprietary knowledge and keeping trade secrets) and because local firms may lack the capacity or “technological readiness” to adopt any spillover that does take place. Joint ventures are an excellent vehicle for technology transfer, but, as noted earlier, the Chinese are generally averse to partnerships with local firms. Similarly, the lack of a critical mass of local investors in the zones will substantially reduce the scope to benefit from any technology spillovers. Last, but not least, skill transfer through labour turnover might be limited if the zones employ few local workers and if these workers are concentrated in low-skill jobs.

What should host countries do?

There are several measures that policymakers in host countries can take to maximise the impact of the SEZs on industrial development. First, while African governments are providing an elaborate set of incentives to Chinese investors in the zones, few are actually subsidising local investors, and even fewer have put in place a regulatory framework to encourage local investors to set up in the zones, or local suppliers to provide inputs and services to SEZ firms. For the zones to succeed as a test case of industrialisation, it is crucial that the government fully 'owns' the SEZs, believes in their potential and shows the political commitment to make them work. This requires that the zones be fully integrated into the country's development strategy and be seen as platforms for learning and technology transfer beyond their short-term impact on jobs.

Second, local ownership will be fostered if the host-country government has an equity stake in the zones. This can be justified against the numerous concessions made to the Chinese developers, including leases of land, provision of offsite infrastructure and offers of a whole range of alluring fiscal incentives at high opportunity cost to the host-country government. The Nigerian government successfully negotiated a stake in the two zones; this experience should guide future zone development elsewhere in Africa. However, excessive participation by national governments – as in Egypt's Suez zone – should be avoided, since this might lead to interference and inefficiencies in zone management.

Local ownership will be fostered if the host-country government has an equity.

Third, since local participation in the zones is critical to realising productivity spillovers, African governments must set up an incentive scheme – complementary to the US\$ 1 billion SME fund proposed by the Chinese government – to support local firms' investment in the zones. In addition, they must play a proactive role in selecting and promoting potential "winners" as was the case in East Asia.

Fourth, the industry focus of the SEZs should be negotiated between the host-country government and the Chinese stakeholders, rather than being "imposed" by the latter. This will ensure that the zones' activities are aligned with the country's needs in terms of industrial development and that any resulting technology spillover is more readily absorbed. Industries that are highly capital- or skill-intensive might contribute little to industrial upgrading in economies that are endowed with low-skilled labour and have had little experience with industry. In Mauritius, on the other hand, the industry focus is misplaced for the opposite reason. Mauritius needs high-tech industries, but the Jin Fei zone will serve mainly as a residential and commercial base for Chinese operations in the African region.

The systemic constraints to industrial development will take longer to tackle, but they must not be neglected. The SEZ host countries, both existing and potential, must invest in making local firms and the economy technology-ready. This calls for substantial investment in local universities and research institutions and the provision of incentives for firms to train their workers, adopt best management practices and to restructure and innovate.

Finally, the government should make greater efforts to address administrative and regulatory constraints to local supply-side capacity and provide a platform for Chinese companies and domestic firms to come together to learn about win-win partnerships or commercial opportunities. These measures will help strengthen potential linkages with the local economy.



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STRUCTURAL TRANSFORMATION

Is China bad for Africa's industrialisation?

Hannah Edinger & Ron Sandrey

Is the world's second-largest economy hindering Africa's ability to follow a manufacturing-led growth path in order to industrialise?

China has quickly become Africa's single largest trading partner. In just over a decade, merchandise trade increased almost 20-fold, from about US\$ 10.5 billion in 2000 to more than US\$ 200 billion in 2012. This year, trade is expected to increase by 25-30 percent. China is also among the leading emerging market investors in Africa.

While Sino-African relations are often touted as "win-win" by Chinese and African leaders, commercial relations, particularly trade relations, between China and the continent have received criticism for being biased toward Africa's natural resource exports in return for Chinese manufactured consumer goods. What is argued to be a relatively unequal trade structure between the Asian manufacturing powerhouse and the African continent has led many to suggest that China's manufactured exports are crowding out opportunities for Africa's industrialisation.

Africa's trade mirrors its state of industrialisation

Critics of Africa's trade structure with China should note that Sino-Africa merchandise trade mirrors Africa's total trade with the rest of the world. Natural resources underpin the continent's exports to China. Indeed, African nations have been linked to China's fast-paced economic growth through the provision of raw materials. This is true not only for exports, but also through prices and investments. In 2012, 93.5 percent of China's imports from Africa consisted of primary commodities, such as oil and minerals, precious stones and non-monetary gold. This represents an increase of more than 7 percentage points from 2002, when primary commodities constituted 86 percent of imports. When evaluating Africa's export profile in relation to, for example, the United States (US) a similar trend emerges. In 2012, 87.5 percent of US imports from Africa were primary commodities, down from a high of 92.8 percent in 2007.

On the import side, Africa imports low technology, labour-intensive manufactured goods from the world. This is despite the existence of a large semi-skilled or unskilled labour pool in many African countries that could produce such goods. For example, more than 70 percent of Africa's imports of manufactures in 2012 consisted of labour-intensive and resource-based manufactures and low to medium-skill and technology manufactured goods. This is not in line with economic trade theory, which suggests that, given its abundant labour resources, African economies should by now have developed a robust manufacturing base and diversified away from a reliance on natural resources toward light manufacturing activity.

But, this has not been the case. Over the past three decades, Africa's manufacturing value added has declined, and economic diversification has been limited. Africa's share in global manufacturing value added dropped from 1.2 percent in 2000 to 1.1 percent in 2008. Manufactured exports contributed only 1.3 percent to global manufacturing exports in 2008, up slightly from 1 percent in 2000. The region to date remains marginalized in global value chains.

The Asian export-led growth miracle

Looking East, developing Asia's share in global manufacturing value added displayed a different trend, rising from 13 percent to 24 percent from 2000 to 2008. China has been at the forefront of this development. Thus, it is important to understand what has driven the region's success and what has contributed to Africa's relative failure.

In China, in particular, a constructive policy package that opened markets and implemented favourable trade and exchange rate policies, together with a sound and stable government that provided an enabling environment to attract investment and secure property rights, were crucial building blocks that contributed to an export-driven strategy mainly targeted toward the US.



Africa has failed to emulate this success largely because it has lacked an enabling policy environment. Despite significant tariff preferences into markets, such as the US under the African Growth and Opportunity Act (AGOA), Africa's manufactures are not competitive. Deficient infrastructure has led to higher production and transaction costs. Poor leadership, governance, weak institutions and rent-seeking activities have also detracted from diversification opportunities into value-added sectors.

Chinese competition in Africa and other markets

In contrast, China has quickly become the price setter for manufactured goods globally. This has affected African manufactures' market shares in both domestic and export markets. Notably, competitive pressures have been most visible in the clothing and textiles sector, as this is the one sector where substantial manufactured export capacity exists in Africa (relative to other manufacturing subsectors).

For example US imports of apparel and clothing amounted to US\$ 7 billion in 2008. Given improvements in its global competitiveness, China was able to expand its share of exports in this sector from 11.4 percent in 1990 to 14.6 percent in 2000 and to 34.5 percent in 2008. Relatively speaking, the African share of apparel and clothing to the US declined from 11.9 percent in 1990 to 6.6 percent in 2000 and to only 2.5 percent in 2008. Although African economies were growing rapidly — Sub-Saharan Africa recorded an average GDP growth rate of 5.9 percent according to the International Monetary Fund (IMF)—and they had a tariff preference during this period, they were not able to expand or even hold constant their market share in the US, largely because of mounting Chinese competition in that market.

Import competition has also been a cause for concern. A case in point is South Africa, where clothing and textiles make up an important share of total manufactured exports. Protective measures had to be taken in the economy to assist this ailing sector in 2007. It was claimed that the sector was stifled by vibrant Chinese competition, despite the imposition of high tariff barriers of more than 40 percent.

Undoubtedly, China is a notable competitor for Africa's clothing and textiles sector—a key employment-creating sector and an accepted springboard for diversification. Such competition, coupled with greater Chinese resource demand, has arguably steered some African economies toward greater specialisation in natural resource production. Yet, it is Beijing that has expressed goodwill and shown action to address these imbalances in some African countries' trade and productive engagements with China.

Opportunities for Africa in light of China's structural changes

China's shifting production structure and move up the technology value chain, coupled with Beijing's pursuit of a more sustainable growth path, is resulting in reforms of its industrial capacity, and ultimately a shift from "Made in China" to "Created in China." The World Bank estimates that more than 80 million Chinese lower-end manufacturing job opportunities will move offshore over the medium term, owing to rising labour and input costs. As mature, labour-intensive industries look to move abroad to relatively lower-cost regions, opportunities in these industries should be captured by competitive and forward-looking African economies that are positioning themselves to attract such investment.

Chinese companies are increasingly seeking to expand their investments beyond resources in Africa. This includes sectors, such as automobile assembly, electronic products, cement, steel, garments and shoe-making. Already, private-sector companies are involved in local processing projects, such as leather, financed by players, such as the China-Africa Development Fund (CADFund).

Another development supporting this is the Chinese-funded and constructed special economic zones (SEZs) in markets, such as Ethiopia, Mauritius, Nigeria and Zambia. These zones could be key contributors to unlock Africa's diversification potential and movement into value-added based industries and exports. The dedicated geographic areas are positioning to attract productive sector industry investments. Supported by transport, power and other business infrastructure rollouts as well as preferential tariff structures for exports into China as well as traditional export markets (like the US and Europe), these zones, if managed effectively, could be game changers for Africa's diversification saga. The SEZs look to attract foreign direct investment (FDI) based on various fiscal and other incentives and to generate foreign reserves from value-added exports. Ultimately, though, they are aimed at creating opportunities for local employment, skills and technology transfers, as well as the potential for backward linkages in host countries to pursue greater diversification of exports and domestic economic activities.

Looking ahead

With China already a major contributor to Africa's infrastructure stock and a key financier of the continent's development, African policymakers should be actively seeking to attract Chinese factors of production in sectors, such as industry, assembly and agro-processing by drawing Chinese capital, skills and technology, either through joint ventures or partnerships. Chinese partners have already financially supported such ventures. Also, as domestic structural changes in China accelerate—with the country moving away from being a leading exporter to becoming a key consumer and an important source of investment—this could bolster the industrialisation prospects of African countries that recognise this opportunity and position themselves accordingly.

However, a net positive impact from China's activities in Africa will be directly dependent on a number of factors and developments on the African side. These include improvements in governance and a generally greater concern for the development of economies and increased overall living standards, rather than the enrichment of a few individuals, in order to limit the existing diffused and short-term rent-seeking behaviour of African leaders and stakeholders. It also requires crafting and implementing relevant policies, together with building credible institutions that actively support economic diversification, backward and forward linkages between sectors and global value chains. Finally, in order to attract investment into manufacturing activities in SEZs, which should be seen as tools for broader economic diversification and industrialisation, greater expansion of the skills base will be required along with continued investments in economically enabling infrastructure. Weaknesses in either of these areas could be key deterrents for investment and could prevent African economies from reaping associated positive spillovers from China's activity in Africa



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STRUCTURAL TRANSFORMATION

China and regional integration as drivers of structural transformation in Africa

Richard Schiere and Alex Rugamba

China is one of the main drivers of structural transformation in Africa. However structural transformation will only be sustainable in the long run if the right policies are in place. To this end regional integration plays a critical role.

As we enter the new millennium, Africa is becoming the next emerging market. Six of the ten fastest growing economies are now located on the continent, and the average growth rate for Sub-Saharan Africa is 6.6 percent. Structural transformation – the reallocation of economic resources from activities with low productivity, such as family farming or informal trading to more productive ones, such as manufacturing – is becoming a reality in Africa.

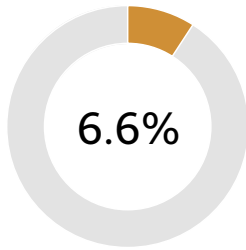
China is one of the main drivers of structural transformation in Africa. With trade and investment flows expanding tenfold over the last decade, China is fuelling the commodity boom and reducing the infrastructure gap in Africa. However, structural transformation will be sustainable in the long run only if the regional economic communities (RECs) strengthen their policy frameworks through the promotion of a productive investment climate and the merging of small national markets. The African Development Bank (ADB) is also supporting structural transformation through the Africa50Fund. This innovative financial instrument will ensure that Africa can finance its own structural transformation.

China is driving structural transformation in Africa

China's continuous strong economic growth and demand for commodities to fuel its own industrialisation and urbanisation process, is one of the main drivers of structural transformation in Africa. This led to the exponential growth of Africa-China trade and investment over the last decade. In 2011, total trade and investment flows between Africa and China were estimated at US\$ 166.3 billion and US\$ 9 billion, respectively. Indeed, the strong economic engagement of China on the continent has led to renewed interest from other investors from Asia, America and Europe. This phenomenon helped brand Africa as an "emerging market."

Across the continent, China's engagement in Africa is diverse, ranging from fragile states to African middle-income countries. In some countries, like the Democratic Republic of the Congo (DRC), Angola and Mozambique, China is engaged in extractive industries and the construction of infrastructure projects, while in other countries, like Morocco and Egypt, China's investment is also engaged in the manufacturing sector, which has created backward and forward linkages within the domestic economy that facilitate structural transformation.

The policies of African countries and the capacity of local manufacturing sectors are critical factors in determining the impact of Chinese investments in an individual country. A good example of how the "new" Africa-China economic partnership is triggering structural transformation is Ethiopia. Like many other African countries, Ethiopian-China trade and investment flows have grown rapidly over the last decade. Chinese companies are now building an electrified railway for US\$ 2.8 billion, upgrading Ethiopia's telecommunications for US\$ 1.3 billion and constructing hydroelectric power plants and transmission lines for US\$ 1.2 billion. However, China's engagement is not limited to the financing of infrastructure projects; it is also invested in the productive sector. Huajian, one of the largest shoes exporters in China, invested millions in Ethiopia to start manufacturing shoes. This demonstrates Ethiopia's potential to capture some of the labour-intensive manufacturing market – a key component for structural transformation



The average growth for the sub-saharan continent is 6.6 percent.

– although Ethiopia still has to compete with China and other Asian countries in export markets. This also means that Ethiopian light manufacturing products that are exported to Europe or the United States (US) compete head-on with Chinese exports in the same sector.

China's support to African structural transformation is part of its "win-win" policy, under which both Africa and China benefit from enlarging business opportunities. At the same time, it provides the opportunity for Chinese companies to secure resources and expand their operations overseas. This is why China is encouraging investments in Africa through the "Going Global" strategy under which Chinese companies can receive financial support from a range of institutions, like the China Development Bank, the Export-Import (EXIM) Bank of China and the Ministry of Commerce. Moreover, the China-Africa Development Fund (CADF) has been specifically set up to promote business partnerships between African and Chinese entrepreneurs, and invested over US\$ 500 million of its own resources while promoting investment of more than US\$ 20 billion by Chinese companies.

China's support to African structural transformation is part of its "win-win" policy, under which both Africa and China benefit from enlarging business opportunities.

China is not only supporting structural transformation at the macro-level through large-scale infrastructure investment projects, which often attract media attention, but also at the micro-level by sharing development and production know-how with Africa. For example, China has set up a network of Chinese agricultural research centres in Africa, with the aim of promoting food security and increasing agricultural productivity. Chinese small- and medium-sized enterprises (SMEs) are taking advantage of the many commercial opportunities in Africa and are contributing to structural transformation by investing in many sectors, ranging from retail shops and restaurants to small companies that produce for the local African market.

RECs promote productive investments and accelerate structural transformation

Although China's demand for raw materials and infrastructure investments are the main drivers of structural transformation in Africa, this can be sustainable over the long term only if the right policies are in place. Regional economic communities (RECs) play a critical role in this regard, as they can promote market-friendly policies and regional integration. These policies lead to improvements in the productivity of investments – a critical element that accelerates structural transformation. This is particularly important, as Africa is expecting to move up the value chain and export more manufactured products instead of only raw commodities.

The RECs are harmonising national infrastructure investment plans within a regional framework, which leads to economies of scale and translates into more affordable prices for businesses and consumers. This brings down production costs and improves Africa's international competitiveness. Ultimately, regional power pools can create continental energy markets with coordinated supply systems. This is already happening, and in the coming years, power grids in East and Southern Africa will be connected into a single regional power pool. Within these regional frameworks, China is promoting African integration by financing and building ports, hydro-electric power plants, telecommunications, roads and railway infrastructure projects. It should be emphasized that, like the power pools, only RECs and African governments can take the lead in harmonising policies and improving the investment climate, which is equally important as physical infrastructure in promoting regional integration.



Although RECs in Africa have different mandates and memberships, there is a clear trend of convergence among these institutions. For example, the Tripartite Free Trade Agreement will merge the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) into a single free-trade area with a market of 500 million people. A similar trend is occurring among West-African RECs with the Economic Community Of West African States (ECOWAS) and the Economic Community of Central African States (ECCAS). The converging trend highlights the importance of RECs as a primary mechanism for further China-Africa cooperation.

The Africa50Fund can trigger Africa to finance its own structural transformation

The ADB is well aware that addressing the infrastructural gap and promoting regional integration are necessary to accelerate structural transformation in Africa. Indeed, provided that the basic framework is in place, Africa – with all its resource wealth and growing consumer market – should be able to finance its own structural transformation. As part of this endeavour the ADB is creating the Africa50Fund. The aim of this innovative financial instrument will be to accelerate infrastructure delivery in Africa by increasing the amount of bankable infrastructure projects and direct project finance. The Africa50Fund is expected to leverage private financing of at least US\$ 100 billion over the course of a decade.

Conclusion

China's continued demand for commodities and investments are driving structural transformation in Africa. Indeed, China's activities on the continent are "crowding in" other investors from Asia, America and Europe. This trend contributes to the branding of Africa as an "emerging market."

However, African policymakers should not be complacent in the face of the current resource boom that is fuelling transformation and the positive image of the continent. Structural transformation will be sustainable in the long run only if regional integration is strengthened and a strong policy framework established. The aim of these reforms is to increase the productivity of investments, facilitate the convergences of national markets and improve the business enabling environment. This is critical if Africa is to capture some of the labour-intensive manufacturing that is currently moving out of China, owing to high wage costs in this country. This will also provide opportunities for Africa to export manufactured goods – instead of only raw commodities – with a higher value-added component.

The findings, interpretations, and conclusions expressed in this article are entirely those of the authors and do not necessarily represent the view of the African Development Bank, its Board of Directors, or the countries they represent.



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GOVERNANCE

How to solve African governance and development issues: A perspective from China

Liu Hongwu

A Chinese perspective on how Africa can solve its lack of governance issue.

For a long time, capacity deficiencies and the low level of governance performance among African countries lead to turmoil of "having tribe societies without a central government". This is an important factor that caused slow development in Africa. Thus, we must rethink the development and governance issues of Africa, to seek Africanised solutions for African issues based on the characteristics of Africa. Among these, the most important task is to establish efficient government and political parties that are devoted to development and have the ability to promote it. This is the significant field of sharing governance experiences and development knowledge between China and African countries. Also, it makes Chinese development experiences more attractive to Africa.

Disputes related to the African development approach

Even today observers and researchers around the world hold very different views on the contemporary political development issues of African countries. The relevant differences and arguments are concentrated on the following complicated issues.

First, what is the most important task or core issue for contemporary African countries' political development? What kind of government systems are feasible, effective and can be stably maintained? Second, for the young countries in Africa, what is the best way to set up and choose standards for political systems and state regimes? Third, should these post-independence African countries set up the endogenous localized political systems and structures to form centralised and powerful governments that contribute to promoting economic development, social stability and improved living standards, or transplant the parliamentary systems and election systems that seem to have so-called moral legitimacy under the background of western cultures and according to western political ideology? Fourth, should we establish a powerful government that can centralize national resources, in order to make joint efforts to achieve the state's long-term development goals, or establish a weak government that only pursues its own immediate interests or partial interests, and thus leads to continuous mutually exclusive cut-throat competition?

All these issues have not been well understood much less resolved. While behind this confused theory and idea, the African political reality has increasingly presented long-term turbulence and confusion.

African governance dilemma lies in the lack of governance ability

One of the challenges faced by contemporary African countries in governance and development is the trend toward the weakening or even the dissolution of national sovereignty. Some countries' administrative abilities are insufficient, and their state systems and governmental functions are gradually sliding toward degeneration and collapse.

How best to reconcile ethnic cleavages and the discreteness of tribal societies and promote the construction of unified modern sovereign states through ethnic integration, is the biggest political challenge faced by most of the African countries that won independence in the mid of 20th century. It is also the fundamental premise for realising state stability, economic growth and social security. However, in some countries, from the beginning,

this process has been affected by various factors, and has thus resulted in slow progress. Nowadays, some African countries are even gradually falling into anarchy, with the dissolution of state system and the collapse of governmental functions. Today, the factors that make negative impacts on the unified construction process of African countries and dissolve the basis of the state have become very complex and varied. Generally speaking, the following have become the most obvious challenges..

The first challenge is the economic globalisation and political liberalisation process that is dominated by western developed countries. For the poor countries in Africa, this process has been dissolving the sovereignty of African countries and eroding the political authority of African countries to take action. In general, African countries have passively got involved into the globalisation tide, in an environment where the domestic integration process is far from complete and the construction of a unified state with a clear national identity is far from resolved. As weak countries, African nations often face pressures of the loss of the sovereignty and being divided into several parts.

The second challenge is that, under situations in which ethnic integration and the construction of the state were far from complete, some African countries were forced to transplant or mechanically copy western competitive multi-party systems and electoral politics, which often caused continuous ethnic, religious and cultural conflict. Again, this eroded the African countries' unity, sovereignty and ability to rule from the interior.

The third challenge is the rapid emergence of large numbers of nongovernmental organisations (NGOs) and the adversarial political appeals put forward by these organisations over the past two decades. These NGOs often are supported and controlled by foreign powers. However, to a certain extent, they have contributed to the dissolution of African countries' internal tolerance, coherence, state authority and ability to take action from the interior.

In fact, nowadays, without sovereignty and government management, no country could gain the social stability, national security and economic growth that are necessary for social development. In some African countries and regions, the government's capacity is severely deficient, The basic political regime has existed in name only, and the functional networks, and management systems with coherent and clear divisions of responsibility and functional connections between the top and bottom political levels are nonexistent. Under a situation of "having tribe societies without a central government," thousands of civilians suffer from feelings of helplessness and get into difficult situations. The dissolution of state unity and the loss of governmental management capacity has resulted in huge disasters. Although African countries presently have enormous human capital and a large and growing young population, the population bonus is far from being fully utilised, because there is no organised and coherent system to mobilise this large population into the large force needed for the countries' construction.

African countries should implement governance for development purposes

Lots of countries have not always been able to understand the essence of politics from the economic perspective over the past several decades and thus have not transferred the focus of national work to economic construction. Some countries have ignored the fundamental goal of economic development over a long period and became deeply entangled in meaningless political strife.

Poverty and backwardness are sources of political unrest, conflict and even terrorism. If a government is not concentrating on economic development, trying to improve livelihoods, and maintaining a stable and effective state system, it will not be able to accomplish meaningful goals, and it will be brought down sooner or later. Over the years, western countries have advanced political reform in Africa. For today's African countries, economic construction and social development are the main priorities goals. African nations need to implement political reform. But, the starting point should be ways to enhance African economic development and improve living standards. Then it will be possible to put in place political reform through the advancement of economic capacity, rather than

mechanically copying western political systems. Similarly, today's African countries need to maintain stability in order to better promote economic development and livelihood improvement. If the eradication of terrorism and stability are achieved at the expenses of economic development or do not contribute to the promotion of development, the stability eventually will not be maintained and the elimination of terrorism will prove difficult to achieve as well.

The establishment of long-term state development objectives is more important

Another big problem faced by contemporary Africa is how to establish long-term economic stability and development strategies. African countries should engage the domestic populations in determined efforts to solve African issues through self-reliance and hard work, rather than relying on foreign assistance to get the problems solved quickly.

At present, lots of African countries are still very backward, so, we should not expect to solve all problems in the short-term. Toward this end, the international community should encourage African governments and people to have the faith and determination to work hard and persevere toward the achievement of long-term objectives. The important impetus for China's development has been its ability to adopt a long-term strategy and to pursue it with a spirit of hardworking persistency. Therefore, in its aid to Africa, China has paid attention to supporting the construction of African infrastructure, as well as maintaining the political stability and sovereignty of African countries.

National ideas and national identity are the foundation supporting the survival, development and stability of a state. Having a strong national identity means that the people living in a territory have a basic sense of belonging to their country and have recognition and respect for their country's history, heritage, culture and national interests from the bottom of their hearts, and they take a sense of responsibility for the rise and fall of the state. However, the long-term political unrest and ethnic separation experienced in Africa has often resulted in the lack of a powerful national identity and common core value system. This has made it difficult to construct a sense of national interest to maintain and mobilise the people. Given the weak sense of the national identity, competitive political groups and adversarial ethnic parties have not been able to jointly formulate and persistently pursue national long-term strategies and development objectives. This is a structural and conceptual barrier that must be overcome by African countries.

China should become an important force for boosting African development

With the rapid development of Sino-African cooperation over the past 10 to 20 years and the advancement of Chinese influence in Africa, China's development experience and ideas have brought positive changes in African social development thought and political development theory, and the ties between Africa's stable development and China's national interests are also increasingly close. In this circumstance, helping African nations realise political stability, promote reforms, further market opening and accelerate development as well as improve capacity with more active cooperation and innovative policy, has increasingly become a basic element in the implementation of China's strategy toward Africa.

Conclusion and the way forward

In the field of South-South cooperation and South-North dialogue, China not only needs to respect and maintain the right of developing countries to pursue economic development, but also maintain the discourse on development based on equality and cooperation. China also needs to strengthen its collaboration with African nations' think tanks to provide advice and share knowledge. Looking at the trend toward future development, China should take an active and steady role in the development of African internal affairs based on mutual respect and equal dialogue in order to share experience and ideas. In this way, China can help Africa eliminate those barriers that continue to hinder socially sustainable and healthy development, and thus support the reform process in Africa countries.



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AGRICULTURE

China's role in African agriculture

Donald L. Cassell

Does China's engagement with African agriculture represent Africa's biggest opportunity in history? Africa's management of this engagement will be critical to maximising the opportunities and minimising the challenges that China presents.

Agriculture is central to African development, currently generating 40 percent of gross national product (GNP). It constitutes 40 percent of Africa's exports and 70–80 percent of employment. However, African agriculture is in decline. From 1960 to 2005, the grain yield increased by only 60 percent. In comparison, the grain yield in East Asia increased by 220 percent in the same period. Africa's food production per capita declined by 15 percent from 1960 to 2005 and Africa's share in world agricultural exports also declined from 15 percent to 3 percent in this period. Africa went from being a net exporter of agricultural goods in the early 1960s to a net importer of agricultural goods in the 2000s, spending US\$ 33 billion on agricultural imports by 2006. In addition, there has been widespread degradation of the soil and natural vegetation. An acute lack of skills and political neglect has left African agriculture largely untapped. African governments and donors have scaled back expenditures on agriculture in the last three decades, with African governments reducing their budget allocations for agriculture from 7.3 percent in the 1980s to 3.8 percent in 2000, and donors scaling back from 18 percent to 3.5 percent in the same time frame. Africa needs to reverse this decline.

Throughout this period, China has been engaged in African agriculture. The nature of China's engagement is complex. It started as an instrument of diplomacy to counter Taiwan. The government of the People's Republic of China reclaimed its recognition at the United Nations (UN) partly through the votes of African countries. It has also insisted on the One-China policy, encouraging diplomatic recognition of the government in Beijing and the denial of the same to the government in Taipei as a separate nation state. The One-China policy remains central to China's engagement with Africa today. China has now emerged as a major donor-investor in Africa. Could China prove significant in reversing African agricultural decline?

China is Africa's strategic development partner

China has a significant presence in trade and national development cooperation on the continent. It has articulated its interest in the framework of the One-China policy, which sets forth the tenet of south-south cooperation based on respect for national sovereignty, national interest, non-intervention and non-imposition of conditionalities. This policy framework emphasises mutuality, trust, partnership and win-win cooperation. In 2012, China became Africa's largest trading partner, with US\$ 200 billion of trade. China sees its approach in Africa as novel and revolutionary. This approach, informed by China's own experience of national development and transformation, is being presented to African nations as a model. Using this approach, China has reduced poverty in its own population from more than 60 percent to less than 7 percent since 1978, thereby eradicating more poverty than any other state in the whole of human history.

But, China also has its own food security needs. The Food and Agriculture Organization of the United Nations (FAO) has determined that food production will need to increase by 70 percent to meet the world's increasingly urbanised and affluent population. This food demand is coming primarily from the rapidly advancing highly populated emerging economies. At the moment, China, the second largest food consumer in the world, is meeting domestic demand from its diminishing local resources in arable land and irrigable water. Therefore, Africa, which is abundant in these resources, may factor prominently into China's long-range plan to address its food security needs. There has been a pronounced growth in demand for African agricultural commodities from China. Chinese leaders are

careful to note that raising the level of African agricultural productivity is in the interest of the whole world. The Chinese see their role in African agriculture as helping to address global food security needs.



China's cooperation in African agriculture

Until relatively recently, China's partnership in African agriculture was focused on technical assistance and capacity building. However, in the interest of sustainability, the development of markets and the potential for expanded trade, China has encouraged public-private partnerships and provided incentives for its agribusiness corporations to invest in African agriculture. The business and investment components of this new approach are linked to China's "Going Global" strategy.

China's approach to Africa is still bilateral aid-based. But, increasingly, China has been willing to participate in multilateral and regional arrangements. Chinese aid is now packaged with trade and investment, involving various state and private actors. Present Chinese policy is to prioritise local food security and market stability in Africa. At the end of the 1980s, a quarter of Chinese total aid to Africa was toward agriculture. China's support for the outward expansion of the agriculture sector is still minimal — US\$ 190 million or 0.9 percent of total outward investment in 2006 compared with US\$ 8.5 billion invested in resource extraction. From the poorest African countries, China has expanded the list of commodities allowed duty free into China from 190 to 440.

In the 1960s and 1970s, China built more than 80 demonstration farms, covering a total of 45,000 hectares. The focus then was on technology transfer and training. By 2009, China had carried out 200 agricultural projects, established 23 fisheries, stationed 1,100 Chinese agricultural experts in various parts of Africa, established 11 agricultural research stations and initiated 60 agricultural investment projects. Most of the investment projects were initiated by large to medium-sized state-owned Chinese farming groups. But, smaller Chinese private firms and individuals have also secured new opportunities in Africa. From 2003 to 2008, more than 4,000 Africans travelled to China for agriculture-related courses lasting from three weeks to three months.

China-Africa agricultural cooperation is being informed not only by China's own development experiences, but also by recent policy changes in Africa and by global economic trends. Presently, China says that its interest is global food security and not

to grow food in Africa for export to China. So far, most for-profit agricultural initiatives in Africa by China are focused on meeting local and regional demands. At least for now, Africa is no more than a back-up strategy for China. However, these initiatives present China with an opportunity to deepen bilateral ties with friendly African states by providing developmental and technical assistance and investments in agriculture.

Implications and the way forward

China's engagement with African agriculture, like China's engagement with the rest of Africa, represents perhaps Africa's biggest opportunity in history. China has done more to alleviate poverty in Africa than anything ever attempted by western colonialism or the initiatives of traditional partners. The Chinese engagement might be more meaningful if Africans are careful to manage it well. African policymakers must clearly define their development objectives and engage China with those objectives in mind. The African Union's Comprehensive African Agriculture Development Programme (CAADP) is a good place to start defining Africa's agriculture policy objectives for engagement with China or other development partners. African policymakers should seek to break down market barriers both domestically and regionally. Africa can use China's assistance to develop its agricultural sector and the associated infrastructure to encourage a more efficient market structure. Chinese investments have the potential to change agriculture permanently on the continent. Investing in agriculture is the surest path to reducing poverty and hunger in Africa. Chinese aid could be used to develop crops suited to Chinese demands. There is a vast potential for Africa's agricultural goods in China. Africa needs to exploit this opportunity.

Investing in African people holds the possibility of infinite returns. African leaders in partnership with China should invest in the skills and abilities of the people. Skills and abilities will be required to realise Africa's agricultural potential and bring about a great measure of food security. Though estimates of China's land leases or purchases are overstated, policies should be crafted to make any 'land grab' the remotest possibility and to protect the people from any process that would alienate and displace them from their own land. The legal infrastructure around property rights and land titles should be much better defined and more clearly established. Major positive changes to Africa's agriculture must begin with legal changes regarding rights of ownership and titles. Intangibles in law or thought are often central to major changes in tangibles, such as agricultural productivity and physical infrastructures.

There should be a continual emphasis on people-to-people exchanges in the China-Africa partnership to promote better understanding of Chinese and African societies. The social and political context shaping agricultural practices in Africa must be integral to the Africa-China partnership, which would do well to interact and consult with the CAADP the Alliance for a Green Revolution in African (AGRA), faith-based institutions and nongovernmental organisations (NGOs) working in the agricultural sector. The CAADP pillars of sustainable management of land and water, rural infrastructure and agricultural trade, food security, research and technology overlap with much of the China-Africa partnership in agricultural development. Africa should be sagely proactive and not passive in its partnership with China. This is in Africa's best interest.



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INTERNATIONAL COOPERATION

South-South cooperation: A new glow in international cooperation?

Cheikh Tidiane Dieye

This article is intended to raise debate and reflection, without prevarication, on the strengths and limitations of South-South cooperation.

Over the last few decades, the international economic environment has been marked by a group of developing countries that have, slowly but almost irreversibly, risen to achieve greater prominence. These “emerging” players – all least-developed countries (LDCs) or “Southern” countries – have caused significant changes in the structure of economic and business relationships, from cooperation to development, as well as in the distribution and configuration of geopolitical power in the world.

The most prominent among them gave birth to the acronym BRIC (Brazil, Russia, India and China), which was changed to BRICS when South Africa joined the group in 2011. Following in their footsteps are countries that are smaller but just as dynamic, such as Korea, Indonesia, Malaysia, Mexico, Turkey and other Southeast Asian, North African and Latin American countries. Over the past few years, these countries have built up spectacular current account surpluses and have over three-quarters of the world's external reserves. However, their key characteristic is not their high growth level. Their current economic weight and their potential political weight, along with their unique trajectory, also allow them to number among the most influential groups in the global governance system.

According to the most serious forecasts, the collective production of these emerging economies, which already account for nearly 25 percent of the world's gross domestic product (GDP), could outpace that of the group of the seven richest countries by 2032, and China could become the largest economy in the world by 2030. With the current world crises, as resources from Northern countries are becoming increasingly rarer and markets are difficult to access, the arrival of these “major” Southern countries on the cooperation and development scene is a significant boost for the “weaker” Southern countries.

The essential and growing role of emerging countries has led to major changes that could favour the small Southern countries.

This diversification of sources of development aid has brought about a shift in the attitudes of traditional partners. Developing countries are increasingly seen as partners, instead of countries in need of assistance. The competitiveness between emerging and developed countries for access to raw materials also encourages adequate compensation for these products.

Increased business flows and more diverse partners

The emergence of the “major” developing countries has had a significant, positive impact on the growth of South-South trade, which went from US\$ 577 million in 1997 to over US\$ 2,000 billion in 2006. The same year, South-South trade accounted for 17 percent of global trade and 46 percent of the total trade in goods from developing countries. By analysing the specific case of Africa, the scope and the phenomenal growth of South-South business relationships can be better understood. The total trade of African goods with non-African developing countries went from US\$ 34 billion in 1995 to US\$ 97 billion in 2004 and US\$ 283 billion in 2008. In 2008, for the first time, Africa's total trade with developing countries exceeded its trade with the European Union (EU), its main business partner. More specifically, the total trade in goods between Africa and China went from

US\$200 billion

Chinese-African trade was estimated at over 200 billion US\$ in 2012.

US\$ 25 billion in 2004 to over US\$ 96 billion in 2008 and reached more than US\$ 100 billion in 2010. Chinese-African trade was estimated at over US\$ 200 billion in 2012.

However, this trend is not limited to China. India also saw its trade with Africa increase from US\$ 9 billion to US\$ 31 billion during the same period, while Brazil saw an increase from US\$ 8 billion to US\$ 23 billion.

What is the status of Southern aid compared with Northern aid?

Currently, developed countries that are members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) still provide most of the help that developing countries receive. This aid was estimated at nearly US\$ 121.5 billion in 2008. However, assistance from Southern countries has also increased. It is believed to have increased by 5 percent compared with its level in 1990 to between US\$ 9.5 and US\$ 12.5 billion in 2006. However, it is difficult to accurately measure the level of aid between Southern countries. The fact that the main providers of development assistance – China, Brazil, India, Russia and Malaysia – are not members of the DAC creates issues of consistency and makes it difficult to coordinate data on the actual aid they provide to other developing countries.

In terms of scale, China has become Africa's main bilateral aid provider for infrastructure and production sectors.

According to the United Nations Conference on Trade and Development (UNCTAD), the official development assistance (ODA) provided by developing countries increasingly focuses on the infrastructure and production sectors of African economies, which has helped expand the resources available to the region and diversify Africa's financing opportunities. In 2006, traditional donors devoted only 22 percent of their ODA to production sectors and infrastructure. In terms of scale, China has become Africa's main bilateral aid provider for infrastructure and production sectors. According to the information provided by UNCTAD, China's commitment to financing sub-Saharan infrastructure skyrocketed, going from US\$ 470 million in 2001 to US\$ 4.5 billion in 2007.

The amount of aid China devoted to infrastructure and public works between 2002 and 2007 is estimated at 54 percent. The main, recurring criticism levelled against traditional aid concerns the use of political conditionalities. Northern bilateral and multilateral donors often link their development assistance to macroeconomic and governance conditions. Southern donors usually do not impose any conditionalities with respect to either macroeconomic policies or governance on partner countries. As they have fewer demands and simpler procedures, payments are faster and more predictable. However, Southern aid is not entirely free from obligations. It is far from disinterested.

Indeed, although the principle of non-interference is well established in cooperation between Southern countries, the assistance provided is linked to certain conditions, the most widely known of which is the obligation to buy equipment from the Southern provider and to use that country's labour and companies. For example, for most of the Chinese development aid projects in Africa, Beijing requires that 70 percent of all contracts to build infrastructure be given to "approved" Chinese companies. The remainder is given to local companies, many of which have set up joint ventures with Chinese groups. Many projects were carried out by workers brought in from China, which often had a negative impact and lowered the scope of the intended results of the assistance for the recipient country.

It is not all good

South-South cooperation is not emerging against North-South cooperation. Its aim is not to replace traditional cooperation. Its originality lies in its flexibility and lack of

constraints. Nevertheless, it is not all positive. Indeed, apart from the fact that it does not enforce political or macroeconomic constraints on recipient countries, there are very few differences between the objectives and the logic of North-South cooperation and South-South cooperation. Although the importance of this kind of partnership for the development of Southern countries is widely recognised, it still comprises major risks that could hinder the efforts made to build internal production bases in these countries to help them become industrialised. Furthermore, it could also mitigate the progress made toward increasing the accountability of public authorities.

The lack of transparency is another aspect of South-South cooperation.

Currently, exchanges and investments with the South merely reinforce the traditional model: African countries export agricultural products, minerals, ore and crude oil, while importing manufactured products. The risks of such a model are now widely known. It is when economic and business relations between Southern countries are just starting that this trend needs to be reversed. The fact that Southern countries specialised in providing raw goods was one of the main causes of their economic stagnation. Reproducing this situation could have far-reaching consequences.

From a business point of view, almost all the exchanges between Southern countries take place between only a few countries, all of which export petrol or other natural resources. In Africa, for example, the five main exporters to developing countries account for 68 percent of all exports from the continent. They also represent 57 percent of imports from other developing countries.

The lack of transparency is another aspect of South-South cooperation. This is a significant challenge, especially taking into account the constraints generated by agreements that are often negotiated when the weaker party is in an unfavourable situation. There is very little information concerning the help provided by the major Southern countries, due to the absence of agencies to coordinate and monitor aid in these countries. This creates a great deal of inconsistency, in addition to the culture of secrecy that often surrounds contracts signed between Southern countries.

The main consequence of this pervasive secrecy is the fact that citizens in the recipient Southern countries are denied the opportunity to participate in, monitor and control the arrangements made. South-South cooperation is often conducted between governments, occasionally involving only businesses, and it contains few – if any – clauses on accountability to citizens. This prevents social and political players in these countries from taking ownership of this process and lowers the governments' accountability towards them.

Ultimately, although, as is widely recognised, South-South cooperation can be a means of furthering the economic transformation of the African continent, Africa needs to be more proactive and to adopt medium and long-term strategies to benefit from any opportunities that may arise. This, however, will not be easy to achieve.



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AGOA FORUM

The United States seeks two-way trade with Africa

The AGOA Forum took place in Addis Ababa in August and ended with a strong push for the extension of the AGOA provision.

African and United States (US) representatives met in August 2013 to discuss how to improve and renew the African Growth and Opportunity Act (AGOA) so that it is more compatible with the changing economic landscape in Africa. The AGOA is set to expire in September 2015.

The 13-year-old AGOA provides about 6,500 African products with preferential quota and duty-free access to the US market. The bill expands upon the US Generalised System of Preferences (GSP), a set of formal exceptions from the World Trade Organization (WTO) most-favoured nation (MFN) principle, which allows developed countries to offer developing countries preferential treatment on specific goods.

The US administration has already committed to a seamless renewal of the AGOA, but it also wants to critically review the challenges ahead. African delegates are pushing for a ten-year extension of the arrangement to foster long-term investments.

Last year, some uncertainty was lifted when the US Congress agreed to pass legislation that extends to September 2015 a key element of the AGOA's apparel programme. The Third-Country Fabric (TCF) provision allows eligible countries to utilise yarn and fabric from any country, including India and China, to produce textile exports and still qualify for preferential access.

US foresees competition with Europe in Africa

"What can we learn from your trade relationships with the European Union and its Member States, from the EU's preference programs, and from your ongoing negotiations of economic partnership agreements (EPAs)?" asked US Trade Representative Michael Froman in his speech.

In 2011, the European Commission set 2014 as a deadline for the conclusion of the EPAs, which would, if they were fully ratified, enable the establishment of a free-trade area between the EU and some African countries on a reciprocal basis.

EPAs are meant to provide for trade reciprocity, promote sustainable development and further regional integration by encouraging not only African, but also Caribbean and Pacific countries to enter negotiations with the EU in regional groupings.

Unlike EPAs, the US trade preference scheme, AGOA, is non-reciprocal and unilateral. Therefore, the preferences apply only to US imports, and the renewal of the Act depends on US legislators. Some US experts argue that the US should focus more on two-way trade agreements with Africa, particularly with more advanced countries, such as South Africa, given the strong economic growth of that country in recent years. Currently, the three main AGOA trading partners for both the EU and the US are Angola, Nigeria and South Africa.

"As we think about renewing AGOA, we certainly do not want US firms to be put at a competitive disadvantage in the rapidly growing and dynamic African market," added Froman.

However, since the launch of the EPA negotiations in 2002, progress has been slower than expected, and many countries have settled into the status quo. So far, African countries that have not concluded an interim EPA have not experienced any trade disruptions as they have been able to fall back either on the "Everything but Arms" regime or on the standard EU GSP.

A recent note published by the European Commission shows that EU preference schemes are better utilised than US preferences and that EU trade policy has generated almost twice as many imports as US trade policy.

Towards AGOA 2.0

"We need to lay the foundation for AGOA 2.0, informed by the lessons of the past 13 years," said Froman. According to the US Trade Representative, the world has experienced changes over the past decade that need to be reflected in US trade relations with Africa.

As part of the review, the US administration will drill down into the thousands of duty-free tariff lines under the AGOA to determine if some sectors or countries should gradually be eased out of the AGOA as they become more competitive.

"Virtually all exports from least-developed countries in Sub-Saharan Africa are eligible to enter the US market duty free," noted Froman. The review will also examine the factors that affect LDC exporters, such as the rules of origin or sanitary and phytosanitary measures. At the same time, the US will seek to better understand why the costs of trading are so high in Africa and what can be done through trade facilitation and infrastructure development.

Under the AGOA, LDCs are defined according to the World Bank criteria of per capita gross national product (GNP) of US\$ 1,500 or less. However, unlike the reformed EU GSP that won't benefit countries, such as Namibia, Botswana and Mauritius, that already have alternative market access arrangements, the AGOA maintains an exemption for these countries.

The review will also examine where exports are growing and why; whether AGOA-eligible countries have an export strategy and how the AGOA can promote regional integration and spur diversification. While recognizing that petroleum products still account for the largest share of AGOA imports, Froman also highlighted that non-oil AGOA trade totalled US\$ 4.8 billion, more than triple the amount in 2001.

Froman stressed that the AGOA helped African firms become more competitive both in the US and internationally. Some commentators (see Bridges Africa Vol 2-3) explain, however, that, in reality, the AGOA had only limited impact on LDCs economic transformation, since key products, like dairy products, sugar, cocoa, peanut and cotton are excluded. In fact, some studies show that AGOA exports from LDCs are mainly dominated by apparel, largely from Lesotho, Malawi and Madagascar and that product coverage has been limited, particularly in the case of LDCs.

To qualify for AGOA benefits, eligible countries must comply with certain standards, such as working to improve the rule of law, human rights and setting labour standards. Currently, 39 countries out of 48 are eligible. The Democratic Republic of the Congo, Madagascar and Zimbabwe are excluded.

Source : USTR - Speech of Micheal Froman ; Financial Times, US seeks better access to Africa as part of trade pact review, 12 August - See more at: <http://bit.ly/1dNRUUC>

WTO

Lamy: “Clearer” road to Bali ministerial, though work remains

A sum-up of the discussions that took place at the end of July in preparation of the Ministerial Conference in Bali later on this year.

Negotiations for the WTO's upcoming Ministerial Conference in Bali have recently picked up the pace, WTO Director-General Pascal Lamy reported this summer, keeping hopes alive for potentially achieving a successful outcome in December. However, many members have warned, much more work remains if the WTO wishes to harvest an ambitious set of Doha Round deliverables in time for this winter's high-level gathering.

“The road to Bali is much clearer than two months ago,” Lamy told members in July during a meeting of the Trade Negotiations Committee, which was tasked with the Doha Round talks. However, despite the “encouraging progress” seen over the past two months, members are “not yet there.”

“I would say that the glass is two thirds full,” the Director-General said at that time.

July's meeting was meant to be a crucial stocktaking point in the ministerial preparations, with Lamy warning in June that this would be the last “petrol stop” on the road to Bali. (See Bridges Weekly, 6 June 2013). From September onward, members will have less than three working months to finalise a package for the December ministerial.

September is also the beginning of new Director-General's mandate, former Brazilian Ambassador Roberto Carvalho de Azevêdo, after Lamy stepped down from his post last 31 August. Whether a new global trade chief will have enough time to affect the pace of the Bali process, however, remains to be seen.

Members' interventions broadly echoed the idea that this summer's efforts have been “just enough” to keep the Bali preparations moving forward, a sentiment that delegates speaking to Bridges confirmed.

“If WTO members have not exactly shrouded themselves in glory, they have at least kept the ship afloat for the fall, and in some cases, managed to steer it away from obvious shoals,” US Ambassador Michael Punke said in July. “We've probably done enough over the past months to give us one last shot at a meaningful package.”

China also acknowledged movement in a direction that “recognised the natural linkage among various issues of the Bali package.” However, Ambassador Yi Xiaozhun also warned that the speed of negotiations is still far from what is necessary. “We have to soberly admit that the current pace of work remains too slow to guarantee a harvest at [the ministerial],” he said.

Trade facilitation: need for more political engagement

The anticipated centerpiece of the planned Bali package would be an agreement on trade facilitation, which would, among other things, ease customs procedures and reduce time at border crossings.

Negotiations on this front, however, have repeatedly hit snags in recent months, particularly over disagreements regarding the level of flexibility, technical assistance, and

capacity building that will be accorded to developing and least-developed country (LDC) members for implementing the proposed agreement.

Many of these developing country members are wary of taking on "onerous commitments" that could prove difficult to put into practice. However, some developed countries, such as the US, have stressed that obligations must be "clear and binding" in order for the agreement to have any impact, and have highlighted the proposals on flexibility that are currently on the table.

"The value that the WTO adds to global trade is binding rules," Punke said on the US' behalf two months ago. "If we don't create binding rules, our WTO negotiations add no value, and frankly, that type of outcome is of no interest to the United States."

The negotiating group tasked with the trade facilitation talks met in Geneva in July in an effort to resolve some of these differences, with discussions ending on a "positive note," according to Lamy. However, the Friends of the Chair - four senior officials who have been helping facilitate discussions in recent months - have reported only some progress, with many difficult issues and technical aspects remaining unresolved.

Members had hoped to remove half of the remaining square brackets in the draft text - which had numbered over 500 in June - by July's TNC. However, sources report that only a fraction of these have been eliminated. "We have not even come close to achieving this [50 percent] target," EU Ambassador to the WTO Angelos Pangratis commented during the July's meeting.

Ambassador Eduardo Sperisen-Yurt of Guatemala, who chairs the trade facilitation talks, said last week that the lack of flexibility shown by members has been "the real problem," according to sources present at the meeting. The Guatemalan ambassador has therefore called for more political, senior-level engagement in order for delegates to have the mandate to negotiate the necessary compromises, suggesting also the possibility of a "Signalling Conference" where members openly submit definitive proposals for finalising the text.

The next meeting of the negotiating group will be the week of 7 October.

Agriculture: no consensus

In a separate meeting in July, farm talks chair John Adank, the New Zealand ambassador, poured cold water on hopes that members might have reached agreement on agricultural trade issues that could be part of the "small package" deal for December.

"I'm not in a position to announce today that we have consensus in any area of our work in relation to Bali," he told an informal meeting of farm trade negotiators.

However, he did tell members that some progress had been achieved on proposals tabled by the G-33 group of developing countries with large numbers of smallholder farmers. (See Bridges Weekly, [20 June 2013](#))

Negotiators had moved ahead in talks on the wording of a possible new clause that would exempt a list of developing country farm subsidy programmes from the ceiling on trade-distorting support at the WTO, so long as they caused no more than minimal trade distortion.

Adank told the meeting that the G-33 had proposed deleting some programmes from this list - such as payments for the "provision of infrastructure services" and "nutritional food security" - as these are already considered as green box programmes under existing rules. "Some elements of convergence" have also emerged in talks over proposals to allow developing countries more flexibility to purchase food at subsidised prices when providing domestic food aid or building public stocks, said the chair. Negotiators had made

particular headway on a possible interim mechanism that could provide greater flexibility to countries at risk of breaching their WTO commitments, he said.

However, they remained sharply divided over whether farm export subsidies should form part of a Bali deal. (See Bridges Weekly, 30 May 2013) "Clearly, we have some way to go in this area to locate any convergence," Adank warned.

Development talks "least advanced," members say

The third area where WTO members are hoping to achieve outcomes in time for Bali involves development-related issues, which many say is the least advanced area of the talks. Some sources have commented that members appear to be waiting to see what comes from the other areas of negotiation before attempting major advances on these issues.

These discussions have been focused on three tracks. One of these involves the 28 Cancún proposals, which are part of a group of 88 proposals aimed at strengthening the special and differential treatment (S&DT) provisions in the various WTO agreements that were agreed, but not harvested, ten years ago.

Lamy reported in July that talks on these 28 proposals have continued advancing, with members currently exploring what these decade-old proposals mean in the 2013 context. Members will next review whether to adopt some or all of these, he said.

"While this work is ongoing, I believe it needs to be fast-tracked to get the necessary traction," he urged, reminding members that such proposals had already been agreed "in-principle." The process, he added, is about updates and not renegotiation.

The second area of discussions involves the so-called Monitoring Mechanism, which would review the functioning of provisions in WTO rules for S&DT treatment in favour of developing countries and potentially suggest improvements. While talks in this area have continued, the "conceptual clarity" that has emerged must now be turned into drafting language, Lamy said.

The third area, regarding the Sanitary and Phytosanitary Measures and the Import Licensing Procedures Agreements, has been put on hold until after Bali, with talks on these Agreement-specific proposals having hit an impasse earlier this year.

Meanwhile, the four LDC proposals tabled earlier this summer still require more discussion, Lamy said, particularly with regards to finding "common ground" on duty-free, quota-free market access - a topic that has created some internal disagreements within the LDC Group, sources told Bridges.

The 9th WTO Ministerial Conference (MC9) will be held in Bali, Indonesia from 3-6 December 2013. As in all past Ministerial Conferences, Bridges reporters will be on-site covering the negotiations as they unfold. Bridges Daily Updates will be published in English, French, Spanish, Portuguese, Russian, and Chinese. ICTSD will also be convening a Bali Trade and Sustainable Development Symposium on the sidelines of MC9. - See more at: <http://ictsd.org/news/ministerial/mc9/>

The newsroom

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Ethiopia to submit WTO offer on services by September

A trade ministry official stated that Ethiopia would be submitting an offer on access to services including key sectors, such as banking and telecommunications, by September. After a decade of slow negotiations, Ethiopian ministers are now confident on reaching a final agreement on their accession by 2015.

However, Chiedu Osakwe, director of the WTO's accessions division, admitted that much still needed to be done before the lengthy process could be finalised.

Ethiopia will be entering the WTO as a Least Developed Country (LDC), allowing it to take advantage of special treatments, resulting in a more progressive liberalisation process that would enable protection of its key industries.

Comoros goes one step further in the WTO accession process

At the end of a three day meeting which reviewed the progress of the WTO's 'Aid for Trade initiative' in Geneva this week, Comoros announced they have submitted a memorandum of understanding on their foreign trade regime, bringing it one step closer to becoming a WTO member.

This Memorandum of Understanding is a fundamental document in the accession process to the WTO: it is meant to provide a full summary of its foreign trade regime set out according to the WTO guidelines.

The General Council first established a Working Party to examine the application of the Union of the Comoros in 2007.

The Union of Comoros is an archipelagos island located in the Indian Ocean. It is a LDC and its population averaged 798,000 inhabitants.

China – Nigeria sign US\$ 1.1bn deal for infrastructure projects

China has offered Nigeria a US\$1.1 bn low-interest loan to build infrastructure in a country where it has been much-needed. The deal follows a visit to Beijing by Nigerian President Goodluck Jonathan on 10 July. The money will help build roads, airport terminals in four cities, and a light-rail line for Nigeria's capital. The Associated Press reports that China has already launched US\$ 1.7 bn worth of roads across the country.

China has cemented its presence in Africa through Nigeria in recent years. President Goodluck Jonathan stated at the Nigeria-China Business forum that bilateral trade volume between the two nations represented 30 percent of China's trade with the entire West African region.

ECA, WTO strike joint trade agreement

A Memorandum of Understanding was jointly signed, on 8 July 2013, by the Economic Commission for Africa (ECA) and the WTO to enhance trade-related technical assistance (TRTA) and capacity-building for African countries.

The WTO Director-General, Pascal Lamy qualified these efforts as being more reflective of the intentions of the Doha Ministerial Declaration, which calls for higher participation from developing countries in the multilateral negotiation process. In aid of this, the ECA, on its part, will provide well-grounded research on the state of regional integration in Africa.

This programme aims to provide training to enhance human and institutional trade capacity as well as improve ownership.

UNCTAD report focuses on intra-african trade

The United Nations Conference for Trade and Development (UNCTAD) published on 11 July its annual report on the economic development in Africa entitled "Intra-African Trade: Unlocking Private Sector Dynamism". The report urges African nations to boost their private sector in order to increase intra-African trade. In January 2012, during the African Union Summit, African governments agreed to follow such strategy in order to stimulate intra-African trade and to enhance the establishment of a continental free-trade area by 2017.

However, the economic gains of this strategy have been limited by the lack of implementation of regional trade agreements and the persistence of internal constraints. Indeed, key challenges are not only represented by barriers to trade but also by a lack of productive capacity.

The report highlights that a political strategy that focuses on the improvements of African productive capacity and entrepreneurship should prompt intra-African trade and regional integration. Currently, Africa intra-continental trade represent only 11 percent, while Asia and Europe represent 50 percent and 70 percent, respectively.

In this report, UNCTAD fosters a new approach of regional integration based on a broad set of activities such as, investments, research and development of regional policies.

Launch of the post-2015 development agenda report

The Post-2015 Development Agenda report, was launched on 5 August in Addis Ababa by the UN Economic Commission for Africa (ECA).

The report entitled "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development", focuses on how to eradicate extreme poverty and generate sustainable development by 2030. The five big "transformative shifts" that have been identified are respectively; to end extreme poverty, to integrate the dimension of sustainability to the social, economic and environmental, to transform the economy and generate more jobs, to recognise peace and good governance as a core element of wellbeing and to forge a new spirit of solidarity among between the people living in extreme poverty and the different stakeholders.

The World Bank highlights Africa's poor land governance

On 22 July 2013, the World Bank released a new report "Securing Africa's Land for Shared Prosperity" which focuses on how to modernise governance procedures that rule land ownership and management in the future in order to transform land tenure, agriculture and ultimately end poverty.

"Despite abundant land and mineral wealth, Africa remains poor," says Makhtar Diop, the World Bank Vice President for Africa. "Improving land governance is vital for achieving rapid economic growth. According to Makhtar Diop, the World Bank Vice President for Africa (...)"

The report underlines that more than 90 percent of Africa's rural land is undocumented, making it vulnerable to land grabbing and expropriation with no compensation. A secure access to land would enable poor families to run profitable businesses. The report, thus suggests an action plan for change that should allow African nations to translate their economic growth into more opportunities. The plan outlines the following four objectives: reforming and investing in the documentation of all communal lands; regularizing tenure rights of squatters; tackling weak governance and generating the political will of African governments to mobilize behind these land reforms and attract the political and financial buy-in of the international development community.

Senegal and China strengthen partnership

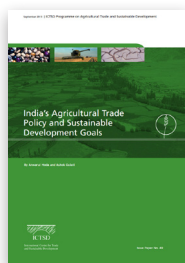
The People's Republic of China and Senegal struck a deal for economic and technical cooperation, on 5 July.

The agreement was signed in Dakar by Senegal's Economics and Finance minister, Amadou Kane, and Chinese ambassador, his Excellency Xia Huang.

With this agreement, Beijing agreed to release some 50 million yuan (about US\$ 8.1 million) which aims to finance projects, the details of which are yet to be agreed upon by both parties.

On his part, Zhang Ming, the Chinese deputy minister on foreign affairs reiterated that intentions were to frame China-Senegal relations in terms of South-South cooperation, with the aim on improving living conditions for the Senegalese population.

Publications and resources



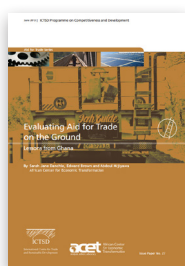
India's Agricultural Trade Policy and Sustainable Development Goals – ICTSD – September 2013

During the last six decades, India has boosted food grain production five-fold, and - despite massive population growth - turned a food deficit into a surplus. This paper examines how India's farm trade policy could help achieve public policy goals such as overcoming poverty, ensuring food security and improving environmental sustainability, against the background of WTO rules and obligations. <http://bit.ly/19ifsuR>



Climate Change and Sustainable Energy Measures in Regional Trade Agreements (RTAs) – ICTSD – August 2013

Regional Trade Agreements (RTAs) are increasingly used for addressing sustainable development goals by including provisions on climate change and sustainable energy. This paper examines that trend and presents an overview of different categories of such provisions in a broad sample of recent RTAs, identifying current regulatory challenges and highlighting obstacles in addressing climate change. <http://bit.ly/1793sy4>



Evaluating Aid for Trade on the Ground: Lessons from Ghana – ICTSD – July 2013

This study assesses the effectiveness of aid for trade in Ghana. It argues that the impact of aid for trade has been mixed. On the one hand, aid for trade programmes have contributed to mainstreaming trade and tackling some of the existing constraints that hinder Ghanaian exports. On the other, aid for trade has not succeeded in strengthening the absorptive capacity of the local institutions involved in the initiative, which has limited the overall impact of aid for trade. Despite the recent increase in trade, Ghana's exports are still highly concentrated and low in value added. <http://bit.ly/1b3bLwE>



IP Trends in African LDCs and the LDC TRIPS Transition Extension – ICTSD – June 2013

This Policy Brief by Fikremarkos Merse (Addis Ababa University School of Law) provides an overview of the intellectual property landscape in African LDCs, in the context of the current LDC TRIPS extension debate. The brief shows that African LDCs are at different stages with regard to TRIPS implementation and they continue to face immense challenges towards building their technological base, thus their need for continuous flexibility and policy space. <http://bit.ly/1bvvsq>



Cotton: Trends in Global Production, Trade and Policy – ICSTD – June 2013

After years of negotiations and even a framework resolution to a pivotal trade dispute, cotton still remains a critical concern for countries at the World Trade Organization. However, historically high prices, and evolving trade patterns may change the role of price depressing subsidies provided by developed countries in discussions on the fibre. New legislation in the United States is anticipated to address the WTO dispute with Brazil and is likely to be the single most important policy change to affect the commodity in the near term. This note aims to summarize recent ICTSD research on proposed changes in US policy while offering recommendations based on changes in global production and trade. <http://bit.ly/13WdVZs>

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