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GREAT

insights

Emerging Economies and Africa

Featuring:

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Ethiopian Institute of Agricultural Research

Justin Yifu Lin
and **Yan Wang,**
Peking University

With more perspectives from Turkey, Indonesia,
Kenya, India, Ghana, Brazil, China and the EU



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Governance, Regional integration, Economics, Agriculture and Trade (GREAT) insights is ECDPM's monthly magazine covering a wide range of topics related to economic development in Africa and the developing world. *GREAT insights* gathers expert analysis and commentary from a wide variety of stakeholders with different perspectives.

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Editorial

Emerging economies have been playing an increasing role in the global arena, and have thus justifiably attracted an increasing level of attention. This is also the case for their role in Africa. Moving beyond stereotypes and pre-conceived perceptions has however proved quite challenging.

China, as the dominant new actor in Africa, has been the focus of much of the talks. China, the lead single exporting country to Africa, accounted in 2013 for 18% of African imports, which is double the level of 2008 and three times more than a decade ago. China's stock of investment in Africa more than doubled from 2009 to 2012, with the bulk of Chinese loans going to infrastructure development. Over 2000 Chinese companies operate across 50 African countries (as stated in Standard Bank reports in 2014).

China is not alone. India, Brazil, and to a lesser extent Russia (as part of the BRIC), have also increased their involvement in Africa, as have other countries such as Indonesia, Saudi Arabia, Thailand and Turkey, to mention a few.

Yet, getting a clear picture of China's and other emerging players' involvement in Africa is not easy. Data are sparse, incomplete, and often interpreted to fit one's argument, rather than to enlighten understanding of a rapidly evolving reality.

The involvement and influence of these new actors is a complex, multi-faceted phenomenon. Beyond trade and investment, it is the way of engaging and priorities that may differ. Much talk has been made of the South-South cooperation, as opposed to the more traditional North-South model. In this context, exchange of experiences and approaches to development have a lot of potential to further contribute to Africa's development.

But many of the arguments about emerging players in Africa are over simplistic.

First, the rivalry between traditional and new partners to Africa is often overstated. The EU remains a key partner, as re-emphasised during the 4th EU-Africa Summit on 2-3 April 2014 in Brussels. In this context, it is worth noting for instance that, in 2012, trade between the European Union and Africa has grown faster (about 10%) on a year-on-year basis than between the BRICs and Africa (below 4%). The question is less about whether emerging powers are better or worse than traditional ones for Africa, but rather how they can contribute, in their own way, to the transformation and sustainable development endeavours of Africa.

Second, emerging economies are easily bundled into one group, in an abstract construct ignoring the vast differences - in terms of size, development, type of government, approaches, etc. - that exist between countries such as China, India, Brazil, Indonesia and Turkey for instance.

Last, but not least, Africa is also diverse, and entails a number of emerging economies, or countries aspiring to such a status. Any proper assessment of the role of emerging partners on the African continent must take into account that diversity and zoom in on the concrete in-country realities of their engagement.

It is with these considerations in mind that this issue of *GREAT insights* brings together a wide array of contributions on the multi-dimensions of role and influence of emerging global economies in Africa, including in relation to more traditional partners. We hope you find them interesting and welcome your comments and contributions.



San Bilal (Editor), *Head of Economic Transformation Programme, ECDPM.*



China-Africa win-win strategy for job creation and transformation

Africa is a continent with huge potentials to grow at 8% or more in the next decade, but it is not creating enough jobs for its young workforce. A win-win strategy for job creation in Africa combines infrastructure and industrial parks to attract labour-intensive sectors, as our research shows.¹

China's economic transformation

When China started its economic transformation in 1979, it was poorer than most of the Sub-Saharan African (SSA) countries. It was a poor agrarian economy, with 81% of its population living in rural areas. Its per capita income was US\$154 in 1978, less than one-third of the average in SSA countries. At that time, China's main export was primary products or processed primary products – in as late as 1984, 50% of China's exports comprised of crude oil, coal, animals, and agricultural products. Since then, through learning, opening and reforms, China has achieved a miraculous average annual growth rate of 9.8%. Its per capita income reached US\$6,100 in 2012, more than four times the average in SSA countries. China has also become the world's largest manufacturing base and the number one exporter, creating jobs for millions of workers.

Is it possible for the low-income African countries to achieve the same? Yes, if these countries can follow

their comparative advantage and transform their natural endowments (or “what the country possesses”) to productive capacity (or “what the country can potentially do well”) through smart strategies.

Combining infrastructure and industrial parks

In 2008 when I was appointed as the Chief Economist and Senior Vice President of the World Bank, the global financial crisis was already brewing. I pointed out that the macro policy must “go beyond the Keynesianism”, and proposed a “Global Infrastructure Initiative”.² A globally coordinated infrastructure initiative will (a) increase aggregate demand in the short run and (b) propel growth in both the advanced industrial countries as well as the low-income countries in the long run.

Investing in infrastructure alone, however, is not sufficient to generate millions of jobs. Our new idea in this joint paper with Yan Wang is to combine “bottleneck releasing”

“African countries can benefit from seizing the opportunities to attract labour-intensive enterprises relocating from China.”

infrastructure with cluster-based industrial parks, aimed at attracting labour-intensive industries from emerging market economies experiencing rising labour cost and industrial upgrading.

In particular, China's labour cost has been rising rapidly from US\$150 per month in 2005, to US\$500 in 2012, and to reach over US\$600 in coastal regions in 2013, representing an annual growth rate of 15% plus currency appreciation of nearly 3% annually in the past few years. More Chinese enterprises are facing the pressure of seeking low-cost locations and 'going global'. China has an estimated 85 million workers in manufacturing, most of them in labour-intensive sectors, as compared to 9.7 million in Japan in 1960 and 2.3 million in Korea in 1980. China's industrial upgrading will open great opportunities for labour abundant, lower-income countries to produce labour-intensive light-manufacturing goods that China leaves behind.³

African countries can benefit from seizing the opportunities to attract labour-intensive enterprises relocating from China. In addition, the availability of outward foreign direct investment (FDI) enables SSA countries to overcome the financing constraints and take advantage of enterprises relocating from China and other emerging markets. Data shows that China's outward FDI rose rapidly to over US\$84 billion in 2012, with Russia, Korea, India, and Brazil following.⁴

A small but increasing share of China's outward FDI is flowing to Africa, and manufacturing is its key sector. From 2009 to 2012, Chinese enterprises' direct investment volume in Africa's manufacturing sector totaled US\$1.33 billion. By the end of 2012, China's investment in Africa's manufacturing industry had reached US\$3.43 billion. But these official statistics may be an underestimation of the actual flows, in the order of one to three.⁵

The role of cluster-based industrial parks has been proven by the successful experiences of emerging markets.⁶ In particular, investing in these parks can 1) provide a "bundling" of public services in a geographically concentrated area; 2) improve the efficiency of limited government funding/budget for infrastructure; 3) facilitate cluster development, or agglomeration of certain industries; 4) propel urban development and conglomeration of services; and therefore 5) they are conducive to growth, job creation, and income generation.⁷

In particular, China has been supporting several industrial parks or Special Economic Zones in Africa aimed at improving investment climate and encouraging outward direct investment into these low-income developing countries if there is a need. In total, China has jointly established six industrial zones in Africa. As of 2012, over 80 companies have signed agreements and settled in these industrial zones, creating over 11,000 jobs for African workers.⁸

A successful case: Huajian in the industrial park in Ethiopia

Huajian Shoe Factory in Ethiopia provides a convincing example for the approach of building cluster-based industrial parks. According to research done by The World Bank in 2010, the wage rate of the footwear industry in Ethiopia is one-eighth to one-tenth of that in China, or about one-half of that in Vietnam, while its labour productivity is about 70% of that in China, almost the same as Vietnam's, so Ethiopia is highly competitive in the footwear industry in terms of factor costs of production. But in 2010, China had about 19 million workers in its footwear industry, and Vietnam 1.2 million, while Ethiopia had only 8,000 workers. Informed by the research finding and the rising wages and pending relocation of many Chinese shoe factories to other low-income countries, late Prime Minister Meles Zenawi came to Shenzhen to invite Chinese shoe manufacturers to invest in Ethiopia in August 2011.

The Chairman of the Huajian Group, a designer shoes manufacturer, Mr. Huarong Zhang, visited Addis Ababa in October in 2011, convinced by the opportunity and established a shoe factory in the Oriental Industrial Park near Addis Ababa in January 2012, trained local workers and started exporting to the US market, all within the time span of four months. More than 90 Ethiopian employees were sent to China for technical training and familiarisation in corporate culture. The company has also deployed some key managerial personnel in Ethiopia to provide ground support. Now the factory hires 2,500 Ethiopian workers (August 2013) and plans to hire 30,000 by 2016. By the end of 2012, with 57% of market share, Huajian had more than doubled Ethiopia's shoe exports.⁹

Huajian's success in Ethiopia's Oriental Industrial Zone is attributable to:

- Strong support and commitment by Ethiopia's top leadership to enhance the investor's confidence in the government's willingness to help reducing transactions;
- Jointly developing the Oriental Industrial Park;
- Attracting one of China's labour intensive sectors which is losing steam;
- Utilising the comparative advantage of high quality leather and inexpensive labor in Ethiopia; and
- Utilising the Original Equipment Manufacture (OEM) model that facilitates learning, tacit knowledge transfer, and capacity development. It also takes advantage of trade agreements such as African Growth and Opportunity Act (AGOA) in the US and the Everything but Arms (EBA) in the EU.

Could Huajian have achieved these quick results in four months without the Oriental Industrial Park? It is highly unlikely.

“By the end of 2012, China’s investment in Africa’s manufacturing industry had reached US\$3.43 billion.”

Africa aiming for the top

Despite rapid growth, less than one fifth of Africa’s young workers find waged employment.¹⁰ But there is no reason for despair. Just as China and Vietnam have learned from the faster-growing East Asian newly industrialized economies and maintained rapid GDP growth of nearly 10% a year in the past decades, African countries can also achieve the same. In particular, they can seize the opportunities of labour-intensive industries relocating from China and other emerging markets.

Through building infrastructure smartly around cluster-based industrial parks and attracting foreign investors, a win-win strategy can achieve both employment generation and capacity development for many years to come.

“In total, China has jointly established six industrial zones in Africa. As of 2012, over 80 companies have signed agreements and settled in these industrial zones, creating over 11,000 jobs for African workers.”

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Can India's duty-free scheme foster trade and development in African least developed countries?

At the 2005 World Trade Organization (WTO) Ministerial Conference, Members agreed that: "Developed-country Members shall, and developing-country Members declaring themselves in a position to do so should, provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008..." India became the first among emerging economies to propose a preferential trade scheme for least developed countries (LDCs). India's duty-free trade preference (DFTP) scheme was launched in April 2008, and became fully operational in October 2012 when the tariff phase-down was completed. The scheme offers duty-free access to LDC exports on 85% of Indian tariff lines; a further 9% of tariff lines offer a margin of preference ranging from 10% to 100%. The remaining 6% of tariff lines are excluded. In launching the scheme, the Indian government drew attention to the products "of particular interest to Africa" that enjoy preferential access under the scheme. These include cotton, cocoa, aluminium, copper, cane sugar, garments, fish fillets and non-industrial diamonds, among others. On the other hand, the scheme excludes key LDC exports, such as coffee, tea, fruit and vegetables, spices and iron and steel.

To date 29 LDCs have joined the scheme, 22 of which are from sub-Saharan Africa. While it is arguably too early to fully assess the effects of the DFTP scheme, five years after its launch, it is nevertheless time to take stock of the scheme's actual implementation, assess its impact on LDC exports to India and identify factors that may be constraining the scheme's effectiveness with a view to making policy recommendations for improving the relevance and impact of the initiative. We do this with reference to African LDCs, which are known to be facing important challenges to trade and structural transformation.

“India's duty-free trade preference scheme offers duty-free access to LDC exports on 85% of Indian tariff lines.”

Recent trade trends

Africa's exports to India increased from US\$4.6 billion in 2000 to US\$23.1 billion in 2012, causing India's share of African exports to increase from 6.2% to 7.5% over this period (Figure 1). Yet, three natural resource-rich countries, namely South Africa, Nigeria and Angola, make up the bulk of Africa's exports to India. Fuels represented 74% of Africa's exports to India in 2012, compared to 12% for agricultural exports. Though Africa's LDCs accounted for 31.7% of Africa's exports to India in 2012, excluding Angola, a major oil exporter, this share was a meagre 9.2%. Beyond oil and a few other commodities, African LDCs' exports are very limited.

Enabling conditions

Before assessing the scheme's impact, it is useful to ask if the conditions necessary for LDCs to benefit from the scheme are present. These include (a) the LDC's capacity to export, (b) the degree of inclusiveness of the scheme, and (c) the extent of product complementarity between beneficiary-country exports and India's import needs.

Using a threshold of US\$1 billion, corresponding to the median value of LDC global exports, as a proxy for export capacity, we find half of the 29 beneficiary countries (BCs) incapable of benefitting from India's DFTP scheme. The top four global exporters are all Asian LDCs while eight of the bottom ten are African.

To assess the inclusiveness of the scheme, we look at the share of products excluded under the scheme in the global export basket of beneficiary LDCs. If LDCs' exports in these products constitute a high share of their world exports, then the scheme may not be considered to be inclusive by its design. Fortunately, this share, averaged across all BCs over the period 2009-2011, is about 15%, which is rather low. However, this average masks significant variation across LDCs. At one extreme, Lesotho has virtually all of its exports included under the scheme; at the other, Burundi sees 82% of its exports in India's exclusion list. Eleven countries have less than 10% of their exports excluded while six LDCs – all of which are African – have over 40% of their exports excluded.

(products that are duty-free or enjoy a preference margin) exists in India. For this, we look at the share of preference products in India's imports from the world. Since 2008, these products made up the quasi-totality (94.5%) of India's imports, which indicates that an LDC exporting a product included in India's DFTP scheme can theoretically export to India. At the bilateral level, however, as our second indicator shows, product complementarity varies significantly across countries. In fact, for 11 countries, 7 of which African, India's import demand for their top 20 export products is modest, constituting less than 3% of India's global demand.

Based on the above three conditions, Bangladesh, Madagascar and Myanmar are relatively better positioned than the other BCs to take advantage of the market access opportunities offered by the DFTP scheme. Other countries are less likely to benefit since they perform poorly on one or more of the three indicators. At the bottom of the list are Burundi, Rwanda and Somalia. These LDCs have very weak export capacity; many of their export products are excluded under the scheme; and there is a low degree of complementarity between their export basket and India's import demand (Table 1).

“We find [that] half of the 29 beneficiary countries (BCs) [are] incapable of benefitting from India's DFTP scheme.”

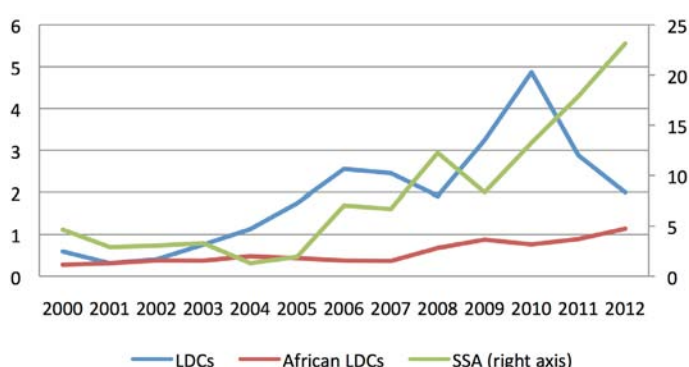
Assessing the impact of the Indian duty-free scheme

It is difficult to assess the performance of the DFTP scheme without controlling for other factors. Moreover, Indian customs data does not distinguish imports taking place under the DFTP scheme; it assumes that imports from a beneficiary country must automatically be under the scheme. In practice, this may not be the case. Obtaining certificates of origin may be a cumbersome process and not worth the hassle where the margin of preference is very small. Bearing these caveats in mind, we examine the scheme's impact by comparing LDC export trends before and after the scheme came into effect. Specifically, we compare average exports in the post-DFTP period (2009-2011) with average exports in the pre-DFTP period (2005-2007).

The scheme would be deemed to have been effective if the first and at least another of the following conditions hold:

- Exports of preference products (PP) to India by BCs in the post-DFTP period are higher than in the pre-DFTP period;

Figure 1: Exports to India, 2000-2012 (USD billion)



Finally, we gauge the extent of trade complementarity between India and the LDCs in two ways. At the aggregate level, we ask if sufficient demand for “preference products”

Table 1: Beneficiary countries' readiness to benefit from India's DFTP scheme

Beneficiary country	Export capacity	Inclusiveness of DFTP scheme	Product complementarity between India's import demand and LDC's exports
Afghanistan	Inadequate	II	Yes
Bangladesh	Adequate	I	Yes
Benin	Adequate	II	Yes
Burkina Faso	Inadequate	I	Yes, but modest exports
Burundi	Inadequate	III	No
Cambodia	Adequate	I	No
Central African Republic	Inadequate	I	Yes, but modest exports
Comoros	Inadequate	-	-
East Timor	Inadequate	II	Yes, but modest exports
Eritrea	Inadequate	I	Yes, but modest exports
Ethiopia	Adequate	III	No
Gambia, the	Inadequate	II	Yes, but modest exports
Lao PDR	Adequate	II	Yes
Lesotho	Inadequate	I	-
Liberia	Inadequate	-	-
Madagascar	Adequate	I	Yes
Malawi	Adequate	III	Yes
Mali	Inadequate	II	Yes, but modest exports
Mozambique	Adequate	II	Yes
Myanmar	Adequate	I	Yes
Rwanda	Inadequate	III	No
Samoa	Inadequate	I	Yes, but modest exports
Senegal	Adequate	II	Yes
Somalia	Inadequate	I	No
Sudan	Adequate	I	-
Tanzania	Adequate	II	Yes
Uganda	Adequate	III	No
Yemen	Adequate	-	-
Zambia	Adequate	III	Yes

Note: Category I contains countries that have less than 10% of their top exports in the exclusion list. Category II refers to countries that have 10% to 40% of their top exports in the Exclusion list. Countries in category III have over 40% of their top exports excluded from preferential trade.

- Exports of PP by BCs to India post-DFTP increase faster than to the rest of the world;
- Share of India in BCs' exports of PP increases post-DFTP;
- Share of BCs' exports of PP in India's global imports increases post-DFTP.

Our analysis suggests that:

- For all BCs, post-DFTP exports are 62.2% higher than pre-DFTP exports. However, non-beneficiary LDCs have seen their exports grow even faster (by 243%) after the launch of the scheme. Moreover, exports of excluded products from both LDCs and non-LDCs have also increased appreciably.
- For 16 of the 29 BCs, exports of preference products to India post-DFTP increased faster than their corresponding world exports. On the other hand, in Burkina Faso, Eritrea, Gambia, Rwanda and Zambia, world exports soared while exports to India declined,

with the sharpest decline occurring in Gambia and Zambia.

- India's share of total LDC exports edged up 1 percentage-point between the pre- and post-DFTP periods. When exports are disaggregated into duty-free, excluded and MOP (margin-of-preference) products, it is observed that the share increased across all three categories, even though the increase was only marginal for excluded products. This might suggest that the DFTP scheme encouraged LDCs to increase their exports of preference products to India more than to other export markets.
- The share of BCs in India's global imports of preference products increased slightly – from 0.76% to 0.82% between the pre-DFTP and post-DFTP periods.

Altogether, it is difficult to conclude from the analysis whether the scheme has had the desired impact on BC exports. On the one hand, India has become a significant

“If India were to aid Africa’s development, it should revisit the DFTP scheme so as to make it more inclusive and relevant to African LDCs.”

export market for Asian LDCs such as East Timor, Bangladesh, Cambodia and Lao due to their geographical proximity and cultural and economic affinity with India as well as the fact that the DFTP scheme includes the bulk of the products exported by these countries. On the other hand, India remains a marginal destination for many African LDCs’ exports. Some LDCs, such as Uganda, have seen overall growth in exports but closer analysis shows that exports of excluded products increased faster than preference products’ exports – something that is difficult to rationalise. By 2012, only 1% of Uganda’s world exports were directed to India. And in the case of LDCs such as Zambia, Rwanda, Eritrea, and Burundi, exports to India actually decreased since the implementation of the scheme.

At the fundamental level, it appears that the scheme’s effectiveness is limited by its very design: it excludes a number of products of key export interest to African LDCs (e.g., dairy products, fruit and vegetables, coffee, tea, maize, vanilla, tobacco products).

“India remains a marginal destination for many African LDCs’ exports.”

Moreover, even where duty-free treatment is given to a product, its export may actually be limited by various types of non-tariff measures applied by India. These include the administrative costs of complying with the DFTP scheme, regulatory requirements such as SPS, and rules of origin. Indeed, survey data suggests that obtaining a certificate of origin and an SPS certificate are the most burdensome

non-tariff measures (NTMs) that African firms exporting to India face. Finally, while rules of origin are clear and simple (30% domestic value added and a change in tariff heading), the fact that no cumulation is allowed, whether regionally or with India, may in the long run discourage both South-South trade and product upgrading along the value chain.

Going the extra mile

India’s offer of an improved development package featuring extended lines of credit, technology transfer and capacity building, alongside private sector-led investments in key sectors, can do much to offset some of the above constraints and foster structural transformation in African LDCs. In the short term, however, if India were to aid Africa’s development, it should revisit the DFTP scheme so as to make it more inclusive and relevant to African LDCs. Simulation results suggest that global welfare and welfare of African LDCs would increase by US\$561 million and US\$1201 million, respectively, if India moved to a 100% duty-free quota-free regime. The loss to India would be a paltry US\$171 million, which, in any case, might be compensated by the resulting dynamic gains from liberalisation over the long term. If India is serious about its declared intent to help LDCs achieve sustainable development through trade, it should not hesitate to go the extra mile.



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China – Africa

An evolving relationship but invariable principles



The last decade has witnessed China upscaling its engagement with the African continent through deepening bilateral cooperation, promoting private sector investment, and diversifying partnerships with emerging countries and traditional donors. The relationship forged between China and Africa is evolving while still reflecting China's basic principles as set out by Zhou Enlai in 1964.¹ It is critical to understand the China-Africa relationship and its implications for African development.

China's evolving engagement in Africa

China has distinguished itself from colonial powers by claiming mutual benefit and non-interference as the basic principles of Chinese foreign policies. Beijing began its foreign assistance to Africa in the 1950s mainly for political reasons. Since 1978, with China's economic reform toward "market socialist economy", China adjusted its assistance models and instruments (including technical assistance, joint venture grants and debt relief) which are not so different from those applied by Western donors. In 2001, China's "Going Global" policy promoted another major shift in Sino-African relations. To satisfy its need for raw materials and markets and to relieve the pressure from accumulated foreign exchange reserves², Beijing encouraged its state-owned enterprises, largely supported by the Exim Bank and China Development Bank, to invest in Africa. Foreign assistance is thus delivered in a mix of aid, trade and foreign investment.³ Africa experienced an expanding presence of Chinese state-owned enterprises and the emergence of private companies, including both large multinationals such as Huawei and as many as 2000 small Chinese firms.⁴

The creation of the Forum on China-Africa Cooperation (FOCAC) in 2000 and the following Ministerial Conferences ushered a new period for China and the African continent. FOCAC provided a platform to systematise bilateral cooperation in various fields. Another more prominent feature is China's entry into the BRICS group on the international stage to express their shared economic concerns and vision for a multipolar world order. The initiation of the BRICS Development Bank at the Fifth BRICS Summit in Durban in 2013 is considered a major effort towards institutional cooperation, aimed at mobilising resources for infrastructure and industrialisation projects in emerging countries and particularly in Africa.

China's deepening "Going Global" policy and its win-win promise

China's global economic policies reflect the Chinese internal transformation process and domestic policies. The domestic reform announced at the 18th National Congress of the Communist Party of China in 2012 states that market forces will play a decisive role in allocating resources, particularly capital, energy and land, while the role of the government will shift to basic functions of management, supervision and regulation.⁵ China's 12th Five-Year Plan (2011-2015) relating to the "Going Global" strategy says that "market orientation and self-willingness of enterprises" will characterise its overseas investment.

As the rapid growth and significant size of Chinese foreign investment⁶ is grabbing attention and provoking debate, China is well aware that the investment should bring sustainable development for both itself and the recipient countries. At the conference in Durban, during his trip to Africa in March 2013, the Chinese President Xi remarked that "China will continue to encourage more domestic firms to consider investments in Africa; care would also be taken to ensure that these firms abide by the corporate social responsibilities".⁷

In fact, China has been putting forward domestic legal framework to achieve that promise. The Ministry of Commerce (MOFCOM) and the National Development and Reform Commission, together with other central agencies, have published a wide range of documents and guidelines regulating outward FDI, such as the "Guide on Sustainable Overseas Forests Management and Utilization by Chinese Enterprises" (State Forest Administration & MOFCOM, 2009), China Banking Association's Guidelines on Corporate Social Responsibility of Financial Institutions (China Banking Association, 2009), and the Guidelines for Environmental Protection in Foreign Investment and Cooperation (MOFCOM and Ministry of Environment, 2013).⁸ Considering that these guidelines are not mandatory and that the enforcement of the policies is considered a responsibility of the host countries, there is still a big question as to what extent Chinese companies will respect these regulations and what the real impacts on local development in Africa will be. Here is a role for NGOs to play in engaging the host countries to apply the guidelines to Chinese companies. Application of

“China has distinguished itself from colonial powers by claiming mutual benefit and non-interference as the basic principles of Chinese foreign policies.”

“Market orientation and self-willingness of enterprises will characterise [China’s] overseas investment.”

Trilateral cooperation

In recent years, traditional donors have been seeking to engage China in developing cooperation in third countries with the aim to form new joint-venture programs and promote mutual understanding.

In 2009, the China-DAC Study Group was formed by the International Poverty Reduction Centre of China and the OECD Development Assistance Committee to share knowledge and exchange experiences on promoting growth and poverty reduction in developing countries. Its current objective is to facilitate mutual learning between China and DAC members on how to deliver quality aid to support development and poverty reduction in a more effective way. In 2013, China Agriculture University and the UK Department for International Development (DFID), with the endorsement of the Chinese Ministry of Commerce, launched the China International Development Research Network (CIDRN) to strengthen the research capacity in China on international development and facilitate communication between China and the international development community. Currently, there are few observed meaningful trilateral arrangements other than academic exchange between China and traditional donors on African projects. Barriers are considered to be centred on different approaches and policy concepts. However, it shows at least the openness of Chinese actors vis-à-vis Western ones, whereas the latter would gain the opportunity to understand better the Chinese approach.¹⁰ There is a lack of empirical evidence on whether this trilateral cooperation would function on the ground and to what extent it will overcome the barriers.

China’s invariable position

China published the White Paper on Foreign Aid in 2011 and the guidelines of the country’s (or region’s) plan on foreign investment and cooperation for 165 countries,¹¹

including 48 African countries. Despite this move towards aid transparency, there is still a lack of information such as the composition of aid to a country and how it is delivered, notably regarding the operational and financial aspects at country and project level. In addition, China, along with other BRICS members claimed “common goals and differential commitments” at the Busan High Level Forum on Aid Effectiveness in 2011. They highlighted their specific condition and their commitment to solidarity, friendship and voluntary basis. This is a position seemingly resilient to the Western push for transparency, accountability and other Northern norms. According to Besharati (2013), there is a lack of political interest in democratic accountability in China and limited information release.¹² Possible reasons have been discussed. Zhou¹³ argues that China’s commitment to the “no strings attached” principle, limited capacity and operational challenges could present difficulties for Western donors to engage China in joint development cooperation. It is worth noting that a development cooperation agency does not exist in China¹⁴ and the race for power among different ministries, or even between different divisions of the same department, influences policies.

Africa agency

Africa’s role (as played by government entities, regional bodies, individuals, elites and civil societies) in engaging China and even shaping the Sino-Africa relationship is not well recognised. Some empirical studies¹⁵ showed that Africa should not be considered simply as a passive recipient. African actors actively influence and shape these relationships in a way to pursue their own interests at different levels, but such capacity is very uneven.¹⁶ This, to some extent, echoes China’s emphasised principle “based on our own capacity and the needs-driven” for its foreign assistance policy. The question is whether and how African agency could be facilitated in a positive way by both the Chinese and African governments in order to realise the win-win outcomes of the standard rhetoric.

Notes

1. On 15 January 1964 Premier Zhou Enlai set up eight principles of China’s foreign aid to guide Chinese economic and technical aid programs to friendly and fraternal countries. These principles were first used to guide Chinese economic aid to African nations. Since 1964, these eight principles have been the guidance of Chinese foreign aid toward many third and fourth world countries.
2. Brack, D. 2014. *Chinese Overseas Investment in Forestry and Industries with High Impacts on Forests*. http://www.forest-trends.org/documents/files/doc_4203.pdf ; Canrong, J. 2011. (The review of 10 years “Going Global ” strategy: Achievements and Challenges). *Contemporary International Relations*. http://www.cssn.cn/ddzg/ddzg_ldjs/wj/201203/

“China’s commitment to the “no strings attached” principle, limited capacity and operational challenges could present difficulties for Western donors to engage China in joint development cooperation.”

1. P020131031386293340685.pdf
2. See details in Qi Zheng “Le Système d’Aide au Développement de la Chine”, Gabas et Chaponnière, Le temps de la Chine en Afrique, Editions Karthala et Gemdev, 2012.
3. Shen, X. 2013. *Private Chinese Investment in Africa: Myths and Realities*. World Bank.
4. Decision of the Chinese Communist Party Central Committee on Several Major Questions About Deepening Reform), available in Chinese at http://news.xinhuanet.com/politics/2013-11/15/c_118164235.htm
5. From 2002 to 2013, China’s outward investment grew from US\$27 billion to over US\$90 billion per year, according to official data from MOFCOM. http://fec.mofcom.gov.cn/article/xwdt/gn/201403/1802504_1.html and the Report on Development of China outward Investment and Economic Cooperation, MOFCOM, 2011-2012.
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15. *ibid.*



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Indonesia as an emerging power

While it possesses significant material hard powers as other emerging powers do, Indonesia has some characteristics which made it distinct from the rest of them. Sometimes referred to as a “reluctant” or “shy” emerging power, Indonesia has shown its growing global influence despite economic and political challenges.

Scholars, policymakers and business analysts often argue that Indonesia should be included in the BRICS. Some suggested that the group could be renamed to BRICSI (Brazil, Russia, India, China, South Africa and Indonesia), while others included Indonesia in groups of catchy acronym, such as CIVETS, MINT and N-11. As the fourth most populous nation, Indonesia is now the world's 16th largest economy, with a GDP of US\$878 billion.

Still resilience amidst global crisis

Indonesia has been able to demonstrate its inherent strength during the current global economic crisis. Its economy is expected to grow by around 5.3% this year, as predicted by the IMF, which is better than many other emerging powers in the G20, except China (7.7%) and India (5.4%). It is much higher than Brazil (2.3%), Russia (2%) or Mexico (3.7%). Net exports, especially from natural-based commodities such as palm oil, coal, natural gas and rubber, and investment are the important growth drivers in recent years. Nonetheless, in the middle of a global crisis, the country's export volume has been vulnerable. Sluggish global demand resulted in a drastic decrease in Indonesia's export volume by about 6% from US\$190.3 billion in 2012 to US\$178.63 billion in 2013. As a result, its current account deficit extended to around 3.5% in 2013.¹

Worries about the Fed's stimulus cutting had also triggered capital outflow, which put big pressure on the Indonesian currency, rupiah, which depreciated more than 20% in 2013. Concern about its economic volatility, Indonesia, together with Brazil, India, South Africa and Turkey, was included by Morgan Stanley analyst, James Lord, in the “Fragile Five”, which were defined as countries whose currencies are vulnerable to large current account deficits and uncertain capital flow.² Fortunately, compared to the other fragile five, Indonesia seems to be progressing well. Indonesia's central bank decisively raised its benchmark interest rate by 175 points since June last year and at the same time allowed the rupiah to float, which eventually made Indonesian exports more competitive on the international market. Consequently, the rupiah had risen 7% against the US dollar. On the other hand, the Turkish lira and South African rand have slumped 5-6% during February-March 2014.

While Indonesia is not yet free from financial crisis contagion, its economic prospect remains positive. Different from China and India whose economic growths are heavily led by export, Indonesia's main contributor of growth will continuously come from private consumption. Although it is similar to Brazil and Russia regarding the important role of commodities boom to growth, in recent months Indonesia has banned some raw material exports

“Indonesia is expected to grow faster than many other emerging powers.”

in order to encourage mining companies to export higher-value products. In the short and medium term, Indonesia will remain focused on developing its domestic market given its huge and increasing number of middle-class population, which will remain a major driver of Indonesia's economic growth. There are now about 74 million middle-class Indonesians with the number predicted to double in 2020.³

Stable, but fragmented political institution

“Emerging power” has become a recurring theme for many Indonesian leaders and politicians, especially after learning of the many predictions about its prospect to become the 7th largest economy by 2030. Their optimism does not only come from Indonesia's stellar economic figure, but also from its achievements in democratic consolidation and political stability since the *Reformasi* in 1998.

While there are doubts about whether the democratic system has gone beyond procedural and formality aspects, the political system is getting more institutionalised over time and threats to democracy, such as a military coup or a call for a theocratic system have become marginal. Furthermore, horizontal social conflicts, which were commonly found in the early 2000s in Indonesia, have also decreased significantly. Non-governmental organisations have flourished and the press is undoubtedly free. Political stability and resilient democracy are strong modalities of Indonesia, especially considering the fact that many other nations, such as countries in the Middle East are still far from stable democracy despite the bloody and harsh Arab Spring.

Nevertheless, its democratic system is not always followed with more effective and efficient governance. Given the nature of the Indonesian political system, which is always based on consensus involving various political factions, the problem of factionalised policy actors within the executive power has become extensive. The current government for instance, consists of six political parties with various platforms and visions. The largest political party only has around 20% of total parliamentary seats, which is too weak to individually propose certain policy. Consequently, decision-making in some crucial policies often face either deadlock or significant delay. Before the government eventually cut fuel subsidies in order to reduce its budget deficit in the middle of last year for instance, there were months of political haggling within the government coalition parties.

Fragmentation of governance also occurs at local level. The decentralised political system, or as Indonesians called it *otonomi daerah* (regional autonomy), which was first implemented in 2000, has positively remapped economic distribution among various areas across

Indonesia. It also provides wider opportunity for locals to deal with their problem, but at the same time it often adds complexity to the Indonesian political landscape. Local leaders in many cases assert contradictory policy to the central government's programs. Some provincial governors for example rejected the importation of rice from Vietnam in 2010-2011 in order to protect local farmers' welfare, although the central government had tried to ensure citizens that the importation was necessary to fulfill domestic demand.

The culture of fragmented politics is more obvious in Indonesia than in other emerging powers, such as China which continuously implements the centralised communist system or South Africa where the African National Congress (ANC) is democratically dominant. Brazil and India also have multi-party systems, but the divided line between the government and opposition is not as blurred and complex as it is in Indonesia.

Constrained, but growing global influence

The factionalised political system does not only undermine the government's effectiveness in dealing with interminable development challenges, but also restricts the country's ability to project its influence in global affairs. Indonesia's foreign policy is criticised for not being firm and ambitious, especially compared to other emerging powers. In the area of development cooperation for instance, many emerging powers already have official development assistance (ODA) agencies. India inaugurated its Development Partnership Administration in 2012, while Brazil and South Africa set up similar bodies a few years ago. In contrast, Indonesia's development aid is managed by some overlapping ministries and agencies, each of which has their own agenda and priority.⁴

In many of its diplomatic initiatives, Indonesia usually portrays itself through “bridge building” or “middle way” approaches. As the “bridge builder”, Indonesia is not interested very much in a confrontational stance in relation to the current global order as often pursued by BRICs on issues such as IMF quota reform, climate change and free trade. Instead, Indonesia prefers to seek common interests of various countries and regional groupings with different levels of power.

The “middle-way” foreign policy, is in fact just a reflection of its domestic politics complexity and ambiguity. A complex domestic political map always requires Indonesian policymakers to seek consensus and to avoid confrontation. Just as in the case of domestic politics, foreign policy issues involve a broad range of domestic aspirations, from a more pro-protectionist trade policy to human rights and democracy promotion, and from a more active stance in the Association of Southeast Asian Nations (ASEAN) to one that is more Middle East-

“Emerging power” has become a recurring theme for many Indonesian leaders and politicians, especially after learning of the many predictions about its prospect to become the 7th largest economy by 2030. ”

oriented. Given the nature of fragile and less-binding coalitions in some recent Indonesian governments, the leaders always choose the middle ground and prefer to safely ease demand from diverse foreign policy enthusiasts inside the country.

Despite criticism, the “middle way” has raised Indonesia’s diplomatic position in recent years. Indonesia was chosen to co-chair the UN High-Level Panel on the Post-2015 Development Agenda for its continuous commitment to encourage rich and developing countries to work closer together in addressing development challenges. In the Asia-Pacific region, through “middle way” approach, Indonesia has launched some initiatives. In its capacity as ASEAN rotating chair in 2011, Indonesia initiated the Bali Concord III, which outlined strategies to advance ASEAN integration through three pillars (security, economy and social culture), proposed the establishment of the ASEAN Institute for Peace and Reconciliation (AIPR) and tried to mediate in the Cambodia-Thailand dispute over the area around the Preah Vihear temple. Furthermore, Indonesia also initiated the Bali Democracy Forum (BDF) which aims to encourage democracy development in the participating countries.

Possible future feature

Given its economic priority and its domestically divided political orientation, Indonesia will be potentially growing, but not in the same fashion and pattern as other emerging powers. There are at least three possible features of future Indonesia’s international role as an emerging power.

First of all, Indonesia will focus on increasing its economic and political leverage with countries in Asia Pacific, rather than with geographically far countries. Indonesian government officials repeatedly advocate for expansion of trade and investment to “non-traditional markets”, but Asia is still its main arena. Although there is substantial increase in the volume of trade with Latin American nations, by 10% in 2013 from previous year and with African Unions by 50% in 2011, those numbers are still small compared to Indonesia’s trade with China, Japan and ASEAN nations.

Secondly, regarding the initiative to expand its influence outside the regions, Indonesia will likely build closer relations with a small number of key countries, from both developed nations and emerging powers. Different from China and India, which have the capacity to penetrate the market in every corner of Africa, Indonesia will selectively engage anchor states in the region such as South Africa as its 20th largest trading partner and Nigeria.

Last but not least, it is realistic to say that as an emerging power, Indonesia will not be decisive, but it

will continuously explore opportunities to act as a norm-shaper. While the “middle-way” approach is sometimes associated with a weak and ambiguous position, it in fact serves Indonesia’s long-term strategic position. Having said that, in order to make its role as a bridge-builder more credible to the international community, Indonesia needs to address their own domestic issues. Indonesia’s democratic promotion through the Bali Democracy Forum (BDF) and ASEAN for example, will become less relevant if Indonesia does not reform its democratic institutions by reducing, among others, vote buying and election fraud. Its role to bridge developed and emerging powers in climate change negotiation will not be tenable if its rate of illegal logging is still high.

Notes

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4. The Indonesian government recently established the National Coordination Team for South-South and Triangular Development Cooperation, but this team is *ad hoc*, not permanent as other nations have.



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Can Turkey's mercy help Africa?

Africa features prominently and represents a novel dimension of Turkish foreign policy. Ankara's involvement in the continent has more dimensions than those related to economic relations and humanitarian aid. However, contextualising Turkish involvement requires a broader perspective in order to understand and measure the possible influence of its involvement in Somalia and the continent. Humanitarian and development aid, along with a significant interest in trade development, have been the main pillars of this new policy.

Since the announcement of 'The Year of Africa' in 2005, Turkey spent most of its energy on developing the diplomatic infrastructure and preparing for better structured Turkey-Africa relations. From 2005 to 2011, Turkey aimed to deepen relations with Africa at every level. Turkey's role as an observer and strategic partner with the African Union, and in the Turkey-Africa Summit in 2008 has helped deepen institutional relations. Trade volume between Turkey and Africa has increased. Furthermore, the involvement of Turkish civil society has helped establish a better framework where both Turkey and Africa benefit from these relations.

Very much in line with its interest to become a 'political' actor, Ankara has shown an eagerness to find solutions to Africa's persistent problems. Turkey hosted the Second Istanbul Conference on Somalia in cooperation with the United Nations in 2012.¹ 57 countries and 11 regional and international organisations attended the conference. Partnership forums met to discuss issues such as water,

energy, roads and secessionism. Turkey's involvement in Somalia continues and various ministers frequently make visits to follow up on projects. Somalia has to some extent become somewhat of a 'domestic' issue for Turkish government and society.

Turkey's political interest in Africa has also prompted a diplomatic expansion. Turkey has increased its number of embassies on the continent from 12 in 2002 to 34 in 2013. African countries have also proved responsive to Turkey's interest in developing political relations. After Uganda and the Democratic Republic of Congo opened new embassies in Ankara in 2011, Angola, Kenya, Djibouti, Niger, South Sudan and Ghana followed suit in 2012. Currently, 21 African embassies operate in Ankara, and the embassies of Benin and Republic of the Congo are in the process of opening. 12 more African countries have indicated their willingness to open embassies in Ankara in the next few years. If this is realised, Africa will have 35 embassies in Turkey.

Aid and trade comprise the most visible elements of Turkey's relations with Africa. They are also the most articulated and popularised element in the official discourse. The Foreign Economic Relations Board of Turkey has established business councils as part of Ankara's attempts to increase business activities with Africa. Turkey's trade volume with African countries has increased from US\$5.4 billion in 2003 to US\$16 billion in 2008 and, despite the economic crisis, to US\$17 billion in 2012. Yet, the current trade volume with Africa countries is



measures to help Somalia improve its infrastructure, such as building wells, a major hospital and six field hospitals, a highway from Mogadishu Airport to the city center and facilities for waste management. Additionally, as a result of the 2001 visit, the Housing Development Administration of Turkey has pledged to build houses and schools. Time will tell whether Turkish involvement in Somalia will bring any peace and stability remains, but it has already elevated Turkey to 'a new humanitarian aid power' in Africa. Turkey's role in Somalia also points to a rising involvement in Africa more generally and to a shift in its focus toward the political aspects of the continent's problems.

Turkey has proven unique in comparison to other actors in Africa for several reasons. First, it has a distinctive way of providing aid, as it has aimed to create long term and developmental projects ranging from infrastructure to education. Second, Turkish schools have mushroomed as educating future generations has become critical for the continent's ability to stand on its own. In this sense, one can compare Turkish schools to the missionary educational institutions of the late 19th and 20th centuries, which produced many activists, intellectuals, presidents and leaders. Educational activities in particular will likely generate change and even shape the social dynamics of the continent in coming years.

However, in the long run Turkey's social-political depth and persistence depends not only on its increasing trade with the continent but also on its ability to contribute to finding solutions to Africa's problems, as it did in Somalia. Turkey's experience in Somalia is not only an important test of Turkey-Somalia relations, but also of its opening strategy across Africa. Success or failure will shape and affect Turkey's overall Africa initiative, and how Africans and others will view Turkey in coming years.

Note

1. http://www.mfa.gov.tr/the-second-istanbul--conference-on-somalia_-final-declaration_-1-june-2012_-istanbul.en.mfa (Sourced 25 March 2014).

insignificant compared to Turkey's total trade volume with the rest of the world. Turkey aims to increase trade volume with Africa to around US\$50 billion by 2015.

As a member of the Organisation for Economic Co-operation and Development (OECD), Turkey is both a provider and recipient of international assistance. The Turkish Cooperation and Coordination Agency (TIKA) until recently maintained three African based offices: Addis Ababa, Khartoum and Dakar. In 2011, it opened offices in Mogadishu and Tripoli, and in 2012 in Nairobi, Cairo and Tunisia. These offices function mostly as regional bureaus for supervising projects in surrounding countries. TIKA currently has projects in over 40 African countries, mostly related to educational, health and agricultural areas.

Turkey's state-level humanitarian involvement and leadership in Africa gained much visibility when drought and famine began to have dire consequences in East Africa. On 19 August 2011, Prime Minister Erdoğan visited Somalia, arguably the worst affected country, to draw international attention to its dismal situation. The first leader from outside Africa to visit Somalia in nearly two decades, Erdoğan brought his wife, daughter and an entourage consisting of cabinet members and their families, and visited refugee camps and hospitals to witness the devastation caused by the severe drought. Erdoğan brought the issue to the UN General Assembly meeting in September 2011 and called on the international community to undertake a continued approach to finding a long-lasting solution. Turkey has also opened an embassy in Mogadishu and taken several



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East Asian lessons for Ethiopia's Hailemariam and Kenya's Kenyatta?

The new leaders of Ethiopia and Kenya must decide whether to continue their predecessors' projects of emulating East Asian developmental states, warts and all.

Last month, the two East African leaders met in Addis Ababa¹ to discuss the deepening of bilateral ties. Over the course of four days, each expressed a commitment to regional security, to the newly ratified Special Status Agreement (SSA) concluded between the two countries, and to ambitious joint infrastructure projects such as Kenya's Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor.

But while Ethiopia's Prime Minister Hailemariam Desalegn and Kenya's President Uhuru Kenyatta may well share a desire for deeper cooperation in these areas, the similarities between the two men run deeper. Each heads one of the region's largest, most populous countries, in which the stakes for developmental success are at their highest. Each is untested and relatively new as a leader, with serious questions hanging over the ability and willingness of each to unite his country behind a common developmental agenda. And each succeeds a national leader who has attempted to forge such a common agenda by drawing lessons from a source that some will find surprising: East Asia.

“In Kenya, as in Ethiopia, East Asia provided policymakers with models of modernist developmentalism.”

Hailemariam, as I discovered when I interviewed him in 2010², is keenly aware of his predecessor Meles Zenawi's desire to create a developmental state that mirrors South Korea and Taiwan during their periods of fastest growth, as well as China today. At the time, my research³ uncovered widespread but highly centralised efforts by the ruling party to bring about the same rapid economic growth, political stability, investment in physical infrastructure, selective reform and industrial upgrading that was once famously associated with the 'East Asian Model of Development'. These attempts at emulation were not limited to isolated policies or practices, but instead part of a broader paradigm that demonstrated to Ethiopian elites both the possibility and the necessity of rapid modernisation through structural transformation.

In Kenya, too, Kenyatta is surely aware of the influence of East Asia on the highly ambitious programme of modernisation presided over until last year by erstwhile President Mwai Kibaki. Here the models were more often Singapore and Malaysia, countries held to have diverged greatly from Kenya in developmental fortune since attaining independence from the British in the 1960s. The lessons drawn were more market-friendly than in Ethiopia, with an emphasis on constructing developmentalist coalitions between bureaucrats and economic leaders through public-private partnerships. The lesson-drawing process also tended to be devolved away from politicians towards bodies such as the National Economic and Social Council (NESC) and those planners most heavily involved in Vision 2030, the country's long-term development plan. But in Kenya, as in Ethiopia, East Asia provided policymakers with models

“African policymakers do not always have to choose between ‘local’ solutions and foreign conditionalities, [...] they may possess the agency to willingly seek out and domesticate policies that are seen to have ‘worked’ abroad.”

of modernist developmentalism that are a far cry from the grassroots, participatory and institutionalist agendas that traditional donors often promote in Africa.

There are wider implications in this trend towards South-South learning. The impact of new donors and emerging economies in Africa is not simply material—expressed through higher levels of foreign direct investment or changing flows of trade, for instance—but also ideational. My findings also show that African policymakers do not always have to choose between ‘local’ solutions and foreign conditionalities, but that they may possess the agency to willingly seek out and domesticate policies that are seen to have ‘worked’ abroad, particularly in an era in which they have a greater choice in development partners. Finally, and perhaps most speculatively, my findings support the increasingly-popular notion that ‘African developmental states’ may not be the contradiction in terms that many once believed.

Now both Hailemariam and Kenyatta are faced with the choice of whether to follow the same technocratic model as those who preceded them in office or to chart a different path. This has implications for the prominence given to lesson-sharing initiatives between these governments and their new partners in Asia, but has even bigger ramifications for development within Kenya and Ethiopia.

The model under discussion certainly has both advantages and disadvantages. It has led to an upswing in economic growth, it is one of the factors behind the recent boom in physical infrastructure in both countries and there is some evidence to suggest—particularly in Ethiopia—that it can lead to broad-based improvements in areas such as maternal mortality and primary education. At the same time, it is associated with a lack of transparency, a preference for a top-down managerial approach and the suppression of dissent.

There are signs that Hailemariam Desalegn does want to continue Meles’ lesson-drawing agenda, and that he was in fact hand-picked before the latter’s death in 2012 for precisely this reason. Kenyatta’s choice of model is more in doubt: a critic of Kibaki’s “hands-off” approach to the Presidency, he has already removed or reshuffled certain key emulators within the bureaucracy and has given less prominence to NESC.

Even if each leader did choose to continue to draw lessons from East Asia, the question remains whether they have the capacity to do so. Developmental states are not easy to achieve, as continuing poverty, corruption and inequality in

both countries suggest. The modernist visions of Meles and Kibaki remain unfinished at best.

When Hailemariam and Kenyatta met in the Ethiopian capital to discuss the future of projects such as LAPSET, they would have done well to remember the provenance of such grand schemes. Such policies are not isolated initiatives but are embedded within a broader vision of what it means to be developed and modern. It remains to be seen whether either man will join Africa’s much-heralded new generation of technocratic leaders, choose other models to follow, or allow the question to slip from his grasp entirely.

Notes

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Rising donors: Can China and Brazil help Ethiopia achieve its development ambitions?



The rising powers are growing sources of development finance for developing countries. The Ethiopian state has been actively engaging with Brazil and China to complement Western donor support and realise its agriculture and rural development vision.

Ethiopia is a poor country, highly reliant on external donor aid. In 2010 aid received was equivalent to 11% of its Gross National Income.¹ Yet Ethiopia is a country with ambitions, particularly in the agricultural field that accounted for a significant 41.1% of GDP in the fiscal year 2010/11.² And with economic growth rates being some of the highest in the world in the last few years, peaking at 11.4% in 2010/11³, such ambitions are beginning to be realised, with agriculture pivotal to the story.⁴

The now late Prime Minister, Meles Zenawi, was at the centre of this vision, being deeply committed to a development revolution in the country. While dependent on donors, Ethiopia is not just a passive recipient. Prime Minister Meles in particular was highly adept at presenting Ethiopia's case, but also at providing a framework for investment and aid that was on Ethiopia's terms. An East Asian developmental state vision, modelled on Korea and Japan,⁵ has been promulgated which combines tight state control with the encouragement of investment.⁶

In this context, the importance of South-South cooperation has been growing through increased official engagement of the Ethiopian government with governments and private sector actors in the South. These engagements are modelled around the sharing of experience in public governance, technical cooperation, and the attraction of private and public investments.



“ The floriculture sector has grown from US\$2 million worth of exports to US\$170 million between 2003 and 2010, involving 85 companies, three-quarters of which are foreign.”

Promoting collaboration with Brazil and China

Different organs within the Ethiopian Ministry of Finance and Economic Development (MoFED) and the Ministry of Foreign Affairs (MoFA) play an important role in promoting the collaboration with Brazil and China. The emphasis given to such collaboration is so strong that an independent office dealing only with China, which is called the Ethio-China Development Co-operation Office was instituted within MoFED. This is in addition to the International Financial Co-operation Directorate and the Bilateral Cooperation Directorate that also play key roles in promoting collaboration. The official justification for this emphasis is related to the public belief that the relationship with China has provided, and is expected to provide, the country with economic

development. China provides soft and interest-free loans as well as grants for development projects without any conditions. As a balance to the many strings attached to Western development aid, heightened especially since the contested elections of 2005, China's contribution is an important part of the overall portfolio.

Additionally, the Economy and Business Directorate of MoFA, in collaboration with Ethiopian Missions in Brazil and China and the Ethiopian Investment Agency, promote collaboration mainly in terms of identifying sources of Foreign Direct Investment. This involves the selection of appropriate investors, analysing data on assistance, loans and technical cooperation agreements, providing information on government priorities and identifying

partners to finance priority areas as appropriate, and investigating development assistance experience and trends of bilateral and multilateral foreign assistance. Similarly, the Americas Affairs and the Asia and Oceania Affairs Directorates of the MoFA are also involved in promoting priority areas for political and economic cooperation with Brazil and China by conducting studies in areas of trade, investment, development cooperation, and technical assistance.

This very active approach to trade and investment promotion certainly pays off. The floriculture sector, for example, has grown from US\$2 million worth of exports to US\$170 million between 2003 and 2010, involving 85 companies, three-quarters of which are foreign. Ethiopia is now the second largest exporter of cut roses in Africa, and the sixth

largest in the world.⁷ Land has been offered, concessions on export arrangements guaranteed, and a fast-track investment approach encouraged through the establishment of the Ethiopian Horticulture Agency, all with direct facilitation by the state, and often with directed political oversight from the Prime Minister himself.⁸ And in the field of agricultural investment in general, the rising powers – including China and Brazil – are expected to play a major role.

Engaging with Brazil and China

Engagements between Ethiopia and Brazil and China are occurring on three broad fronts: experience sharing and benchmarking of public organisations, as part of public sector reform; technical cooperation in a range of areas; and private investment in agriculture. Existing cases discussed below, show how ‘state agency’ influences external relations to realise a ‘developmental state’ vision through such cooperation arrangements.

Experience sharing in public governance

Experience sharing is promoted in the form of benchmarking best practices of public governance from countries in the South through experience sharing tours of higher officials, and invitations of experts from the South. Ethiopia has been keen to learn from countries that have achieved major economic growth through ‘developmental state’ approach (or variants of), with the political leadership being unconvinced by the neoliberal economic reform edicts of the West (although of course paying due abeyance to them at key points). Ethiopian public institutions have been benchmarking a number of countries in the South, mainly China, India, Thailand and Brazil. Benchmarking is based on the assumption that these countries have witnessed fast economic growth; have more or less similar administration, such as a federal state system (India, Brazil, etc.); and, through the engagement, there would be a possibility of accessing their markets through trade agreements, facilitated through ties established between state officials of the respective countries.

Technical cooperation

Technical cooperation in the form of bilateral agreements is an approach followed by both China and Brazil in support of the agricultural development efforts in Ethiopia. The technical cooperation between Ethiopia and Brazil is yet to be cemented and developed, although an all-round agreement of cooperation between the two countries was signed in April 2012 during the official visit of the Brazilian Foreign Minister. The areas considered in the agreement were education, agricultural research, social security, construction and investment – particularly in renewable energy resource management. A number of other areas of collaboration with EMBRAPA have also been identified, including genetic resources and biotechnology research, germplasm exchange, semi-arid tropical agricultural research related with irrigation and dryland agriculture, and small-scale farm mechanisation. Ethiopia is also

looking to learn from Brazil’s biofuel sector and an agreement between the two countries centred on the promotion of renewable energy resource management – especially biofuels - has been signed.

Meanwhile, the technical cooperation with China has resulted in two concrete agricultural development related agreements, i.e. the agreement to construct an Ethiopia-China Agricultural Technology Demonstration Centre in Ethiopia and the agreement for a provision of Chinese instructors on agricultural technical vocational education and training (ATVET) to Ethiopia.

Private investment

The Ethiopian government is also promoting investment possibilities in the country. There are high expectations of Brazilian investment in the sugar industry, linked to the promotion of biofuel. Similarly, Chinese investments are growing in a number of sectors, including agriculture.

The total number of registered investments by China since 2008 is 32, of which 18 are in the area of vegetable farming; four are in edible oil production and processing (including a major investment in palm oil plantation with about 33 thousand hectares of land), three companies are licensed in sugar cane production and processing, and three have received permits to operate in pig farming and processing. The other permits are approved for poultry farming (two), mushroom farming (one), and a rubber plantation (one), with about 30,000 hectares. Similar findings were reported by Bräutigam and Tang⁹ that Chinese farming investment is far smaller, at present, than generally believed, though Chinese engagement in agriculture and rural development in Ethiopia is longstanding.

Currently there are only two registered investments from Brazilian companies, Tamar Farm PLC, which has invested in the farming of fruits, grain, sweet pepper and corn, and BDFC Ethiopia Industry PLC involved with coffee and sugar cane farming and processing. The expectation is that biofuel and sugarcane investments will increase substantially in the coming years.

In conclusion, the Ethiopian state has been heavily involved in facilitating engagement with China and Brazil, as well as other ‘rising powers’, as a complement to Western donor support. This has been through experience sharing in public governance, technical cooperation, and attraction of private investments. With a vision of a ‘developmental state’, Ethiopia has been highly successful in mobilising, channelling and focusing external aid and investment towards developmental ends, avoiding the trap of the aid ‘resource curse’, and associated economic and political distortion and corruption, which so many aid dependent countries have fallen foul of. Exerting a strong form of ‘African agency’¹⁰ is Ethiopia’s hallmark, and so far it seems to be delivering success, at least in terms of aggregate economic growth.

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“ Ethiopia is now the second largest exporter of cut roses in Africa, and the sixth largest in the world.”



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INTERVIEW

EDCPM talks to Professor Pádraig Carmody on the BRICS and how they are changing the global balance of power, helping create a new global geopolitical space and region.

EDCPM: In your recent book ‘The Rise of BRICS in Africa: the Geopolitics of South-South Relations’, you argue that the BRICS are changing the nature of globalization. Can you please expand on that a bit?

Carmody: The BRICS are changing the nature of globalisation in a number of ways. One of the primary ways that China is changing the nature of globalisation is through the central role placed on state-owned enterprises (SOE) in the promotion of outward foreign direct investment (FDI). As part of their go-out policy, Chinese investment in Africa and other developing countries is primarily led by state-owned enterprises – which to

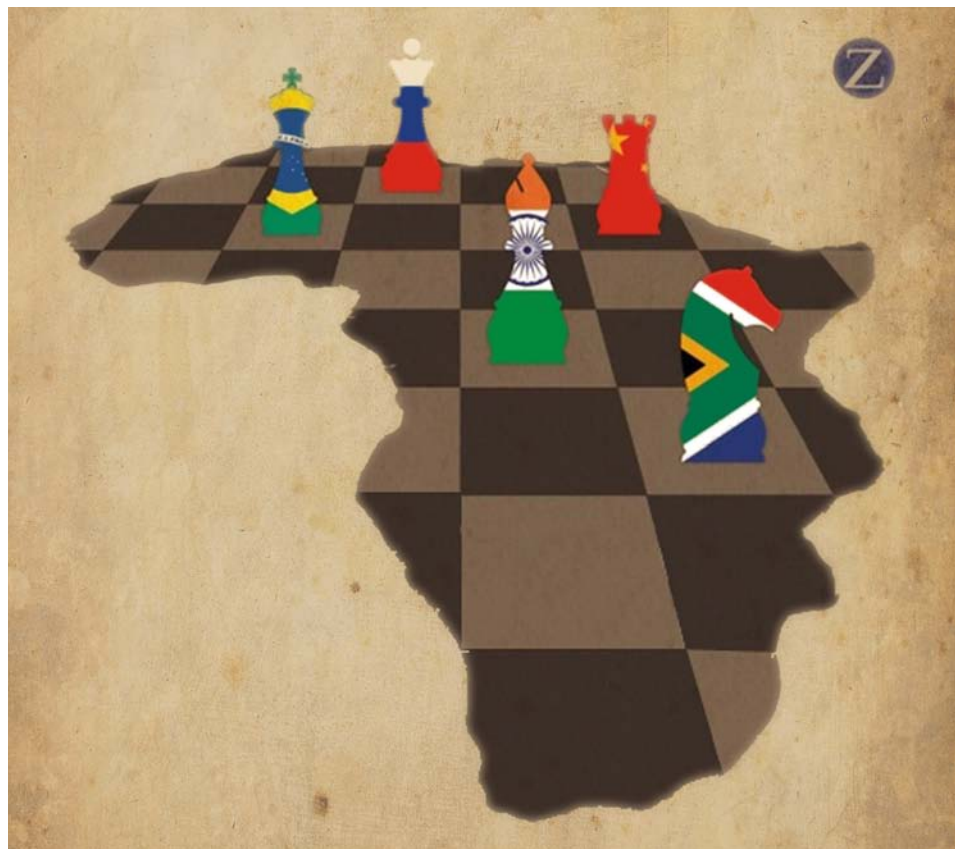
some degree represents an expansion of Chinese state power rather than an expansion of market power. This differs from the old model of globalisation promoted by the US and Europe, which largely was one of private sector globalisation. Some of the other BRICS countries have important state-owned companies as well. For example, of the Indian companies included in the Forbes’s list of the biggest 500 companies in the world (the Global 500), most appear to be state-owned.

The second way that the BRICS are changing the nature of globalisation is through the concept of horizontal cooperation, referring to development strategies that aim to foster cooperation

without strong power hierarchies. For example, since the Brazilian development support is provided on a non-conditional and demand-driven basis, and consequently there is more limited space for Brazil to use aid as a means to serve Brazilian interests. This might however only address power structures on a superficial level and there are ample debates on the actual implications and impact this can have, and whether this really represents a reconfiguration of the nature of aid relationships and globalisation patterns.

A third way that the BRICS are reconfiguring globalisation relates to their use of aid, trade and investments

“One central area where China differs from the other BRICS is its capacity to bring a whole variety of power resources to the table that the other BRICS cannot marshal.”



“The incredible demand from China for natural resources has been one of the key factors driving up global commodity prices.”

as a coherent and combined framework for external relations. During the period from 1999 to 2003, Chinese trade with developing countries grew 90% faster compared to their trade with developed countries. Through this it is becoming more deeply integrated with developing countries economically. China is now Africa's largest trading partner¹ as well as, perhaps, the biggest single source of new foreign investment. This has led to a reversal in the terms of trade where primary commodity prices tend to go down due to low income and price elasticities, while prices of manufactured goods go up. The incredible demand from China (and to a lesser extent also the other BRICS) for natural resources has been one of the key factors driving up global commodity prices. As an example, 40% of the world's copper is consumed in China. The creation of this global commodity super-cycle is changing the nature of economic globalisation, and is one of the main reasons why Africa currently is the world's fastest growing continental economy.

ECDPM: In relation to your answer to the previous question, what do you see as the major commonalities and differences between the external policies of the different BRICS countries?

Carmody: One of the things that all of the BRIC countries share is the rhetoric of non-interference and respect for state sovereignty, which can be seen for example in Russia's approach to the Syrian conflict or in President Lula's promotion of the idea of non-indifference, coined by his foreign minister Amorim. This policy could arguably be said to serve a very useful commercial and strategic economic function. Since the rhetoric and ideology of non-interference is very attractive to incumbent African political elites it means that Brazilian and Chinese companies are able to do business more easily in places like Zimbabwe or Sudan compared to perhaps European or American companies.

One central area where China differs from the other BRICS is its

capacity to bring a whole variety of power resources² to the table that the other BRICS cannot marshal. Therefore, the Chinese government is able to adopt a “full spectrum” approach in their relations with African countries, compared to many other partners. In addition to the promise of non-interference, China can for example offer tariff free early harvest agreements (there are about 550 products that enter the Chinese market duty-free from low-income countries), provide debt relief to African countries, and build presidential palaces or sports stadiums. These factors, when combined, often prove a very attractive package for the different countries China engages with.

India is however very advanced in the area of land investments; according to the Land Matrix database³, the Indian government is the biggest single foreign investor in African land. Yet, Indian investments, generally, in Africa are private sector led and lack the power resources and integrated spectrum approach of China. With this in mind, India has tended to focus more on trying to influence and build strong political and economic relations with the political elites.

ECDPM: Many of the traditional OECD donors would also be able to bring forth significant political and economic resources, can you see a difference between how China and the OECD countries are managing their relations with regard to their power capital?

Carmody: Similar to Joseph Nye's description of hard and soft power⁴ we see that the Europeans and Americans have significant power resources, but that they also face competitive disadvantages in relation to China. Key ‘soft power’ factors are the negative connotations associated with both the history of colonialism and the highly criticised structural adjustment programmes implemented in the 1980s and 1990s. Western donors are also at times perceived as patronising and overtly interfering with regards to, for example, the promotion of a Western vision of human rights.

Some stakeholders therefore feel that China's policy of non-interference is more attractive; this is particularly so for incumbent African political elites as it reduces the pressure to undertake reforms.

The economic competition from China has to a certain degree encouraged European countries and the US to reform their aid policies by integrating it more closely with their trade, investment and private sector strategies. President Obama for example is hosting the first US-Africa Governmental Summit in Washington in a few months, which according to some mirrors the Chinese Forum for China-Africa Cooperation (FOCAC), which hosts African heads of state every couple of years in Beijing or Africa. At the same time, China is growing progressively dependent on a steady and increasing commodity supply from Africa, in particular oil, which might reduce their independence and negotiation power.

ECDPM: Do you think that can be part of the reason why China (according to some) is moving away from its heavy state-focused approach to greater emphasis on smaller, private sector-led interventions?

Carmody: Yes, I think that you can see that progression. The initial imperative of the Chinese go-out policy was to create national state-owned champions, which through overseas investments could source natural resources and raw materials to fuel the Chinese economy. A consequence of this policy was that the outward labour migration to countries such as Angola for instance increased rapidly. Initially most Chinese migrants moved on a short-term basis for a specific project employment, but some stayed after the completion of their contract to start up small businesses and engage in trading activities. However, some argue that the migration flows from China to Africa are less related to the large state-driven investment of the previous decades and more motivated by factors such as a skewed gender balance and still high unemployment rates in parts of the country.

Moreover, the private sector in China is finding the African market increasingly attractive for investment in sectors such as small to medium scale manufacturing. For example, as bicycles have become a less popular mode of transport in China, Chinese bicycles manufacturers are searching for emerging overseas markets in places such as Ghana. Thus, the restructuring and reforms of the Chinese economy are also drivers for enhanced private sector investment. However, the relatively poor state of infrastructure and low efficiency of production means that we won't see a massive influx of private sector investment, at least not in manufacturing.

ECDPM: What would you see as necessary steps towards overcoming the power imbalance between many African countries and the BRICS, in particular China? How does this differ from power imbalances with traditional partners? What policy rooms exist for African countries, and how could this best be utilised?

Carmody: One of the things I say in my book is that there are huge power disparities, but also that power is not uni-linear. There are different aspects to power and in many ways the interdependence between China and the African continent has increased. An article in the New York Times⁵ described how the government of Chad stopped a Chinese oil company since they were dumping waste. It might seem surprising that the Chadian government felt sufficiently confident to go against this Chinese company, but we have to take into account the Chinese dependence on Chad for its oil supply. Another example is the negotiation between Angola and China on an oil-for-loan contract, where Angola managed to negotiate that their repayments of the loan would be based on the spot price for oil. So rather than getting a contracted lower, long-term price for oil, the Angolan government would get the daily market price.⁶ This again shows that even if China has a lot of power resources, the ownership of high-in-demand natural resources and the negotiating skills of the African political elites creates a sometimes advantageous power position for the African partners.

ECDPM: Can you detect ways or trends in how this interdependence, as well as potentially also international pressure, is changing the behaviour of the BRICS?

Carmody: The BRICS power relations with traditional donors and partners are marked by both cooperation and competition. The increasing use of triangular cooperation indicates that this does not have to be a zero sum game and emphasises the opportunities for collaboration between emerging donors and more traditional partners.

The issue of non-interference will potentially be a key factor in future triangular collaborations. Yet, it all depends on how you define non-interference. Some people would argue that even though the BRICS have a stated policy of non-interference, certain acts do interfere by their nature. Under certain circumstances, activities such as engaging in arms trade can be a form of interference, if the main beneficiary is a party to a conflict or existing regimes are bolstered. Beyond this, the Chinese talk about non-interference but also non-indifference, the idea that they will engage and try to influence national politics but not interfere and try to enforce particular outcomes. This can however also be driven by some degree of self-interest, where engagement in for instance the reconciliation process in South Sudan (China has tasked its special representative for Africa to mediate the conflict) also provides a way to protect large oil investments in the country.

ECDPM: Lastly, what do you think the BRICS impact on the global order will mean for traditional partners such as the EU and US? Is there a scope for a convergence of policies where the West will look further to the East in designing their external strategies?

Carmody: There are a few things. First, some people have argued that the push for donor harmonisation in the Development Assistance Committee was partly a response to the rise of China and the sense that Western donors are losing influence in Africa. The pooling of resources, power and sovereignty was thus an attempt to

offset the growing power of China and some of the other emerging economies.

Some European officials have also argued that, in order to “level the playing field” for European companies, there is a need to copy some of the ways in which the Chinese government and Chinese companies have engaged with the continent. This also relates to the growing perception within Europe of Africa as an increasingly attractive market opportunity. This encourages shifts in the national development strategies away from things like direct budget support towards areas such as trade facilitation and the promotion of European private investments and trade with Africa. Personally I think this is a healthier and more positive perspective compared to the traditional aid relationship characterised by a charitable impulse.

Notes

1. Measured at the country level. The EU still remains the largest trading partner with Africa as a union of countries.
2. Including for example China's position as the world's second biggest economy with the world's largest foreign exchange reserves of around US\$3 trillion, and that it holds a permanent seat in the UN Security Council.
3. <http://www.landmatrix.org/en/>
4. Simply explained, hard power is the ability to coerce while soft power relates to the ability to attract and persuade. See more in Nye, J. 2004. *Soft Power: The Means to Success in World Politics*. Public Affairs
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Emerging economies as global development partners

Taking the long-term view and investing in development

For any observer of the headlines of reports and newspapers on the increasing role and power of emerging economies, the past few years must have resembled a rollercoaster ride. From the “Rise of the South”¹ and “Shifting wealth”² the headlines changed to doubts and social unrest, “hard awakenings”, the “demystification” of models, “emerging economies in a trap” and “the end of the dream”. The overall mood seemed to swing as fast from one extreme to the other as the structural outlook of companies, currencies and countries at the stock markets. However, development experts need to take the long-term view. We know through sometimes hard learning and experiences in the course of more than 50 years of development cooperation, that sustainable progress and structural change can only be achieved in the medium to long term, that there is always the risk of fallback and that good plans do not necessarily or automatically lead to good results.

Need for development cooperation to adapt and take a differentiated view

The long-term view tells us that relevant and enormous changes have been taking place in parts of the developing world over the course of the past 10 to 20 years, economically, socially and politically. We know that this has even helped those developing countries where structural change has not yet taken place. We also know that there are great opportunities in the changes that have taken and are taking place. And that there are risks too that need to be addressed. But what is also important, is that we see and analyse the differences between individual emerging economies and do not throw all middle income countries into the same pot based on one criteria: “The simple crossing an artificial per capita income threshold is not an indicator of structural change”.³ Emerging economies and middle income countries have many faces to them and – depending on the side of the face you look at – it can mirror their modern, industrialised country image or the side depicting their status as a developing country.⁴ Differentiation within the group of middle income countries still makes sense.

“What is also important, is that we see and analyse the differences between individual emerging economies and do not throw all middle income countries into the same pot based on one criteria.”

BMZ's approach

Development cooperation also has to adapt to these changes and needs to anticipate future trends that follow. Already in 2004, the German Federal Ministry for Economic Cooperation and Development (BMZ) presented the results of intensive research work on development cooperation with emerging economies in its position paper “Anchor Countries – Partners for Global Development”. It set out a path on development cooperation with a selective number of mostly larger emerging economies. Programmes such as the Managing Global Governance Programme were set up to build a network of emerging partners with Germany to jointly work on global governance issues. In 2010/11, BMZ wrote and published its “Strategy for Development Cooperation with Global Development Partners (2011 – 2015)”, even before the German government agreed on its overall framework for working with emerging economies called “Shaping Globalization – Expanding Partnerships – Sharing Responsibility” in 2012. The BMZ strategy from 2011 outlined its development cooperation with five major emerging economies: India, Indonesia, South Africa, Brazil and Mexico. It set out two dimensions of cooperation: a) cooperation in the countries themselves through bilateral projects and programmes (this was reserved for the mentioned five countries); b) international cooperation with global development partners to shape regional and global development agendas (this extended both to the core group of five and to other emerging countries such as China). The term “global development partner” nicely captures this new direction. Development cooperation with these countries was to focus on three main areas of activity:

- mitigating climate change, preserving the environment and thus making development ecologically sustainable;
- promoting sustainable economic development, for example through the creation of appropriate economic and trade policy, education policy or legal and institutional frameworks;
- shaping global development agendas.

This new and more equal partnership had also to be translated in the modalities, instruments and procedures needed for this type of cooperation (like a particular budget title for technical cooperation for new types of partnership, for better networking and global dialogues like an Emerging Economies Think Tank Alliance, the Global Dialogue of Agencies and Ministries for

International Cooperation and Development, cooperation with emerging market multinationals on sustainability issues or a global alliance for social security). It also had to take account of a larger set of potential partners that included the private sector and civil society, scientific institutions, as well as other German ministries with interest in this partnership or multilateral actors and the EU.

Outlook

The debate on addressing the Millennium Development Goals (MDGs) and looking at poverty in the post-2015 world includes discussions on how to address the “new bottom billion” of poor people in middle income countries.⁵ It seems obvious, that - differing from Least Developed Countries (LDCs) – middle income countries not only have the primary responsibility but also the resources and capacities to address their major internal poverty issues.⁶ But we also should not disregard the challenges, potential backfalls and new transformative problems – such as increasing inequality - that Middle-Income Countries (MIC) will encounter in the post-2015 era. And not to forget the opportunities that exist in facilitating joint learning North-South, South-North and South-South. Just think of Brazil's and China's successes on poverty and hunger or other emerging countries' experience with social security systems or regulatory issues.⁷ BMZ always felt it to be important to keep a good mix of low and middle income countries on its list of partner countries of development cooperation, even though we also were and are in favour of focusing our support more strongly on poorer and fragile countries. BMZ has also always invested heavily in global public goods like climate change, which makes no sense, if you limit it to LDC. Therefore, continuing to have MIC in our list of partner countries of development cooperation and implementing the global poverty and sustainable development agenda is not a contradiction.

Germany's trilateral cooperation projects can be seen in that light, too. It is not so much a matter of resources, but of learning, knowledge transfer, using intelligent financing methods and adapting the way of cooperating with emerging economies. And the post-2015 development world will certainly not be a one-goal agenda. The international development community needs to address global governance issues, find ways to invest in global and regional public goods, and address peace, security and governance as well as training, jobs etc. more strongly. To do that, we need to partner between

the Development Assistance Committee (DAC) members, middle income countries and emerging economies and low income countries.

The flourishing “beyond aid” and “beyond ODA” literature could give the wrong impression that no stone rests on the other anymore. I do not think that will be the case. The South has become much more diverse, but there are still plenty of old-fashioned problems of the South around. This will not change only with the growth of the emerging economies. We need to build on what we have, build on trust and networks we have established over the past 50 years rather than disconnect development without a realistic and comprehensive alternative (an issue the Global Partnership for Effective Development Cooperation will surely pick up). Minister Gerd Müller of Germany will host discussions about a Charta for the future in Germany in 2014. I am sure that these kinds of discussions will come up and will also play a role in Germany’s G7-Presidency 2015.

Notes

1. Title of the Human Development Report 2013.
2. OECD Report on Perspectives on Global Development 2010.
3. Loewe, M./Rippin, N. *Changing global patterns of poverty*, DIE Briefing Paper 3/2012.
4. Two quotes from the Financial Times Europe and the Economist from 2012 nicely paraphrase the hybrid nature of many emerging economies: “India: poorer than Africa and richer than Britain...After 20 years of strong economic growth, India is simultaneously a rich and a poor country. Its sheer size means that India is the 10th largest economy in the world...It now has more mobile phones than toilets...India will be indirectly funding the bailouts in the Eurozone – through its contributions to the IMF. Yet living standards in Greece or Ireland remain unimaginably lavish by the standards of rural India” (Financial Times Europe, 25 Sept. 2012); “Poor countries tend to grow faster than rich ones...”. But that does not mean that every poor country of five decades ago has caught up....In fact, most countries that were middle income in 1960 remain so in 2008....Only 13 [of the 101 countries deemed to be middle-income countries in 1960....] escaped this middle income-trap” (Economist, 27 March 2012).
5. See for example Sumner, A. 2013. What will it take to end extreme poverty, in: OECD: *Development Co-operation Report 2013 – Ending Poverty*, Paris, or the Report of the UN Secretary-General’s High-level Panel of Eminent Persons on the Post-2015 Development Agenda.
6. The coalition agreement 2013-17 in Germany clearly states (own translation): “The bilateral governmental cooperation with emerging economies must take into account their higher capacities and their grown international responsibility. Emerging economies must be called upon their own responsibility to put into practice the human rights of their people regarding nutrition, health and education. We will concentrate on the protection of global public goods, the search for sustainable development paths that save natural resources as well as – from case to case - on trilateral cooperation to the benefit of poorer developing countries.”

7. See also the OECD Development Co-operation Report 2013 and the Report of the UN Secretary-General’s High-level Panel of Eminent Persons on the Post-2015 Development Agenda: “Developing countries are much more diverse than when the MDGs were agreed – they include large emerging economies as well as countries struggling to tackle high levels of deprivation and facing severe capacity constraints. These changing circumstances are reflected in changing roles. Developing country links in trade, investment, and finance are growing fast. They can share experiences of how best to reform policy and institutions to foster development. Developing countries, including ones with major pockets of poverty, are cooperating among themselves, and jointly with developed countries and international institutions, in South-South and Triangular cooperation activities that have become highly valued. These could be an even stronger force with development of a repository of good practices, networks of knowledge exchange, and more regional cooperation.”



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How do European donors engage with emerging development partners?



How do Western development partners interact and engage with “emerging donors” on development issues? This article summarises the findings of a broader ECDPM research paper¹ on the issue.

Emerging economies play an increasingly important role on the global scene. This observation holds true for development related matters as well. Given the emphasis placed by the traditional development community on comprehensive, coordinated and effective development approaches, enhanced cooperation and coordination between traditional donors and emerging countries has been perceived as increasingly important. In light of this, ECDPM conducted a review of some European donor agencies’ strategies on engagement with South-South cooperation and emerging donors.² This article summarises the key findings of the broader paper.³

Who is most active?

Amongst the donors surveyed, France, Germany, the United Kingdom, and to some extent Portugal and Denmark, appear to be most active and systematic, having defined explicit strategies for engaging and currently conducting activities with emerging development partners. In short, size seems to matter when trying to engage with emerging economies on development matters. Historical relationships (e.g. Portugal and Brazil, India and the UK) also seem to be a factor, but to a lesser extent.

Amongst European Union (EU) donors, the UK’s Department for International Development (DfID) certainly stands out as having undertaken the most wide-ranging and sustained efforts to engage with emerging economies, having a number of Memorandums of Understandings (MoU) dedicated to development issues with several of them. In 2011 it created an “Emerging Powers team” in the agency’s Global Partnerships Department, in reflection of the organisation’s willingness to strengthen relationships with new development partners.

Dialogue on global public goods: a driving force, but different modalities

The rising importance of emerging economies in negotiations and future frameworks on Global Public Goods (GPGs) is a driving force behind many European donors’ efforts to engage with emerging economies and new development partners. For instance, traditional donors seek a greater engagement of emerging players on climate change and sustainable development agenda, as illustrated by the Fourth High Level Forum on Aid Effectiveness in Busan at the end of 2011, the Rio+20 Conference and follow-up, and the process towards the New Development

“ France, on the other hand, has chosen to keep bilateral cooperation in emerging economies running as a way to symbolically demonstrate the viability of development models based on sustainable development principles. ”

Framework Post-2015. France, the UK and Germany explicitly aim at promoting the engagement of these countries in global governance mechanisms deemed important for international development efforts.

What differs is the way in which these strategic goals are pursued. DfID, for instance, funds dialogue activities and actively facilitates bilateral interactions between UK staff and Chinese counterparts, as well as engagement of Chinese officials in key global forums. Nevertheless, despite these ambitious goals, it does not fund projects in China, having stopped bilateral cooperation in 2011. France, on the other hand, has chosen to keep bilateral cooperation in emerging economies running as a way to symbolically demonstrate the viability of development models based on sustainable development principles, hoping to influence these countries' stances in climate negotiations.

Germany holds an approach fairly similar to that of France. Strong emphasis is placed on the need to create comprehensive structures and strategies that coherently cover the external activities of all different ministries. Thus, development cooperation forms one aspect of a wider ambition to strengthen the relations with emerging economies and better adapt German foreign policy to the new political landscape.⁴

Diverging institutional frameworks

The way dialogue and cooperation between traditional and emerging development partners is institutionalised differs widely. The shape of this institutionalisation is highly dependent on the architecture of development policy making in the traditional donor country. DfID for example tends to privilege MoUs addressing development issues specifically. France, on the other hand, signs broader cooperation agreements, favouring “whole of government” endeavours, with several ministries, institutes and agencies mobilised on specific issues, the Agence Française de Développement (AFD) being only one of many implementing agencies.

Germany has established Framework Agreements with all of its partners, including the emerging economies, and all cooperative activities are governed by these agreements. Portugal, which focuses most of its bilateral assistance on Portuguese-speaking countries, seems to choose the Comunidade dos Países de Língua Portuguesa (Community of Portuguese Speaking States, CPLP) as an institutional anchor for the development of triangular cooperation and dialogue with Brazil, with, reportedly, mixed results.

A tailored approach

Efforts to engage with emerging development partners are relatively new for European donor agencies. The contours of engagement strategies are just appearing, with different

shapes and varying degrees of success. This research suggests that there is no universal approach to engaging with emerging donors – but rather different patterns, characterised by the domestic context European donor agencies operate in and the objectives they pursue.

The full paper can be accessed here:
www.ecdpm.org/dp150



Notes

1. Rosengren, A., Roquefeuil, Q. de, Bilal, S. 2013. *How do European donors engage with emerging development partners?* ECDPM Discussion Paper 150. Maastricht: ECDPM. The study was commissioned and funded by the Swiss Agency for Development and Cooperation (SDC).
2. The countries surveyed were Austria, Belgium, Denmark, Finland, France, Germany, The Netherlands, Norway, Portugal, Sweden, and the United Kingdom (UK). These countries were selected because of their relative importance in development cooperation or based on indications that they may be more active in engaging with emerging donors, for strategic reasons or because of their geographical focus and/or historical ties with countries where new development partners are active (e.g. Belgium and Portugal).
3. See ECDPM Discussion Paper 150, www.ecdpm.org/dp150
4. See also the article by Ursula Müller in this issue of *GREAT insights*.



Mapping and comparing China's imports from Africa

China's rapidly growing economic presence in Africa is often followed with suspicion. A clearly visual presentation of the trade flows to China could improve statements about China's imports from Africa.

In the past decade, China's total imports from Africa has grown rapidly from US\$5 billion in 2002 to US\$113 billion in 2012.¹ According to the African Economic Outlook Report 2011², China surpassed the United States (US) in 2009 as Africa's single major country trading partner. However, that is when export and import flows are added. When only the export flows from Africa are taken into account, African countries together exported almost US\$20 billion more to the US than to China in 2009.³ According to International Trade Centre (ITC) statistics, China only became a larger export destination for the African continent than the US in 2012.

What do these statistics tell us, or fail to tell us? First of all, because these rankings are based on the total trade with Africa, it does not necessarily mean that the highest-ranking country is the main trading partner for most African countries. For example, in 2012 China was the main export destination for just a handful of African countries of which some (especially South Africa and Angola) happen to have a much larger export volume than most other African countries. This made China "Africa's largest trading partner."⁴ In order to study the actual and relative importance of China as an economic partner for African countries it is necessary to study the trade flows on a country level and to compare the exports to China with the exports to other important export destinations.

This article aims to go beyond popular statements such as "China is Africa's largest trading partner" and to take a more in-depth look at the exports of individual African countries to China, the US and the European Union (EU). The relative share of exports to these countries will be compared for both 2002 and 2012 in order to see the trends for these three important export destinations. Here the EU is presented as one economic entity and includes its current 28 Member States.⁵

The findings are presented in the form of two maps of Africa with pie charts showing the share of exports to China, the US and the EU. This preliminary study is meant as the start of a larger project with ECDPM during which African trade flows will be mapped and compared. Visualising African trade flows and the relative importance of important export destinations is believed to contribute to improving the research on the relative importance of China and other emerging economies as economic partners for Africa. These visualisations allow, for example, for quicker assessments of the role of a specific economic partner for specific African countries.

While the upcoming project will include both import and export flows, the focus of this article is on export flows only. Currently, several maps exist showing the total exports to China per country for a certain year. These maps show the importance of specific African countries for China as source

“While China reported to have imported US\$44 billion from South Africa, the South African authorities reported to have exported only US\$10 billion to China.”

countries; however, they do not show the relative importance of China as an export destination for these African countries. Another more recent map shows whether China is the main, second, third or lower trading partner per African country.⁶ This gives a better idea about the importance of China as an export destination; however, it does not give a clear picture about the other main export destinations and whether China's share is much larger or smaller than the shares of these other key importers.

With the planned project we aim to provide information about the relative importance of the main importers from and exporters to Africa on a country level; both in general and per economic sector. The main questions that will be answered in this article are: how important is China as an export destination for the selected African countries? How does China's interest in certain countries and products compare to the interests of two other key export destinations, namely the EU and the US?

Main findings

For this preliminary study 20 sub-Saharan African countries were selected on the basis of the importance of China as an export destination or the sometimes surprising unimportance of China as an export destination. Figure 1 shows the share of exports to China (red), the US (green) and the EU (blue) for the selected 20 countries for 2002 and Figure 2 shows the share of exports to China, the EU and the US for 2012. The maps clearly show that from a marginal player in 2002, China became the largest export destination for the Democratic Republic of Congo (DRC), Zambia, Angola, Congo, South Africa and Zimbabwe in 2012. Table 1 shows the main products that were exported from these countries to China in 2012. For the DRC, exports to China consist mainly of copper and, to a lesser extent, crude oil and cobalt. Zambia's exports to China are dominated by copper. For Angola and the Congo exports to China consist almost completely of crude oil. For South Africa the data from the ITC Trade Map is rather unsatisfactory because 65% of exports to China are referred to as “commodities not elsewhere specified”. It is interesting to note that only China reports this trade flow in “commodities not elsewhere specified”. While China reported to have imported US\$44 billion from South Africa, the South African authorities reported to have exported only US\$10 billion to China. If we do not take into account this large mysterious trade flow, iron counts for 35%, platinum for 14%, coal for 10% and diamonds for 9% of exports to China. This shows that China's imports from South Africa are more diverse than from the other African countries.

Another sub-Saharan African country for which China was an important export destination in both 2002 and 2012 is Sudan. Sudan's main export product to China is also crude oil. In 2011, South Sudan gained its independence from Sudan. However, the ITC Trade Map still provides only data

for Sudan and South Sudan combined. Therefore it was decided to not include data for Sudan for this preliminary study.

One might expect a more important role for China as an export destination for Nigeria due to China's strong interests in crude oil; however China is only a marginal importer from Nigeria. China accounted for only 1% of Nigeria's exports in 2012. This small share could be explained by the fact that China is a relative latecomer in the oil industry of Nigeria.

From this data it can be concluded that China is predominantly buying crude oil, copper and iron from Africa. In other words, it is true that China is mainly interested in Africa's natural resources. However, as I will discuss in more detail in the next paragraph, the data shows that this trend counts even more so for the US and to a lesser extent also for the EU. However, in countries like Zimbabwe, Ethiopia – and some Northern African countries that are not taken into account for this preliminary study – the main export products to China are agricultural products such as sesame, tobacco and cotton. The maps per economic sector, which will be published soon on ECDPM's website, will give a better picture about which sectors China is most prominent in as an export destination.

Comparisons

Figure 1 shows that in 2002, the US was the main export destination for Angola, Nigeria and Gabon. More than 95% of the exports from these countries to the US consisted of crude oil. Ten years later, the US was still the main export destination for Gabon, however the EU became the main export destination for Nigeria and China for Angola. In 2012, crude oil was still the main export product to the US from the African continent.

In 2002, the EU was the main export partner for most African countries showed in Figure 1. Only not for the three countries mentioned above – for which the US was the main export partner – and Zambia. The last one exported more to both Saudi Arabia and South Africa than to the EU. In 2012 the EU was the main export partner for Nigeria, Guinea, Liberia, Ghana, Cameroon, Uganda, Ethiopia, Kenya, Tanzania, Madagascar, Mozambique, Botswana and Namibia. Of the export flows of these countries to the EU, only two were (strongly) dominated by just one EU member state, namely: Botswana to the United Kingdom (UK) and Madagascar to France. The Netherlands was the most important export destination within the EU for the selected countries followed by Spain and Belgium.

article continues on page 38

“ It can be concluded that China is predominantly buying crude oil, copper and iron from Africa. In other words, it is true that China is mainly interested in Africa’s natural resources. ”

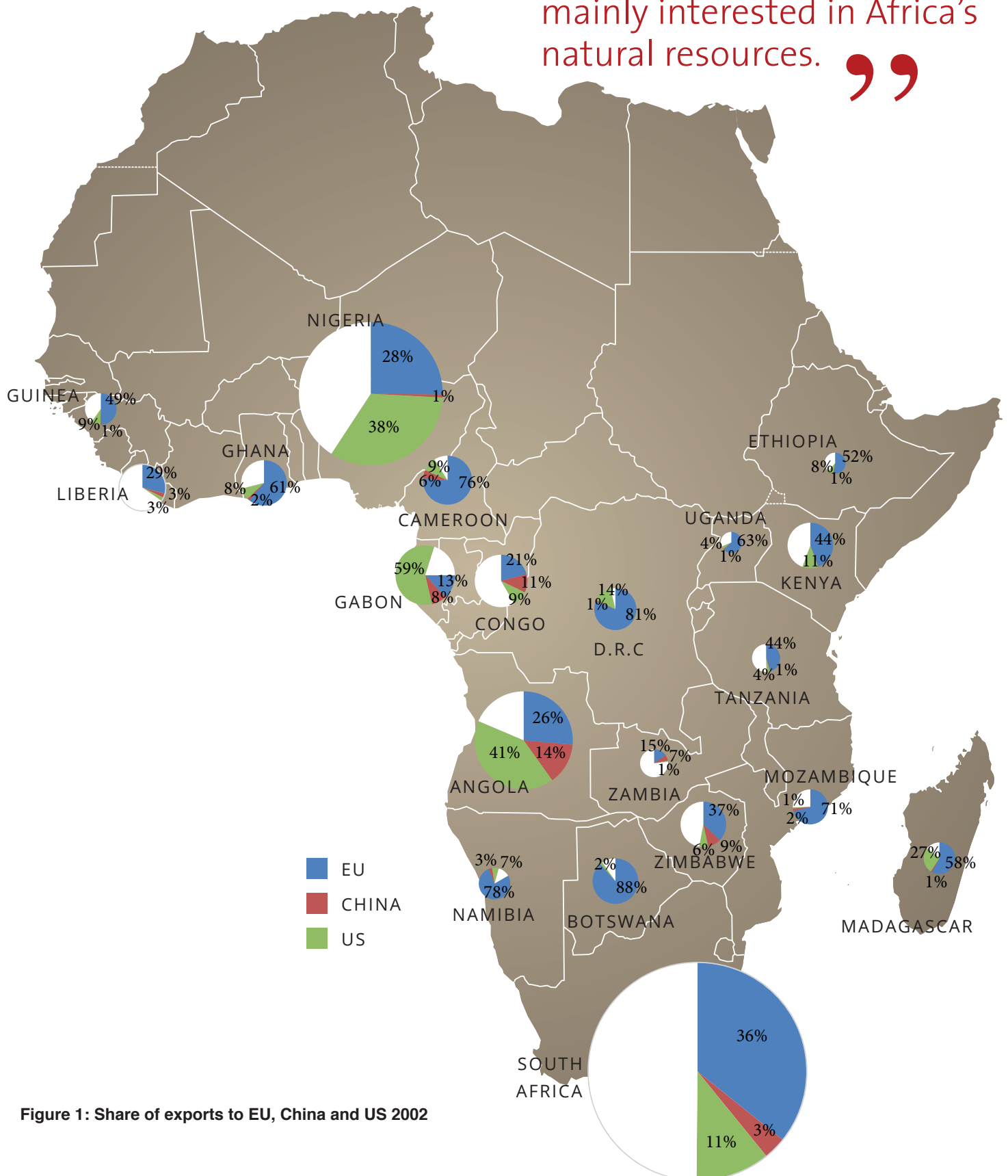


Figure 1: Share of exports to EU, China and US 2002

Figure 2: Share of exports to EU, China and US 2012

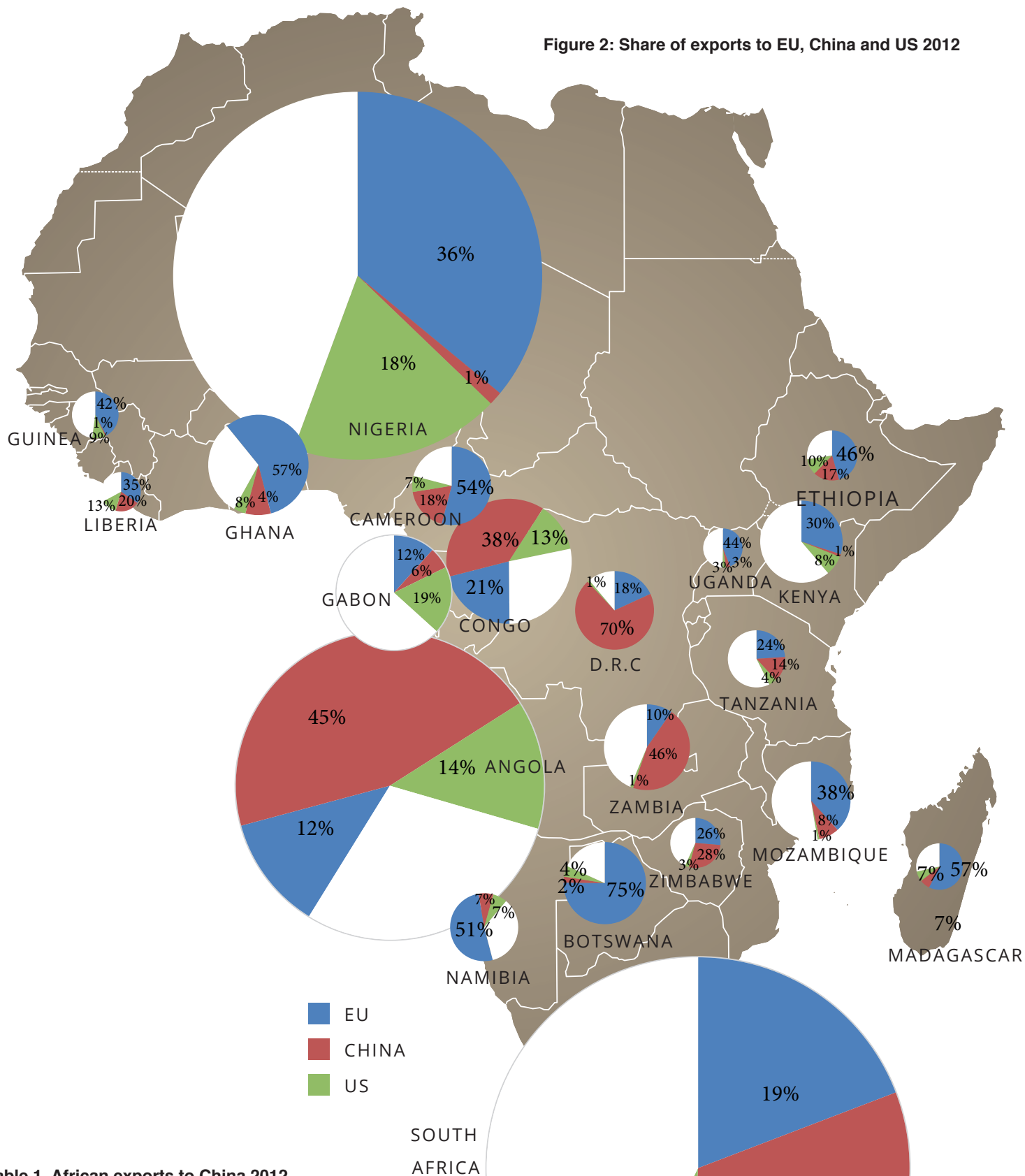


Table 1. African exports to China 2012

Exporting countries	Value total export to China	Main products
South Africa	44,653,737	CNES (65%),iron (12%), Platinum (5%), coal (4%), diamonds (3%)
Angola	33,561,897	Crude oil (99%)
Congo	4,555,407	Crude oil (94%)
DRC	3,527,095	Copper (55%), crude oil (21%) and cobalt (21%)
Zambia	2,686,560	Copper (92%)
Sudan	2,053,732	Crude oil (97%)

Table 2. Relative losses and gains of EU and China in importance as export destination for selected African countries between 2002-2012

Countries	Loss EU	Gain China
DRC	63%	69%
Mauritania	44%	51%
CAR	43%	30%
Mali	35%	42%
Cameroon	22%	13%
Tanzania	20%	13%
South Africa	17%	29%
Angola	14%	31%
Zimbabwe	11%	19%

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Crude oil was the main export product from Africa to the EU in 2012, followed by other natural resources like diamonds and platinum. However, two of the EU's main trade partners in Africa in 2012 – Morocco and Tunisia – sold mainly manufactured goods like insulated wires and clothes to the EU.⁷

Figures 1 and 2 show that the EU lost a magnificent share to China as an export destination for the DRC and to a lesser extent in Cameroon, Tanzania, South Africa, Angola and Zimbabwe between 2002 and 2012. Table 2 shows that the EU also lost a magnificent share to China in Mauritania, the CAR and Mali. Some argue that these trade dynamics are partly explaining the current international military interventions in these parts of Africa.⁸

Alex Vines from Chatham House emphasises in his article Thirst for African oil that “[n]ine out of ten of China’s top trading partners in Africa in 2008 were oil producing states, the exception being South Africa”.⁹ However, if we look at export flows alone, it appears that China exported mainly oil from only seven out of ten of China’s top source countries in Africa in 2008 while in the same year this was actually nine out of ten for the US.¹⁰ Although these statistics are already relatively old, I believe it is still worthwhile to point out the error in this comment since today’s opinions about the importance of China as an export destination for Africa are based on comments like this published by influential institutes like LSE. For 2012, China exported mainly oil from only six out of ten of China’s top source countries in Africa and the US still nine out of ten.

In other words, it is important to make a distinction between import and export flows and to do comparative

studies in order to put statements about China’s imports from Africa in the right context.

Notes

1. Using statistics from ITC Trade Map 2014 available at www.trademap.org.
2. AfDB, OECD, UNDP, and UNECA. 2011. *African Economic Outlook Report 2011: Africa and its Emerging Partners*.
3. ITC Trade Map 2014.
4. Ighobor, K. 2013. China in the heart of Africa: Opportunities and pitfalls in a rapidly expanding relationship, *Africa Renewal*. Available at: www.un.org/africarenewal/magazine/january-2013/china-heart-africa#sthash.Xvm6X2RR.dpuf.
5. Following the definition of UNCTAD, the data for China in this article do not include those for Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Province of China.
6. Spyghana. Available at: <http://www.spyghana.com/wp-content/uploads/2014/02/world-map.png>
7. ITC Trade Map 2014.
8. RT, “CAR is victim of West vs China fight for influence in Africa” 2014. Available at: <http://rt.com/op-edge/central-african-republic-intervention-996/>.
9. Vines, A. 2010. Resurgent continent?: Africa and the world: thirst for African oil. IDEAS reports - strategic updates, Kitchen, Nicholas (ed.) SU004. LSE IDEAS, London School of Economics and Political Science, London, UK. Available at: http://eprints.lse.ac.uk/43658/1/Resurgent%20Continent_thirst%20for%20African%20oil%20lsero%29.pdf.
10. ITC Trade Map 2014.



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South Africa - competing with the other BRICs in Africa



South Africa often markets itself as the gateway to Africa. This position becomes increasingly questionable as it faces growing competition from the BRICs and from other booming economies in Africa.

South Africa, BRICs and the African agenda

When South Africa was invited to be part of the BRIC Group in December 2010, the Ministry of International Relations hailed the country's inclusion in the rising powers' club as a diplomatic success. South Africa's invitation to join the BRICs¹, adding an 'S' to the acronym, was not the result of a classic procedure. Usually, it is the member states of a club that invite new member to join the mini-lateral group, without the invitee asking for it. In the case of South Africa its final inclusion resulted from an intensive diplomatic campaign that promoted South Africa's aptitude and legitimacy to become a member. The campaign was based on three main arguments: (1) the necessity to have an African representative and make the BRICs better representative globally, (2) South Africa's central position as an economic gateway to Africa, and (3) an opportunity to promote African interests in the BRICs. For South Africa's diplomacy, being part of the BRIC Group was also a way to position itself globally as a rising power, despite its lower economic strength compared to the other BRIC nations in 2011.

South Africa's questionable position as gateway to Africa

By positioning itself as a political and economic gateway for the BRICs in Africa, South Africa intends to play a pivotal role in the BRICS-Africa relationship. This self-positioning has both economic and political features: on the political front, under the Mandela and Mbeki administration South Africa engaged in several mediation and conflict resolution operations on the continent. It is, in this regard, ahead of the other BRICs countries that have less experience with conflict resolution, with the exception of Brazil who acted as a mediator in the political crisis in Guinea Bissau. Economically, South Africa, as the only African member-state of the G20, presents itself as a key interlocutor towards governments and foreign investors on the continent and as a transmission belt between global and African regional markets for developed countries and emerging economies.

Table 1 – Economic statistics of the BRICS economies

	GDP (current US\$)	GDP growth (%)	Population	Surface (km ²)
Brazil	2,476,652,189,879	2,7	198,656,019	8,514,880
Russia	1,899,086,233,311	4,3	142,960,000	17,098,240
India	1,872,845,406,804	6,3	1,221,156,319	3,287,260
China	7,314,432,078,359	9,3	1,344,130,000	9,600,000
South Africa	401,802,218,556	3,5	50,586,757	1,219,090

Source: World Bank indicators, World Bank database, 2011



However, South Africa's position as an economic gateway is being challenged. Other economies such as Kenya, Nigeria, Tanzania, and Ethiopia - fuelled by their economic growth and expanding markets - are also trying to position themselves as regional hubs and gateways. South Africa meanwhile has experienced a slow economic recovery from the financial crisis of 2007/08 and is facing increasing competition from these emerging markets, especially in the port and transportation sector.

While Durban remains a major port and transportation hub in the Southern African region, its wages are soaring and commodities from the BRIC economies are increasingly transiting through ports that imposes less taxes such as those in Maputo (Mozambique), Dar es Salaam (Tanzania), Mombasa (Kenya) and Walvis Bay (Namibia).²

“South Africa's membership in the BRICs Group is not necessarily an economic win-win relationship.”

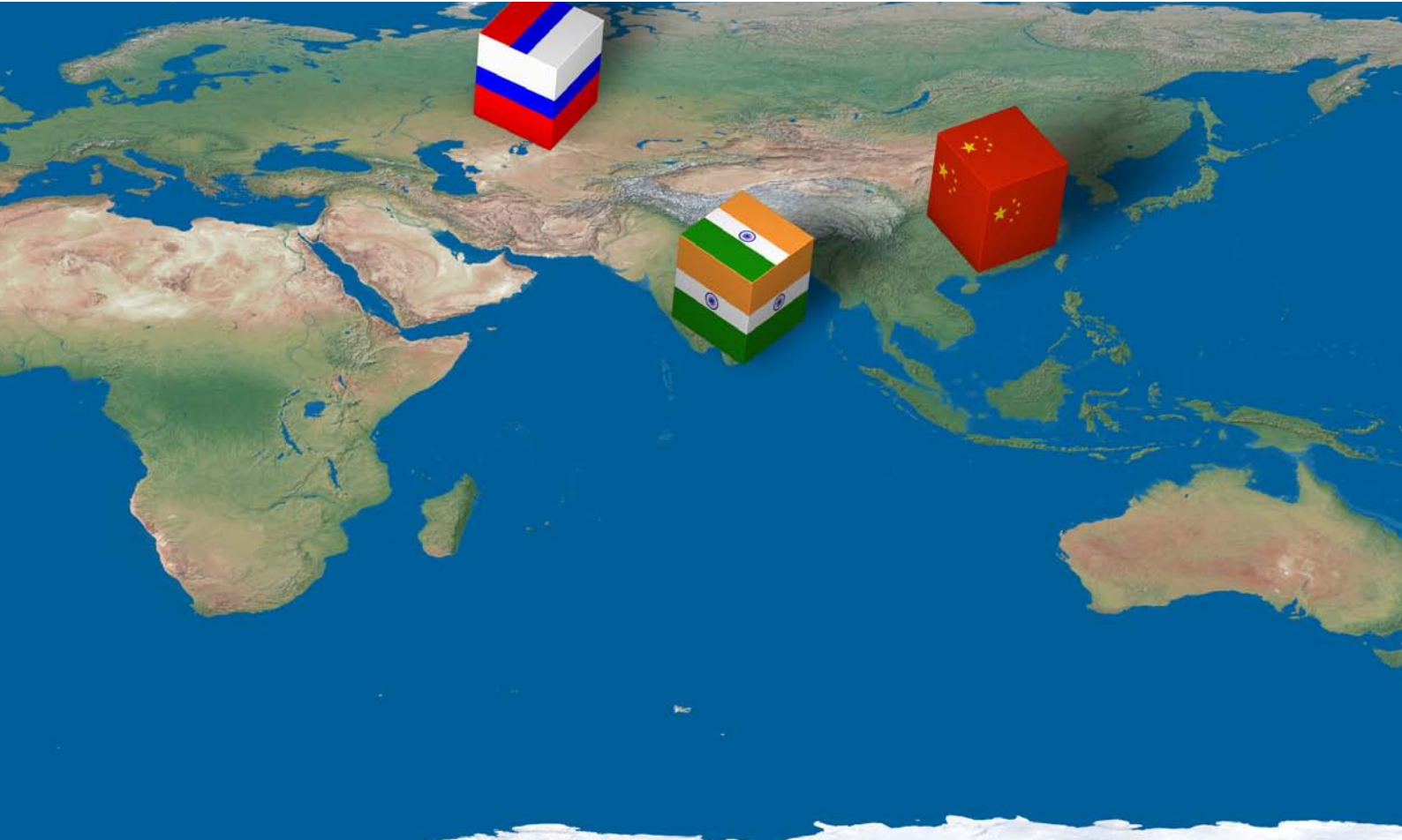
Table 2 – Growing competition in the attraction of FDI flows from other African economies

Annual foreign direct investment flows, 2008-2012 (US\$ million)	2008	2009	2010	2011	2012
South Africa	9006	5365	1228	6004	4572
Ghana	1220	2897	2527	3248	3295
Nigeria	8249	8650	6099	8915	7029

Source: UNCTADstat

Increasing competition from the BRICs in Africa

South Africa's membership in the BRICs Group is not necessarily an economic win-win relationship. Public and private companies from India, Brazil and especially China are presenting growing threats to South African commercial interests on the continent. Chinese companies expand their shares in important infrastructure, mining, and textile markets in Southern Africa.³ Brazil is considering Luanda and Maputo as the main regional hubs for its commercial interests with Lusophone Africa, while also developing relations with non-Lusophone African economies with interesting prospects for its extractive industry. Russia is considering reinforcing relations with African economies and re-gaining ground that it lost since the end of the Cold War. Since 2009, Dimitri Medvedev has undertaken several official visits to Nigeria, Namibia and Angola, followed by delegations of Russian businessmen.⁴ Political platforms such as the Forum on China-Africa relations (FOCAC), the India-Africa Forum



Summits, the Techno-Economic Approach for Africa–India Movement (TEAM 9) and the Africa-South America Forum initiated by Brazil, present various platforms for BRIC countries to politically engage with African countries. South Africa's role and economic advantage in the BRICs-Africa relationship thus remains questionable and requires reconsiderations from policymakers in South Africa.

Notes

1. Initially a clustering of countries with similar economic growth and power, which now has evolved further into a diplomatic club.
2. Games, D.2012. *South Africa as Africa's gateway : a perspective from business*. Policy briefing 46, SAIIA, March 2012.
3. Vieira, M.A. and, C. Alden. 2011. India, Brazil and South Africa (IBSA): the paradox of regional leadership, *Global Governance*, n°17, pp.507-528.
4. Arkhangelskaya, A. and, V. Shubin. Is Russia back? Realities of Russian engagement in Africa?, in C. Alden (dir.), *Emerging powers in Africa*, LSE Ideas report, 2013.



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“South Africa presents itself as a key interlocutor towards governments and foreign investors on the continent and as a transmission belt between global and African regional markets for developed countries and emerging economies.”

This article will present some of the international organisations and Forums that South Africa is a member of. South Africa's engagement is motivated by a drive to proactively and concertedly strengthen strategic global partnerships, based on the pragmatic pursuit of our national, regional and global interests.

The specific organisations and groupings that will be included as part of this article will be the Brazil, Russian Federation, India, China and South Africa (BRICs) inter-governmental forum; the India, Brazil, South Africa (IBSA) Dialogue Forum; the Indian Ocean Rim Association (IORA), and; the Colombia, Indonesia, Vietnam, Egypt and South Africa (CIVETS) inter-governmental grouping.



Strategy and experience of South Africa in engaging within the BRICs and with other emerging countries

BRICs

Based on earlier World Bank studies, Mr Jim O'Neill wrote a paper in 2001 entitled "Building Better Global Economic BRICs". While his concept was intended to reflect emerging markets and investment opportunities, the acronym came to represent the shift in global economic power away from the developed G7 economies towards the developing world. When the first summit of "BRIC" took place in 2009, the South African Government, as the rest of the world, witnessed this new grouping with keen interest. The South African interest was primarily based on its shared views on the need to restructure the global political, economic and financial architecture

to be more equitable, balanced and resting on the important pillars of multilateralism and international law. In December 2010, the BRICs current Chairperson from China invited South Africa to join the BRICs.

The South African Cabinet adopted its BRICs Strategy in September 2012. Key aspects of this Strategy have been highlighted in various policy addresses. The BRICs mechanism aims to achieve peace, security, development and cooperation. It also seeks to contribute significantly to the development of humanity and establish a more equitable and fair world. South Africa's engagement with BRICs is premised on three levels: i) to advance its national

interests as outlined in the President's State of the Nation Address and relevant policy frameworks; ii) to promote its regional integration programme and related continental infrastructure and industrialisation programmes; and iii) to partner with key players of the South on issues related to the reform of the institutions of global governance in the relevant financial, economic and political spheres. Through our participation in the BRICs, we endeavour to further leverage economic opportunities for our own development agenda, as well as that of the African continent and work jointly towards reforms to ensure a more equitable international system.



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South Africa's membership of BRICs has delivered tangible economic dividends. The negative trade balance with BRICs countries has increased, but the volume and strategic nature of our economic ties enable us to address pertinent issues, the BRICs Trade Ministers have for example commissioned a study to discuss trade related aspects. The Joint Trade Study will make recommendations to Trade Ministers on how to increase trade in value-added manufactured products among the five BRICs countries.

Moreover, a 2011 IMF study, "New Growth Drivers for Low-Income Countries: The role of BRICs", acknowledged that while industrialised countries remained the dominant partners of lower income

countries (LICs), the LIC-BRICs ties increased so rapidly over the past decade that BRICs has become new growth drivers for LICs.

The main outcomes of South Africa's Chairpersonship of BRICs and its hosting of the Fifth BRICs Summit attest to our prioritisation of Africa as an integral part of our own developmental trajectory, i.e. the creation of the New Development Bank, the launch of the BRICs Business Council as well as the Think Tanks Council and the BRICs Leaders-Africa Dialogue Forum Retreat, which was hosted after the Summit where BRICs and African leaders could discuss continental infrastructure development programme.

IBSA

The IBSA Trilateral Dialogue Forum celebrated 10 years of existence in 2013. Premised on common values of democracy, respect for human rights and multi-culturalism, IBSA is underpinned by three pillars, namely i) political consultation and coordination; ii) multi-sectoral trilateral cooperation through technical working groups and various people-to-people fora, and; iii) concrete development projects of cooperation and partnership with less developed countries through the IBSA Facility for Hunger and Poverty alleviation (IBSA Fund).

Essentially, IBSA's strategic focus is on its niche and identified areas of comparative advantage taking

Strategic focus also includes continued IBSA co-operation in various global governance platforms such as ECOSOC, the Human Rights Council, the World Health Organisation, and the World Trade Organisation.

Within the work of the second pillar, IBSA has continued to consolidate its respective working groups. People-to-people contact continues on a self-sustained path with intra-IBSA tourism, trade, cultural interaction and academic collaboration having solid momentum.

The third pillar, the IBSA Fund against poverty and hunger, has made significant contribution to combat poverty in 12 developing countries across Asia, Africa and South America, where the IBSA projects have had great impact in the lives of recipient communities. Through its award winning¹ finance and poverty alleviation model, the IBSA Fund carries symbolic significance in tackling challenges faced by the South as it is an innovative, high-impact intervention against poverty; despite its relatively small actual contributions of US\$1 million per annum by its members.

IORA

The IORA was mooted by South Africa during an official visit by our late President Nelson Mandela to India in 1995. This proposal was presented in view of changing global

geo-strategic developments and the increasing significance of the global common properties and their governance, in this case specifically referring to the Indian Ocean.

The Association consists of 20 member states, all bordering the Indian Ocean and spread across the Middle East, Asia and Africa. In addition, IORA has six dialogue partners, China, France, the United Kingdom, Egypt, Japan and the United States of America, which presents further potential for collaboration on several mutually beneficial fronts such as research, joint projects within the priority areas and enterprise development.

The Association seeks to promote sustainable growth and balanced development in the region among member states, through economic dialogue and cooperation.

The Ocean Economy, also known as the Blue Economy, holds much potential for all littoral member states of IORA. When IORA was established, the founding states were acutely conscious that the Indian Ocean is the world's third largest ocean. It carries half of the world's container ships, one third of the bulk cargo traffic and two thirds of the world's oil shipments. It is a lifeline of international trade and economy. The region is woven together by these trade routes and commands control of major sea-lanes. It is rich in strategic

“South Africa's membership of BRICS has delivered tangible economic dividends.”

and precious metals as well as other natural and valuable marine resources. It is also abundant in agricultural wealth, in terms of the variety and mass of arable land, with significant human resources and technological capabilities.

The Special Fund of the Rim, to which dialogue partners contribute, enables member states to commit to various initiatives and projects to further develop cooperation in each of the six priority areas, namely:

- (i) Maritime Safety & Security,
- (ii) Trade & Investment Facilitation,
- (iii) Fisheries Management,
- (iv) Disaster Risk Management,
- (v) Academic, Science & Technology,
- (vi) Tourism & Cultural Exchanges

Under Australia's leadership, the promotion of women and children's rights has been introduced as a cross-cutting feature of the priority areas.

The IORA is undertaking several interventions, such as reaching out to Global Governance role players and seeking mutual observer status with the African Union as well as with the UN and its affiliates.

“The IBSA Fund against poverty and hunger, has made significant contribution to combat poverty in 12 developing countries across Asia, Africa and South America.”

The successive leadership of the four G20 members of the Association, namely India until 2013, Australia until 2015, Indonesia until 2017 and South Africa until 2019 is serving to further inject impetus to IORA.

CIVETS

CIVETS was established in 2012 as the next frontier to advance the interests of the Global South. Colombia, in launching this forum, volunteered to lead the group. One of the main outcomes of the 2012 meeting was to advance the Development Cooperation agenda of the South and to explore possibilities of joint collaboration.

CIVETS as a mini-lateral grouping can evolve into an active vehicle for members to engage with African countries. Given the existence of expertise and skills base in areas such as agriculture and food security (rice farming and aquaculture) of some of the members, and the opportunities for raw material and resources available in African countries, the potential for collaboration exists to commence with distinct economic development deliverables, thus creating a win-win for partners.

This Forum is an informal grouping. Taking into account that CIVETS is in its formative stages, it is important to assess and analyse the positions of its respective members. Initially the Dialogue was expected to provide an alternative model of development co-operation

emanating from the South but within the space of one year, economic development is emerging as a priority.

Note

1. The IBSA fund won the 2010 UN Millennium Development Goal award for the efforts of fighting poverty and hunger amongst others.



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Chinese agricultural investments in Zambia

Most analyses of Chinese agricultural engagement in Africa focus either on what China expects to get out of these partnerships or the impacts that Chinese agricultural aid and investment have on host societies and local communities. Few reports examine what Chinese actors are actually doing – or not doing – differently on the ground.

Cultivating contradictions

Recent alarm over foreign 'land grabs' and Chinese land deals in particular,¹ combined with the lack of systematic, in-depth and empirical research on Chinese engagement in African agriculture, has resulted in a striking discrepancy between what is frequently reported and what is in fact occurring in Africa.

Contrary to prevailing views, China is not a major 'land grabber' in Africa nor are its companies producing food for export to the Chinese market.² Although there has been a rapid increase of private investors accompanying bilateral agricultural cooperation in recent years, Chinese actors remain relatively small players in Africa's changing agrarian landscape.

In order to understand the nature of Chinese investments in African agriculture we need to situate them in the

broader context of global rising commodity prices and rising foreign investment as a national development strategy promoted by African governments in general.

The alignment of national development programmes in China and many African states, including Zambia, along a shared commitment to market reform and deeper global economic integration since the 1990s has created the conditions which are enabling and encouraging profit-driven agricultural transactions to proliferate.

Sowing seeds of cooperation: from political allies to economic partners

This is the case in Zambia, a country that has played a strategic role in the history of Sino-African relations and is home to one of the largest Chinese state-owned farms in southern Africa. Over the years China's agricultural engagement in Zambia has evolved from an ideologically

“China is not a major ‘land grabber’ in Africa nor are its companies producing food for export to the Chinese market.”

driven agro-socialist mode of cooperation in the 1970s-80s in the context of the Cold War to a profit-driven agro-capitalist mode since the 1990s.³

Before the 1990s there was no ownership of Chinese farming entities in Zambia. Experts were sent on a voluntary basis, they were subject to a strict code of conduct and expected to go back to China upon completion of their services. The focus was on facilitating subsistence agriculture and local capacity building, with no economic incentives to spur high returns on yields.⁴

By contrast in the 1990s, following market reform in China and economic liberalisation in Zambia, the basis of agricultural engagement changed and shifted to commercial cooperation geared towards production for the market. Stimulated by expanding domestic demand for food fuelled by a rising middle class, Chinese investors, like other foreign investors, sought to establish farms in Zambia first and foremost for commercial purposes.

In effect, China's rise as a foreign investor following its metamorphosis into the world's second largest economy occurred in tandem with Zambia's efforts to develop commercial agriculture as part of a wider strategy to promote private sector led economic growth. Mutual commitment to market reform since the 1990s, in other words, enabled Chinese and Zambian economic interests to converge.

Chinese farms in Zambia: food as business

Nowadays, there are around half a dozen Chinese state-owned farms and about thirty private Chinese farms operating in Zambia, all of which target growing domestic demand.⁵ They range from large state-sponsored investment projects (3000ha+) and agricultural cooperation programmes on the one hand, and individual entrepreneurs (starting from 2ha upwards) and private companies (40ha-1000ha+) on the other.

While many foreign investors in Zambia produce agricultural goods on a large-scale for export,⁶ the majority of Chinese farms including state-owned farms produce staple foods for local markets. Their production includes cereals, fruits, vegetables, meat and eggs. They generally rely on various sales outlets from personal networks and local food markets to larger private clients such as restaurants, agri-businesses and commercial chains throughout the country.

Today, Chinese farms in Zambia vary in size, profitability and corporate strategy. Each company or commercial enterprise is organised and governed by a fluid and rapidly changing set of intra-corporate relations. No two farms, in other words, operate under the same production or corporate regime.

What is more, they cater to different segments of the market. What distinguishes Chinese farmers from other commercial farmers in Zambia is their commitment to meeting evolving trends in local demands from grass-roots consumers to large-scale agribusinesses.

In recent years, for example, the steady rise of Chinese migrants coming to Zambia has created a growing demand for different produce which was previously unavailable in Zambia such as Chinese cabbage and soya beans to produce bean curd (tofu). A number of Chinese farms have reacted to this new trend and adapted their production to this lucrative emerging market.

Up for sale

While some investors have acquired title deeds to land, many individual or household farmers are subleasing small parcels of land from private landlords. So far Chinese farms have predominantly used statutory land, also known as state land, and have therefore not prevented access of smallholders to traditional land.⁷

In most cases investors will search for land through local brokers and personal networks. There are, however, government agencies such as the Zambian Development Agency (ZDA), which facilitate land acquisition, particularly for large commercial purposes.

In other words, access to land is generally determined by supply and demand rules of the market. ZDA's mandate is to facilitate and assist foreign investors in setting up their business in Zambia and to accompany them through every stage of the process. "ZDA is a one stop shop for all investors and this is evidence that Zambia is open for all to do business".⁸

Steep learning curve: small but undeterred investors

Although they vary in size, origin, resources, experience and ambition, Chinese farms on the whole remain relatively small players in Zambia's evolving agricultural sector. In fact most are sandwiched between a handful of large-scale foreign commercial farms at the top,⁹ and struggling local smallholders at the bottom.¹⁰

For example, China's largest state owned commercial farm in Zambia, Jonken Farm,¹¹ comprises around 3500ha of land, while international conglomerate Chayton Africa's Zambian subsidiary, Chobe Agrivision, is 4200ha and in the process of acquiring an additional 12000ha of land in the mining province of the Copperbelt.¹² China is therefore a relative newcomer (or latecomer) in the industry and is far from being able to compete with larger, more experienced companies.

“ A discernible trait most Chinese investors share is a hunger for profit and an insatiable appetite to learn and adapt to market fluctuations and shifting local demand.”

At the grassroots, since the 1990s only a fraction of small private Chinese farmers have succeeded in transitioning to larger high-productivity commercial agriculture. Failure rates are high due to volatile costs of production and the capital intensive nature of commercial farming which few private investors have access to. In 2013 for instance, half a dozen small-scale Chinese farms, most specialising in poultry, shut down because of a sudden hike in the cost of labour and chicken feed.¹³

Most small-scale farmers in fact come from non-agricultural backgrounds. Unlike other foreign agricultural investors in Zambia, particularly from South Africa and Zimbabwe, Chinese farmers are often self-taught ‘accidental farmers’ who converted to farming from other non-agriculture related industries. With the exception of a handful of agricultural experts involved in government projects, the majority of Chinese actors involved in commercial agriculture are economic actors in search of new opportunities. They learnt about farming, livestock, agricultural management and marketing in Zambia, generally under remarkably challenging social, linguistic and physical environments, and are ready to convert to a new line of business if it proves to be more economically viable.

In other words, so far large-scale land investments carry multiple risks which Chinese corporations, both private and public, are either not yet capable or willing to take. Nevertheless, although Chinese investments in Zambian agriculture are currently more exploratory than predatory and they remain comparably smaller compared to other types of foreign investment, they will undoubtedly continue to grow if agriculture remains a sector which promises to deliver yields on investment. A discernible trait most Chinese investors share, either small or large, is a hunger for profit and an insatiable appetite to learn and adapt to market fluctuations and shifting local demand.

While both state-owned and private investors will likely continue to struggle to establish viable commercial farms in Zambia, if agricultural investments prove to be economically sustainable and profitable in the long term, it is probable that future generations of experienced investors with access to more resources will seek to learn from and improve on existing models of agro-businesses. The responsibility of managing these new partnerships will, ultimately, remain in the hands of the host government.

Notes

1. Since 2008 there has been a surge of Western media reports about Chinese land grabs in Africa. In 2012 the international non-profit organisation GRAIN released a data set listing 400 identified land grabs across the world. The report “confirms that Africa is the primary target of the land grabs but also underlines the importance of Latin America, Asia and Eastern Europe, demonstrating that this is a global phenomenon”. Accessed in March 2014: <http://www.grain.org/article/entries/4479-grain-releases-data-set-with-over-400-global-land-grabs>
2. Brautigam, D. 2013. “Chinese Engagement in African Agriculture. Fact and Fiction”, in Allen et al. (eds), *Handbook of Land and Water Grabs in Africa: Foreign direct investment and food and*

water security, London: Routledge, pp. 91-103; Irna Hofman and Peter Ho, 2012. “China’s ‘Development Outsourcing’: A Critical Examination of Chinese Global ‘Land Grabs’ Discourse”, *The Journal of Peasant Studies*, Vol. 39, No. 1, January 2012, pp. 1-48; Lila Buckely, 2013. “Narratives of China-Africa Cooperation for Agricultural Development: New Paradigms?”, *Futures Agriculture, China and Brazil in African Agriculture (CBAA) project Working Paper Series*, no 53.

3. Hairong Yan and Barry Sautman, 2010. “Chinese Farms in Zambia: From Socialist to “Agro-Imperialist” Engagement?”, *African and Asian Studies*, 9, pp. 307-333.
4. Ibid.
5. Numbers are based on combined data from the Zambian Development Agency (ZDA) and the Patents and Companies Registration Agency (PACRA).
6. Zambia’s most important non-traditional exports include sugar, tobacco and coffee. Sutton, J. and G. Langmead. 2013. *An Enterprise Map of Zambia*, London: International Growth Centre. p.35.
7. Land in Zambia is divided into statutory land which is governed by the state, and traditional land which is administered by traditional chiefs. The majority of Zambia’s rural households live on traditional land.
8. Zambian Development Agency website, accessed March 2014: <http://www.zda.org.zm/>
9. Sutton, J. and G. Langmead, 2013. *An Enterprise Map of Zambia*, London: International Growth Centre. p.27-56.
10. Siegel, P. B. and J. Alwang. 2005. “Poverty Reducing Potential of Smallholder Agriculture in Zambia: Opportunities and Constraints”, World Bank, *Africa Region Working Paper Series*, no 85.
11. Jonken Farm operates under China National Agricultural Development Group Corporation (CNADC).
12. Chu. J. 2013. “Creating a Zambian Breadbasket: ‘Land grabs’ and Foreign Investment in Agriculture in Mkushi District, Zambia”, *Land Deal Politics Initiative Working Paper 33*, Institute of Development Studies.
13. Authors interviews with Chinese farmers in Lusaka. May 2013.



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South-South cooperation in African agriculture: China, Brazil and international agribusiness

South-South cooperation is significant in the context of agricultural development in Africa since economic restructuring has done little to foster agricultural development in Africa. New approaches, new social configurations of actors and new investments are now seen as critical to overcoming the constraints in African agriculture.

Some commentators have argued that emerging powers can play an important role in revitalising agriculture. They argue that both Chinese approaches to smallholder agriculture¹ and Brazilian experiences in transforming the Cerrado region are highly relevant to Africa.² However, both Brazil and China have gone through processes of economic restructuring in the 1990s and 2000s, resulting in the emergence of significant private sector agribusiness. Agricultural sector management in most African countries has also been considerably reshaped by economic restructuring and interests in attracting multinational agribusiness. To what extent are these the dominant forces shaping new agrarian investments by emerging powers rather than notions of South-South solidarity?

South-South cooperation claims to challenge the inequalities of conditionalities imposed by Western aid on Africa. It creates an alternative framework based on non-interference, respect for national sovereignty and interests, and joint public and private sector investments

to promote technical cooperation. In contrast with Western development models, South-South cooperation claims to create linkages between infrastructural development, markets, investment and technical cooperation, and an enabling environment for capital accumulation and economic expansion. Instead of making investment conditional on infrastructure development and institutional reform as under Western economic restructuring, South-South cooperation advocates the development of investment to promote change and enhanced economic and institutional management. It enables emerging nations to place their experiences of successfully negotiating the transition to development at the disposal of African states. Detractors from South-South cooperation argue that it merely sets out to justify attempts by the new powers to gain access to and control over African natural resources, to initiate a new scramble for Africa.

China and South-South cooperation in African agriculture

Chinese diplomatic relations and economic cooperation within Africa has a long history dating back to the Bandung Declaration of 1955, which laid the foundations for the emergence of the Non-Aligned Movement, based on the principles of non-interference, mutual respect for national sovereignty and peaceful co-existence. During the 1960s several radical African political regimes played



an important role in lobbying for the People's Republic of China (PRC) to be recognised by the United Nations. This was opposed by the USA, which recognised the Republic of China (Taiwan) as the representative of the Chinese state, until 1971. As a result of this China developed close ties with many African governments during the 1960s and 1970s and forms of development cooperation. China actively sought to promote a "One-China policy" in which it fostered economic ties and development assistance to countries that recognised the PRC.

During the 1960s and 1970s investments in agricultural projects, particularly involving irrigated rice and vegetables became a field of competition through which China (the PRC) and Taiwan under Operation Vanguard sought to win influence in Africa. In the early 1980s significant investments of China continued in irrigation projects and demonstration farms. However, these have not been subsequently built upon and by the 1990s Japanese aid began to displace Chinese aid in irrigated rice projects in Africa, often rehabilitating projects that were started by China. These Chinese projects were usually quite modest, pre-dating the expansion of Chinese agricultural technology developments, input industries and production of hybrids seeds. These developments did not result in any lasting development of knowledge in African agricultural conditions or joint institutionalised technical research, unlike in the CGIAR centres that were supported by US foundations and USAID. As a consequence there is little institutional repository of this knowledge, and Chinese technical

knowledge and research into African agriculture remains in a fairly rudimentary state, not having progressed beyond the establishment of demonstration centres.

Although contribution to agricultural development is one of the professed aims of Chinese development cooperation, Chinese investments in agriculture are insignificant in comparison to those in other sectors such as petroleum, mining, construction, communications, and trade. Although significant numbers of Chinese citizens and small and medium sized enterprises work or operate within Africa, they are more likely to be involved in mining, timber, fisheries, trading and manufacturing rather than in agriculture. The main Chinese investments in agriculture tend to grow out of building and construction, with construction companies involved in the development of irrigation and dams. Current Chinese agricultural cooperation in irrigation does not significantly extend to farm management and provisioning of seeds and inputs.

A second important area is in the provision of agricultural training in which provisions are made for technical personnel within ministries of agriculture to undertake training courses in China, through which they become introduced to Chinese technology. A third area is in the supply of farm machinery, inputs, and agrochemicals - Chinese companies are now the largest producers of glyphosphates in the world, and have largely captured the African market. Chinese commercial seeds have made little inroads into Africa, unlike the seeds of major US multinationals that are gaining control over existing

“Chinese investments in agriculture are insignificant in comparison to those in other sectors such as petroleum, mining, construction, communications, and trade.”

African seed companies, although with the emergence of private commercial seed companies in China producing hybrids, this is likely to grow, following on from the significant expansion of Chinese agro-chemicals in Africa. Currently, the Beijing Genome Institution is partnering with the Gates Foundation in developing new rice hybrid varieties to be introduced in Africa. However investments in large-scale farming and agri-industrial processing complexes are not highly developed, reflecting the risk of investment, lack of technical knowledge of African conditions, and the complexity of negotiating institutional settings.

Brazilian expansion into African agriculture

In contrast with China, Brazilian development cooperation in Africa is comparatively recent, although longer linkages exist with lusophone countries such as Mozambique and Angola. Brazilian interest in investment in the African continent first became articulated during the 2000s with President Lula's visit to 26 African countries. This culminated in the opening up of an African office for Brazilian Agricultural Research Cooperation (Embrapa) in Accra in 2006, and the 2010 Brazil-Africa Dialogue, which set up technical cooperation programmes, credits and Brazilian Chambers of Commerce in Africa.

Brazilian investments and trade in Africa are much smaller than China, but agriculture features much more strongly in its development cooperation objectives. The Brazilian framework of South-South cooperation features a commitment to non-intervention in internal matters and respect for national sovereignty. It stresses the cultural affinities between Brazil and Africa, the large African diaspora in Brazil, and the relevance of Brazilian technology and development approaches to Africa.

Brazilian South-South cooperation has grown out of intense competition with US agribusiness and attempts to developing alternative policies to preserve Brazilian enterprises from takeover by US multinationals. Brazil has been instrumental in actively resisting attempts by the US to set up a Free Trade Area of the Americas without the removal of US agricultural subsidies, and

setting up rival regional free trade zones within South America, and in resisting US policies on patents. These struggles inform Brazilian perspectives on South-South cooperation and its attempts to expand forms of economic cooperation developed in South America into the African continent. However, the main focus of its development assistance to Africa lies in promoting Brazilian technology rather than in developing alternative Southern trading blocs or development strategies.

The main focus of Brazilian development cooperation is on promoting forms of social inclusion and eradication of poverty based on cash transfers that link family assistance with support for child schooling. These are further linked into a programme of smallholder farm development that focuses on smallholder production for school feeding programmes and the provisions of technology to smallholders. The More Food Programme has been extended into Ghana, Zimbabwe, Senegal, Kenya and Mozambique, the first tranche of which supports the provisions of Brazilian tractors to smallholder farmers.³ Attempts to extend the programme into provisioning of other inputs and technical recommendations have not been taken up enthusiastically by African countries. Embrapa and JICA have also launched Pro-Savanna in Mozambique, transferring Brazilian agricultural experience and technology to African savanna areas.

Despite the avowed interest of Brazil in agricultural development in Africa, few investment opportunities have come to fruition. Few resources have been expanded on development sufficient institutional support for agricultural investment within Africa. With a technical staff of one Brazilian in the Embrapa office in Accra and a dearth of offices in other African states, Embrapa initiatives on the ground do not match the rhetoric. Like China, the most significant investments of Brazilian capital in Africa are in petroleum, mining and construction.

Investments in the agricultural sector are complex and risky, with many unknown elements and information gaps, and involve many negotiations with ministries, civil society organisations and communities, and competitive tending. Although agriculture is prominent in the Brazilian framing of economic cooperation in Africa and the relevant technical proficiency of Brazilian agribusiness, Brazilian agribusiness still prefers to continue investing within lucrative markets in Brazil and in neighbouring South American countries, rather than focusing new efforts in Africa. Brazilian agricultural investments in Africa are frequently bound up in tripartite arrangements, reflecting the importance of international capital in building the agribusiness sector in Brazil, including a prominent role of Japanese and European capital. Much of the expressed interest of Brazilian companies in developing technical cooperation in Africa develops in the context of international capital investments with Brazilian companies performing technical and contractual services rather than Brazilian capital investment.

“ The main focus of Brazilian development cooperation to Africa lies in promoting Brazilian technology, forms of social inclusion and eradication of poverty.”

Future agrarian investments

Investments of new emerging powers in the agricultural sector in Africa arise out of the opportunities created by liberal market reforms and the processes of agribusiness restructuring and accumulation this has facilitated in their home markets. However, African nation states have also gone through similar processes of restructuring that have created institutional alignments with Washington.

Thus, the new breed of policy makers in Africa do not necessarily subscribe to notions of South-South cooperation in contradistinction to facilitating open global markets, and new emergent powers have to compete and tender contracts competitively and within institutional contexts pre-defined by economic restructuring that are more friendly to Western investors. Moreover, agricultural investments are constrained by the factors of high risk, low developments of infrastructure, difficulties with land markets and property laws and information that have deterred other investors. Thus, the desire of emerging powers to invest in the agricultural sector in Africa is not reflected in the development of new enterprises on the ground. As with Western agribusiness, a major focus is on creating new markets for agricultural technology and inputs. This is where the main competition in the coming years is likely to take place in agrarian investment in Africa.

This is a summarised version of Amanor, K.S “South-South Cooperation in Africa: Historical, geopolitical and political economy dimensions of international development” China and Brazil in African Agriculture, IDS Bulletin 44(4) 2013:20-30, which also has other relevant articles on this theme. Research was supported by the Rising Powers research programme of the UK Economic and Social Research Council and the Brazil and China in Africa research programme of Future Agricultures Consortium.

Notes

1. See Richards, P. *Aiding development: food security* www.ids-uva.nl/wordpress/wp-content/uploads/2011/07/Richards.ppt
2. World Bank. 2009. *Awakening Africa's Sleeping Giant: Prospects for commercial agriculture in the Guinea savannah zone and beyond*. Washington, DC: World Bank.
3. See Carbral, L. Shankland, Favaretto, Vaz, A.C. Brazil-Africa Agricultural Cooperation Encounters: Narratives and imaginaries of Africa and Development in *IDS Bulletin* 44(4): 2013: 53-68 and Pierri, F.M. How Brazil's Agrarian Dynamics Shape Development Cooperation in Africa. *Ibid*: 69-79.

“ The main Chinese investments in agriculture tend to grow out of building and construction.”



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China, Europe and agricultural investments in Africa – the need for dialogue and coordination

China's and Europe's intensified investments, trade, and financial and technical support in the African agricultural sector have the potential to substantially impact African agricultural growth and development prospects. Yet, more dialogue is needed if Africa's partners are to make reality of their promises.

Although China has been present in African agriculture for more than four decades¹, it has recently stepped up the volume and scale of its agricultural investments, trade and (technical and financial) support activities to Africa. According to Buckley (2013), since joining the World Trade Organization (WTO) and establishing its 'Go Out' policy in the early 2000s "*China's focus has shifted to support for Africa's economic liberalisation and integration into the global agricultural commodity market.*"² Several examples support this claim, one being the increasing attention paid to agricultural cooperation at the Forum for China-Africa

Cooperation (FOCAC).³ Another is the fact that China signed the l'Aquila Food Security Initiative at the l'Aquila Summit in 2009, which commits to mobilise US\$20bn in support of food security, nutrition and agricultural development.⁴ A final example is the Memorandum of Understanding signed by The New Partnership for Africa's Development's (NEPAD's) planning agency and the Chinese Ministry of Agriculture on promoting agricultural trade, investments and research activities. NEPAD's press release states that:

*'Both parties will work together to enhance the participation of Chinese enterprises as well as African enterprises in Africa's agriculture and rural development. Furthermore, they will work together to regularly arrange high-level exchanges, and have policy, practical and technical dialogues between Africa and China with a view to accelerating Africa's agricultural and rural development.'*⁵

Approaches, values and interests

China has not however necessarily moved away from the fundamental principles on which it bases its development cooperation. Its approach is still mainly founded on concepts such as mutual benefits, non-conditionality and equal partnerships. According to Buckley, the key drivers behind the Chinese agricultural expansion are to i) enhance political relations; ii) boost commercial opportunities, and; iii) strengthen food and other types of resource supply in order to satisfy domestically changing consumption patterns.⁶

Unsurprisingly, these drivers are not unique for China. Europe also needs to strengthen its political and diplomatic relations, now perhaps more than ever since its prior position as a normative global leader has been severely diminished due to slow economic growth, souring debt crisis in some European Union (EU) member states and a decreasing influence at international forums such as the G20. Partly as a response to this, many EU member states have recently turned to the international private sector for further collaborations and partnerships in development projects and programmes. Even though not all development agencies site it as a direct objective or expected outcome, this development approach brings clear opportunities for governments to simultaneously boost their domestic private firms.⁷ Finally, Europe needs to secure future supply of food and other resources, which was clearly formulated in the European Commission's Raw Material Initiatives from 2008 and 2011.⁸

Despite the existence of converging drivers, the two agricultural cooperation approaches are both perceived and promoted as essentially different. While Europe tends to emphasise its soft power dimensions and value-driven approach promoting for example human rights, transparency and democracy, China tends to promote its efficiency, speed, flexibility and technical capacity building approach. A competitive factor is underlining this debate, both in terms of trade, investments and resource supply, but also with regard to international political influence and geo-economic power dimensions.

Generally, the African perspective tends to be more nuanced and less polarised. Even though both partners bring certain challenges, they can also bring substantial benefits, and more importantly, they can do so in a complementary fashion. Chinese agricultural support is indeed often perceived as faster and more efficient compared to traditional aid, and the discursive focus on equality and partnership is commonly seen as a welcomed turn from the traditional donor-recipient rhetoric and the

“Europe tends to emphasise its soft power dimensions and value-driven approach promoting for example human rights, transparency and democracy, China tends to promote its efficiency, speed, flexibility and technical capacity building approach.”

post-colonial sentiments that still underline much of the European aid structure. However, there are also several African stakeholders who warn that an overreliance on China as a new development partner might lead to new forms of imperialism and exploitation. For example, the then governor of the Central Bank of Nigeria, Mr. Lamido Sanusi, argued in 2013 that China can no longer be seen as the “Fellow under-developed economy” but rather as a massive economy capable of large-scale exploitation and as a competitor to African and world markets. Sanusi does not however recommend a divorce, but rather emphasises the need for Africa to formulate clear directives and approaches towards its partners.⁹

The need for further dialogue

Despite ever-increasing volumes of research on the different agricultural support modalities and strategies employed by the traditional donors on the one hand and the emerging economies on the other, there remains a lack of mutual understanding as well as open and conducive dialogues. Political representatives from the EU frequently view China's external activities with a substantial amount of scepticism, while Chinese representatives often see themselves as providing the modern and efficient alternative to the out-dated, patronising and inefficient support strategies of the EU. Regrettably, the viewpoint of African stakeholders from ministries, civil society and farmer organisations, is too often inadequately addressed and emphasised as they are commonly left out of both academic and political discussions.

To strengthen mutual understanding between the EU and China in terms of their agricultural development support, as well as to ensure that the African perspective is adequately being taken into account, ECDPM together with African and Chinese partners is setting up and facilitating an informal knowledge and dialogue platform¹⁰ where Chinese, European and African stakeholders share experiences and reflect on the strategies and modalities of their agricultural development support. The platform aims to foster greater mutual understanding and lesson sharing, with the ultimate goal being to promote the development of enhanced partner co-ordination strategies and agricultural support policies firmly aligned with the priorities and demands expressed by the African counterparts.

Notes

1. Buckley, L. 2013a, *Chinese Agricultural Development Cooperation in Africa: Narratives and Politics*, IDS Bulletin. 44(4), United Kingdom.
2. Ibid. p. 43
3. See more at www.focac.org
4. G8. 2009. "L'Aquila" Joint Statement on Global Food Security, L'Aquila Food Security Initiative (AFSI) http://www.g8italia2009.it/static/G8_Allegato/LAquila_Joint_Statement_on_Global_Food_Security%5B1%5D,0.pdf
5. NEPAD. 12/09-2011. *NEPAD Agency signs MoU with China ...agree to strengthen cooperation in agriculture and rural transformation*. <http://www.nepad.org/fr/foodsecurity/news/2471/nepad-agency-signs-mou-china-agree-strengthen-cooperation-agriculture-and-rur>
6. Buckley, L. 2013b. *Narratives of China-Africa Co-operation for Agricultural Development: New Paradigms? Future Agricultures*, CBAA Working Paper 053.
7. Byiers, B. and A. Rosengren. 2012. *Common or conflicting interests? Reflections on the Private Sector (for) Development Agenda*. ECDPM Discussion Paper 131, www.ecdpm.org/dp131
8. For a discussion, see Ramdoo, I. 2011. *Shopping for raw materials: Should Africa be worried about EU Raw Materials Initiative?* Discussion Paper 105, www.ecdpm.org/dp105
9. Sanusi, L. 2013. *Africa must get real about Chinese ties*, Financial Times, 11 March 2013.
10. See more: www.ecdpm.org/ikp081113



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“ Political representatives from the EU frequently view China’s external activities with a substantial amount of scepticism, while Chinese representatives often see themselves as providing the modern and efficient alternative to the out-dated, patronising and inefficient support strategies of the EU. ”

EPA UPDATE

West Africa

Nigeria blocks EPA endorsement at ECOWAS Heads of State and Government Summit

Nigeria has refused to validate the agreement reached between the European Union (EU) and West African negotiators in January, casting a measure of uncertainty on the EPA process in the region. Economic Community of West African States (ECOWAS) leaders were initially expected to validate the deal at the 44th Ordinary Session of Heads of State and Government held in Yamoussoukro, Cote d'Ivoire.

The Summit's communiqué mentions "reserves" raised by Nigeria, which the region says it will address in the coming months.¹ Chief negotiators from Ghana, Cote d'Ivoire, Nigeria and Senegal are to establish a committee in order to examine Nigeria's concerns.

This comes as a surprise since the Ministerial Monitoring Committee (MMC), which Nigeria is a part of,

had validated the outcome of the negotiations earlier in February. The MMC is tasked with following EPA negotiations in the region.

Nigeria represents over 60% of regional GDP and more than half of the region's population. A report according to which the Nigerian Minister for Trade had expressed reservations with regards to the EPA at a public forum casted doubts as to whether or not Nigeria was truly on board with the agreement reached in Dakar. The report was circulated by the National Association of Nigerian Trade (NANTS) and signed by the Nigerian Chamber of Commerce,

Groups such as NANTS, which have for a long time been opposed to the EPA, had strongly criticised the outcome of the Dakar negotiating session in previous weeks. They highlight the fiscal impact and competitive pressures that the Nigerian productive sector would face if it went ahead with an EPA.

Nigeria, by far the most industrialised country in the region, has long been seen as reluctant to conclude an EPA. Its significant productive capacities

mean that it has relatively strong defensive interest in the negotiations. Its trade policy stance is also regarded as generally more protective than other ECOWAS countries, particularly compared with Francophone Member States. It had decided not to enter into an "Interim" agreement with the EU in 2007, unlike its neighbours Ghana and Ivory Coast. The Nigerian cocoa industry has been negatively affected by this choice, but the Nigerian government remained unswayed.

The list of issues raised by Nigeria at the meeting, of which *GREAT* has seen a copy includes the wish to see a certain number of goods reclassified in ECOWAS's offer and the need to secure additional commitments with regards to development assistance. European officials do not seem willing to reopen decade-long negotiations.

According to sources present at the meeting, other countries and the President of the ECOWAS Commission tried to convince Nigeria of the necessity of following through with the compromises found earlier in Dakar. Observers mention the possibility that Nigeria's reversal might simply be aimed at delaying the

EPA Calendar

31 March – 1 April	SADC-EU EPA round (location unknown)
2-3 April	EU-Africa Summit (Brussels)
May (date TBC)	EAC-EU Ministerial Meeting (location unknown)

official endorsement of the EPA after the EU-Africa Summit, or as a move to diffuse domestic criticism of the EPA. A failure to do so could tempt Ghana and Ivory Coast to implement their interim EPAs, concluded in 2007. Such an outcome would compromise already fragile efforts to form a customs union and integrate national markets.

EU and EAC inching closer to an agreement

In their latest negotiating session, the EU and the East African Community (EAC) have managed to strike out important sticking points in their bilateral talks. The Most Favoured Nation (MFN) clause, Rules of Origin (RoO), and finally some parts of the agriculture chapter seem to have been resolved at technical level.

The MFN clause has reportedly been settled, using language reducing the automatic nature of the extension of concessions and placing the burden of proof on the European Commission (EC). Most importantly, the agreement now privileges a “case by case” approach. *GREAT* does not know if “major trading partners” have been defined, as was the case in West Africa, or if the “case by case approach” has been sufficient to assuage the EAC’s concerns.

Rules of Origin are now finalised, including remaining product-specific rules. The principles of asymmetry and cumulation, which had been controversial in the past, are also resolved.

On agriculture, the idea of holding a comprehensive dialogue on the sector has been retained – but it is not clear whether the issue of subsidies has been settled on

entirely. The EC had announced that it would stop using export subsidies on exports with EPA signatories as their destination – but the EAC might seek further commitments. One has to recall that the EAC had linked the issue of export taxes to the agricultural subsidies.

Remaining high profile issues are export taxes, relations with the Cotonou agreement (the non-execution clause), EU domestic support in agriculture, good governance on tax matters, and the “Turkey clause”. These are expected to be hammered out during a ministerial meeting to take place in May.

SADC negotiations moving forward

Talks between the EU and the SADC EPA group are moving forward, with the issue of agricultural market access being almost resolved. This topic had been the subject of back and forth discussion between the EU and South Africa, with the EU considering offers from South Africa as insufficient.

Additionally, *GREAT* has learned that the infant industry provisions, allowing SACU states and Mozambique to temporarily increase duties to their original MFN rates, have been settled. This is to be seen in conjunction with the transitional safeguards accorded to so-called BLNS countries (Botswana, Lesotho, Namibia and Swaziland). An additional safeguard for specific agricultural products is currently under negotiation.

Remaining issues such as export taxes and sustainable development remain on the table. Positions on export taxes in particular are still

entrenched.

A round of talks between senior officials took place before the EU-Africa Summit in Brussels, and an additional set of consultations were conducted on the sidelines of the Summit. *GREAT* has not been able to gather information on the content of these discussions.

Note

1. See <http://www.elombah.com/index.php/reports/21563-forty-fourth-ordinary-session-of-the-authority-of-ecowas-heads-of-state-and-government>



Quentin de Roquefeuil is a Policy Officer at ECDPM.

Talking Points

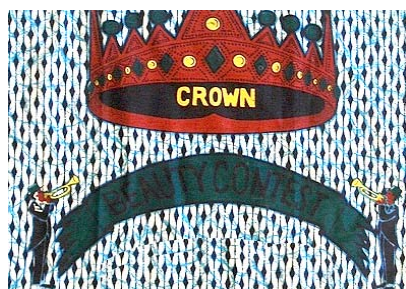
Current discussions on ECDPM's blog on the challenges of the EU's international cooperation
www.ecdpm-talkingpoints.org



Don't ignore the elephants in the room – will the Africa-EU summit revitalise the partnership?

Talking Points, Geert Laporte, March 28, 2014

To make the summit a success strong leadership will be needed on both sides of the partnership to square up to the elephants in the room, sorting out the differences to get on with making the EU-Africa relationship a success. There needs to be a fundamental change in the mentalities and mind-set of both parties to shape the inter-continental relationship and its time for the influential African and European leaders to stand up and to make this work! Rebuilding Confidence and Commitment The heads of state of both continents will meet for their 4th summit (...)



Beauty contests and economic transformation

Talking Points, Bruce Byiers, 28 March 2014

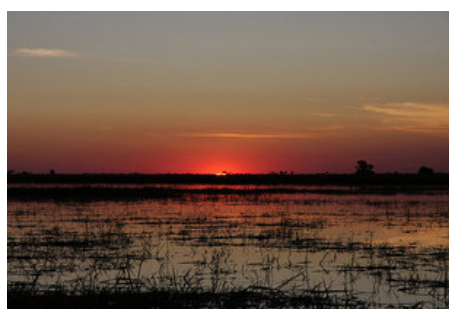
“As beauty is only skin-deep, so too is growth”. So Joe Amoako-Kuffour began the Brussels launch of the Africa Transformation Report by ACET (African Centre for Economic Transformation) last week. “Growth may be good, but it must be accompanied by economic transformation”. This is nicely put but relatively uncontroversial. But where ACET have done rather well, both in providing analysis and extending the metaphor, is in coming up with five measures of economic transformation that translate into DEPTH: Diversification; Export competitiveness; Productivity; Technology; and Human welfare. By providing measures of these five areas for those (...)



Common But Differentiated Responsibilities (CBDR): the challenge of rejuvenating an old-school principle ahead of the 2015 climate negotiations.

Talking Points, Hanne Knaepen, March 21, 2014

Last week I attended a panel discussion on ‘Revisiting the Principle of Common But Differentiated Responsibilities (CBDR): Opportunities for the 2015 Climate Agreement’. Hosted by the Deutsches Institut für Entwicklungspolitik/German Development Institute (DIE), the discussion centered around their recently published discussion paper. The paper says that countries’ contributions to global greenhouse gas emissions and the climate change impacts they face are poles apart.(...)



Water for agriculture in SADC: realising the water, energy and food security nexus.

Talking Points, Lesley-Anne van Wyk, March 20, 2014

Close to Kasane, in the very north of Botswana, and Impalila Island in the very east of Namibia, the Zambezi River forms the junction of Botswana, Namibia, Zambia and Zimbabwe. The river is the hydrological thread sewing together the various livelihoods of people living in the few hundred squared kilometres of this area. The majority of the growing population of the Zambezi's vast basin is dependent on agriculture for their livelihoods. The river's fertile flood plains provide good agricultural land to support crop production. The sun-bleached sands of the Zambezi riverbanks are permanently beaded with (...)

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

How Does the EU Make Decisions That Matter for Africa?

Weekly Compass, No. 184, 4 April 2014

ECDPM's latest guide is for African and European audiences eager to know more about how the European Union makes decisions on Africa in an ever changing and interdependent relationship between the two continents. What guiding documents, financial and other instruments does the EU use? What are the main dynamics and challenges? No death by powerpoint here! This new guide is an in-house presentation supported by infographics and narrated by our own Essete Abebe Bekele and Clem Silverman. It is based on previous ECDPM's research and body of knowledge.

By the Numbers – How Donors Can Support a Demand-led Post-2015 Data and Statistics Revolution

Weekly Compass, No.183, 28 March 2014

Do we need a 'data revolution' goal to create the right demand for a data and statistics revolution post-2015? Recent calls for a 'data revolution' emphasise how in the dark we are on the social, economic and developmental status of developing countries, especially in Africa. Accurate, timely, relevant and available data and statistics in many cases simply don't exist. Efforts to improve data are mostly donor-driven, and given fluctuating aid levels, they're rarely systematic, and relegated to technical discussions far-removed from what data should be for: good governance, transparency and accountability. ECDPM's Florian Krätke argues for a global goal to improve the quality and availability of economic, demographic, environmental and social data alongside the goals in thematic areas.

Sometimes it takes a donor to get things back on track

Weekly Compass, No. 182, 21 March 2014

The launch of the Institute for Development Studies Centre for Business and Development was held in London last week. The centre 'aims to become a global research and policy engagement centre that will tackle critical questions'. ECDPM's Bruce Byiers writes that at the event there was a danger of the conversation succumbing to clichéd interventions and full agreement. But thankfully, he says, DfID turned up and injected some energy, frankness, slight provocation and a call for realism. And that isn't something you can often say..., Byiers adds in this blog post.

The Implementation of the Joint Africa-Europe Strategy : Rebuilding Confidence and Commitments,

Weekly Compass, No.181, 14 March 2014

EU's relations with Africa are multidimensional and still need to be guided by high-level political ambitions through the Joint Africa Europe Strategy (JAES). Despite its bureaucratic shortfalls, some engaged in Africa - EU relations actually managed to use the JAES effectively, in areas such as peace and security and infrastructure, but the partnership has lost its political traction because of serious divergences on trade, international justice, governance and cultural cooperation. Refreshing the partnership is now necessary to rebuild trust and commitment. The JAES needs stronger political leadership, alignment of strategies, funding, multi-stakeholder dialogue and oversight by parliaments and civil society. Read ECDPM's report commissioned by the European Parliament. ECDPM's Damien Helly presented the report to the European Parliament's Development Committee last week, and you can watch the video of the presentation. ECDPM's Faten Aggad will present the report to the Pan-African Parliament next week. It will also be presented to the Pan-African-EU Summit on 31 March.

Latest ECDPM Publications

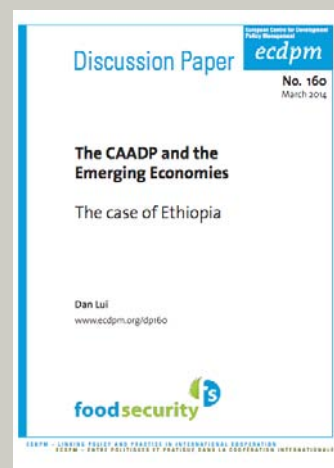
De-coding Public-Private Partnerships. San Bilal, Sebastian Grosse-Puppenthal, Anna Rosengren, Gabila Nubong and Bruce Byiers. Paper produced for the ICESDF Outreach Event (Helsinki, 3-4 April 2014), March 2014, soon to be published as a discussion paper.

This background study aims to stimulate discussion on partnerships between public and private actors for achieving and financing sustainable development post-2015. It was prepared to feed into the UN Committee of Experts on Sustainable Development Financing (ICESDF) Outreach Event on Co-creating New Partnerships for Financing Sustainable Development, in Helsinki, Finland, on 3-4 April 2014.



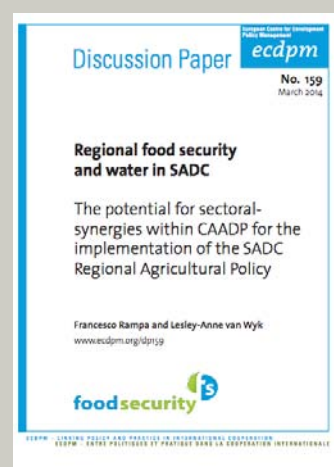
CAADP and the Emerging Economies: The Case of Ethiopia. Dan Lui, ECDPM Discussion Paper 160, March 2014

Ethiopia's agricultural growth is supported by policies and assistance aligned to CAADP and increased foreign investment, but traditional and emerging economy partners have engaged in different ways in the sector. Policies and practices regarding aid, private investment and related areas such as land are treated separately from each other. This has weakened the intended linkages between CAADP-related assistance, reforms and the drive for greater investment. Promoting the CAADP vision of a more holistic and 'development friendly' approach to agriculture will require African governments in particular to seek more active involvement from emerging economies alongside traditional partners.



Regional Food Security and Water in SADC: The Potential for Sectoral-Synergies Within CAADP for the Implementation of the SADC Regional Agricultural Policy. Francesco Rampa, Lesley-Anne van Wyk, ECDPM Discussion Paper 159, March 2014

Improved Agricultural Water Management (AWM) is crucial for regional food security and it would in particular benefit from the alignment of development agendas among water, agriculture and trade sectors. The SADC Regional Agricultural Policy (RAP) implementation can also be supported by analysis of complex interactions across geographical levels (local, national and regional) that affect the contribution of water management to regional food security. Bridging different sectors and geographical levels will be key for connecting regional agricultural frameworks with actions from national and local AWM networks and initiatives in SADC. This paper provides suggestions for such potential synergies for improved Transboundary Water Resources Management (TWRM) in SADC, especially in the context of the Regional CAADP Investment Plan derived from the RAP.



Next issue of *GREAT insights* on
“Global Value Chains and Industrialisation”
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