Office of the Special Adviser on Africa

Africa's Cooperation with New and Emerging Development Partners: Options for Africa's Development

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The report was enriched by the discussions at the Expert Group Meeting on Africa's Cooperation with New and Emerging Development Partners, held in Addis Ababa in February 2009 (see annex II for further details), with the participation of: Abdalla Hamdok, Emmanuel Nnadozie (United Nations Economic Commission for Africa); Festus Fajana, Merah Nadir (African Union Commission); Bankole Adeoye (New Partnership for Africa's Development secretariat); Chioma Onukogu, Gabriel Victorien Mougani (African Development Bank); Andrew Mold (Organization for Economic Cooperation and Development); Uwe Wissenbach (European Commission); Jing Gu, Ricardo Gottschalk (Institute of Development Studies); Cosmas Gitta (United Nations Development Programme); and Alemayehu Geda (Addis Ababa University).

Foreword

The global development landscape is rapidly changing with the acceleration of South-South cooperation. This is particularly relevant for African countries that have witnessed a significant increase in trade, foreign direct investment, aid and other development assistance from emerging and new development partners such as Brazil, China, India, the Republic of Korea and Turkey. In recent years, these emerging development partners have greatly expanded their cooperation with Africa within the context of various initiatives, leading to a new type of strategic partnership.

The increasing engagement in Africa of emerging development partners is broadening the options for growth in the continent and presents real and significant opportunities for the development of African countries, including, particularly, for implementation of the New Partnership for Africa's Development (NEPAD) and the attainment of the Millennium Development Goals. Furthermore, in the light of the prevailing global economic and financial crisis, this new cooperation becomes even more significant. Despite the crisis, many of the emerging development partners show relatively sound growth prospects.

The theme of Africa's cooperation with new and emerging development partners is part of the work programme of the Office of the Special Adviser on Africa in the context of its broader mandate to assist in Member States' debates on new, emerging issues regarding Africa's development, particularly in connection with the implementation of NEPAD. In that context, the Office aimed to formulate specific policy recommendations on how to effectively harness the development potential of the emerging development partners' intensifying economic and business relationships with African countries. To that effect, UN-OSAA initiated a study entitled "Africa's cooperation with new and emerging development partners: options for Africa's development". The key findings and recommendations of the study were validated by the Expert Group Meeting, which was co-organized with the African Union Commission and the Economic Commission for Africa in Addis Ababa in February 2009. The present publication includes the study and the summary of the Expert Group Meeting.

The study and the discussions at the expert group meeting highlighted the fact that Africa's cooperation with new and emerging development partners has created both opportunities and risks for Africa. Within the new geo-economic context, the main challenge for African countries is how to benefit from the new opportunities, while minimizing the potential negative impacts. Above all, it is important to ensure that cooperation with new partners leads to economic diversification and industrial development in Africa, as well as supporting the continent's integration into the global economy. To maximize their bargaining power, the study recommends that African Governments carefully manage their interactions with the emerging partners and develop a strategic focus so that they benefit from this interaction. In particular, African Governments should work together to develop a regional strategy towards this new cooperation. At

the same time, the international community, in particular the African Development Bank, the United Nations and the Development Assistance Committee of the Organization for Economic Cooperation and Development, can support the efforts of African countries through monitoring and capacity-building. By basing this cooperation on common objectives that are consistent with national and regional development strategies, the cooperation can lead to "win-win" outcomes for all stakeholders.

Cheick Sidi Diarra
Under-Secretary-General and Special Adviser on Africa

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List of abbreviations

AERC	African Economic Research Consortium
AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Centres
AGOA	African Growth and Opportunity Act
BRIC	Brazil, Russia, India and China
COMESA	Common Market for Eastern and Southern Africa
DAC	Development Assistance Committee
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EU	European Union
EXIM Bank	Export-Import Bank of China
FDI	Foreign direct investment
FOCAC	Forum on China-Africa Cooperation
G8	Group of Eight
HIPC	Heavily indebted poor countries
IBSA	India, Brazil and South Africa
IMF	International Monetary Fund
IT	Information technology
NEPAD	New Partnership for Africa's Development
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
ONGC	Oil and Natural Gas Corporation
OSAA	Office of the Special Adviser on Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
TEAM	Techno-Economic Approach for Africa-India Movement
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WHO	World Health Organization
WTO	World Trade Organization

Summary

Emerging economies are making a rapid entry into Africa. The speed and significance of this entry mean that the emerging economies provide many opportunities for African economies; but, at the same time, their growing presence poses risks to Africa's future growth.

The presence of emerging economies in Africa may promote both complementary win-win, and competitive win-lose outcomes. At the same time, some of the impacts of interaction may be direct and visible, reflected in bilateral relationships, while others may be indirect and less visible (for example, competition in third-country markets, or competition for scarce global resources).

The primary vectors of interaction between Africa and the emerging economies are aid, trade and foreign direct investment (FDI). In recent decades, northern economies have increasingly separated out interactions in these three vectors—aid has been untied, and clearly distinguished from investment, and aid and investment have only loosely been associated with trade. The analysis of the links between Africa and seven key emerging economies—Brazil, China, India, Malaysia, the Republic of Korea, the Russian Federation and Turkey—in the present report suggests a different evolving experience. More often, there has been close strategic integration between these three vectors in the operations of these emerging economies in Africa.

The distinctive features of each of these emerging economy actors in Africa are described in the body of the report and in further detail in the annexes. The direct and indirect impacts on, and challenges for, a range of African stakeholders are outlined. It is clear from this that while some emerging economies have a strategy for Africa, Africa does not have a strategy towards the emerging economies.

In the interests of promoting this emerging strategy, and in ensuring the optimal outcome of deepening links between these emerging economies and African countries, a number of policy issues are outlined, with recommendations for key development actors. The recommendations are as follows:

African Governments should:

- Monitor trade, aid and FDI interactions with emerging countries;
- Analyse strategic objectives of emerging economies, and opportunities and threats arising from their entry;
- Develop strategic focus to maximize benefits—in the words of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, to exercise "ownership" over these growing interactions;
- Interact with other African Governments, the African Union, the African Development Bank (AfDB) and regional groupings to maximize bargaining power and avoid wars of incentives.

Within their specific mandates, the African Union, AfDB, NEPAD and African regional organizations such as the Common Market for Eastern and

Southern Africa (COMESA), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) should:

- Provide support for individual African Governments in the monitoring of trade, aid and foreign direct investment (FDI) interactions with emerging countries;
- Coordinate strategic analysis where action is appropriate at the continental or regional level;
- Facilitate coordinated bargaining where this is appropriate to include the interests not just of commodity exporting economies, but also non-exporting economies.

The African Union, AfDB and the Economic Commission for Africa (ECA) should establish dialogue that provides for a coordinated review of relations with the emerging economies and, where relevant (as in the United Nations High-level Conference on South-South Cooperation), involve other relevant multilateral organizations in this dialogue.

The Economic Commission for Africa should provide assistance with the compilation of relevant statistics and through its flagship publication, the *Economic Report on Africa*, monitor the trajectory of aid, trade and FDI relations between Africa and the emerging country partners.

A specific challenge arises for AfDB in how to leverage emerging economy support for the financing and co-financing of regional infrastructure.

The Africa Partnership Forum should be widened to include participation by non–Organization for Economic Cooperation and Development (OECD) emerging economies.

Multilateral organizations in the United Nations family, the OECD–Development Assistance Committee (DAC) and the World Trade Organization (WTO) should:

- Provide support for individual African Governments in the monitoring of trade, aid and FDI interactions with emerging countries;
- Coordinate strategic analysis where action is appropriate at the continental or regional level;
- Facilitate coordinated bargaining where this is appropriate;
- Help to build capabilities in recipient countries to develop an adequate strategic response to relations with emerging economies;
- Provide support to the World Bank's call for sovereign wealth funds to invest in the development of Africa's infrastructure.

Emerging country Governments should:

- Recognize that flows of finance to Africa—both development aid and FDI—will entail future repayments, and that every effort should be made to avoid Africa's entering a new realm and era of debt dependency;
- Recognize that their long-term access to Africa's natural resources depends on developing a non-exploitative relationship that provides for win-win outcomes. Thus, resource rents should be shared equitably and maximum efforts should be placed on developing downstream and upstream linkages from the resource sector.

Complementary investments in infrastructure designed to facilitate access to Africa's resources should also address the needs of the non-resource sectors of

the economies, of promoting regional infrastructure and of also addressing the needs of countries with no, or poor, resources.

Market access should be provided for the preferential entry of African products into their markets. Given poor production capabilities in Africa, however, complementary assistance is required to assist in the building of effective production capabilities, particularly in local firms and small and medium enterprises.

Tolerance should be displayed when African Governments seek special and differential treatment in third-country markets.

Every attempt should be made to include African firms and farms in their global value chains producing for global product markets.

In the absence of participating in the Accra Agenda for Action, attention should be given to addressing some of its principles, not least the objective of ensuring country ownership of aid inflows and addressing the needs of transparency and legitimacy to prevent corruption and the misuse of aid.

> *"The problem is that China has a strategy for Africa, but Africa lacks a strategy for China."* (Comment by Kenyan scholar, 2005.)

I. Entry of emerging economies: new opportunities

1. Africa is currently entering an era of disruptive change as new emerging economy actors enter the stage. These new entrants have growing economic power, and in some cases also significant political influence.

2. Historically, African economies were closely integrated with the former colonial powers in Europe, and with North America and Japan. This was reflected in institutions of governance (parliamentary democracies), in language (English, French, Portuguese and Spanish complemented and often took the place of local languages), in infrastructure (constructed to facilitate contacts with Western powers), in economic specialization (Africa supplied commodities to, and imported manufactures from, the West) and in the integration of African producers in Western firms (FDI) and value chains. Financial flows, too, reflected this process of integration between African and Western powers. In the latter third of the twentieth century, there was an increasing flow of Western financial resources into Africa (aid and FDI) and back to the source countries (debt repayment, profits and interest).

3. But the global economy and politics are now entering a period of disruptive change. Since 1979, China has grown at a compound growth rate of 9 per cent per year, and India at a similar rate since the early 1990s. This rapid growth is not unique—Botswana; Hong Kong, China; Japan; the Republic of Korea; Singapore; and Taiwan had all grown at similar rates for prolonged periods. But all of these rapidly growing economies were small, so that their growth could proceed without changing the basic parameters of production and exchange in other countries. China and India together account for almost 40 per cent of the global population, however, so that when they grow very rapidly for prolonged periods, the "small country assumption" has to be suspended. China is likely to become the second biggest economy in the world by 2020, and India the third largest by 2035. Their size means that their expansion disrupts the path of incremental change that has dominated many societies for so long, not least the relatively weak and poor economies in Africa. It is for this reason that these newly emerging very large Asian economies are referred to as the "Asian Drivers".[1]

4. From the African perspective, the most important consequence of the entry of Asian Drivers into the global economy is their impact on the global terms of trade. The prowess of the Asian economies in manufacturing has led to the growth of price competition (and in many sectors, price deflation) in industrial

1 See www.asiandrivers.open.ac.uk; see special issue of *World Development*, vol. 36, No. 2 (February 2008); special issue of *Review of African Political Economy*, vol. 35, No. 115 (March 2008); and special issue of *The European Journal of Development Research*, vol. 21, issue 4 (September 2009).

goods. At the same time, Asian Driver countries' expansion of infrastructure, the growth in their manufacturing sectors and the changing composition of food demand towards meat products led to an increase in the price of commodities between 2001 and 2009. Previous spikes in commodities prices in the 1970s and the 1950s were short-lived—three to four years in duration. The 2001-2009 Asian Driver–induced boom in commodity prices lasted more than seven years, and will probably be sustained once the financial sector–induced crisis in the global economy abates and growth resumes, particularly in China and India, which are the primary sources of demand for Africa's commodities. These changing terms of trade have major strategic implications for Africa, and frame the development of policies specific to particular issues (for example, to aid, to foreign investment and to trade negotiations).

5. The present report summarizes the major changes emerging in Africa's interaction with the external world arising in large part as a result of the disruptive entry of the emerging economies into the global arena. Although China and India are the primary sources of disruptive change, they are not alone and their growing presence opens the space for other new economic and political actors. The report therefore also considers the role played by other emerging economies in Africa. These are Brazil, Malaysia, the Republic of Korea, the Russian Federation and Turkey. These economies have been chosen partly because of their size, but also because each in its own way represents a particular type of disruptive force. Brazil is large and has economic parameters similar to many African economies. The Republic of Korea was once a low-income economy similar to those in Africa currently (in the 1960s, it had a lower per capita income than Ghana), but has become a dynamic knowledge-intensive participant on the global stage; Malaysia and Turkey strive to emulate its path. The Russian Federation is not just very large, but also rich in resources, as are many African economies.

6. The central idea behind this focus on new emerging economies in Africa is that their growing emergence and deepening links are disruptive of the trajectory of social, political and economic change in Africa. They pose a new and substantive challenge to Africa—**how can African economies make the most of the opportunities offered by these new participants on the global economic stage, and how can African economies minimize the potentially negative impacts posed by their growing presence?**

II. Trade, aid and foreign direct investment: key vectors of change[2]

7. How might the impact of these rising powers on Africa be assessed? Three key variables are of importance and provide a framework for considering the impact for development strategies and policy responses to the entry of new emerging economy actors in Africa:

- Their modes of interactions with Africa—the present report will focus on trade, FDI and aid;
- The extent to which these interactions are complementary (that is, both Africa and the emerging economies gain) or competitive (emerging economies gain, Africa loses; or African economies gain and emerging countries lose);
- The extent to which these impacts are direct and occur as a result of bilateral relations; another set of impacts are those which are indirect in nature, for example, China's trade with the rest of the world affecting relative prices, the terms of trade and thus the core development strategies of African countries (Kaplinsky, 2008). The present report will focus only on the direct impacts.

8. Although trade, aid and FDI are considered as independent vectors, this is to some extent an artificial separation. In the colonial era, they were fused and the imperial powers' interests in Africa were closely coordinated. For example, in the immediate post-war period, the British colonies were seen as providers of tradable commodities for United Kingdom consumers, involving FDI from United Kingdom firms, with infrastructure to support this trade provided by the United Kingdom Colonial Office (roads and ports to transport the tea to the United Kingdom). The French and Portuguese presence in Africa was coordinated in a similar way.

9. But as Africa was decolonized in the second half of the twentieth century, these vectors increasingly came to be separated, partly as a result of opposition from African countries, partly because new players were entering the field (notably the United States of America and the multilateral agencies), and partly owing to growing public opposition in the OECD economies. Current views on "best practice" are that the vectors should be separated. Aid should be untied, and although trade and FDI are often closely co-related, this is seen as reflecting an outcome of economic processes rather than of concerted government-led strategic agendas by source countries of aid and investment.

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2 For an extended discussion of these vectors of change, see R. Kaplinsky and D. Messner, "Introduction: the impact of Asian Drivers on the developing world", *World Development*, vol. 36, No. 2 (February 2008).

10. This separation of the trade-FDI-aid vectors characteristic of the latter stage of Western dominance in Africa is now being challenged by some of the emerging economies (see sect. III). They are explicitly coordinating interventions in these vectors in a way that is reminiscent of the earlier periods of colonial rule. African countries need not only to be aware of these interlinkages, but also to understand the extent to which these linkages can be manipulated in Africa's own interest. Africa will need to coordinate its response in the same way if it is to gain from the opportunities opened by the emergence of new actors on the global stage (see sect. IV).

III. Trade, foreign direct investment and aid in Africa: the growing presence of emerging economies

11. Africa's presence in the global economy closely reflects its economic weaknesses. In the case of global trade and incoming FDI, its share never rose above 4 per cent between 1990 and 2006. By contrast, and as a consequence of its low levels of per capita income, Africa's share of global aid disbursements was substantial throughout this period, rising to more than 50 per cent in 2006, the year after the Group of Eight Gleneagles summit (see figure I).

A. Emerging economies and Africa: the trade vector

The trade balance in Africa's trade with the emerging economies

12. Africa's trade with the new emerging economies grew rapidly, from a combined export + import total of US$ 8.8 billion in 1990 to US$ 148 billion in 2007.[3] The growth in trade has been particularly marked since 2002.

13. In 2006 this trade was, in aggregate, almost in balance, with an overall surplus of $2.8 billion in 2006, an improvement from a deficit of $1.7 billion in 1995, but showing little improvement from the surplus of $1.9 billion in 2000. However, as can be seen from table 1, this picture of balanced trade masked a sharp deterioration in Africa's non-oil trade balance with these emerging economies. This had risen over the same time period from a deficit of $7.7 billion in 2000 to a deficit of $35.1 billion in 2006. Excluding oil, Africa has a negative trade balance with each of the emerging economies except Turkey. The deterioration in this balance was most evident in the case of trade with China.

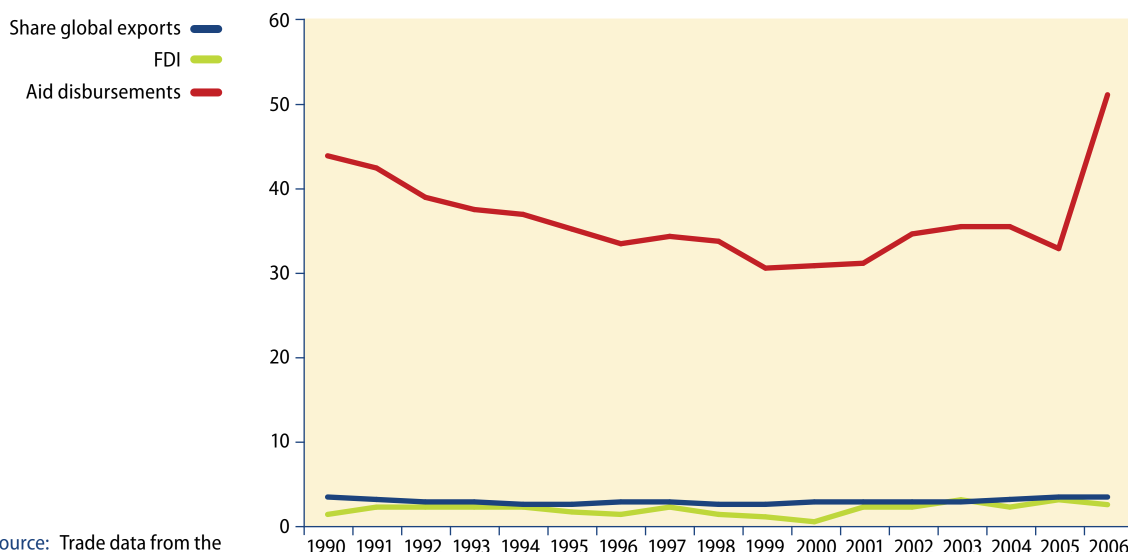
How important are the emerging economies in Africa's trade?

14. The significance of these emerging economies to Africa varies. Using trade as a proxy of these links, Africa's exports were historically predominantly destined for the European Union (EU) (figure II). That dominance remains—in 2007, it was still the case that almost 40 per cent of exports went to EU—but is

3 Compiled from Direction of Trade Statistics, International Monetary Fund (IMF).

Figure I

Africa's share of global exports, incoming foreign direct investment and as a recipient of aid disbursements (*percentage*)



Source: Trade data from the Commodity Trade Database (COMTRADE) (accessed 26 June 2008); aid data from OECD-DAC (accessed 26 June 2008); FDI data from the United Nations Conference on Trade and Development (UNCTAD) (accessed June 2008).

- Africa's share of global exports and incoming FDI is small and has changed little since 1990.
- By contrast, Africa's share of incoming aid has been large, and grew to more than 50 per cent after the Gleneagles summit.

declining rapidly (from 60 per cent in 1990). The major change in destination has been the growth in exports to the United States, largely arising from oil and gas exports, and exports of clothing and other manufactures under the African Growth and Opportunity Act (AGOA) scheme providing preferential access to United States markets. By contrast, although Africa's exports to China (and to a lesser extent, Brazil) have been growing rapidly, they still comprise a small share of total exports. By 2007, exports to the other new emerging economies remained small. The rate of change of export growth to China, Malaysia and Brazil has, however, been very rapid (42, 37 and 24 per cent per year, respectively, between 2001 and 2007).

15. The other side of this Africa-centred trade picture concerns the origin of Africa's imports (see figure II). In some respects, there are similarities with the export picture, in that the EU share in Africa's imports remains large, but is rapidly diminishing in significance. Similarly, the United States has been pushed into third place by China as a source of Africa's imports. The most significant change in shares is the growing role of the emerging economies in general, and China in particular. The Republic of Korea, Brazil and India have also become increasingly important as a source of imports into Africa, across the range of sectors—consumer, intermediate and capital goods, as well as in specialized services, particularly those required to design and construct infrastructure.

16. Most of Africa's exports to the emerging economies comprise oil and gas (figure III). In 2006, oil and gas and associated products accounted for nearly half or more of the exports to the emerging economies, apart from Malaysia, the

Table 1
Africa's trade with newly emerging economies, 1995-2006
(*billions of United States dollars*)

	Brazil	China	India	Malaysia	Russian Federation	Republic of Korea	Turkey	Total, emerging countries
1995								
Total trade	–0.1	–1.0	0.3	–0.4	0.0	–0.8	0.3	–1.7
Non-oil trade	–1.1	–1.3	–0.5	–0.4	0.0	–1.8	–0.7	–5.7
2000								
Total trade	1.6	0.5	–0.3	–0.4	–0.7	–0.1	1.4	1.9
Non-oil trade	–0.8	–3.1	–0.5	–0.4	–0.6	–2.2	–0.1	–7.7
2006								
Total trade	0.6	2.2	4.5	–1.1	–2.0	–4.2	2.8	2.8
Non-oil trade	–5.9	–18.8	–3.0	–1.1	–1.0	–7.2	1.9	–35.1

- In aggregate, Africa's trade with the newly emerging economies was in balance in 2006, a similar picture to that which prevailed in 1990 and in 2000.
- If oil is excluded, then Africa's trade balance with the emerging economies is in deficit, with a major increase in this deficit between 1990 and 2006.

Source: Calculated from COMTRADE, accessed via World Integrated Trade Solution (WITS), July 2008.

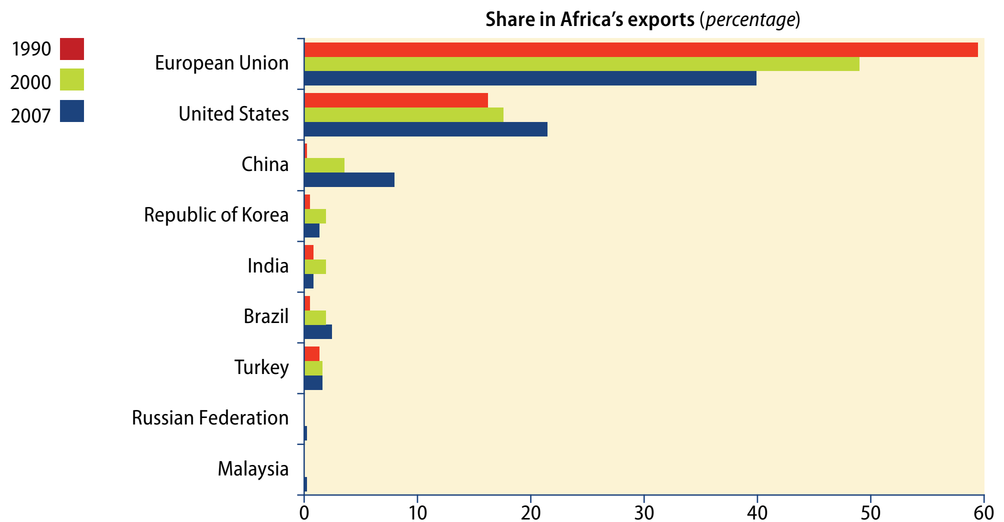
Russian Federation and Turkey. Oil was an especially large share of exports to Brazil, China and India.

17. Another way of assessing the significance to Africa of trade with the emerging economies is in relation to the technological intensity of African exports (see table 2). The greater these are, the higher the value added in Africa, and the greater the learning and externalities with other sectors. In 2006, 70 per cent of Africa's exports to the world were accounted for by primary products, which include crude oil and metal and mineral ores. Africa's exports to the emerging countries are even less technology-intensive than its exports to the world, particularly those to Brazil, China and the Republic of Korea. In each case, the share of unprocessed primary products was more than 80 per cent of their total imports from Africa. Africa's exports to Malaysia, the Russian Federation and Turkey appear to be somewhat more technology-intensive.

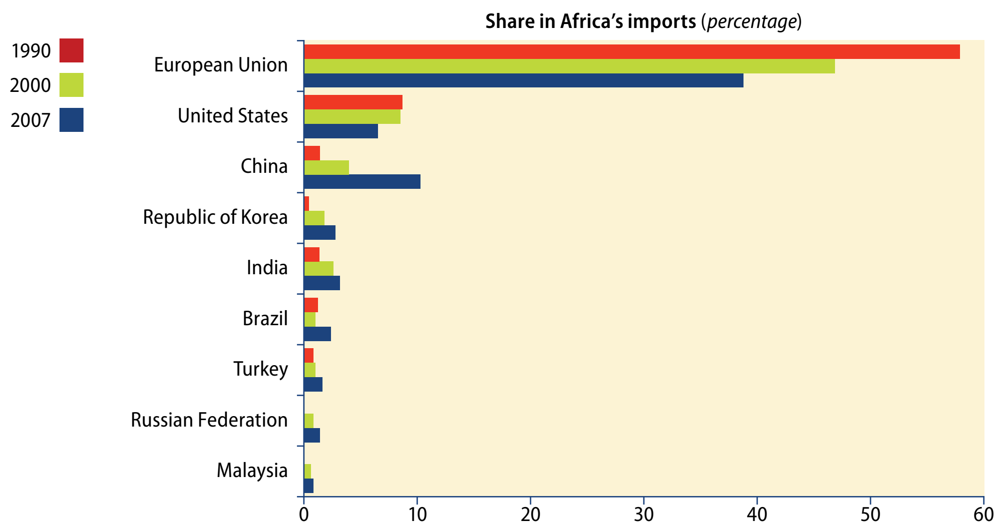
How important is Africa in the emerging economies' trade?

18. Africa's strategic response to the opportunities opening up by the growing interest of new emerging economies on the continent needs to be informed by its leverage in these countries—how important is Africa to them? In aggregate (compare figure IV with figure II), Africa's importance to trading partners is of much lesser significance than their importance to Africa. Within this, however, there are significant structural differences. First, the emerging countries are more dependent on Africa for their imports than their exports. Secondly, relatively speaking, their dependence on imports from Africa is greater than that of EU and

Figure II
Importance of emerging economies to Africa's trade



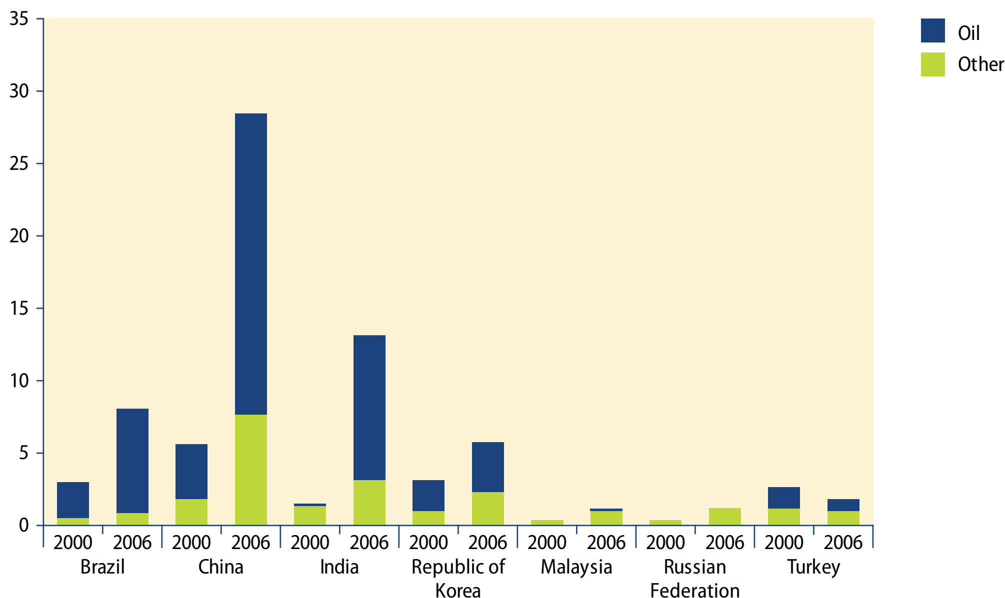
- Most of Africa's exports go to the European Union.
- The share of Africa's exports going to the European Union is declining.
- The share of Africa's exports going to China (and Brazil) is growing, but is still low.
- The share of Africa's exports to Turkey, Malaysia, the Republic of Korea and India remains very small.



- Most of Africa's imports come from the European Union.
- The share of Africa's imports coming from the European Union is declining.
- The share of Africa's imports coming from China has grown rapidly.
- The share of Africa's imports coming from the United States is falling and in 2007 was lower than imports from China.
- The share of Africa's imports from other emerging economies is growing, but remains very small.

Source: Direction of Trade Statistics (IMF), annual values, accessed via Economic and Social Data Service (ESDS), March 2009.

Figure III
Oil and gas in Africa's exports to emerging economies



- Oil and gas comprise the overwhelming share of Africa's exports to the emerging economies.
- Malaysia and the Russian Federation are the exceptions; both are themselves oil-producers. But exports to these economies are small.
- Exports of non-oil products have also risen rapidly, particularly to China, India and the Republic of Korea. These overwhelmingly comprise commodities.

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

the United States. And, thirdly, emerging economies such as Turkey, Malaysia and the Russian Federation, which export very little to Africa, are more dependent and have a growing dependence on imports from Africa. This overall picture of import dependence is not surprising—most of Africa's exports are oil and gas (see figure III), products which have widespread and supply-constrained markets throughout the globe.

19. Given the importance of oil (and, also, of other mineral commodities) in Africa's exports to the emerging economies, it is not surprising that only a relatively few African economies are major trading partners to these emerging economies (see table 3). The three major African oil exporters (Nigeria, Algeria and Angola) and South Africa (which predominantly exports primary commodities other than oil) are the major trading partners of all the emerging economies except the Russian Federation (which is itself a producer of oil and commodities) (see table 3).

B. Emerging economies and Africa: the investment vector

20. There is a bewildering array of data on inflows of FDI into Africa. A number of problems contribute to this confusion. First, country-level reporting of FDI (as to the IMF and as contained in the UNCTAD FDI surveys) is uneven and there

Table 2

Technological intensity of Africa's exports to the world and to the emerging economies, 2006
(*percentage share*)

	World	Brazil	China	India	Republic of Korea	Malaysia	Russian Federation	Turkey
Primary	70	84	82	67	80	63	65	65
Resource-based	13	10	14	20	12	14	21	17
Low technology	7	1	1	1	2	11	7	4
Medium technology	7	4	2	2	5	8	2	14
High technology	1	0	1	0	1	4	5	0

- Most of Africa's exports are primary and resource-based commodities.
- These commodities are even more important in trade with China and India.
- Africa's exports to Malaysia, the Russian Federation and Turkey include a higher component of technology-intensive products.

Source: Calculated from COMTRADE, accessed via WITS, May 2008. Technological classification drawn from Lall (2000).

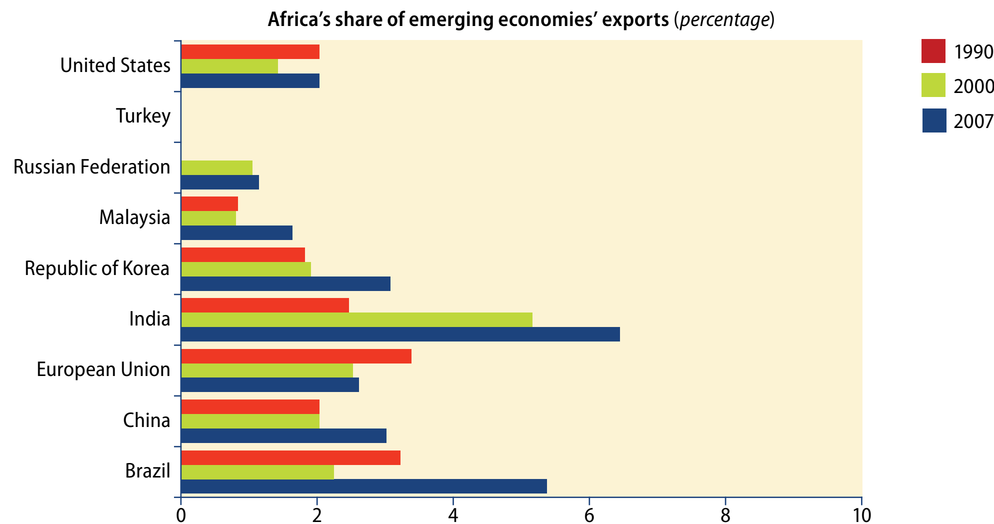
are major differences in recording practices and ambiguities in the data on FDI flows—mergers and acquisitions, levels of foreign ownership and reinvested profits are treated by different countries in different ways, and even then, data are collected at differential levels of detail. Secondly, many estimates of FDI are based on loose intentions, which often fail to materialize, or do so in rather different forms from that which is announced with a great fanfare of publicity. And, thirdly, in some cases (notably China), FDI is bundled together with concessional loans, and there is much double-counting, with the same ventures being recorded both as aid flows and as inflows of FDI.

21. Table 4 draws together different estimates of FDI inflows into Africa from the emerging economies. It is based on a variety of sources that often provide contradictory data. These data show a generalized increase in incoming FDI into Africa from the emerging economies, with significant (and often under-recognized) inflows from Brazil, the Russian Federation and Turkey as well as China and India.[4] Until 2002, FDI inflows from the emerging economies into Africa were small and were dwarfed by those sourced from the United Kingdom and the United States and other traditional Western sources of FDI. But in recent years, Africa has seen significant inflows of FDI from non-traditional donors, especially China, Brazil, the Russian Federation and Turkey.

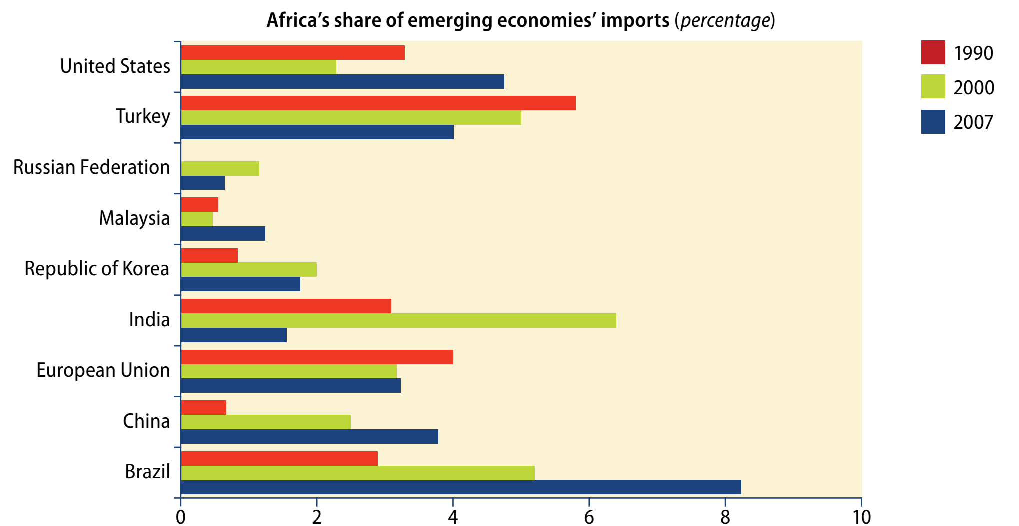
22. Based on numerous press statements and industry journals, it is possible to draw a crude picture of the country and sectoral orientation of emerging country FDI into Africa. Table 5 lists the major FDI destinations and sectors for each of the emerging economies, focusing on stocks rather than flows. It is clear that South Africa is the major source of activity for FDI from each of the emerging economies. Its attractions reflect emerging economy investments in manufacturing, commodities and services. The importance of oil and gas in Africa's exports identifies the next tier of African economies—the Sudan, Angola, Algeria and

4 In general, the data collected from source countries suggest higher FDI outflows to Africa than the data available from the UNCTAD and IMF databases.

Figure IV
Importance of Africa in the trade of emerging economies



- Africa accounts for a small share of the exports of the emerging economies.
- In general, Africa is a more important export destination for the emerging economies than for the European Union and the United States and this share is growing rapidly.
- This dependence is greatest for Brazil and India, but Africa's importance as an export market is growing for all the emerging economies with the exception of Turkey.



- In general, Africa is a more significant provider of imports to all partner countries than as a market for their exports.
- However, while its share of emerging country imports grew rapidly for Brazil and China between 2000 and 2007, its relative importance declined for Turkey, the Russian Federation, the Republic of Korea and India.

Source: Direction of Trade Statistics (IMF), annual values, accessed via ESDS, June 2008.

Table 3

Percentage share of African countries in selected countries' total imports from Africa, 2007

	South Africa	Nigeria	Algeria	Angola	Total share accounted for
Brazil	5	47	24	6	82
China	19	1		33	53
India	28	3			31
Republic of Korea	25	11	10	3	49
Malaysia	27	1			28
Russian Federation	13				13
Turkey	32	7	31		70

Source: Calculated from Direction of Trade Statistics (IMF), annual values, accessed via ESDS, June 2008.

- Four African economies—South Africa, Nigeria, Algeria and Angola—are the major providers of imports to all of the emerging economies with the exception of the Russian Federation.

Nigeria. They attract FDI from China, Brazil, India and Malaysia. Mining and energy generation follow in importance, in turn followed by the related sectors of infrastructure and construction. Although Chinese and Indian firms surface in manufacturing, so far this has largely been in the clothing sector, with exports destined for the United States (and, to a lesser extent, the European Union). Turkey stands out as an exception, with few investments in oil and gas or in raw materials sectors.

C. Emerging economies and Africa: the aid vector

23. Given the growing importance of Africa for the emerging economies, both as a source of raw material and as future markets, most emerging economies are seeking to engage in strategic partnerships with Africa. In the last few years, China, India, Turkey, the Republic of Korea and Brazil have all held large bilateral summits specifically targeted at increasing cooperation with Africa.

24. The aid provided by the newly emerging economies to Africa must be seen in the larger context of global aid, and global aid to Africa. As was shown in figure I, Africa has been the major beneficiary of global aid disbursements, accounting for more than half of the total in 2006. These aid flows represent a combination of multilateral (30 per cent) and bilateral aid (70 per cent) (averages 2000-2006). Aid reporting by DAC countries to Africa is comprehensive and can be found on the OECD-DAC website (www.oecd.org/dac). However, none of the seven emerging economies considered in the present report is a DAC member, although two—the Republic of Korea and Turkey—are OECD members and report to DAC. The other five emerging economies—Brazil, China, India, Malaysia and the Russian Federation—are neither OECD nor DAC members.

25. Hence, there is no coordinated or consistent set of data on aid flows from these individual emerging economies to Africa. Moreover, little of the assistance provided by some of the emerging economies would qualify as "aid", yet it undoubtedly goes some way to supporting Africa's needs for finance. For exam-

Table 4

Emerging economy foreign direct investment flows into Africa, 1991-2006 (*millions of United States dollars*)

	China		India		Republic of Korea		Malaysia	Brazil[a]	Russian Federation[b]	Turkey[c]	United Kingdom	United States
1991		2				16	1				1 069	85
1992		8				28	13				523	305
1993		15			84[d]	29	7				393	837
1994		28			134	111	36				500	762
1995		18			19	38	72				1 116	352
1996					37	8	496				875	1 678
1997					1 847	88	148				1 020	3 436
1998					191	81	78				−41	3 075
1999	591[e]	42			175	20	222				1 901	596
2000	551	85		243	222	24	78				2 120	716
2001	708	25	1 630[f]	185	14	14	49			578	1 658	2 438
2002	983	30	116	883	12	7	340	150	1 200	652	3 291	−578
2003	2 087	75[g]	238	338	2			1 900		942		
2004		317		22	51		411		928	2 300	5 639	2 697
2005		392			249		176	1 400	238		10 588	1 325
2006		520										

Source: Unless otherwise stated, data are from UNCTAD (2007).

Note: Empty cells do not reflect zero FDI flows, but an absence of information.

[a] Brazil, 2004, from Harsch (2004); 2005 and 2007 calculated on information from Fundação Dom Cabral–Columbia Program on International Investment (2007).

[b] Russian Federation mergers and acquisitions purchase, 2004, from Kuncinas (2006); 2006-2007 from Nestmann and Orlova (2008).

[c] Turkey, 2003 to 2005, from Zaman (2005); 2006 from www.turkoafrica.com.

[d] 1993-2005 data in this column from Korea Export Import Bank, as quoted in Kim (2006).

[e] 1999-2003 data in this column represent China's approved FDI flows into Africa 1999-2003, from UNCTAD (2007).

[f] 2001-2003 data in this column, Ministry of Finance, India.

[g] 2003-2006, Chinese Statistical Bulletin 2006.

ple, since the end of the civil war, China has provided at least US$ 6 billion, and possibly as much as $14 billion, to the Angolan Government in loans. The most recent tranche in March 2009 was to aid the expansion of agricultural production.[5] A careful search of a large number of sources has been undertaken and the detailed results—by emerging economy—are available in annex I.

26. Debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, as well as bilateral cancellation of loan agreements, has been reached between China, the Russian Federation and Brazil and many African countries. China's debt forgiveness for 31 African countries in 2003 amounted to US$ 1.27 billion. Between 2006 and 2009, a further $1.3 billion of debt was cancelled. This debt relief reflected both demands from African countries and China's attempt to respond to the call that it fall in step with leading Western donors. Brazil's debt relief was around US$ 400 million.

27. As old debts are being cleared, there is growing concern among traditional donors about the possible future debt burden on African countries, given the heavy concessionary loans being provided by China. As can be seen from box 2 (further below), this is one of the major issues which are currently affecting the very large

5 See http://www.google.com/hostednews/afp/article/ALeqM5i0hpgnhmj3GYfBFS8IbzAJ1WDf5w (accessed 13 March 2009).

Table 5

Country and sectoral focus on emerging economies' foreign direct investment in Africa, 2000-2006

China	Republic of Korea	Brazil	India	Russian Federation	Malaysia	Turkey
South Africa[a]	South Africa[b]	South Africa[b]	South Africa	South Africa[c]	South Africa[c]	South Africa
Sudan[c]	Sudan[c]	Sudan	Sudan[c]		Sudan[b]	
		Angola[c]		Angola[b]		
Algeria[b]	Algeria[c]					Algeria[b]
	Morocco[a]		Morocco			
Nigeria[a]		Nigeria[c]		Nigeria[c]		
			Mauritius[c]		Mauritius[c]	
		Mozambique[c]				Mozambique
	Egypt[c]				Egypt	Egypt[c]
			Libyan Arab Jamahiriya			Libyan Arab Jamahiriya[b]
Zambia[b]	Côte d'Ivoire[a]	Guinea-Bissau[b]		Guinea[b]	Chad[a]	
				Botswana	Namibia	
Sectoral focus						
Oil and gas		Oil and gas	Oil and gas		Oil and gas	
Mining	Mining			Mining		
Energy		Energy	Energy		Energy	
Infrastructure	Construction	Construction	Construction			Construction
Manufacturing			Manufacturing			Manufacturing
	Telecomm.		Telecomm.		Telecomm.	

- South Africa has been the major destination for FDI from the emerging economies.
- The next tier of destinations reflects recent investments in oil, predominantly in the Sudan, Angola and Nigeria, and originates from China, the Republic of Korea, Brazil, the Russian Federation and Turkey.
- Investments are also growing in mineral extraction in Zambia, the Democratic Republic of the Congo, Botswana, the Russian Federation and South Africa.
- Investments in telecommunications, power generation, construction and infrastructure have been growing in importance.
- South Africa is the only African country in which emerging countries have made significant investments in manufacturing. Turkey is the only emerging economy with a relative predominance in FDI into the manufacturing sector.

Source: Own compilation; various sources (see annex I for details); data for Brazil, Turkey, the Russian Federation incomplete.

[a] 5 per cent to < 10 per cent.

[b] Significant—10 per cent to 20 per cent of total emerging economy FDI outflows to Africa.

[c] Very significant—> 20 per cent.

Others negligible—< 5 per cent.

aid-FDI-trade venture of the Democratic Republic of the Congo with China. These concerns of traditional donors are compounded by the fact that Chinese aid to Africa is generally not transparent, and there is considerable ambiguity about the sums lent to African countries and on what terms. As traditional donors commit to the Paris Declaration (see sect. V.B below), there is concern that the emerging economies in general, and China in particular, are not following similar disclosure paths.

28. Since China and India are the key donors among these emerging countries, the present overview section provides a little more detail on their overseas aid activities (see box 1). Although both countries have a wide range of aid activities

in Africa, in general Indian aid is smaller than Chinese aid (although this differs in individual countries, for example, Ghana—see annex I). Indian aid is also more geared towards technical assistance than is Chinese aid, although there has been a sharp change in the orientation of Indian aid in recent years, and it is beginning to look more like that of China's aid than it did in the past.

29. Africa has consistently received support from China over the decades. Alden (2007) reports aid commitments of US$ 4.9 billion between 1957 and 1989. Africa as a region has received the largest share in China's development assistance, around 44 per cent of the total; Chinese aid comprises a mix of tied aid and grants and concessional loans. Davies (2006) indicates aid flows between 1949 and 2006 to be around $5.6 billion.

30. These divergent numbers are explained by three factors. First, China's classification of what constitutes aid differs from that used by DAC and OECD. Secondly, data on aid inflows from individual African countries as well as from China are either not collected systematically or not publicized. And thirdly, not all aid commitments are realized as disbursements and some sources provide data on commitments and others on disbursements. Therefore, managing a comprehensive number for Chinese aid to Africa has been problematic.

31. China's integrated strategy in Africa is reflected most clearly in what has come to be called the "Angola mode". This is a scheme of financing in which China provides its large State-owned firms with export credits, securitized by access to an African country's resources through agreement with the Govern-

Box 1

Indian and Chinese aid to Africa

"India and China have different patterns of aid. India concentrates on non-monetary aid mainly in the form of technical assistance and scholarships, while China offers a wider range of monetary and non-monetary aid packages, which include grants and loans for infrastructure, plant and equipment, as well as scholarships, training opportunities, and technical assistance. Chinese monetary aid is tied to the use of Chinese goods and services, and requires adherence to the 'One China' policy, but does not carry the 'good governance' conditionalities that currently characterize Western donors. Especially in the case of China the line between FDI and aid is often blurred, as is the line between aid and trade." (McCormick, 2008: abstract, p. 1).

Type of aid assistance from China and India

	Given by	
Aid type	China	India
General budget support	X	
Grants/loans for infrastructure, plant and equipment	X	
Scholarships for academic training	X	X
Other types of training opportunities	X	X
Technical assistance	X	X
Tariff exemption	X	
Debt relief	X	

Source: McCormick (2008).

ment of the African economy. It builds into the loan considerable use of Chinese inputs since the finance is secured in China and generally is limited to the use of Chinese (and some local African) inputs. The terms of these "Angola-mode agreements"—developed in financing China provided for post–civil war reconstruction in Angola in exchange for oil—vary and are generally not transparent, so it is unclear whether there is any significant grant element in the financing. Hitherto, this mode of financing has been used, inter alia, for China's access to oil in Angola (between $6 billion and $14 billion), for manganese exploration rights in Gabon ($3 billion) and for the copper and cobalt investments in the Democratic Republic of the Congo (see box 2).

Box 2

Strategic integration of aid, trade and foreign direct investment: China and the Democratic Republic of the Congo, 2007-2008

The context is one in which the Democratic Republic of the Congo possesses extensive mineral resources, but lacks the resources or technology to exploit these. (The total Democratic Republic of the Congo State budget in 2007 was only $1.3 billion, most of which was used to pay salaries.) Before the elections in 2006, the Government of the Democratic Republic of the Congo had approved a large number of 35-year mining contracts in processes that were not transparent. Reacting to international concern, the new incoming Government began a process of reviewing 61 mining contracts entered into between 1997 and 2003. The ability to review these contracts was strengthened by the existence of an alternative path to exploiting the Democratic Republic of the Congo's extensive mineral deposits, in large part by the Chinese aid-trade-FDI package signed in 2007 and 2008.

This constituted two large, but related, initiatives. The first, entered into in late 2007, involved a loan for $8.5 billion from the Chinese EXIM Bank. This was to promote exploitation of the mining sector, and was supplemented with a further $5 billion loan in early 2008. Together, these loans were securitized by providing China with access to, and security provided by, $14 billion of copper and cobalt reserves. (The Democratic Republic of the Congo has one third of global cobalt reserves and 20 per cent of global copper reserves.) This aid was tied to an investment package to exploit these mineral resources by a jointly owned company, Socomin, owned by Chinese (68 per cent) and Congolese (32 per cent) State-owned companies. The $3 billion investment in the mines will be repaid out of future profits. By agreement, not more than 20 per cent of the workforce can be Chinese, 0.5 per cent of investment will be allocated to training, a further 1 per cent will be spent on social investments and 3 per cent on environmental projects in the surrounding areas. In addition, at least 12 per cent of the work will be subcontracted to local firms.

In addition to these investments in mines, China will provide support for investments in five key areas identified by the Democratic Republic of the Congo State—in water, electricity generation, education, health and transport. An amount of $8.5 billion will be allocated to a variety of projects which include a high-voltage power distribution network, highway and railway extensions, and the construction of 31 hospitals, 145 health clinics, 5,000 houses and 2 universities. Additional resources are allocated to rehabilitate and expand water supplies. Supplementing all of this are a range of additional aid projects, including training programmes in China for poverty reduction and subsidized loans to construct the national People's Palace (the parliament) and the Stadium of the Martyrs outdoor and sports complex.

In early 2009, IMF sought to block this investment, arguing that the Democratic Republic of the Congo could not enter into a new arrangement with a privileged preferential creditor when it still owed Western creditors $11.5 billion. The Democratic Republic of the Congo Government and the Chinese investors, however, reaffirmed their commitment to this large investment in March 2009.

Source: Vandaele (2008); Komesaroff (2008).

32. Aid from the other emerging economies is both smaller and less well documented. Table 6 summarizes the available information on aid from the Republic of Korea, India, Turkey and Brazil to Africa. To the extent that this information is accurate, it is evident that aid flows from these emerging economies to Africa are small in magnitude and that they represent only a small increment to total aid inflows into the continent. Moreover, with the exception of Brazil, a relatively small share of total external aid is directed towards Africa, much less than the half of total EU aid, the third of total Japanese aid or the quarter of total United States trade that goes to the continent.

33. Given that most of the emerging economies are developing countries and aid recipients themselves, it is understandable that the flow of financial aid to African countries is relatively low compared to the United States, Canada, the European Union and Japan. Capitalizing on their own experiences, the emerging economies offer non-financial assistance to their African counterparts in a wide variety of sectors. The engagement is generally characterized as South-South cooperation and is seen as a way for developing countries to work together.

34. Cooperation between the emerging economies has been reached through bilateral agreements between African regional bodies and emerging economies as well as through contributions to international organizations working on development issues in Africa. While China and India have strong bilateral ties, Malaysia, the Republic of Korea and the Russian Federation tend to work through international forums such as the Global Fund for Development and United Nations

Table 6
Indian, Brazilian and Turkish aid to Africa

	Aid disbursements to Africa (*millions of United States dollars*)				Share of total aid inflows into Africa[a] (*percentage*)				Aid to Africa as a percentage of total country aid			
	1990	1995	2000	2006	1990	1995	2000	2006	1990	1995	2000	2006
EU 15	9 968	8 643	6 273	20 862	40	40	40	48	51	42	41	52
United States	3 529	1 847	2 107	5 805	14	8	14	13	42	33	28	27
Japan	1 069	1 615	1 226	2 621	4	7	8	6	16	16	13	36
Republic of Korea	9	15	24	48	0.04	0.07	0.16	0.11	74	21	19	13
India	…	…	1.56	4.44	…	…	0.01	0.01	…	…	1.52	1.52
Turkey	0	2	0	25	0.00	0.01	0.00	0.06	0	2	2	4
Brazil	…	…	24[b]	…	…	…	0.05	…	…	…	27-34[c]	

- Aid flows from Brazil, Turkey and India to Africa are small.
- These aid flows represent a tiny fraction of aid to Africa.
- As a proportion of emerging country aid, Indian and Turkish aid to Africa represents a much smaller proportion than aid from the European Union, the United States and Japan.

Source: EU 15, United States, Japan, Korea and Turkey data all from OECD-DAC (accessed May 2008); India: calculations based on data from Price (2005) and India Ministry of Finance; Brazil: estimates based on data from Altenburg and Weikert (2007), Schläger (2007) and Stamm (2006).

[a] Percentage of country share as a total of all DAC official development assistance (ODA).

[b] The data on aid disbursements include contributions from partner organizations based on a rough estimate, i.e., official data multiplied by 10. (The factor is an estimate from official sources quoted in Schläger (2007). Brazil does not publish its development assistance data.)

[c] Estimates from Altenburg and Weikert (2007) and Stamm (2006).

entities. Turkey has established relations with the African Union, where it has observer status. They have also worked through AfDB to fund infrastructure and development projects.

35. Assistance in various sectors has been provided, including health, agriculture, education and institution-building. Given the diverse nature of the emerging economies themselves, they have been able to assist their African counterparts across different economic and social sectors. For example, Brazil and India have shared experiences in the health sector, especially in their own struggles against HIV/AIDS. Malaysia has provided assistance in banking and legal issues, especially in building institutional capacity. Turkey and the Republic of Korea have focused on access to low-cost technology as well as education and agricultural projects.

36. Assistance in developing human resources through training has been encouraged by emerging economies and African countries, through general assistance in the education sector by offering scholarships and building schools, to more focused areas such as agriculture, banking, legal issues and technical training. Brazil has provided vocational training centres for post-conflict areas, while India and the Republic of Korea have sponsored information technology (IT) centres and training.

37. Assistance in humanitarian causes has been provided through financial contributions as well as in personnel and materials. The Russian Federation has helped to train and equip local staff to handle humanitarian and rescue issues. China has contributed personnel to United Nations peacekeeping missions in Africa, and has helped to train and equip African Union peacekeepers.

38. Given China's increasing presence in Africa, traditional donors such as the European Union are encouraging trilateral engagement in the fields of peace and security, infrastructure, the environment and agriculture. Given the different agendas that the traditional donors and the Chinese are perceived to have, trilateral cooperation in the above-mentioned fields would allow for a joint effort to address important development issues within Africa.

D. Integration of trade, foreign direct investment and aid vectors: are the emerging economies distinctive?

39. As observed at the outset of the present report, in the early years of colonial rule, trade, investment and aid from the colonial mother country were closely integrated and harmonized to serve the best interests of the colonial power. But as colonialism matured and decolonization proceeded, these integrative bonds were weakened. Current "best practice" actively separates these vectors of integration. For example, there have been strong moves to untie aid, and FDI recipient countries are encouraged not to provide special privileges for FDI from countries with which they have extensive trade links or from which they receive aid. Another feature of current "best practice" is the growing presence of conditionalities in all three vectors. To some extent, this mirrors aid conditionalities that characterized aid to Africa during the decades of structural adjustment in the 1970s and 1980s. During that period, aid support was contingent on the acceptance of a

particular package of economic policies, the "Washington Consensus" agenda. More recently, conditionality has reflected political and social agendas. In the case of aid, for example, transparency of expenditure and the avoidance of corruption have been implemented through the Paris Club and DAC. In the case of FDI and trade, concerns for the environment and for labour and social standards have led to a series of standards for products (for example, organic foods and furniture made from sustainable forests) and processes (for example, Fair Trade and labour standards).

40. The emerging economies in general, and China in particular, have a distinctive position by comparison with this emerging pattern of best-practice aid, trade and FDI from the OECD economies. In the first place, they exercise a much closer strategic integration of aid, trade and FDI. This is particularly marked in the case of China and is most clearly evident in the comprehensive aid package negotiated with the Democratic Republic of the Congo in late 1997 and early 2008 (see box 2).

IV. Making the most of opportunities: how can Africa take advantage of the rise of the emerging economies?

41. How can Africa make the most of the opportunities provided by these new disruptive entrants? In what areas do the major opportunities arise? What strategies might be employed to ensure the most successful outcomes? And who are the main bargaining parties? These are the questions that need to be addressed for the most to be achieved for Africa in a rapidly changing world.

42. Here a distinction needs to be drawn between a strategic response to the entry of the new emerging economies into the African economy, and the specific policies that are adopted to best implement these strategies. Policies are contextual—they reflect specific agendas, specific parties and specific points in time. It is clearly not feasible to map out these polices for more than 50 African countries, let alone for the external bilateral and multilateral agencies that have traditionally dominated aid and policy agendas in Africa. For this reason, the remainder of the present report addresses the key strategic issues that might productively frame the development of specific policy responses.

43. Before setting out this strategic agenda, however, section IV.A summarizes the key developmental impacts of the emerging economies on Africa. This summary needs to be read in conjunction with the more detailed discussion in sections IV.B-IV.E below.

A. Developmental impact of the emerging economies on Africa, in summary

44. The relatively recent arrival of the emerging economies in Africa's economic and political landscape means that their developmental impact is as yet only embryonic. However, it is possible to discern some major trends in relation to five sets of stakeholders—consumers, the manufacturing sector, the agricultural sector, the commodities sector and Governments.

Developmental impact on African consumers

45. The impact of the emerging economies on Africa's consumers has in general been positive. Their trade impact has led to a fall in the prices of many key consumer goods, particularly basic consumer goods such as clothing and footwear. To some extent, this reflects a change in product mix, that is, that

consumer goods produced by the emerging economies not only are generally cheaper than like-for-like alternatives from traditional trading partners, but are also aimed at lower-income consumers. They are thus more appropriate to African conditions.

46. Another important area of advantage to consumers has been in the provision of core generic medicines that are appropriate to African conditions, and in particular to the provision of cheap retroviral drugs and insecticide-dipped mosquito nets, which significantly help to reduce malaria. African consumers have also gained from the availability of improved infrastructure, including enhanced railways, roads and bridges and telecommunications.

47. The one exception to this positive impact on consumers is with regard to food prices. Changing terms of trade (section IV.C below), largely induced by China and India, led to increases in the price of food across a range of agricultural products during the 2001-2008 supercycle and appear likely to be sustained in the future. These increases are not limited to foods that the emerging economies necessarily import directly, since there is a large measure of substitutability between crops and the inputs used in agriculture (for example, energy, pesticides and fertilizers), which are often generic in nature. Unlike the cheapening of manufactured products that are predominantly consumed by middle- and upper-income citizens, rising food prices hit the poor directly, and disproportionately hard.

Developmental impact on Africa's manufacturing and infrastructural sectors

48. The impact of the emerging economies on the manufacturing sector has generally been adverse, and significantly so. Many opportunities in export markets have been foreclosed, or have only remained open owing to the sustaining by northern economies of trade preferences for African exporters. Manufacturers targeting their own domestic markets have also been severely disadvantaged by competitive imports from the emerging economies, particularly from China. Another casualty from emerging economy competition is the construction sector involved in large infrastructural projects. This has particularly adversely affected South African firms, since Chinese competition has driven other infrastructure providers out of many markets. This arises not just from the efficiency of Chinese firms, but also from the strategic integration of Chinese aid with the competitive bids of Chinese construction firms, tied to the acquisition of Chinese-sourced inputs. An interesting side effect of Chinese competition is that it is not just South African and northern firms that have been squeezed out of many markets, but also those from Brazil (as in the case of Angola).

49. Set against this generally negative impact on Africa's manufacturing and infrastructure sectors, the provision of cheap and appropriate capital goods from the emerging economies has provided many African producers with lower-cost and more effective productive capacity. A more complex, but also important, positive outcome of the emerging economy presence in Africa has been that the provision of cheap consumer goods such as basic clothing has helped to moderate wage pressures in other sectors.

Developmental impact on Africa's agricultural sector

50. In principle, with most of its population in the agricultural sector, Africa stands to gain from an Asian Driver–induced shift in the terms of trade. However, for a number of reasons, the reality has been rather different. First, the crops in which Africa has a global comparative advantage—particularly beverage crops (tea, coffee and cocoa) are in general not subject to the same upward-pricing pressures as grains, pulses and animal feeds. Secondly, despite Africa's large land mass, most countries in Africa are not especially well endowed in the resources required to produce these in-demand crops. Thirdly, one of the major consequences of emerging economy demands for hydrocarbon-based energy has been the rise in prices of oil-based agricultural inputs, especially transport, fertilizers and insecticides. Fourthly, more than 50 per cent of all African farmers are in food deficit. Thus, an increase in food prices may, on balance, in fact be detrimental to small-scale and poor farming families. And, fifthly, not all African countries are exporters of agricultural commodities—less than half of all African economies (that is, 22 out of 54 countries) account for more than 80 per cent of soft-commodity exports.

Developmental impact on Africa's commodities sector

51. Those African economies that are producers of oil-, gas- and minerals-based hard commodities are potential beneficiaries of the changing terms of trade. Some African economies, notably Botswana, have harvested these resource rents wisely. But in other cases, there have been a range of negative impacts which, from the developmental perspective, have drowned out the windfall gains arising from rising commodity prices. An example of this has been Zambia, where rising copper prices have led to a sharp appreciation of the real exchange rate. Coupled with the legacy of macropolicies adopted during recent World Bank and IMF–induced policy reforms (for example, tax holidays and privatization), little of the boom in copper prices during the 2001-2008 supercycle accrued to Zambian stakeholders (Bova, 2008; Weekes, 2008). An additional negative outcome from the commodity boom has been the ability that rising prices have given to some African Governments, under global pressures on human rights (for example, the Sudan) or the transparency of aid spending (Angola), to withstand global attempts to impose better forms of governance.

52. An additional factor has been the uneven spread of hard commodity exports among African countries. Only five African countries account for more than 80 per cent of all oil and gas exports, and virtually all of the remaining African economies are net importers of oil. In fact, during 2007 and the first eight months of 2008, the increasing burden of rising oil prices wiped out all of the foreign-exchange benefits arising from increasing aid to African oil-importing economies. The consequences of rising oil prices as peak-oil approaches are likely to make this a long-term problem for much of Africa. Similarly, only 12 African economies account for more than 80 per cent of all of Africa's exports of hard commodities.

Developmental impact on African Governments

53. In many respects, the primary beneficiaries of the impact of emerging economies in Africa have been in the government sector. New injections of aid have in some cases allowed for improvement in the rundown facilities that civil servants and politicians use, such as parliamentary buildings and housing for civil servants. In some cases, notably prospectively in the case of the Democratic Republic of the Congo (see box 2 on p. 16), emerging economy investments have led to an increase in government revenue through joint venture partnerships in mineral expansion, and through the ability provided to renegotiate asymmetrical agreements with traditional economic partners. Peacekeeping forces provided by China and India have also played a role—albeit small—in the attempts in some African countries to reduce internal conflict. Finally, African Governments have been aided in their negotiations with traditional aid donors to withstand the Washington Consensus policy reform by drawing on alternative emerging country resources, as well as on the policy experience of countries such as China and India, which runs counter to that often prescribed by international institutions. It has augmented the policy space for new approaches to African development.

54. But insofar as incoming aid from the emerging economies requires repayment (as opposed to being grants), there is a danger that large inflows with associated grace periods may obscure the longer-term implications of these flows for future indebtedness.

B. Setting the strategic agenda

55. There are more than 50 countries in Africa, and the present report addresses their relations with 7 emerging economies. Each of these economies has its own history. They have different endowments and are at different stages of development. Some African countries are landlocked and some have large desert tracts. Population densities vary enormously, and human skills are unevenly developed within and between countries. Perhaps most importantly, the different countries on the continent have very different political and governance systems, with varying capacities to focus and implement strategic choices. At the same time, although the seven emerging countries considered in the present report have in common their desire, as relatively new entrants, to deepen their links with Africa, they, too, differ enormously in their endowments, needs and strategic capabilities.

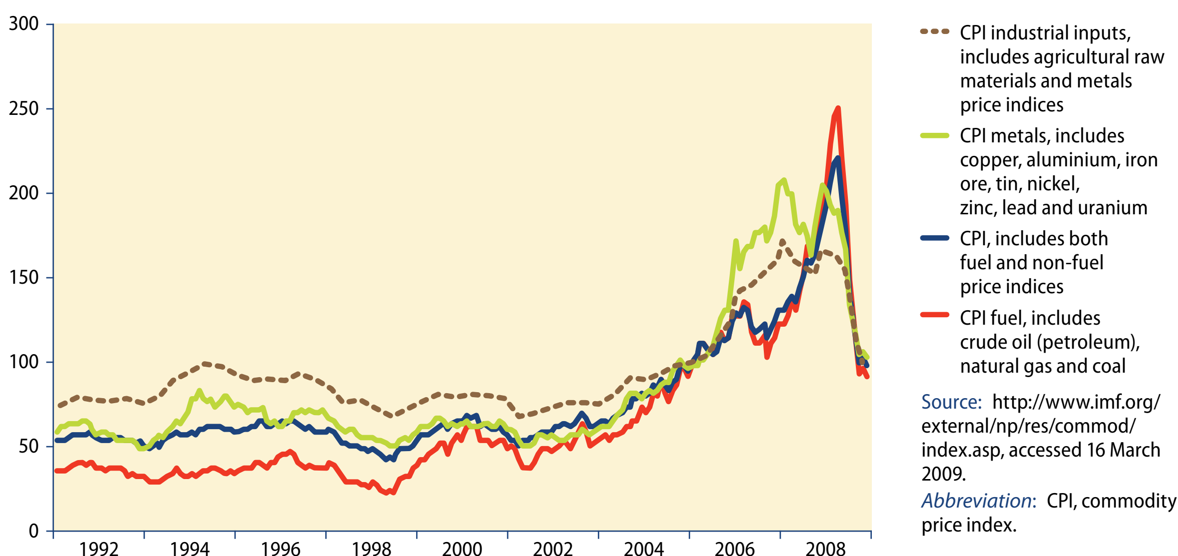
56. For these and related reasons, it is neither feasible nor desirable to set out a single path in which individual African countries, or groups of African countries, should interact with these new disruptive entrants into the global arena. Notwithstanding this cautionary note, Africa clearly has an enormous opportunity to restructure its external relations by capitalizing on the entrance of these new economies. In what follows, the present report sets out some of the key parameters that may be addressed, but does so only at a general level to illustrate how these opportunities may be grasped. Policy definition, and especially policy implementation, are not optimized through reports and paper documents. They reflect interactions and commitments between key stakeholders, and it is here that the primary actions are required. Rationalization through reports often follows strategic discussions and decisive action.

57. In preparing the way for a process of strategic formulation, the remainder of the present report sets out some of the key issues that need to be considered. This begins with a recognition of the bargaining power that some, but not all, African countries have in the context of a likely commodities boom and terms-of-trade reversal (see sect. IV.C), despite the fallback in commodity prices arising from the financial sector–induced global crisis that emerged after September 2008. For the gains to be realized, strategic investments need to be made in infrastructure and human resources development (see sect. IV.D). But notwithstanding these economic opportunities, Africa faces enormous social challenges, and these, too, need to be met (see sect. IV.E). In all these cases, a strategic focus is critical, and this raises the question of who in Africa might assist in defining and executing this strategic response to the entrance of new emerging economies in Africa (see sect. V.A).

C. Commodities boom and the terms-of-trade reversal

58. The period between 2001 and 2008 saw a sharp rise in commodities prices (see figure V). This is not the first time in post-war history that commodity prices have risen, but the previous price spikes in the 1950s and the 1970s were short-lived in nature. They were short-lived since the primary drivers of rising commodity prices (the Korean and Middle East wars) were temporary in nature. This time around, the rise in commodity prices is fuelled by growth in the major consuming economies, particularly China, but India is also about to enter the global market for commodities. China's structural growth has fuelled a demand-led supercycle in commodity prices that has been interrupted by the financial crisis in 2008. Unlike the previous commodity price booms in 1951-1953 and 1973-1975, the 2003-2008 commodity price boom is likely to resume an upward trend driven by the nature of China's domestic growth (Farooki, 2009). Both these giant Asian Driver economies are at the early stages of their commodity-intensive growth

Figure V
Monthly index of commodity prices, 1992-2009 (*2005 = 100*)



Source: http://www.imf.org/external/np/res/commod/index.asp, accessed 16 March 2009.

Abbreviation: CPI, commodity price index.

paths and, short of a major collapse in their growth trajectories, their thirst for energy and mineral products is likely to be sustained for some time (Kaplinsky, 2006). Moreover, as incomes in these two economies rise, food consumption patterns are changing in favour of meat products and this, with the associated drive for global energy security and biofuels, has now also led to a sustained increase in agricultural prices. Thus, once the global economic crisis begins to resolve and Chinese and Indian growth resumes, there is the likelihood that the interrupted commodities boom will be resumed.[6]

59. But rising commodity prices in themselves do not necessarily change the economic equation for different countries. It is the relative change in prices that is important in terms of trade, for economic strategy. Here, too, the global economy has experienced significant changes in recent years. Growing competence in manufacturing in Asia in general, and China in particular, has meant that as commodity prices have been rising, the prices of manufactures have been falling, particularly for the products exported by low-income economies (see figure VI). It is this change in relativities that challenges development strategies everywhere, but especially in Africa (Kaplinsky, 2006 and 2008). This is because Africa is at a nascent stage of industrial development, and although it is rich in mineral commodity resources and energy, it has considerable potential in these sectors. Africa's agricultural potential is, however, not strong (Bloom and Sachs, 1998).

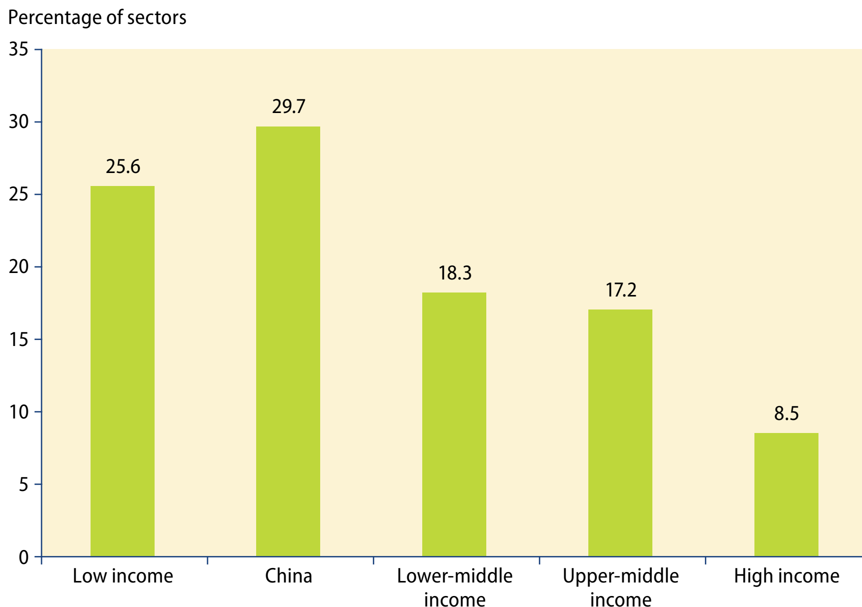
60. What relevance does this have for Africa and its relations with the emerging economies? First, the power in many cases now lies with commodity-producing countries rather than with industrial countries. Africa is especially well favoured, not so much in terms of its existing commodity exports, but rather in terms of its potential exports. Table 7 shows that in many mineral commodities, Africa is the primary resource base for the future. In energy, it is not so much Africa's share of global reserves that is so strategically important, but its share of unallocated reserves. New hydrocarbon discoveries off the west coast of Africa, as well as in Uganda, and the potential for oil discoveries in other parts of Africa, make it an exceptionally attractive region for countries with rapidly growing energy needs.

61. But Africa does not only stand to gain from the commodities boom. Although mineral potential is widespread in the continent, the current pattern of resource exploitation is very concentrated. Only five countries account for more than 90 per cent of all energy exports, only 12 countries account for more than 90 per cent of all mineral exports and, although agricultural exports are more widely diffused in Africa, 22 countries account for 90 per cent of exports.

62. The key, therefore, is for Africa to use this power in commodities to its best advantage in its relations with the new emerging powers, particularly in the exploitation of these mineral resources and in the provision of related infrastructure. The agreement that the Democratic Republic of the Congo reached with China in 2007 and 2008 shows the potential for using this power to leverage advantageous terms, particularly as China and other emerging economies seek to gain access to the resources that were previously the domain of the Western

6 It is often forgotten that "rising commodities prices" implicitly assumes relative prices of manufacturing and services. As commodities prices have fallen in 2009, so have those of many manufactures and traded services.

Figure VI
Percentage of sectors with negative price trends, 1988/89-2000/01, by country groupings



Source: Kaplinsky (2005).

economic powers. As box 2 (on p. 16) shows, it is not just that the Democratic Republic of the Congo was able to crowd in aid-assisted Chinese investments in infrastructure and training, and to ensure minimum local content, with local co-ownership in mineral exploitation, but also that it was able to use this leverage provided by China to force the renegotiation of more than sixty 35-year mining agreements that had previously been reached with Western firms.

63. But, secondly, the terms-of-trade reversal does not only affect commodity exporters. It simultaneously also affects manufacturing. Here the impact of China's entry into global markets has been much more negative for Africa. Excluding South Africa and North Africa, more than half of all sub-Saharan Africa's exports of manufactures are in clothing products. In the first two years after the ending of the Agreement on Clothing and Textiles (which removed quotas on China's and other Asian economies' exports to the United States and the European Union),

Table 7
Africa's share of global production and reserves (*percentage*)

Mineral	Production	Reserves
Platinum group metals	54	60+
Gold	20	42
Chromium	40	44
Manganese	28	82
Vanadium	51	95
Cobalt	18	55+
Diamonds	78	88
Aluminium	4	45

Source: African Development Bank (2008).

Africa's clothing exports fell by 25 per cent (Kaplinsky and Morris, 2008). A similar story can be told for furniture and other labour-intensive manufactures. Therefore, part of the bargain to be reached with the newly emergent economies entering in Africa is to ensure that these negative impacts on the very manufacturing sectors which are essential for promoting long-term sustainable growth are countered. African countries need to ensure that China and other exporters of manufactures incorporate Africa in their global value chains which are so successful in global markets. For example, Chinese firms may provide textiles for Africa or African-Chinese firms to export to the United States under the AGOA regime as a substitute for clothing currently being exported to the United States directly from China.

D. Infrastructure and human resources

64. Taking advantage of Africa's resource potential requires an efficient infrastructure. Here Africa is particularly disadvantaged. It is the highest continent with few navigable rivers; 93 per cent of the land mass is in the tropics with heavy rainfall; many African States are landlocked, and only 10 per cent of the land lies within 100 kilometres of the coast (compared to 18 per cent in the OECD member countries and 27 per cent in Latin America); and only 21 per cent of its people live within 100 kilometres of the coast, compared to 69 per cent for the OECD member countries and 42 per cent for Latin America). Africa's transport and logistics costs are estimated to be 2.5 times the global average.[7] As table 8 indicates, these disadvantages in physical infrastructure required to extract commodities and ship them to the ports are compounded by high insurance costs. Even within developing economies, the share of freight and insurance costs in total production costs is higher in Africa than in other developing regions, and is particularly high in West Africa and East Africa. The improvement in Africa's infrastructure should therefore be a key objective in taking strategic advantage of the entrance of new emerging economies into the African scene. Access to primary commodities should be facilitated as part of a wider process of infrastructural development.

65. However, Africa should not make the mistakes that characterized infrastructural development in the colonial era, in which the primary infrastructure was built to ship raw materials out to the ports. Instead, consideration in this infrastructural development should be given to the promotion of regional infrastructure to ease greater intraregional trade. This has great developmental importance. For example, intra-African trade is characterized by much higher technological intensity than in Africa's trade with the external world (and in particular its trade with China and India—see table 2 on p. 10). It is thus an important vector for promoting diversified economic structures and sustainable income growth. Moreover, infrastructural development for commodities extraction should also consider the potential for providing, often at relatively little marginal costs, spurs that reduce logistics costs for surrounding small-scale input providers and agricultural producers.

66. Although primary commodities have a key role to play in the twenty-first century, long-term development also requires the development of two other sets

7 D. Perkins, "Development corridors and spatial development initiatives (SDIs) in Southern and East Africa", MMCP Workshop, University of Cape Town, March 2009.

Table 8
Freight and insurance as a percentage of production costs, 1997

World	4.1
Developed countries	3.4
Developing countries	6.5
Africa	10.0
Latin America	5.6
Asia	6.5
Landlocked Africa	
East Africa	14.6
Southern Africa	9.9
West Africa	24.6
Less developed countries (1995)	12.5

Source: UNCTAD, 2001.

of infrastructure. The first is telecommunications and, here, Africa is already relatively well served in mobile telecomunications, and much of this infrastructure draws intensively on Asian technology, competences and finance. These links and investments in telecommunications infrastructure should be promoted further and should, too, be the subject of strategic bargaining with new emerging economy entrants into the African continent.

67. However, the primary infrastructure that Africa requires for long-term and equitable income growth is the quality of its human resources. Knowledge is the key component of production systems. This is pervasive, not just in the obvious areas of manufacturing and knowledge-intensive services, but also in the commodities sector. Here it is possible to distinguish a low and a high road to resource exploitation. Either Africa can remain simply a source of raw materials, providing little else but basic ores and oil, or it can become a source of knowledge for the resource sector. This high road is a path trodden by the United States in the nineteenth century and by Australia and Norway in recent decades, where the national system of innovation was oriented to making the most of the commodity resources (Wright and Czelusta, 2004). While it may appear to be a long way from Africa's current low-tech road to the commodities sector, "the longest journey begins with the first step", and key long-term investments in knowledge and human resources need to be made now if Africa is to thrive in the future.[8]

E. Development agenda

68. Meeting Africa's social needs—high and growing levels of absolute poverty—is a mammoth task and is the target of the Millennium Development Goals. These social needs have to be addressed at a number of levels, including promoting growth, providing access to basic health and education, and addressing the needs of specific disadvantaged communities in Africa. How much of this agenda can be placed on the plate of the new emerging economy entrants?

69. A key element in the required policy agenda is debt forgiveness. For the moment, this is not a big issue in relation to the emerging economies, many of

8 This policy agenda will be the subject of a research programme to be undertaken by a consortium of African and British scholars—see www.commodities.open.ac.uk.

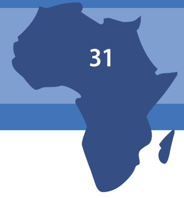
whose aid programmes have only been ramped up in very recent years. Although it might become a concern in the future, this is not a primary concern now. Another key component of the general policy agenda is budgetary support. This is an area in which the emerging economies may be expected to make only a limited contribution, including perhaps through their participation in multilateral agencies. However, since all of the emerging economies are themselves either low-income economies or foreign-exchange constrained economies (or both), this is unlikely to be a major realm of activity for them in their relations with Africa. At any rate, even if it is likely to become more important, there is little specific influence that African countries can have on the role played by emerging economies in this process.

70. Instead, Africa might seek to obtain direct assistance in three key areas in which the emerging economies have specific competences. The first of these is peacekeeping. Here, the emerging economies have the advantage of non-alignment, and their oft-criticized failure to participate in global sanctions against countries such as the Sudan paradoxically gives them particular competences in helping to resolve conflicts. China has become especially relevant in this regard, and by mid-2008 had sent more than 10,000 peacekeeping troops abroad, most of them to Africa.[9]

71. The second area of support reflects the similar operating environments in Africa and many of the emerging economies. Faced with common low-income consumers, China, India and Brazil have each begun to develop process and product technologies that are particularly appropriate for other developing countries, including those in Africa. The value of appropriate technology is particularly apparent in small-scale agriculture, manufacturing and services. Already, China and India have become a major source of not just low-cost consumption goods in Africa, but also low-cost and appropriate capital and intermediate goods, as well as low-cost and appropriate services (for example, rural telecoms). Drawing on these appropriate technologies and skills, including through technical assistance programmes in agriculture, health and infrastructure development, is a key area for technical assistance from the emerging economies.

72. A final specific area in the social agenda where Africa stands to gain much from links with the emerging economies is in relation to the health and pharmaceutical sectors in general, and malaria and HIV/AIDS in particular. Brazil, China, India and the Russian Federation all have major emerging problems with regard to HIV infection rates and each, in its own way, has developed specific competences in these areas. At the same time, Africa is itself developing competences in these critical developmental issues, and a combination of technical assistance from and cooperation with the emerging economies is an important strategic asset for Africa to exploit in its relations with these new entrants into the global arena. Brazil, for example, has already begun to provide support for the HIV/AIDS initiative, and Indian pharmaceutical firms are major providers of generic drugs in East Africa. Both initiatives lend themselves to expansion.

9 See http://news.xinhuanet.com/english/2008-06/30/content_8466332.htm (accessed 18 July 2008).



V. Developing a policy response: implications for key actors

A. Who might develop this strategic agenda and how might this happen?

73. In section II above, it was observed that in some respects there are similarities between the new phase of emerging economy activity in Africa and the pattern of interaction between Africa and the colonial powers in the colonial era. As in earlier years, to a greater or lesser extent, the newly emerging economies are coordinating their agendas in Africa in relation to the three primary vectors of interaction—trade, FDI and aid. They, as can be seen from table 9, increasingly "have a strategy for Africa". However, the problem is that Africa "lacks a strategy for the emerging economies". Four key agendas need to be addressed for this strategic gap to be filled.

74. The first key step is for African countries to recognize the power that they have in the context of the commodities boom and terms-of-trade reversal. Although at present only a limited number of African economies are major beneficiaries of this boom in terms of their current production structures, many other African countries have the potential to become major exporters of energy and mineral commodities. For example, Mozambique possesses significant coal and iron deposits that have not yet been tapped.

75. The second key issue is for African countries to adopt a similar strategy of assimilating the vectors of integration being pursued most clearly by China, but increasingly also by India and the other emerging economies (see table 9). Meeting the trade needs of the emerging economies—Africa as a source of primary commodities and, to a lesser extent, as a market for their export—should be conditional upon their providing aid to exploit these commodities, as well as meeting Africa's complementary developmental and infrastructural needs. Where appropriate, it should also incorporate FDI from the emerging countries, and participation in the emerging country firm value chains which serve global markets (for example, Chinese, Indian and Turkish firms providing their fabric to African countries for onward export, through the marketing channels of these emerging country firms, to the United States and the European Union).

76. The third key strategic agenda is to develop a differentiated view of the various emerging economies, and of different stakeholders within them. Each of the emerging economies has distinct sets of interests. Turkey, for example, sees Africa as a market primarily, whereas for China and India, Africa's importance stands out in terms of long-term access to primary commodities. Similarly, there are also different interest groups within each of the emerging economies. This is most notable in the case of the very large Chinese economy, where, although the Beijing-controlled Export-Import Bank of China (EXIM Bank) provides the

Table 9
Emerging economies and Africa

	Africa’s importance to emerging economy	Emerging economy’s importance for Africa	Exports to Africa	Imports from Africa	FDI to Africa	Aid to Africa	Strategic integration by emerging economy	Strategic integration by Africa
Brazil	Energy (short term); minerals; market for goods and services	Technology, particularly in health; support for infrastructure	Food, transport, refined petroleum, iron ore	Crude oil (formerly refined oil products)	Oil and iron ore and coal; infrastructure	Debt relief, infrastructure; AIDS projects; training; biofuels	Weak; Brazil seeks African support in global arena. African–South America Cooperative Forum established, coordinated by Brazil and Nigeria	Very little, apart from South Africa
China	Energy, minerals; support in global forums	Source of low-cost technology and low-priced consumer goods	Wide range of products, of increasing technological content	Oil predominates, and is of growing importance; some imports of minerals	Predominantly in resource sectors, but increasing flows to manufacturing and services	Coordinated through FOCAC; tied to Chinese firms and inputs; extensive technical assistance; prestige projects (parliament, sports stadiums) are important and widespread. Aid concentrated in oil-exporting economies; debt cancellation	Very high—initiator of numerous forums for coordinated discussions; close interlinking of aid and FDI to trade interests, particularly securing long-term access to Africa’s resources; China also seeks African support in global arena	Very little, mainly through FOCAC forums organized by China
India	Market (present); source of raw materials (future)	Source of cheap products; technical assistance	Refined petroleum products; pharmaceuticals	Oil, gold	In clothing in order to gain AGOA access to United States; oil in the Sudan and elsewhere; geographically concentrated in East Africa, but growing in Libyan Arab Jamahiriya and Côte d’Ivoire	Predominantly lines of credit tied to Indian goods. But recent years have seen substantial increase, linked to access to minerals and oil	Indian Government becoming more active in promoting a strategic focus, especially in minerals sector; more focused in its approach to Africa than China. India-Africa Summit (14 countries) established in 2008	Very little, mainly through Indian-organized forum, which is less developed than that of FOCAC
Malaysia	A source of oil, minerals, coca	A source of vegetable oils, some machinery and technical assistance	Vegetable oils	Oils and minerals; little integration of vectors	Historically concentrated in Mauritius and South Africa; recent rise in investments in oil,	Mostly technical assistance; increasingly Africa features relatively highly in	Most links through multilateral forums (for example, the Commonwealth); Southern African International	Only South Africa has had an explicit, albeit loose, strategy towards Malaysia

					gas, and energy by Petronas and investments in palm oil dominates all other flows	Malaysia's external aid programme	Dialogue established in 2005	
Russian Federation	The Russian Federation sees Africa as a partner and potential competitor in a range of natural resource sectors, particularly mining, oil and gas	The Russian Federation has a similar export profile to that of Africa—mainly resource-based products	Agricultural products, predominantly to North Africa	Raw materials—ores and unprocessed foodstuffs	Almost all FDI in Africa has been in the minerals sector, and much of it in Southern Africa	Russian aid to Africa has been limited and mostly channelled through multilateral agencies	There appears to be no sign of coordinated activity among the various vectors of interaction with Africa. The clearest signs of an emergent strategy towards Africa appear to be in relation to South Africa and in relation to investment by major Russian firms in the minerals and diamonds sectors	There are few signs of an emergent strategy from Africa towards the Russian Federation
Republic of Korea	The Republic of Korea has no oil of its own and is the world's fifth largest consumer of oil	Source of oil and minerals; market for manufactured exports	Shipping and automobiles, plus other manufactured goods	Oil	Mining, hotels and tourism, manufacturing	Aid programme distinguishes between African partners with developmental needs, and strategic partners (oil and mineral assets)	Historically, the Republic of Korea has lacked a strategy for Africa. In recent years this has changed, with an increasing trend towards the integration of trade, FDI and aid, as well as the establishment of the Korea Initiative for African Development	Given the Republic of Korea's limited engagement with African countries, there are few signs of a cohesive African policy towards the Republic of Korea
Turkey	Africa is an important market for its industrial outputs	Gold, gas	Metal products for construction sector	Gold and oil	Historically, in North Africa, but now spreading widely over Africa; many investments are small in scale	Aid has risen steadily, but from a low base. Africa receives only a small share of Turkey's aid budget. In recent years, the Sudan and Somalia have been the primary recipients of Turkish aid	Turkey has begun to develop an African strategy, involving cooperation between the State and the business sectors; "Open Up Africa" policy initiated in 1998; observer status at AU	Turkey seeks African support in its quest to enter EU; this may be turned to the advantage of African countries seeking aid and appropriate FDI

Source: Compiled from annex I.

primary lines of credit for Chinese FDI-aid events in Africa, the primary drivers are the provincial governments in China. Some of these provincial governments are more active than others, and some concentrate on particular regions and countries within Africa. A new generation of Chinese FDI into Africa is emerging from private Chinese firms, and these display very different characteristics from the State-owned enterprises. For example, when copper prices fell precipitously in early 2009, the large State-owned firms continued to operate in and invest in African copper mines. By contrast, there was a sudden and mass flight of Chinese small-scale copper-smelting firms operating in the Democratic Republic of the Congo.[10]

77. The fourth key strategic issue is who in Africa is going to drive this strategic agenda. At the most basic level, this must necessarily involve individual African Governments. Although they do not generally directly control inward FDI and trade flows, they hold the key levers that determine access to their economies. Each of the Governments needs to make a cool, informed assessment of its specific attractions to the emerging economies and then to coordinate an integrated strategic response to offer access to the emerging economies in a way that best meets the needs of their domestic economies. This will involve extensive background analysis, but also the convening of appropriate stakeholder groups to ensure an integrated approach providing clear signals to emerging country partners. It is here that we can return to an earlier observation—formal written strategies that are not implemented effectively are much less useful than dynamic and active coalitions of local interests interacting effectively among themselves and with emerging country partners.

78. A final arena for integrated response is in regional and all-Africa forums such as SADC, ECOWAS, NEPAD and the African Union. These multi-country organizations are important for three major and related reasons. First, by aggregating African countries in the bargaining process, they help to avoid contradictory bargaining positions and wars of incentives. As has been evident for many decades in the diamonds sector, there is enormous power in cartelized bargaining. This is not just a matter of achieving the best price for Africa's resources, but also of ensuring that wider objectives can be met, such as the construction of regional infrastructural networks to provide access for non-commodity exporters. Secondly, and related to this, as observed earlier, not all African countries have extensive commodity deposits or are significant commodity producers. Their interests need to be protected by those economies that do have primary resources and markets of interest to the emerging economies. Including these marginalized economies is not just a matter of altruism for the commodity exporters. As observed earlier, intra-regional trade may be a primary area for the development of the capabilities that are required for long-term and sustainable growth so that it is in the interests of all parties—commodity exporters and non-commodity exporters alike—that these intraregional links are strengthened as a consequence of engaging with the emerging economies. A final reason why the multi-country organizations are important is that the emerging economies themselves see these as important organizations for bargaining access to Africa's resources and markets. This is most evident in the case of the Forum on China-Africa Cooperation (FOCAC), but it is relevant for other emerging economies as well (see table 9 and annex I).

10 "Chinese copper entrepreneurs flee DR Congo", *Financial Times* (19 February 2009).

B. Emerging economies, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action

79. How do the activities of the emerging economies entering Africa relate to the Paris Declaration on Aid Effectiveness of 2005 and the Accra Agenda for Action? In considering these issues, the distinctive integrated nature of some of the emerging economies' activities in Africa—particularly China, but also India—must be borne in mind, as it tightly bundles aid (the concerns of the Paris Declaration and the Accra Agenda) with trade and FDI. In this they diverge considerably from the practices instituted and promoted by traditional donors.

Paris Declaration on Aid Effectiveness

80. With the exception of India, all of the emerging economies considered in the present report were signatories to the 2005 Paris Declaration. The Declaration addressed five major issues.

81. The first was the ownership of aid inflows, that is, the need for African economies to develop strategic agendas for leading the inflow and for absorbing incoming resources effectively. The discussion in the present report of a strategic response to emerging country activities in Africa endorses this proposal, and indeed suggests that this leadership may be even more important in confronting the strategic integration of emerging country aid than in the case of aid from traditional donors. Hitherto, much of recent emerging economy aid to Africa—particularly Chinese aid—has been driven primarily by the donor's need for resources rather than from Africa's need for assistance.

82. The second agenda of the Paris Declaration was the need to align donor and recipient strategies. Included in this was the need of recipient economies to ensure transparency in the use of incoming resources and for donors to align these resources with domestic diagnostic and accounting procedures. There is little evidence that this has been the case with emerging country aid, which appears to occur in a virtual vacuum in many African countries, where agendas are often poorly articulated by recipient economies. Alignment is thus considerably weaker than it is for traditional donors.

83. Harmonization between aid donors is the third issue addressed by the Paris Declaration. Here, too, there is little evidence that emerging country aid agendas—at least those of China and India—are integrated in the wider aid programmes of other bilateral donors and the multilateral agencies. Most often, emerging country aid is announced without prior discussion with traditional donors concerning the specialization of different donors aid activities. This has also been a special problem with regard to emerging country participation in fragile States, notably in the case of the Sudan. For example, Chinese aid to Angola made it possible for Angola to refuse to comply with the demands of the Paris Declaration (Burke and Corkin, 2006). However, in 2008 there were signs that China had become increasingly aware of the problems posed to its own interests in fragile States, and hence the need to think about some of the governance issues raised by traditional donors. China has sent some peacekeeping troops to join coordinated donor efforts in the region.

84. Managing for results—improved forms of assessment, monitoring and reporting—was the fourth issue raised in the Paris Declaration. Here the relatively closed nature of much emerging economy activity in Africa has meant that while there may have been significant advances with regard to the management of their aid programmes, this has not entered the public domain as it would have had these aid programmes been more closely harmonized with those of traditional donors.

85. The final agenda item of the Paris Declaration was the call for mutual accountability. This included an explicit role for parliament in the aid giving and receiving process, as well as the inclusion of a broader range of development partners, including non-governmental organizations and civil society. Whatever the success of mutual accountability with respect to traditional donors, there is little evidence of the emerging economies engaging themselves in these processes. In fact, a distinctive feature of Chinese aid is its explicit exclusion of civil society organizations from the aid and FDI relationship.

Accra Agenda for Action

86. While recognizing progress since the 2005 Paris Declaration, the Accra Agenda seeks to speed up progress by addressing three issues.

87. The first issue is the need to strengthen recipient country ownership of aid programmes, and the second is to build more inclusive partnerships through closer involvement of parliaments, central and local governments, civil society organizations, research institutions and the private sector. The most that can realistically be hoped for in Africa's relationship with emerging economies, particularly China and India, is that central Governments develop a much sharper strategic focus, including with respect to their strategic response to the integrated agendas of emerging economy participation in their economies. It is unlikely that China will be receptive to the participation of other non-State stakeholders. However, any progress that can be made in strengthening the strategic capability of African States—either individually or as a group—will be a major advance.

88. The third element of the Accra Agenda concerns processes of ensuring results, accountability and conditionality. On the issue of results, one of the notable features of Chinese aid, but also the case for aid from other emerging economies, is that it has been highly results-oriented. Implementation has been rapid and generally effective. In part, this speedy response is a direct consequence of a donor-driven aid programme which, at best, consults mainly with recipient Governments, and shows few signs of environmental assessment audits having been undertaken. In this sense, there is perhaps an inevitable trade-off between the calls for rapid economic results and wider developmental concerns. While traditional donors grapple with these trade-offs continually, this appears to be of lesser concern to many of the emerging country donors.

C. Recommendations

89. With the exception of Turkey, none of the key emerging economies reports to, or sees itself as part of, the DAC aid consortium. Moreover, as a recent report makes clear, emerging economy aid is distinctive in other respects as well, namely, that it is almost entirely free from conditionality, and makes no pretence of

including non-governmental actors in the aid relationship (United Nations, Economic and Social Council, 2008). In this sense, the involvement of the emerging economies in Africa stands outside of the Paris Declaration and Accra Agenda for Action processes. Whatever the desirability of this, it is a reality, and the recommendations that are outlined below for the key development partners are based on this real-world position.

90. A second starting point before the recommendations for key parties are laid out is the recognition, observed in section III.C above, of the inadequacy of data on the involvement of the emerging economies in Africa—“A … main problem hindering in-depth analysis of South-South concessional financing flows is lack of accessible and comprehensive information and data”. This is highlighted in the latest OECD-DAC *Development Cooperation Report*, which states that “it is highly desirable that consistent and transparent accounting of flows from these countries is put in place as soon as possible” (United Nations, Economic and Social Council, 2008: 7).

91. Recommendations are outlined for consideration by the following key actors: African Governments; the African Union, AfDB and African regional organizations; the Africa Partnership Forum; multilateral organizations in the United Nations family, OECD-DAC and WTO; and Governments of emerging countries.

92. African Governments should:

- Monitor trade, aid and FDI interactions with emerging countries;
- Analyse strategic objectives of emerging economies, and opportunities and threats arising from their entry;
- Develop strategic focus to maximize benefits—in the words of the Paris Declaration and the Accra Agenda for Action, to exercise “ownership” over these growing interactions;
- Interact with other African Governments, AU, AfDB and regional groupings to maximize bargaining power and avoid wars of incentives.

93. Within their specific mandates, the African Union, AfDB, NEPAD and African regional organizations such as COMESA, ECOWAS and SADC should:

- Provide support for individual African Governments in the monitoring of trade, aid and FDI interactions with emerging countries;
- Coordinate strategic analysis where action is appropriate at the continental or regional level;
- Facilitate coordinated bargaining where this is appropriate to include the interests not just of commodity-exporting economies, but also non-exporting economies.

94. The African Union, AfDB and ECA should establish dialogue that provides for a coordinated review of relations with the emerging economies, and where relevant (as in the forthcoming United Nations High-level Conference on South-South Cooperation) involve other relevant multilateral organizations in this dialogue.

95. The Economic Commission for Africa should provide assistance with the compilation of relevant statistics and, through its flagship publication *Economic Report on Africa*, monitor the trajectory of aid, trade and FDI relations between Africa and the emerging country partners.

96. A specific challenge arises for AfDB in how to leverage emerging economy support for the financing and co-financing of regional infrastructure.

97. The Africa Partnership Forum should be widened to include participation by non-OECD emerging economies.

98. Multilateral organizations in the United Nations family, OECD-DAC and WTO should:

- Provide support for individual African Governments in the monitoring of trade, aid and FDI interactions with emerging countries;
- Coordinate strategic analysis where action is appropriate at the continental or regional level;
- Facilitate coordiated bargaining where it is appropriate;
- Help to build capabilities in recipient countries to develop an adequate strategic response to relations with emerging economies;
- Provide support to the World Bank's call for sovereign wealth funds to invest in the development of Africa's infrastructure.

99. Emerging country Governments should:

- Recognize that flows of finance to Africa—both development aid and FDI—will entail future repayments, and that every effort should be made to avoid Africa's entering a new realm and era of debt dependency;
- Recognize that their long-term access to Africa's natural resources depends on developing a non-exploitative relationship that provides for win-win outcomes. Thus, resource rents should be shared equitably and maximum efforts should be placed on developing downstream and upstream linkages from the resource sector.

100. Complementary investments in infrastructure, designed to facilitate access to Africa's resources, should also address the needs of the non-resource sectors of the economies, of promoting regional infrastructure and of also addressing the needs of countries with no, or poor, resources.

101. Market access should be provided for the preferential entry of African products into their markets. However, given poor production capabilities in Africa, complementary assistance is required to assist in the building of effective production capabilities, particularly in local firms and small and medium enterprises.

102. Tolerance should be displayed when African Governments seek special and differential treatment in third-country markets.

103. Every attempt should be made to include African firms and farms in their global value chains producing for global product markets.

104. In the absence of participation in the Accra Agenda for Action, attention should be given to addressing some of its principles, not least the objective of ensuring country ownership of aid inflows and addressing the needs of transparency and legitimacy to prevent corruption and the misuse of aid.

Annex I
Country profiles

A. Brazil

1. Brazil is reaching out to its immediate neighbours in Latin America and to the developing countries in general as it defines its place in the global arena. Its foreign policy objectives provide for growing opportunities for South-South cooperation. In both economic and political circles, Brazil is seeking to expand its influence, from ambitions to head the World Trade Organization to securing a permanent seat on the United Nations Security Council. The votes of the African countries are important in this regard, and accordingly Brazil is seeking to expand its diplomatic and economic relations with its African counterparts.

Box A.1
Brazil—opportunities for Africa

Brazil and Africa share many common characteristics. Both are exporters of primary materials, both have large tracts of land, and they also share common problems (e.g., HIV/AIDS).

Brazil "lacks a strategy for Africa". Similarly, there are few signs of a coordinated approach towards Brazil from any individual African countries, or from groups of African countries, with the exception of South Africa which actively cultivates its links with Brazil through a loosely defined consortium comprising Brazil, the Russian Federation, India and China (BRIC) in global political arenas and the IBSA development initiative comprising India, Brazil and South Africa.

Brazil's interest in Africa reflects its needs for energy (although in recent years Brazil has discovered significant oil deposits of its own) and commodities, and to some extent a market for its technology and exports. Brazil also sees Africa as a major partner in its desire to increase its influence in global economic and political forums.

Trade. The major opportunities for Africa in trade are in regard to a market for commodities. However, value added in commodity exports to Brazil has fallen, and only South Africa shows signs of exporting a wider range of products to Brazil. There is thus scope for export diversification. On the import side, Africa has the capacity to benefit from Brazilian expertise in biofuels and pharmaceutical products (including AIDS-related products and services). For food-deficit African countries, Brazil may also be a source of animal feeds.

FDI. In mining and construction, Africa has many opportunities to gain from the expertise and market access provided by large Brazilian commodities firms, particularly in iron ore. Brazilian firms also have expertise in infrastructure, although (as in Angola) they find it hard to compete with Chinese firms.

Aid. There are many opportunities for African economies to benefit from Brazilian assistance in health care, in agriculture, especially in the biofuels sector, and in low-cost technology.

1. Trade

2. From a position of balanced trade in the 1990s, Brazil had moved into a trade deficit in the 2000s. In 1995, Brazil's exports to Africa totalled US$ 1.6 billion, but began to rise rapidly after 2003, to reach $8.3 billion by 2007. Imports accelerated in 2003, moving from $3.2 billion in 2000 to $11.4 billion by 2007. As a result, the trade deficit with Africa increased from $1.9 billion in 2000 to $3.05 billion in 2007 (see figure A.1).

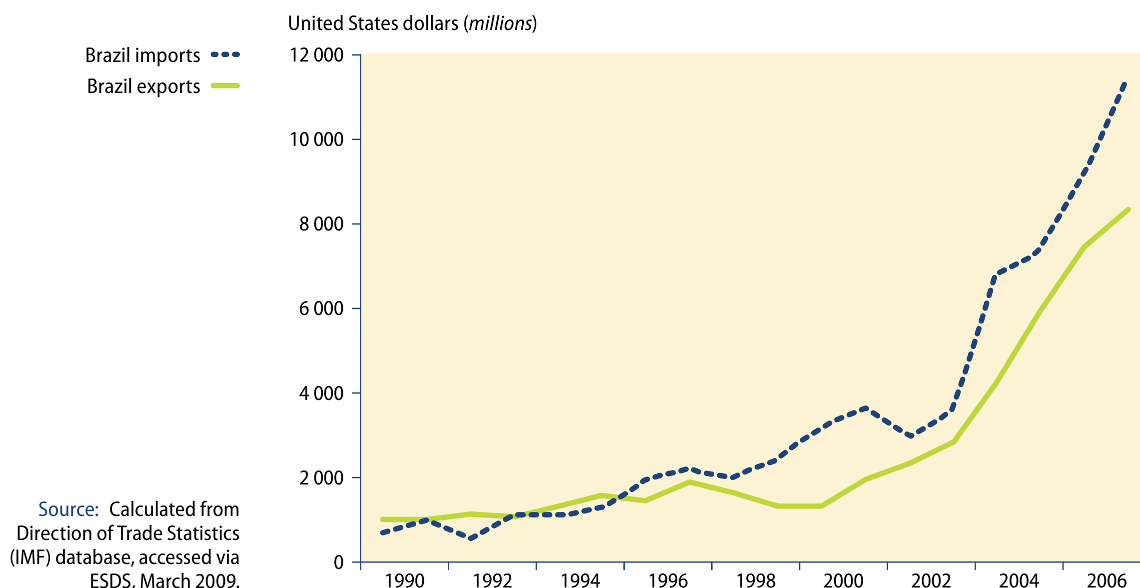
3. Brazil's trade with Africa is concentrated on a handful of countries (see table A.1). Four countries dominate in both its imports and exports—South Africa, Nigeria, Angola and Algeria. Nigeria and Algeria together account for 71 per cent of Brazilian imports from Africa. Nigeria's share as importer has been increasing from 25 per cent in 2000 to 47 per cent by 2007.

4. Brazil's exports to Africa are agricultural materials (mainly sugar and meat products), accounting for 34 per cent of exports in 2006 (see table A.2). Parts and accessories of motor vehicles accounted for 5 per cent of exports to Africa in 2006, mainly to South Africa. Refined petroleum products (9 per cent) and iron ore concentrates (5 per cent) were the other major products.

5. The import category is dominated by petroleum products, imports of which from Nigeria and Algeria together were valued at $0.46 billion in 2006. As table A.3 indicates, the share of processed petroleum products has decreased significantly over the past decade, while that of crude oil has increased.

6. The largest component of Brazilian exports has remained resource-based commodities (49 per cent). These are led by sugar and honey, followed by refined petroleum products and iron ore concentrates. The share of medium-technology products has increased in the past decade, largely made up by inputs

Figure A.1
Brazil's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

Table A.1
Percentage share of Brazil's top five African export and import partners, 2007

Exports		Imports	
South Africa	19	Nigeria	47
Nigeria	19	Algeria	24
Egypt	18	Angola	6
Angola	11	South Africa	5
Algeria	7	Libyan Arab Jamahiriya	5

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

for tractors and motor vehicles, and motor vehicles themselves. On the import side, primary and resource-based sectors account for almost all of Brazil's imports from Africa (94 per cent).

2. Foreign direct investment

7. Brazil's total FDI flows increased from $624 million in 1990 to $2.28 billion in 2000, rising further to $28 billion by 2006 (UNCTAD, 2007a). FDI flows from Brazil to Africa are concentrated in the few multinational corporations associated with mining. Petrobas S.A. invested $1.9 billion in Nigeria in coal, oil and natural gas sectors in 2005, and in 2007 made further investments in the alternative energy sector. The other major investor in 2007 was Companhia Vale do Rio Doce, in the coal, oil and natural gas sector in Mozambique, valued at around $700 million.

8. Following the mining companies are other Brazilian firms investing in the non-mining sectors. For example, in Angola, Brazilian companies are exploring the telecommunications equipment as well as urban transport and the wood/

Table A.2
Percentage share of Brazil's top five exports to Africa, 1995-2006

Product name	1995	2000	2006
Sugar and honey	44	23	23
Meat and edible meat offal, fresh, chilled or frozen	0	3	11
Petroleum products, refined	2	2	9
Iron ore and concentrates	4	9	5
Parts and accessories of motor vehicles and tractors	3	4	5

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table A.3
Percentage share of Brazil's top five imports from Africa, 1995-2006

Product name	1995	2000	2006
Crude petroleum and oils obtained from bituminous minerals	6	22	80
Petroleum products, refined	50	50	8
Fertilizers, manufactured	1	2	3
Gas, natural and manufactured	6	11	1
Inorganic chemical elements, oxides and halogen salts	2	1	1

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

timber sector. Brazilian firms were awarded a $150 million water supply project in 2003. In Mozambique, the agriculture, livestock and forestry sectors are also attracting interest from Brazilian firms.

9. As many other investors head to Africa in search of oil and mineral resources, the infrastructure sector has taken on renewed importance. Increasing incomes in urban centres are opening up construction opportunities for FDI. Odebrecht, a Brazilian firm, has projects (ongoing and concluded) in seven African countries, namely Angola, Botswana, the Congo, Djibouti, Gabon, Mozambique and South Africa.

3. Aid

10. Brazil's major focus of technical cooperation and development assistance is directed at South American countries, which received over half of the total aid budget. But aid to Africa, particularly lusophone Africa, features strongly.

11. Since the mid-1970s, Brazil's efforts have been concentrated on the Portuguese-speaking countries in Africa, namely Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome and Principe. Coincidentally, most of these economies are oil exporters, or have the potential to become oil exporters. Lusophone Africa received 34 per cent of total aid in 2003 (Schläger, 2007). Angola (45 per cent of African aid) and Sao Tome and Principe (32 per cent of African aid) were the major beneficiaries. Of the 54 bilateral projects initiated by the Agência Brasileira de Cooperação (the main monitoring body of technical cooperation projects and programmes) in 2005, 35 were located in these countries. Between 2000 and 2005, Brazil's debt cancellation under the HIPC initiative for African countries assisted Mozambique ($369 million), the United Republic of Tanzania ($10 million), Mauritania ($9 million) and Guinea-Bissau ($5 million) (Schläger, 2007).

12. In 2003, Brazil agreed with Mozambique and Namibia to plan for the manufacture of generic antiretroviral drugs, building from its own experience and success in the area. Table A.4 lists some of the recent development assistance programmes in Africa.

4. Integration of vectors

13. There are few signs of integrated trade, FDI and aid activities in Brazil's links with Africa. The major feature of these links is that imports are dominated by oil, exports by market access, FDI by opportunities in commodities and infrastructure, and aid by cultural ties. Countries receiving the majority of aid are not the same as those receiving FDI, nor are there commonalities between major trade and FDI partners.

14. Firms in resource-based African economies can look towards establishing FDI and business ventures with their Brazilian counterparts. Brazil's economic growth is linked to its own natural resources, and it shares the advantages of the commodity boom with many of the resource-rich African countries. Although oil and petroleum products are the largest African exports, metal and mineral ores and concentrates are a close second. Brazil has experience in being a commodity-dependent economy, and African partners can gain from these experiences.

Table A.4
Brazil's development assistance to Africa (various years) (*United States dollars*)

Country	Brazilian assistance	Amount
Angola	• Vocational training centres for ex-combatants • Local agricultural research institute • Institute to Fight AIDS—through the Angolan Ministry of Health with assistance from Brazilian technicians and doctors • Regional centre for business development • Programme for Export Financing	 750 million total up to 2006
Botswana	• HIV/AIDS	
Burkina Faso	• HIV/AIDS	
Burundi	• HIV/AIDS	
Cape Verde	• HIV/AIDS	
Equatorial Guinea	• HIV/AIDS	
Ghana	• Agricultural technology and know-how transfer • Emergency thermal energy plant	
Guinea-Bissau	• Vocational training centres for ex-combatants • Agricultural technology and know-how transfer • HIV/AIDS • Humanitarian assistance • Debt cancellation	 120,170 5 million
Mauritania	• Debt cancellation	9 million
Mozambique	• Vocational training centres for ex-combatants • Local agricultural research institute • HIV/AIDS • Regional centre for public administration • Creation of pharmaceutical plants to manufacture generic antiretroviral medicines • 95 per cent debt relief from Brazil • Humanitarian assistance	 369 million 120,170
Namibia	• Agricultural technology and know-how transfer • Creation of pharmaceutical plants to manufacture generic antiretroviral medicines • Training of marine and air force personnel	
Sao Tome and Principe	• Agricultural technical cooperation (research institutes and farming techniques) • HIV/AIDS	
Senegal	• Agricultural support (airplane to spray deterrent during the locust invasion)	
South Africa	• Cooperation in the development of air-to-air missile technology	52 million
United Republic of Tanzania	• Debt cancellation	10 million
Unspecified	• Transfer of "biodiesel" technology • "Bolsa-Escola" programme • Global Fund to Fight HIV/AIDS, Malaria and Tuberculosis	

Source: Own compilation from Schläger (2007), Harsch (2004) and Zanin and Sorbara (2007).

15. Efforts also need to be made to offer a coherent forum for Africa to discuss business and trade relations with Brazil. In 2008, the Commonwealth Business Council, with UNCTAD, organized the Africa Americas Asia Business Summit in Mauritius (formerly known as the China-India-Brazil-Africa conference). Other efforts include an Africa–South America Summit, held in Nairobi in 2006, with the objective of increasing cooperation between the two regions. Further to this Summit, an Africa–South America Cooperative Forum was set up, with

Brazil and Nigeria set to coordinate its activities. The second summit was to be held in the Bolivarian Republic of Venezuela in 2009.

16. The non-resource-rich economies also have much to gain from increased relations with Brazil. The technical corporation and assistance provided to some African countries often involve agricultural projects. Brazil is also one of the leading countries in biofuel research, and is already providing assistance to some African countries in technology transfer. Efforts to increase such technical cooperation would be of benefit for African nations facing rising fuel costs.

B. China

17. Of the seven emerging economies considered in the present annex, China engages with the greatest number of countries in Africa, often funding investment in regions that are considered politically risky by others. In terms of both trade and FDI, China's main endeavours have been in the oil and mineral sectors and in infrastructure. But the range of activities is growing rapidly, including small-scale businesses such as trading, restaurants, beauty salons and Chinese medicine centres. China's assistance to the continent has taken several shapes and forms, from health and education projects to the construction of official buildings, stadiums and roads. Trade is dominated by oil imports for China, and low- to medium-technology exports to Africa.

18. There has been significant strategic integration by China in its approach to the African continent. FDI and aid have been concentrated in economies that either have large oil and commodity sectors (Angola, Nigeria and South Africa) or offer potential as raw material suppliers in the future (Democratic Republic of the Congo). In these and other African economies, aid and FDI are closely integrated, making it difficult to disentangle these two vectors as separate realms of activity.

19. China's strategic participation in Africa is to some extent coordinated by the central Government in Beijing, particularly with regard to trade, aid and FDI credits. However, the drivers of active economic participation in Africa are often the provincial governments in China, with their linked State-owned enterprises.

20. A distinctive feature of China's presence in Africa is its reluctance to exert pressure on African Governments with regard to patterns of governance (refusal to participate in the Paris Club transparency initiative in Angola), internal politics (Darfur and Zimbabwe) or process standards in production (ethical trade, environmental standards). However, there are signs that this hands-off approach is changing, with China providing an increasing number of peacekeeping troops in Africa. China is also very sensitive to criticism of its profile in Africa; to some extent this was reflected in its recent aid-FDI-trade venture in the Democratic Republic of the Congo, which answers some of the criticisms made of its approach towards exploiting Africa's abundant resources.

21. China has initiated a number of forums to enhance China-Africa relationships. The largest of these was the Forum on China-Africa Cooperation (FOCAC). The first ministerial meeting for the Forum was held in Beijing in 2000, followed by the second in Addis Ababa in 2003. The third forum, held in

2006, also referred to as the China-Africa Summit, was widely seen as China's attempt to shift up gears in its engagement with Africa.

22. Non-resource-rich countries also have opportunities to gain from engagement with Africa. The spread of Chinese FDI has become more dispersed in 2005 as compared to 1990. Assistance projects cover a wide range of countries, including the non-mineral economies. Fabric and telecommunications equipment are some of the largest Chinese exports to the continent and can be a source of expansion of light manufacturing and the services sector. Apart from minerals and oil, China also imports cotton from Africa, which can help the agricultural sector to gain from trade. From 1979 to 2000, China invested in 22 agriculture projects at a combined value of $48 million. The challenge therefore is to build on these mineral and agricultural sectors and improve value addition for exports.

23. Of the emerging economies, China has the most resources at its disposal and is actively seeking markets and opportunities for engagement. Africa provides such a base, and well-designed policies can help both regions gain from the experience.

1. Trade

24. China's exports to Africa increased from $2.4 billion in 1995 to $36.7 billion in 2007. Imports also saw a significant rise from $1.4 billion to $36.1 billion over the same period. China's $1 billion trade surplus with Africa in 1995 changed to a trade deficit of around $2.7 billion in 2005, moving back to a surplus of $0.58 billion in 2007. Trade grew rapidly after 2001, as China increasingly ran out of its own natural resources.

25. In 2007 China's largest export destination within Africa was South Africa (20 per cent), followed by Egypt (12 per cent) and Nigeria (10 per cent). However,

Box B.1
China—opportunities for Africa

Perhaps more than any other external actor in Africa, China's approach to the continent reflects the strategic integration of trade, FDI and aid. This is driven by two major objectives:

- The need for resources to fuel China's sustained growth;
- The need for political support as China seeks to enhance its global profile in economic and political forums.

Trade. A large market for resource exports from Africa, China is a source of cheap consumption and intermediate goods, and cheap and appropriate capital goods; potential for growth in the agricultural sectors.

FDI. Hitherto, most Chinese FDI has been large projects in the oil and minerals sectors. This is changing rapidly and there are increasing FDI flows to Africa in manufacturing and services.

Aid. China offers abundant aid to Africa, often bundled with FDI in order to secure long-term access to materials. This aid takes a variety of forms, including finance, concessional market entry, funds and technology for infrastructure, technical assistance and training.

Integration. China has developed a "strategy for Africa". There is little sign of Africa's responding with a "strategy for China" at the national, regional or continental level.

both South Africa and Egypt have been losing share in Chinese exports, decreasing from 26 to 20 per cent and 18 to 12 per cent, respectively, over 1995-2007. Algeria and Nigeria, on the other hand, have been increasing their share of Chinese exports, rising from 2 to 7 per cent and 6 to 10 per cent, respectively, over 1995 to 2007.

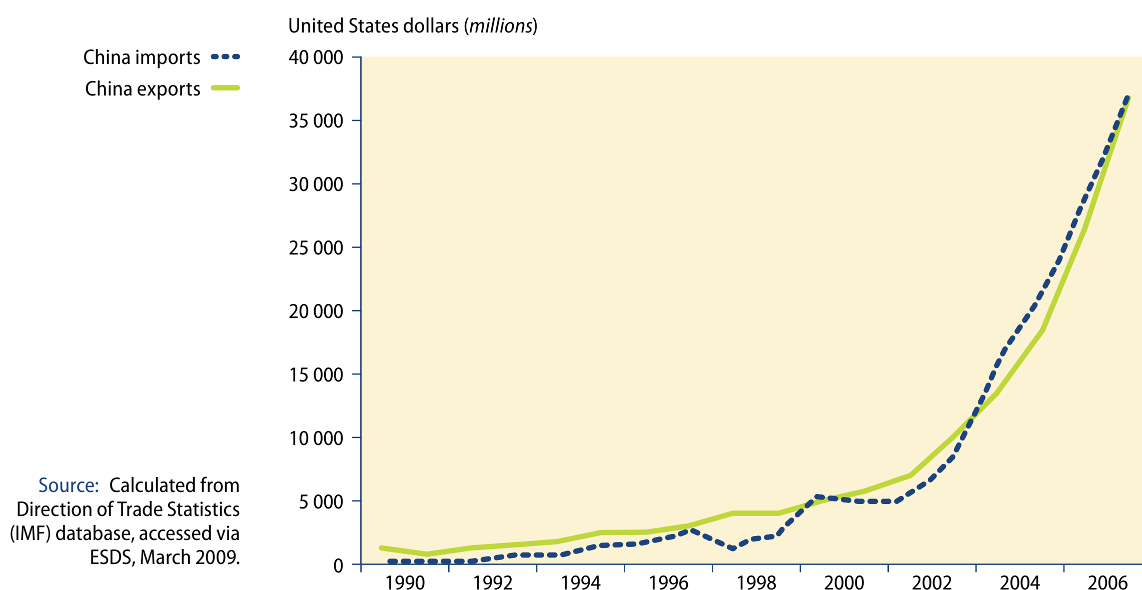
26. With regard to China's imports, Angola is emerging as the substantial partner for African exports to China, increasing its share from 10 per cent in 1995 to 33 per cent in 2007. South Africa, on the other hand, has lost substantial share, falling from 49 per cent in 1995 to just 19 per cent by 2007. The Sudan (13 per cent), the Congo (8 per cent) and Equatorial Guinea (6 per cent) are all emerging exporters to China.

27. China's exports to Africa are fairly diverse products, as table B.2 shows. The top five products account for only 22 per cent of its total exports to Africa. Telecommunications equipment (6 per cent), cotton fabric and garments (13 per cent) were the major top Chinese exports in 2006. The fabrics and apparel exports are related to the use of African countries as a base to produce for the United States under the AGOA preferential treatment.

28. By contrast, China's imports from Africa are much more concentrated by product (see table B.3). Oil is the largest import from Africa, rising from 22 per cent in 1995 to 78 per cent by 2006. Ores and concentrates of base metals are the second largest and, although their share has decreased from 11 per cent in 1995 to just 5 per cent in 2006, their value has increased from \$0.12 billion to \$1.28 billion over the same time.

29. In 1995, most of the Chinese exports to Africa were in the low-technology (47 per cent) and medium-technology sectors (26 per cent). By 2006, high-technology products were taking a larger share of the exports (16 per cent) as

Figure B.1
China's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

Table B.1
Percentage share of China's top five African export and import partners, 2007

Exports		Imports	
South Africa	20	Angola	33
Egypt	12	South Africa	19
Nigeria	10	Sudan	13
Algeria	7	Congo	8
Morocco	6	Equatorial Guinea	6

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

well as an increase in the medium-technology products (33 per cent). Low-technology products lost share and now account for 39 per cent of Chinese exports to the continent.

30. On the import side, China's imports from Africa were biased towards the primary (42 per cent) and resource-based (39 per cent) sectors in 1995. Over time, this bias has been accentuated, with these two categories accounting for 96 per cent of total imports in 2006. China has granted Generalized System of Preferences status to African exports, although it remains unclear how this will affect processed goods. As can be seen from table B.4, Chinese tariffs on African products are a little below its tariffs on global imports. It is significant that tariffs on ores and metal imports are considerably below those on manufactures and agricultural products. And although there has been a large increase in the number of product lines imports from Africa that are free from tariffs—the much-trumpeted "special concession to Africa"—this increase in tariff-free product lines is reflected in China's total trade. In fact, in the manufacturing sectors, the number of dutiable trade lines on African exports increased sharply between 2000 and 2007.

Table B.2
Percentage share of China's top five exports to Africa, 1995-2006

	1995	2000	2006
Telecommunications equipment, parts and accessories	1	1	6
Cotton fabrics, woven	10	6	5
Fabrics, woven, of man-made fibres	3	7	4
Outerwear, knitted or crocheted	1	3	4
Motor vehicle parts and accessories	2	2	3

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table B.3
Percentage share of China's top five imports from Africa, 1995-2006

	1995	2000	2006
Crude petroleum and oils obtained from bituminous minerals	22	68	74
Ores and concentrates of base metal	11	2	5
Iron ore and concentrates	11	4	3
Pearl, precious and semi-precious stones, unworked or worked	4	3	3
Cotton	14	0	3

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table B.4

China's average tariff rate and number of tariff lines for the world and sub-Saharan Africa, 2000-2007

	Simple average tariff rate		Number of free lines		Number of dutiable lines		Number of total lines	
Trade year	World	Sub-Saharan Africa	World	Sub-Saharan Africa	World	Sub-Saharan Africa	World	Sub-Saharan Africa
Total trade								
2000	17.0	15.2	160	45	6 852	1 373	7 012	1 418
2007	10.0	9.2	500	257	6 582	1 856	7 129	2 114
Agricultural materials								
2000	23.5	22.2	85	17	1 128	270	1 213	287
2007	14.0	12.6	162	63	1 163	315	1 332	379
Manufactures								
2000	16.5	14.9	31	14	5 396	998	5 427	1 012
2007	9.6	9.2	269	152	5 090	1 447	5 399	1 599
Ores and metals								
2000	5.3	4.8	40	14	269	79	309	93
2007	3.7	2.9	60	40	269	83	329	123

Source: Data from UNCTAD Trains database, accessed via WITS, July 2008.

2. Foreign direct investment

31. As China began to emerge in the international global scene, its outward FDI flows remained small, equivalent to just $916 million in 2000, not much higher than the $830 million in 1990.[a] However, after 2000, FDI outflows have been rising, reaching $17.8 billion in 2006. The flows are expected to continue to increase, and reach an impressive $72 billion by 2011 (EIU, 2007).

32. UNCTAD estimates that China's FDI in Africa has been increasing, rising from just $1.5 million in 1991 to $60.8 million by 2003. Besada, Wang and Whalley (2008), using various sources, estimated Chinese FDI flows into Africa to be just above $500 million in 2006, rising from $400 million in 2005.

33. In 1995, Africa's share of China's FDI outflows was 0.89 per cent, rising to 9.28 per cent in 2000. But the continent's importance has continued to fluctuate since then. Cheng and Ma (2007) estimate that Africa's share in Chinese FDI flows rose from 2.6 per cent in 2003 to 5.8 per cent in 2004, falling back to 3.2 per cent in 2005. The large recent investment in the Democratic Republic of the Congo, as well as in other African countries, is likely to increase both the absolute magnitude of FDI flows to Africa and Africa's share in total outward Chinese FDI.

34. In 2005, Chinese FDI stock in 48 African countries reached a value of $1.6 billion (see table B.6). Although China's FDI in Africa is geographically dispersed, five countries (the Sudan, Algeria, Zambia, Nigeria and South Africa) accounted for 56 per cent of the FDI stock in 2005.

35. China's investment in Africa is fairly well divided over different sectors. Between 1979 and 2000, 46 per cent of investment was in the manufacturing sec-

a The reporting mechanism for FDI may also have also changed after 2000, and therefore may account for change in reported figures.

Table B.5

China's foreign direct investment flows to Africa, 1991-2003
(*millions of United States dollars*)

Year	Total	Africa	Percentage share
1991	913	1.5	0.16
1992	4 000	7.7	0.19
1993	4 400	14.5	0.33
1994	2 000	28.0	1.40
1995	2 000	17.7	0.89
1996	2 114	...	...
1997	2 563	...	...
1998	2 634	...	...
1999	1 774	42.3	2.38
2000	916	85.0	9.28
2001	6 885	24.5	0.36
2002	2 518	30.1	1.20
2003	2 855	60.8	2.13

Source: UNCTAD (2007).

Table B.6

Distribution of China's outward foreign direct investment stock in Africa, 1990 and 2005 (*percentage*)

Country	1990	Country	2005
Zaire	18	Sudan	22
Nigeria	15	Algeria	11
Mauritius	14	Zambia	10
Guinea-Bissau	9	South Africa	7
Zambia	7	Nigeria	6
Gabon	6	United Republic of Tanzania	4
Rwanda	6	Kenya	4
Zimbabwe	6	Madagascar	3
Egypt	4	Guinea	3
United Republic of Tanzania	4	Zimbabwe	3
Madagascar	4	Others	27
Central African Republic	3		
Sierra Leone	2		
Libyan Arab Jamahiriya	2		

Source: UNCTAD (2007).

tor, textiles being the main category. Much of this manufacturing investment was in the clothing sector, taking advantage of Africa's preferential access to United States markets under the AGOA scheme. Services, mainly construction, accounted for 18 per cent of the FDI inflows, with resource extraction accounting for 28 per cent (UNCTAD, 2007b). This is a dynamic picture, however, and in 2007 the State-owned Industrial and Commercial Bank of China invested $5.4 billion to acquire a 20 per cent stake in Standard Bank, a South Africa–based bank with extensive operations across the continent.[b]

b See http://www.moneymorning.com/2007/12/04/china-drills-into-africa-with-54-billion-investment/.

36. China's FDI in oil and gas exploration has been in Nigeria, Angola, Equatorial Guinea, the Sudan and Gabon. Investments worth $757 million in Sudanese oil and $2.7 billion in Nigerian oilfields have been made in the past few years by China.

37. The first Sino-African Business Conference, held in 2003 in Ethiopia, resulted in agreements on 20 projects with a total value of $680 million. The centre provides business consultation services, special funds and simplified approval procedures. Today, about 700 Chinese enterprises are operating in Africa. China established three of its first eight overseas economic and trade cooperation zones in Africa: Nigeria, Mauritius and Zambia (UNCTAD, 2007). A further $5 billion was made available under the China-Africa Development Fund to assist with development and investment-related work in Africa.

3. Aid

38. China has extensive foreign economic cooperation programmes in Africa. The total value of these projects exceeds Chinese FDI flows into Africa; $18 billion has been invested in project finance from 2000 to 2006. These projects are more concentrated than Chinese FDI flows (the Sudan, 19 per cent; Algeria, 15 per cent; and Nigeria, 11 per cent), representing overseas projects financed by its Government through the foreign cooperation programme, but also include civil engineering projects financed by foreign investors.

39. Chinese assistance to Africa is coordinated by the State Council and three main ministries: Finance; Commerce; and Foreign Affairs. Other institutions, such as the Export-Import Bank of China (EXIM Bank) and Chinese embassies in African countries, also assist in finding and funding projects. EXIM Bank is key to the major infrastructural investments in Africa, providing a large fund for projects in Africa, but for which only pre-qualified Chinese firms can bid.

40. Between 2007 and 2009, FOCAC aimed to provide preferential loans of $3 billion and trade credits of $2 billion. FOCAC also promised to double aid to Africa by 2009. The China-Africa Development Fund, amounting to $5 billion, has also been established to support Chinese firms investing in Africa. In 2006, FOCAC also announced the establishment of three to five special economic zones for focused Chinese investment in Africa. The zones are being set up in Zambia, Mauritius, Nigeria, Egypt and, possibly, the United Republic of Tanzania.

41. Other financial assistance includes debt cancellation, usually taking the form of loans being turned into grants. Between 2000 and 2003, an estimated $1.27 billion to $1.38 billion was converted to grants. In 2005, a further commitment to reduce debts by $1.3 billion was made. Broadman (2008) reports that concessional loans to Africa reached $800 million in 2005, covering 55 projects in 22 countries.

42. Between 1949 and 2006, Chinese aid to Africa was around $5.6 billion. Some of this aid takes the form of small or medium projects, such as an $8.6 million loan to construct administration buildings in Burkina Faso. Agricultural projects are also a favoured form of assistance, with projects being funded in the Niger, Nigeria, Uganda and Rwanda, among others. Sugar refineries, paper mills, grain mills, forestry and irrigation have been common themes in projects (Bräutigam, 1998). A number of projects related to health, education, agriculture and sports are also

supported in Africa. Table B.7 lists some of the projects carried out with financial assistance from the Chinese EXIM Bank and the China-Africa Development Fund.

4. Integration of vectors

43. China has a clearly developed strategic approach towards Africa, involving multiple parties on the Chinese side. Aid and FDI are coordinated so closely that it is not clear what components of interaction with African countries can be classified as aid or FDI. The strategic objectives are twofold—to obtain long-term access to Africa's abundant resources (oil and minerals) and to obtain Africa's support in the global arena. Chinese aid to Africa is free of conditionality (subject to a proviso that recipient countries do not recognize Taiwan), although there have been recent signs that it is more willing to consider the quality of internal governance in some African countries (for example, providing peacekeeping forces, gentle pressure on the Sudan with regard to Darfur). Insecurity in many parts of Africa is both a problem for Chinese operations and an opportunity. The opportunities are perhaps more evident, since it is the very insecurity of oil and mineral extraction in Africa (the Sudan, Nigeria and the Democratic Republic of the Congo) that provides the space for Chinese firms to enhance their presence.

44. There have been a wide range of forums designed to strengthen China-Africa relationships. The largest of these was FOCAC. The first ministerial meeting for the Forum was held in Beijing in 2000, followed by the second in Addis Ababa in 2003. The third forum was held in 2006, also referred to as the China-Africa Summit, which was widely seen as China's attempt to shift up gears in its engagement with Africa.

Table B.7

Major projects in Africa with assistance from China's EXIM Bank and China-Africa Development Fund
(*millions of United States dollars*)

Year	Country	Main project	Amount	Type of funding	Financier
2000	Congo	Cement	24.15	Concessional loan	EXIM
2000	Democratic Republic of the Congo	Telecommunications	9.66	Concessional loan	EXIM
2000	Mali	Cement	18.12	Concessional loan	EXIM
2000	Mauritius	Sewage	18.12	Concessional loan	EXIM
2001	Sudan	Power	110	Loan	EXIM
2001	Zimbabwe	Infrastructure	7.45	Concessional loan	EXIM
2002	Mauritius	Housing dam	12.07	Concessional loan	EXIM
2002	Morocco	Infrastructure	6.03	Concessional loan	EXIM
2002	Sudan	Power	150	Loan	EXIM
2003	Congo	Dam infrastructure	280	Concessional loan	EXIM
2003	Djibouti	Telecommunications	12	Concessional loan	EXIM
2003	Ethiopia	Dam infrastructure	224 (total)	Loan	EXIM
2003	Zambia	Infrastructure	600	Concessional loan	EXIM
2004	Angola	Transport infrastructure	2 000	Credit line	EXIM
2004	Botswana	Housing	24.13	Concessional loan	EXIM
2004	Sudan	Dam infrastructure	1 800	Loan	EXIM
2004	Togo	—	—	Concessional loan	EXIM
2004	Tunisia	Telecommunications	16.89	Concessional loan	EXIM

Table B.7

Major projects in Africa with assistance from China's EXIM Bank and China Africa Development Fund
(*millions of United States dollars*) (*continued*)

Year	Country	Main project	Amount	Type of funding	Financier
2005	Angola	Energy	1 000-3 000	Loan	EXIM
2005	Botswana	Road	18.29	Concessional loan	EXIM
2005	Egypt	Plant repair and conference repair	16.3 and 20	Soft loans	EXIM
2005	Egypt	Textiles	15.85	Concessional loan	EXIM
2005	Kenya	—	—	Concessional loan	EXIM
2005/06	Mozambique	Dam and plant infrastructure	2 300	Loan	EXIM
2005/06	Mozambique	Dam infrastructure	300	Loan	EXIM
2005	Namibia	Transport	204 million Namibian $	Loan	EXIM
2005	Togo	—	—	Concessional loan	EXIM
2006	Benin	Economic and technological cooperation	—	Concessional loan	EXIM
2006	Cameroon	Military	1 100	Material assistance	EXIM
2006	Democratic Republic of the Congo	—	—	Concessional loan	EXIM
2006	Eritrea	Telecommunications	20.8	Concessional loan	EXIM
2006	Kenya	Electricity	20.17	Concessional loan	EXIM
2006	Kenya	Telecommunications	29.94	Concessional loan	EXIM
2006	Nigeria	Dam and power infrastructure	2 500	Loan	EXIM
2006	Tunisia	Telecommunications	6.26	Concessional loan	EXIM
2006	Zambia	Tanzania-Zambia Railway	—	Concessional loan	EXIM
2006	Zimbabwe	Agricultural equipment	25.06	Loan	EXIM
2007	Angola	Safe drinking water project	230	Concessional loan	EXIM
2007	Democratic Republic of the Congo	Infrastructure and mining	8 500	Loan	EXIM
2007	Eritrea	Mining	60	Loan	EXIM
2007	Eritrea	Cement	45.28	Concessional loan	EXIM
2007	Ethiopia	Hydropower/irrigation and expansion of cement factory	208	Concessional loan	EXIM
2007	Ghana	Dam infrastructure	292 (total committed over 600)	Export credits	EXIM
2007	Ghana	Power	137.2 (total cost)		China-Africa Development Fund
2007	Mozambique	Infrastructure	40	Soft loan	EXIM
2007	Namibia	Electronics	1 billion Namibian $	Concessional loan	EXIM
2007	Nigeria	Communications and education programme	100	Loan	EXIM
2007	Uganda	ICT backbone	106	Loan	EXIM
2007	Zambia	Plant infrastructure	206.55	Loan	EXIM
2007	Zimbabwe	Agriculture	200	Buyer's credit	EXIM
2008	Democratic Republic of the Congo	Fiber optic	33.6	Preferential loan	EXIM
2008	Ethiopia	Glass factory	Part of a $90 million contribution to projects in 3 African countries		China-Africa Development Fund
2008	Zimbabwe	Mining	Part of a $90 million contribution to projects in 3 African countries		China-Africa Development Fund

Source: Davies, Edinger, Tay and Naidu (2008).

45. In its engagement with Africa, China has used the three vectors of aid, trade and FDI effectively to establish relationships with Governments. Chinese firms, aided by funding from the State, especially when they are investing in aid-recipient countries, are just one example of how China effects relations using two vectors simultaneously.

C. India

46. India's presence in Africa is distinctively different from that of its giant Asian neighbour. On the one hand, India's presence in Africa has been built on an active diaspora community, particularly in East Africa, and the Indian Government has utilized this historical relationship to engage with Africa. On the other hand, it is only recently that India has begun to wake up to the impending shortage of many key minerals and to the energy that it requires for its sustained future economic progress.

47. It is one of the few countries in our case studies that have a coherent, focused strategy for key States in Africa. Financial assistance is often coupled with FDI, trade agreements, accessing markets and securing energy supplies.

48. In 2003, the Indian Government unveiled the Indian Development Assistance Scheme. In seeking engagement with other developing companies, the promotion of Indian exports and strategic interests was given a priority. Development assistance would therefore be linked to the opening of new markets, and lines of credit would be extended where products from India are being used in the projects. India does still pursue "tied" aid, not tied to political or governance conditionality such as democracy or transparency, but tied to other FDI and trade vectors.

Box C.1
India—opportunities for Africa

By comparison with China, India has reacted late to the resource potential of Africa and its role as a market for Indian products. In recent years this has been rectified, and India is now developing a concerted programme towards Africa, but concentrating on those countries with which it has clearly identifiable bilateral interests. This has led to a change in focus of India's relations with Africa, away from a historic link with East Africa (with its Indian diaspora) towards West Africa and the Sudan. It is now striving to integrate activities in the three vectors of trade, FDI and aid. This provides Africa with the opportunity to respond in kind, with its own focused and strategic integration of activities in these three vectors.

Trade. India is a source of demand for African products, particularly for oil and minerals, but also for some agricultural commodities such as nuts and fruit. India has the capacity to provide important inputs for Africa, including capital goods, low-price consumer goods and business services. Low-cost pharmaceuticals, perhaps linked to incoming Indian FDI, represent a particular trading opportunity.

FDI. Indian firms have the capacity to assist Africa in the commodities sector, in agriculture and in the pharmaceuticals and telecommunications sectors.

Aid. Indian aid, linked to incoming FDI, might contribute to enhancing infrastructure, to developing mineral and oil deposits and particularly to health and pharmaceutical sectors. Technical assistance and training are also key areas for Indian technical assistance.

1. Trade

49. India's exports to Africa rose from $1.4 billion in 1995 to $10 billion by 2007. In 1995, imports stood at $1.7 billion, rising to $4.23 billion by 2007. India moved from a trade deficit to a trade surplus in 2003 and has expanded that surplus to $5.8 billion by 2007. India's exports to Africa grew during the 1990s, but its imports from Africa only expanded rapidly after 2001 (see figure C.1).

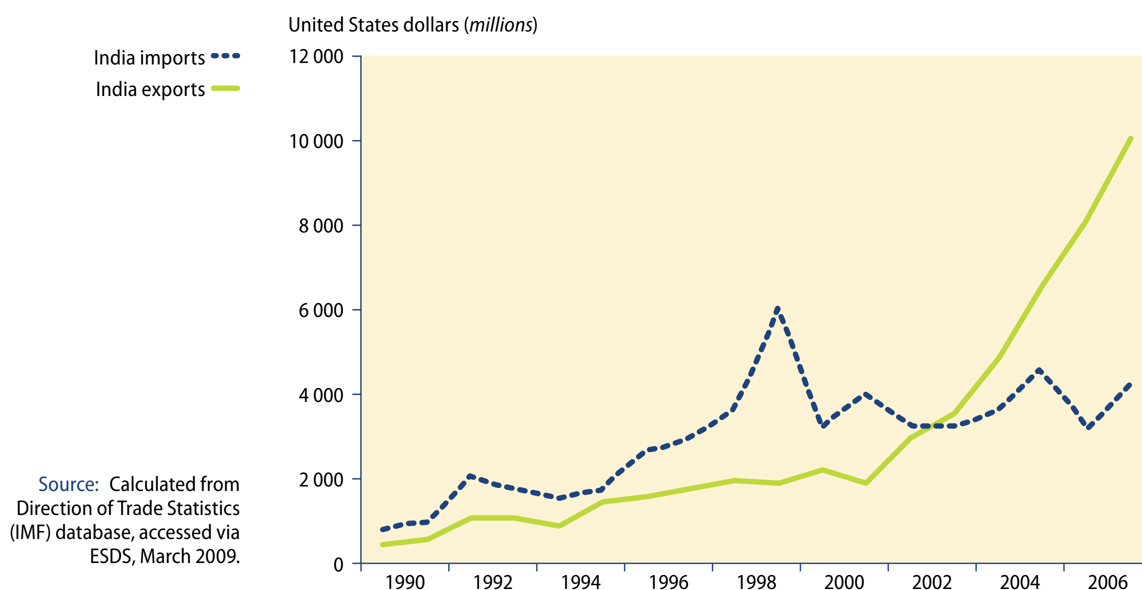
50. The top five export destinations in Africa accounted for 58 per cent of Indian export to the continent in 2007 (see table C.1). South Africa (20 per cent) was the major destination followed by Nigeria (14 per cent). South Africa, Nigeria and Egypt's share in Indian exports has been more or less consistent over the past decade, showing little diversification into other African countries. Kenya, on the other hand, has lost half of its share, falling from 16 per cent in 1995 to 8 per cent by 2007.

51. South Africa is also the largest exporter in Africa to India, increasing its share from 10 to 28 per cent between 1995 and 2007. Morocco (from 18 to 17 per cent) and Egypt (from 5 to 8 per cent) have held around the same share in Indian exports between 1995 and 2007.

52. Refined petroleum products were the largest Indian exports to Africa in 2006, even though their values were virtually non-existent in 2000 and before. Medications, motor vehicles and products of iron showed a modest increase over the decade, while rice exports fell from 20 per cent in 1995 to 5 per cent by 2006. Table C.2 shows the share of these products over the period 1995-2006.

53. On the import side, as shown in table C.3, crude petroleum and refined petroleum products were by far the largest imports from Africa, accounting for

Figure C.1
India's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

Table C.1
Percentage share of India's top five African export and import partners, 2007

Exports		Imports	
South Africa	20	South Africa	28
Nigeria	14	Morocco	17
Egypt	10	Egypt	8
Kenya	8	United Republic of Tanzania	5
Mauritius	6	Tunisia	4

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

66 per cent of the imports in 2006. Gold is also an important import, worth nearly $1.5 billion (10 per cent) in 2006.

54. India has seen a significant rise in its exports to Africa of resource-based goods. The share of primary, low-technology products exports has fallen over 1995-2006. The largest increase was seen in the resource-based sector, with exports rising from 8 per cent of total trade to 32 per cent over 1995-2006.

55. In 2004, the Southern African Customs Union (SACU) began negotiating a trade agreement with India, and in 2006, then Indian Prime Minister Manmohan Singh stated that the Indian Cabinet had approved negotiations for a Preferential Trade Area (Mandigora, 2006). The Area was planned in two stages, the first beginning with specific tariff concessions on a limited list of products. The second stage would look at full free-trade access. In 2008, the Indian Government offered duty-free tariff preferences under the least developed country preferences to 34 African nations. These preferences covered 94 per cent of India's tariff lines and include products such as cotton, readymade garments, cocoa, cashew nuts and aluminium ore (Vijian, 2008).

Table C.2
Percentage share of India's top five exports to Africa, 1995-2006

Product name	1995	2000	2006
Petroleum products, refined	0.01	0.01	25
Medicinal and pharmaceutical products	6	10	8
Rice	20	1	5
Passenger motor cars, for transport	1	0.4	4
Universals, plates and sheets, of iron or steel	2	4	4

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table C.3
Percentage share of India's top five imports from Africa, 1995-2006

Product name	1995	2000	2006
Crude petroleum and oils obtained from bituminous minerals	38	—	58
Gold, non-monetary (excluding gold ores and concentrates)	0	29	10
Petroleum products, refined	0	0	8
Inorganic chemical elements, oxides and halogen salts	21	23	5
Fruit and nuts, fresh, dried	10	10	2

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

2. Foreign direct investment

56. India's outward bound FDI flows rose from $6 million in 1990 to $1.4 billion in 2002. Since then, FDI outflows increased to $9.7 billion by 2006. Indian FDI flows are expected to average around $13 billion between 2007 and 2011, reaching $16 billion by 2011 (EIU, 2007). Africa's share in Indian total outward FDI flows is very volatile; the share of outbound Indian FDI flows to Africa was 47.8 per cent in 2000, but just 1 per cent in 2004.[c] Between 1996 and 2003, Mauritius and the Sudan accounted for 9.2 per cent of total FDI flows each, and were ranked third and fourth for Indian FDI flow destinations, respectively.

57. India's FDI in Africa is concentrated in just a few countries, mainly in the East African region. However, there has been major restructuring in the past decade. In 1996, three quarters of India's FDI stock in Africa was in Mauritius, followed by Morocco (11 per cent), Senegal (7.5 per cent) and South Africa (6.8 per cent). In 2004, the absolute level of FDI stock in Senegal, South Africa and Morocco changed little, but their shares dropped to below 2 per cent. Investment stock had moved into the Sudan (46.3 per cent, or $912 million) and Mauritius (48.2 per cent, or $948 million).

58. Within Africa, between 2000 and 2004, Mauritius ($0.7 billion), the Sudan ($0.9 billion) and the Libyan Arab Jamahiriya ($30 million) were the major receivers of Indian FDI flows. Investment in Côte d'Ivoire is expected to grow to $1 billion by 2011, which represents 10 per cent of all Indian foreign investments over the past decade.[d] In the case of Mauritius, it is possible that a significant proportion of this is round-tripping, encouraged further by the signing of a double taxation avoidance treaty between the two countries (UNCTAD, 2004).

59. India's engagement strategy also seeks the creation of public-private partnerships to bid jointly for projects in Africa. In April 2008, the State-run export house MMTC Enterprises India announced that it would enter into a 26-74 joint venture with Tata Steel to bid for mining projects in Africa, and explore opportunities in diamond, gold, iron ore and coal mining.[d]

60. Other Indian multinational corporations also have a growing presence in a number of African countries and sectors. KET International won two contracts in 2008 in Algeria ($61 million) and in Namibia ($25 million) for power transmission projects. Jyoti Structures, also in the power transmission sector, has investments worth $24 million (South Africa) and $40 million (Uganda) in place.[d]

61. In the Sudan, the Indian Oil and Natural Gas Corporation (ONGC) has invested $200 million since 2007 for an oil pipeline project. In 2008, India agreed to establish a refinery in Nigeria, while buying stakes in Kenyan refineries. Furthermore, Bharat Petroleum is currently investing $50 million in the natural gas sector in Kenya.

62. One of India's investment strategies in Africa has been the proposal of cutting out the "Western middlemen". Projects with Angola and Namibia in diamonds have agreed to trade directly with Indian companies; in return, India has promised to set up upstream diamond facilities in the two countries.

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c UNCTAD FDI statistics.

d India Frontier Advisory, May 2008.

63. India is currently looking at a $70 billion merger between India's Reliance Communications and South Africa's MTN in the telecommunications sector.

64. ONGC has already invested $162 million in the petroleum sector. A further $200 million investment was made in 2006 in the Sudan pipeline project. In 2005, the Indian Government pledged $10 million in subsidies and $100 million in loans for the Sudan. ONGC Videsh also operates in the Libyan Arab Jamahiriya, Egypt and the Congo.

3. Aid

65. There are a variety of conflicting estimates of Indian aid to Africa. In February 2008, India announced it would increase its aid to Africa by 60 per cent, amounting to $20 million for 2008/09 (Bajpaee, 2008). On the other hand, the European Union estimates a higher figure of around $100 million per year (Altenburg and Weikert, 2007: 24). Others, such as Jobelius (2007), suggest even higher aid flows: around $300 million per year and rising in the future. Broadman (2008) identifies $558 million extended as line of credit to African countries by the Export-Import Bank of India in 2006.

66. In May 2008, the Indian Prime Minister at the Africa-India Summit pledged a very substantial increase in aid to the continent. This included over $500 million in the next five to six years, as medium-term assistance, including the provision of development grants. India has already doubled the lines of credit it offers to African nations from $2.25 billion to $5.4 billion in the last five years. In 2004 India, together with eight energy- and resource-rich West African countries (including Burkina Faso, Chad, Côte d'Ivoire, Equatorial Guinea, Ghana, Guinea-Bissau, Mali and Senegal), launched the Techno-Economic Approach for Africa-India Movement (TEAM-9). The aim was to provide assistance in low-cost technology together with investment related to infrastructure. A credit line of $500 million was established under the initiative. The utilization of this credit by African partners is unclear, however.

67. India pledged $200 million to the NEPAD process, as well as writing off debt to the value of $24 million as part of the HIPC initiative. This included Mozambique, the United Republic of Tanzania, Uganda, Ghana and Zambia (Jobelius, 2007).

68. Much of Indian assistance takes the form of lines of credit, tied in some part to the use of Indian exports. Table C.4 shows some of these projects in recent years, and purchase of equipment from India is a common purpose of credit. The lines of credit are offered to Governments and conditionalities involve supply contracts and project exports.

69. In addition to financial assistance through lines of credit, India also provides technical assistance and training. Technical training in India has been provided to 1,000 African citizens. An estimated 15,000 students of African origin are currently studying in India (Thakurta, 2008). Technical assistance and expertise are also provided for projects and planning to many African countries. Table C.5 lists some of the recent projects being carried out in Africa with assistance from India.

Table C.4

Lines of credit extended through the Export-Import Bank of India to African countries in recent years

	Borrower	Amount of credit (*millions of United States dollars*)	Opening date of line of credit	Tenure (*number of years*)
1	Sudan	350	—	12
2	Ethiopia	122		20
3	Ethiopia	65	—	20
4	Ghana	60		20
5	Sudan	52		12
6	Sudan	50	2008	11
7	Chad	50	—	20
8	Sudan	48	—	20
9	Mali	45		20
10	Sudan	42		13
11	Angola	40	2006	20
12	Democratic Republic of the Congo	34		20
13	Burkina Faso	31	—	20
14	Mali	30	—	20
15	Malawi	30	To be made effective	20
16	Senegal and Mali (combined)	28		20
19	Ghana	27	2007	20
17	Côte d'Ivoire	27	—	20
18	Mali	27	—	20
20	Senegal	27	—	20
21	Côte d'Ivoire	26	To be made effective	20
22	Guinea-Bissau	25	—	20
23	Mozambique	20	2008	20
24	Mozambique	20	—	20
25	Rwanda	20	To be made effective	20
26	Mozambique	20	To be made effective	20
27	Senegal	18	2007	20
28	Niger	17	—	20
29	Ghana	15	2006	7
30	Senegal	15	2007	20
31	Gabon	15	To be made effective	12
32	Equatorial Guinea	15	To be made effective	15
33	Angola	13	2010	5
34	Senegal	11	—	20
35	Central Bank of Djibouti	10	2007	10
38	BMCE Bank, Morocco	10	2007	7
36	Zambia	10	2008	5
37	Mauritius	10	2008	10
39	Angola	10	2008	6
41	Djibouti	10	To be made effective	10
40	Senegal	10		20
42	Seychelles	8	2013	8
43	Gambia	7		20
47	Nigerian Exim Bank	5	2005	5
44	Seychelles Marketing Board	5	2006	5
45	Angola	5	2006	5
46	Lesotho	5	2007	15

Source: Adapted from http://www.eximbankindia.com/loc.asp, accessed July 2008.

Table C.5
African projects undertaken with Indian assistance

Country	Project
Mozambique, Ethiopia	Rural electrification
Senegal, Mali	Railways
Congo	Cement
Lesotho	Computer training
Ghana	National Assembly Building
Sierra Leone	Military barracks
Nigeria	Nigeria machine tools
Senegal	Entrepreneurship Development Centre
Ghana	Kofi Annan IT Centre for Excellence
Mauritius	Ebene Cyber City Project
Namibia	Plastic Technology Centre
Burkina Faso	India Farmers Project
Senegal	Village electrification projects
Ethiopia	Gandhi Memorial Hospital
Malawi	Lilongwe water supply system

Source: Thakurta (2008) and India Ministry of External Affairs (2006).

4. Integration of vectors

70. India's forays into the continent have not received the same attention as those of China, but nonetheless India is fairly active on the continent. Benefiting from an Indian immigrant population that settled in Africa generations ago, the diaspora effect on trade aid and FDI is likely to be strong.

71. Historically, there has been little integration of trade, FDI and aid by India in Africa. However, in very recent years this has changed significantly. As part of a broad strategic agenda, India has diversified outside of its diaspora base in East Africa and moved decisively into the oil- and iron ore–producing regions of West Africa, the Sudan and the Libyan Arab Jamahiriya, and in transport in the Sudan and Senegal. In each case, aid and FDI have been bundled together in a package, and the Indian State has also played a role as an investor in collaboration with one of its largest firms. Indian firms, too, show a growing interest in Africa, in telecommunications in South Africa and in pharmaceuticals in Uganda, Kenya and the United Republic of Tanzania.

72. The use of the three vectors of aid, FDI and trade together is seen in the case of Senegal. The Indian automobile giant Tata has benefited from contracts arising from the restructuring of public transport facilities there. At the same time, India is also one of the largest non-Western donors and the largest export destination for Senegal (Jobelius, 2007). The Indian State-controlled oil company ONGC Videsh is also an example of the three vectors being used strategically by India. The company is a permanent participant in all interactions concerning the Indian overseas petroleum business and the joint working groups of the Government of India.[e] Therefore, it has direct input in all policy matters related to trade and aid with Africa.

e Company websites and Reuters.

73. India also tends to have a more focused approach towards the countries it chooses to pursue than does China. For example, when India held its first India-Africa Forum summit in 2008, only 14 key countries were invited from Africa to New Delhi. This was the first summit of its nature in India-Africa relations, but such summits are expected to become a regular feature in times ahead, as India attempts to increase its access to and engagement with the continent.

74. One of India's concerns is the growing influence of China on the continent, and some of the measures, such as the India-Africa forum, are widely seen as an attempt to counteract that influence. Until 2003, India's Foreign Ministry had a single African division. It has now expanded to one division each for West and Central Africa, East and Southern Africa, and West Asia and North Africa. In 2008, Indian diplomatic missions will open in Burkina Faso, Gabon, Mali and the Niger.[d]

D. Malaysia

75. Malaysia's engagement with Africa has largely been under the umbrella of South-South cooperation. Malaysia believes it can help others, especially those who share a colonial past, where cooperation can work for the benefit of both.

76. Most of the assistance provided to Africa has been on a technical level and has taken the form of training and guidance with matters of planning and finance. Bilateral engagement is now emerging—previously, engagement was mainly in multilateral forums.

77. Malaysia, traditionally a large oil producer, is now also seeking oil resources elsewhere. Its main engagement with Africa has been through FDI, and the main interest has remained oil. On the export side, Malaysia is increasingly exporting medium-technology products to Africa, to tap into the growing market.

1. Trade

78. Malaysia's exports to Africa grew from $0.8 billion in 1995 to $2.9 billion by 2007. Imports rose to a lesser degree, from $0.4 billion to $1.8 billion over

Box D.1

Malaysia—opportunities for Africa

Malaysia is not a significant player in the African context, with historical links confined to Mauritius and South Africa. The major strategic opportunity for Africa is to use the Malaysian State-owned oil company as a bargaining chip in relations with oil firms from other countries, and to take advantage of Malaysian expertise in vegetable oils and timber.

Trade. Market opportunities for export diversification in sectors other than mineral resource–based products.

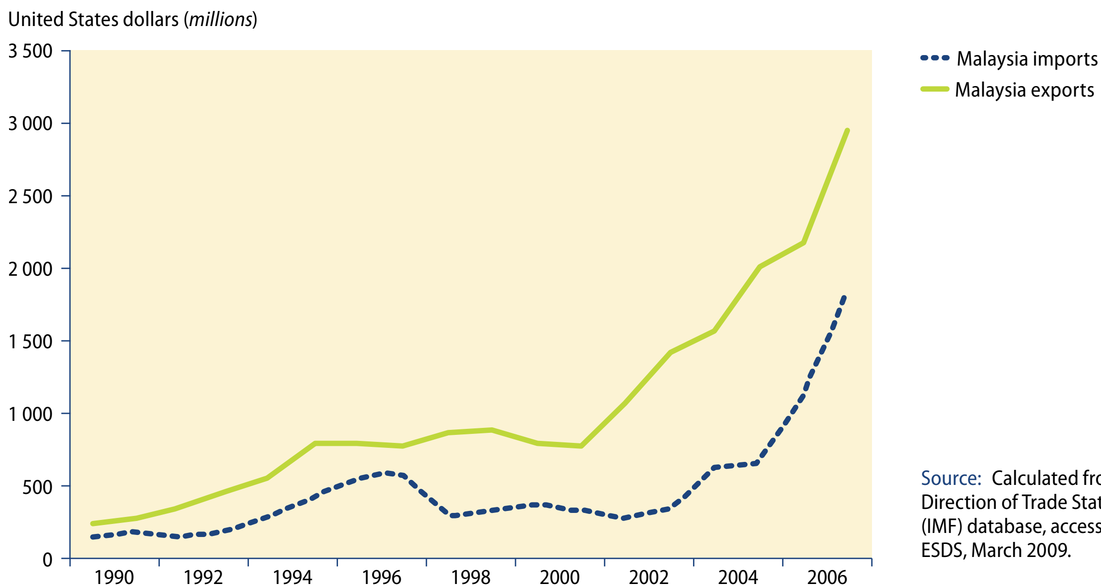
FDI. Learning and finance in the oil, palm oil and timber sectors.

Aid. Malaysia has competences in sectors that provide an opportunity for Africa to learn from, notably oil extraction, palm oil and timber. The uplifting of formerly disadvantaged groups has been an important role model for South Africa and lends itself as an exemplar for other African countries.

the period 1995-2007. Increasing exports to Africa began in 2001, followed by an increase in imports from 2003. Malaysia's trade surplus with Africa increased from $0.38 billion in 1995 to $1.4 billion by 2007.

79. South Africa is the largest African trading partner for Malaysia in terms of both exports and imports (see table D.1). South Africa and Egypt, Malaysia's primary markets in Africa, have seen a declining share in Malaysian exports, which fell from 32 to 28 per cent and from 29 to 17 per cent, respectively, between 2000 and 2007. Exports to South Africa are primarily manufactures and machinery and transport equipment, while those to Egypt are manufactures and agricultural materials. Malaysia's exports to other African countries cover a diverse range of products (see table D.2), within which palm oil (27 per cent) has retained its share and position as the top export commodity over the decade. Apart from vegetable oils, there is no single product that has a significant share of exports, showing a diverse product structure for Malaysian exports to Africa. Benin has seen a recent increase, from having no share in 2000 to accounting for 7 per cent of Malaysian exports to Africa in 2007.

Figure D.1
Malaysia's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

Table D.1
Percentage share of Malaysia's top five African export and import partners, 2007

Exports		Imports	
South Africa	28	South Africa	27
Egypt	17	Gabon	23
Benin	7	Ghana	7
United Republic of Tanzania	4	Egypt	5
Ghana	4	Côte d'Ivoire	4

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

80. In 2007, South Africa (27 per cent) and Gabon (23 per cent) together accounted for half of Malaysia's imports from Africa (see table D.1). The bulk of Malaysian exports in 2006 were in the resource-based sector (44 per cent), which in this case comprises mainly vegetable oil and wood-related products (see table D.2). Medium-technology products are the second largest category, rising from 14 per cent of exports in 1995 to 21 per cent in 2006. Low-technology products have also increased their share, from 9 to 15 per cent (1995-2006).

81. There has been a significant change in the nature of Malaysia's imports from Africa, and four of the top five commodity imports from Africa in 2006 were not evident in the earlier half of the last decade (see table D.3). Cocoa, aluminium, oil and iron products rose from a minimal amount in 1995 to 24, 11, 11 and 8 per cent of African exports to Malaysia, respectively, in 2006. Copper imports, on the other hand, have decreased, dropping from 16 per cent in 1995 to 8 per cent in 2006. For South Africa, ores and metals account for nearly half of Malaysia's imports from the country.

2. Foreign direct investment

82. In 2004, total Malaysian outward FDI stocks were valued at $12.8 billion; $1.9 billion (14.7 per cent) of this was in Africa (see table D.4). The main destinations of these stocks were Mauritius (33 per cent) and South Africa (24 per cent).

83. Malaysia's global FDI flows rose from $129 million in 1990 to $1.9 billion in 2000 and to $6 billion in 2006, but are expected to average around $3.4 billion per year between 2007 and 2011 (EIU, 2007). Africa's share in outbound Malaysian FDI flows is relatively high, rising from $1.1 million (0.6 per cent of the total) in 1991 to $176 million (8.5 per cent of the total) in 2004 (see table D.5).

Table D.2

Percentage share of Malaysia's top five exports to Africa, 1995-2006

Product name	1995	2000	2006
Other fixed vegetable oils, fluid or solid, crude, refined	29	27	27
Animal and vegetable oils and fats, processed, and waxes	15	10	7
Ships, boats and floating structures	3	0	3
Polymerization and copolymerization products	0	1	3
Furniture and parts thereof	0	2	3

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table D.3

Percentage share of Malaysia's top five imports from Africa, 1995-2006

Product name	1995	2000	2006
Cocoa	1	1	24
Aluminium	0	22	11
Crude petroleum and oils obtained from bituminous minerals	0	0	11
Universals, plates and sheets, of iron or steel	0	1	8
Copper	16	7	8

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table D.4
Distribution of Malaysian outward foreign direct investment stock in Africa, by country, 2004

Country	Percentage share
Mauritius	33
South Africa	24
Sudan	17
Chad	10
Egypt	5
Namibia	5
Ghana	3
Other	3

Source: UNCTAD (2007).

Table D.5
Africa's share in Malaysian outward foreign direct investment flows, 1991-2006 (*millions of United States dollars*)

Year	Total	Africa	Percentage share
1991	175	1.1	0.6
1995	2 488	72.3	2.9
2000	2 026	77.7	3.8
2004	2 061	175.6	8.5
2005	2 972	...	...
2006	6 041	...	...

Source: UNCTAD FDI statistics online, accessed June 2008.

84. In 1991, Malaysia's main FDI stock holding was in Mauritius. However, as much as 43 per cent of total Malaysian outward FDI from 1999 to 2005 was in the services sector, mainly in the financial sector, or round-tripping (Ariff and Lopez, 2006). It is reasonable to presume that at least a substantial part of Malaysian FDI in Mauritius is round-tripping rather than actual investment. However, the recent increase in FDI is dominated by the oil and gas, and energy and power generation sectors.

85. Petronas, the State-owned oil company, has been active in South Africa since 1996. From there it has moved to the rest of the continent, based on exploration rights, extracting and producing oil and natural gas as well as moving into retailing petroleum. The main Petronas upstream operations are based in Algeria, Benin, Cameroon, Chad, Egypt, Equatorial Guinea, Ethiopia, Mauritania, Morocco, Mozambique and the Sudan, and downstream operations in Chad, Cameroon, Egypt, South Africa and the Sudan.

86. Palm oil is one of the other sectors that private firms are exploring in Africa. This includes palm oil plantations and refineries. Malaysian IOI Group invested in palm oil refining (and property and trading) in Mauritius, while Malaysian Sime Darby also invested in a palm oil refinery in Egypt, Tunisia and the United Republic of Tanzania. The Bidco Group recently invested over $25 million in a new 400-tons-per-day edible oil processing facility in the United Republic of Tanzania. It has also invested $130 million, with other partners, in an integrated palm oil project in Uganda. The project will involve developing a 40,000-hectare palm plantation, an edible oils refinery and a soap plant to process raw materials from the plantation.

87. In 2007, Malaysia held its first Malaysia-Africa Palm Oil Trade Fair and Seminar, in South Africa. The major aim was to explore business and trade links for palm oil.

3. Aid

88. Most of the Malaysian assistance provided to the continent takes the form of technical training and expertise usually provided through the Malaysian Technical Cooperation Programme. The Programme provided special training courses in capital market development and privatization management for Egypt and Nigeria in the period from 1999 to 2001. Namibia and South Africa received assistance from Malaysian experts in microcredit and income-generating activities. Malawi benefited from a two-year integrated agricultural project in 2000, with expert help from the Malaysian Agriculture Research Institute. Development planning assistance by way of experts was provided to Ghana and Kenya in 1997, Algeria in 2000 and the Sudan in 2001/02.

4. Integration of vectors

89. Malaysian integration with Africa has been limited in the past decades. South Africa alone can account for a major share of trade and FDI. Malaysia's engagement with African countries has usually been through multilateral forums, such as the Asia-Africa summit held in 2005. Malaysia also initiated the Southern African International Dialogue in 2005, which focuses on building one-to-one relationships and networks under the wider Smart umbrella. Smart dialogues are an initiative of the Commonwealth, focusing on approaches and innovations related to development. Such forums are important to allow for progress towards the formation of bilateral relations.

90. On the trade and FDI side, Malaysia and Africa share many commodities where the latter can learn from experiences of the former. For example, Malaysia is an oil producer and already has investments related to the oil sector in Africa, and Malaysia possesses a well-developed timber and associated products sector. The Malaysian multinational corporation presence in Africa is by a State-owned company, which may offer a different management perspective from the stock listed/private multinational corporations operating in the oil sector in Africa.

91. Business relations can be explored and strengthened through forums such as the Malaysian South-South Corporation. Established in 1992, as a consortium comprising 85 Malaysian shareholders, it established the Malaysia–South Africa Business Council in Malaysia and the Malaysian Business Centre in Kampala in August 2001. The organization's main aim is to explore and promote trade and investment opportunities in new markets, particularly the emerging markets. It also acts as a vehicle for trade promotions, exports and investments as well as the transfer of technical and management expertise to the host countries.

E. Russian Federation

92. The former Soviet Union's relationship with the continent goes back to the cold war days, when aid and trade were often in conjunction with political ideologies. With the collapse of the Soviet Union, the Russian Federation's focus

was directed inwards. However, in the 2000s, the Russian Federation began to engage with a number of regions, including Africa. State visits in both directions have taken place to explore and promote political ties in the last few years.

1. Trade

93. Historically, in the period of the Soviet Union, trade was directed by the State. There were bilateral trade contracts between the Union and other countries, often based on barter trade. Since the emergence of the Russian Federation, trade has moved more decisively towards firm and individual trade contracts. Russian exports and imports from Africa were fairly low until 2001, whereafter exports started to rise, with imports taking a little longer (2003) to follow suit.

94. Exports from the Russian Federation to the African continent have increased from $0.67 billion in 1995 to $5.27 billion by 2007. Imports have risen from $0.18 billion to $1.4 billion over the same period. The Russian trade surplus has grown over the years, increasing from $0.48 billion in 1995 to $3.9 billion in 2007 (see figure E.1). Russian exports to Africa grew steadily during the 1990s, and then expanded rapidly after 2001. Imports from Africa have only begun to grow in recent years.

95. Russian Federation exports to and imports from Africa have tended to remain concentrated in particular countries over the past decade, mostly in North Africa (see table E.1). Egypt has been the Russian Federation's largest export partner on the continent since 1997, and accounts for the majority of Russian exports to Africa in 2007 (37 per cent). Most of the exports to Egypt are agricultural materials and food. On the other hand, Algeria (24 per cent), Tunisia (10 per cent) and Morocco (9 per cent) are all seeing increasing shares, with manufactures as the major components of Russian exports.

Box E.1

The Russian Federation—opportunities for Africa

The former Soviet Union's relationship with Africa goes back to the cold war, where aid and trade were often used as a means of political influence. With the collapse of the Soviet Union, the Russian Federation was facing economic recession and recovering from the loss of satellite states; Africa was largely ignored. However, in the 2000s, the Russian Federation began to emerge, engage and reinforce its political influence.

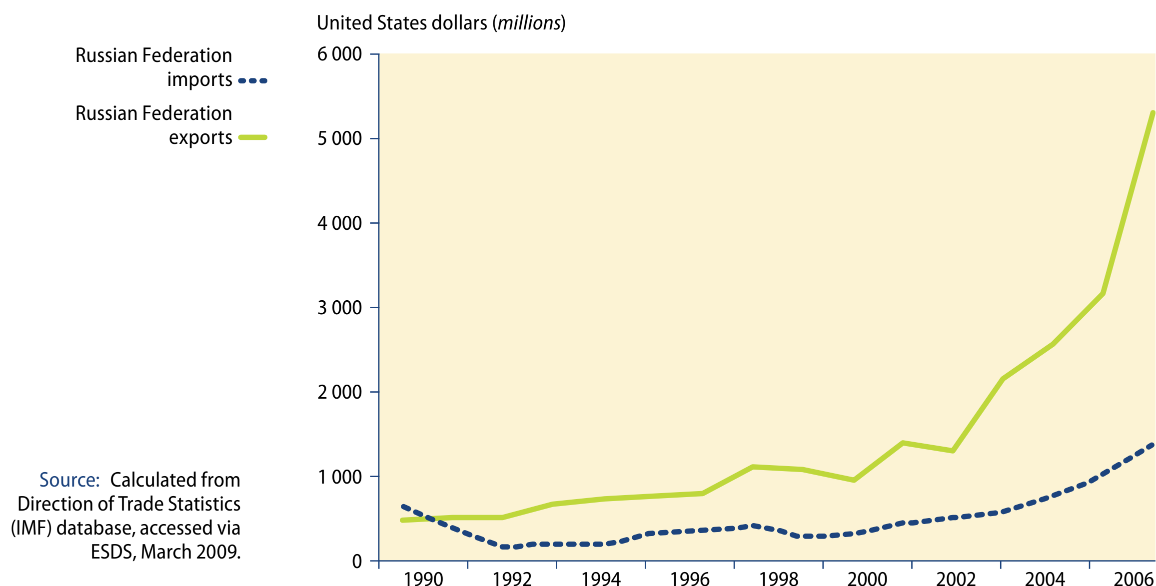
As the Russian Federation moves towards regaining its status, Africa again has come into focus. Increasing its influence, to balance power not only with the West, but with the rising powers of China and India, the Russian Federation is again looking for allies to realize its super-Power status.

Trade. There is scope for Africa to expand commodity exports to the Russian Federation, including both tropical agricultural commodities and minerals. The Russian Federation is one of the world's major grain producers, and is a potential source of supply for Africa.

FDI. Russian firms are keen to develop links with new producers in order to provide new power bases against the major global resource multinational corporations. They are open to alliances with African partners, as occurs in the case of the global diamond cartel.

Aid. Hitherto, the Russian Federation has mostly been a source of aid to Africa through multilateral agencies. There may be some scope for leveraging bilateral aid by resource-rich countries.

Figure E.1
The Russian Federation's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

96. On the import side, the stronger partners in 1995, Egypt (20 per cent) and South Africa (37 per cent), have been losing share over the past decade. By 2007, they accounted for 11 and 13 per cent, respectively, of Russian imports from Africa. Morocco now accounts for the largest share, rising from just 3 per cent in 1995 to 22 per cent by 2007.

97. Russian exports to Africa cover a wide range of product, as shown in table E.2. The top five products are all resource-based goods, a similar (albeit somewhat more processed) export structure to that of Africa. In 2006, iron ingots (18 per cent), wheat (18 per cent) and wood products (11 per cent) formed nearly half of Russian exports to the continent.

98. Table E.3 shows the major products imported from Africa by the Russian Federation. Ores and concentrates of base metals were one of the largest categories of product to be imported into the Russian Federation. However, their share has decreased from 26 per cent in 2000 to 15 per cent in 2006. Fruits and nuts, on the other hand, have increased their share (from 16 to 29 per cent) over the same time period to become the largest imported product from Africa by 2006. Cocoa's share has fallen from 24 to 14 per cent in imports, while tobacco (9 per cent) has remained fairly stable over the 2000s.

2. Foreign direct investment

99. The Russian Federation's outward FDI flows increased from $606 million in 1995 to $3.2 billion in 2000. In 2006, they were valued at $18 billion and are expected to rise further to $26 billion by 2011 (EIU, 2007). However, it is widely recognized (Kalotay, 2005) that much of the initial outflow of funds during the 1990s reported as FDI was, in fact, capital flight. It was towards the 2000s that capital flight declined and private investment flows abroad took the form of productive assets.

Table E.1

Percentage share of the Russian Federation's top five African export and import partners, 2007

Exports		Imports	
Egypt	37	Morocco	22
Algeria	24	Guinea	14
Tunisia	10	South Africa	13
Morocco	9	Côte d'Ivoire	12
Nigeria	5	Egypt	11

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

100. The majority of private FDI flows are from Russian mining and oil companies, and therefore most of the Russian-African ventures are also in the mining and exploration fields. This is supported by the instances of Russian FDI in Africa, which appear to be exclusively in these sectors (see table E.4). Marks (2008) reports Russian metal companies' investment to be over $5 billion in Africa over the last three years. Russian oil companies have also signed contracts in Algeria, Nigeria, Angola and Egypt valued above $3 billion.

101. In 2006, various trade and economic agendas were pursued in South Africa. This included the establishment of a Business Council by the Chambers of Commerce and Industry between the two countries. A number of mining-related investment cooperation initiatives were also on the agenda. Oil and gas, the energy sector, the automobile industry and chemical production were just some of the other sectors in which the Russian Federation and South Africa were looking to work together.

102. In 2006, the Russian Federation was also looking to establish closer relations with Angola, and apart from training assistance was also seeking to advance cooperation in diamond mining, the energy sector and transport and communications.

Table E.2

Percentage share of the Russian Federation's top five exports to Africa, 1995-2006

Product name	2000	2003	2006
Ingots and other primary forms of iron or steel	21	13	18
Wheat and meslin, unmilled	0	15	18
Wood, simply worked, and railway sleepers of wood	9	12	11
Petroleum products, refined	3	5	6
Crude petroleum and oils obtained from bituminous minerals	1	5	5

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table E.3

Percentage share of the Russian Federation's top five imports from Africa, 1995-2006

Product name	2000	2003	2006
Ores and concentrates of base metal	26	13	15
Fruit and nuts, fresh, dried	16	25	29
Cocoa	24	24	14
Tobacco unmanufactured; tobacco refuse	10	11	9
Inorganic chemical elements, oxides and halogen salts	0	0	2

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table E.4
Russian multinational corporation activity, by sectors in Africa, 2003-2006

Year	Country	Sector
2003	Angola, Democratic Republic of the Congo	Diamonds
2004	South Africa	Mining
2004	South Africa, Gabon	Metals
2006	Nigeria	Aluminium
2006	Guinea, Nigeria	Aluminium
2006	South Africa	Steel Vanadium
2006	South Africa	Vanadium
2006	South Africa	Metals
2006	Namibia	Oil and gas

Source: Kuncinas (2006), Nestmann and Orlova (2008) and company websites.

103. The major Russian FDI investment projects are focused on mining. Norilsk Nickel is the world's largest producer of nickel and palladium. Norilsk started investing in South Africa in 2004. It now holds 50 per cent of the Nkomati nickel mines (South Africa) and acquired an 85 per cent stake in Tati Nickel (Botswana) in 2007. Nkomati is South Africa's only primary nickel producer, also producing copper, platinum group metals and chrome.

104. United Company Rusal is the world's largest aluminium and alumina producer. In Africa, its Aluminium Division, Alscon, is based in Nigeria. Alscon was commissioned in 1997 and acquired by Rusal in 2006. Alscon also has the Alumina Division in Guinea.

105. ALROSA is the Russian Federation's largest diamond company engaged in the exploration, mining, manufacture and sale of diamonds, producing about 20 per cent of the world's rough diamonds. In 2005, ALROSA signed a pact with the South African company De Beers. In Angola, ALROSA is involved in three projects: the Catoca and LUO-Camatchia-Camagico joint ventures and a hydroelectric power station on the Chicapa River. It is also constructing internal power supply lines for the provincial capital.

106. ALROSA and the Angolan State diamond miner Endiama signed a contract for exploration activities, intending to invest about $14 million in the project. It is also finalizing agreements for petroleum prospecting, exploration and development in onshore and offshore areas with Sonangol, Angola's State-owned petroleum company.

3. Aid

107. The nature of aid provided by the Soviet Union was based on economic credits, military in-kind deliveries and technical assistance; for example, often grain or trucks were used to assist African countries. Most of Russian aid still takes the form of technical assistance, humanitarian aid and debt relief, rather than financial transfers. For example, in 2005, the Russian Federation established a joint aircraft-building venture with Egypt, as well as plans for a Russian Egypt university in Cairo.

108. Evidence of direct bilateral assistance is weak. It is in humanitarian assistance that we find evidence of direct transfers to African States, with Algeria

receiving $7.6 million in 2002, and Ethiopia and Eritrea receiving $5.3 million in 2003. The Libyan Arab Jamahiriya benefited from a $4.5 billion debt cancellation in 2006.

109. The majority of aid and assistance to Africa is provided through international organizations and funds, including the United Nations. The Russian Federation cancelled $20 billion of African debt through the HIPC initiative. From 2001 to 2006, assistance for health care was provided through a contribution of $30 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria. In 2007, further contributions of nearly $86 million were made. In 2005, $8 million was pledged to the World Initiative to Liquidate Polio. As table E.5 shows, the majority of aid was through multilateral agencies.

4. Integration of vectors

110. The Soviet Union's relations with Africa were conditioned by the cold war but as the Russian Federation's re-emergence slowly gains momentum, the relationship with Africa is based on new directions and motivations.

111. There are few signs of integration between trade, FDI and aid vectors in the Russian Federation's relations with Africa. The Russian Federation's association with Africa has initially been negligible in aid, FDI and trade, though it is now beginning to change. Russian exports to the continent are focused primarily on the North African countries, and comprise mainly hard and soft commodities. FDI has been focused on the resource-rich countries, and is all in the mining sector. Aid is mostly being directed through multilateral organizations, and technical cooperation is being used to form bilateral relationships. There are few signs of integration between trade, FDI and aid vectors in the Russian Federation's relations with Africa.

112. Numerous opportunities that can be exploited have arisen for African countries. Given that the Russian Federation is an oil- and metal-rich country, its imports from Africa comprise mainly agricultural products. This provides an opportunity for the non-resource-rich African countries to tap and expand into a larger Russian market. Whereas other countries have concentrated on the oil-rich African countries, the non-oil sector can gain from focusing on the Russian market.

113. The resource-rich African countries also have favourable opportunities. The Russian Federation is a large mineral economy itself and is looking to establish its presence as an energy and mineral resource leader in the world. Russian multinational corporations emerging from a centrally controlled business environment are now looking to secure their long-term access to inputs. Heavy investment in the mining sector in Africa is largely seen as an attempt to secure such supply lines.

114. Russian mining FDI is motivated by two major factors. First, Russian firms are now moving from a centrally planned economy, where supply security was virtually guaranteed, to one where they have to secure their own production chain. Secondly, in a global environment of consolidation, Russian firms are looking to expand their own business ventures to avoid being "eaten up" by other larger firms.

Table E.5

Russian official development assistance to Africa, 1996-2008

Year	Type of ODA	Amount (*millions of United States dollars*)	Remark
1996	Training national humanitarian and rescue staff at Kavumu Polytechnic Centre (Rwanda)	1	Until 2000
1998	Debt relief	7 800	Until 2001
2001	Global Health Fund	20	
2002	Training of 10 peacekeepers from Nigeria	Not available	
	Training of 4 peacekeepers from Rwanda	Not available	
	Global Fund to Fight AIDS, Tuberculosis and Malaria	20	Until 2006
	Humanitarian aid for emergency relief to Algeria	7.6	
	Debt relief	3 400	
2003	Shipment of automotive spare parts to Kavumu Polytechnic Centre (Rwanda)		
	Contribution to HIPC trust	10	
	IMF AFRITAC programme (regional technical assistance centres)	0.25	Until 2005
	Humanitarian aid for emergency relief to Ethiopia and Eritrea	5.3	
	Humanitarian aid for emergency relief to Angola (World Food Programme)	1	
	Office of the United Nations High Commissioner for Refugees for Africa	2	
2004	Humanitarian aid for emergency relief to Morocco	0.5	
2005	Contribution to the Global Fund	40	
	220 Russian peacekeeping staff are deployed in United Nations operations in Africa		
	HIPC initiative	2 200	
	Debt relief	9 100	
	Contribution to HIPC trust	15	
	Global Fund to Fight AIDS, Tuberculosis and Malaria	20	Until 2008
	World Initiative to Liquidate Polio	8	
	Regular contributions to the World Food Programme		
2006	Global Fund reimbursement	270	Until 2010
	Global Polio Eradication Initiative	18	
	Advance market commitments	45	
	IDA (49 per cent to Africa)	60	Until 2014
2007	Russian Federation–World Bank–WHO initiative: World Bank Booster Programme	15	
	Russian Federation–World Bank–WHO initiative: WHO Global Malaria Programme	4	
	Russian Federation–World Bank–WHO initiative: Staff Development Programme	1	
2008	Development assistance to Africa	500	Unknown
	World Bank Malaria Booster Programme	Not available	Until 2010

Sources: Vasiliev (2005), Ministry of Foreign Affairs of the Russian Federation and The Kremlin (accessed 2008).

115. Both these motivations can work in favour of the resource-rich countries. Russian firms bring with them management experience of working in harsh environments, business and otherwise. This allows them to move into smaller African countries that other Western companies may deem too risky. The boom in oil and metal prices also allows them to bring much-needed liquidity into their ventures. Small and medium mining firms in Africa can benefit from this, becoming part of larger and more resourceful firms.

116. However, much remains to be done on the Africa–Russian Federation front. President Putin's State visits to South Africa and Morocco in 2006 were steps in the right direction. The Russian Federation has recently granted Generalized System of Preferences status to African imports. African goods are being exempted from quota limitations as well as anti-dumping, countervailing and special protective measures. This should encourage increased exports for Africa. FDI needs to diversify in non-mining sectors, and attempts are already under way between South Africa and the Russian Federation to invest in the automobile sector.

F. Republic of Korea

117. The Republic of Korea is the fifth largest consumer of oil in the world. Having no oil of its own, it completely relies on the international economy for oil supplies. The Republic of Korea is also a major producer and exporter of manufactures, and requires sustained access to a variety of minerals, particularly ferrous metals and coal. With rising resource security issues, with regard to energy, the Republic of Korea is strategically engaging with oil-producing countries, and has focused on the North African and Middle East oil-producing countries.

118. The Korea-Arab Society, launched in 2008, included Morocco, the Sudan, Djibouti, Algeria and the Middle East Arab countries, all major oil exporters.

1. Trade

119. The Republic of Korea's exports to Africa stood at $3 billion in 1995, rising to $11 billion by 2007. On the import side, 1995 imports rose from $2.3 billion to $5.9 billion in 2007. The Republic of Korea has maintained a trade surplus with Africa, which rose from from $0.77 billion in 1995 to $5.3 billion in 2007 (see figure F.1).

Box F.1
The Republic of Korea—opportunities for Africa

The Republic of Korea is the fifth largest consumer of oil in the world and has no oil resources of its own. Its dependency on oil imports defines its relationship with Africa. Access to minerals is of growing concern to Republic of Korea.

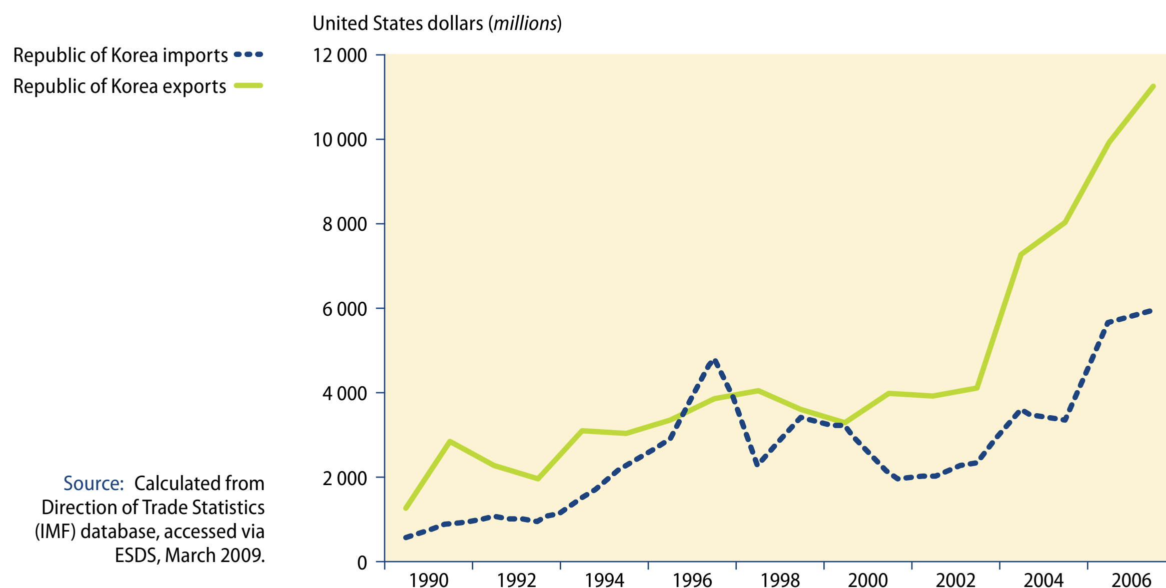
Historically, the Republic of Korea has lacked an integrated strategy towards Africa. In recent years this has begun to change, and Republic of Korea aid and FDI are increasingly being oriented towards countries that are potential suppliers of oil and minerals.

Trade. African exports to the Republic of Korea are primarily in energy-related products. There is scope to diversify these exports into a wider range of products.

FDI. Much incoming FDI has been in manufacturing and tourism. These remain important destinations for Republic of Korea FDI, but there is scope to attract Republic of Korea FDI into the commodities and infrastructure sectors.

Aid. The Republic of Korea provides a combination of developmental aid, and aid to countries and sectors that provide energy and mineral inputs. There are opportunities to expand these activities, as well as to encourage aid in the infrastructure and industries required to exploit these primary commodities.

Figure F.1
The Republic of Korea's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, March 2009.

120. Most of the Republic of Korea's "exports" to Africa comprise shipping products, and its largest export market in Africa is Liberia (see table F.1), a flag of convenience for much of the world's shipping fleet. Next to shipping in importance are exports of automobiles. South Africa was its second largest export partner in 2007 (18 per cent), with the bulk of trade in machinery and transport equipment. Angola has increased its importance as a market, from 1 to 11 per cent of exports, while Egypt has lost share, from 16 per cent in 2000 to 6 per cent in 2007.

121. Although South Africa remains the largest African exporter to the Republic of Korea, its share has decreased from 54 per cent in 1995 to 25 per cent in 2007 (see table F.1). Ores and metals are the largest category of exports from South Africa. In the case of the Congo (14 per cent), although ores and minerals form a small part of the Republic of Korea's imports, the majority of the value is accounted for by oil-related products. Algeria (10 per cent) and Nigeria (11 per cent) were the other important African exporters to the Republic of Korea in 2007.

122. Ships and boats are the largest category of exports to Africa, valued at $4.2 billion in 2006. The share of this product has been rising over the decade from 35 per cent in 1995 to 42 per cent in 2006. The share of the other four products is shown in table F.2, and can be seen to have few improvements over the decade.

123. The Republic of Korea's primary imports from Africa are oil and commodities, with petroleum products accounting for nearly half the imports (see table F.3). The fuel category has also been rising, from 30 per cent in 1995 to 48 per cent in 2006. Silver and platinum has been the other star category, rising from almost nothing in 1995 to take 9 per cent of the share in 2006.

124. The majority of the Republic of Korea's exports to Africa in 2006 were in the medium-technology category (77 per cent). Low-technology imports have fallen from 13 per cent in 1995 to 6 per cent in 2006, while high-technology products have sustained their shares (8-9 per cent).

Table F.1

Percentage share of the Republic of Korea's top five African export and import partners, 2007

Exports		Imports	
Liberia	31	South Africa	25
South Africa	18	Congo	14
Angola	11	Nigeria	11
Egypt	8	Algeria	10
Nigeria	8	Egypt	8

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

Table F.2

Percentage share of the Republic of Korea's top five exports to Africa, 1995-2006

Product name	1995	2000	2006
Ships, boats and floating structures	35	33	42
Passenger motor cars, for transport	12	9	13
Polymerization and copolymerization products	3	7	5
Telecommunications equipment, parts and accessories	2	3	4
Lorries and special-purpose motor vehicles	1	2	3

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

Table F.3

Percentage share of the Republic of Korea's top five imports from Africa, 1995-2006

Product name	1995	2000	2006
Crude petroleum and oils obtained from bituminous minerals	30	59	48
Pig and sponge iron, spiegeleisen, etc., and ferro-alloys	3	3	4
Copper	3	1	9
Ores and concentrates of base metal	1	1	2
Silver, platinum and other metals of the platinum group	0	4	9

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

2. Foreign direct investment

125. The Republic of Korea's FDI outflows increased from $1 billion in 1990 to nearly $5 billion in 2000 and $7 billion in 2006. FDI outflows are expected to increase at an annual average by the same amount from 2007 to 2011 (EIU, 2007).

126. The Republic of Korea's FDI flows to Africa rose from $84 million in 1993 to $249 million in 2005. Africa's share in the Republic of Korea FDI flows has fluctuated over the years, from 4.2 per cent in 1993 to 2.7 per cent in 2005. In 2002, of the Republic of Korea's FDI stock in Africa ($265 million), the major shares were in the Sudan (22 per cent), Algeria (21 per cent), Egypt (21 per cent), South Africa (15 per cent), Morocco (8 per cent) and Côte d'Ivoire (7.6 per cent).[c] Despite the Republic of Korea's focus on securing energy, most of its FDI into Africa in recent years has been in the minerals and tourism sectors. In 2006, the mining sector received 32 per cent of the Republic of Korea's FDI in Africa, followed by the hotel and restaurant sector (27 per cent). Manufacturing (20 per cent) and wholesale and retail (12 per cent) were the other major sectors. Con-

struction FDI amounted to just 2.3 per cent of total Republic of Korea FDI in Africa. Table F.4 shows the sectoral distribution of the Republic of Korea's FDI in Africa in 2006.

127. Between 2002 and 2005, the Republic of Korea undertook 11 greenfield projects in Africa (UNCTAD, 2007b). Merger and acquisition activity between Republic of Korea and African firms has occurred in Egypt, Morocco, the United Republic of Tanzania, the Sudan and South Africa.[f]

3. Aid

128. Most of the Republic of Korea aid is focused on its Asian neighbours. Aid to Africa was less than 10 per cent of overall Republic of Korea ODA for the 2000-2006 period, increasing from $15.2 million in 1995 to nearly $50 million by 2006. As table F.5 shows, Kenya and Angola were the major recipients in 2005 and 2006.

129. The Republic of Korea classifies aid to Africa into two categories: the development cooperation countries and the strategic cooperation countries. The development cooperation countries category focuses on the low-income, poorest African nations, which are offered assistance in rural development, capacity-building, training and skill development, basic infrastructure, health and education. Countries classified in this category are also likely to receive loans with a higher grant

Table F.4

The Republic of Korea's foreign direct investment in Africa, by sector, 2006
(*value in millions of United States dollars*)

Category	Number of projects and value	Total Republic of Korea FDI	Republic of Korea FDI in Africa	Share of FDI in Africa (*percentage*)
Mining	Number	247	15	6.07
	Value	8 543	488	5.71
Hotel and restaurant	Number	1 710	8	0.47
	Value	2 479	412	16.62
Manufacturing	Number	19 500	87	0.45
	Value	47 985	297	0.62
Wholesale/retail	Number	4 873	43	0.88
	Value	15 728	185	1.18
Telecommunications	Number	238	4	1.68
	Value	2 458	61	2.48
Construction	Number	710	16	2.25
	Value	1 943	35	1.80
Agriculture	Number	645	32	4.96
	Value	957	12	1.25
Other services	Number	3 570	20	0.56
	Value	4 675	13	0.28
Other sectors	Number	901	6	0.67
	Value	4 774	11	0.23
Total	**Number**	**32 394**	**231**	**0.71**
	Value	**89 634**	**1 515**	**1.69**

Source: The Korea Imports and Exports Bank, quoted in Kim (2006).

f UNCTAD mergers and acquisitions statistics.

Table F.5
The Republic of Korea's official development assistance to Africa
(*millions of United States dollars*)

	Net disbursements			
	1995	2000	2005	2006
Total, Africa	**15.2**	**24.27**	**39.14**	**47.83**
Kenya	3.37	–0.58	10.93	15.47
Angola	0.14	8.61	0.02	10.09
Egypt	0.23	0.66	4.40	5.64
United Republic of Tanzania	0.34	0.26	2.37	3.84
Morocco	0.46	0.04	1.40	2.40
Ethiopia	0.53	0.49	2.37	2.29
Algeria	0.08	0.03	0.34	1.82
Côte d'Ivoire	0.47	...	0.26	1.03

Source: www.oecd.org/dac accessed in July 2008.

element than others. The strategic cooperation countries category is for countries that are resource-rich and already have a significant trade value with the Republic of Korea. The nature of assistance here takes the lines of cooperation in the development of energy and natural resources, promotion of export manufacturing and the expansion of ICT and infrastructure. Most of the project initiatives have been in resource-rich countries such as Egypt, Nigeria, Algeria and Morocco.

130. The year 2006 saw the first visit by a president of the Republic of Korea to Africa in 25 years, and it was then that plans for the Korea Initiative for African Development were announced. The proposal sought to increase ODA from $39.1 million in 2005 to $100 million by 2008.

4. Integration of vectors

131. Historically, there has been little integration of the trade-FDI-aid vectors in Africa. With the exception of South Africa, the overlap between trade (the Republic of Korea's imports of energy are key) and FDI (in minerals and hotels/tourism) has been weak, and much aid has gone to countries with which the Republic of Korea has weak trading links. In recent years, however, this pattern has begun to change, and the Republic of Korea is beginning to seek a closer integration of the trade-FDI-aid vectors. Aid is being focused on key strategic partners, and the mining sector is becoming a key sector for the Republic of Korea's FDI in Africa.

G. Turkey

132. Turkey has strong historical ties with the North African countries dating back to the Ottoman Empire. Recently, however, Turkey has made attempts to engage with sub-Saharan Africa, and in this regard initiated an "Africa Policy" in 1998.

1. Trade

133. Exports from Turkey to Africa rose from $1.06 billion in 1995 to $5.95 billion in 2007. Imports rose from $1.38 billion to $6.78 billion over the same period. Turkey had a trade deficit of $0.83 billion with Africa in 2007 (see figure G.1).

Box G.1
Turkey—opportunities for Africa

Turkey predominantly sees Africa as a market for its final products rather than as a source of energy and other primary materials. After many years of contact with North Africa, in recent years it has begun to develop a coordinated strategy to enter Africa.

Trade. A source for export diversification. Imports of textiles may assist Africa's clothing sector.

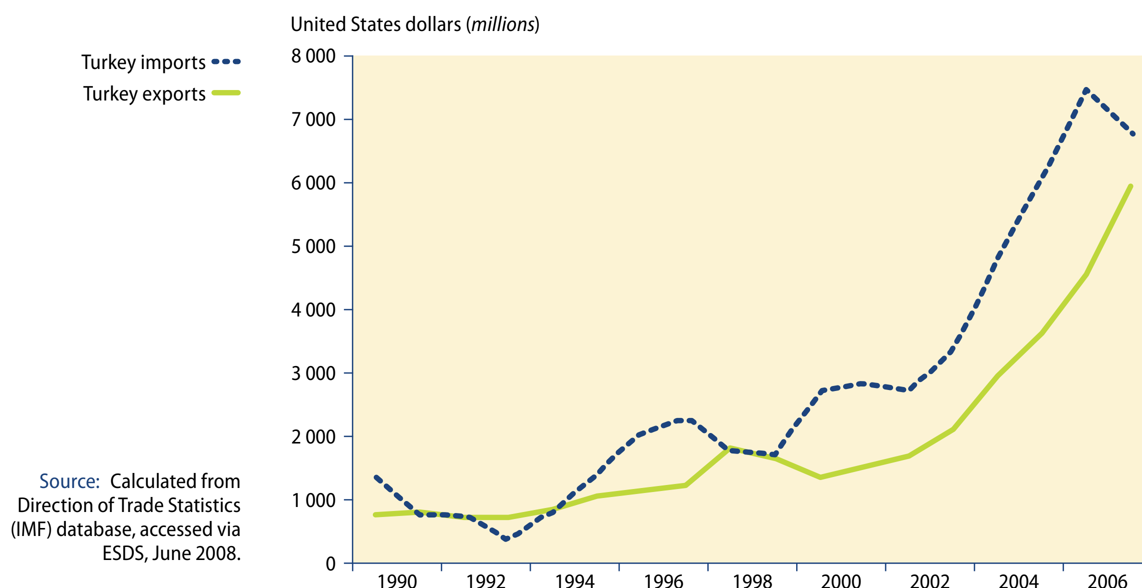
FDI. There is scope for joint ventures in small and medium-sized ventures.

Aid. Aid may provide support for small-scale business ventures, and in the construction and clothing and textile sectors where Turkey has distinct competences.

134. Turkey's trade with Africa is heavily concentrated. Five countries (Algeria, Egypt, Morocco, South Africa and the Libyan Arab Jamahiriya) account for 70 per cent of its exports, and three countries (South Africa, Algeria and Egypt) for 74 per cent of all its imports from Africa (see table G.1). In recent years the importance of South Africa as an export market has fallen, and that of Morocco has increased. The share of the Libyan Arab Jamahiriya as a source of imports into Turkey has fallen sharply, from 29 per cent in 2000 to 6 per cent in 2007.

135. Although no sector dominates Turkey's exports to Africa, the largest items are metal products used in the construction sector. In recent years, there has been a rise in the significance of clothing exports to Africa (see table G.2). Gold accounted for 42 per cent of all Turkish imports from Africa in 2006, with natural gas following in importance in 2006 (23 per cent) (see table G.3). This explains the importance of South Africa (gold) and the North African economies (gas) as suppliers to Turkey.

Figure G.1
Turkey's trade with Africa, 1990-2007



Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

Table G.1
Percentage share of Turkey's top five African export and import partners, 2007

Exports		Imports	
Algeria	21	South Africa	32
Egypt	15	Algeria	31
Morocco	12	Egypt	10
South Africa	11	Nigeria	7
Libyan Arab Jamahiriya	11	Libyan Arab Jamahiriya	6

Source: Calculated from Direction of Trade Statistics (IMF) database, accessed via ESDS, June 2008.

Table G.2
Percentage share of Turkey's top five exports to Africa, 1995-2006

Product name	1995	2000	2006
Iron and steel bars, rods, shapes and sections	10	8	10
Tube, pipes and fittings, of iron or steel	3	2	10
Ingots and other primary forms, of iron or steel	2	1	5
Outerwear, knitted or crocheted, not elastic nor rubberized garments	1	3	4
Household-type electric and non-electric equipment	5	2	4

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

136. On the import side, non-monetary gold accounted for 42 per cent of all Turkish imports from Africa, while natural gas took the second largest chunk in 2006 (23 per cent). The rest of the products in the top five list tend to have fairly low shares and are listed in table G.3.

2. Foreign direct investment

137. Turkish outward FDI increased from $0.11 billion in 1995 to $0.87 billion in 2000. Thereafter it stabilized, and in 2006 ($0.93 billion) there was little change over the flows for 2000. An outflow of $1 billion on average per year is expected for the period from 2007 to 2011 (EIU, 2007).

138. Other sources indicate the value of private investment flows to be much higher. According to Zaman (2005), the total value of investment projects undertaken in Africa rose from just $578 million in 2003, to $652 million in 2004, rising by one third to $942 million in 2005. The Turkey-Africa Trade Bridge estimates the value of private FDI for 2006 at $2.3 billion.[g]

Table G.3
Percentage share of Turkey's top five imports from Africa, 1995-2006

Product name	1995	2000	2006
Gold, non-monetary (excluding gold ores and concentrates)	—	—	42
Gas, natural and manufactured	15	30	23
Coal, lignite and peat	4	4	6
Waste and scrap metal of iron or steel	0	0	6
Fertilizers, manufactured	1	2	4
Cocoa	2	2	3

Source: Calculated from COMTRADE, accessed via WITS, May 2008.

g See www.tuskonafrica.com.

139. Historically, Turkish FDI has been concentrated in North Africa, predominantly in the Libyan Arab Jamahiriya, Algeria and Egypt. However, with the establishment of the Turkey-Africa Foreign Trade Bridge Summits, organized annually since 2006, new investment opportunities have materialized in other African countries. In May 2008, the third Turkey-Africa Foreign Trade Bridge Summit was held in Istanbul. The organizers of the Summit, a private venture supported by the Turkish Government, announced ambitions to undertake new projects to the value of $10 billion on the African continent in the next three years.

140. In recent years, Turkish firms have invested in Ethiopia, Guinea, Burkina Faso, Benin, the Central African Republic, Angola and Malawi for the first time. Currently, around 150 Turkish investors are to be found in 23 African countries, compared to only 73 prior to the establishment of the first Turkey-Africa Foreign Trade Bridge Summit. Many of these are small investors and firms taking on small projects, such as a $2 million project in crushed rock production for road construction in Malawi. In addition, a number of small investments can be found in construction and building material businesses.

3. Aid

141. Turkey's aid covers a range of activities, providing assistance in health, education, transportation, infrastructure and post-conflict rebuilding. Its ODA to Africa has increased steadily but from a small base. Most of its aid is directed towards Asia (see table G.4).

142. In 2008, Turkey became the twenty-fifth non-regional member of the African Development Bank. The Turkish International Cooperation and Development Agency, the main Turkish agency coordinating assistance projects, opened offices in Addis Ababa in 2005 and later in Khartoum in 2006 and Dakar in 2007. Turkey also provided 300 scholarships for African students to study in Turkey in 2007/08.

143. In recent years Turkey has signed various technical assistance and cooperation agreements with Kenya, Ethiopia, Nigeria, Senegal, the Sudan and South Africa. According to the Ministry of Foreign Affairs, Turkey has offered assistance to Africa in the Democratic Republic of the Congo, Ethiopia, Kenya, Nigeria and the Sudan in various sectors from security to technical cooperation in agriculture, health, education and infrastructure.

144. In 2006, most of Turkey's aid was concentrated in the Sudan (58 per cent) and Somalia (13 per cent) (see table G.5).

Table G.4

Turkish official development assistance to regions, 2000-2006
(*millions of United States dollars*)

	Net disbursements				
	2000	2002	2004	2005	2006
Asia	16.91	14.61	195.46	422.49	536.06
Europe	4.02	10.65	30.19	96.59	81.64
Africa	0.45	0.10	3.84	11.76	24.86

Source: www.oecd.org/dac, accessed in May 2008.

Table G.5
Turkish official development assistance to Africa, 1995-2006
(*millions of United States dollars*)

	Net disbursements			
	1995	2000	2005	2006
Total, Africa	**1.96**	**0.45**	**11.76**	**24.86**
Sudan	1.93	—	0.69	14.4
Somalia	0	—	0	3.27
Libyan Arab Jamahiriya	0.01	—	3.77	1.05
Ethiopia	—	0.04	2.49	0.88
Algeria	—	0.03	1.05	0.75
Egypt	—	0.04	1.2	0.62
Comoros	—	—	—	0.6
Congo	—	—	0.01	0.59
Tunisia	0.01	0.04	1.29	0.56
Gambia	—	0.01	0	0.39
Morocco	—	—	1.06	0.35

Source: www.oecd.org/dac, accessed in July 2008.

4. Integration of vectors

145. Turkey has only very recently made efforts to engage with Africa strategically. Historically, most trade, FDI and aid have been with North African countries.

146. Turkey's "Open Up to Africa" policy in 1998 became much more effective when it was supported by the efforts of the Confederation of Businessmen and Industrialists of Turkey in 2006. By organizing annual trade bridge summits, individual and private investors are now finding opportunities and partners to expand business further than the traditional partners. Africa is primarily seen as a market for Turkish goods rather than as a source of supply for energy and commodities.

147. Turkey's ambition to eventually join the European Union may also work in favour of African countries; if they are able to create trade and investment relations with Turkey at the moment, they may benefit from greater opportunities if and when Turkey joins the European Union.

148. The signing of bilateral trade agreements with a number of African countries, including free trade agreements with Egypt and the Syrian Arab Republic (separately) in 2007 and with Morocco and Tunisia in 2005, provides evidence of Turkey's willingness to increase such opportunities with Africa. Although the agreements have not as yet become operational, they are a step in the right direction.

149. Further advancement of integration on the government level can also be seen by Turkey's observer status at the African Union, granted in 2005, and Turkey's being declared a "strategic partner" by the organization in 2008. Turkey organized a "Turkey-Africa Cooperation Summit" in Istanbul, with high-level participants from African countries, in August 2008. Turkey's approach towards Africa is a positive one, and as engagement deepens, investment and trade opportunities are likely to increase in the coming years.

Annex II

Expert Group Meeting on "Africa's cooperation with new and emerging development partners: options for Africa's development", held in Addis Ababa on 10 and 11 February 2009

Summary

Background

1. The Office of the Special Adviser on Africa (OSAA) organized an Expert Group Meeting on "Africa's cooperation with new and emerging development partners: options for Africa's development" in Addis Ababa, on 10 and 11 February 2009, as part of its programme of work in the context of its mandate to assist in Member States' debates on new and emerging issues regarding Africa's development, including the implementation of the African Union/New Partnership for Africa's Development (NEPAD) programme. The Expert Group Meeting benefited from the support and cooperation of the United Nations Economic Commission for Africa (ECA) and the African Union Commission.

2. The global development landscape for Africa is drastically changing with the emergence of new development partners such as Brazil, China, India and the Republic of Korea. By rapidly increasing their aid and other development assistance to African countries, emerging development partners have greatly scaled up their cooperation with Africa in recent years, within the context of various initiatives, such as the Africa-China Summit in November 2006 and the India-Africa Forum Summit held in New Delhi in April 2008.

3. The activities of emerging development partners are broadening the options for growth in Africa and present real and significant opportunities for African countries' development, including the implementation of the African Union/NEPAD programme. Moreover, much of the dynamism of current South-South cooperation is fuelled by these new and emerging development partners.

4. At the same time, and in the wake of the intensifying relationships between emerging development partners and Africa, traditional development partners such as the Group of Eight (G8) countries increasingly express their interest in engaging new development partners for ongoing efforts in harmonization and

coordinated support for Africa. For example, at the G8 summit in June 2007, G8 countries adopted the Summit Declaration for Growth and Responsibility in Africa, urging emerging development partners "to improve transparency of their aid and to follow internationally shared principles".

Objectives

5. The objective of the Expert Group Meeting was to examine the nature and scope of the emerging countries' recent engagement with Africa; discuss how these development partners' increasing activities affect African countries' development by creating new challenges as well as opportunities; and examine the response by African countries, including identifying possible policy options for harnessing this potential. The Expert Group Meeting also sought to suggest concrete ways of forging and constructing effective partnerships of all development partners, including between traditional and emerging development partners, so as to help to broaden the options for Africa's development, with a view to supporting the efforts of African countries towards the achievement of their development objectives, as envisaged in the Millennium Development Goals and NEPAD.

Participation and thematic focus

6. The meeting was attended by participants drawn from various fields of expertise, such as the African Union Commission, the NEPAD secretariat, the African Development Bank (AfDB), ECA, the United Nations Development Programme (UNDP), the European Commission, the Organization for Economic Cooperation and Development (OECD) and academia (see the list of participants below). This allowed for different perspectives on the impact of the engagement of the new and emerging development partners in Africa, as well as on the response by African countries and institutions, which helped enrich the discussion.

7. The background study that formed the basis of the meeting examined the scope of the activities of the new and emerging development partners in Africa, as well as the response by African countries. The study is contained in the present publication.

8. Upon the presentation of the study's major findings by Professor Raphael Kaplinsky, the main author of the background study, participants reviewed, made detailed comments on and held an interactive debate on the study.

Opening session

9. Welcoming remarks were made by the representatives of ECA, the African Union Commission and the Office of the Special Adviser on Africa.

Session I: Presence of the emerging economies in Africa

10. The session was chaired by Mr. Abdalla Hamdok (ECA).

Presentation

11. **Professor Kaplinsky** introduced the report on "Africa's cooperation with new and emerging development partners: options for Africa's development". He explained that the arrival of the emerging economies in Africa had disrupted Africa in many ways and brought significant opportunities as well as challenges. According to Prof. Kaplinsky, this leads to the question, how can African economies make the most of the opportunities offered by these new participants on the global economic stage, and how can African economies minimize the potentially negative impacts posed by their growing presence.

12. In his study, Prof. Kaplinsky dealt with three vectors of interaction between the emerging economies and Africa: aid, trade and foreign direct investment (FDI). While these vectors have traditionally been separated by Africa's traditional development partners, it is important to note that emerging economies do not separate them, often leading to strategic integration between the three vectors.

Discussion

13. In the ensuing discussion on the presence of the emerging economies in Africa, participants commented on the nature of the new partnerships and the opportunities and challenges created by them. Experts agreed on the relevance and timeliness of the subject and commended Prof. Kaplinsky on the excellent report. The experts made the following observations:

14. **There is a need for empirical studies and better information.** The experts underlined the need for additional empirical studies on the various activities of the emerging development partners in Africa, including on the impact of these activities on good governance and the manufacturing sector in Africa. Furthermore, participants pointed to the lack of reliable and consistent data on the assistance provided by the new development partners to African countries.

15. **This new cooperation creates both opportunities and challenges.** The experts emphasized that the costs and benefits of such cooperation for Africa should be clearly articulated.

16. Participants felt that the increasing cooperation with emerging economies provided a window of opportunity for Africa to have a new type of relationship with its development partners. It was suggested that African countries should use the cooperation with emerging economies to build their productive capacity rather than as another source of aid. Experts underlined that instead of just extracting natural resources, the new cooperation should help the African economies to grow. In this regard, it is important to build internal capacity and expertise in Africa so as to increase their bargaining power in negotiations with the new development partners. At the same time, it was felt that cooperation with new development partners was creating challenges, such as those related to environmental impacts and labour standards.

17. **What is driving this new cooperation?** It was suggested that new development partners are driven mainly by profits and less by development impacts in Africa. However, it is important for African countries to benefit from this cooperation.

18. **China is not one single factor.** Participants emphasized that China should not be seen as a single actor, since there are many different actors from China

involved in Africa. Lack of coordination between the different ministries and development and financial agencies in China was cited as a problem. It was thus suggested that China needed to improve coordination in the delivery of its Africa policy, including improved coordination between the Ministry of Commerce, the Ministry of Economic Affairs and the State Council.

19. **Africa is not one single factor.** Similarly, experts acknowledged that Africa should not be seen as a single actor. Each African country has individual characteristics and emerging development partners have bilateral relations with different African countries. Thus, it was suggested that African Governments and regional organizations should interact with each other to maximize their bargaining power.

20. It was questioned whether it was feasible for Africa to have a continental strategy towards new development partners, especially taking into account the special conditions and differences between African countries and the impact of the emerging economies' activities on them. On the other hand, it was also questioned whether Africa should have one strategy for all emerging economies, considering the fact that the emerging economies differ in their approach and engagement.

21. One option suggested was to limit the list of issues to be agreed collectively to two or three strategic issues (such as, for example, environmental impact). The other relevant issues could be left to national Governments.

22. **African ownership.** Experts underlined the importance of African ownership. It was agreed that Africa's strategy towards the new development partners can only be defined by Africans, to ensure their buy-in and implementation.

23. **Dynamic picture.** Participants emphasized the need to look at the dynamic picture and how the relations with new development partners changed over time. In particular, the current global financial and economic crisis had created new challenges and opportunities for Africa.

24. **Indirect impacts.** Participants pointed out that the indirect impacts of the engagement of emerging economies also deserve attention (for example, competition for scarce global resources).

25. **Relations with traditional development partners.** Experts alluded to the need to consider how Africa's relations with new development partners fit into the already existing landscape of networks. It was suggested that, in addition to a strategic approach towards the new development partners, Africa also needed a strategic approach towards traditional development partners who have expressed some concerns regarding the engagement of new partners in Africa. Some felt that the activities of both groups of partners complement each other, with traditional partners placing more emphasis on the social side and new partners on the productive side. Experts also underlined the need for African ownership in defining the framework for a trilateral approach.

Session II: Africa's strategic response to the emerging economies

26. The session was chaired by Mr. Festus Fajana (African Union Commission).

Presentations

27. **Professor Kaplinsky** made a presentation on "The rise of China and the challenge to development strategy in sub-Saharan Africa". In his presentation, Prof. Kaplinsky focused on the changing global terms of trade resulting from the entry of Asian economies into the global economy. For example, the presence of Asian economies has resulted in growing price competition in manufactured goods. At the same time, the expansion of Asian economies has contributed to spikes in commodity prices. These changes in global terms of trade pose major strategic implications for African countries. Thus, it is particularly important to consider the indirect impacts of the presence of emerging economies on African countries.

28. **Mr. Festus Fajana** (African Union Commission) focused his presentation on the African Union common position on Africa's partnership with emerging powers. He explained that the role of the African Union was clearly stated in its Constitutive Act—to provide a common platform. Mr. Fajana explained that the common position was based on the principle of co-development and envisaged a partnership instead of donor-recipient relations. The common position had also identified a number of priorities, such as industrialization, infrastructure development, agricultural development, human capital development, market access and development of a modern services sector. Mr. Fajana further explained that a comprehensive global review was prepared every five years to Heads of State on partnerships with traditional and emerging partners, in addition to the review conducted every two years with each partner.

29. Mr. Fajana emphasized that emerging partners were very different in terms of what they wanted and what they offered—a differentiated approach was thus warranted. Similarly, since Africa is a continent of many heterogeneous countries in terms of resource requirements or bargaining power, each country should define its own opportunities and challenges within the guidelines and priorities set by the Heads of State within the common framework.

30. Mr. Fajana then turned to industrial development as a number one priority for Africa. In this regard, he stressed the need to tie the search for mineral resources to the goal of industrial development. According to Mr. Fajana, if a country is endowed with natural resources, they should be used to develop the infrastructure and human capital. Thus, any agreements between Africa and emerging economies need to include a component on industrial development. In addition to national Governments, Mr. Fajana mentioned the need to involve the private sector and civil society, who are important stakeholders in the partnership.

31. **Mr. Abdalla Hamdok** (ECA) focused his presentation on the support accorded by ECA to African countries in their relations with new development partners. He explained that the primary mandate of ECA related to Africa's development at the regional and subregional levels. While ECA can help African countries define the strategic framework, Mr. Hamdok suggested that policies are better owned if they are crafted by people who will implement them. He added that ECA can help fill knowledge and capacity gaps. For example, ECA could support African countries through research, policy analysis and monitoring, advocacy and technical assistance, as well as enhance partnerships through its convening power. Mr. Hamdok emphasized the role of industrial

development and the creation of forward and backward linkages, explaining that as long as Africa continues to export primary commodities, terms of trade will remain adverse.

32. **Ms. Chioma Onukogu** (AfDB) started by suggesting that the experience of North Africa should be included in the report and that key action recommendations be specified for each stakeholder. Ms. Onukogu then spoke on the AfDB Medium-Term Strategy 2008-2012. She explained that the operational focus of the strategy was on infrastructure, governance, the private sector and higher education. Furthermore, the AfDB Regional Integration Strategy focuses on increased competitiveness and enhanced trade, as well as strengthening Africa's competitive position in the global economy. Regional infrastructure and regional integration were highlighted as key to economic growth and competitiveness in Africa. AfDB also emphasizes strategic partnerships with both traditional donors and emerging economies. According to Ms. Onukogu, AfDB is engaged in bilateral cooperation with a number of emerging economies.

Discussion

33. The ensuing discussion focused on Africa's response to the engagement of emerging development partners. Participants made the following observations:

34. **Implementation of the common position of the African Union.** Experts emphasized the importance of implementing the common strategy of the African Union on partnerships with emerging economies. It was reiterated that there were "winners" and "losers" in this relationship, which made it difficult to reconcile their various interests. It was especially important to take into account the interests of non-resource-producer African countries. However, the outcome of this relationship will depend on a strong unified response from Africa.

35. **New policy space.** Several participants noted that the emergence of new development partners has created policy space for African countries which they had been lacking for decades. Therefore, it is important to take advantage of that policy space.

36. **Capacity-building and natural resources management.** Experts underlined the need to build the capacity of African countries in a number of areas, including, in particular, the management of natural resources. In this regard, there is a need for an institution that African countries trust and that can provide relevant expertise. For example, the European Commission has the clearing house function that can strengthen the bargaining power of different countries. In Africa, ECA has tried fulfilling the clearing house function in the mining industry, by organizing meetings at the ministerial level and conducting an ongoing review of mining codes. In addition, there is a need to build country-level expertise beyond trade.

37. **Industrialization and diversification.** Participants emphasized the need to ensure that the relationship with new and emerging development partners helps African countries in their industrialization and diversification efforts. It was pointed out that if African countries had used the revenues from the commodity boom to industrialize and build human capacity, it would be much easier for them to deal with the impact of the financial and economic crisis. Innovation was highlighted as another important priority. Furthermore, participants pointed

to the need for an integrated cross-discipline approach, that is, policies should be designed in all areas, not only trade.

38. **Commodity prices.** Several participants expressed concern at the long-term impact of emerging economies on commodity prices. Volatility in interest rates, instability of capital flows, and shift in relative prices have an impact on Africa's development strategy. It was suggested that there was a need for mechanisms that would allow African countries to react quickly to a drop in commodity prices. It was also suggested that Africa's voice would be more audible if the presidency of the African Union had a seat at the Group of Twenty (G20).

39. **African Economic Research Consortium study.** Participants were informed that the African Economic Research Consortium (AERC) was conducting a study on the impact of China-Africa economic relations in 22 African countries, which would be published soon. This process could be further strengthened and used to help African countries in defining their response to the presence of emerging economies.

40. **Private sector and other stakeholders.** Experts underlined the important role played by the private sector and suggested that new models and capacity-building were needed for private-public partnerships. In that regard, the examples of other regions could be helpful. In particular, innovation systems need to tie together Governments, the private sector and universities. The regional economic communities were also highlighted as important stakeholders.

Session III: Role of the multilateral community

41. The session was chaired by Mr. Mehdi Hamam, Officer-in-Charge, Policy Analysis and Monitoring Unit (OSAA).

Presentations

42. **Mr. Uwe Wissenbach** (European Commission) made a presentation on the European Union's approach to Africa and emerging economies. He explained that the European Union had a strategic triangular partnership with both China and Africa. The first round of European Union–China consultations held in 2005 had been followed by a regular dialogue. Mr. Wissenbach explained that African partners had also been involved in these discussions since 2006. The debate had focused on constructive dialogue and cooperation, trying to identify areas where mutual benefits could be realized between the three partners—the European Union, Africa and China. The consultation process between all partners had identified four priorities that are in line with the priorities of the African Union/NEPAD: peace and security in Africa; support for African infrastructure; sustainable management of environment and natural resources; and agriculture and food security. According to Mr. Wissenbach, the European Union is ready to promote effective multilateralism that would result in a win-win situation for all stakeholders.

43. **Mr. Bankole Adeoye** (NEPAD secretariat) emphasized the principle of "one Africa" in his presentation, adding that the integration of NEPAD into the African Union structures was expected to be finalized at the African Union Summit in July 2009. He underscored that the partnership between Africa and

emerging economies must be based on common understanding and common framework. In his view, the partnership process must be driven by an Africa-owned and Africa-led initiative. In that process, NEPAD core principles could be used as a guide. Mr. Adeoye added that Africa's relations with emerging economies should not be confined to multilateral forums.

44. **Mr. Andrew Mold** (OECD) informed the participants of the recent and ongoing changes in the nature of OECD. A number of emerging economies have become members of OECD, for example, Mexico, the Republic of Korea and Turkey. Dialogue is continuing with other emerging economies with a view to possible membership. Furthermore, OECD acknowledges the need to have a legitimate policy dialogue with emerging economies. The OECD Development Centre has its own membership and structure, including 11 developing country members. Mr. Mold emphasized that the policy research undertaken by the Development Centre did not require governing council consensus. He added that triangular cooperation was an important aspect of the work of the Development Centre.

45. **Mr. Cosmas Gitta** (United Nations Development Programme) focused his presentation on South-South cooperation. Mr. Gitta pointed out that a big part of the impact of the emerging economies was transnational in nature, including issues such as migration and trade, for example. Thus, it is necessary to address such impacts through a multilateral framework. Furthermore, there is a need for a coordinated approach in order to avoid "donor darlings" and "donor orphans" in Africa.

46. Mr. Gitta referred to the Global Development Forum as a relatively new process that looked at new realities and emerging economies with a view to improving coordination and developing South-South cooperation. He suggested that OSAA could play a role in encouraging the Forum to look at important issues such as FDI, trade, migration and remittances.

47. Mr. Gitta further reported that the United Nations High-level Conference on South-South Cooperation was likely to be held in June 2009 in Kenya. In preparation for the High-level Conference, it might be useful to bring to the attention of the African Group the report to be published by OSAA on Africa's cooperation with new and emerging development partners.

Discussion

48. Discussion focused on the role of the international community in the partnership between Africa and emerging economies. Participants made the following observations:

49. **Importance of African ownership.** It was pointed out that Africa's objectives for various partners were already clearly stated in the African Union policy document. Africa was well aware of both the opportunities and the challenges posed by the new partnerships with emerging economies. While the international community could contribute by supporting African initiatives, it was emphasized that the development process must be owned by Africans. Some concerns were expressed that Africa would be denied ownership in the trilateral cooperation framework. It was also reiterated that the cooperation should be guided by African Union/NEPAD core principles such as partnership and mutual accountability. Multilateral support should be aimed at helping Africa in implementing its own initiatives.

50. **Multilateral approach.** At the same time, participants identified a number of issues that would be better dealt with at the multilateral level, including, for example, FDI and the emergence of “donor darlings” and “donor orphans”.

51. **New type of partnership.** Concern was expressed over the fact that Africa’s relationship with traditional development partners had not helped Africa integrate into the global economy or industrialize. Experts underlined the importance of ensuring that new development partners invest resources into building infrastructure and capacity in Africa.

52. **Implementation is crucial.** Participants emphasized the importance of translating statements, recommendations and strategies into action, moving forward in a structured way. In that regard, the African Union Task Force recommendations need to be publicized. It was suggested that the recommendations resulting from the work conducted by OSAA on Africa’s cooperation with emerging economies could feed into political processes through the African Union.

53. **South-South cooperation.** It was suggested that the existence of South-South cooperation gave African countries negotiating power with traditional development partners. The Association of Southeast Asian Nations was suggested as a good example of successful South-South cooperation. In that regard, Africa could learn from their experience.

54. **African think tank.** It was proposed that it would be helpful for Africa to have an entity similar to OECD–Development Assistance Committee (DAC) to constantly look at pressing issues in Africa. Some participants expressed concern that the various studies prepared by the United Nations, the World Bank or other institutions did not always reach policymakers in Africa. It was suggested that AERC, with its programme of 22 studies on Africa-China relations, would be well suited to fill the role of an African think tank. AERC works on issues such as trade financing, economic growth, poverty and labour markets, and Asian Drivers.

55. **Empower national Governments.** Participants underlined the need to empower national Governments and build their capacity. In that regard, national Governments should be encouraged to look inwards and invest in building capacity and financing African policies. In particular, the need to develop the capacity and regulatory frameworks for natural resource management was highlighted. At the same time, participants emphasized the need for greater regional integration in Africa.

Conclusions and recommendations

56. The following key points emerged from the discussions at the meeting:

- The engagement of new and emerging development partners in Africa has created both opportunities and challenges for Africa.
- In addition to the direct impacts, it is also important to consider the indirect impacts created by the increasing presence of emerging economies in the world markets.
- Africa needs to ensure that it benefits from the new opportunities created and minimizes the negative impacts.

- In particular, it is necessary to ensure that cooperation with emerging economies leads to industrial development and diversification in Africa.
- The importance of African ownership is crucial.
- At the same time, multilateral support should focus on helping Africa implement its priorities.

57. The detailed conclusions and recommendations from the Expert Group Meeting have been incorporated into the main body of the report.

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