

EMERGING PARTNERS AND THE “SCRAMBLE FOR AFRICA”



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Currently, an exciting and interesting time for Africa

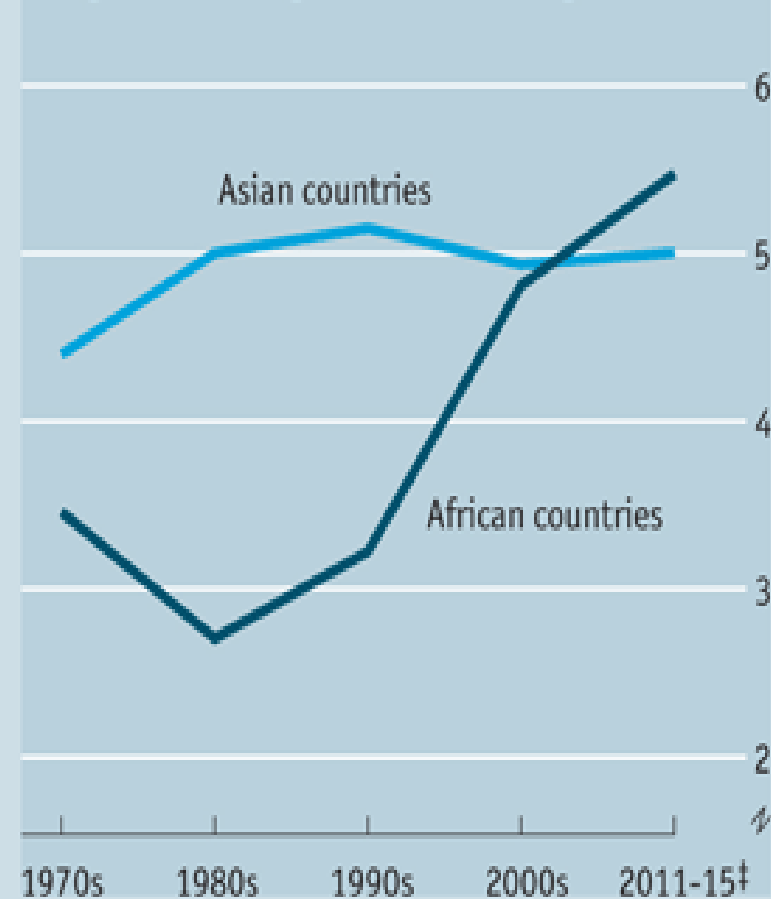
World's ten fastest-growing economies*

Annual average GDP growth, %

2001-2010†		2011-2015‡	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Sources: *The Economist*; IMF

GDP growth, unweighted annual average, %



*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

- The growth rates and economic and political interest in Africa is phenomenal - almost unprecedented

→ Reminds one of the 1960s

- This upsurge in interest has largely been stimulated by the explosive growth of countries like China, India, Brazil etc and their growing links with Africa
- Africa now has:
 - i. new markets in which to sell their goods
 - ii. alternative sources of financing and assistance
 - iii. Increased ability to lower their dependence on traditional partners e.g. Europe and the US

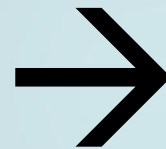
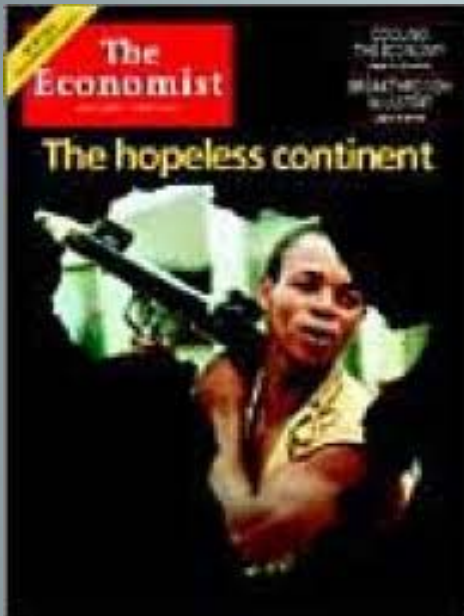
- It is a fact that Africa's partnerships are diversifying, with significant increase in trade, FDI, aid etc from these emerging partners
- **BUT in African Studies, the extent of these new developments is often obscured by a focus on the "old" relations of ex-colonial powers and the US**



FROM HOPELESS TO.....

- Until recently, Africa was seen by the West as marginal and of little political interest
 - During the 2000 presidential campaign, George W. Bush famously dismissed Africa as being a part of the world where the US had no real interests
 - However, over the last 15 years or so, emerging powers have made significant inroads into Western political and economic dominance in Africa
- This has caused a degree of reflection in the West regarding attitudes towards “the hopeless continent”

May 2000



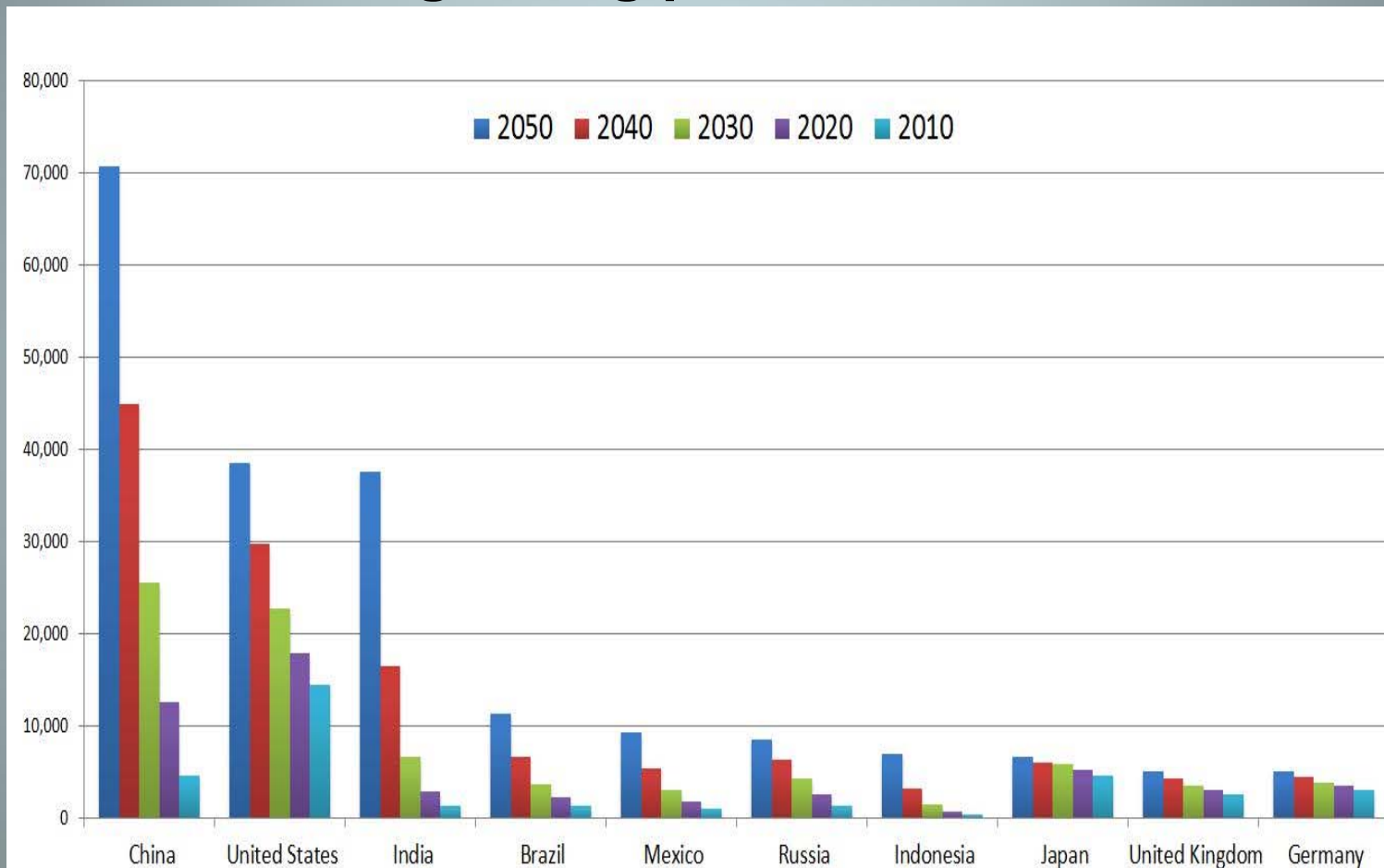
December

2011



‘Thanks to the Chinese, we [have] rediscovered that Africa is not a continent of crises and misery, but one of 800-million consumers’ (*Business Day*, 19 October 2007)

Any discussion of Africa's international relations needs to note the changing economic status of emerging partners and their growing political influence



World's leading economies by 2050 (projected)

DEFINITION OF “EMERGING PARTNERS”

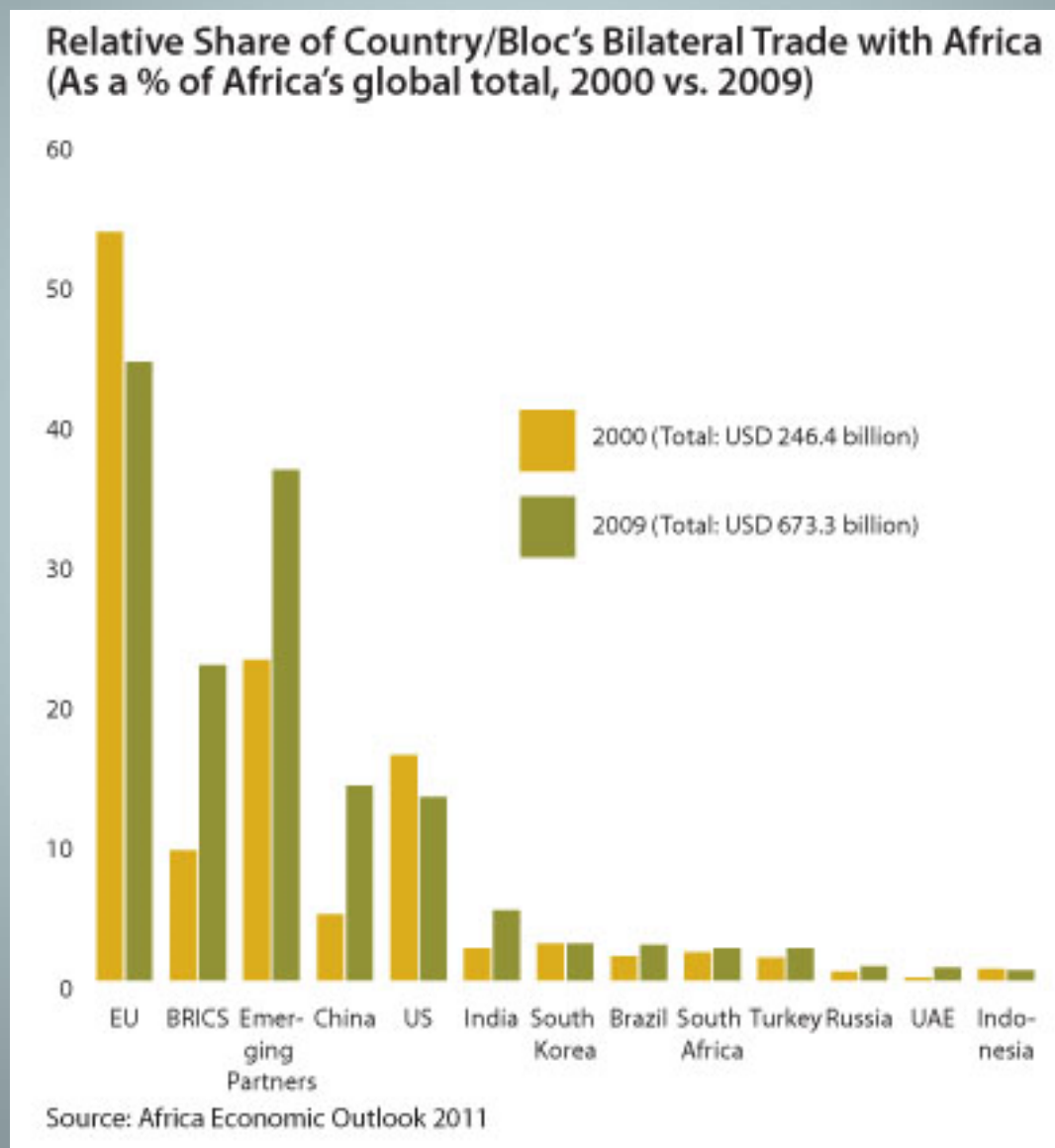
- Obviously, both India and China are not “new” in Africa so...
- Notion of “emerging partners” captures two characteristics:
 - i. they are considered “emerging” economies in the global context
 - ii. their economic relations with SSA have been marginal until the ten years or so - but are rising fast and are expected to continue growing

- EPs are also economic partners of Africa which (with the exception of S. Korea) do not belong to the club of traditional aid donors – the OECD Development Assistance Committee (DAC)
- Broadly includes:
 - Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa and Turkey (along with the G-8 members, these form the G-20)
- We are arguably living in epoch-changing times - where the dominance of the West can no longer be taken for granted

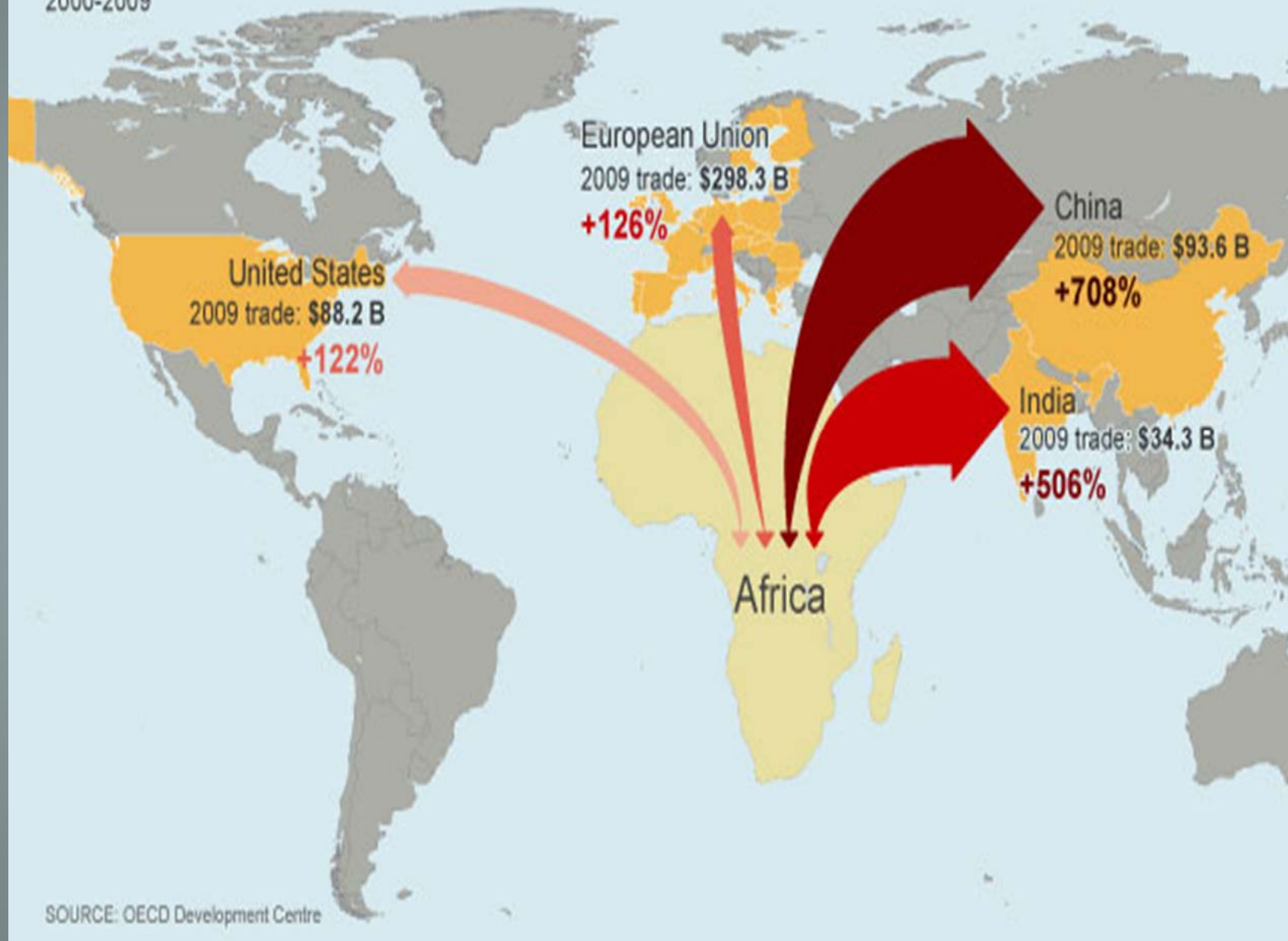
- Biggest emerging partners in Africa are currently China, India, Korea, Brazil, and Turkey
- Of non-OECD trade with Africa:
 - i. China = 38%
 - ii. India = 14%
 - iii. Korea = 7.2%
 - iv. Brazil = 7.1%
 - v. Turkey = 6.5%
- In 2009, China replaced US as Africa's main bilateral trading partner

- BUT NOTE: 25% of African trade with non-traditional partners is with countries outside the core 5 (China, ROK, Brazil, India, Turkey)
 - Thailand, Russia, UAE, Singapore, Malaysia, Indonesia, Argentina etc are more and more active in Africa
- in other words, Africa's trade is increasingly diversifying
- Africa's total trade has doubled in size in the last decade, and the non-OECD economies have doubled their share in it from 23% to 39%

- Shares of traditional and emerging partners in Africa's total trade, 2000 compared with 2009 (in %)



INCREASE IN TRADE WITH AFRICA 2000-2009



SOURCE: OECD Development Centre

- **The reorientation of Africa's trade has been extraordinarily rapid**
- In little more than 10 years, Africa's exports to its traditional trade partners have dropped from $\frac{3}{4}$ to $\frac{1}{2}$ of the continent's total exports
- This change in trading patterns is much more dramatic than we have seen in other developing regions of the world e.g. Latin America
- **NOTE: CHINA'S RISE AS AN ECONOMIC FORCE IN AFRICA IS ONLY PART OF THE STORY**

We are all familiar with:



But?





**Korea
Africa
Forum**



**TURKEY
AFRICA
PARTNERSHIP**
MINISTERIAL REVIEW CONFERENCE
15-16 DECEMBER 2011 / ISTANBUL



CONFERENCE D'ÉVALUATION MINISTÉRIELLE DU
**PARTENARIAT
TURQUIE
AFRIQUE**
15-16 DÉCEMBRE 2011 / ISTANBUL



AFRICA



SINGAPORE

BUSINESS FORUM





Venezuela 2009

Il Cumbre
América del Sur - África

Il Summit
Africa - South America

Il Sommet
Amérique du Sud - Afrique

Il Cúpula
America do Sul - África

ASA

القوة المتزايدة
أمريكا الجنوبية - أفريقيا

Cerrando brechas, abriendo oportunidades

Filling gaps, providing oportunitas
Jeter des ponts vers de nouveaux horizons
Fechando brechas, abrindo oportunidades

سد الفجوات، افتتاح الفرص



MALAYSIA-AFRICA BUSINESS FORUM

Exploring New Dimensions



18 June 2011

8.30 am - 2.00 pm

Unity Hall B2,
Putrajaya International Convention Centre

An event under the
Langkawi
International
Dialogue (LID) 2011
Organised by MATRADE



- The diversity of partners is a tremendous opportunity for Africa
- Each wave of countries engaging with Africa brings with it new:
 - i. products
 - ii. capital goods
 - iii. technology
 - iv. know-how and expertise
 - v. development experience
- Each also bring new ways of doing things which question previous assumptions

- The emerging partners also often have a comparative advantage in their outward engagement with Africa

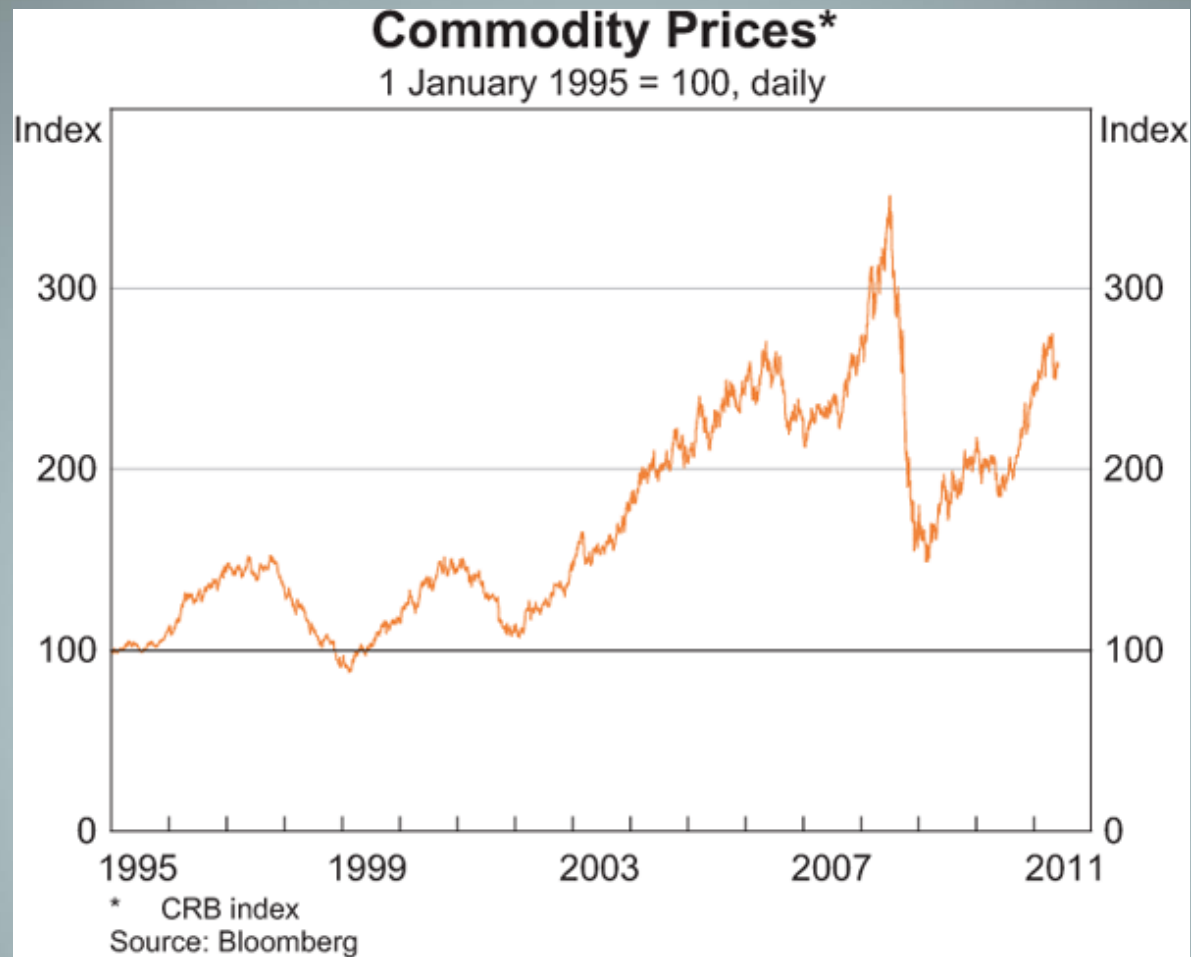
- i. they are able to access large pools of finance and capital reserves (mostly through state incentives and subsidised support)

- ii. they also uphold a version of the Developmental State Model that encourages a particular approach to business that enables private enterprise and mercantile commerce

- iii. this state capitalist model is powerfully competitive

THE EMERGING PARTNERS EFFECT ON AFRICA

- Asian economies prowess in manufacturing has led to price competition (and in many sectors, price deflation) in industrial goods
 - this is good for consumers but bad for African manufacturers
- BUT expansion of infrastructure, growth in the emerging partners' manufacturing sectors and a greater demand for food has led to an increase in commodity prices
- The Asian–induced boom in commodity prices has lasted nearly ten years now



→ KEY ISSUE: how can Africa make the most of the opportunities offered by these new participants on the global economic stage?

- **Much of the growth required for the emerging partners own upward trajectory will be on the back of rising ties with Africa**

- **It is estimated that by 2030, BRIC-Africa trade may exceed \$4 trillion, 10% of BRIC-world trade and over 50% of Africa-world trade**

- **Africa could see its percentage of global trade rise to 5%-6% in the next decade**

- **The technological transfer and cooperation inherent in these ties will arguably alter Africa's economic and governance landscape**
- Africa is moving from its traditional “post-colonial” North-South relations towards a more diverse, more business-centric set of partnerships with a wider array of actors
- Already this has prompted renewed competitive interest from the West in Africa – potentially providing African governments with greater leverage
- This wider spectrum of relations is potentially good news for Africa - but some longstanding challenges remain

CHALLENGES

- i. African countries need to **improve how they manage natural resource revenues**
 - **African governments should** channel the revenues they get from their natural resources to high return infrastructure investments
 - This would then help to raise productivity in agriculture and others sectors
 - Also these revenues need to strengthen education and health care systems

ii. African states need to **strengthen their economic flexibility and introduce mechanisms to** help local manufacturers

→ This is particularly important where imports from the emerging partners may displace domestic production

→ Retraining programs for affected workers and facilitating access to finance for companies to shift to more competitive sectors would be wise

iii. African countries need to **negotiate better market access with the** emerging partners, which tend to have much higher trade barriers

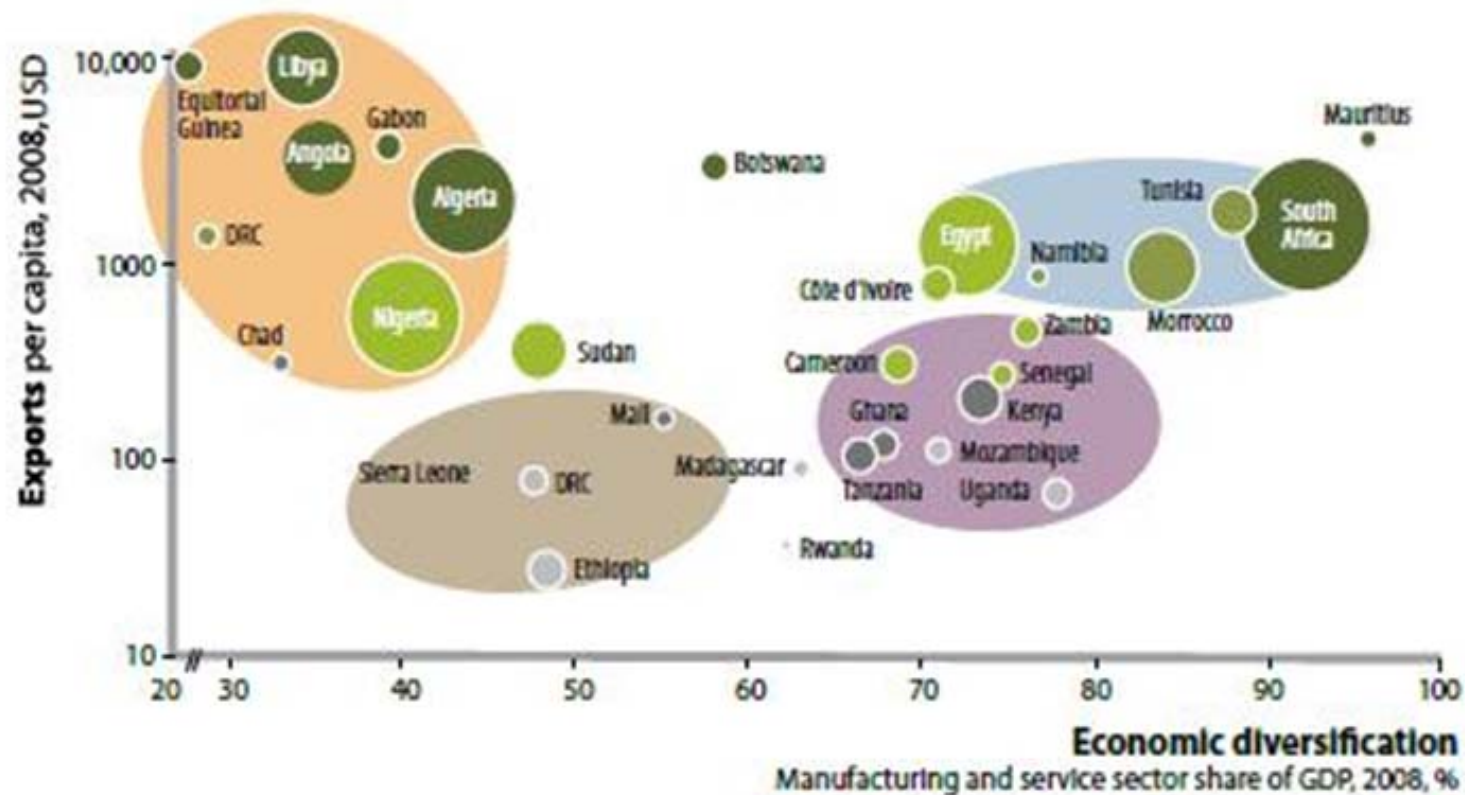
iv. The rapid growth in trade with emerging economies in recent years has not led to a significant change in the structural pattern of Africa's trade

- Raw materials, particularly oil and minerals, still dominate
- Exports to the three large emerging markets (Brazil, China, and India) are dominated by natural resources, particularly oil
- Oil accounts for c. 70% of exports to the three countries

- Economic history suggests that higher commodity prices tend to invite even more investment in natural resource output
- This further intensifies a heavy dependence on such exports
- A key problem then is that if African economies rely again on extractive industries (driven by EP demand) then there is no move towards diversification
- In particular, Africa needs to industrialise

DIVERSIFICATION OF AFRICAN ECONOMIES

CLUSTERS OF AFRICAN ECONOMIES



Clusters (only select countries represented)

- Oil exporters
- Diversified
- Transition
- Pre-transition

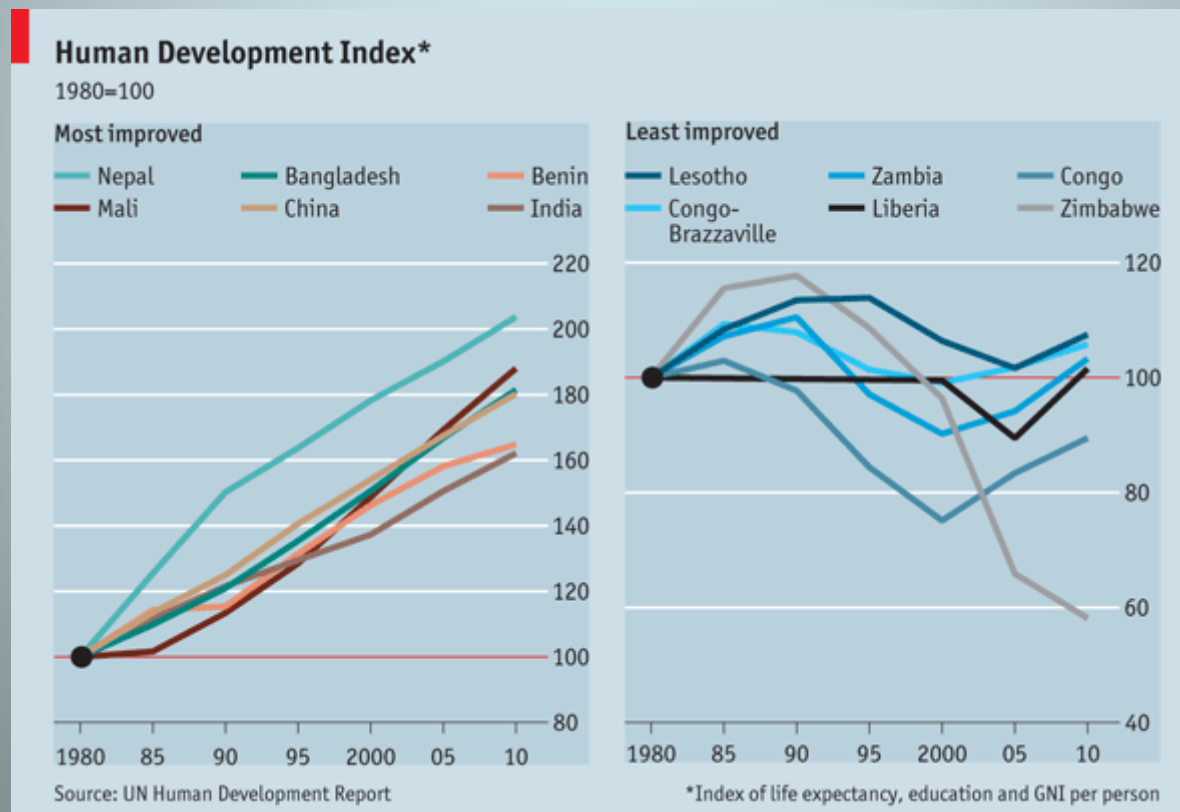
GDP per capita

- < \$500
- \$500 - \$1000
- \$1000 - \$2000
- \$2000 - \$5000
- > \$5000

- Size of bubble proportional to GDP

- But one problem with growth that is heavily dominated by resource production is that it tends to have fewer direct linkages with other parts of the economy
- Little contribution to industrial development and also much less labour-intensive
- African governments therefore need really strong development plans

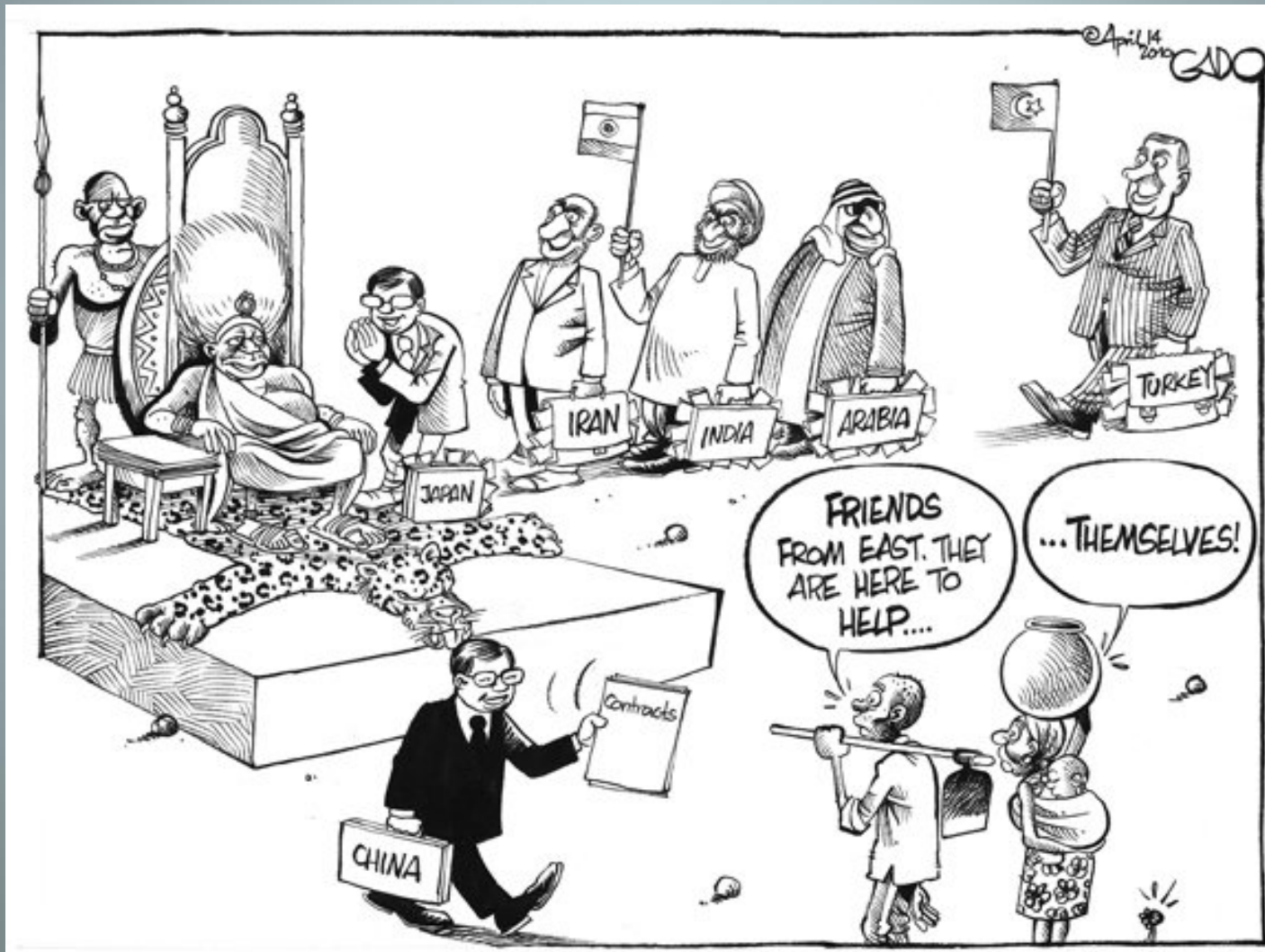
- Economic growth and development are not the same thing → sometimes they may be the opposite of one another
- Redistributive policies and a commitment to governance is needed



- BUT the political culture in much of Africa is based on neo-patrimonialism (a mixture of formal and informal institutions, norms and practices) with clientelism, patronage and autocracy predominant
- Regimes are based on fluid, often unstable, political alliances grounded in the pursuit of power (and money) rather than issues or political principles/ideologies

- Long-term national development has not been a priority in many SSA countries
- A key issue that the new “Scramble for Africa” has to address is how best to change political structures in SSA, not just fuel existing dysfunctional formations
- Capital inflows in the absence of serious economic and governmental reforms in SSA are unlikely to lead to sustainable growth and development
- Indeed, such flows may just serve to strengthen the position of existing African elites

This is going to be a major challenge for the emerging partners if they wish their relationships with Africa to be qualitatively different from the West



- Historically, the failure of many African states to supply virtually any of the frameworks and services considered necessary for growth and development has been at the root of much of Africa's problems
- Caution is needed with regard to how much the emerging partners are "different"
- is it better to be exploited by an Indian/Brazilian/Malaysian capitalist rather than a British/French/American?
- Such relationships may not have the colonial baggage and be weighed down with the history, but caution is needed

- Furthermore, the emerging partners are all likely to face mounting pressures to assume fuller global commitments
- It is quite possible that Brazil, China and India will move away from the status of developing countries (at least in terms of the global governance agenda) and take on the benefits and leadership responsibilities of the current core, such as membership of an expanded G-8, OECD and having a bigger role in the IMF and World Bank etc
- This means that any long-term strategy by SSA to somehow count on concessions from their South-South “brothers” may not go very far

SUMMARY

- **The diversification of sub-Saharan Africa's relations towards other partners (the emerging partners) offers the prospect of stronger and less volatile export growth as they continue their upward economic trajectories**
 - It also grants Africa more option
 - BUT home-grown strategies about how these new partnerships are to be used as part of long term policies for industry, agriculture and other sectors is vital
- THE BIG QUESTION: are Africa's elites ready and willing to direct these new opportunities that the emerging partners provide for the benefit of the wider African population?

Questions?



ALEXIA WEBSTER