Enhancing growth and employment in Africa through 
South-South Cooperation

Final Report

2011
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### Acronyms

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<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ABC</td>
<td>Agência Brasileira de Cooperação</td>
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<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific Group of States</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>CADF</td>
<td>China Africa Development Fund</td>
</tr>
<tr>
<td>CDB</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organizations</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>ECDC</td>
<td>Economic Cooperation among Developing Countries</td>
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<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
</tr>
<tr>
<td>EMBRAPA</td>
<td>Empresa Brasileira de Pesquisa Agropecuaria (Brazilian Enterprise for Agricultural and Livestock Research)</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FOCAC</td>
<td>Forum on China-Africa Cooperation</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
</tr>
<tr>
<td>IAFS</td>
<td>India-Africa Forum Summit</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>ITEC</td>
<td>Indian Technical and Economic Cooperation</td>
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<td>LOC</td>
<td>Line of Credit</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NAM</td>
<td>Non-Aligned Movement</td>
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<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>SCAAP</td>
<td>Special Commonwealth Assistance for Africa Programme</td>
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<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
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<tr>
<td>SMEs</td>
<td>Small- and Medium-Sized Enterprises</td>
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<td>SSC</td>
<td>South-South Cooperation</td>
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<td>TCDC</td>
<td>Technical Cooperation among Developing Countries</td>
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<td>TUSKON</td>
<td>Confederation of Businessmen and Industrialists of Turkey</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>United Nations Development Programme</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>UNECSOC</td>
<td>United Nations Economic and Social Council</td>
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<tr>
<td>UNOSAA</td>
<td>United Nations Office of the Special Adviser on Africa</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
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<td>World Trade Organization</td>
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Enhancing growth and employment in Africa through South-South Cooperation

Abstract

South-South Cooperation (SSC) has gained momentum in Africa with the new interest of emerging Southern economies on the continent. This study is concerned with how Africa can deploy this interest to maximally support its development. It considers how SSC can impact growth and employment and undertakes a comparative analysis of the SSC practices of four major Southern partners. It then considers the kinds of action that African countries must take to maximize the opportunities inherent in SSC for enhancing growth and employment.

Arguing that SSC is best viewed as the venue where commerce meets fairness, the study suggests that Africa should seek to find the balance between commerce (as the pursuit of one’s interests) and fairness (as the understanding of the other’s needs). This involves dialogue, negotiations and the understanding that partners should actively seek to complement, advance or transcend the market, as may be necessary. In essence, SSC is driven as much by market as by non-market and political economy dynamics.

The major Southern partners on the continent are driven as much by solidarity as by their own economic and strategic considerations. Their mix of trade, investment and to some extent, aid helps to promote these interests. On its part, Africa must clearly articulate the African interest and participate as an equal in the dialogue and negotiation with its partners. To do this requires that it strengthens the capacities to understand, coordinate, negotiate, monitor and compete.

1. Introduction

SSC has gained new momentum in recent years. Some larger countries of the Global South, particularly Brazil, China, India and South Africa have begun playing an increasingly prominent role in global trade, finance, investment and governance. Within this trend, Africa has deepened its engagement with other Southern countries, not only in terms of trade, development finance and investment, but also in terms of diplomatic and cultural relations. The impact of this engagement on African economies depends on the extent to which they are able to capitalize on the opportunities and mitigate the risks inherent in the relationship.

This study is concerned with how Africa can deploy SSC to enhance their growth and employment. Economic growth and employment creation on the continent have been given prominence in recent times among policymakers and development partners, as important elements in its efforts to achieve the socio-political as well as the Millennium Development Goals (MDGs). Employment has been identified as a major channel through which growth can result in poverty reduction. For most African countries, however, unemployment rates have remained relatively high over the last ten years. More critically, from the perspective of long-term economic and social stability of the continent, the twin issue of growth and employment enhancement merits to be pursued in a concerted manner.

Given the challenge of growth and unemployment on the continent, this study considers the channels through which SSC can impact economic growth and employment, and undertakes a comparative analysis of the SSC practices of major Southern partners. It further considers what kind of action African countries need to take in order to maximize the opportunities inherent in SSC for enhancing growth and employment.

1 For this report, the term “South” is used to denote all member countries of the “Group of 77 and China”. There are currently 130 members. See: http://www.g77.org/doc/members.html. To avoid tedium in the narrative, the terms “countries of the South”, “Southern countries”, “Southern partners” and “Southern players” are used interchangeably.
With regard to economic growth, the African region maintained a GDP growth averaging close to 6 per cent between 2001 and 2008. Although the global economic crisis brought down this strong growth to 2.3 per cent in 2009, it quickly rebounded to 4.7 per cent in 2010 (see figure 1), supported by exports and the increased commodity prices in oil-exporting and middle-income economies. For instance, economic growth in Angola, the second-largest oil exporter in the region and one of the countries hit hardest by the economic crisis in terms of the drop in growth rates between 2008 and 2009, was projected to have increased from 0.7 per cent in 2009 to 5.9 per cent in 2010. The region’s largest economy, South Africa, returned to positive growth in 2010 at 3.0 per cent after registering -1.8 per cent growth in 2009, the first negative growth rate since the end of apartheid.

Figure 1: Subregional growth performance 2008–2010 (%)

The impact of the economic crisis has generally been less severe in low-income economies, mainly due to their limited trade and financial linkages with the global economy. For instance, economic growth in low-income economies of Africa, south of the Sahara, dropped from 5.8 per cent in 2008 to 4.5 per cent in 2009 (1.3 percentage points), compared with a decrease of 2.4 percentage points for oil-exporting economies and 5.4 points for medium-income countries, respectively. The acceleration in growth rates during the global recovery was also more limited in low-income economies, with economic growth in 2010 at 4.9 per cent, 0.4 percentage points higher than in 2009.

In Ghana, for example, economic growth dropped from 7.2 per cent in 2008 to 4.1 per cent in 2009, but a sharper decline in output was prevented partly due to a steady performance of its relatively large agricultural sector. The case of Ghana and its agricultural sector, which acted as a cushion from the hard economic times, is a pointer to where continental efforts should focus with the support of SSC, in order to realize growth on a sustainable basis and also to absorb the huge population-growth rates. Another factor helping to mitigate the downward effect of the global economic crisis on the economic

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2 A country spotlight was not produced for the Africa region as quarterly employment data was available only for Mauritius and South Africa.
growth rate of Ghana was the continued inflow of foreign direct investment (FDI), which increased by 38 per cent in 2009.

SSC is equally capable of delivering benefits of FDI, if adequate safeguards are put in place in host African economies with respect to the institutional and policy frameworks to guide such investment inflows. Basically, FDI inflows should be directed to sectors which have the potential to spur growth and employment for the host economy.

High rates of economic growth are necessary to raise per capita incomes, both in light of the high growth rates of the working-age population in Africa (except North Africa), estimated at 2.7 per cent annually, and to address the region’s large decent work deficits. Economic growth in 2011 was projected at 5.5 per cent, which was the same rate as the pre-crisis in 2008. However, the outlook was subject to considerable uncertainty, particularly in middle-income countries and oil-exporters and dependent on the recovery of the global economy.

Current projections of the unemployment rate showed little change between 2010 (of 8 per cent) and 2011. North Africa for instance, gross domestic product (GDP) growth for 2010 was an average of 5 per cent with 10.6 per cent for the Libyan Arab Jamahiriya being the highest, while Algeria and Tunisia raked in a dismal 3.8 per cent. The increase in GDP was the result of stronger oil exports, an increase in tourism revenues for Egypt, Morocco and Tunisia, as well as a recovery of domestic consumption and exports. However, despite the relatively strong economic performance of North Africa, pre-crisis labour market challenges have persisted. These include: high unemployment rates (especially for young people and women); very low female labour-force participation; over-reliance on the informal sector for job creation; slow progress toward reduction of working poverty (at the $2 a day level); and widespread vulnerable employment.

Data available indicates that about 7.2 per cent of youths in Africa are unemployed and an additional 46.9 per cent are underemployed or inactive (ILO, 2011). As shown in table 1.1, the unemployment rate has been between 8 and 10 per cent in the last seven years for all Africa. More critically, from the perspective of long-term economic and social stability, youth unemployment rates have been between 23 per cent and 27 per cent for North Africa and approximately 12 per cent for Africa, south of the Sahara during the same period.

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3 To put the issue of employment into perspective, this section draws extensively from the ILO “Global Employment Trends: The challenge of a Jobs Recovery” 2011 report.
African economies have been able to achieve and sustain high growth but attention now must focus on job creation. The idea is to capitalize on SSC to develop sectors that have a substantial multiplier effect in these economies which could impact positively on growth and employment through the different linkages. This is vital because more than 60 per cent of the continent’s population is under the age of 25 and expected to increase to 75 per cent by 2015 (Ragui, 2011). Similarly, the United Nations Population Division has also observed that the youth population explosion in Africa is quite unique. Projections indicate that the region will account for 29 per cent of the world’s population aged 15-24 by 2050, up from 9 per cent in 1950. This is in contrast with the Asia/Pacific and Latin America/Caribbean regions which have been projected to maintain their 1950 shares of 54 per cent and 7 per cent respectively in 2050. These developments in the demographics on the continent require urgent attention among policymakers in Africa.

One of the fundamental challenges for employment creation in Africa is the fact that the jobs available in the wage sector are too few, compared with the ever increasing population of youths in the labour market. Similarly, the sectors which are at the forefront of posting impressive GDP growth figures in the region are those where employment creation is either marginal or inelastic for the better part. Such is the services and extractive sectors, the latter being capital intensive by nature of its operations. On the other hand, the credit market for start-up capital which the youth could access in order to create small-scale enterprises and jobs is still underdeveloped with many barriers to access this credit. Similarly, the inadequacy of entrepreneurial skills only serves to compound the unemployment challenge.

The continent is also characterized by very high-working poverty rates. In 2009 for instance, approximately four out of five workers were among the ranks of the working poor ($2 per day). Figure 2 below shows that the percentage of the working poor to total employment is highest in Africa (except North Africa) and has been on a steady rise over the years, standing at over 80 per cent of the working population as of 2009, followed by East Asia at 79 per cent. Equally present are the gender differences in terms of access to labour markets in the region, at least in comparison with other regions.

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Table 1.1: Unemployment rates in Africa 2000-2009

<table>
<thead>
<tr>
<th></th>
<th>Total unemployment rates (percentage)</th>
<th>Youth unemployment rates (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>14.1</td>
<td>9.0</td>
</tr>
<tr>
<td>2004</td>
<td>11.9</td>
<td>8.6</td>
</tr>
<tr>
<td>2005</td>
<td>11.6</td>
<td>8.6</td>
</tr>
<tr>
<td>2006</td>
<td>10.5</td>
<td>8.0</td>
</tr>
<tr>
<td>2007</td>
<td>10.2</td>
<td>7.9</td>
</tr>
<tr>
<td>2008</td>
<td>9.6</td>
<td>7.9</td>
</tr>
<tr>
<td>2009</td>
<td>9.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: ILO 2011, Tables A2 and A3.
Equally dismal is employment in the industrial sector which accounts for approximately one out of ten workers (10.6 per cent). Limited growth of employment in industry is largely attributed to the lack of structural transformation. There is an absence of labour- market transformation to the current needs of the sector with regard to skills acquisition, for much of Africa (except North Africa). The lack of structural transformation in the labour market and continuing high levels of vulnerable employment and working poverty have considerably worked to undermine the achievement of MDGs in the subregion.

Accelerating the progress on the achievement of decent work requires more resources and better economic and social policies. This calls for a search for resources to raise the investment ratio in the region, as current investment levels are not sufficient to sustain rapid economic growth. The emergence of SSC is indeed a vital opportunity for which the continent could parsimoniously exploit to enhance both economic growth and employment creation.

For the case of North Africa, the unemployment rate continues to be one of the highest in the world standing at 9.8 per cent in 2010 (ILO, 2011). The high overall rate is primarily the result of an extremely high unemployment rate for young people, which stood at 23.4 per cent in 2009 and estimated at 23.6 per cent in 2010, which was only surpassed by the Middle East at 25.1 per cent (figure 3). The gender gap in unemployment rates is equally substantial both among adults and young people. This is particularly a challenge because this is a critical mass of the population which is vital for the sustainability of economic growth, once they have opportunity for gainful employment. Incomes gained in this regard would work through the multiplier effects to enhance growth of the economy.
With regard to sources of employment, the agricultural sector continues to play an important role for job creation on the continent, accounting for approximately 60 per cent of total employment (table 1.2). For women, agricultural employment is even more important than for men. Given the low levels of urbanization on the continent, the largest proportion of the population lives on the land and is dependent on it for food and employment. In addition, a considerable component of industry in Africa is engaged in agro-processing activities. Therefore, using SSC to improve the agricultural sector by way of modernizing it would be one of the issues which Africa could vigorously pursue in her bid to enhance employment creation and economic growth. Fortunately, there is an increasing realization by policymakers of the importance of jobs in this sector for poverty reduction. For services and industry, employment in these sectors has not expanded substantially over the last decade in order to absorb the surge in the workforce. This calls for the need to exploit SSC to expand these sectors as well.

In addressing the multifaceted issue of unemployment in Africa, the Economic Reports of Africa (United Nations Economic Commission for Africa (UNECA), 2005, 2010) have articulated various strategies required to stimulate employment growth. These include: the encouragement of export diversification on the continent; the strengthening of intersectoral linkages; and the adoption of labour-intensive techniques. Others include the maximization of private-sector job creation capabilities through minimizing the constraints to investment and growth, as well as reducing taxes on producer prices to ensure that labour benefits from improved terms of trade.
Generally, improving productive employment in Africa requires enhancement of the structural transformation of African economies. This should also take care of youth unemployment as Governments across the continent provide a new direction in the education system; as well as embark on public-works programmes to improve physical infrastructure and the business environment, in order to enhance small- and medium-sized enterprises (SME) and private-sector growth in addition to the promotion of public-private partnerships.

The enhancement of SSC on the continent through aid trade and investment has the potential to address many of these issues. Properly articulated investments in critical sectors by the South partners, in addition to the channelling of aid into infrastructural and technical cooperation projects, has the potential to enhance skills acquisition by the youth, promote small businesses and private-sector development which will impact positively on employment growth.

Table 1.2: Employment by sector, world and regions (percentage of population)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
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<tr>
<td>World</td>
<td>40.2</td>
<td>35.4</td>
<td>35.0</td>
</tr>
<tr>
<td>Developed</td>
<td>5.6</td>
<td>3.9</td>
<td>3.7</td>
</tr>
<tr>
<td>countries/EU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia</td>
<td>47.9</td>
<td>38.9</td>
<td>37.7</td>
</tr>
<tr>
<td>Latin America</td>
<td>21.5</td>
<td>17.0</td>
<td>16.4</td>
</tr>
<tr>
<td>and Caribbean</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td>22.1</td>
<td>20.5</td>
<td>19.5</td>
</tr>
<tr>
<td>North Africa</td>
<td>29.2</td>
<td>28.4</td>
<td>28.0</td>
</tr>
<tr>
<td>Africa (except</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Africa)</td>
<td>62.4</td>
<td>59.4</td>
<td>58.9</td>
</tr>
</tbody>
</table>


With regard to GDP growth, some countries have experienced an increasing share of the industrial sector, especially in oil-exporting economies. The regional share of industrial employment has not changed much in the past 20 years. During the 1990s, employment in industry hardly increased (from 8.2 per cent to 8.9 per cent), and even during the years of strong economic growth leading up to the global economic crisis, the increase in industrial employment was only 1.8 percentage points. Levels have remained low in comparison with other developing regions, including mostly low-income regions such as South Asia with close to a 30 per cent share in total employment.

This study is organized as follows:

- Section 2 examines the concept and evolving dynamics of SSC and summarizes its current state for development in Africa.
- Section 3 provides the theoretical framework of analysis as well as considers the transmission mechanisms through which South-South partnerships could generate employment-friendly and inclusive growth in Africa.
- Section 4 provides a comparative analysis of the substantive engagements of the continent’s four major South partners, and the consequences of these engagements.
- Section 5 evaluates the socio-cultural dimensions of SSC.
Section 6 looks at the issues that are considered relevant in enhancing growth and employment through SSC and evaluates these issues.

Section 7 concludes with some recommendations regarding the kinds of capacities that need to be installed for African countries to make the most of its SSC partnerships.

2. Concept and evolving dynamics of South-South Cooperation

After the Second World War, as many developing countries were emerging from colonial rule, they began questioning the basis of the international system of economic relations and set out jointly to advance proposals for changing its structure and management (Ohiorhenuan and Rath, 2000). The formation of the Non-Aligned Movement (NAM) in 1961 and the Group of 77 (G77) in 1964 marked this early period of collective action by the South. Cooperation activities of the 1960s centred on emerging regional and subregional arrangements towards economic integration, trade and cooperation on political matters such as the Central American Common Market, the Central African Customs and Economic Union, and the Association of South East Asian Nations. Such cooperation was intended to expand market size, generate scale economies to support an accelerated industrialization strategy, and to lay a foundation for more systematic integration of production structures across Southern national boundaries.

But these arrangements did not prove very successful in achieving the desired degree of economic cooperation. One barrier was inadequate communications and other infrastructural linkages. More important, most developing countries were mainly primary producers at that time, so resource endowments and export baskets were too similar between countries within a region. Trade relations consisted chiefly of the exchange of primary products of the South for Northern manufactures. Thus, at the outset, the call for SSC arose as much from political and ideological desiderata as from technical-economic imperatives.

The 1970s were marked by great optimism about the ability of the South to reshape the international structure of power and economic relations in a more equitable direction. The increased activism of G77 and NAM during this period led to the adoption by the United Nations General Assembly of resolutions on the New International Economic Order and on new forms for technology transfer between countries. The United Nations established the United Nations Conference on Trade and Development (UNCTAD) to assist the South in the area of trade policy and promotion. The Commission for Science and Technology and the United Nations Fund for Science and Technology in Development (UNFSTD) were also established. In 1972, the United Nations General Assembly set up a Working Group to examine ways of intensifying technical cooperation among developing countries (TCDC). This led to the establishment in 1974 of a Special Unit within the United Nations Development Programme (UNDP) to promote TCDC.

The 1980s proved to be more challenging. Many developing economies, particularly in Africa, were battered by the high costs of debt, leading to reduced and often negative growth rates. In retrospect, many countries concede that there were policy and implementation errors in their chosen development

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5 The introduction of structural adjustment programmes under the auspices of the Bretton Woods institutions, as the solution to this crisis only exacerbated the problems for most African countries.
paths. However, the catalyst for the global changes is often identified as changes in the United States of America macroeconomic policy to arrest inflation and reduce public-sector deficits, which were followed by most Organization for Economic Cooperation and Development (OECD) countries. These policies led to quantum jumps in the cost of capital, severely amplifying the indebtedness of many developing countries.

The 1980s also saw a reversal in what the South thought it had achieved in terms of reshaping the global agenda. For instance, by the early 1990s, UNFSTD had virtually disappeared. The funds available for TCDC within the United Nations system also proved insufficient to maintain the visibility of these efforts. Thus, the 1980s ended with developing countries thinking in some disarray, bringing their dependence on the North into sharp focus.

The late 1980s and 1990s witnessed tremendous changes in the global economic and political environment. The dissolution of the Soviet Union, the new aspirations of the countries within that bloc, the re-examination of the role of the State in almost all countries and the explosive growth in the forces of globalization, all contributed to a lowered expectation of the capacity of the South to change the international relations of production. It was claimed that the “end of history” had been reached.

As it turned out, however, the last two decades have yielded remarkable changes in the dynamics of SSC. Perhaps most significantly, several large South economies have emerged as global growth leaders. From 1991 to 2010, developing countries as a whole grew at substantially higher rates than high-income countries. Of particular importance, the two largest Asian economies have had historically unprecedented growth rates for 20 years (China >10 per cent, India 6-10 per cent). Brazil, the largest economy in Latin America, has also had impressive growth rates, particularly since 2004 (UNCTAD 2010a).

In view of the above mentioned, SSC has been articulated as the process whereby two or more developing countries exchange knowledge, skills, resources and technical know-how for their mutual development.\textsuperscript{6} There were originally two strands to the discussion on cooperation among developing countries. One was concerned with collaboration on matters of technology and the application of know-how to economic production (TCDC).

The other was about trade, investment and finance (economic cooperation among developing countries (ECDC)). The term “South-South cooperation” emerged in the 1990s, as the operational integration of these two modalities. Accordingly, it is now generally perceived as a broad framework for collaboration among countries of the South in the political, economic, social, environmental and technical domains (UNDP/South Report, 2009).

The underlying philosophy of SSC is that developing countries can work together to find solutions to common development challenges, taking advantage of their economic complementarities. They do this by nurturing closer technical cooperation among themselves; employing experts from the South; sharing good practices from their experiences; and by helping one another to strengthen ownership of

\textsuperscript{6} High-level Committee (HLC) on the Review of Technical Cooperation among Developing Countries (TCDC), \textit{Revised Guidelines for the Review of Policies and Procedures Concerning Technical Cooperation Among Developing Countries}, thirteenth Session of the HLC on TCDC, New York, 27-30 May 2003, TCDC/13/3, p. 4. (The HLC is a Committee of the United Nations General Assembly that oversees South-South Cooperation. Its name was officially changed in 2003 to the High-level Committee on South-South Cooperation).
the development process. SSC, in its original definition is initiated, organized and managed by the developing countries themselves, with their Government playing the lead role.

For Africa, there has been a substantial increase in the importance of its South-South trade. Its total merchandise trade with the South (excluding intra-African trade) increased from $34 billion in 1995 to $283 billion in 2008. Accordingly, the share of South countries in the continent’s extra-regional trade stood at 32.5 per cent in 2008, from 19.6 per cent in 1995 (UNCTAD 2010b). Similarly, the share of non-African South countries in total FDI inflows to Africa increased from an average of 12.6 per cent over the period 1995-1999 to 15.9 per cent for the period 2000-2008. In terms of stock, inward FDI stock from non-African South countries had remained fairly constant (4.6 per cent in 1999; 4.5 per cent in 2008) (UNCTAD 2010b).

SSC is also increasingly being deployed as development assistance. The contribution of countries of the South to Official Development Assistance (ODA) globally, was estimated to be about $12.1 billion in 2006 (United Nations Economic and Social Council [UN-ECOSOC], 2008). This represents almost 10 per cent of global aid flows. While their definitions of ODA may not accord exactly with that of the OECD, the largest providers of development assistance are China, India, Saudi Arabia and Venezuela (each contributing over $1 billion a year), followed by the Republic of Korea, Taiwan Province of China and Turkey (more than $500 million).

In keeping with the historical emphasis on mutually beneficial cooperation, SSC involves the simultaneous deployment of several instruments. These include grants, in-kind assistance, soft loans, commercial loans, export credits and countertrade options in various combinations. The result is that SSC is not directly comparable with ODA in the OECD/Development Assistance Committee (DAC) sense.

As lead players in SSC globally, three different groups may be identified (UNDP/South Report, 2009). First, fast-growing China and India may be placed in one group. Between them they account for nearly 40 per cent of global population and one-fifth of global income (in purchasing power parity terms). They have built up substantial financial and technological capacities and are determining their development trajectory without dependence on concessional external finance. There is also a degree of competition between the two countries for diplomatic influence in Africa and for access to natural resources and markets.

The second group would comprise of other smaller but reasonably strong economies that have, like China and India, essentially joined the global economic mainstream and are becoming important

7 The OECD/DAC defines Official Development Assistance (ODA) as “flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following test: a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25 per cent” (OECD, 1996:24).

8 This number is probably an underestimate. In general, information on South-South ODA flows is scattered and scanty, and several (especially) small bilateral and multilateral contributors are not typically included in the estimates due to lack of data.

9 DAC donors can claim, rightly, that they also deploy different instruments. The difference is that the boundaries between the instruments are more clearly demarcated in the activities of the DAC partners.
players. This would include Brazil and Chile in Latin America, Malaysia, Singapore and Thailand in Asia, and Nigeria and South Africa in Africa. The third group consists of the six members of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). Due to high oil prices, these countries have also built up large financial reserves that they are deploying globally in search of viable investments.

The 2011 African Economic Outlook (African Development Bank [AfDB]/UNECA/UNDP/OECD, 2011) highlights the growing role of emerging economies in Africa. It shows quite clearly that China takes pre-eminence among the emerging country partners. The four other players in the top five are Brazil, India, Korea and Turkey. However, since Korea is now a member of DAC, it is no longer eligible to be considered a member of the Global South. Accordingly, four countries of the South, namely, Brazil, China, India and Turkey constitute the focus of this report.

For several decades, Brazil has been playing a significant role in the Portuguese-speaking countries of Africa bilaterally, via the Community of Portuguese Language Countries - Comunidade dos Países de Língua Portuguesa (CPLP) and via multilateral organizations. In recent years, it has begun to broaden its presence on the continent.

The engagement of China with Africa has been growing steadily since the early 1990s, and has witnessed a quantum jump with the inception of the Forum on China-Africa Co-operation (FOCAC) in 2000. At the third meeting in 2006, China announced a doubling of aid to Africa over three years. Three years later, it announced further cooperation measures at the fourth FOCAC meeting.

India has well-established Diaspora communities in many African countries, particularly in East Africa. As a result, it has the longest history of cooperation with Africa. While the Indian Government ignored these communities for a long time, they now play a significant role in shaping their development cooperation activities on the continent. In 2008, India convened the first India-Africa Forum Summit (IAFS) as a platform for strengthening its relationship with Africa.

After decades of limited interaction with the continent, Turkey initiated a policy of opening up to Africa in 1998, following which it declared 2005 the “Year of Africa”. In August 2008, the first Turkey-Africa Cooperation Summit was held in Istanbul, with participation from almost all African countries, but with limited participation at senior levels. However, that Summit ended with an agreed framework for closer interaction between the partners.

3. Framework of analysis

In developing a framework for analysing the impact of SSC in enhancing growth and employment in Africa, three critical variables, widely acknowledged as the channel through which this Cooperation could affect African countries would be appraised, namely, FDI, international trade and development assistance.

Foreign direct investment, growth and employment

A number of positions in development literature emerge regarding the question of the extent to which FDI affects economic growth. One view is that FDI may affect economic growth directly, because it contributes to capital accumulation and the transfer of new technologies to the recipient country. Others
contend that FDI enhances economic growth indirectly where the direct transfer of technology augments the stock of knowledge in the recipient country, through labour training and skill acquisition, new management practices and organizational arrangements (Luiz de Mello, 1999). In this way, one can clearly assert that FDI can enhance employment in the recipient country via the newly acquired skills, as well as the management and organizational arrangements often referred to as “Entrepreneurship” for the host country population.

In the context of either neoclassical or endogenous growth models, the effects of FDI on economic growth in the host country differ in the recent growth models from their conventional counterparts. According to the neoclassical models, FDI can only affect growth in the short run because in the long run, diminishing returns to capital set in. The neoclassical model then postulates that long-run growth can only occur from both exogenous labour-force growth and technological progress. Endogenous-growth models (Barro and Sala-i-Martin, 1995) on the other hand, argue that FDI promotes economic growth even in the long run through permanent-knowledge transfer. This is via technology spillover from advanced to lagging countries through the flow of FDI (Bengoa and Sanchez-Robles, 2003).

Previous studies point to the fact that the effect of FDI on growth depends on other factors such as the degree of complementarity and substitutability between domestic investment and FDI, and other country-specific characteristics. For instance, Buckley and others (2002), argue that the extent to which FDI contributes to growth depends on the economic and social conditions in the recipient country. Countries with high rates of savings, open-trade regime and high technological levels would benefit from increased FDI to their economies, than those whose said conditions are either absent or marginal. Conversely, FDI may negatively impact the growth of the host economy if there is a substantial reversal of flows in the form of remittances of profits and dividends, and/or if the multinational corporations obtain substantial concessions from the host country. This is a very critical point for the host countries to note, as failure to do so results in diminished benefits accruing to their economies.

Bengoa and Sanchez-Robles (2003) counsel that in order to benefit from long-term capital flows the host country requires adequate human capital, sufficient infrastructure, as well as economic stability and liberalized markets. Since the realms of SSC also include technical cooperation and development aid which are channelled into projects such as infrastructure and education among others, there is the potential for SSC to yield positive benefits from FDI with other areas of cooperation, as cited above, and to play a bolstering role. Recognizing the importance of FDI to growth, many countries are using specific incentives to attract FDI inflows. Tax breaks and rebates are examples of such incentives (Tung and Cho, 2001). Nevertheless, the effectiveness of such incentives is questionable and there is evidence to the fact that many countries in the developing world find it hard to attract FDI (Li and Guisinger, 1992). The emergence of SSC would be a welcome opportunity for African countries to deal with this hard fact and work toward finding mechanisms through which FDI can flow in as well as be beneficial to them.

International trade, growth and employment

There is theoretical and empirical evidence to the fact that international trade is a potential engine of growth. This has been the case, given that the volume of international trade has been on the increase since the post-Second World War period. A particular feature of the world economy is that the growth
rate in merchandise trade is exceeding world output by a considerable margin. However, Temple (1999) contends that the gains from international trade, or openness, are most favourable to countries already specializing in manufacturing exports; implying that the most favourable gains from trade come from intra-industry trade.

The findings of the study by Edwards (1998) conducted on 93 advanced and developing countries indicate a positive relationship between trade and economic growth. Frankel and Romer (1999), investigating the relationship between growth and trade, while explicitly eliminating problems of causality and measurement errors, applied geographic characteristics of the sampled countries to explain trade. This featured as an instrumental variable in determining the effect of trade on income or economic growth. They concluded that trade had a positive effect on income or growth by stimulating investment in physical and human capital. Moreover, trade appeared to increase output for given levels of capital.

An internationally integrated economy constitutes a substantial increase in demand and simultaneously offers more potential for economies of scale than a closed economy. Economic growth in terms of supply-side effects is achieved via the exploitation of economies of scale in the production of niche products. This production generates monopoly profits which disappear through time, though the process can be repeated through subsequent time periods.

The first channel which transmits economic growth through trade is “economies of scale” that are directly related to the monopoly profits in the production for niche markets. Second is “efficiency gains” that are linked to reduced-cost effects through foreign competition, which eventually become evident in a falling rate of inflation in the domestic economy. Import penetration serves as a measure of the gains in this respect. The third channel is “technology cycle”. This refers to the growth effects that derive from the profitable adoption and application of foreign technologies in domestic production processes. Learning-by-doing on the shop floor is an important aspect of this channel in transmitting technology gains by simultaneously improving the quality of human capital. This channel also refers to the transfer of growth effects that derive from outsourcing in production or the slicing up of the value chain, as well as international outsourcing of services.

**Development assistance growth and employment**

The impact of aid on growth is realized when aid fills the two gaps representing shortages of domestic savings and foreign exchange. However, the relationship between investment and growth is stable in the short and medium term. In addition, foreign aid is assumed to be entirely used to finance investment and not consumption. Despite the fact that the theoretical foundations of the two-gap model are often regarded as very weak, it has been used extensively by international organizations to motivate development aid.

Many empirical studies have evolved since then to support or to counter the implications of economic theories on aid effectiveness. One group of studies argues that aid has either no significant effect on growth or even undermines it. Early studies in this group relied mainly on simple correlations and did not address the issue of causality by regressing growth on aid. Generally, they share a view that reveals aid as counterproductive to its purpose given that it generates a low-growth economy where aid-dependency expands public spending and wipes out domestic savings.
Raghuram and Subramanian (2005) tested the strength of the relationship between aid and growth in a single framework and across different periods of time, sources and types of aid. They did not find a robust positive relationship between aid and growth. A similar study examined possible factors that could hinder aid from having a positive impact on growth and one of the key factors cited was “Dutch Disease”. Therefore, the resultant consequence of reduced competitiveness in the key sectors is slower growth than in countries that receive less aid.

A second set of studies has found that on average, a significant positive impact of aid on growth exists. The argument made by this set of studies is that those that contend that aid does not enhance growth only have a partial argument, given that aid has successfully supported poverty reduction and growth promotion in many countries. Consequently, even if aid flows have not stimulated growth under all circumstances, it has had a positive effect on average. In fact, Chenery and Strout (1966) assert that aid supplements domestic savings, contributes to filling the foreign exchange gap and creates access to better technology and managerial skills.

Furthermore, a study by Papanek (1972) found a strongly significant positive effect of aid. A similar result was obtained from a sample of low-income countries in Africa (except North Africa). Boone (1996) took a strand of the aid-growth literature which allowed for a non-linear effect of aid on growth. In other words, these studies tested the hypothesis that aid promotes economic growth with diminishing returns, namely, that each additional dollar of aid has a lower (positive) impact on growth than the preceding dollar. Eventually, the absorptive capacity in the recipient country reaches an optimal level such that marginal aid flows have no impact or could even negatively impact on growth. Using different estimation techniques, most of these studies have found a strongly positive non-linear impact of aid on growth.

A third group of studies undertaken for much of the mid 1990s, and largely spearheaded by the World Bank, assume that aid has a conditional relationship with growth, thereby impacting it positively only under certain conditions that span characteristics of both recipient and donor practices, while the average effect of aid is close to zero. The most influential study in this line of thinking is one by Burnside and Dollar (1998) which focused on the impact of policy on aid effectiveness. They used an interaction term between aid and an index of economic policy in order to study the aid-policy-growth relationship, comprising of fiscal, monetary and foreign-exchange variables in the recipient country. Their findings suggested that aid promotes growth only in countries with sound economic policy regimes. In essence, they stressed that synergies between aid and policy tend to be successful because in good policy environments, either the fraction of invested aid or the resulting increase in productivity is larger.

Finally, another group of development economists shift the focus of attention from experimenting with growth specifications, to exploring various ways in which aid is likely to impact on growth. In other

words, the studies in this strand differentiate between growth impacts of different types of aid. Owens and Hoddinott (1998) contend that household welfare in Zimbabwe was increased more by “developmental aid”, defined as assistance to set up infrastructure, agriculture and industry, than by “humanitarian aid” in the form of emergency transfers and food aid. Similarly, Mavrotas (2003) found a positive effect from programme and project aid in Uganda, and a negative effect from technical assistance and food aid on growth.

In a critical study by Bhavnani, Clemens and Radelet (2004), there is an attempt to match aid flows to a realistic time period over which they could influence growth. Essentially three distinct components of aid, namely: emergency and humanitarian aid whose effects, if any, were expected to be immediate; short-term aid, including budget and balance of payments support, investments in infrastructure and aid for such productive sectors as agriculture, to affect growth in the short run; and finally, late-impact aid, including aid to promote democracy, health, environment and education, to affect growth only over a long period of time. Short-term aid using a four-year period, over which it can influence growth, was found to have had a robust and sizeable impact on economic growth during 1973-2001.

From the above foregoing, it is clear from the theoretical and empirical literature that the impact of development assistance on a recipient country is not automatic. Critical to this is the mode and type of aid as well as the recipient country’s social-economic and the political environment in enhancing the growth impact of aid. With the above in mind, SSC development assistance can be harnessed within a framework that will lead to the realization of economic growth and employment creation in the recipient African economies.

**Analysing the impact of SSC**

With the above theoretical background in view, in recent years there have been several levels of discussion on the influence of emerging economies, especially the major Southern ones on African development. A major strand of the discourse, anchored at OECD/DAC, has been concerned with tensions and complementarities between Southern development assistance and conventional ODA. A particular concern has been the possible threat of emerging donors to the traditional development cooperation system, which is governed by a normative framework established by the North. Perhaps the first person to raise the issue explicitly was Richard Manning, when he was Chair of OECD/DAC. He identified three potential risks that Low Income Countries faced in their growing engagement with the new players (Manning, 2006: 371-385).

First, “they prejudice their debt situation by borrowing on inappropriate terms”: countries enjoying debt relief under heavily indebted poor country (HIPC) arrangements may be tempted to use the new credit-worthiness to enter into new debt, from private funds, via export credits or low-concessional loans, and these debts may be unsustainable.

Second, "they use low conditionality to postpone necessary adjustment": funding from alternative sources allows them to avoid necessary structural reform, which DAC donors may be promoting by withholding funds (such as higher standards of governance or accountability).

Third "they waste resources on unproductive investment": resources from non-DAC donors could tempt the recipient countries into embarking on large and/or unproductive capital projects, which cannot be maintained.
European Governments have also been critical of emerging donors, particularly China, in this respect. For instance, according to The Guardian newspaper in the UK, British leaders were quite concerned about Africa falling back into unsustainable debt and were blaming the emerging country lenders for impelling the continent in that direction:

Britain has warned China that its offer of billions of dollars in unconditional aid and cheap loans to African Governments risks driving back into debt countries that have only just benefited from debt relief, and undermines efforts to create democratic and accountable administrations. The international development secretary, Hilary Benn, on a visit to Malawi, told the Guardian that Britain has already made its concerns known to Beijing but that it is planning to 'ratchet up' the level of representation on the issue (McGreal 2007, quoted in Humphrey, 2010).

Similarly, the German Finance Minister, Peer Steinbrück, stated in May 2007 at the G-8 finance ministers meeting:

We see there's a growing interest by China related to African resources, and by their relation to African states, they are willing, when buying resources, to re-launch [...] what we wanted to break with our debt relief. (ACP, 2007, quoted in Humphrey, 2010).

This normative framework has influenced a large number of studies that have been conducted around aid effectiveness, raising questions about how the major Southern partners could be brought into the normative fold. Many studies produced by multilateral agencies (AfDB, 2011a; UNCTAD, 2010b; United Nations Office of the Special Adviser on Africa (UN-OSAA), 2010; UN-ECOSOC, 2008; UNCTAD/UNDP, 2007; Grimm and others, 2009; and bilateral agencies (e.g. Hellström, 2009) have explicitly or implicitly adopted this optic. Academic work on SSC such as research on the so-called Asian Drivers hosted at the Open University, United Kingdom (http://asiandrivers.open.ac.uk/) have typically covered broader analytical ground (trade, investment and aid). But they too have often adopted the same pre-analytic cognitive perspective, viewing Southern development assistance with conventional ODA as the implicit frame of reference.

It is still important to note, that SSC consists of more than technical cooperation and economic cooperation, although these are fundamental. These modes of cooperation have typically involved knowledge exchange, including technology transfer, trade, investment and financial support. However, in addition, a critical dimension of SSC has always been “solidarity”. This was understood to include collaboration in international, especially intergovernmental forums as well as the common promotion of “mutual benefit” within the global South. Obtaining these mutual benefits was not assumed to be automatic. Rather, it was something to be actively cultivated by all the countries.

13 For instance, see the Marrakech Declaration on South-South Cooperation. It declared among other things: “We, the participants at the High-level Conference on South-South Cooperation held in Marrakech, Morocco, from 16 to 19 December 2003…[r]ecognize that South-South cooperation is not an option but an imperative to complement North-South cooperation in order to contribute to the achievement of the internationally agreed development goals, including the Millennium Development Goals. South-South cooperation is about the tremendous force of solidarity, with which we can overcome even the biggest challenges….” (Available from http://www.g77.org/doc/docs.html).
The continent’s interaction with external partners, including those of the South, has both positive and negative potential effects which may be felt directly or indirectly. For instance, the direct effect of trade could be that African economies enjoy lower consumer prices and cheaper machinery and inputs. It could also be the increased export revenues that accrue to the commodity-rich economies. These higher exports translate into stronger GDP growth and possible employment increases. The fast-growing demand for primary commodities from these partners also generates the incentives to bring new commodities into production (IMF, 2011).

On the other hand, these cheap imports could exert pressure on domestic import-competing producers and on their exports to other markets, including to other African countries. The low-cost imports from the partners may drive domestic manufacturing or construction enterprises out of business. The impact on different African economies will depend on the structure of each economy and the specific nature of the interaction.

African countries also run the risk, over the medium to long term, of being locked into a trajectory of primary-product specialization that makes them highly vulnerable to commodity-price drops. More importantly, such specialization does not generate the strong productivity gains that will sustain high-growth rates. The sheer volume and the exponential growth of demand (particularly from China and India) give this concern particular salience. Additionally, recalling some lessons of African economic history, some analysts have raised the possibility of “Dutch disease”: the syndrome whereby an export boom exerts upward pressure on real exchange rates and makes manufactured exports uncompetitive (Oyejide and others, 2009).

Similarly, direct investment from Southern partners (like all FDI) affects growth through two main channels: (a) by increasing the capital stock and (b) by transferring technology to (and raising productivity in) the local economy. FDI from Southern partners, particularly China and India, has helped several African countries bring their natural resources into development. This is most evident in the expansion of oil and mining activities, which has significantly increased production, exports and processing capacity in several countries. It has also helped the expansion into upstream and downstream activities such as refining capacity in Nigeria and processing copper into electric wires in Zambia (IMF, 2011).

In other countries such as Ghana, Chinese investment is going into agro-processing and garment manufacturing. However, the bulk of demand from the Asian drivers is still for unprocessed goods with low value-added (Kaplinsky and others, 2010b), which heightens the risk of a lock-in to primary export trajectory.

In principle, foreign investment can support the transfer of knowledge through three channels: labour turnover, demonstration effects and spillovers (AfDB, 2011b). Employees leaving a foreign firm can carry the knowledge and skills acquired to domestic firms or set up their own establishments. In some cases, local firms are able to copy or reverse foreign investors’ superior technologies. In other cases, foreign firms may transfer technology to local suppliers and subcontractors or vendors of their finished product (backward and forward linkages).

In many respects the possible influence of development assistance on growth and employment can be similar to that of investment. Depending on the sector, aid can potentially relax supply-side constraints and correspondingly, the economy’s potential output. This would lead to positive effects on the rate of growth, the balance of payments and government revenue. Financing infrastructure via aid or FDI is a
core example of this possibility in the short- to medium-term. In the longer run also, human capital investment could generate a rightward shift of the supply curve via productivity increases due to education and health improvements. Also, as with FDI, aid can have negative effects on growth via demand-side effects. In particular large aid volumes could also potentially induce “Dutch Disease” outcomes. Since the specific characteristics of the assistance provided by Southern partners, especially the deployment of a substantial proportion of Southern assistance in the form of grants and loans for specific projects (infrastructure and other economic investment), “investment-like” outcomes are potentially high.

4. Analysis of the major South partners of Africa

4.1 Comparative analysis of North and South partners of Africa

The top four partners for Africa in terms of SSC are Brazil, China, India and Turkey (AfDB, 2011a) which constitute the focus of this report. The partners differ significantly from one another in the volume of resources directed at Africa, the scope of their engagement, their preferred modus operandi and their sectors of interest. Their actual impact on African countries depends on specific country conditions, including the quality of the labour force, the policy regime and the structure of market and non-market incentives. Moreover, the impact will vary according to the extent to which the spirit of SSC is fully embraced.

The South-South narrative (encoded in its history, language and culture) is crowded out when the discourse is conducted solely in stark developmentalist language. There is much to be gained from fully embracing the spirit of SSC as the platform for an African strategy vis-à-vis its Southern partners. This study suggests that SSC is best viewed as the venue where commerce meets fairness. A view that enables the understanding that it is normal among partners for there to be areas and issues on which there is common ground ex ante and other areas and issues on which there may be significant contention. Finding the balance between commerce (as the pursuit of one’s interests) and fairness (as the understanding of the other’s needs) is the essence of SSC. This involves dialogue, negotiations and the understanding that the partners would actively seek to complement, advance or transcend the market, as may be necessary.

4.1.1 Emerging trade trends

African trade has more than doubled between 2000 and 2009 from $246 billion to $673 billion. Over the same period, the continent’s trade with the four Southern partners has increased more than six-fold from $25 billion to $161 billion. In 2009, the respective shares of these countries in total trade were about 2.5 per cent for Brazil and Turkey, 5 per cent for India and 14 per cent for China (table 4.1).

| Table 4.1: Shares of traditional and emerging partners in imports, exports and total trade of Africa, 2000 and 2009 (in percentage) |
|------------------------|------------------------|
| (Billions of United States dollars) | 2009 | 2000 |
| Brazil | | |
| China | | |
| India | | |
| Turkey | | |

18
Despite the much faster growth in scale, the structure of Africa-South trade has largely followed the pattern of the trade in Africa with its traditional North partners. As shown in table 4.2, for three of the Southern partners, African exports are dominated by mineral fuel and lubricants, which account for between 61 and 87 per cent. Combined together, in 2009 crude materials and mineral fuel and lubricants accounted for 88.7 per cent of its exports to Brazil, 78.7 per cent and 73.3 per cent to China and India, respectively. These are comparable to exports to the United States of America, where crude materials and mineral fuel accounted for 84.1 per cent of the total exports. The only exception is Turkey, which imports less than 30 per cent of fuel and lubricants, but nearly 40 per cent of other refined commodities. In contrast, the exports of Africa to the European Union 25 (EU25) are more diversified.

On the continent’s imports side, the Southern partners also join the traditional North partners in having manufactured products and machinery/equipment form the bulk of their exports to Africa. The exception is Brazil, almost half of whose exports consist mainly of food and live animals (table 4.2).

**Table 4.2: Distribution of trade between Africa and its main economic partners by sector in 2009 (percentage)**

**African Exports**

<table>
<thead>
<tr>
<th>Sector code</th>
<th>Food &amp; live animals</th>
<th>Crude materials</th>
<th>Mineral fuel and lubricants</th>
<th>Chemical products</th>
<th>Other refined commodities</th>
<th>Manufacured goods</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU25</td>
<td>11.5</td>
<td>4.5</td>
<td>57.1</td>
<td>2.3</td>
<td>1.5</td>
<td>7.7</td>
<td>15.4</td>
<td>100</td>
</tr>
<tr>
<td>USA</td>
<td>2.3</td>
<td>2.1</td>
<td>82</td>
<td>1.2</td>
<td>0.6</td>
<td>5.1</td>
<td>6.7</td>
<td>100</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.5</td>
<td>1.3</td>
<td>87.4</td>
<td>6</td>
<td>-</td>
<td>2.1</td>
<td>1.7</td>
<td>100</td>
</tr>
<tr>
<td>China</td>
<td>0.9</td>
<td>17.9</td>
<td>60.8</td>
<td>1.3</td>
<td>2.3</td>
<td>1.5</td>
<td>15.3</td>
<td>100</td>
</tr>
<tr>
<td>India</td>
<td>3.6</td>
<td>7.3</td>
<td>66</td>
<td>7</td>
<td>12.1</td>
<td>3.2</td>
<td>0.8</td>
<td>100</td>
</tr>
<tr>
<td>Turkey</td>
<td>4.7</td>
<td>7.6</td>
<td>25.9</td>
<td>11</td>
<td>35.9</td>
<td>7.8</td>
<td>7.1</td>
<td>100</td>
</tr>
</tbody>
</table>

**African Imports**

<table>
<thead>
<tr>
<th>Sector code</th>
<th>Food &amp; live animals</th>
<th>Mineral fuel and lubricants</th>
<th>Chemical products</th>
<th>Misc manufacture</th>
<th>Manufactured goods</th>
<th>Mach &amp; transport equipment</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU25</td>
<td>7.4</td>
<td>8.4</td>
<td>11.4</td>
<td>7.3</td>
<td>16.5</td>
<td>42.1</td>
<td>6.9</td>
<td>100</td>
</tr>
<tr>
<td>USA</td>
<td>12.6</td>
<td>1.8</td>
<td>10.8</td>
<td>4.2</td>
<td>9.7</td>
<td>54.3</td>
<td>6.6</td>
<td>100</td>
</tr>
<tr>
<td>Brazil</td>
<td>46.9</td>
<td>3.6</td>
<td>4.4</td>
<td>2.7</td>
<td>9.5</td>
<td>20.8</td>
<td>12.1</td>
<td>100</td>
</tr>
</tbody>
</table>

4.1.2 Emerging trends in foreign direct investment

FDI inflows grew at an average of 14 per cent per annum in Africa during the 1990s and 30 per cent from 2000 through 2008 (Stevens and Freemantle 2010). FDI flows to Africa increased from approximately $9 billion in 2000 to $38 billion in 2005 and $73 billion in 2008. However, following the global financial and economic crisis, FDI flows declined to $60 billion in 2009 and $55 billion in 2010. Table 4.3 shows FDI flows to various African regions in recent years.

Table 4.3: FDI flows to Africa 2005-2010
(Billions of United States dollars)

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>38.2</td>
<td>46.3</td>
<td>63.1</td>
<td>73.4</td>
<td>60.2</td>
<td>55.0</td>
</tr>
<tr>
<td>East Africa</td>
<td>1.4</td>
<td>2.6</td>
<td>4.1</td>
<td>3.7</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Central Africa</td>
<td>2.7</td>
<td>3.1</td>
<td>6.0</td>
<td>4.4</td>
<td>5.4</td>
<td>8.0</td>
</tr>
<tr>
<td>North Africa</td>
<td>12.2</td>
<td>23.1</td>
<td>24.8</td>
<td>24.0</td>
<td>18.5</td>
<td>16.9</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>14.7</td>
<td>10.5</td>
<td>18.8</td>
<td>28.6</td>
<td>20.0</td>
<td>15.1</td>
</tr>
<tr>
<td>West Africa</td>
<td>7.1</td>
<td>6.9</td>
<td>9.5</td>
<td>12.7</td>
<td>12.7</td>
<td>11.3</td>
</tr>
</tbody>
</table>


North Africa has been the leading destination for FDI, receiving about one-third of all FDI flows. In 2010 North Africa received $17 billion, down from $18.3 billion in 2009 and $24 billion in 2008. Southern Africa has been the second FDI destination over the last few years, receiving $28.6 billion in 2008, but falling back to $20 billion and $15 billion in 2009 and 2010 respectively, as a result of the global financial and economic crisis. Angola was the main FDI destination in the region, accounting for about 60 per cent during 2005-2010, followed by South Africa.

West Africa has received approximately 20 per cent of FDI to Africa over the last five years, with $13 billion in 2009 and $11 billion in 2010. Nigeria received $8.7 billion in 2009 and $6.1 billion in 2010, accounting for over 50 per cent of FDI to the region. Ghana is the second largest recipient of FDI in the region, with $2.5 billion in 2010 (UNCTAD, World Investment Report, 2011). The bulk of the FDI in Central Africa investment is linked to the oil industry, with the Democratic Republic of the Congo and Equatorial Guinea being the major destinations in that region.

The FDI share of East Africa to African countries was the smallest, amounting to 8 per cent over the last five years. For 2010, FDI to East Africa was estimated at $3.7 billion, slightly up from $3.6 billion in 2009. Madagascar has been the region’s top recipient, with approximately $1 billion annually over the last three years, followed by Uganda and Tanzania.

The main recipients of FDI in 2010 were Angola with $9.9 billion, (18 per cent of all FDI to Africa in that year), Egypt with $6.4 billion and Nigeria with $6.1 billion. Others were Libya ($3.8 billion), Ghana ($2.5 billion), the Democratic Republic of the Congo ($2.9 billion) and South Africa and the Sudan ($1.6 billion each).
There is a high concentration of FDI in Africa. South Africa, with $125 billion, is host to more than 20 per cent of total FDI stock on the continent. Other significant hosts include: Nigeria ($69 billion), Egypt ($66 billion), Morocco ($40 billion), Tunisia ($32 billion), the Sudan ($19 billion) and Angola ($16 billion). Indeed, the collective share of these seven countries in the continent’s FDI stock was 72 per cent in 2009 (Stevens and Freemantle 2010:5).

Notwithstanding the growing significance of SSC flows, Northern partners still own the majority of foreign investment in Africa, mainly for historical reasons, with about 40 per cent of the continent’s FDI stock originating from the EU. The share of developing countries in the continent’s FDI flow increased from about 17.7 per cent between 1995 and 1999 to approximately 21 per cent between 2000 and 2008. For 2007 to 2009, cumulative FDI inflows to Africa were estimated at $8-12 billion for Brazil, $30-40 billion for China, and $14-20 billion for India (Stevens and Freemantle, 2010:7).

A large proportion of FDI from the South into Africa is driven by the search for resources as well as markets. However, recent studies also suggest that there have been increasing investment activities from the South in areas like infrastructure, transport, telecommunications, finance, light manufacturing and agriculture (UNCTAD, 2010b).

4.1.3 Emerging trends in development assistance

In order to evaluate the impact of ODA on African economies, joint studies were conducted in 2011 by the UNECA and the United Nations University – World Institute for Development Economic Research (UNU-WIDER). One of the studies indicated ODA to be mainly disbursed by bilateral donors and the five largest ODA-giving countries to Africa, namely, United States of America, France, Germany, United Kingdom and Japan. Among the multilateral institutions, the World Bank, International Development Association (IDA), European institutions, African Development Fund, International Monetary Fund (IMF) and Global Fund, were the largest ODA-disbursing institutions in 2008 and 2009.

Sectorally, project aid represents the overwhelming majority of ODA flows to Africa. Within project aid, ODA to social infrastructure has represented large amounts of funds compared to economic infrastructures and production sectors. Actions relating to debt by both DAC countries and multilateral institutions have declined substantially since 2007.

The ODA to GNI (Gross National Income) pledge from 1970 to allocate 0.7 per cent of GNI to ODA has yet to be met by the majority of DAC-member countries. By 2009, it was only five countries that achieved this target (UNECA and UNU-WIDER, 2011).

Estimating ODA flows from countries of the South is fraught with difficulty, partly because they use different interpretations of the OECD/DAC definitions and partly because many do not publish their statistics widely. A majority of the continent’s Southern partners have very different views and principles on development assistance compared to the traditional partners. Such differences are not only reflected in the fact that most Southern partners do not consider themselves as providing aid, but also reflected in the norms that govern their assistance practices. The lack of information disclosure further complicates the accuracy of the estimates.
However, DAC has some estimates for some recent years for the four Southern partners that this study focuses on. DAC 2008 estimates of ODA: $1.8 billion for China; $780 million for Turkey and $610 million for India. The estimate for Brazil - $437 million for 2007 (table 4.4).

The bulk of ODA for Brazil goes via multilateral channels. For China, the bulk of its aid goes to Asia, with North Korea being the largest single recipient (Smith and others, 2010). Similarly, Bhutan is the single largest recipient of Indian aid and Africa receives less than 5 per cent. Assistance given by Turkey also mainly targets its Asian neighbours, particularly Afghanistan, Kazakhstan and Pakistan.

Table 4.4: Estimates of aid from four Southern partners

<table>
<thead>
<tr>
<th>Country</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China²</td>
<td>733</td>
<td>912</td>
<td>1033</td>
<td>1467</td>
<td>1,808</td>
</tr>
<tr>
<td>India³</td>
<td>415</td>
<td>381</td>
<td>393</td>
<td>610</td>
<td></td>
</tr>
<tr>
<td>Turkey⁴</td>
<td>339</td>
<td>601</td>
<td>714</td>
<td>602</td>
<td>780</td>
</tr>
</tbody>
</table>

Source: Beyond the DAC: the welcome role of other providers of development cooperation OECD (Smith and others, 2010).

Notes:
1. More than 90 per cent is delivered via multilateral channels.
2. Excludes concessional loans and debt relief.
3. Excludes lines of credit.
4. Less than 10 per cent goes through multilateral channels.

UNCTAD (2010b) estimates for 2006 show that aid to Africa by main Southern partners amounted to $2.3 billion for China (including $1.3 billion debt relief), $290 million for Arab countries (Kuwait, Saudi Arabia and the United Arab Emirates), $96 million for Brazil and relative smaller flows from Republic of Korea, Turkey and India (figure 4.1).

Figure 4.1: Estimate of aid to Africa by Southern partners in 2006

Source: UNCTAD, 2010a.

Notes:
1. Brazil aid to Africa level is calculated from the estimated 27 per cent of its total ODA that goes to Africa.
2. India aid to Africa level is calculated from the estimated 1.5 per cent of its total ODA that goes to Africa.

Apart from the above mentioned different views, principles and norms regarding development assistance, the targeting areas of aid flows by the Southern partners are also different. Most significantly, Southern aid flows to Africa have played a crucial role in helping African countries address their long-existing infrastructure deficit. It has also been reported that Southern aid flows are
more active in production sectors compared to the traditional partners who usually focus more on social sectors.

4.2 Major Southern partners of Africa

Brazil-Africa cooperation

Since the beginning of the millennium, Brazil has been actively reaching out beyond its immediate neighbours in Latin America to other developing countries, as it seeks to find a more influential role in the global arena. Its foreign-policy objectives include the promotion of SSC, both in economic and political terms. For example, former President Lula in particular, considered engaging with Africa an important political objective.

Trade

From 2000 to 2008, Brazilian exports to Africa increased more than seven-fold, while its imports from Africa rose five-fold. Exports and imports decreased in 2009 by 14.3 per cent and 46.3 per cent, respectively, due to the global financial and economic crisis. Brazilian trade with Africa reached $25.9 billion in 2008, before falling back to $17.16 billion in 2009 (see table 4.5). The trade balance of Brazil with Africa has been negative for at least the past ten years.

Table 4.5: Trade balance between Brazil and Africa, 2000-2010
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,347</td>
<td>2,907</td>
<td>-1,560</td>
</tr>
<tr>
<td>2001</td>
<td>1,989</td>
<td>3,331</td>
<td>-1,342</td>
</tr>
<tr>
<td>2002</td>
<td>2,363</td>
<td>2,676</td>
<td>-313</td>
</tr>
<tr>
<td>2003</td>
<td>2,862</td>
<td>3,291</td>
<td>-429</td>
</tr>
<tr>
<td>2004</td>
<td>4,247</td>
<td>6,183</td>
<td>-1,936</td>
</tr>
<tr>
<td>2005</td>
<td>5,981</td>
<td>6,657</td>
<td>-676</td>
</tr>
<tr>
<td>2006</td>
<td>7,456</td>
<td>8,111</td>
<td>-655</td>
</tr>
<tr>
<td>2007</td>
<td>8,578</td>
<td>1,1347</td>
<td>-2,769</td>
</tr>
<tr>
<td>2008</td>
<td>10,170</td>
<td>15,761</td>
<td>-5,591</td>
</tr>
<tr>
<td>2009</td>
<td>8,692</td>
<td>8,465</td>
<td>227</td>
</tr>
<tr>
<td>2010</td>
<td>9,262</td>
<td>11,302</td>
<td>-2,040</td>
</tr>
</tbody>
</table>

Source: Brazil in Africa (Siebert, 2011: 11).

For Brazil, a large part of their trade is with only five countries: Algeria, Angola, Egypt, Nigeria and South Africa, which together accounted for almost two thirds of Brazilian exports to Africa and 85 per cent of imports in 2010. The largest African exporters to Brazil are oil producers (Algeria, Angola and Nigeria). Indeed, oil dominates Brazilian imports from Africa, except for South Africa, which primarily supplies coal and ores. Overall, mineral products, oil and gas account for 80 per cent of Brazilian imports from Africa. In comparison, Brazilian exports to the continent are much more diversified, including agricultural products (sugar, dairy, meat and cereals), vehicles and parts, nuclear reactors and machinery, ores and ash. The biggest consumers of Brazilian imports are Angola, Egypt and South Africa (Siebert, 2011).
Investment

The total FDI outflows for Brazil increased from $624 million in 1990 to $2.3 billion in 2000, rising to $20 billion in 2008. Due to the global crisis, FDI flows fell to $10 billion in 2009 (UNCTAD, 2010c). In 2009, the total investment for Brazil in Africa was over $10 billion, constituting about 6.4 per cent of the country’s total FDI of $157 billion (AfDB, 2011a:4). The Brazilian Development Bank (BNDES) has emerged as the main funding agency for Brazilian companies in Africa. By September 2007 it had approved 29 projects in Africa worth $742 million. It had also granted Angola a $1.75 billion line of credit (LOC) to finance a variety of projects undertaken by Brazilian enterprises (Seibert, 2011).

Brazilian companies tend to be concentrated in a few strategic sectors (energy, mining, construction and infrastructures). Petrobras, the state-owned oil company, is one of the largest Brazilian investors in Africa. It is engaged in gas and oil exploration and biofuel production in Mozambique and in offshore oil production in Equatorial Guinea, Libya Nigeria, Senegal and Tanzania. Another major player is the construction company Norberto Odebrecht. Beginning operations in Angola in 1984, the company has undertaken projects in nine African countries namely, Angola, Botswana, Republic of the Congo, Djibouti, Gabon, Liberia, Libya, Mozambique and South Africa (www.odebrecht.com). In addition to the construction of roads, housing and other infrastructure and industrial plants, the company recently ventured into the biofuels sector in Angola.  

Odebrecht is the largest private-sector employer in Angola, currently employing 26,000 local people (AfDB, 2011:6). It has also undertaken mining and tunnelling work in South Africa, dam construction in Botswana and infrastructure construction for the coalmine in Moatize, Mozambique. The company has also been engaged in a variety of activities from oil drilling in the Republic of the Congo and Gabon to railroad reconstruction in Liberia. In 2009, Africa generated income of $2.42 billion for Odebrecht, about 10 per cent of the company’s total earnings (AfDB/UNECA/UNDP/OECD, 2011:6).

Another big Brazilian player is Vale, which is the second largest mining company in the world. It operates in seven African countries and its activities include coal mining in Moatize, Mozambique. This mining project is a $1.3 billion investment that is expected to extract 11 million tons of coal for steel and energy production annually. Vale has involved another twenty Brazilian companies in the construction of the mining complex. The coal extraction operation is expected to create 4,500 jobs (Siebert, 2011: 10). Vale has also recently become involved in Democratic Republic of the Congo, Namibia and Zambia. Altogether, Vale has invested about $2.5 billion in Africa, predominantly in the mining industry (AfDB/UNECA/UNDP/OECD, 2011:5).

The state-owned Brazilian Enterprise for Agricultural and Livestock Research (EMBRAPA) promotes scientific cooperation, including the transfer of biofuel technology from Brazil to Africa. In August 2007, eleven of the company’s 24 international projects were in Africa. It opened an office in Accra, Ghana in 2008. In late 2010, the Brazilian Government announced that it would invest $300 million in

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14 It has teamed up with the state-owned oil company Sonangol and the private company Damer to form the new Bioenergy Company of Angola (Biocom). The three partners have invested $258 million in sugarcane production with the purpose of processing the crop into ethanol and sugar, and into generating bioenergy. Biocom plans to produce 250 tons of sugar per year, 30 million litres of ethanol and to generate 160 000 megawatts of energy per hour. Production is being targeted at the domestic market, but there are also lucrative prospects for export (Kiala and Ngwenya, 2011).
a sugar-cane plantation in Ghana, which was expected to make ethanol, the fourth largest export in Ghana, after cocoa, gold and timber. Similar agreements have been signed with Angola, Republic of the Congo-Brazzaville, Mozambique and Nigeria (AfDB/UNECA/UNDP/OECD, 2011:4).

**Development assistance**

The primary objective of the Brazilian SSC is to strengthen relationships with other developing countries. Earlier status as a recipient of development assistance from wealthier countries makes the Brazilian Government sensitive to the term development “assistance”, which it sees as carrying hierarchical implications. It prefers the term technical cooperation. Its SSC philosophy is to share development solutions with other developing countries in its areas of excellence.\(^\text{15}\)

Brazilian technical cooperation is coordinated through the Agência Brasileira de Cooperação (ABC).\(^\text{16}\) It is located within the Ministry of External Relations and overseen by the Under-Secretary-General for Cooperation and Trade Promotion. The mandate of ABC covers technical assistance received by Brazil and that provided by Brazil to other countries. However, with rising per capita income during the 1990s, the country has essentially completed the transition from recipient to provider of technical cooperation. Brazil explicitly links its technical cooperation with its foreign policy, with the aim of strengthening the country’s presence internationally, especially in Latin America.

Brazilian officials estimated its development assistance at about $365 million and $437 in 2006 and 2007 respectively. More than 90 per cent of this was channelled through multilateral agencies. In 2010 ABC had a budget of about $33 million, of which approximately $23 million was for technical cooperation activities and the rest for administrative costs. In addition, other agencies involved in particular projects would deploy additional resources of their own (Cabral and Weinstock, 2010).

Brazil has traditionally given technical cooperation to the Portuguese-speaking African countries (Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe), accounting for nearly 74 per cent of total allocations for technical cooperation projects in Africa (Brazil, 2009). Under President Lula, SSC and cooperation with Africa took on a more prominent role in international relations for Brazil. In this spirit, President Lula visited Africa 12 times, seeking to strengthen solidarity between Brazil and the continent.\(^\text{17}\) Brazil also opened or re-opened sixteen embassies in Africa under President Lula, bringing the total to 34.

This upsurge of interest is reflected in the growing number of international agreements signed with African countries in the last ten years, namely: Benin, Botswana, Burkina-Faso, Equatorial Guinea, the Gambia and the Sudan in 2005; Tanzania and Zambia in 2006; the African Union (AU), Rwanda and Swaziland in 2007 and Sierra Leone and Swaziland in 2008. Several more are under negotiation,

\(^\text{15}\) E.g.: “[Brazil has focused] on those sectors where [it] can offer a contribution, namely agriculture, education (chiefly literacy programmes), biofuels (ethanol and biodiesel) health (mainly fighting HIV/AIDS), electoral support (with particular emphasis on electronic voting) and sports activities (especially football).” [HLC Delegate] (Brazil, 2007).


\(^\text{17}\) In comparison, in his eight years in office, President Cardoso only visited Angola and South Africa, in 1996, while Itamar Franco made no visits to Africa. President Sarney visited Angola in 1989 and Collor de Mello made a four-country trip to Angola, Zimbabwe, Mozambique and Namibia in 1991 (Seibert, 2011:6.).
including Burundi, Chad, the Comoros, Ethiopia, Liberia and Mali (Brazil, 2009).

In addition to technical cooperation, Brazil has also provided some debt relief to African countries. Under the HIPC initiative, it cancelled debts for a few African countries between 2000 and 2005, namely: Mozambique ($369 million), Tanzania ($10 million), Mauritania ($9 million) and Guinea-Bissau ($5 million) (Ohiorhenuan, 2009a).

Brazilian assistance to Africa covers a range of fields with education, agriculture, health, energy, environment and public administration as the most important. Education, agriculture and health account for more than half of Brazilian technical cooperation. However, current trends suggest that energy and biofuels will become particularly important in the future.

Brazilian technical cooperation is typically provided as in-kind assistance to conventional stand-alone projects. The legal basis for cooperation between Brazil and other developing countries is typically formalized in a Framework Agreement. After an agreement is signed, meetings are conducted at the political level. Known as Joint Commissions, these meetings are the institutional mechanism through which the parties negotiate the main areas of activities to be implemented in the field. In these meetings, representatives of the partner country deals with the ABC as well as the Brazilian agencies that are the main deliverers of the specific technical cooperation project.  

**Interplay of Brazilian aid, trade and investment**

Trade is dominated by normal market considerations, investment by market opportunities in energy, commodities and infrastructure, and aid by political and diplomatic considerations. As one of the promoters of SSC in its original form as TCDC, Brazil remains close to the idea of horizontal cooperation to share experiences and transfer useful knowledge. Technical cooperation is a practical demonstration of this commitment and in return Brazil is able to count on many African countries as friends in the multilateral domain. In recent years, however, Brazil has provided incentives to its large state-owned and private companies to invest in Africa. Moreover, some of these investments such as biofuels impact directly on trade. Angola and Mozambique are the largest recipients of Brazilian investments, but several other African countries are becoming hosts to Brazilian enterprise.

**China-Africa cooperation**

SSC for China is based on the “Five Principles of Mutual Coexistence” that Prime Minister Zhou En Lai presented at the Bandung Asia-Africa Conference in 1955. These principles are: respect for territorial integrity, rejection of aggression, non-interference in the internal affairs of other countries, equality and mutual benefit and peaceful coexistence. China continues to stress these principles.

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18 In reality however, most cooperation projects arise as outcomes of presidential visits, international forums or through diplomatic missions, rather than via this formal dialogue process. Consequently, the overall cooperation programme portfolio for Brazil is not as coherent as would have been expected.

19 A few years ago, the Special Representative for China on the Darfur Issue, Liu Guijin, restated how these principles were being applied in China-Africa cooperation. “First, equality…China and African countries have always conducted friendly consultation and rendered each other support and coordination in the principle of mutual respect and equality. The two sides … have always had consultation on an equal basis and showed mutual understanding in the identification and implementation of relevant projects. Second, mutual benefit…. China-Africa cooperation is based on complementarity and mutual benefits from the first day…. China-Africa cooperation enables the two sides to turn their respective advantages in
Of the four South partners examined in this study, China engages with the largest number of countries in Africa. Every country in Africa, with the exception of Swaziland, has been a recipient of Chinese aid at one time or another (Brautigam, 2008). From its first economic and technical agreement with Guinea in 1960, China has had cooperation engagements (loans or technical cooperation) with all countries including middle-income countries like South Africa and Mauritius. These cooperation activities cut across a wide range of sectors, including energy, transport, communication, infrastructure and agriculture. The range of Chinese activities has grown dramatically in the last ten years. Small-scale, even micro-Chinese businesses are now quite common in Africa.

While collaboration between China and Africa goes back to the early days of the continent’s independence, it has raised the level of engagement to a new level in the last ten years. It established FOCAC, convening the first meeting in Beijing in 2000, and the second in Addis Ababa in 2003. The third meeting, at Summit level, was held in 2006 in China and the fourth meeting took place in 2009 in Sharm El Sheikh, Egypt. In January 2006, China released its first Africa White Paper entitled China’s African Policy. In December 2010, it released an update on its Africa policy with the report: China-Africa Economic and Trade Cooperation.

4.2.2.1 Trade

China to Africa exports increased from $4.2 billion in 2000 to $40.5 billion in 2009. These amounts represented 1.7 per cent and 3.4 per cent respectively of total Chinese exports. Imports from Africa also rose substantially from $5.4 billion in 2000 to $52.9 billion in 2008. Imports fell to $39.3 in 2009, still representing 3.9 per cent of total imports, compared to 2.4 per cent in 2000 (see table 4.6). The proportion of total trade in Africa has also grown substantially for China, from about 2 per cent in 2000 to over 14 per cent in 2009. Nonetheless, it remains significantly lower than the shares of the continent’s traditional trade partners, the European Union and the United States of America (as shown in table 4.1 above).

<table>
<thead>
<tr>
<th></th>
<th>China Exports</th>
<th>China Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4152</td>
<td>5413</td>
<td>-1261</td>
</tr>
<tr>
<td>2001</td>
<td>5061</td>
<td>4522</td>
<td>539</td>
</tr>
</tbody>
</table>

resources and technology into favourable conditions for development. It is a win-win cooperation. Third, credibility…. Credibility is an important guarantee for the smooth development of China-Africa cooperation. China is delivering its commitments … on debt relief, zero-tariff treatment, human resources training and assistance projects on schedule, in full and with good quality” (Liu, Guijin, 2008).


The high country concentration reflects partly the importance of crude oil and mineral products, which account for almost 90 per cent of Chinese imports from Africa. On the import side, machinery and transport equipment, manufactured goods and miscellaneous manufactured goods (mainly handicrafts) account for over 90 per cent. Chemicals and food products account for less than 10 per cent of the total (as shown in table 4.2 above).

### 4.2.2.2 Investment

Chinese investment in Africa is still relatively small in global terms. The Ministry of Commerce statistics for China estimated its stock of FDI in Africa at $9.3 billion in 2009, representing about 4 per cent of the total FDI stock and 2 per cent of total FDI for Africa (table 4.7).

Globally, the largest share of FDI for China has been in financial services, followed by the primary sector (mainly natural resources). By volume, the FDI has been dominated by its large state-owned enterprises (SOEs), which are on average, much larger than private Chinese enterprises. The ten largest Chinese multinational enterprises by FDI stock are all SOEs and more than half of these operate in the natural resources sector (OECD, 2008).

The Chinese FDI in Africa has reached about fifty countries. Estimates of the number of Chinese FDI firms in Africa vary widely, as many SMEs are often not covered by official statistics. UNCTAD/UNDP (2007) estimated that there were approximately 700 Chinese enterprises operating in Africa. The Chinese Exim Bank put the number of Chinese enterprises at 800 in 2006, of which 85 per cent were privately owned and are SMEs. Chinese Embassies and the Chinese business communities in Africa interviewed during 2007 and 2008 suggest that there were at least 2,000 Chinese enterprises in Africa (Gu, 2009:7).

The top five FDI stock host countries are all resource-rich countries (Algeria, Nigeria, South Africa, Sudan and Zambia) and account for more than half of the total Chinese FDI stock in Africa (OECD, 2008). Chinese Ministry of Commerce (MOFCOM) data indicates that 76 per cent of Chinese FDI in Africa in 2009 was in countries defined by the IMF as hydrocarbon- or mineral-rich, namely: Algeria, Angola, Botswana, Cameroon, the Democratic Republic of the Congo, Republic of the Congo, Equatorial Guinea, Gabon, Ghana, Guinea, Liberia, Libya, Mauritania, Namibia, Nigeria, Sierra Leone, South Africa, the Sudan and Zambia (AfDB/UNECA/UNDP/OECD, 2011). This is comparable to the ratio for OECD member countries, which is 85 per cent.
Table 4.7: Chinese FDI stock in Africa 2003-2009
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>Algeria</th>
<th>Nigeria</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>491.23</td>
<td>5.70</td>
<td>31.98</td>
<td>44.77</td>
</tr>
<tr>
<td>2004</td>
<td>899.55</td>
<td>34.49</td>
<td>79.61</td>
<td>58.87</td>
</tr>
<tr>
<td>2005</td>
<td>1595.25</td>
<td>171.21</td>
<td>94.11</td>
<td>112.28</td>
</tr>
<tr>
<td>2006</td>
<td>2556.82</td>
<td>247.37</td>
<td>215.94</td>
<td>167.62</td>
</tr>
<tr>
<td>2007</td>
<td>4461.83</td>
<td>393.89</td>
<td>630.32</td>
<td>702.37</td>
</tr>
<tr>
<td>2008</td>
<td>7803.83</td>
<td>508.82</td>
<td>795.91</td>
<td>3048.62</td>
</tr>
<tr>
<td>2009</td>
<td>9332.27</td>
<td>751.26</td>
<td>1025.96</td>
<td>2306.86</td>
</tr>
</tbody>
</table>


4.2.2.3 Development assistance

Chinese aid to Africa, as elsewhere, is free of macroeconomic and governance conditionalities (subject only to the recipient country’s acceptance of its “one China” policy). Accordingly, it does not put pressure on partners with regard to issues that it considers internal. In recent years, China has been learning to speak the language of MDGs, sometimes casting its assistance objectives in terms of poverty reduction. However, the notion of aid as charity is not one that China is comfortable with. Projecting from its own experience as a developing country China considers the idea of aid as charity condescending, preferring to speak of it as mutual benefit.

The external assistance budget for China includes: grants and zero-interest loans that finance its overseas projects; the cost of training programmes in China and of Chinese overseas technical assistance; and the subsidy to China Exim Bank for the interest rate on concessional foreign aid loans. Unlike DAC, it also includes military aid and loans for joint ventures and cooperative projects abroad, and it excludes subsidies for “preferential export credits”. It also excludes the value of debt relief (unlike DAC). These activities are all considered aspects of “South-South Cooperation” or “economic and technical cooperation”.

The four main actors are the Ministry of Commerce (MOFCOM), Ministry of Foreign Affairs (MOFA) and two of the three policy banks: China Export Import Bank (China Exim Bank) and the China Development Bank (Brautigam, 2008:14). MOFCOM is responsible for disbursing grants and zero-interest loans. It coordinates on concessional loans with China Exim Bank, which was set up in 1994 with the main business of offering export-sellers’ credits to Chinese companies. Loans from China Exim Bank pay for Chinese equipment and Chinese construction services, although they have also been used to jump start joint ventures between Chinese and African state-owned firms. Since 1995, the Exim Bank has also operated the country’s concessional loan programme. However, this is a very small part of its portfolio, representing only 3 per cent of its assets as of December 2005 (about $1.16 billion). Concessional loans are now probably the largest window for the country’s aid.


23 According to China Exim Bank, the criteria for China Government Concessional Loans are as follows:
Chinese aid is typically given through projects that are either “Complete Plant Projects” or “Technical Cooperation Projects”. The former are essentially turnkey projects involving the building or rehabilitation of infrastructure and other facility, for instance, the construction of an airport. Technical cooperation projects are those that involve training and assistance, such as the deployment of Chinese experts to an African country. In 2005, for instance, China provided 26 complete plant projects and 36 technical cooperation projects in Africa (usually financed by grants or zero-interest loans), and nine projects financed by concessional loans (Brautigam, 2008).

In 2006, the China-Africa Development Fund (CADF) was set up with planned equity of $5 billion to support Chinese firms and their joint-venture partners investing in Africa. President Hu Jintao announced the establishment of this fund and several other measures at the 2006 FOCAC Summit. Many of the commitments in the 2006 FOCAC Action Plan were repeated and reinforced in the 2009 FOCAC Action Plan (box 4.1).

1) The project shall be approved by both the Chinese Government and the Government of the borrowing country. 2) The borrowing country shall have sound diplomatic relations with Chinese Government, and shall be politically stable and economically sound, with debt-servicing capacity and reliable contract-performance record. 3) The project shall be technically feasible and shall fall within priority sectors that can contribute to the economic development and sector planning of the borrowing country while being able to yield sound economic returns or social benefits. 4) Chinese companies shall be selected as the project contractor, and for procurement of projects, equipment supply shall come from a Chinese exporter in principle. 5) In project procurement, priority shall be given to equipment, materials, technology or services from China. In principle, no less than 50 per cent of total procurement shall be made in China. 6) The counterpart funds for the project shall be already in place. China Exim Bank. Available from http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.htm (accessed 15 September 2009).
Box 4.1: Commitments under FOCAC III and IV

FOCAC III
- Double 2006 assistance to Africa by 2009.
- Provide $3 billion of preferential loans and $2 billion of preferential buyer’s credits to Africa in the next three years.
- Set up a China–Africa development fund, which would reach $5 billion, to encourage and support Chinese companies to invest in Africa.
- Cancel all the interest-free government loans that matured at the end of 2005 owed by the HIPC and the least developed countries in Africa that have diplomatic relations with China.
- Increase from 190 to over 440 the number of export items to China receiving zero-tariff treatment from the least developed countries in Africa with diplomatic ties with China.
- Establish three to five trade and economic cooperation zones in Africa in the next three years.
- By 2009 train 15,000 African professional, build 30 malaria centres and 100 rural schools, increase the number of Chinese Government scholarships from 2,000 to 4,000.
- Set up 19 agric tech demonstration centres, send 100 agricultural exerts to Africa and dispatch 300 youth volunteers.
- Build a conference centre for the AU.

FOCAC IV
- Establish a China-Africa partnership to address climate change and build 100 clean energy projects for Africa.
- Enhance cooperation with Africa in science and technology and carry out 100 joint-research projects for demonstration purpose.
- Help build up African financial capacity; China will provide $10 billion of preferential loans to African countries and support Chinese financial institutions in setting up a $1 billion loan facility for small- and medium-sized African businesses.
- Further open up China’s market to African products; China will phase in zero-tariff treatments for 95 per cent of the products from the least developed African countries.
- Further enhance agricultural cooperation with Africa; China will increase the number of agricultural technology demonstration centres to 20, send 50 agricultural technology teams to Africa and train 2,000 agricultural technicians.
- Deepen cooperation in medical care and health; China will provide medical equipment and antimalaria materials worth approximately $73.2 million and train 3,000 doctors and nurses.
- Enhance cooperation in human-resources development and education; China will build 50 China-Africa friendship schools and train 1,500 school principals and teachers for African countries.
- By 2012, increase to 5,500 the number of Chinese Government scholarships to Africa and train 20,000 professionals for Africa.
- Expand people-to-people cultural exchanges and facilitate more exchange and cooperation between scholars and think-tanks.


China to Africa-aid estimates vary significantly, mainly because they come from different sources and often cover different things. Brautigam (2009) estimated that aid, covering zero-interest loans and grant commitments from China to Africa (excluding debt relief) reached $1 billion in 2007, $1.5 billion in 2008 and $2.1 billion in 2009.24 Chinese development finance packaging will often include both aid and a combination of buyers’ and sellers’ credits. Exim Bank non-concessional loans were between $4

24 Brautigam’s estimates include grants, the face value of zero-interest loans administered by MOFCOM, and the interest-rate subsidy given to the concessional loans administered by China Exim Bank (but not the face value, as with OECD), expenses for health teams and training programmes, but not scholarships.
billion and $7 billion from 2005 to 2009 (table 4.8).

**Table 4.8: External aid flows from China to Africa 20010-2009**
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Aid to Africa</th>
<th>External Assistance Budget</th>
<th>Exim Bank Concessional Loans</th>
<th>Debt relief</th>
<th>Exim Bank Non-concessional Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>314</td>
<td>250</td>
<td>64</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>351</td>
<td>265</td>
<td>86</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>394</td>
<td>277</td>
<td>117</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>377</td>
<td>219</td>
<td>158</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>486</td>
<td>273</td>
<td>213</td>
<td>375</td>
<td>4000</td>
</tr>
<tr>
<td>2006</td>
<td>655</td>
<td>308</td>
<td>347</td>
<td>375</td>
<td>5100</td>
</tr>
<tr>
<td>2007</td>
<td>1020</td>
<td>455</td>
<td>565</td>
<td>375</td>
<td>6500</td>
</tr>
<tr>
<td>2008</td>
<td>1481</td>
<td>560</td>
<td>921</td>
<td>375</td>
<td>6500</td>
</tr>
<tr>
<td>2009</td>
<td>2091</td>
<td>590</td>
<td>1501</td>
<td>375</td>
<td>7000</td>
</tr>
</tbody>
</table>

Source: Based on Brautigam’s (2009) estimates (Christensen, 2010).

Notes:
1. The figures for Exim Bank lending are on a commitment basis, while those for aid are on a disbursement basis and therefore not strictly comparable.
2. Debt relief on concessional zero-interest loans, which were previously part of the aid figures.

### 4.2.2.4 Interplay of Chinese aid, trade and investment

China has a clearly developed strategic approach towards Africa, although there are a number of different Chinese players involved in its interactions with the continent. The country’s aid, trade and investment activities in Africa are all rising exponentially. There are clear linkages between them as China actively pursues the promotion of its national interests even as it supports African growth and development. The strategic objectives of China in Africa include long-term access to natural resources to maintain its strong growth, as well as access to new markets for its products.

Development assistance from China consists of both technical assistance and project grants as well as concessional loans, all of which essentially involves the use of Chinese resources. However, its assistance to Africa is free of governance or macroeconomic policy conditionalities. Chinese FDI is present in about 50 African countries, although a small number of countries account for the bulk of it. Estimates of the number of Chinese FDI firms in Africa vary widely, but the number is probably over 2,000. Most of these are private SMEs, although a small number of large state-owned enterprises dominate a Chinese presence on the continent.

### 4.2.3 India-Africa cooperation

The presence of India in Africa is significantly different from that of China. Its active Diaspora community, particularly in East Africa, has historically provided a platform for economic relations between India and Africa. For a long time, successive Indian Governments did not take advantage of this relationship to engage with Africa. The country’s engagement with Africa has recently increased in importance due to the changing strategic considerations of the post cold-war era. This deeper engagement is reflected in the country’s foreign policy process.
Until 2003, the Ministry of External Affairs had one division for Africa. It now has one division each for West and Central Africa, East and Southern Africa and North Africa (coupled with West Asia). In 2008, the Indian Government invited some African Governments to the first IAFS. However, the Indian Government seemed to have a less inclusive approach towards Africa than China, as India invited only 14 countries. At the Summit, the Indian Prime Minister pledged, among other things, an increase to $5.4 billion of the amount covered by LOCs to African countries over the next five years.

4.2.3.1 Trade

From the early days of independence for African countries, India has in general developed cordial and friendly trade relations with them. Since then, trade relations have expanded considerably, particularly in the current millennium. As table 4.9 shows, Southern Africa and West Africa are the leading source of Indian imports from the continent, with South Africa and Nigeria being the main players in their respective regions. Central Africa seems to be the region with the smallest trade with India. Indian exports, on the other hand seem more equally spread among the regions, with the exception of Central Africa which has few exports.

Indian imports from Africa during 2000/2001 totalled $2.6 billion while export value stood at $2.4 billion. By 2008/2009, Indian exports had grown to $14.8 billion, although they fell slightly to $13.4 in 2009/2010. Imports in 2009/2010 were $25.6 billion, indicating a trade deficit of about $12.2 billion. Indeed, as shown in table 4.9, its trade balance with Africa has been essentially in deficit over the past 5 years.
### Table 4.9: Indian trade with Africa, by region
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000/01</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indian Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Africa</td>
<td>3.91</td>
<td>17.20</td>
<td>19.36</td>
<td>29.05</td>
<td>49.24</td>
<td>153.06</td>
<td>270.43</td>
</tr>
<tr>
<td>East Africa</td>
<td>92.73</td>
<td>218.55</td>
<td>223.73</td>
<td>234.42</td>
<td>321.14</td>
<td>353.43</td>
<td>388.49</td>
</tr>
<tr>
<td>North Africa</td>
<td>1,030.92</td>
<td>652.53</td>
<td>837.17</td>
<td>3,353.47</td>
<td>5,152.93</td>
<td>5,823.98</td>
<td>4,899.66</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>1,064.48</td>
<td>2,293.85</td>
<td>2,636.30</td>
<td>2,921.23</td>
<td>4,831.33</td>
<td>7,218.48</td>
<td>10,191.94</td>
</tr>
<tr>
<td>West Africa</td>
<td>451.45</td>
<td>824.82</td>
<td>1,161.99</td>
<td>8,178.06</td>
<td>9,726.27</td>
<td>11,179.37</td>
<td>9,864.24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,643.49</td>
<td>6,650.44</td>
<td>4,878.55</td>
<td>14,716.23</td>
<td>20,080.91</td>
<td>24,728.32</td>
<td>25,614.76</td>
</tr>
</tbody>
</table>

| **Indian Exports** |         |         |         |         |         |         |         |
| Central Africa    | 77.51   | 157.06  | 165.27  | 203.54  | 257.70  | 384.87  | 349.63  |
| East Africa       | 560.73  | 1,148.34| 1,437.42| 2,942.22| 4,214.15| 4,509.79| 3,512.18|
| North Africa      | 562.83  | 1,353.87| 1,551.84| 1,861.92| 2,652.21| 3,422.61| 3,125.13|
| South Africa      | 405.87  | 1,262.90| 1,940.02| 2,814.93| 3,605.74| 3,139.08| 3,308.95|
| West Africa       | 778.22  | 1,649.94| 1,898.98| 2,446.84| 3,461.98| 3,357.08| 3,137.03|
| **Total**         | 2,385.16| 5,572.11| 6,993.53| 10,269.45| 14,191.78| 14,813.43| 13,432.92|


### 4.2.3.2 Investment

Indian FDI in Africa accounts for 9 per cent of total outward FDI from India (UNCTAD 2010a) and is concentrated mainly in a few East African countries. In 1996, three-quarters of Indian FDI stock in Africa were in Mauritius, with the remaining in three countries, namely: Morocco (11 per cent), Senegal (7.5 per cent) and South Africa (6.8 per cent). By 2004, a substantial share of total Indian investment stock was in the Sudan (46.3 per cent, or $912 million). Mauritius still hosted a significant share (48.2 per cent, or $948 million). But, while the absolute level of FDI stock in Morocco, Senegal and South Africa did not drop significantly, their shares had dropped to below 2 per cent (UN-OSAA, 2010).

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25 Indian investment in Mauritius is geared mainly to taking advantage of that country’s offshore financial facilities and favourable tax conditions. As a result, the final destinations of these investments have often been elsewhere (UNCTAD, 2010).
There is an increasingly diverse portfolio of Indian investment activity from a large number of SMEs as well as large conglomerates. Big names like Tata, Essar and Bharti Airtel are expanding into telecommunications markets in Kenya and South Africa. Tata alone now has interests across a huge range of sectors from telecommunications, information technology consultancy and steel in South Africa, soda ash production in Kenya, transportation in Ghana, Nigeria, Mozambique and Senegal, to coffee and other agricultural interests in Uganda and Zambia (Mawdsley and McCann, 2010).

A number of Indian state-led companies have also been prominent, notably in the energy and infrastructure sectors. For instance, Railway Technical and Economic Services (RITES), the consultancy arm of the Indian Railways, has been doing business in Africa for nearly two decades. In 2001, for example, RITES secured a $500 million contract to manage Malawi Railways, and in March 2004 RITES and the Indian Railway Construction Company Limited (IRCON) entered into a deal with the Sudanese Government for rehabilitation of the railway network in Sudan. RITES are currently involved in a large-scale project in Mozambique to secure coal passage to the port of Beira from where the coal can be exported across the Indian Ocean. There is already a considerable RITES portfolio in Angola, Botswana, Ghana, Kenya, Nigeria, Tanzania and Zambia (Mawdsley and McCann, 2010).

The Confederation of Indian Industry (CII) and the Exim Bank, in association with the Indian Ministry of External Affairs, the Ministry of Commerce and the African Development Bank have organized several high-level business conclaves since 2005. The seventh conclave took place in March 2011, involving 204 projects worth approximately $18 billion. In the previous six conclaves 1,084 projects worth approximately $56 billion have been discussed (Modi, 2011).

The Indian Government has also supported some non-governmental engagement with Africa. In November 2008 for example, the Indian Minister for External Affairs, Anand Sharma, inaugurated a two-day international conference on ‘Engaging with Resurgent Africa’, organized jointly by the Delhi think-tank, the Observer Research Foundation and from Germany, the Rosa Luxemburg Foundation (Mawdsley and McCann, 2010).

### 4.2.3.3 Development assistance

Indian development cooperation is governed by the same basic principles as China. As one of the main leaders of NAM, India was co-author with China of the “five principles of peaceful coexistence” presented in Bandung, Indonesia in 1955. Those principles still underlie Indian development assistance today and India remains a strong advocate of SSC. As indicated above, India also promotes development cooperation for strategic reasons, including as a way to facilitate market access for Indian products and destination for Indian investments.

While recognizing its own situation as an aid recipient, India has nonetheless sought to differentiate itself. For instance, in 2003 it drastically reduced the number of aid agencies in India.\(^\text{26}\) The same year

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\(^{26}\) It is not clear how many of these projects actually were implemented, or whether they were trade or investment projects. However, the bulk of those that have been implemented have taken advantage of the LOC offered by the Indian Government in 2008. In his speech to the Second India Africa Forum Summit in Addis Ababa in May 2011, External Affairs Minister S.M. Krishna said: "Out of $5.4 billion, in concessional lines of credit, announced at the time of the last Summit, nearly $2 billion for projects in Africa have been committed (Krishna, 2011).

\(^{27}\) In June 2003, it reduced to six (European Union, Germany, Japan, Russia United Kingdom and United States of America), the number of bilateral agencies it would allow to operate directly in India, the aim being to free funds for the
it launched the India Development Initiative, the objectives of which, according to the 2003 budget speech, included promoting Indian economic interests in developing countries and attracting FDIs to India.  

At the 2008 IAFS meeting, the Indian Prime Minister pledged a $500 million increase in the Africa budget of the Ministry of Foreign Affairs to implement human-resource development and capacity-building projects over five to six years. He also pledged an increase in the training slots for African students from 1,100 to 1,500 annually. Since then, India has also forgiven HIPC debt of $12 - 33.5 million (beneficiaries of the write-offs include Ghana, Mozambique, Tanzania, Uganda and Zambia).

The second IAFS was held in Addis Ababa in May 2011. On this occasion, the Prime Minister offered $5 billion over the next three years under LOCs to support India business into Africa. He also offered an additional $700 million towards the establishment of new institutions and training programmes. He further announced that under the LOCs offered at the first Summit, India would support the development of a new Ethiopia-Djibouti Railway line to the tune of $300 million. Moreover, he proposed building on the success of the Pan-African E-Network Project and establishing an India-Africa Virtual University. He offered 10,000 new scholarships under this proposed University for African students after its establishment. Overall, he foresaw a total Indian commitment for the next three years of more than 22,000 scholarships to Africa.

Indian development assistance is administered by the Ministry of External Affairs, which directly supervise the three largest bilateral programmes (Afghanistan, Bhutan and Nepal). In 1964, India established the Indian Technical and Economic Cooperation (ITEC) Division in the Ministry of External Affairs, with the declared aim of making the country’s development experience available to other countries in the South.

The Minister of Finance for India announced in his 2007 budget speech, that India provides $1 billion of development assistance per annum (equivalent to 0.11 per cent of GNI). The country’s bilateral development assistance is divided almost evenly into financial assistance and technical cooperation. Financial assistance of approximately $500 million per annum consists of grants and loans and is often part of a package that includes investment, political cooperation and trade. It typically goes to specific infrastructure projects (e.g. roads, schools, hospitals and energy).

Technical assistance accounts for the other half of bilateral development assistance and is administered by ITEC and the associated Special Commonwealth African Assistance Programme (SCAAP). These programmes have spent nearly $2 billion since their inception to provide civilian and defence training, countries most in need (Government of India, Ministry of Finance, 2003). It subsequently included France, Italy and Canada.

28 Indeed, one-third of the funds allocated to the Initiative (and two-thirds of the total spent) was used in a campaign to promote India as an attractive location for foreign investors.


31 The Special Commonwealth Assistance for Africa Programme is a companion programme of ITEC under which government nominees from African countries are invited to India to learn from its development experience.
project management and technical services, deputation of experts and study tours. Under the Civilian Training Programme, 42 institutions conduct close to 200 courses annually. Currently, about 5,000 foreign candidates are invited to attend various civilian training courses in India every year in a wide range of technical fields. In addition to the training programme, India also provides some project assistance. The major areas of focus of this assistance are agriculture, Information Technology and SMEs. ITEC also carries out feasibility studies and consultancy services on request.

One of the country’s main vehicles for development assistance is the concessional LOC, offered through the Exim Bank of India for projects that use Indian materials and expertise. As of May 2011, this institution was managing 140 operative LOCs, 98 of them in Africa. These LOCs cover a range of purposes, from “general purpose” to infrastructure rehabilitation to purchase of equipment. Exim Bank LOCs in Africa are typically for purchase of Indian goods and services, including subcontracts to Indian firms, parastatals or consulting companies for implementation.

Overall, Indian assistance to Africa is constituted as follows: 60 per cent to train civil servants, engineers, and public-sector managers of recipient nations; 30 per cent to provide loans to enable governments to purchase Indian equipment and services; and 10 per cent for project-related activities such as feasibility studies and sending technical experts from India. India provides very little development assistance in the form of cash grants (Agrawal, 2007).

### 4.2.3.4 Interplay of Indian aid, trade and investment

Benefiting from an immigrant population that settled in Africa over several generations, the Diaspora effect on Indian trade, aid and direct investment is strong. Historically, there has been a significant integration of Indian trade and investment with Africa, anchored in the locally based Indian community. Much of this continues today and is widely acknowledged in African countries. From a national accounting perspective, imports and exports are easy to assign. However, it is more difficult to distinguish which aspects of the investment made through or by the residents are FDI, and which belong to gross domestic capital formation.

In recent years, as part of a broad strategic agenda, India has been diversifying outside of its Diaspora base in East Africa and moving more broadly across the continent. In this new scenario, aid, trade and investment have tended to be bundled together. India, like Brazil, is a champion of technology transfer through technical cooperation. It is also active in mediating trade and investment by Indian firms, but perhaps more subtly than China. In recent years, as the engagement with India and Africa broadens, it has elicited increased attention in its foreign policy process. Notwithstanding its dynamism, the Indian

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32 Courses are offered in seven broad categories: Government courses, IT and Telecommunication, Management, SME/Rural Development, Specialized courses, Technical courses, Environment and Renewable Energy courses. Information is drawn from the ITEC website. Available from [http://itec.nic.in/about.htm](http://itec.nic.in/about.htm).

33 Website of the Indian Technical and Economic Cooperation Division, Ministry of External Affairs, Government of India. Available from [http://itec.nic.in/about.htm](http://itec.nic.in/about.htm).

34 According to the Indian Exim Bank, the LOCs are meant to enable recipient countries acquire Indian equipment and technology. The expectation is that such cooperation will build capacity in recipient countries while opening new market opportunities for Indian companies and generating goodwill for India. See: Export Import Bank of India “Lines of Credit”. Available from [http://www.eximbankindia.com/loc.asp](http://www.eximbankindia.com/loc.asp).
private sector receives considerable support from the state in its African engagement. Business relationships are increasingly underpinning and shaping Indian aid and diplomatic agendas.

The Indian Government actively promotes technical cooperation, which it sees as also building markets for Indian goods and expanding investment opportunities for Indian firms. In its brochure, Indian Exim Bank explains that Government of India LOCs are offered to “India’s trading partners in the developing countries to import Indian equipment, technology, projects, goods and services, on deferred credit terms, and at concessional interest rates and repayment periods.”

4.2.4 Turkey-Africa cooperation

Although Turkey has strong historical ties with North African countries dating back to the Ottoman Empire, its political, economic and cultural engagement with the continent has been more limited in modern times. In 1998, the Government adopted an “Opening up to Africa Policy” designed to enhance cooperation with the region. This was followed by the declaration of 2005 as the “Year of Africa” and the hosting of the first Turkey-Africa Cooperation Summit in Istanbul in August 2008. The Summit marked the beginning of a strategic relationship between Turkey and Africa based on the expressed principle of equality, mutual respect, respect for State sovereignty and reciprocal benefits. Heads of State and Government of 29 African countries attended the Summit and in total, 50 African countries were represented.

The two parties agreed to expand cooperation in the following areas: intergovernmental cooperation, trade and investment, agriculture, health, peace and security, infrastructure, culture, tourism and education, media and information, and communication technology and environment. They also agreed to convene the Summit every five years.

The private sector plays a very active role in Turkey-Africa relations. There is, for example, a Turkey-Africa Business Forum that provides a platform for firms in Africa and Turkey to dialogue and explore business opportunities. After 12 years of broadening engagement, trade, investment and aid between Turkey and Africa has increased significantly.

4.2.4.1 Trade

Turkey to Africa exports increased more than four-fold, from $1.2 billion in 2002, to $5.1 billion dollars in 2010. Similarly, imports from the continent increased from a mere $1.8 billion in 2002 to $5.1 billion in 2010 (table 4.10). In spite of the significant increase in trade with Africa, it remains marginal in comparison to Turkish trade with other regions in the world. The overall trade balance is shown in figure 4.6.

Turkish trade with Africa is heavily concentrated in North Africa. This subregion accounts on average for about two-thirds of exports to Turkey over the last 10 years. While imports are also concentrated in the North, they appear to have fallen significantly, from about 70 per cent in 2002 to just below 60 per

36 For instance, Turkish exports to the EU were $61 billion in 2010 and imports were $89 billion (European Union, 2011).
cent in 2010. Two countries, Algeria and Egypt, accounted for 74 per cent of exports to Turkey and 63 per cent of imports in 2010. Exports from Turkey to Africa, as shown in table 4.10 consist mainly of manufactured goods, machinery and transport equipment, which together account for two-thirds of total exports. On the import side, mineral fuel, lubricants and other refined commodities (especially gold), represent about 62 per cent of Turkish imports.

Table 4.10: Turkish trade with Africa 2002-2010
(Millions of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turkish exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>120.3</td>
<td>1527.9</td>
<td>2150.5</td>
<td>2558.3</td>
<td>3365.9</td>
<td>4429.5</td>
<td>6558.7</td>
<td>5759.9</td>
<td>5100.7</td>
</tr>
<tr>
<td>North Africa</td>
<td>848.8</td>
<td>1047.5</td>
<td>1490.6</td>
<td>1663.4</td>
<td>2135.4</td>
<td>2721.9</td>
<td>3647.6</td>
<td>3344.7</td>
<td>3145.9</td>
</tr>
<tr>
<td>Africa excluding North Africa</td>
<td>354.9</td>
<td>480.4</td>
<td>659.9</td>
<td>921.9</td>
<td>1230.5</td>
<td>1707.6</td>
<td>2911.1</td>
<td>2415.2</td>
<td>1954.8</td>
</tr>
<tr>
<td><strong>Turkish imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>182.3</td>
<td>2075.9</td>
<td>3012.1</td>
<td>3786.2</td>
<td>4714.4</td>
<td>5702.9</td>
<td>6491.0</td>
<td>4655.1</td>
<td>5058.9</td>
</tr>
<tr>
<td>North Africa</td>
<td>127.9</td>
<td>1267.7</td>
<td>1479.0</td>
<td>1963.8</td>
<td>2199.1</td>
<td>2553.6</td>
<td>4007.0</td>
<td>2507.0</td>
<td>2960.9</td>
</tr>
<tr>
<td>Africa excluding North Africa</td>
<td>544.6</td>
<td>808.2</td>
<td>1533.1</td>
<td>1822.4</td>
<td>2525.3</td>
<td>3149.3</td>
<td>2484.0</td>
<td>2148.1</td>
<td>2098.0</td>
</tr>
</tbody>
</table>

Source: IMF, Direction of Trade Statistics.
4.2.4.2 Investment

Estimates of Turkish FDI in Africa vary substantially. According to the Economist Intelligence Unit (EIU), its outward FDI increased from $0.11 billion in 1995 to $0.87 billion in 2000. It maintained that level until about 2006 but was expected to average $1 billion per year for 2007-2011 (EIU, 2007). Turkish Central Bank data indicate that of approximately $12.4 billion in Turkish FDI outflow between 2002 and 2010, $400 million was invested in Africa. In comparison, $950 million went to North and South American countries, $3.4 billion went to Asian countries and $7.6 billion was invested in European countries (Today’s Zaman, 2010). Historically, Turkish FDI has been concentrated in North Africa, predominantly in Algeria, Egypt and Libya. However, the Turkish African Trade Bridge Summits organized annually since 2006, is identifying new investment opportunities in other African countries.

The Turkish private sector plays a leading role in promoting that country’s relations with Africa. The Confederation of Businessmen and Industrialists of Turkey (TUSKON) believes there is enormous potential for Turkish companies and joint ventures in many sectors, including construction and construction materials, furniture, health services, textile and garment manufacturing, iron, steel and mining industries. Following the declaration of the “Year of Africa”, TUSKON has organized 11 “Foreign Trade Bridge” Programmes with Africa, the first in Istanbul, in May 2006. A total of 500 business people from 35 different countries and 1,000 business people from Turkey participated, and 40,000 bilateral business meetings were held between Turkish and African participants. TUSKON has continued these Africa trade bridges each year since, with attendance from Africa ranging from 800 to 1000 business people from Africa.

TUSKON also organizes trade and investment delegations to potential partner countries as a follow up to Trade Bridge Programmes. Most TUSKON delegations have been led by the President of Turkey or by senior Cabinet Members. For example, the President-led missions to Cameroon, the Democratic
Republic of the Congo, Gabon, Ghana, Kenya, Nigeria and Tanzania in 2009, 2010 and 2011. The Minister of Foreign Trade led missions to Ethiopia, South Africa and Tanzania; the Minister of Industry went to Morocco and Egypt and the Minister of Agriculture to the Sudan. In addition, the member federations of TUSKON and their associations have organized more than 200 trade and investment delegations to Africa in the last 5 years (Gunay, 2011).

4.2.4.3 Development assistance

Turkish ODA was institutionalized in 1992 with establishment of the Turkish International Cooperation and Development Agency (TIKA), which operates under the Prime Minister’s Office. In Africa, it has offices in Ethiopia, Senegal and the Sudan. The objectives of TIKA include: promoting a free market economy; supporting post-conflict recovery and normalization; and providing post-disaster/post-conflict emergency and humanitarian support. Between 2002 and 2008, Turkish aid grew nine-fold from $85 million to $780 million (see table 4.11). Turkish aid is mainly in the form of project and programme aid (approximately 30 per cent). Technical cooperation accounts for another 26 per cent (UN-ECOSOC, 2008). The aid supports mostly education and other social-sector initiatives.

Table 4.11: Turkish Aid 2002-2008
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>85</td>
<td>76</td>
<td>339</td>
<td>601</td>
<td>712</td>
<td>602</td>
<td>780</td>
</tr>
</tbody>
</table>

Source: Presentation on Turkish International Cooperation Development Agency (Nurdun, 2010).

The bulk of Turkish aid (57 per cent in 2008) went to South and Central Asia. The major recipients being Afghanistan ($142m), Kazakhstan ($62m), Kyrgyzstan ($53m) and Pakistan ($84m). Another 15 per cent went to the Middle East and Africa received less than 7 per cent ($52m), going mostly to Ethiopia and the Sudan (Nurdun, 2010). About 6 per cent of Turkish aid goes through multilateral channels.

4.2.4.4 Interplay of Turkish aid, trade and investment

The strategic engagement of Turkey with Africa is relatively more recent than that of the other three countries. Most of its interaction has been with North African countries, although it is now making approaches to the continent at large. As earlier indicated, the country’s private sector plays a leading role in promoting its relations with Africa. Africa is primarily seen as a market for Turkish goods rather than as a source of supply for energy and commodities. TUSKON organizes trade and investment delegations to potential partner countries as a follow up to the Trade Bridge Programmes. Most of these delegations have been led by the President of Turkey or by senior Cabinet Members, suggesting a strong Government-business partnership. However, aid to Africa is so small that it is not likely to have much influence on trade and investment relations between Turkey and Africa.

4.3 Comparative features of South-South Cooperation flows in Africa

Four elements are common to the various SSC countries with different parts of Africa. The first is that their volumes, particularly of trade and investment, have increased substantially over the last ten years. The second is that there is a growing diversity in the range of their sectoral interests, even as strategic considerations continue to drive their overall engagement. The third is that geographical distribution is changing, as noted in the various sections, with each country spreading out from its original comfort
zone. The fourth is that there is a strong partnership between the state and the private sector of the countries.

The China-Africa engagement is perhaps the most unequivocally state-driven. For the other countries also, while their Governments operate more within their respective strategic foreign policy considerations, their multinational enterprises enjoy strong state support. Such support includes low cost loans and LOCs to companies planning to operate in Africa, as well as the sponsoring of trade and investment promotion missions to Africa. Consequently, the respective private sectors carry a lot of weight in determining results on the ground in Africa. It should be noted, however, that different dynamics and contending stakeholder interests within each country has implications for their respective outcomes in Africa.

There are also several differences in the activities and practices of Southern partners. Three may be highlighted:

(a) China stands out by far as the largest Southern partner of Africa in terms of trade, investment and development finance. It has the widest country coverage, providing some aid to almost all African countries, although the really large development financing activities of China are concentrated in a few resource rich countries.

(b) Brazil and Turkey differ from China and India in that they provide very little support in the form of loans. Brazil emphasizes in-kind technical assistance as a way of transferring technology and good practices. It generally does not provide concessional loans to its African partners, but it subsidizes the engagement of its state-owned and privately owned multinationals. Turkey provides project and programme grants, although the overall amounts are relatively small, and it typically does not provide concessional loans. China and India provide a significant amount of project grants, but these are mainly tied to equipment and services from the respective countries. They also make extensive use of concessional loans and often attach their development assistance to the procurement of goods and services from their domestic firms or in some cases, to access natural resources.

(c) While all four countries engage in trade, investment and aid activities, China and India have been significantly more active in this respect, with China being more unequivocal. Brazil and Turkey on the other hand, have tended to keep their aid, trade and investment engagements relatively more distinct.

5. Sociocultural dimensions of South-South Cooperation

There are socio-cultural implications in the enhancement of SSC and their consequent effect on economic growth and employment generation.

Socio-cultural factors that have been identified in this regard include: uncertainty as manifested in political instability, security, infrastructure, corruption, skilled manpower, political regime, quality of legal system and other institutions, social/communal conflict and culture, among others (Ajayi, 2006).

Regarding the flow of FDI, one of the channels through which SSC can thrive, Dupasquier and Osakwe (2005) identified uncertainty as one of the key limiting factors despite the enormous potential of the continent. They argued that the relatively high level of uncertainty in the African region exposes firms to significant risks, thereby repelling investors in the region. A major way in which uncertainty is
manifested is through political instability, as may be indicated in coups or forced changes in the Government, assassinations or politically-motivated murder of top government officials and political figures, and revolutions.

Africa is generally perceived to be politically unstable, with a relatively high incidence of the indices of instability such as wars, military interventions in politics, religious, ethnic and communal conflicts and cross-border conflicts, among others. Hence, Rogoff and Reinhart (2003) identified Africa as the region, most susceptible to war globally, with a regional susceptibility to war index of 26.3 per cent between 1960-2001, compared to 19.4 per cent and 9.9 per cent for Asia and the West, respectively.

Other inhibiting political and socio-cultural factors that may affect SSC include: frequent policy changes, bureaucratic factors, the nature of the judicial system; and the regulatory environment, the state of infrastructure, level of corruption, crime rate and culture, among others. Closely related to the factor of uncertainty is inconsistency in government policies which may affect SSC, since policy inconsistency and frequent policy changes usually make it difficult to understand and predict government policies, thereby reducing incentives for foreign investment. Also, unnecessary bureaucratic procedures which involve complex and time-consuming procedures, believed to be characteristic of many African countries, also deter investment, by slowing down the pace of business transactions through usually long and unnecessary wastage of time.

Furthermore, a good judicial system, as indicated in a strong court system and fairness of the judicial system, has been recognized as a major factor in enhancing SSC. It is believed to be especially important for the protection of property rights, enforcement of contracts and for law enforcement regulation. Countries with better legal infrastructure are more likely to attract FDI, since foreign investors usually prefer to make investments in countries with very good legal and judicial systems that would guarantee the security of their investments.

Poor regulatory environment also has the potential of promoting a hostile investment climate. The comparative study by Djankov and others (2000) on the cost of entry regulation of new firms in selected countries in Africa and Asia reveals that the cost is generally higher in Africa than in Asia. Within Africa, the study reveals that the costs are highest in Burkina Faso (133.4 per cent), Senegal (99.6 per cent), Nigeria (99.3 per cent), and Tanzania (86.8 per cent). Furthermore, a World Bank Report (2011) on the ease of doing business in 175 countries indicated that the highest ranked African country is South Africa (ranked 29 globally), followed by Mauritius (32), Namibia (42) and others as shown in table 5.1.

In addition, the findings of a survey on the attractiveness of 20 top African countries to capital inflow from 2000 to 2003 reported by Ajayi (2006), listed South Africa, Egypt, Morocco, Nigeria and Tunisia in that order. On the down side, Mauritius, Namibia, Ethiopia, Uganda and Malawi were listed as the five least attractive countries, with Malawi at the bottom.
Table 5.1: APRM countries ranking on the ease of doing business in Africa

<table>
<thead>
<tr>
<th>Countries</th>
<th>World Ranking</th>
<th>African Ranking</th>
<th>Countries</th>
<th>World Ranking</th>
<th>African Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>29</td>
<td>1</td>
<td>Mauritania</td>
<td>148</td>
<td>26</td>
</tr>
<tr>
<td>Mauritius</td>
<td>32</td>
<td>2</td>
<td>Madagascar</td>
<td>149</td>
<td>27</td>
</tr>
<tr>
<td>Namibia</td>
<td>42</td>
<td>3</td>
<td>Equatorial Guinea</td>
<td>150</td>
<td>28</td>
</tr>
<tr>
<td>Botswana</td>
<td>48</td>
<td>4</td>
<td>Togo</td>
<td>151</td>
<td>29</td>
</tr>
<tr>
<td>Tunisia</td>
<td>80</td>
<td>5</td>
<td>Cameroon</td>
<td>152</td>
<td>30</td>
</tr>
<tr>
<td>Kenya</td>
<td>83</td>
<td>6</td>
<td>Zimbabwe</td>
<td>153</td>
<td>31</td>
</tr>
<tr>
<td>Seychelles</td>
<td>84</td>
<td>7</td>
<td>Sudan</td>
<td>154</td>
<td>32</td>
</tr>
<tr>
<td>Ghana</td>
<td>94</td>
<td>8</td>
<td>Mali</td>
<td>155</td>
<td>33</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>97</td>
<td>9</td>
<td>Angola</td>
<td>156</td>
<td>34</td>
</tr>
<tr>
<td>Zambia</td>
<td>102</td>
<td>10</td>
<td>Guinea</td>
<td>157</td>
<td>35</td>
</tr>
<tr>
<td>Uganda</td>
<td>107</td>
<td>11</td>
<td>Rwanda</td>
<td>158</td>
<td>36</td>
</tr>
<tr>
<td>Nigeria</td>
<td>108</td>
<td>12</td>
<td>Niger</td>
<td>160</td>
<td>37</td>
</tr>
<tr>
<td>Malawi</td>
<td>110</td>
<td>13</td>
<td>Djibouti</td>
<td>161</td>
<td>38</td>
</tr>
<tr>
<td>Gambia</td>
<td>113</td>
<td>14</td>
<td>Burkina Faso</td>
<td>163</td>
<td>39</td>
</tr>
<tr>
<td>Lesotho</td>
<td>114</td>
<td>15</td>
<td>Egypt</td>
<td>165</td>
<td>40</td>
</tr>
<tr>
<td>Morocco</td>
<td>115</td>
<td>16</td>
<td>Burundi</td>
<td>166</td>
<td>41</td>
</tr>
<tr>
<td>Algeria</td>
<td>116</td>
<td>17</td>
<td>Central African Republic</td>
<td>167</td>
<td>42</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>125</td>
<td>18</td>
<td>Sierra Leone</td>
<td>168</td>
<td>43</td>
</tr>
<tr>
<td>Gabon</td>
<td>132</td>
<td>19</td>
<td>Sao Tome and Principe</td>
<td>169</td>
<td>44</td>
</tr>
<tr>
<td>Benin</td>
<td>137</td>
<td>20</td>
<td>Eritrea</td>
<td>170</td>
<td>45</td>
</tr>
<tr>
<td>Mozambique</td>
<td>140</td>
<td>21</td>
<td>Republic of the Congo</td>
<td>171</td>
<td>46</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>141</td>
<td>22</td>
<td>Chad</td>
<td>172</td>
<td>47</td>
</tr>
</tbody>
</table>
Poor infrastructure also inhibits private-sector development by raising the cost of doing business. This is common in most African countries. For example, unreliable public electricity supply in Nigeria negatively impacts on telecommunications service delivery and thus increases cost and service unreliability. There have been instances in which business and investors have moved from countries with poor infrastructures to countries with better infrastructures. Nigeria, for instance, has been reported to have lost some business and investment opportunities to neighbouring countries because of poor electricity supply.

The endemic level of corruption in African countries is also a major factor. Although corruption is a global phenomenon, its level in African countries is believed to be relatively high. For instance, only 13 of the 53 African countries assessed in the Transparency International 2010 Corruption Perception Index (CPI) (covering 178 countries) were in the upper half indicating a relatively high level of corruption among African countries. The best ranked African country was Botswana (listed as No. 33, with a CPI of 5.8). Also, general insecurity has adverse effects on business with negative implications for business costs, including excessive security costs and loss/damage to equipment and infrastructure. This may discourage current and potential foreign investors, hence, the frequent restrictive “travel advice” issued periodically by some countries to their citizens operating in many African countries.

Culture and ethnicity

Another important factor that is believed to have implications for SSC is the culture of the people. Culture has been defined in different ways by different scholars. A simple sociological definition sees culture as the totality of a people’s ways of life, including: their beliefs, practices, values, houses, dress, language, etc. A classical definition of the concept was given by Tylor (1871 and 1924) as: “that complex which includes knowledge, belief, art, morals, law, custom and any other capability or habit acquired by man as a member of the society”. In a similar vein, Odetola and Ademola (1985:38) defined culture as: “a society’s … customs, traditions and beliefs, their behaviour, dress, language, their work, their way of living, relationship network and their attitudes to life, the focus of group loyalties and the way they all perceive the world”. Culture covers all aspects of people’s life and influences people’s behaviours, practices, values and attitudes, including work values, habits and practices.

Hall and Hall (1990), classified cultures into two broad categories, namely: “monochromic” and “polychromic” cultures. Most African countries may be said to belong to the polychromic culture group. Monochromic cultures are generally more formal/ordered, emphasizing compliance to protocol and bureaucratic procedures. While polychromic cultures are generally more informal/liberal, adopting a more liberal attitude to protocols.

<table>
<thead>
<tr>
<th>Country</th>
<th>CPI</th>
<th>PIB</th>
<th>Country</th>
<th>CPI</th>
<th>PIB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>142</td>
<td>23</td>
<td>Guinea-Bissau</td>
<td>173</td>
<td>48</td>
</tr>
<tr>
<td>Comoros</td>
<td>144</td>
<td>24</td>
<td>Democratic Republic of the Congo</td>
<td>175</td>
<td>49</td>
</tr>
<tr>
<td>Senegal</td>
<td>146</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As Hall and Hall (1990) also noted, informal cultures were less time- and schedule-obsessed, placing less emphasis on strict punctuality and deadlines. This analysis is useful for the explanation of the widespread view about “African time”, which describes the general limited emphasis on time consciousness. Furthermore, they also observed that meetings in monochromatic cultures tended to be more “ordered and agenda-driven” than in polychromatic cultures, where meetings were more likely to contain “meetings within meetings”.

African cultures also generally place emphasis on social affiliation and relations, with considerable time (including work time) being spent on personal issues, relationships, interaction (including chatting), etc. In terms of work ethics and values, considerable man-hours also tend to be lost through lateness to work, absenteeism and frittering away of productive hours through idleness, chatting and other personal indulgences. However, it may also be said that these seemingly negative work habits are not innate in Africans, but rather are environment-induced, a reflection of poor infrastructural facilities. Many African workers may not see anything wrong in using their employer’s resources for personal purposes.

For people from different cultural and environmental backgrounds, these attitudes may be construed to be indicative of indiscipline and sometimes, misconduct. Chatting at work, taking time off work to attend to personal and family issues may also be construed as indolence. This contrasts sharply with the general stereotype of the Chinese as “tireless workers” (Harrell, 1985). A view that is believed to be typical of all Chinese: “…from the wealthy businessmen, who do not retire from business, but devote themselves to it with the same kind and degree of attention as when they were poor, to the scholars who study themselves to weariness in preparing for the civil service examinations, to the farmer who bestows the most painstaking thought and care upon every stalk of cabbage, picking off carefully every minute insect” (Smith, 1984, cited in Harrell, 1985:205).

In terms of cultural attributes, according to John Melvin Cottrell a successful British business pioneer in Turkey, Turkish workers are also “disciplined, hardworking and dedicated” (Yinanc, 2010). He also remarked that Turkish workers take pride in the general success of the business and so value what they do.

However, Vinicius de Moraes (2010) argued that there was no general work ethics for Brazilians, because of the relatively large size of the country that comprises of 27 states. In this regard, he identified two contrasting values and attitudes, noting that while the southern states share the same work ethics or standards as that of United States of America and Europe, the other states do not. For example, he noted that workers from Rio de Janeiro are generally “friendly, warm, creative, with a large imagination, but lack punctuality and ability to follow up business deals”. Thus, he advised foreign investors to be patient in order to successfully conduct business activities in Brazil (www.rioforpartiers.com).

A cultural attribute that should put African countries in good stead for FDI inflow is the widely acknowledged traditional African hospitality, which implies that Africans are generally very hospitable, friendly and accommodating, especially to strangers. This should provide a friendly welcome to foreign investors and workers. Furthermore, African cultures are generally very receptive and tolerant, usually open to new ideas and values. This would also augur well for cross-cultural interaction and co-habitation between the Africans and foreign investors and workers who may come to Africa. Africans have also been shown over the years to respond positively to cultural contact and a
willingness to accept and integrate aspects of foreign cultures into theirs. This should facilitate the process of cultural assimilation.

Cultural differences often lead to prejudices and different perceptions of other people, which may have implications for interaction and inter-cultural relationships. In this regard, in terms of SSC, many employees tend to see Chinese investors and business operators as “slave drivers”, who do not observe/respect the tenets of reasonable working hours and conditions such as leave and overtime payments among others. There have also been concerns about the quality of their products. This is more so in many African countries where standards are not maintained for various reasons, including the absence of any standards in the first place.

The multi-ethnic/cultural nature of many African countries is another socio-cultural factor that has implications for SSC. In many situations, nepotism, ethnic and primordial considerations and loyalties take precedence over merit and qualification. This usually has negative impact on efficiency, productivity and performance.

One major inhibitor for SSC in Africa is the negative perception of Africa, African countries and the people (Rogoff and Reinhart, 2003). This has led to the stereo-typing of Africa, African countries and people in negative ways. A major contributory factor in this regard is the bias of international media. The media tends to emphasize more of the negative rather than the positive aspects and events in Africa, creating impressions of chaos, insecurity, instability, unreliability and unpredictability. In order to promote SSC, African counties must work to change the negative perception of Africa by starting with reducing the incidence of negative events such as political instability and insecurity among others, as well as encouraging the local media to project the positive aspects of their countries.

6. Issues in enhancing growth and employment through South-South Cooperation

The Analytical Framework presented below, shows that SSC is expected to feed into the national policy frameworks and interact with sectors such as trade, industry, agriculture, mining, education, financial markets, technical assistance and infrastructure, to enhance growth and employment. Depending on national framework conditions, the Southern partners have lead firms which are already entrenched in international trade markets in a wide array of sectors. These firms can then link up with major established domestic firms which in turn interact with the SMEs to enhance production, both the domestic and international market. It is worth noting that the economic success of large enterprises tends to create new market opportunities for SMEs through technological spillovers, spin-offs, and an increase in domestic demand for goods and services, as well as integration of SMEs in supplier networks among other things.
As SSC gets entrenched, this should lead to the development of entrepreneurial skills among the domestic firms, an aspect which has been cited as lacking in Africa and yet abundant in the Southern partner countries. Most importantly however, is that whether or not domestic firms are able to seize these opportunities depends largely on the existence of a competitive and vibrant private sector.

The emergence of SSC should be utilized to build capacity for the private sector in Africa in order to enhance growth and employment. This is because despite having had more than a decade of liberalization on the continent, the private sector's level of efficiency and robustness is still below desired levels in most countries. Support from SSC can be through learning by doing, technical cooperation and creating business links for African enterprises to get integrated into the global markets, through extending the necessary support as depicted in the schema above. This has to be nested in the national policy frameworks for instance regarding FDI, trade and aid.

Generally, the emergence of SSC along with the key areas of cooperation such as trade, investment, development assistance and other technical cooperation, presents opportunities that can lead to growth and employment creation in African economies. This is because cooperation is present in sectors such as infrastructural development, education and training, health, finance and trade among others, which within the national policy frameworks should be linked to enhancing productivity, growth and employment creation. It is therefore incumbent upon the recipient economies to create internal conditions which can then harness the incoming opportunities to translate into growth and employment creation.

Fundamental to this, as has been articulated from the framework above, is to ensure that entrepreneurship abilities are developed in these economies. This can be through technical cooperation, targeted training as well as provision of vocational training that provides hands-on training in starting up SMEs. An example of such support is shown by China and other Southern partners such as Brazil through its EMPRETEC programme which provided the Uganda Industrial Research Institute (UIRI) with technical assistance through the provision of equipment. Technical training was also provided in the fields of electrical engineering, mechanical engineering, food technology, ceramic technology and more. Such training is predisposed to enhance growth of SMEs which in turn can lead to expansion of the private sector, which is vital for economic growth and employment creation in an economy.

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37 See UNCTAD, (2004), for a detailed discussion on the link between entrepreneurship and economic growth.
Given targeted support, SSC can be utilized to link the private sector in Africa into the global value chains. With a concerted and consistent institutional and policy framework, this can be a sure channel through which the continent can realize sustainable growth rates. It can also create opportunities for employment through the large domestic enterprises and SMEs which have the potential to expand further into larger firms, as linkages with lead firms from the Southern partners become sustained and entrenched. This clearly was the path which Brazil, China and India took before becoming robust economies. Therefore, the key to sustainable growth and employment creation is by linking the areas of cooperation to domestic sectors that have strong linkages, both backward and forward with the rest of the economy, as well as those that are critical in terms of growth and employment potential.

Policymakers have a duty to create framework conditions conducive to private-sector development. It is, for instance, significantly easier to carry out entrepreneurial activities in a stable macroeconomic environment with low inflation, which allows entrepreneurs to clearly interpret signals about demand and prices and to develop consistent long-term business plans. Conversely, the absence of sound structural policies has an equally debilitating effect on entrepreneurial activity (OECD, 1998: 14–15).

A previous OECD (2002) study attempted to distinguish between economic fundamentals (macroeconomic stability, labour markets, local infrastructure, tax levels, etc.), which influenced any economic activity, and policy issues that directly affected entrepreneurship. The study identified three policy domains as significantly important for entrepreneurial activities. These included access to finance, facilitation of entry and exit of firms, and government support schemes (OECD, 2002: 8).

In terms of the impact of SSC flows on growth and employment, there is a dearth of disaggregated data at firm and country level to permit comprehensive analysis. There is probably more information on China than the other three countries. Yet, even for this country, existing data is not robust enough to permit rigorous impact analysis. The African Economic Research Consortium (AERC) has sponsored a number of case studies on the impact of Chinese SSC trade, aid and investment flows in several countries. The studies were all expected to adopt the methodology outlined in section 3.0, of examining the direct, indirect, competitive and complementary effects of SSC. Ten China-Africa economic relations policy briefs have been published to date. All the studies report such severe data challenges. As a result, while their key findings have been insightful, they have mainly been descriptive and anecdotal.

For instance, the study of China-Mauritius trade relations (Ancharaz and Tandrayen-Ragoobur, 2010b) finds that cheap imports have benefited consumers, but that the poor quality of some Chinese products constitutes a potential loss to consumers. Also, perhaps more significantly, Chinese-import competition has caused significant loss to the local industry in Mauritius, with small firms and those in such sectors

38 Consider, for instance, “Although data on Chinese FDI in Angola is not readily available, many Chinese companies have invested in the country over recent years. These include Huawei; Sinosteel Corporation; China International Water and Electric Corporation; China Petroleum and Chemical Corporation (Sinopec); China National Overseas Engineering Corporation; China National Machinery and Equipment Import and Export Corporation; China State Shipbuilding Corporation; Jiangsu International; ZTE Corporation; and Golden Nest International Group” (Kiala and Ngwenya 2011).

as garments, footwear and furniture experiencing a loss of market, which has led to substantial downsizing. Unfortunately there is little quantification of these outcomes.

Similarly, a study of China-Mauritius investment relations was done by Ancharaz and Nowbutsing (2010a). However, the authors were not able to conduct an in-depth analysis of Chinese FDI in Mauritius partly because they could not obtain detailed, firm-level data to gauge the full effects of Chinese investments in terms of job creation, value added and contribution to exports. The study was only able to offer a descriptive analysis using data gleaned from various sources.

The study reports that until recently, the main Chinese investments were in textiles by a wholly owned Chinese subsidiary set up in 2002. That company helped to reduce Mauritian cotton-yarn imports but created few jobs for Mauritian. Looking closely at the Special Economic Zone (SEZ) project launched in 2009, the study observes that it generated a massive spurt of Chinese FDI and that flows were likely to continue over the medium term.

The SEZ will house various high-value, cutting-edge technology industries and will generate jobs and foreign-exchange earnings. However, its real value to the domestic economy is likely to be small because the SEZ will employ mainly Chinese workers and repatriate export proceeds to China. The study concludes that even when the SEZ becomes fully operational, it will have little positive effects on the economy. A study of China-Nigeria investment relations (Oyeranti and others, 2010) was similarly data-constrained. Nevertheless, its findings were similar to those from Mauritius (box 6.1).

**Box 6.1: China-Africa investment in Nigeria**

- Chinese investment in Nigeria is concentrated in a few sectors that are of strategic interest to China.
- Investment activities are carried out largely by state-owned enterprises or joint ventures.
- Chinese FDI is typically accompanied by Chinese workers and most of the supplies are sourced directly from China.
- Chinese FDI in Nigeria may have little positive revenue effect because of the many tax and other fiscal incentives, as well as the possibility for tax evasion/avoidance by Chinese firms.
- Massive influx of Chinese FDI into the country, producing goods and services at cheaper prices coupled with the import of cheap commodities from that country will enhance the welfare of Nigerians.
- However, granted that Nigerian firms are not competitive, Chinese FDI in the country may lead to closure of domestic competing firms, with adverse effects on employment particularly where Chinese firms are fond of bringing in workers from their country.
- The fact that Chinese firms bring in most of their inputs from their own country and set up their own market outlets, implies limited backward and forward linkages between Nigerian and Chinese firms.
- Domestic firms operating in sectors of interest to China (such as oil and gas, power, construction, manufacturing and services) may lose as a result of lack of competitiveness.

*Source: China-Africa economic relations policy briefs (Oyeranti and others, 2010).*

There is even less quantitative detail on the other Southern partners, although some information is available on the activities of the big multinationals. Brazilian companies, for instance, are recognized as big contributors to employment in Angola and Mozambique. There are over 100 Brazilian firms operating in Angola and over 30,000 Brazilians working in the country, primarily in construction, civil engineering, retail and education (Kiala and Ngwenya, 2011). The engineering and construction company Odebrecht, is the most prominent Brazilian investor in Angola and the largest employer in the country. It is also a recipient of major Government contracts for the rehabilitation and construction of
roads, housing and public amenities. As reported above, Odebrecht has recently branched out into the biofuels sector (Kiala and Ngwenya, 2011).

Another Brazilian multinational, Companhia Vale do Rio Doce (CVRD), operates in seven African countries. Its largest operation is the $1.3 billion investment that is expected to extract 11 million tons of coal in Mozambique. The coal extraction operation is expected to create 4,500 jobs (Siebert, 2011:10).

**Emerging issues from South-South Cooperation in enhancing growth and employment**

In order to maximize the benefits of the increasing SSC towards the enhancement of growth and employment creation, African nations need to take "Africa-South" trends into account in their planning for long-term economic progress. The continent has a duty to be assertive when negotiating cooperation with the South. The ultimate goal should be to build the productive capacities of Africa. In this regard, all areas of cooperation have to be pursued in the context of creating avenues to stimulate production and entrepreneurial development. This specifically has to be targeted in sectors that have potential to generate sustained growth and employment such as agriculture, which then has to be linked to industry through agro-processing.

The resultant linkages are vital for guaranteeing employment and economic growth, and present a critical platform for the expansion of the industrial and manufacturing sectors, which currently constitute less than 25 per cent of GDP in most African economies. Moreover, within the manufacturing sector, it is also often cited that the policies of developing countries often favour large firms while inhibiting growth of small firms (Little, 1987). In some instances, investment incentives are also available only for projects above a minimum scale. In addition, large-scale producers are singled out for special subsidies. Such policies inadvertently hurt private-sector development as well as entrepreneurial-skills formation which is acutely lacking in these economies. To further create room for private-sector development, there should be every effort to use SSC to broaden the scope of engagement beyond extractive sectors by enhancing technology transfer and learning for the African continent.

The availability of concessional loans from the Southern partners has increased access to finance for several countries in the region and is a welcome development. However, the critical issue is for African countries to ensure that new borrowing from such partners is used to finance projects that enhance domestic capacities to repay, as well as the capacity to generate employment opportunities to absorb the youth, given the population structure of Africa. From the aid-growth framework in section 3, and the institutional and policy framework, it is clear that the sectors where such financing is directed, determine whether or not the result will enhance growth and create employment. Therefore development assistance, whether in the form of grants or loans per se, does not automatically translate into growth and create employment.

Similarly, even with regard to trade and FDI, there is need to harness linkages between these areas of cooperation within the domestic economies by ensuring that this cooperation is directed to sectors

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40 For an excellent exposition on a wide range of issues in the private sector but more thoroughly, the manufacturing sector in Developing countries, see James Tybout, “Manufacturing Firms in Development Countries: How well do they do and why?” in *Journal of Economic Literature*, vol. 38, (March 2000), pp.11-44.
where domestic investment, jobs, regional economic integration and the productive capacity of these economies is enhanced. This could be by way of using strategic incentives and policies that both encourage and obligate foreign investors to use domestic inputs, labour as well as partnerships in the pursuit of their goals. In fact, deliberate efforts to develop domestic capacity on the part of the private sector to be in position to pursue joint ventures with Southern firms, should be pursued as a matter of urgency and nested in the national policy frameworks. This will go a long way in boosting the diffusion of knowledge for local entrepreneurs and contribute to the structural transformation of the African economies.

7. Recommendations

In the context of limited quantitative information, how should Africa respond to the opportunities and challenges presented by SSC and how should Africa deploy SSC to promote growth and employment? These questions are best approached in two stages.

- The first stage is to recognize that SSC must be embedded within the larger project of promoting development. The starting point therefore, is to be clear on national development strategies and national priorities, and integrate into these considerations, the strategies for engaging Africa and its external partners. According to the ILO (2011), accelerating progress in providing decent work in Africa requires more resources and better economic and social policies. Resources are needed to raise the investment ratio, as current investment levels are too low to sustain rapid economic growth. Better economic and social policies require that employment objectives should be integral in macroeconomic policy design.

- The second stage in promoting growth and employment via SSC is to develop strategies for maximizing the benefits of SSC as a particular form of relations with the continent’s external partners. This stage encompasses the articulation of objectives, policies, mechanisms and processes to secure the maximum benefits from interactions with Southern partners.

**South-South Cooperation policy as a component of general development policy**

Regarding the first stage, promoting growth and employment is a special case of the general challenge of harnessing external resources to promote national development. It also bears emphasizing that the most effective way to promote employment is through increasing the investment ratio and therefore the probability of higher growth (ILO, 2011). There is an emerging consensus that the core of development policy today lies in the state actively promoting an enabling environment and supporting key economic actors. In a significant departure from the “market fetishism” of the 1980s and 1990s, it is now widely accepted that the state must play an activist but pragmatic role in the development process. The idea is not that the state should replace the market, but that it must deal effectively with the problems of information, co-ordination and externality that constrain growth and industrialization in developing countries.

While there are continuing differences among researchers, there is now a broad acceptance that the state’s role includes promoting technological innovation, industrial upgrading, sectoral diversification and improvements in infrastructure and institutions (Lin and Monga, 2011). Also, it is now more
widely accepted that the role of the state includes facilitating the creation of innovative financing instruments, especially for large and complex projects. It could promote new industries by promoting incubation and incentives for local and foreign entrepreneurs to invest in strategic industries.\textsuperscript{41} Also, as long as it remains World Trade Organization (WTO)-compliant, the state may provide subsidies for private-sector activities that produce significant externalities.\textsuperscript{42}

Several elements of this policy regime involve the mobilization and effective use of domestic and external resources. For instance, the massive infrastructural requirements of the continent require the active mobilization of substantial additional capital. Similarly, promoting new industries or developing new areas of comparative advantage involves the deployment or redeployment of resources. An essential strategy in the promotion of employment is to seek employment-generating investments both from within and outside the continent. SSC could be encouraged to move in this direction. The continent clearly cannot expect that all the resources will come from SSC. In particular, as shown earlier in the study, while the role of Southern partners is growing, it is still significantly less than that of the traditional OECD partners. The approach to securing maximum benefits from SSC is to build on its specificities, while remaining cognizant that it is only an element of the continent’s relations with external partners.

\textbf{Maximizing the benefits of South-South Cooperation}

Within this context, the essential foundation for an African South-South strategy is that policymakers build on the South-South spirit of mutual interest and mutual respect. African leaders must approach SSC without subservience or gratuitous hostility, rejecting any self-portrayal and portrayal by others as a “victim” or underdog in the international system. The focus should be on what works for African Governments in promoting the welfare of its citizens and pursuing sustainable business opportunities for African entrepreneurs within the framework of SSC. The continent’s relationship with its Southern and other external partners will be at its most constructive if the players are neither supplicants nor combatants.\textsuperscript{43}

\textsuperscript{41} New ventures have been promoted, even in the United States of America, through science and technology parks and business incubators, where entrepreneurs, scientists, product developers and venture capitalists are clustered and can work together. The economic zones for China are, perhaps the best examples of clusters and networks where innovations can be developed and brought to market.

\textsuperscript{42} Indeed, it could be argued that the deployment of LOCs by India and the low interest rates charged by Chinese and Brazilian State banks to their African investors effectively represent subsidies to these entities.

\textsuperscript{43} African leaders have rightly welcomed the deepening engagement with major Southern partners, particularly China. In the welcoming process, however, some leaders have tended to present the continent in a subordinate posture. Festus Mogae, former president of Botswana, is reported to have declared: “I find that the Chinese treat us as equals. The West treats us as former subjects”. Similarly a Senegalese foreign minister is reported to have said “China treats us like adults” (African Centre for Economic Transformation, 2009). Of course, the idea in these declarations is to contrast the Southern partners to the traditional partners in regard to political conditionalities. In effect, however, these declarations merely accentuate the portrayal of Africa as supplicant within the international political economy (Ohiorhenuan, 2009).
A recent report of UN-OSAA (2010) provides some excellent recommendations on how to maximize the benefits of SSC. The key ones are that 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 and exercise ownership.
- Interact with other African Governments, AU, African Development Bank and regional groupings to maximize bargaining power and avoid wars of incentives.
- It also recommends that, within their specific mandates, the AU, AfDB, New Partnership for Africa’s Development (NEPAD) and the Regional Economic Communities (RECs) 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.
  - These are excellent recommendations and the rest of this section builds on them by highlighting the special characteristics of SSC and identifying the kinds of actions that could enable their implementation. The South-South narrative of win-win outcomes derives from the understanding that SSC is the venue where commerce and fairness meet. It accepts that there will be areas and issues on which there is a degree of common ground ex ante, and other areas and issues on which there may be significant contention. It understands the primacy of dialogue and negotiation.

Three of the Southern partners discussed here (China, India and Turkey) have initiated high-level forums as the framework for cooperation with Africa. Critical elements of SSC are negotiated and agreed within these forums. While the Action Plan from the Turkey–Africa Cooperation Summit was pitched at a general level, those from FOCAC and the India-Africa Summits have been relatively specific. These more specific action plans appear, however, to have been unilateral offerings from the respective partner. Aspects of the cooperation often appear as “gifts”, even when they are not. For instance, the leveraging and subsidization of Chinese firms’ entry into Africa (through the CADF) was presented as part of a gift to Africa in the third FOCAC meeting. Similarly, the extensive use of LOCs by India for the purchase of Indian goods is often presented as part of an assistance package.

Africa, as a continent and its individual countries must deploy high-quality resources to manage its South-South relationships. The continent and each country must have a clear picture of its needs and requirements as part of the overall policy and planning framework of each country. A clear framework
of objectives and priorities is essential as a basis for meaningful dialogue of equals. The premise of the following recommendations is that, because relations with Southern partners are a continuing business, merely listing desiderata for growth and employment is not enough. Maximizing the benefits of SSC requires rectifying the capacity deficits that hinder the continent’s relationship management with its South partners.

7.2.1 Capacity to understand

It is essential to understand fully the substance of the major issues on the agenda for dialogue with its partners. Broadly, there are two aspects to this task. The first aspect is research and policy studies. There is an abundance of studies on China, but much fewer studies on the other three partners, and indeed on other emerging economy partners in Africa. The view of SSC, as the meeting point between commerce and fairness, is reflected in the emphasis Southern diplomats have placed on solidarity in South-South relations. Realizing this ideal in practice requires Africa to strengthen its bargaining power. The continent needs more and stronger think-tanks and research institutions to reduce the knowledge asymmetries that weaken the continent’s position in bilateral and multilateral negotiations.

Extensive background analysis of the major partners is a requirement for dialogue with them. It is essential to invest in research and develop empirically grounded and methodologically comparable studies on the impact of the most important ones. To ensure an integrated approach to dialogue with the Southern partners, it is also necessary to undertake country and subregional case studies, as well as cross-country and cross-sectoral studies. These studies should have a core set of objectives, be based on a similar analytical framework and cover the activities of all major Southern partners.

The second aspect is having in place mechanisms and processes for robust internal dialogue on relations with the Southern partners. Policymakers must be fully aware of the potential impact of the emerging partners’ actions on African economies and societies. This requires them to better understand global, regional and domestic policy dynamics. They must also be fully aware of the possible interaction between the policies they wish to enact, and the habits and practices of the actors whose behaviour policy is designed to influence. This requires an active collaboration between researchers and policymakers at several levels. Perhaps more importantly, it involves nurturing active coalitions of local interests to interact effectively amongst themselves and with the external partners. Appropriate channels for such dialogue and knowledge sharing among policymakers, producers and the public at large will have to be created.

It is also essential to promote continuous informal dialogue with the partners. The accumulation of knowledge at various levels should be a permanent endeavour, not just an episodic engagement in preparation for the summits or on ad hoc basis to negotiate particular project assistance. Such

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44 This challenge is, unfortunately, not a trivial matter. In 2007, China Exim Bank made an offer to Nigeria of a $2 billion LOC at a very competitive commercial rate to finance infrastructure projects in connection with preferential access to oil blocks. Separately, the Chinese Government offered Nigeria a $500 million preferential line of export credit for use in areas to be determined between the two sides. There was no ODA involved in either package, although the Nigerian authorities were apparently not aware of this. Former President Yar’Adua declared, in an interview with The Guardian (Lagos), that he had believed the package to be concessional, until he visited China. He is quoted as having said: “When I visited China and we discussed, I was told this 500 million dollars was given on concessionary rate from the Chinese Government but the $2 billion dollars was given at commercial rate from the Chinese Exim Bank.” (Brautigam, 2010).
engagement should be firmly rooted in African national priorities and concerns.

### 7.2.2 Capacity to coordinate

African countries must have effective mechanisms for coordinating among themselves. It is particularly important to encourage and support the participation of new actors and new processes in cooperation arrangements among countries. The continent’s regional and subregional organizations need to systematically build up their coordination capacities. They need to transcend the old tendency to rely primarily on intergovernmental negotiations and protocols, and seek the active participation of other actors from the private sector, civil society and science, technology and research networks.

Increased dialogue and interaction among African countries would help to advance their interests in the various bilateral processes and ensure win-win outcomes. An increased sharing of information, ideas and objectives among countries is required to build the process. There are significant differences among African countries, which means there are significant knowledge, technology and capacity gaps within the continent. Stakeholder-driven processes encourage active networking, mutual capacity-building and knowledge development among stakeholders within each country and the continent as a whole (Ohiorhenuan, 2000).

Another aspect of this heterogeneity is that some African countries have more of a stake than others. As highlighted above, both financial flows to and trade with Southern partners tend to be concentrated in a limited number of countries, typically resource-rich countries. It is critical to have the capacity to coordinate across a range of countries with different stakes and different objectives. This may be a function best performed by the various regional organizations. Not only can they help protect the interests of those with smaller stakes, but also help to expand the potential domestic market for all by ensuring their involvement. Regional and subregional organizations must have the capacity to coordinate bargaining with Southern partners to include the interests not just of commodity-exporting economies, but also non-exporting economies (UN-OSAA, 2010).

At another level, strengthened capacity is essential for effective coordination of the various types of financing offered by the Southern partners, and financing available from other partners such as the international financial institutions, other development partners and even private-sector players. One lesson we draw from Asia is that well-integrated regional neighbourhoods attract the bulk of South-South trade and South-South flows of investment. Africa could seek to harness SSC towards strengthening regional integration through the provision of public goods. This would enable Africa to create the subregional and regional neighbourhoods that are more attractive to trade and investment, thus leading to enhanced job creation and poverty reduction.

### 7.2.3 Capacity to negotiate

Related to the capacity to coordinate, African countries also need to build negotiation capacity to be effective in bilateral forums, as well as to handle large and complex commodity deals with the emerging partners. African countries ought to be able to adopt a similar strategy of integrating trade, financing and development considerations in their approach to their Southern partners. For instance, it has been suggested that they make meeting the needs of the Southern partners for commodities, conditional upon the partners providing aid to exploit these commodities and supporting the continent’s complementary developmental and infrastructural needs.
It has also been suggested that African countries should more actively seek the participation of African firms in the Southern partners’ firms’ global value chains. Using China as an example, UN-OSAA (2010) has suggested that an African strategy should seek to incorporate Chinese FDI and participation in Chinese firm’s value chains that serve global markets. Chinese firms exporting garments or footwear to the United States of America and the EU could be induced to include African subsidiaries and domestic firms into their global value chains.45

Africa does not appear to have established the necessary capacity to negotiate such win-win possibilities, which constitute the raison d’être of SSC. Win-win outcomes require that both parties be fully prepared. African diplomats in Beijing, for instance, have pointed out that they are often too slow and uncoordinated in their responses to Chinese initiatives. The following observation from a recent assessment of FOCAC commitments is indicative of the imperative to have substantial negotiating capacity:

African “complaints” about China’s commercial focus and business acumen produce no positive outcome for Africa. Africa should rather seek a partnership with China in developing a common approach which would benefit both sides. … There is a strong sentiment that African companies should stop complaining and rather seek JVs (joint ventures) in Africa and new innovative market entry strategies in China…. FOCAC is a diplomatic process of engagement between developing countries which offers Africa an opportunity to “accept or reject” different aspects of China’s engagement with the continent…. African representatives have advised their governments to “be specific and unified” in seeking to build the FOCAC agenda. China’s goodwill at the conference table must be matched by Africa’s ability to articulate its goals and dreams. This requires increased preparations on Africa’s part… (Centre for Chinese Studies (CCS), 2010:185).

The South Africa-China Comprehensive Strategic Partnership made in August 2010 is an example of what is possible through negotiation. Both countries undertook to work towards a more balanced trade profile and to encourage trade in manufactured value-added products. China will, according to the document, increase investment in the manufacturing industry of South Africa and promote the creation of value-adding activities in close proximity to the source of raw materials (AfDB/UNECA/UNDP/OECD, 2011).

Individual countries, especially the smaller ones may need technical assistance from other African countries, from regional organizations or even from their traditional partners. When very large sums of money are at stake, as in the various countertrade negotiations, there is no reason why a country cannot even seek to engage a reputable international consultant to support its negotiations.

45 The OSAA report recognizes that embedding such bundling in formal agreements would be WTO-illegal. But the scale of some Chinese resource-based investments is so large that governments are inevitably drawn into the negotiations. An agreement on bundling can be reached in an informal manner through government-to-government discussions without running up against WTO rules.
## 7.2.4 Capacity to monitor

Several countries are already formulating strategies for more effective engagement with Southern partners. The engagement strategy of Namibia with its external partners is integrated into its national development plan, while the engagement strategy of Cameroon is framed within the country’s development vision for 2035. In Morocco, Chinese operators are being actively encouraged to invest in the country as opposed to merely bringing in Chinese imports, and in Cape Verde the Government mobilizes the full range of external partners to modernize its productive capacity and infrastructure (AfDB/UNECA/UNDP/OECD, 2011).

African countries must ensure that they have the analytical capacity to monitor the financial flows that follow from these strategies, and the capacity to monitor the implementation of agreed projects. The FOCAC and IAFS processes typically end up with a list of commitments by the partners, as well as initiatives and projects to be pursued. Too often individual African countries then apply to take part in any one of these projects. It would be useful for an Africa-wide mechanism to be in place to monitor progress in implementing the commitments. The continental and regional organizations of Africa are best placed to lead on this.

## 7.2.5 Capacity to compete

Another critical capacity that needs to be in place in African countries is the capacity to compete in the global market. Ethiopian Prime Minister Meles Zenawi is reported to have challenged at the 2006 FOCAC, the sentiment that China is selling low-priced and poor-quality products in Africa. He argued that unless African producers can compete in global markets, Chinese products would become more popular. “This is globalization”, he stressed (CCS, 2010).

Promoting technology transfer and capturing the positive spillover from foreign investment means more than simply enacting regulations for local labour and content requirements. Effective technology transfer is essentially a process of innovation in product, process and organization or management routines for the firm adopting the new technology. Increasingly, innovation involves firms mastering the design and production of goods and services that are new to them, whether or not they are new to their competitors, domestic or foreign. Innovation involves: continuous improvement in product design and quality; changes in organization and management routines; creativity in marketing; and modifications to production processes that bring costs down and increase efficiency.

Firms must learn to manage a portfolio of partnerships and alliances so as to reduce the costs of information and communication, the risks and uncertainties associated with the introduction of new products and processes, and the time needed to move an innovation from the laboratory or design table to market. Access to knowledge about changes and organizational arrangements, in market structure and in the strategies of firms are critical in catching up and keeping up with a moving technological frontier (Mytelka and Ohiorhenuan, 2000).

Global competitiveness requires that African countries put in place institutions, mechanisms and processes to support the private sector in accessing and using cutting edge technology. They must foster effective national systems of innovation and must aggressively push for competitiveness in low-
end manufacturing in order to enter the global value chains of their Southern partners. They must also aggressively facilitate the exploitation of indigenous knowledge with the same aim of locating higher in the value chain in key industries (like pharmaceuticals). African countries must also nurture entrepreneurship and enterprise networks and industrial clusters. Practically, countries must build backward and forward linkages between the domestic economy and the SEZs that are being supported by Chinese investment. Building competitiveness is imperative for inclusive growth and employment creation in a globalizing world.

7.3 Concluding remarks

The continent’s engagement with other countries of the South has grown rapidly over the last decade. However, traditional partners dominate its international economic relations through trade, FDI and development assistance. Nonetheless, there is significant promise in African relations with its Southern partners because of its distinctive feature of being predicated more on mutual benefit and solidarity, than on gift giving or pure commerce. The significant inter-twining between the trade, investment and aid activities of Southern partners is a logical outcome of this premise.

According to former Tanzanian President, Benjamin Mkapa, during his discussions with Chinese President Jiang Zemin in 2000, there was a clear understanding on both sides that the interest of China in Africa was, in addition to solidarity, primarily a matter of economic cooperation for mutual benefit, not charity. Indeed, according to Mkapa, Jiang warned his guest that as China was encouraging its private investors to do business in Africa, African policymakers must do the appropriate due diligence. Like other countries, Jiang advised, China has its share of opportunists.

This study has shown that the operations of the major partners of Africa on the continent are driven by their own economic and strategic considerations. The mix of trade, investment and to some extent aid helps to promote these interests. The most important message of the study therefore, is that SSC is driven as much by market as by non-market and political economy dynamics. This specificity should undergird the continent’s strategy towards its Southern partners. In the true spirit of SSC, relations with Africa and its Southern partners should be based on a clearly articulated African interest. The continent should then ensure the installation of the critical capacities that are required to participate as an equal in the dialogue and negotiation with its partners.

Three considerations for future research should be mentioned:

First, the paper has analysed in some depth the activities of Brazil, China, India and Turkey in Africa. The reverse would also have been interesting, but was beyond the scope of this paper. Future research should examine the activities of African economic agents in other countries of the South, particularly through trade and investment. It is widely known, for instance, that Angola has joint ventures in China and shares in a Brazilian bank; that Nigerians have invested in Chinese factories and that South Africa has significant investments in China and India. A systematic documentation of the African “supply

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46 This seems obvious, as it was a critical aspect of the strategy of the emerging partners themselves. The main difference for Africa today is that, with the Asian countries dominating low-end manufacturing globally, African countries must innovate (through process, institutions and/or technology) to be competitive even in their home markets.

47 Author’s interview with H. E. Benjamin William Mkapa (June 27, 2009: 13.30 to 15.30hrs).
side” of SSC may yield important insights on how to promote African growth and employment in the future.

Second, there is a growing concern on the continent about “land grabs” in Africa by external partners. This was not addressed here, as it is as much a South-South as it is a North-South issue. There is some research on this subject, but much more is needed. Africa has an opportunity here to make effective use of its agricultural land as a new foundation for both growth and increased employment. Some research and policy analysis should be undertaken on how to make the best use of SSC to foster improved agribusiness in Africa.

Finally, a major challenge to the full understanding of the impact of SSC in Africa is the lack of accessible and comprehensive information and data. Most agencies responsible for implementing Southern governments’ development assistance programmes provide some data on assistance patterns and procedures. However, such data is not always comparable and there are substantial information gaps (UN-ECOSOC 2008: 7). This is one area UNECA is working on, in compiling relevant statistics in line with the theme of the 2001 African Economic Outlook (a joint publication of the AfDB, UNECA, OECD and UNDP), on Africa and its emerging partnership. This initial work is being built upon to provide the continent with a vehicle for monitoring and analysing SSC on a continuing basis.

48 For instance, an international academic conference on ‘Global Land Grabbing’ was held on 6-8 April 2011, at the Institute of Development Studies (IDS), University of Sussex, Brighton, United Kingdom. It was co-organized and hosted by the Future Agricultures Consortium in partnership with the Journal of Peasant Studies and the Land Deal Politics Initiative (LDPI). The papers and presentations are available from http://www.future-agricultures.org/index.php
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