HARNESSING AFRICA'S EMERGING PARTNERSHIPS

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The Priority

For most of the post-independence period, Africa's commercial and development partnerships have been largely dominated by Western Europe, the United States and Canada. For many African countries, colonial ties have tended to be the single most important factor determining such partnerships. During the last two decades, however, many other countries have taken a keen interest in trade, investment, and other types of commercial and strategic relations with Africa. This new interest in Africa has significantly reduced the relative importance of traditional partnerships to Africa's development agenda. Notably, among countries that have taken an interest in Africa during the last two decades are emerging economies such as China, Brazil, Russia and India. Other countries that have ratcheted up their commercial ties with Africa over the last decade include Turkey, South Korea, Iran, Malaysia and a few others. These emerging partnerships involve a wide range of activities, including trade and foreign direct investment in various sectors of several African economies—particularly, natural resource exploitation, manufacturing, agriculture and construction. The new partnerships have also evolved to include development cooperation in the form of aid, loans and grants. Although these emerging partnerships have been very supportive of development efforts in African countries, there is concern that some of these new arrangements could actually be exploitative—in other words, they may not be mutually beneficial. Instead, they may create opportunities for these new foreign partners to plunder Africa's resources and leave the continent essentially underdeveloped.

There is no doubt that the increased interest in the continent by many countries presents African governments with a lot of opportunities, which could support and advance the continent's development goals, especially in respect to the effective transformation of Africa's economies. However, there are also many risks and challenges that come with these partnerships—in fact, if the challenges are not properly managed, the outcome could be exploitation and underdevelopment. As the new "scramble for Africa" continues to gather momentum, it is critically important that Africans rethink their relations—both with emerging and traditional partners—with a view to maximize the benefits from the partnerships and minimize the costs or negative aspects.

Why Is It Important?

Over the last decade, Africa's interactions with foreign actors—nations and businesses—have grown rapidly both in scope and complexity. Although it has become commonplace to refer to some of these interactions as involving new partners such as China and India, this is not strictly correct because these countries have been involved with Africa for many years. China, for example, has been involved with Africa for many decades, helping some colonies fight for independence and participating in the construction of infrastructure in newly independent countries, such as the transboundary infrastructure project called the Tazara Railway, which extends from Tanzania to Zambia. In addition, Russia, whose predecessor the Soviet Union was heavily involved with various African countries during the Cold War, continues to provide many countries on the continent with military aid as well as help educate their citizens at its universities. Nevertheless, the scale and scope of engagement between Russia and African countries have changed significantly since the heyday of the Cold War.

Although Africa generally receives a very low share of global foreign direct investment (FDI) flows, there has been a marked increase in FDI flows from emerging economies during the last few decades. For example, Brazil, Russia, China and India have in recent years significantly increased their investments in Africa, effectively joining the ranks of top investing countries in the continent. Similarly, many other developing countries have also increased their investments in Africa, indicating the growing importance of the continent to the global economy.

Although there has been a fair amount of diversification of FDI flows to different sectors of African economies, extractive industries remain the most important destination for investments from both traditional and emerging partners. Recent discoveries of natural resources, especially oil and natural gas, have been catalysts for increasing FDI flows. For example, both Chinese and Indian firms have expressed interest in investing in the natural gas block off of the Mozambique coastline. Although Chinese investments in the exploitation of natural resources can be found in practically all African countries, there is significant concentration in South Africa followed by Sudan, Nigeria, Zambia and Algeria. Russian companies, whose FDI to Africa topped $1 billion in 2011, have operations in aluminum extraction in Angola, Guinea, Nigeria and South Africa. Traditional partners such as the United States, Britain and France have also increased their investments in the continent's natural resource sector (UNCTAD 2013).

There has also been an increased interest in recent years from non-traditional partners in land-for-agriculture. According to the Land Matrix Project data, India and China are among the top 10 countries investing in the agricultural sectors of many African countries and companies from both countries have significant investments in biofuels, soy and timber production at various stages of completion (Anseeuw et al. 2013). For example, the Indian floriculture company, Karuturi, a major producer of cut roses, is now a significant investor in Ethiopia's agricultural sector. Karuturi's combined investments from 2007-2012 totaled 411,000 hectares of land for biofuel, palm oil and rice production (Rahamoto 2013). Although levels of production by Karuturi have not yet met the company's or Ethiopia's expectations due to severe flooding, the company has projected a tripling of food exports from Ethiopia by 2015 (Davison 2013).

The other indicator of growing commercial relationships between Africa and other countries is the volume of trade, which reflects at least in part the increase in commodity trade. Although Africa's share of global trade remains low, it has nevertheless been increasing. For example, the volume of trade between India and Africa has been growing: 32.2 percent per year for African exports to India and 23.6 percent per year for Indian exports to Africa (WTO 2013). China's value of total African trade was $8.9 billion in 2000 and reached an estimated $220 billion in 2012 (Jones and Williams 2012; Yuanyuan 2012). According to U.S. COMTRADE data, mineral fuels make up the majority of Africa's exports to Brazil, China and India—85 percent, 80 percent and 70 percent respectively of imports from Africa (WTO 2013).

The increased interest in Africa by investors—both new and old—represents a great opportunity for African countries to solidify the growth experienced in recent years and to invest in the transformation of their economies. However, there are many concerns about the new interest in Africa by countries such as China, Brazil, India and others. One of the most important of these concerns is the view that many of the contracts to exploit natural resources agreed upon between African countries and these new investors are not entered into openly and transparently. In addition, there is fear that some of these new development partners are engaging in practices that are degrading Africa's environment and its fragile ecosystems. There are also concerns that investment in agriculture involving what are referred to as "land grabs" poses a serious threat to Africa's precarious food security situation. Other criticisms have been directed at the failure of some investing countries to create jobs for local labor. In fact, many of these countries bring their own workers to their African projects, effectively minimizing their use of domestic labor resources. Finally, some of these investments, especially those made in the exploitation of natural resources, are seen as not contributing to a positive transformation of African economies.

During U.S. President Barack Obama's 2013 trip to Senegal, South Africa and Tanzania, the president on various occasions raised concerns over Africa's engagement with some foreign states. Without mentioning any specific countries, President Obama warned of nations that have now increased their interest in Africa but whose main interest is the exploitation of the continent's natural resources and not the development of its economies. He also observed that some of those partners brought their own labor resources for projects that they were undertaking on the continent instead of supporting and enhancing job creation for Africans. The U.S. president's statement echoed similar sentiments by former U.S. Secretary of State Hillary Clinton who warned of "a creeping new colonialism in Africa from foreign investors and governments only interested in extracting natural resources to enrich themselves" (Lee 2011). Secretary Clinton also suggested that some of these new development partners were undermining governance in Africa.

The statements by both President Obama and Secretary Clinton reflect the United States' growing unease with Africa's new partners. To some, the views could reflect concern on the part of U.S. officials about the increasing dominance of China and other countries in Africa. However, concerns about these new partnerships are not limited to officials in the United States or other developed countries. Earlier in 2013, the governor of the Central Bank of Nigeria, Lamido Sanusi, wrote a scathing article in the *Financial Times* (March 11, 2013) that criticized China's operations in Africa as unbalanced and largely benefiting China.

What Should Be Done in 2014

The concerns about the potential negatives of Africa's engagement with external actors—traditional and nontraditional—are real and demand clear strategies to confront them. The starting point is for policymakers on the African continent to appreciate and understand the fact that any country or business seeking to engage in commercial activities or transactions is first and foremost doing so to maximize some well-defined objective—businesses seek to maximize profit and countries want to maximize national development. Rarely will a business enterprise's motives of engagement be to develop the countries in which they operate—economic development is a task that is reserved almost exclusively for national governments. Thus, it is incumbent upon African policymakers and members of civil society to ensure that any engagement with external actors yields maximum possible benefits to the citizens of their countries. As the interest of various external actors in Africa continues to increase, a number of actions should be at the top of the list of critical development issues that Africa needs to tackle in 2014 if it is to benefit from these partnerships.

The first action required of African governments is to take a more proactive stance in negotiations with all partners. Natural resource contracts and lease agreements that are not entered into transparently remain the most serious source of losses of Africa's wealth. The beneficiaries of these opaque transactions are foreign investors and a few corrupt African political and bureaucratic elites charged with negotiating and concluding these contracts. There is no evidence to support the proposition that non-transparency in natural resource exploitation is more prevalent with non-traditional as compared to traditional partners. Hence, there is need to review all new agreements very carefully—and probably renegotiate old ones—in order to make sure that their provisions do not contravene national laws (as well as international conventions, especially those dealing with human rights, environmental protection and the rights of indigenous groups). In addition, there is need for all countries to sign on to the Extractive Industries Transparency Initiative (EITC) and also for all firms engaged in the extractive sectors to "publish what they pay." Performing the latter could help significantly in the fight against bureaucratic corruption, as well as make certain that each African country maximizes royalties from the exploitation of its natural resources. It is important to emphasize that the task of ensuring transparency in natural resource contracting cannot be left to governments alone. Civil society must take an active part in making certain that the negotiations leading to the signing of natural resource contracts are open and transparent, and undertaken through a participatory process. The African Union should also scale up its involvement to ensure that all member countries abide by generally acceptable standards of transparency.

Second, adequately constraining the behavior of external actors—whether in terms of the extent to which they import labor from their home countries or how well they treat the physical environments in which they operate—must be the responsibility of Africans themselves. Again, external actors will tend to have little regard for the well-being of citizens of the African countries in which they operate unless the host governments have established clear operational frameworks and are willing and able to enforce various codes of conduct.

Third, African policymakers must also have a clear vision about development and provide strategies for economic transformation that can be used to guide the pattern of investments. For many countries in Africa, external actors are driving and defining investment agendas, which often do not align with national economic transformation strategies. In particular, natural resource exploitation has been undertaken with little regard to value addition. With the discoveries of more natural resources, such as oil and gas, it is critically important that Africans prioritize not just investments to extract their resources but also ways to add value to those natural resources—for example, through the establishment of petrochemical and fertilizer industries.

Finally, while Africans must seek to transform their agricultural sectors and encourage foreign investors to participate in this endeavor, the recent trend toward leasing out large tracts of land to foreign investors, most of which have little or no linkages with local economies, does not augur well for robust economic growth and development in African countries. African policymakers must redirect national policies toward more openness and transparency, especially in the natural resources sectors, as well as significantly improve their regulatory frameworks so that they can effectively minimize activities that degrade the environment, reduce opportunities for job creation, and generally inhibit the type of economic growth that enhances poverty alleviation and human development.

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