CHANGING AFRICA

A Socio-Political Analysis

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IHS
SCRIBANI
EUROPEAN JESUIT NETWORK

Preface

The SCRIBANI network (cf. www.scribani.net) is a network of 17 European Jesuit centres from 11 countries. Founded in 2003 with the aim to strengthen the European network, it groups Jesuit centres concerned with social justice in Europe and sharing Ignatian spirituality as a common source of inspiration. The network is named after the first Jesuit provincial in Flanders, Carolus Scribani (°1561-+1629).

The network organises biannual conferences on issues of social justice relevant to Europe. In September 2004 the University Centre Saint-Ignatius Antwerp (www.ucsia.org) organised the first SCRIBANI conference in Antwerp on “Solidarity in Europe: Are Migration and Enlargement Real Challenges?” In September 2006 The Institute für Gesellschaftspolitik (www.hfph.mwn.de/igp) in Munich hosted the second conference on “Africa and Europe. Cooperation in a Globalized World”. The third SCRIBANI conference on “Religion: Problem or Promise? The Role of Religion in the Integration of Europe”, planned for September 2008, will be organised by the Michael Lacko Centre of Spirituality East-West in Kosiçe, Slovakia.

This essay follows up the 2006 Munich conference on Africa and Europe. Without ignoring the problems Africa faces and the historical responsibility of Europe for some of the pervasive African difficulties, this essay emphasises the progress and opportunities in Africa. The essay, written for the SCRIBANI network by William Chislett, a professional writer and journalist, is based on the papers presented at the Munich Conference by Helmut Asche (Leipzig), Tobias Debiel (Duisburg), Peter J. Henriot (Lusaka), Valerian Shirima (Nairobi), Clare Short MP (UK) and Luc Van Liedekerke (Leuven).

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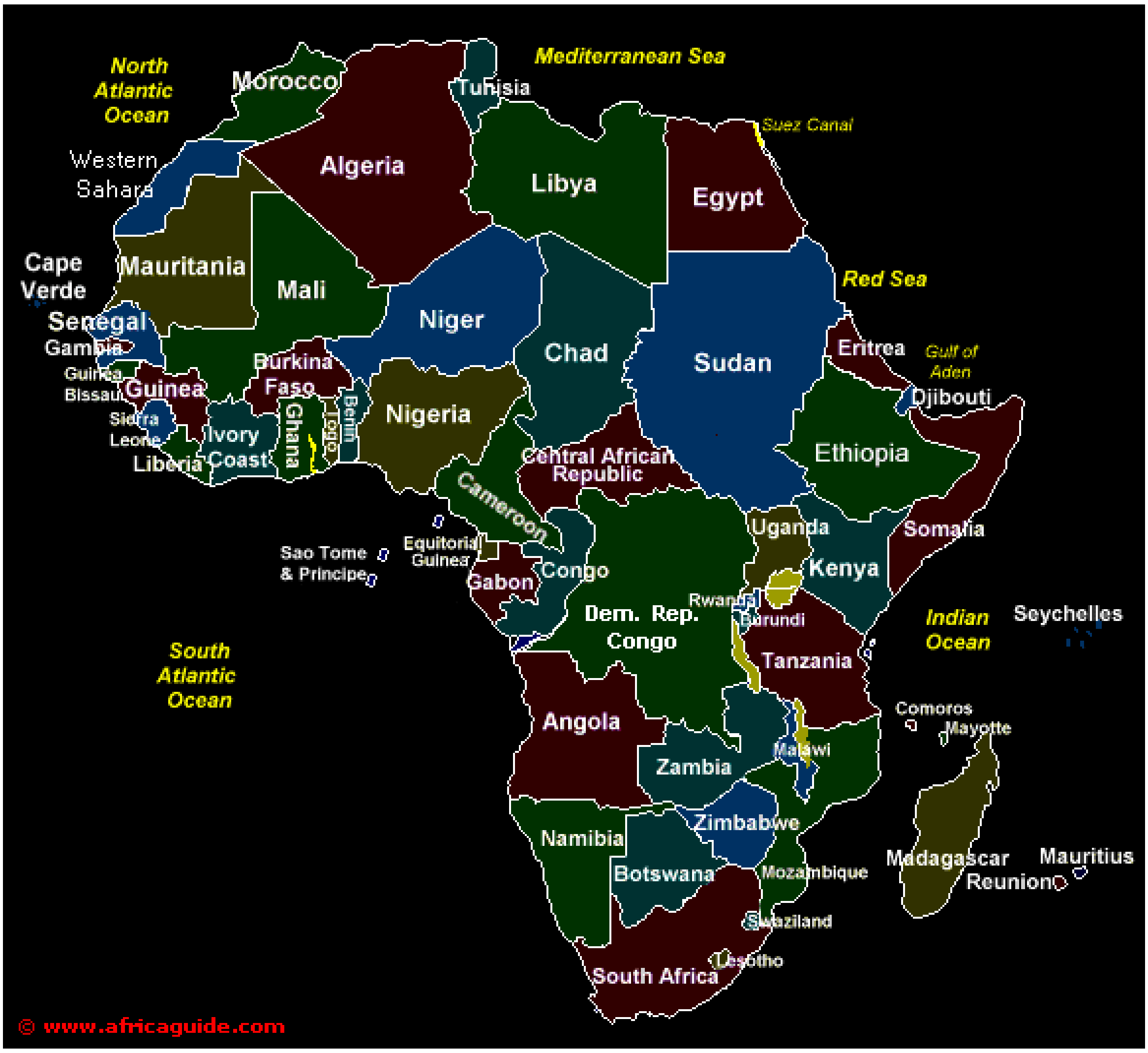
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Mediterranean Sea
Suez Canal
Western Sahara
Algeria
Libya
Egypt
Cape Verde
Mauritania
Mali
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Chad
Sudan
Red Sea
Senegal
Gambia
Guinea Bissau
Guinea
Burkina Faso
Eritrea
Gulf of Aden
Djibouti
Sierra Leone
Liberia
Ivory Coast
Ghana
Togo
Benin
Nigeria
Central African Republic
Ethiopia
Somalia
Cameroon
Uganda
Kenya
Sao Tome & Principe
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Introduction

Africa has long been regarded as the 'lost continent'. While unprecedented economic growth in Asia, Eastern Europe and Latin America is lifting, to varying degrees, these formerly poverty-stricken regions to middle or even high income status in a few cases, Africa, as a whole, continues to lag behind the rest of the world. The commonly held stereotyped images of Africa are starvation, AIDS, genocide, corruption, war, blood diamonds, poverty and a never-ending list of woes. Almost the only news reported out of Africa by the international media is bad news: pictures of young soldiers holding AkK-47s or starving pot-bellied children, for example. And this image has been widely disseminated by a recent clutch of films set in Africa: "Lord of War" (about an arms dealer), "The Constant Gardener" (the malpractices of drugs companies), "The Last King of Scotland" (about Idi Amin, Uganda's psychopathic dictator from 1971-79) and "Blood Diamond" (child soldiers and diamonds). No wonder then that a European visitor to Africa was struck by the fact that the people were jovial and would sing and dance. He told his hosts that with all the suffering and misery around they should cry rather than dance. They retorted that if they began to cry they would never be able to stop.

There is a lot of truth in their response but the picture is not as bleak as it is painted in the international media which tends to make sweeping generalisations and overlook the positive developments. Let us take just one relatively minor but nonetheless revealing example. Botswana and Mauritius were ranked ahead of Italy, one of the world's most developed countries, in the latest corruption perception index drawn up every year by the Berlin-based Transparency International. Botswana was ranked 37th out of 163 countries with a score of 5.6 out of 10 (the nearer to 10 the cleaner the country), Mauritius 42nd with 5.1 and Italy 45th with 4.9. A score below five is seen as serious corruption. The 43 other African countries in the ranking, however, all had scores of below 5 and the last places in the corruption league were all occupied by African nations apart from Iraq, Myanmar and Haiti (the worst ranked).

One more example. Foreign direct investment (FDI) in Africa in 2006 was provisionally estimated by the United Nations Conference on Trade and Development (UNCTAD) at $38.8 billion, 26 per cent more than in 2005, a new record and for the first time reaching official development aid levels in Sub-Saharan Africa. But the amount is a drop in the ocean compared to FDI in Latin America ($99 billion in 2006) and South, East and South-east Asia ($186 billion). Nevertheless, the increased FDI in Africa is heartening because it suggests that foreign companies have not written off the prospects for business in the continent.

This essay puts forward a positive view, wherever possible, but without diminishing the terrible problems that persist. First, however, we need some history as it goes a long way towards explaining the present situation. But it is also important that we are not fatalistic and do not end up casting Africa and Africans as the victims of external forces and thus with no capacity to achieve change as this would mean the continent would never progress. Africa, after all, was where human life began, according to available scientific evidence.

The Burden of Slavery, Colonialism and Neo-Colonialism

Slavery, colonialism and neo-colonialism have had immense consequences on the present situation of Africa and on its potential to move forward. And they have to be fully understood, but without diminishing the importance of the continent's domestic causes of poverty and deprivation – corruption (arguably the biggest single factor holding Africa back), mismanagement, misplaced priorities, inefficient governance, etc.

First and foremost is the trauma of slavery whose legacy of suffering continues today. It is hard to be precise, but around 15 million Africans in total were forcibly taken from the continent into slavery between the 15th and the end of the 19th century. The first slaves were brought to Portugal from Northern Mauritania in 1444, and it was not until 1936 that slavery was made illegal in Northern Nigeria. The majority of slaves were shipped to the Americas, although many were taken to the Middle East and North Africa. Slavery had been practised all over the world for thousands of years, but never before had so many people from one continent been transported to another against their will. "They seize numbers of our free or freed black subjects, and even nobles, sons of nobles, even the members of our own family," Affonso, King of Congo, wrote to King of Portugal João III in 1526.

The strongest and the healthiest of Africans were savagely exported and used as inputs for the development of countries on other continents. The Atlantic slave trade played a key role in the industrialisation of Europe, particularly the cotton industry. Slavery was a physical setback but perhaps even more severely a psychological setback as it imposed a racist definition of chattel (or beast of burden, instrument of production) upon blacks. This explains the deep racism embedded in history as Europeans invented a story to excuse their cruelty, by pretending that the people they harmed were inferior.

Colonialism imposed a model of development on the continent that primarily benefited outsiders, not Africans. In the course of 400 years in Luanda, just to take one example, the Portuguese did not dig a single well for potable water, or illuminate the streets with lanterns.[1] The British, the French, the Portuguese, the Spanish, the Belgians and the Germans came to

[1] See p. 56 of The Cobra's Heart by Ryszard Kapuscinski (Penguin Books, 2007).

Africa for the benefit of their own countries. The shipment of people was followed by the taking of natural resources – minerals, timber, etc. The scramble for Africa began in earnest at the Berlin Conference in 1884-85 when, at the stroke of a pen, European leaders decided the fate of another people without consultation, let alone their consent. Called by Bismarck, the first Chancellor of Germany, it regulated European colonisation and trade in Africa at a time of intense interest in the continent following Stanley's discovery of the Congo Basin (1874-77) which removed the last bit of *terra incognita* from the maps of the continent. Nations were created with no natural geographic, ethnic or linguistic unity, thereby sowing the seeds of future disputes that still persist today. During this period of new imperialism which lasted until the start of World War I Africa was viewed as little more than a *tabula rasa*, a "blank" continent up for grabs and upon which to leave a footmark and populated by people who were regarded as if they were not human beings although when it came to raping black women the distinction disappeared.

We should also not overlook the evangelisation effort, which began before the colonial project and its positive impact on education and health. Some Catholic and Anglican bishops also played a very important role in the late 1980s and early 1990s in Francophone Africa in presiding over national conferences that smoothed the path from dictatorships to more open political systems (for example Mgr. Ernest Kombo in the Congo) and also in Kenya and Malawi. Today, there are close to 1,500 Jesuits working in the continent, the growing majority of whom are Africans.

Unfortunately, the Good News did not always remain Good News because evangelisers were compromised by close association with the imperial powers. Some Christian churches became apologists of imperial policies and others provided the theological underpinnings of apartheid. In the Portuguese colonies, for example, it was difficult to draw a line of demarcation between government officials and missionaries. Some officials would even say that a good parish priest was worth 50 policemen. By good they meant a priest who kept his flock in check within the confines of the imperial philosophy.

The colonial period ended in the 1950s and 1960s with independence for countries and great hope for the future. Progress was made but the predatory and exploitative state structures that were taken over during the independence era were too frequently used to continue to oppress and exploit. Other obstacles were the creation of apartheid in South Africa (as of 1948 when the enactment of laws institutionalised racial discrimination), the wars for independence in the Portuguese territories of Angola and Mozambique (between 1961 and 1974) and Russia and the

United States during the Cold War lining up on either side of the tensions in Africa on the basis of their own interests.

Lastly, neo-colonialism which followed the process of decolonisation in Africa. Today's economic structures of trade, aid, debt and foreign investment, the political structures of global power alignment and the cultural structures of communication and entertainment, encapsulated by the term globalisation, have benefited Africa very little. Indeed, there is a growing debate that globalisation has increased per capita income differences, even in the US, the chief player. According to research presented by Laura Tyson, professor of economics at the University of California, Berkley, at this year's meeting of the World Economic Forum in Davos the gains of the $1 trillion in extra income reaching the US appeared to have gone to the top 10 per cent of society and have not trickled down and benefited the average American.

If the benefits of globalisation have been minimal for the US as a whole, as opposed to making a particular segment of society even richer, they have been even more marginal for Africa where the majority of the world's poor now live. Globalisation has not been the ideal spoken of by Pope John Paul II – "a globalisation without marginalisation, a globalisation of solidarity" – but has reinforced the poverty and deprivation of Africa.

The continent accounted for only 14.5 per cent of the world's poor in 1970. Today, despite the fact that Africa accounts for only 14 per cent of the world's population, it accounts for more than two-thirds of the world's total number of poor people.[2] Poverty, once an essentially Asian phenomenon, has become an essentially African phenomenon. Most of the 41 Sub-Saharan African (SSA) countries (total population more than 720 million) analysed in the 2007 Index of Economic Freedom report by the Heritage Foundation had such dismal growth performances that poverty increased throughout the continent. Thirty-four of the world's 49 least-developed countries in the world are SSA. Overall, Africa's poverty rates in 1970 were similar to those in South Asia and East Asia at 35 percent. By 2000, poverty rates in Africa had reached close to 50 %, while those in Asia had declined to less than 3 per cent. Poverty head counts have increased in all countries with the exception of Botswana, the Republic of Congo and the islands of Mauritius, Cape Verde, and the Seychelles. According to the latest World Bank figures, the extreme poverty rate (the number of people living on less than $1 a day) in SSS only fell from 46.7% of the population in 1990 to 41.1% in 2004 compared with China's reduction over the same period from 33% to 9.9%.

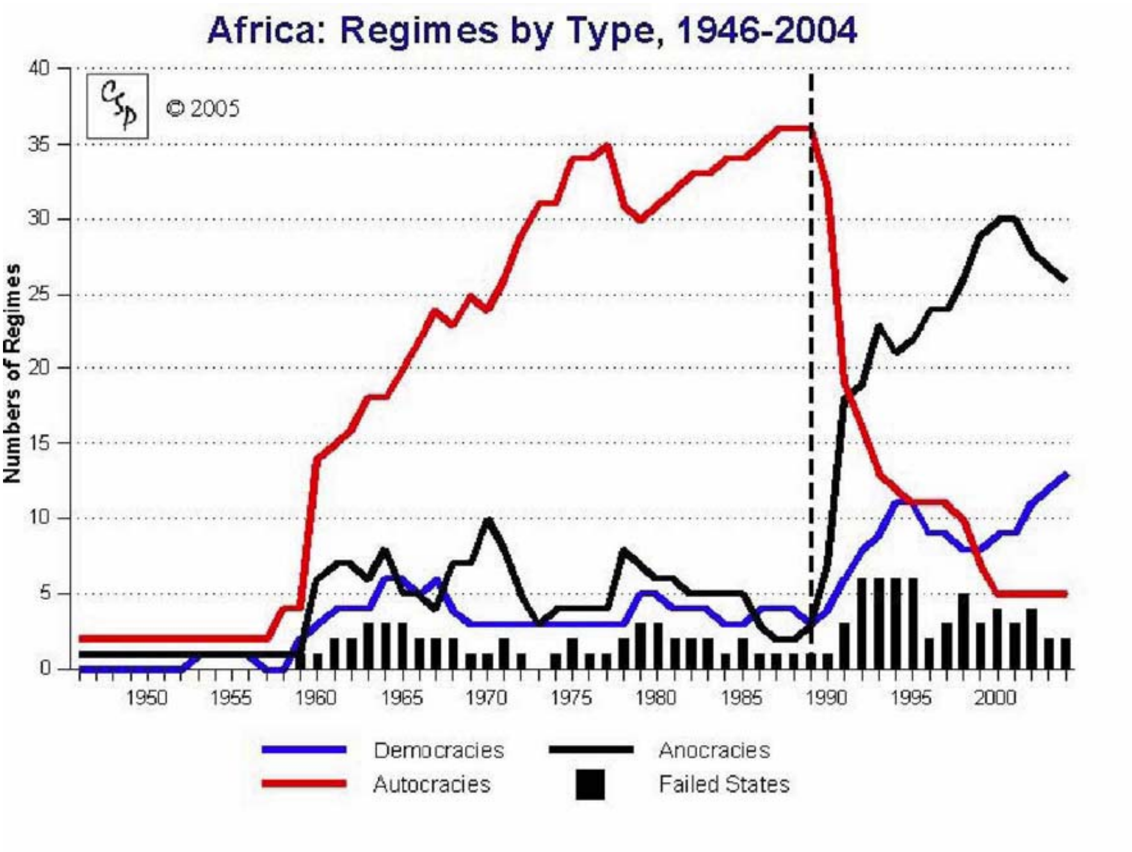
[2] See www.heritage.org/research/features/index/chapters/htm/index2007_chap1.cfm.

Another way for looking at this problem is to examine the average life expectancy at birth for the various continents and regions. While Asia's rose from 41.4 years in 1950-55, according to the UN Population Division, to 68 years today, Africa's only increased from 38.4 to 50 years. Not until 2045-2050 will Africa reach the life expectancy of 65 years that Asia attained in 1990-95.

Democracy on the Rise

The end of the Cold War in 1989/90 and the abolition of apartheid in South Africa ushered in an era of more multi-party democratic systems in the continent. The high point came in April 1994 when South Africans went to the polls and elected Nelson Mandela who became the most loved and respected politician in the world (see figure 1). President Thabo, Mandela's successor as of 1999, speaks of "an African renaissance".

Figure 1



Source: http://members.aol.com/cspgcem/AfricaConflictTrendsMGM2005us.pdf

Other notable developments were:

- The ousting of tyrannies in Benin, Ethiopia, Liberia and Mali.
- Opposition activists in Francophone Africa organised national conferences holding leaders to account on claims of corruption and brutality.

- Advocates of one-party rule such as Ivory Coast’s Félix Houphouët-Boigny, Kenya’s Daniel Arap Moi and Zambia’s Kenneth Kaunda were on the way out or had gone.
- President Benjamin Mkapa of Tanzania and President Joachim Chissano of Mozambique voluntarily stepped down during the 1990s.
- Civil societies in Malawi and Zambia forced President Bakili Muluzi and President Fredrick Chiluba to abide by their constitutions and not run again for office.
- Botswana and Tanzania have had peaceful electoral transitions.
- Benin held successful elections in 2006, both general and then run-off, which produced a new leader, Yayi Boni.
- The first free elections since independence in 1960 were successfully held in the Democratic Republic of Congo in 2006. Post-independence turmoil saw the rise of Colonel Mobutu Sese Seko who seized, and held onto, power for 32 years until he was deposed by Laurent Kabila's rebellion in 1997. Kabila’s son inherited the post after the assassination of his father and was democratically elected in 2006. The elections were supported by the UN's largest peacekeeping contingent - some 17,000 soldiers.

Other African leaders, however, most notably President Robert Mugable of Zimbabwe, who first came to power in 1980 as the country’s prime minister and since 1987 has been president, have perpetuated themselves in office. The thuggish Mugabe, who was such a great hero in overthrowing Ian Smith in what was then called Rhodesia, has brought what was one of the most prosperous nations in Africa to its knees.

Many of the long-running wars in West and Central Africa have now been brought to an end, although peace is often fragile. Most countries have adopted at least the trappings of democracy but periodic military coups and warlordism still occur and the power of incumbency means that changing governments peacefully by the ballot box is very difficult.

Up to 17 presidential or legislative elections were due to be held during 2007 in Sub-Saharan Africa, and if they are successfully completed 2007 has the potential to be seen, in hindsight, as an important year in the evolution of democracy in Sub-Saharan Africa. This is particularly the case of Nigeria, the most populous of the continent’s 53 countries (roughly one in seven Africans live in Nigeria), which returned to civilian rule in 1999 after 15 years of military rule. However, the country’s state and local elections on April 14th and parliamentary and presidential elections on April 21st were marred by widespread vote-rigging and fraud and violence (about 200 people were killed during the elections). Umaru Yar’Auda, the presidential candidate of the ruling People's Democratic Party, won an astonishing 70% of the votes. The EU said the whole electoral process "cannot be considered to have been credible."

Mauritania's presidential election in March 2007 was seen as the fairest since the largely desert country gained independence from France in 1960, and it capped the restoration of civilian rule after the coup in 2005. Previous elections were dismissed as being rigged in favour of the ruling party candidates. Colonel Ely Ould Mohammed Vall, the coup leader, said the poll marked the moment Mauritanians "come of age." Sidi Ould Cheikh Abdallahi, a former Cabinet minister, beat 18 other contenders.

Senegal, the only West African nation not to have experienced a coup since independence and a rare model of stable democracy in Africa, also went to the polls in March and re-elected Abdoulaye Wade. He beat 14 other candidates. During Mr Wade's first term, parliament voted to reduce the presidential term from seven to five years.

A significant driver behind the spread of multi-party democracy has been the emergence of stronger civil societies in Africa. Africans are increasingly well informed, partly as a result of education and partly by improved global communications. There is a palpable rise in anger at the corruption of the political elite; independent local radio stations have unleashed a torrent of political debate calling governments to account.
Technology has helped: mobile phones and mini-video cameras are now part of the weapons of election observers, who can quickly record and report abuses.

Women, as we shall see later, have been particularly active in organising and demanding change at all levels of society and are now a much more significant force, symbolised by the election in 2005 of Ellen Johnson-Sirleaf as Africa's first female elected head of state following Liberia's presidential run-off.

A sign of change in the political leadership of the continent is the New Partnership for African Development (NEPAD). It is easy to be cynical about the record of some of NEPAD's leaders, but the commitment to improved governance came out of the continent rather than from donor pressure. The initiative was started in 2001 by Algeria, Egypt, Nigeria, Senegal and South Africa and is regarded as the most serious and credible effort so far by African leaders to take control of their continent's destiny. Its aims are to eradicate poverty; place African countries, both individually and collectively, on a path of sustainable growth and development; halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy; and accelerate the empowerment of women. Nepad focuses on reform and trade rather than aid. According to Niall Fitzgerald, chairman of Unilever, a company that has been in Africa almost as long as it has been in business, “this fact alone offers genuine hope after so many false dawns.”

Similarly, the African Union (AU) with its increased powers, commitment to parliamentary democracy and its efforts in Darfur and elsewhere to end and prevent conflict represents an important new force on these issues. While the international community failed to adequately support the AU mission in Darfur and the terrible situation there puts the world to shame, we should not forget that a decade ago there were many more conflicts in Africa, with wars in Angola, Zaire/Congo, Sudan, Sierra Leone, Liberia, Burundi and Rwanda. No fewer that 16 UN peacekeeping missions were sent to Africa during the 1990s. One of them, the ill-fated humanitarian mission to Somalia, where 18 US Army Rangers died in the streets of Mogadishu, traumatised Western nations so much that the trend after then was a reluctance to send soldiers to Africa’s hot spots.

Empowering Women

The African Union’s (AU) adoption of the Protocol on the Rights of Women in Africa, which came into force in November 2005 after 15 of the AU’s 53 members finally ratified it, is a significant step in the efforts to promote and ensure respect for the rights of African women. The countries that ratified the Protocol were: Cape Verde, the Comoros, Djibouti, Gambia, Lesotho, Libya, Malawi, Mali, Namibia, Nigeria, Rwanda, Senegal, South Africa and Benin and Togo.

The Protocol was adopted on July 11th 2003, at the second summit of the African Union in Maputo, Mozambique, and requires African governments to eliminate all forms of discrimination and violence against women in Africa and promote equality between women and men. It also commits African governments, if they have not already done so, to include in their national constitutions and other legislative instruments these fundamental principles and ensure their effective implementation, and obligates them to integrate a gender perspective in their policy decisions, legislation, development plans, and activities, and to ensure the overall well-being of women.

The Protocol explicitly sets forth reproductive rights of women by recognising their right to access medical abortion when pregnancy results from rape or incest or when the continuation of the pregnancy endangers the life or health of the mother. It further calls for the elimination of female genital mutilation and an end to violence against women as well as recognising women's right to own property and protects their inheritance rights.

The situation of women in Africa is also beginning to change as more and more of them are organising themselves and speaking out. Yet there is still a very long way to go to guarantee the dignity of women who account for one half (if not more) of the continent's population. African women provide food, nutrition, water, health, education, and family planning to an extent greater than elsewhere in the developing world. They are effectively the household managers, but far from rewarding them they face a variety of legal, economic and social constraints. Women are known to grow 80 per cent of food produced in Africa, and yet few are allowed to own the land they work.

Today, at least at the rhetoric level, it is widely accepted that the full participation of both men and women is the best way to build and sustain democracies, reduce conflict and improve human development. When a country educates its girls, its mortality rates usually fall, fertility rates decline and the health and education prospects of the next generation improve. Yet everywhere in Africa, women continue to be under-represented – as leaders and problem solvers, decision-makers or elected officials. The same women acknowledged as leaders in daily existence apparently are no good for parliaments or governments, with a few exceptions, most notably Ellen Johnson-Sirleaf, the president of Liberia and Africa's first woman president.

A particularly active player is the United Nations Development Fund for Women (UNIFEM), established in 1976, which supports innovative activities benefiting women in line with national and regional priorities; serves as a catalyst to ensure the appropriate involvement of women in mainstream development activities, as often as possible at the pre-investment stage and plays a catalytic role in relation to the UN's overall system of development cooperation. In 2007 UNIFEM worked with the Federal Ministry of Women Affairs and civil society organisations to try to encourage more women to stand in the country's elections.

A potentially promising area, but one which has yet to acknowledge and address women's concerns and the factors necessary for their full participation, is the New Partnership for Africa's Development (NEPAD, previously mentioned in the section on democracy). NEPAD, however, does not really deal with the gender aspects of development.[3] It does not address how narrowing the gender gap in all sectors, not just by promoting female education, is the key to progress and nor does it bring out the elements of the partnership between men and women in the NEPAD project.

[3] See Popularising NEPAD Among Women in Africa by Florence Butegwa for much more detail (www.unesco.org/women/NEPAD/butegwa.htm).

Armed Conflict Declines

For the first time in a long time, Sub-Saharan Africa (SSA) is no longer one of the world's two most war-prone regions, according to studies by the Hamburg Working Group on the Causes of War (AKUF) and the Human Security Centre. This may seem paradoxical when six of the 10 countries that top the Failed States Index, drawn up by Foreign Policy magazine and the Fund for Peace, are from SSA: Sudan, the Democratic Republic of Congo, the Ivory Coast, Zimbabwe, Chad and Somalia.

One probable factor behind this downward trend in armed conflict which is often under-rated, is the increased engagement of the international community, something that has particularly benefited SSA. Of the 16 UN peacekeeping operations around the world in March 2006, 6 were active in African countries – amounting to 66,000 of the 88,000 peacekeepers worldwide (see Figure 2).

Figure 2. UN Peacekeeping Operations in Africa

Mission	Established	Total personnel
MONUC (DR Congo)	1999-	20,016
UNMEE (Ethiopia and Eritrea)	2000-	3,818
UNMIL (Liberia)	2003-	18,022
UNOCI (Ivory Coast)	2004-	8,583
ONUB (Burundi)	2004-	4,845
UNMIS (Sudan)	2005-	10,529
Total		65,813

As at March 31, 2006.
Source: http://www.un.org/Depts/dpko/dpko/bnote010101.pdf, 05.05.2006

Other explanations are that the traditional definitions of war focus very narrowly on centrally directed forms of organised violence. This type of war is becoming less prevalent – an encouraging sign. But the erosion of the state's monopoly of force and the force and the growing failure of public institutions to perform core functions – trends which indirectly affect human security – are rarely, if ever, reflected in the statistics on armed conflict. A second explanation for the apparently contradictory messages is that the various rankings of fragile or failing states currently do not enable any clear trends to be discerned, but merely present an initial overview of the situation at the start of the 21st century. The mere fact that some sort of ranking has been attempted for the first time indicates that there is a growing awareness of the problem. But is there really a general trend towards *a new world disorder*? That has yet to be proved conclusively.

There are three driving forces behind war and state failure in SSA: poverty and the existence of 'lootable resources', political instability and the legacy of former wars. The 'new wars' are less about ideological differences or political ambitions than opportunities for self-enrichment.

Rather than being a blessing for development, the existence of 'lootable resources' such as diamonds, high-grade timber, oil, coltan or the raw materials which are the source of opium and cocaine creates a 'resource curse.'

The Economy

A combination of high commodity prices, greater currency stability, debt relief and some structural reforms are starting to produce stronger growth in Africa as a whole. Local stock markets have been riding high and the continent is also beginning to attract more yield-hungry private equity money. The IMF forecasts 6 per cent GDP growth for Africa as a whole in 2007, similar to that in 2006, compared to 10 per cent for the oil-exporting countries and 4.5 per cent for the oil importers. Sub-Saharan Africa's real GDP increased by an average of 4.4 per cent in 2001-4, compared with 2.6 per cent in the previous three years. The African economy as a whole, however, accounts for around 2% of world GDP (roughly the same as Spain).

The commodity boom (prices and volumes alike) is clearly one of the main drivers of African growth. And given China's (see separate section below) and India's energy plus raw material intensive growth pattern and the ensuing demand Africa's upswing is likely to last in the medium term. However, this does not explain the breadth of Africa's new growth. All the countries grew at a considerable speed – oil exporters, oil importers, former and current conflict-ridden countries, like the Ivory Coast, with the only notable exception of Zimbabwe. Available research gives some clues to why this is happening. The factors, dating from around the mid 1990s, include:

- The beginning of the commodity boom.
- Protracted effects of conflict resolution in major countries.
- Political swings to the better, as in South Africa (1994) and Ethiopia (1991).
- Economic reforms finally paying off (macro-economic stabilization, the undisputable part of structural adjustment).

Another and more recent factor is foreign direct investment (FDI). Africa's progress in ending wars and driving regional economic integration, thereby overcoming much of the destructive consequences of the colonial boundaries and creating larger markets, is making the continent more attractive for FDI. In 2006 it amounted to $38.8 billion, 26 per cent more than in 2005 according to preliminary estimates by the United Nations Conference on Trade and Development (UNCTAD) and the second largest rise after South-east Europe and the CIS (see Figure 3). But it only represented 10.5 per cent of the total FDI of $367.7 million in developing economies compared to 11.8 per cent of the $334.3 billion in 2005.

Figure 3. FDI inflows, by host region, 2004-2006 (billions of dollars)

Region	2004	2005	2006
Africa	**17.2**	**30.7**	**38.8**
Latin America and Caribbean	100.5	103.7	99.0
Asia and Oceania	157.3	200.0	229.9
South, east and south-east Asia	138.0	165.1	186.7
South-east Europe and CIS	39.6	39.7	62.0

Source: UNCTAD.

Asian FDI in Africa, in particular, is growing. This is partly because of the complementary nature of economic development between Asian and African countries, according to a report by UNCTAD.[4] Traditionally, FDI flows from developing Asia to Africa were mainly from the Asian newly industrialising economies (Hong Kong SAR, Republic of Korea, Singapore, and Taiwan Province of China). But recently China (see separate section) and India have emerged as significant sources. Singapore, India and Malaysia currently are the top Asian originators of FDI in Africa, with investment stocks of $3.5 billion (cumulative approved flows from 1996 to 2004), $2 billion and $1.9 billion through 2004, respectively, followed by China, the Republic of Korea and Taiwan.

UNCTAD believes Africa has the potential to become an important investment location for Asian companies. The rapid economic growth in Asia can be expected to lead to increased Asian investments in Africa, in both natural resources and manufacturing. In particular, the rapid industrial upgrading taking place in Asia provides ample opportunities for Africa to attract efficiency-seeking and export-oriented FDI from Asian economies. The number of cross-border mergers and acquisitions in the extraction and related service industries of Africa tripled in the first half of 2006, as compared to the same period in 2005. But it was far from uniformly bright across sectors, countries and subregions. More than 50 per cent of foreign capital goes to oil-rich Nigeria and Sudan, and much of the rest to South Africa.

According to the World Bank, real income per head in the 48 countries of sub-Saharan Africa between 1960 and 2005 rose on average by 25%, while it leapt 34 times faster in East Asia. It is striking that Ghana and South Korea had the same GDP per head in 1968. Today, South Korea's per capita income is roughly 10 times higher – in purchasing power standards – at more than $20,000. A major reason why South Korea became an Asian "tiger" is because of the large amount of inward foreign investment it has received. The other major factor has been huge investment in education. The same elements have driven Ireland's economy forward so that it is now wealthier in per capita terms than its old colonial exploiter Britain. Can some African countries become "lions"?

[4] See Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries (UNCTAD, March 2007).

To reap the potential of expanding Asian interest, African governments could draw on important lessons from many Asian countries now showing high economic growth and upgraded industrial activity, UNCTAD contends. Those countries made strategic investments in education and infrastructure that were crucial not only for promoting economic development in general but for attracting and benefiting from efficiency-seeking and export-oriented FDI.

FDI creates both benefits and challenges to African countries. On the one hand, in theory, it brings in more competition to the domestic market and puts downward pressure on consumer prices by attacking former monopolies. On the other hand, – given the small size of many African economies – FDI also has a serious potential of destabilisation in an environment of liberalized capital markets. In addition, as the fade out of the so called multi-fibre agreement illustrated, export-oriented private capital inflows depend a lot on concessions made by the industrial world. The shaky engagement of textile firms in Lesotho is an example of the investment volatility created by such footloose industries. Sustained growth in Africa, however, is hardly imaginable without FDI. The recent FDI boom is thus encouraging.

Why is it that Africa has remained generally impoverished and unable to climb out of its poverty trap? Sub-Saharan Africa contains some of the poorest countries in the world, with average per capita income of just $600 per year (see Figure 4). Because of high population growth, African economies have to grow faster than in many parts of the world to increase average incomes. Growth has accelerated, but the average conceals big differences between those countries which export oil, who have benefited from high prices, and others. Some of the smaller African oil exporters, like Gabon, have some of the highest incomes, as does diamond exporter Botswana. South Africa and Nigeria account for nearly half of Africa's GDP. (Tiny Switzerland, with 7 million people, produces almost as much as the whole of Africa, with 726 million people.)

Figure 4

One of the World Bank's flagship reports on the continent suggests, after comparing Africa to other parts of the world, that as a result of the reforms undertaken during the 1990s it is not the policy gap, political unrest or weak institutions anymore that hinder economic development, but primarily demographic factors (i.e. labour supply) and poor initial conditions (income, life expectancy at birth, age dependency, etc) that prevent Africa from rolling out its growth potential. [5]

The Ndulu report says the continent's slow and sometimes reverse demographic transition reflected by above-average fertility rates in combination with the HIV/Aids pandemic and other diseases explains two thirds of the average differential in African growth rates compared to the

[5] *Ndulu, Benno et al.* (2006): "Challenges of African Growth. Opportunities, Constraints and Strategic Directions." The World Bank, Washington DC

rest of the developing world. In conjunction with unfavourable geographic conditions and poor endowments resulting from that, these factors will be particularly challenging and thus be more difficult to tackle than “mere” framework for business issues. The report does not suggest that governance does not matter, but rather implies there are other issues which are more pressing *now*. Notwithstanding, they emphasise that achievements in the field of political reform have to be maintained. The growth strategy proposed comprises four overlapping fields of intervention: investment climate, infrastructure, innovation, and finally institutional capacities.

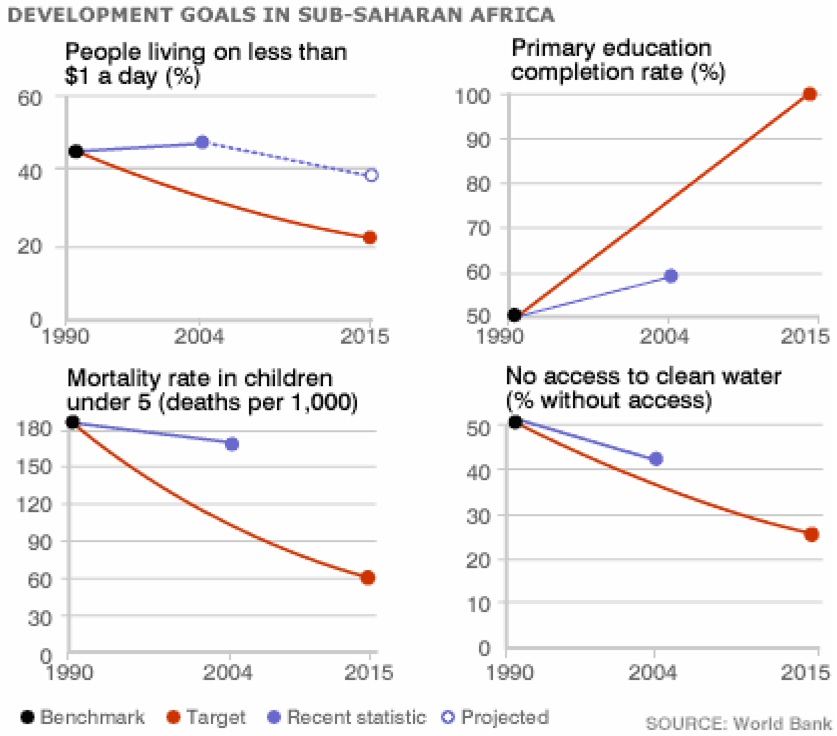
The question that most vexes economists is the approach that should be taken to lift Africa out of its poverty trap and eliminate the constraints on growth for there is no common agreement. The political benchmarks for worldwide and not just African poverty reduction were set in 2000 when the UN General Assembly adopted its “Millennium Declaration” containing eight ambitious Millennium Development Goals (MDGs) to be achieved mostly by 2015. Poverty alleviation became the overarching goal of all development efforts as its enshrinement into the HIPC II initiative, the G8’s framework for debt relief, illustrates. Highly indebted poor countries wishing to qualify for the debt cancellation scheme have to adopt a national Poverty Reduction Strategy Paper (PRSP), whereas the purpose of the whole process of debt relief is the creation of an additional financial scope for fighting against the various forms of poverty.

The challenge is huge, as Figures 5 and 6 below show. Even the current growth rates do not suffice to meet the first goal of cutting extreme poverty by half, apart from some promising country cases. Conventional wisdom has it that 7% growth is necessary to change this trend. The big challenge remains: which concrete measures have to be taken in order to meet the poverty reduction target? And how realistic is it for a non-oil exporting African country to emulate an aggressive export strategy along the lines of China, without much care for equality and equity, aiming at 7 –10 per cent growth to drastically reduce poverty? China, with sustained growth of around 10 per cent, has achieved a massive fall in absolute poverty but it has been accompanied by sharply deteriorating income distribution.

Figure 5

Millennium Development Goals: Eradicate extreme poverty and hunger			
Goals	Indicators	Years and Figures	
Eradicate extreme poverty	Population below 1 $ PPP per day	1990: 44,6 %	2002: 44 %
	Mean shortfall from poverty line	1990: 19,5 %	2002: 18,7 %
Eradicate extreme hunger	Prevalence of underweight children under five years of age	1990: 32 %	2002: 30 %
	Proportion of population below minimum level of dietary energy consumption	1990 - 93 33 %	2001 - 03: 31 %
Source: UNSTATS Millennium Indicators, September 2006			

Figure 6



Backed by appreciable growth, some countries have successfully managed to reduce poverty over the last years, as household survey panel data show. But again, how sustainable is this, not just with regard to the growth path, but to the poverty trend itself? A number of empirical studies demonstrate that the percentage of transitory poverty in African poverty trajectories is high – people in large numbers move in and out of poverty. If and how many families manage to definitely jump out of poverty and into a higher income growth path can only be safely said when one looks not at current income (or expenditure) but at the underlying endowment with assets, be they physical or human capital. Even with current income growing for some time, a family can only be assured of having left the poverty trap when their asset base has changed.

Consequently, there is new research on the subject, conceptually and empirically. Michael Carter and Christopher Barrett call for an asset-based approach underlining the fact that poverty is not only a question of low income but also a matter of insufficient asset accumulation or unfair asset distribution. “Asset”, as defined by the authors, is understood as a broad concept comprising “conventional, privately held productive and financial wealth, as well as social, geographic and market access positions that confer economic advantage”.[6]

Another approach to accelerating poverty alleviation is a massive increase in official development aid (OAD), as proposed by the United Nations Millennium project (UNMP), the advisory body to the UN Secretary General headed by Jeffrey Sachs, and analogously by the UK-led Commission for Africa. The economics underlying the concept are similar to the asset approach focusing on individual poverty assessment. But, instead of a family’s assets, they consider the wealth of nations in terms of the level of capital accumulation and the likelihood of future improvement. The argument goes that Sub-Saharan Africa excluding its southernmost tip[7] is persistently caught within a development trap because initial conditions do not allow getting out of the low-level equilibrium situation behind it. Sachs provides five reasons, the confluence of which contributes to low total factor productivity, low domestic savings and high demographical pressure.[8] They are:

- Africa is marked by high transport costs and small market sizes due to geographical conditions and widespread poverty.
- The position of many African countries within the arid or semi-arid tropics hinders major increases in agriculture productivity.
- The continent carries an elevated disease burden which does extraordinary harm to its labour force.
- Adverse geopolitics from colonization onwards.
- The continent hardly profits from the diffusion of international technology.

6 Carter, Michael R. and Christopher B. Barrett (2006): “The Economics of Poverty Traps and Persistent Poverty: An Asset-based Approach.” In: Journal of Development Studies 2 (42), p. 178-199

7 Botswana, Lesotho, Namibia, South Africa and Swaziland which together form the Southern African Customs Union (SACU) being directly dependent on the cape area as the region’s economic powerhouse.

8 Sachs, Jeffrey et al. (2004): “Ending Africa’s Poverty Trap.” In: Brookings Papers on Economic Activity (2004) 1, p. 117 – 216

According to the UN Millennium Project, these factors keep Africa below the necessary take-off point, and only a big push combined with improved governance can help Africans surmount their persistent, structural backlog. Sachs and his team have put forward a detailed catalogue of measures to be taken, a common feature of which is the need to upgrade infrastructure. In order to steal their potential critics' thunder, Sachs and his colleagues tell an anecdote:

> "It is often said that past aid to Africa has little to show for it. In fact, there has been too little aid to make a difference. Moreover, the aid has been very poorly targeted mainly toward the donors' foreign policy clients […]. To use a simple analogy, consider a large forest fire with a tendency to spread. Suppose that only one fireman is initially sent to fight the blaze, and he is overwhelmed. The critics might then say, "Why should we send more firemen? We've already seen that they are ineffective!" In dealing with the control of any epidemic process, a proper scale of intervention is needed. Similarly, aid has to be large enough […]"[9]

The big push approach is a highly controversial one and has created a kind of schism among development experts and aid practitioners. The opposing camp says that take-offs can rarely be identified in economic history apart from some Asian tiger states and they are mostly not associated with foreign assistance or massive public investment as the big push narrative implies, but rather

> "development happens when many agents have the institutional environment that allows and motivates them to take small steps from the bottom, as opposed to development happening from a Big Push planner at the top."[10]

Sachs' response to this would be that even if African countries were perfectly governed – which is very far from the case – they would not develop beyond a certain threshold without international assistance.

If a significant number of developing countries are in fact stuck in a poverty trap, then of course the data available cannot demonstrate a particularly significant correlation between development aid and growth. In the past development aid mostly grew at weak and erratic rates. Empirically, there are no cases in which a country has been lifted over a development threshold by a massive increase in ODA, and nowhere in the comprehensive body of literature on the first-generation East Asian newly industrializing countries has it been claimed that development aid – and specifically US aid (e.g. the famous Agricultural Trade Development and Assistance Act of

[9] Ibid, p. 145.
[10] *Easterly, William R.* (2005): "Reliving the '50s: the Big Push, Poverty Traps, and Takeoffs in Economic Development." Working Paper No 65, Center for Global Development, Washington DC

1954, also known as US Public Law 480) – was crucially important for the economic breakthrough. Taiwan and South Korea were not stuck in a neoclassical-style savings-investment trap but had other problems, and the way in which they handled them can indeed be regarded as a *sui generis* big push, but not as an ODA push. What Sachs and others are proposing is, plainly and simply, something historically new.

The core of the problem rather is what kind of big push countries should aim at. It is often overlooked that in economics there are two kinds of development traps and, consequently, two kinds of big pushes as well. If you are convinced that thanks to the external availability of technology developing countries can rapidly catch up with the others, helping them with the demographic factor and some physical and social infrastructure will do. One may call it the infrastructure variant of the big push. “Closing Africa’s Infrastructure Gap” – the buzzword of the World Bank’s Africa Action Plan comes very close to it. If, by contrast, low initial market size and productivity, with the ensuing difficulty to reach economies of scale, hold back most private investors, then the development trap has a fairly different configuration. This was the quintessential message of the strand of economics dubbed the High Development Theory. Below a certain threshold, economic actors fail to become complementary in their investment decisions. The first does not invest, because the market is not there, the second does not invest either, in the end virtually no one invests. If by extension foreign investors share the same feeling as domestic entrepreneurs and their stance cannot easily be altered by availing human capital, then developing countries, especially in Africa, have a much deeper problem.

Easily accessible or guaranteed export markets help in such a situation; Africa’s share of global exports today is less than half the 5 per cent recorded in 1980. There are some partial success stories, however, such as apparel and textiles exports under preferential schemes such as AGOA or, to a much lesser extent, EU preferences. Yet, despite an array of preferential access agreements, including Washington's African Growth and Opportunity Act and the "Everything but Arms Initiative", African exports still lack free access to OECD markets. Granting unrestricted access would contribute significantly towards expanding the trade and growth potential of African countries, boosting their capacity to reduce poverty.

Debt Cancellation

The G8 deal at Gleneagles, Scotland, in June 2005 to write off most of the debts owed to Western governments, the IMF and the World Bank by 14 African countries, represented an important breakthrough in Africa's debt burden, one of the single biggest obstacles to the continent's development (see Figure 7). Singer Bob Geldof, who organised global Live 8 concerts to put pressure on the G8 to act, hailed the deal as a "victory." Desmond Tutu, a veteran of the fight against apartheid in South Africa, called the deal a "splendid start".

The beneficiaries are Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia. A great deal of Africa's debt is illegitimate, having been incurred by despotic and unrepresentative regimes, and the billions of dollars spent annually on debt service diverted resources from HIV/AIDS programmes, education and other important needs.

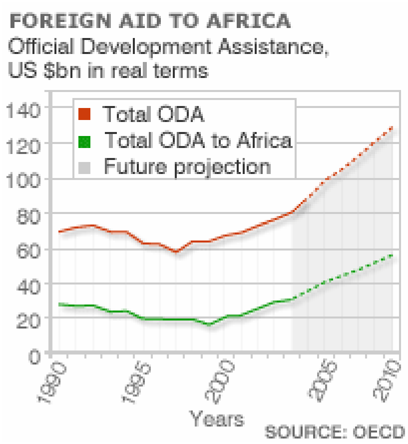
Some 20 million African children are now going to school as a result of resources freed up from debt cancellation, according to Irish rock star and anti-poverty campaigner Bono. In 2003, Zambia spent twice as much on debt repayments as on health care. But partial debt cancellation allowed the government to grant free basic healthcare to its population in 2006.
Another example is Liberia, excluded from the deal in 2005 and whose debt is well over $1,000 for every woman, man and child – compared to an average daily income of $0.33 – but which edged towards debt cancellation in 2007 when the US Secretary of State, Condoleezza Rice, promised to write off $391million owed to the US. Much of this country's $3.7 billion debt was built up by dictator Samuel Doe in the 1980s and by Charles Taylor from 1989 to 2003. Taylor did not pay interest on the debts, so it ballooned. His rule was a period of brutal civil war, with his army forcibly recruiting child soldiers. Today, Liberia has a democratic government.

Figure 7

The Jubilee Act, a groundbreaking bill re-introduced in the US Congress in 2007, that includes almost all countries in Africa, would, if approved, be another milestone as it would require the US Treasury to work in appropriate multilateral settings to achieve 100 per cent cancellation of the debts of 50 nations by the International Monetary Fund from their own resources without harmful conditionality.

The rich countries at the Gleneagles summit also promised to double aid to Africa from $25 billion to $50 billion by 2010 (see Figure 8). Aid flows to Africa declined in the 1990s as problems such as corruption put off Western donors. EU countries, separately, are committed to raising their aid from 0.36 per cent of GNI in 2004 to 0.56 per cent in 2010 and the symbolic 0.7 per cent by 2015.

Figure 8



Natural Resources: a Curse and a Blessing. The Case of Nigeria and Chad

Africa is weighed down by debt, but it is rich in natural resources, particularly oil, gas and minerals and they are a dominant source of income in many countries. Oil revenues, for example, generate more than two-thirds of government revenues in Angola, Equatorial Guinea, Gabon and Nigeria (80 per cent in this case and 95 per cent of export earnings). Globally, Africa is becoming increasingly important to world energy supplies, especially when security of supply is threatened by instability in the Middle East. It is estimated that the US will import 15-25 per cent of its oil from Africa by 2015. The continent supplied just over 4 per cent of the world’s oil in 2003 and it is expected to contribute a fifth of the global increase in production between 2004 and 2010. Africa is also well placed to respond to rising global demand for gas – Algeria, for example, is already Spain’s main supplier (32 per cent of total gas imports).

Yet, in one of the more bizarre economic puzzles, countries with plenty of natural resources, particularly oil, are in general not the richest countries. And Africa is far from alone in this paradox. In the 17th century, resource poor Holland surpassed Spain that was flooded with silver from its colonies. During the 19th and 20th centuries economic growth in Switzerland and Japan was much higher than growth in resource rich Russia and more recently we have seen how resource poor Asian tigers have overtaken the oil producing countries Venezuela, Mexico and Nigeria. This is not the place to offer technical explanations of why this should be; suffice to say that the classic study by Jeffrey Sachs indicates that for a sample group of 97 developing countries there is a negative correlation between resource richness and economic growth.[11] The African oil producers have performed even more poorly than other oil-exporting countries – out of the 30 or so worldwide, they are among the worst performers in the UNDP's Human Development Index.

In the case of Africa, the abundance of natural resources in some countries has had a devastating impact, fuelling conflict, corruption, economic decline and pushing many children more deeply into poverty. Take the case of Nigeria: over a 37-year period, oil has generated a net income stream for the country of more than $350 billion and yet the majority of the population live on less than one dollar a day. In 1970, per capita GDP stood at around $1,113 and today it is even less. The proportion of Nigeria's population living below the one dollar-a-day poverty line has risen from 36 per cent to 70 per cent; in absolute figures this represents an explosion of poverty from 19 million people to around 90 million. A United Nations report shows that in quality of life, Nigeria rates below all other major oil nations, from Libya to Indonesia. Its annual per capita income is less than that of Senegal, which exports mainly fish and nuts. In 1960, agricultural products such as palm oil and cacao beans made up nearly all Nigeria's exports; today, they barely register as trade items and Africa's most populous country, with 130 million people, has gone from being self-sufficient in food to importing more than it produces.[12] The World Bank categorizes Nigeria as a "fragile state," beset by risk of armed conflict, epidemic disease, and failed governance.

But it does not have to be this way. At independence in 1966, Botswana, particularly rich in diamonds but also with significant deposits of copper, nickel, salt, iron ore and silver, was one of the poorest countries in the world. Today it is an upper-middle income developing country

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11 Sachs, J in A. Warner, 1995, "Natural Resource Abundance and Economic Growth", NBER working paper 5398. Resource richness is measured in a number of ways. The basic indicator is the percentage of GNP taken up by exports of natural resources. The higher this percentage, the more likely it is that the country experienced relatively poor economic growth.

[12] See the article in the February 2007 issue of National Geographic (www7.nationalgeographic.com/ngm/0702/feature3/)

with a per capita GDP of around $11,000 in purchasing power parity terms (on a par with the Czech Republic). Botswana has invested much of its wealth wisely in public services – for example, by 1996 it had the second highest level of per capita spending on education in the world as a proportion of GDP. Improvements in under-5 mortality rates have also been impressive, falling from almost 14 per cent in 1970 to under 5 per cent in 1998, though the gains are threatened by HIV/AIDS.

Perhaps it is unfair to compare the success of tiny Botswana (population 1.6 million) with the appalling failure of Nigeria whose population is 80 times larger. But, as Save the Children UK pointed out in a submission it made on natural resources in Africa to the African Commission,

> "what makes the difference between natural resources acting as a "curse" or a "blessing" is governance – the way the resources are used and the accountability which drives this."

While Nigeria is a dramatic example of how to squander oil wealth Chad has taken an interesting and innovative approach to its "black gold". In 2000 it became clear that Chad, whose close to 10 million inhabitants have a life expectancy of around 48 years and only 40 per cent of the population can read and write, had important oil reserves. An international consortium of oil firms, led by Exxon Mobil, reached agreement with the governments of Chad and Cameroon to develop the oil fields. The estimated cost of this project stood at around $3.7 billion, or close to twice the GDP of Chad. Oil began to be exported in 2004.

In order to try to prevent the natural resources curse, the leader of project decided from the very beginning to look for partners to help it manage the social, ecological and political impact. The most controversial step was the decision to ask for financial participation by the World Bank. From an NGO point of view it was not at all clear why an international development institution like the World Bank should support a major multinational in order to develop a commercial project. Exxon insisted on financial participation because of the locking in effect that it brings about. Only in this way could it be sure the World Bank would take a long-term interest in the project and provide the necessary financial and human resources to support it.

Even more fundamental, the consortium convinced the president of Chad to enact a law which explicitly regulated the use of the oil money. This law was a condition sine qua non for the World Bank's participation. The law clearly stipulates primary sectors for investment: public health, education, social services, infrastructure and rural development. Eighty per cent of revenues go to these priority sectors, 5 per cent is allocated to the region where the oil is extracted, 10 per cent to a fund for future generations and 5 per cent can be allocated freely. All the earnings from oil are transferred to one bank account (in London) in order to simplify control of the money. The account is controlled by a steering committee of nine people, four of whom are appointed by President Idriss Deby (since December 1990), two by parliament, one by the highest court and two representatives from civil society. Each payment from this account has to carry the signature of all members of the committee. This format allows unprecedented transparency and behind it is the idea that it provides the oil project with enough political legitimacy to convince banks to invest in it and the necessary political stability that allows the long run exploitation to go ahead unhindered.

Had Nigeria instigated and carried through such a scheme over the last 35 years the country would not have been subverted by the very thing that gave it promise –oil. Nigeria has moved from military dictatorship to democracy, but corruption remains rampant although less so than in the past. A Western diplomat quoted in an International Crisis Group report called Nigeria's corruption "the institutionalized looting of national wealth." The country is ranked 142nd out of 163 countries in the latest corruption league by the Berlin-based Transparency International. Nevertheless, there has been some progress in combating Nigeria's corruption thanks to the establishment in 2004 of the Economic and Financial Crimes Commission (EFCC). The new banking environment created by reforms led to the delisting of Nigeria in 2006 from the Financial Action Task Force's (FATF) register of countries that are in breach of the global anti-money laundering and anti-corruption code.

But despite all the good intentions even Chad's project has its limits. For instance, the president has the right to change the law that regulates the oil revenue allocation after five years. And though the president appoints only four people to the steering committee, it is clear that he also holds the members of parliament and the person designated by the highest court in his pocket, granting him a comfortable majority.

Nevertheless, Chad's pioneering scheme is potentially very important because by spreading sovereignty over national wealth in a vertical manner over different actors - regional, national and international – it avoids the pitfall of concentrated sovereignty which in countries with a weak or no democratic tradition (most if not all of Africa) tends to open the way to legitimise the robbing of the country. Modern democracies have split sovereignty along horizontal lines into three separate power structures and it seems to function quite well. There is no presumption that spreading power vertically could not function likewise.

By spreading the authority over natural resources, in Chad's case oil, the aura of presidential power is reduced and the fight for the pot of gold then fuels the natural resource curse likewise.

The Chad example shows that multinationals can become the engine of the process of spreading power, while the affiliation with the World Bank, on the one side, and civil society, on the other, limits the power of the sovereign (i.e. the president). The law thus becomes a point of reference that allows watchdogs to monitor the actions of the sovereign from below (civil society) as well as from above (international institutions).

Multinationals have a long and rather bleak history of political involvement in poor countries. The so-called banana republics in Latin America existed not that long ago and though the interventions today are somewhat less open than they used to be, there is no doubt that secret capital transfers still make or break political power. Investment projects like the one in Chad have an horizon of around 25 years so if a company abandons the project after say three years it and the country would be left with financial ruin. A company can try to control power directly so that it favours its interests – the case of United Fruit in Guatemala, for example, during a substantial part of the 20th century - but in today's world this is a risky if not impossible strategy. Hence the alternative of political involvement through vertical power as it allows a certain form of political control while at the same time providing international legitimacy towards the new political partners (NGOs, international institutions and the eye of the Western public). In Chad the end result is unprecedented transparency in an income stream that dwarfs any official development aid and as such is usually the main reason for civil war or outside military inventions.

There are also other reasons for allocating a more active political role to business. A multinational like Exxon Mobil has resources and knowledge sources that are far greater than those of many underdeveloped and even developed states. This is a single shot game for Chad and almost certainly the only chance it will get to steer itself away from abject poverty. Will the country succeed in developing a viable economy? Will the agricultural sector be saved in order to prevent the explosion of poverty that took place in neighbouring Nigeria. Will the multinationals involved and the international community develop enough political counterbalancing power to make sure that the president respects the spirit of the law? For the moment the curse has been contained, but the threat is far from over.

The New Scramble for Africa: China's Upswing in Trade, Iinvestment and Aid

A new actor has appeared on the African stage: booming China has gone on a spending spree in the continent. Its main interest in the continent during the 1950s and 1960s was to gain influence by acting as a counterweight to American and Russian influence during the Cold War and advance Chinese-style communism. It supported African liberation movements. Now China wants commodities, particularly oil (the country is the world’s second largest consumer of crude) and new markets for its export-driven economy.

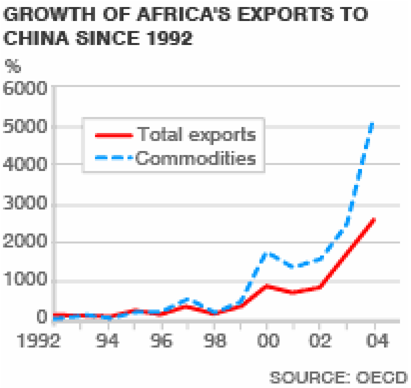
One of China’s first contacts in Africa was Julius Nyerere, the founding president of Tanzania, who visited Beijing 13 times, a record for an African leader. What he saw in China inspired "ujamaa", the policy of self-reliance and collective farming announced in the Arusha Declaration - Nyerere's audacious statement of African socialism in February 1967. Chairman Mao returned the compliment, sending Chinese engineers to build Tazara - the Tanzania Zambia Railway - to carry exports of Zambian copper. China’s other ideological friends in East Africa were Ethiopia, Uganda and Zambia.

China and Africa have changed a lot politically since then; both, in their different ways, are pursuing capitalist paths. Co-operation now is business, not ideologically based. Beijing has identified Africa as an area of significant economic and strategic interest. Africa already supplies a third of China’s oil, South Africa and Zimbabwe are major suppliers of platinum and iron ore, the Democratic Republic of the Congo supplies copper and cobalt and Congo-Brazzaville, Gabon and Cameroon timber. Several West and Central African countries send cotton to China’s textiles factories. It is oil, however, that dominates the picture.

Nigeria is a particularly important country for China because it is Sub-Saharan Africa's top oil exporter and has long been viewed by China as a partner. In 2006 China secured four oil drilling licences from Nigeria in a deal involving $4 billion in investment, it acquired a controlling stake in Nigeria's 110,000 barrel-a-day Kaduna oil refinery and China National Offshore Oil Corporation (CNOOC) paid $2.3 billion for a stake in a Nigerian oil field. Angola, where another Chinese company is a partner in several blocks, has overtaken Saudi Arabia as China’s single biggest provider of oil. Another focus is Sudan which supplies an estimated 7 per cent of China’s total oil imports. China first established a presence in the unexploited Muglad oilfields of southern Sudan in 1995. The China National Petroleum Corporation is the single largest shareholder (40 per cent) in the Greater Nile Petroleum Operating Company, which controls Sudan’s oil fields and has invested $3 billion in refinery and pipeline construction in Sudan since 1999.

There are more than 700 Chinese state companies involved in Africa in oil, mining, fishing, precious woods and telecommunications. China's overall trade (exports and imports) with Africa rose from $11 billion in 2000 to $56 billion in 2006. The pace of growth in Africa’s exports, particularly commodities, albeit from a very low base, has been spectacular (see Figure 9). China is Africa’s third most important trading partner. The trade balance so far, however, is very much in China's favour and this is generating African concern about a flood of cheap imports swamping local manufacturing.

Figure 9



China's FDI stock in Africa stood at $1.6 billion at the end of 2005, with Chinese companies present in 48 African countries, although Africa still accounts for only 3 per cent of China's outward FDI. A few African countries have attracted the bulk of Chinese FDI in Africa: Sudan is the largest recipient (and the 9th largest recipient of Chinese FDI worldwide), followed by Algeria (18th) and Zambia (19th).

As well as the investment and trade with Africa, Hu Jintao, China's president, announced in 2006 a doubling of state aid to the continent from its 2006 level by 2009, although he gave no figures. He said Beijing would offer $3 billion in preferential loans, with no political conditions attached and $2 billion in export credits over the next three years and would double the number of goods which do not attract tax when imported to China. China would also train 15,000 African professionals and set up a development fund to build schools and hospitals. In February 2007 Hu made a 12-day, eight-nation tour of Africa, his third trip to the continent since taking office in 2003. This followed the first Sino-African summit in Beijing in November 2006 attended by nearly 50 African heads of state and ministers.

In the eyes of Western governments, China's so-called "peaceful rise" has brought with it responsibilities: Beijing is being criticised for not using its influence to push more for improvements in human rights and good governance in some countries, particularly in Zimbabwe and the Sudan where more than 200,000 people have died in the Western Dafur region and more than two million people have fled their homes during the four-year conflict.[13] Beijing was urged to support UN measures against Sudanese officials responsible for the Darfur

[13] The neo conservative Heritage Foundation published a highly critical report on China's influence in Africa and the implications for the United States (see www.heritage.org/Research/AsiaandthePacific/bg1916.cfm).

policy, encourage the government of Sudan to set aside some oil revenues for the victims of atrocities, monitor the end-use of the weapons it has sent to Sudan (which Human Rights Watch said were used in Darfur) and support the human rights of those in the oil-rich regions which China is exploiting.

Beijing, however, prefers quiet diplomacy to wielding a big stick. It presents itself as an "all weather friend" who takes the principle of non-interference in the internal affairs of partner countries seriously. Many African leaders like this. As The Economist put it,

> "China's straightforward approach is an attractive alternative to the pernicketiness of the IMF and the Paris Club of creditors, which have been quibbling over terms for years. So it is with many African countries, fed up with the intrusiveness of Europeans and Americans fussing about corruption or torture and clamouring for accountability."[14]

The Sino-Africa summit illustrated that the message has been understood by African leaders. The Greater Nile Oil Project in Sudan, where Chinese, Indian and Malaysian firms stepped in when American and Canadian companies had to leave the country due to a US sanctions regime some years ago, is a major example. Furthermore, generous Chinese credits weaken the influence of international finance institutions and Western donors in some places. China's support, however, comes with one significant political string attached: nearly all African countries have endorsed the one-China policy and abandoned their recognition of Taiwan. When Michael Sata, the main opposition candidate in Zambia's presidential election in September 2005 said he would recognise Taiwan if he won, China's ambassador in Zambia let it be known that Beijing would consider cutting diplomatic relations if he was the victor (which he was not).

Western companies seeking business in Africa have raised their voices against China, but having themselves been criticised for their depletion of the continent's riches, they cannot speak with much authority. Their criticism smacks of hypocrisy. President Hu rebutted charges that China was developing a neo-colonialist relationship with Africa. At the end of his last trip he recalled the visits to the continent 600 years ago of Zheng He, an acclaimed Chinese sailor of the Ming Dynasty who led a fleet to the east coast four times. "They brought to the African people a message of peace and goodwill, not swords guns, plunder and slavery," he said, in an implicit contrast with the European colonialists of the 18th and 19th centuries.

[14] See "Never Too Late to Scramble" (The Economist, October 28, 2006).

China's push into Africa could have a big impact on the development of some countries. The first studies examining the impact of China's growth on poverty in Africa mostly come to similar conclusions:

- Most exports from Africa to China are extractive in nature. The corresponding revenues therefore often disappear in the hands of the "state class". Labour-intensive products, which might offer job opportunities for the poor, do not play a major role. All in all, the poor currently do not necessarily benefit from exports to China.
- Among the few processed goods Africa exports to third markets, in particular textiles and clothing benefit from Chinese investors, keen to make use of special opportunities offered under the US AGOA scheme, and some European preferences. These effects are, however, seriously in danger due to specific rules in AGOA and EBA which must be carefully re-negotiated by African governments in order to make these opportunities last.
- Chinese construction firms conquering ever-increasing parts of the African market make extremely little use of local resources.
- The African internal markets are more and more exposed to being flooded by products of Chinese origin, putting the few domestic producers of consumer goods under pressure. The poor slightly benefit from this situation as far as they are regarded as consumers gaining advantages from lower prices than as producers exposed to more competition. Apparently tens of thousands of jobs throughout Africa have already been lost due to increased import competition from China.
- Similar arguments apply to China's foreign direct investments in Africa. They are above all directed to the capital-intensive exploitation of natural resources and contribute to the stabilization of dubious regimes like the one of Omar al-Bashir in Khartoum.

As China's push into Africa is the result of a very strategically designed industrial policy, the challenges can only be mastered for the better of African economies over the long term by the rapid deployment of intelligent industrial, trade and technology policy packages – something African governments have so far not been champions of and therefore are in need of massive technical assistance. This kind of industrial policy will also have to preserve the Chinese willingness to invest in Africa, which aims at more sectors than just oil and metals and the dynamics of which can also serve as an example to African and European investors still struck by earlier market failures.

Africa's Relationship with the European Union

In 1958, one year after the founding of the then European Economic Community (EEC) and on the eve of decolonisation, 18 French and Belgian colonies in West and Central Africa became associated with the EEC. When Britain joined the EEC in 1973 a number of its former colonies were also incorporated into the process. Under the Lomé Convention, first signed in Lomé, Togo, in 1975 and which to some extent arose out of a sense of responsibility toward the colonial past, Europe guaranteed itself regular supplies of raw materials and maintained its privileged position in overseas markets. Today, the Lomé Convention is a cooperation programme between the 27 countries of the European Union and 71 countries of Africa, the Caribbean and the Pacific (ACP). It is based mainly on a system of tariff preferences for exports to the EU and special funds which maintain price stability in agricultural and mining products. The Lomé Agreement was succeeded by the 20-year Cotonou Agreement (signed in Benin in June 2000) which extends cooperation to civil society, the private sector, trade unions, local authorities, etc.

The Cotonou Agreement symbolises the shift in the European integration process, following the fall of the Berlin Wall and the subsequent entry (in 2004) into the EU of former communist countries in Eastern and Central Europe and thus in Europe's relationship with Africa. Cotonou emphasises the need for responsible governance, sets up a structured dialogue between the partner countries and allows a suspension of cooperation in the event of excessive corruption or a violation of the agreement's principles including democracy and human rights.

In the aftermath of 9/11 in New York there has also been an increasing "securitisation" of the EU's Africa policy. The African Peace Facility set aside €250 million (2004-2007) to support the new African security architecture and finance peace missions carried out by the African Union or other regional organisations. These funds were taken from the European Development Fund (EDF) established under the Cotonou Agreement. The current EDF aggregates €13.5 billion and the next one (2008-2013) €22.7 billion, a significant leap in the financial dimension of EU-Africa relations. The EU has also committed itself to delivering on long-made promises regarding an increase in Official Development Aid (ODA). In 2005, the member states adopted a graduated scheme under which they will almost double their aid from 0.36% of GNI in 2004 to 0.56% in 2010 and to the symbolic 0.7% by 2015. Less ambitious goals were set for the new members states in Central and Eastern Europe. The EU is striving to take a leading role in implementing the OECD's Paris Declaration on Aid Effectiveness.

A joint statement by the European Council, the Commission and the Parliament, in early 2006, came out in favour of increased general or sectoral budget support in order to

> “strengthen ownership, support partner’s national accountability and procedures, finance national poverty reduction strategies (including operating costs of health and education budgets) and promote sound and transparent management of public finances.”

Germany, for example, has set a target of 30% of its financial assistance to Africa being channelled this way.

The EU is building a long-term strategic partnership with Africa, reflected in its document “Towards a Euro-African Pact to Accelerate Africa’s Development”, which for the first time seeks a coherent and broader approach towards not only the sub-Saharan region but also towards the continent as a whole. ‘Our partnership is based on a strong political dialogue between equal partners,’ said Louis Michel, Commissioner for Development and Humanitarian Aid. ‘We must avoid a paternalistic approach: we are not there to substitute states but enhance their capacities, promoting ownership and good governance.’ The strategy includes:

- The Euro-African Partnership for Infrastructure and Networks, promoting regional and continental interconnection at continental level to support regional integration.
- The EU Governance Initiative, providing assistance for the implementation of the governance reforms proposed by the Africa Peer Review Mechanism (APRM).
- The Euro-African Business Forum, bringing together entrepreneurs and public and private investors from both Europe and Africa.
- The Nyerere programme, for the exchange of students and the promotion of poles of excellence across the continent.

Market access is to be increased through free trade agreements known as Economic Partnership Agreements (EPA) which will come into play after the waiver granted by the World Trade Organisation (WTO) regarding the non-reciprocal preferential treatment towards Europe’s former colonies is to be phased out by the end of 2007. The WTO’s multilateral framework only allows the establishment of regional free trade agreements that are designed for reciprocal liberalisation of ‘substantially all trade’ within a ‘reasonable’ delay. These treaties must also not discriminate against other developing countries outside the ACP group. At the moment, ACP goods benefit from preferential treatment, while products from other countries at the same development stage are subject to high tariffs.

The “Everything but Arms Initiative”, adopted in 2001, does provide free access to European markets for imports from all least developed countries, including those outside the ACP world. Exemptions only concern rice, sugar and bananas, which are subject to transition rules.

EPAs are expected to put an end to the current situation marked by a ‘spaghetti bowl’ of overlapping trade agreements, which economists do not deem investor-friendly. But the EPAs coupled with galloping Chinese imports of consumer goods, such as cheap clothing, plastic articles, bikes and electrical appliances will produce a strong disincentive for African governments to finally come up with some industrial policies of their own. Africa will be in the commercial crossfire of China and the EU. Many fledgling light manufacturing and agro-processing industries could be dealt a fatal blow. And those African countries which lack institutional quality and an adequate framework for doing business will find it difficult to fully benefit from free trade. Institution building needs to keep pace with economic freedom.

Conclusion: a Glass Half Empty or Half Full?

Afro-optimism is on the rise. According to Donald Kaberuka, president of the African Development Bank, "Africa has its best chance in 30 years to make substantial progress." Microsoft Corp chairman Bill Gates told a panel on Africa at this year’s World Economic Forum in Davos that he was “incredibly hopeful **-** the breakthroughs are coming. We can solve the health crisis and generate a rich continent."

There is no doubt that progress has been made on many fronts, but there is still an extremely long way to go. Depending on whether one is a pessimist or an optimist by nature, the African glass is either half empty or half full. But the continent does seem to be moving in the right direction.

Source

The articles this essay draws on are:

- *"Africa's Growth, Development Aid and the European Union"* by Helmut Asche, Professor of Economy, Politics and Society in Africa and Managing Director of the Institute of African Studies at the University of Leipzig and Axel Biallas, Researcher in Political Sciences at the University of Leipzig

- *"Violent Conflict and State Fragility in Sub-Saharan Africa, Trends, Causes and Policy Options"* by Tobias Debiel, Executive Director at the Institute for Development and Peace (INEF) and Professor of International Relations, Foreign Affairs and Development Politics at the University of Duisburg

- *"Option for Africa: Challenge for Christian Churches and Civil Society – and for the Jesuits"* by Peter J. Henriot S.J., Director of the Jesuit Centre for Theological Reflection (JCTR) in Lusaka, Zambia

- *"The Relationship between Africa and Europe"* by Valerian Shirima, Jesuit Provincial of the East-African Province

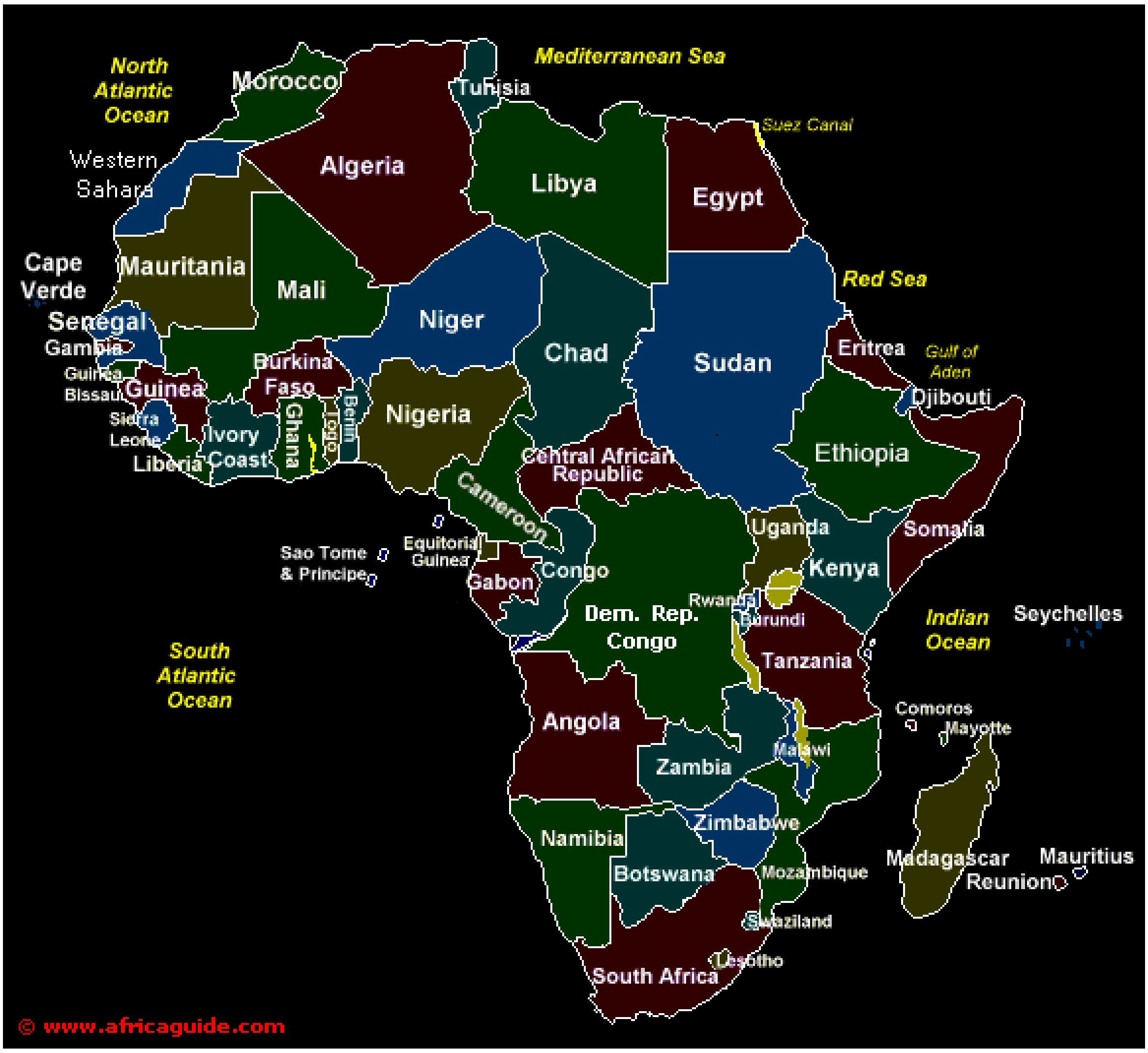
- *"Ways of Cooperation between Europe and Africa"* by Clare Short, Member of British Parliament and former Secretary of State for International Development.

- "*Multinationals and the Natural Resource Curse"* by Luc Van Liedekerke, Co-Director of the Center for Economics and Ethics and Professor of Business Ethics at the University of Antwerp and the Catholic University Leuven.

For the full text consult the publication "*Africa and Europe – Co-operation in a Globalized World*" by Johannes Müller and Michael Reder (eds.), LIT VERLAG, Dr. W. Hopf, Berlin, 2007.

Changing Africa*

*William Chislett***


North Atlantic Ocean
Mediterranean Sea
Morocco
Tunisia
Western Sahara
Algeria
Libya
Egypt
Suez Canal
Cape Verde
Mauritania
Mali
Niger
Chad
Sudan
Red Sea
Senegal
Gambia
Guinea Bissau
Guinea
Burkina Faso
Eritrea
Gulf of Aden
Djibouti
Sierra Leone
Liberia
Ivory Coast
Ghana
Togo
Benin
Nigeria
Central African Republic
Ethiopia
Cameroon
Somalia
Uganda
Kenya
Sao Tome & Principe
Equitorial Guinea
Gabon
Congo
Dem. Rep. Congo
Rwanda
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Mayotte
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Introduction

Africa has long been regarded as the ‘lost continent’. While unprecedented economic growth in Asia, Eastern Europe and Latin America is lifting, to varying degrees, these formerly poverty-stricken regions to middle or even high income status in a few cases, Africa, as a whole, continues to lag behind the rest of the world. The commonly held stereotyped images of Africa are starvation, AIDS, genocide, corruption, war, blood diamonds, poverty and a never-ending list of woes. Almost the only news reported out of Africa by the international media is bad news: pictures of young soldiers holding AkK-47s or starving pot-bellied children, for example. And this image has been widely disseminated by a recent clutch of films set in Africa: “Lord of War” (about an arms dealer), “The Constant Gardener” (the malpractices of drugs companies), “The Last King of Scotland” (about Idi Amin, Uganda’s psychopathic dictator from 1971-79) and “Blood Diamond” (child soldiers and diamonds). No wonder then that a European visitor to Africa was struck by the fact that the people were jovial and would sing and dance. He told his hosts that with all the suffering and misery around they should cry rather than dance. They retorted that if they began to cry they would never be able to stop.

There is a lot of truth in their response but the picture is not as bleak as it is painted in the international media which tends to make sweeping generalisations and overlook the positive developments. Let us take just one relatively minor but nonetheless revealing example. Botswana and Mauritius were ranked ahead of Italy, one of the world’s most developed countries, in the latest corruption perception index drawn up every year by the Berlin-based Transparency International. Botswana was ranked 37th out of 163 countries with a score of 5.6 out of 10 (the nearer to 10 the cleaner the country), Mauritius 42nd with 5.1 and Italy 45th with 4.9. A score below five is seen as serious corruption. The 43 other African countries in the ranking, however, all had scores of below 5 and the last places in the corruption league were all occupied by African nations apart from Iraq, Myanmar and Haiti (the worst ranked).

One more example. Foreign direct investment (FDI) in Africa in 2006 was provisionally estimated by the United Nations Conference on Trade and Development (UNCTAD) at $38.8 billion, 26 per cent more than in 2005, a new record and for the first time reaching official development aid levels in Sub-Saharan Africa. But the amount is a drop in the ocean compared to FDI in Latin America ($99 billion in 2006) and South, East and South-east Asia ($186 billion). Nevertheless, the increased FDI in Africa is heartening because it suggests that foreign companies have not written off the prospects for business in the continent.

This essay puts forward a positive view, wherever possible, but without diminishing the terrible problems that persist. First, however, we need some history as it goes a long way towards explaining the present situation. But it is also important that we are not fatalistic and do not end up casting Africa and Africans as the victims of external forces and thus with no capacity to achieve change as this would mean the continent would never progress. Africa, after all, was where human life began, according to available scientific evidence.

The Burden of Slavery, Colonialism and Neo-Colonialism

Slavery, colonialism and neo-colonialism have had immense consequences on the present situation of Africa and on its potential to move forward. And they have to be fully understood, but without diminishing the importance of the continent's domestic causes of poverty and deprivation – corruption (arguably the biggest single factor holding Africa back), mismanagement, misplaced priorities, inefficient governance, etc.

First and foremost is the trauma of slavery whose legacy of suffering continues today. It is hard to be precise, but around 15 million Africans in total were forcibly taken from the continent into slavery between the 15th and the end of the 19th century. The first slaves were brought to Portugal from Northern Mauritania in 1444, and it was not until 1936 that slavery was made illegal in Northern Nigeria. The majority of slaves were shipped to the Americas, although many were taken to the Middle East and North Africa. Slavery had been practised all over the world for thousands of years, but never before had so many people from one continent been transported to another against their will. "They seize numbers of our free or freed black subjects, and even nobles, sons of nobles, even the members of our own family," Affonso, King of Congo, wrote to King of Portugal João III in 1526.

The strongest and the healthiest of Africans were savagely exported and used as inputs for the development of countries on other continents. The Atlantic slave trade played a key role in the industrialisation of Europe, particularly the cotton industry. Slavery was a physical setback but perhaps even more severely a psychological setback as it imposed a racist definition of chattel (or beast of burden, instrument of production) upon blacks. This explains the deep racism embedded in history as Europeans invented a story to excuse their cruelty, by pretending that the people they harmed were inferior.

Colonialism imposed a model of development on the continent that primarily benefited outsiders, not Africans. In the course of 400 years in Luanda, just to take one example, the Portuguese did not dig a single well for potable water, or illuminate the streets with lanterns.[1] The British, the French, the Portuguese, the Spanish, the Belgians and the Germans came to

[1] See p. 56 of The Cobra's Heart by Ryszard Kapuscinski (Penguin Books, 2007).

Africa for the benefit of their own countries. The shipment of people was followed by the taking of natural resources – minerals, timber, etc. The scramble for Africa began in earnest at the Berlin Conference in 1884-85 when, at the stroke of a pen, European leaders decided the fate of another people without consultation, let alone their consent. Called by Bismarck, the first Chancellor of Germany, it regulated European colonisation and trade in Africa at a time of intense interest in the continent following Stanley's discovery of the Congo Basin (1874-77) which removed the last bit of *terra incognita* from the maps of the continent. Nations were created with no natural geographic, ethnic or linguistic unity, thereby sowing the seeds of future disputes that still persist today. During this period of new imperialism which lasted until the start of World War I Africa was viewed as little more than a *tabula rasa*, a "blank" continent up for grabs and upon which to leave a footmark and populated by people who were regarded as if they were not human beings although when it came to raping black women the distinction disappeared.

We should also not overlook the evangelisation effort, which began before the colonial project and its positive impact on education and health. Some Catholic and Anglican bishops also played a very important role in the late 1980s and early 1990s in Francophone Africa in presiding over national conferences that smoothed the path from dictatorships to more open political systems (for example Mgr. Ernest Kombo in the Congo) and also in Kenya and Malawi. Today, there are close to 1,500 Jesuits working in the continent, the growing majority of whom are Africans.

Unfortunately, the Good News did not always remain Good News because evangelisers were compromised by close association with the imperial powers. Some Christian churches became apologists of imperial policies and others provided the theological underpinnings of apartheid. In the Portuguese colonies, for example, it was difficult to draw a line of demarcation between government officials and missionaries. Some officials would even say that a good parish priest was worth 50 policemen. By good they meant a priest who kept his flock in check within the confines of the imperial philosophy.

The colonial period ended in the 1950s and 1960s with independence for countries and great hope for the future. Progress was made but the predatory and exploitative state structures that were taken over during the independence era were too frequently used to continue to oppress and exploit. Other obstacles were the creation of apartheid in South Africa (as of 1948 when the enactment of laws institutionalised racial discrimination), the wars for independence in the Portuguese territories of Angola and Mozambique (between 1961 and 1974) and Russia and the

United States during the Cold War lining up on either side of the tensions in Africa on the basis of their own interests.

Lastly, neo-colonialism which followed the process of decolonisation in Africa. Today's economic structures of trade, aid, debt and foreign investment, the political structures of global power alignment and the cultural structures of communication and entertainment, encapsulated by the term globalisation, have benefited Africa very little. Indeed, there is a growing debate that globalisation has increased per capita income differences, even in the US, the chief player. According to research presented by Laura Tyson, professor of economics at the University of California, Berkley, at this year's meeting of the World Economic Forum in Davos the gains of the $1 trillion in extra income reaching the US appeared to have gone to the top 10 per cent of society and have not trickled down and benefited the average American.

If the benefits of globalisation have been minimal for the US as a whole, as opposed to making a particular segment of society even richer, they have been even more marginal for Africa where the majority of the world's poor now live. Globalisation has not been the ideal spoken of by Pope John Paul II – "a globalisation without marginalisation, a globalisation of solidarity" – but has reinforced the poverty and deprivation of Africa.

The continent accounted for only 14.5 per cent of the world's poor in 1970. Today, despite the fact that Africa accounts for only 14 per cent of the world's population, it accounts for more than two-thirds of the world's total number of poor people.[2] Poverty, once an essentially Asian phenomenon, has become an essentially African phenomenon. Most of the 41 Sub-Saharan African (SSA) countries (total population more than 720 million) analysed in the 2007 Index of Economic Freedom report by the Heritage Foundation had such dismal growth performances that poverty increased throughout the continent. Thirty-four of the world's 49 least-developed countries in the world are SSA. Overall, Africa's poverty rates in 1970 were similar to those in South Asia and East Asia at 35 percent. By 2000, poverty rates in Africa had reached close to 50 %, while those in Asia had declined to less than 3 per cent. Poverty head counts have increased in all countries with the exception of Botswana, the Republic of Congo and the islands of Mauritius, Cape Verde, and the Seychelles. According to the latest World Bank figures, the extreme poverty rate (the number of people living on less than $1 a day) in SSS only fell from 46.7% of the population in 1990 to 41.1% in 2004 compared with China's reduction over the same period from 33% to 9.9%.

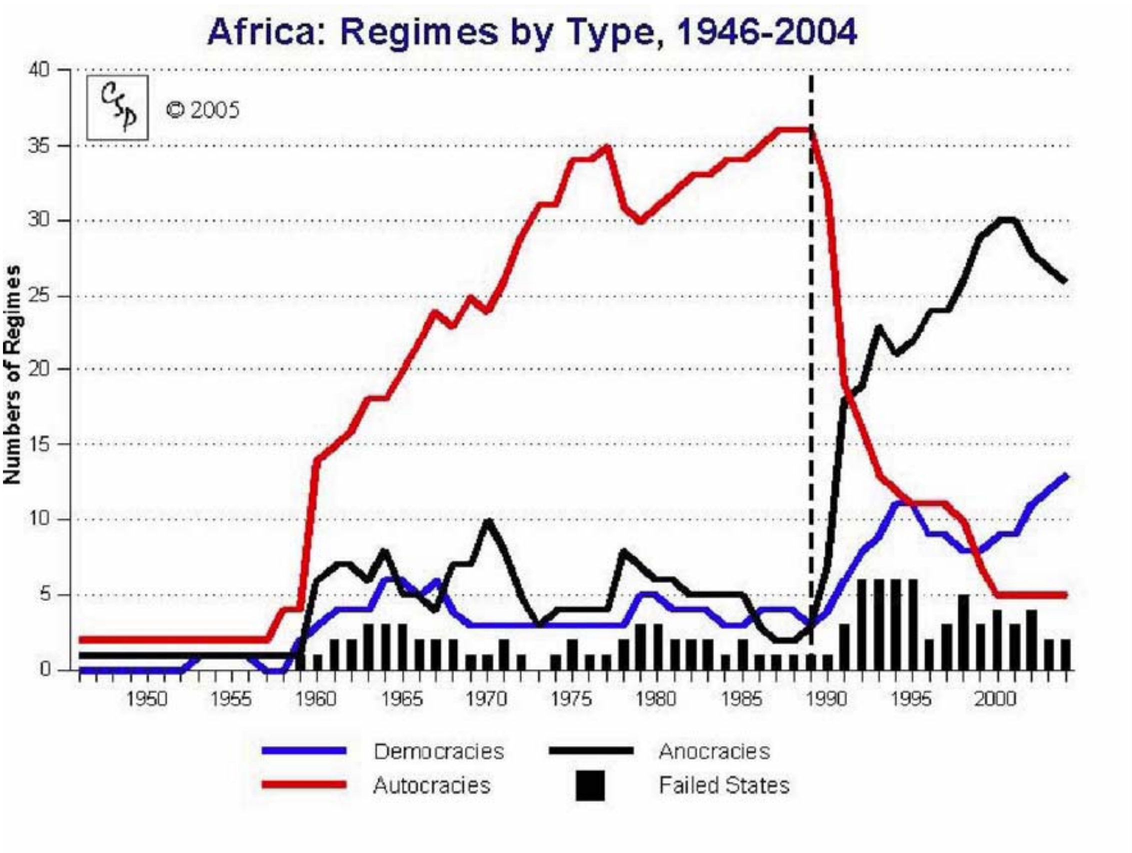
[2] See www.heritage.org/research/features/index/chapters/htm/index2007_chap1.cfm.

Another way for looking at this problem is to examine the average life expectancy at birth for the various continents and regions. While Asia's rose from 41.4 years in 1950-55, according to the UN Population Division, to 68 years today, Africa's only increased from 38.4 to 50 years. Not until 2045-2050 will Africa reach the life expectancy of 65 years that Asia attained in 1990-95.

Democracy on the Rise

The end of the Cold War in 1989/90 and the abolition of apartheid in South Africa ushered in an era of more multi-party democratic systems in the continent. The high point came in April 1994 when South Africans went to the polls and elected Nelson Mandela who became the most loved and respected politician in the world (see figure 1). President Thabo, Mandela's successor as of 1999, speaks of "an African renaissance".

Figure 1



Source: http://members.aol.com/cspgcem/AfricaConflictTrendsMGM2005us.pdf

Other notable developments were:

- The ousting of tyrannies in Benin, Ethiopia, Liberia and Mali.
- Opposition activists in Francophone Africa organised national conferences holding leaders to account on claims of corruption and brutality.

- Advocates of one-party rule such as Ivory Coast’s Félix Houphouët-Boigny, Kenya’s Daniel Arap Moi and Zambia’s Kenneth Kaunda were on the way out or had gone.
- President Benjamin Mkapa of Tanzania and President Joachim Chissano of Mozambique voluntarily stepped down during the 1990s.
- Civil societies in Malawi and Zambia forced President Bakili Muluzi and President Fredrick Chiluba to abide by their constitutions and not run again for office.
- Botswana and Tanzania have had peaceful electoral transitions.
- Benin held successful elections in 2006, both general and then run-off, which produced a new leader, Yayi Boni.
- The first free elections since independence in 1960 were successfully held in the Democratic Republic of Congo in 2006. Post-independence turmoil saw the rise of Colonel Mobutu Sese Seko who seized, and held onto, power for 32 years until he was deposed by Laurent Kabila's rebellion in 1997. Kabila’s son inherited the post after the assassination of his father and was democratically elected in 2006. The elections were supported by the UN's largest peacekeeping contingent - some 17,000 soldiers.

Other African leaders, however, most notably President Robert Mugable of Zimbabwe, who first came to power in 1980 as the country’s prime minister and since 1987 has been president, have perpetuated themselves in office. The thuggish Mugabe, who was such a great hero in overthrowing Ian Smith in what was then called Rhodesia, has brought what was one of the most prosperous nations in Africa to its knees.

Many of the long-running wars in West and Central Africa have now been brought to an end, although peace is often fragile. Most countries have adopted at least the trappings of democracy but periodic military coups and warlordism still occur and the power of incumbency means that changing governments peacefully by the ballot box is very difficult.

Up to 17 presidential or legislative elections were due to be held during 2007 in Sub-Saharan Africa, and if they are successfully completed 2007 has the potential to be seen, in hindsight, as an important year in the evolution of democracy in Sub-Saharan Africa. This is particularly the case of Nigeria, the most populous of the continent’s 53 countries (roughly one in seven Africans live in Nigeria), which returned to civilian rule in 1999 after 15 years of military rule. However, the country’s state and local elections on April 14th and parliamentary and presidential elections on April 21st were marred by widespread vote-rigging and fraud and violence (about 200 people were killed during the elections). Umaru Yar’Auda, the presidential candidate of the ruling People’s Democratic Party, won an astonishing 70% of the votes. The EU said the whole electoral process “cannot be considered to have been credible.”

Mauritania’s presidential election in March 2007 was seen as the fairest since the largely desert country gained independence from France in 1960, and it capped the restoration of civilian rule after the coup in 2005. Previous elections were dismissed as being rigged in favour of the ruling party candidates. Colonel Ely Ould Mohammed Vall, the coup leader, said the poll marked the moment Mauritanians “come of age.” Sidi Ould Cheikh Abdallahi, a former Cabinet minister, beat 18 other contenders.

Senegal, the only West African nation not to have experienced a coup since independence and a rare model of stable democracy in Africa, also went to the polls in March and re-elected Abdoulaye Wade. He beat 14 other candidates. During Mr Wade's first term, parliament voted to reduce the presidential term from seven to five years.

A significant driver behind the spread of multi-party democracy has been the emergence of stronger civil societies in Africa. Africans are increasingly well informed, partly as a result of education and partly by improved global communications. There is a palpable rise in anger at the corruption of the political elite; independent local radio stations have unleashed a torrent of political debate calling governments to account.
Technology has helped: mobile phones and mini-video cameras are now part of the weapons of election observers, who can quickly record and report abuses.

Women, as we shall see later, have been particularly active in organising and demanding change at all levels of society and are now a much more significant force, symbolised by the election in 2005 of Ellen Johnson-Sirleaf as Africa’s first female elected head of state following Liberia’s presidential run-off.

A sign of change in the political leadership of the continent is the New Partnership for African Development (NEPAD). It is easy to be cynical about the record of some of NEPAD’s leaders, but the commitment to improved governance came out of the continent rather than from donor pressure. The initiative was started in 2001 by Algeria, Egypt, Nigeria, Senegal and South Africa and is regarded as the most serious and credible effort so far by African leaders to take control of their continent's destiny. Its aims are to eradicate poverty; place African countries, both individually and collectively, on a path of sustainable growth and development; halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy; and accelerate the empowerment of women. Nepad focuses on reform and trade rather than aid. According to Niall Fitzgerald, chairman of Unilever, a company that has been in Africa almost as long as it has been in business, “this fact alone offers genuine hope after so many false dawns.”

Similarly, the African Union (AU) with its increased powers, commitment to parliamentary democracy and its efforts in Darfur and elsewhere to end and prevent conflict represents an important new force on these issues. While the international community failed to adequately support the AU mission in Darfur and the terrible situation there puts the world to shame, we should not forget that a decade ago there were many more conflicts in Africa, with wars in Angola, Zaire/Congo, Sudan, Sierra Leone, Liberia, Burundi and Rwanda. No fewer that 16 UN peacekeeping missions were sent to Africa during the 1990s. One of them, the ill-fated humanitarian mission to Somalia, where 18 US Army Rangers died in the streets of Mogadishu, traumatised Western nations so much that the trend after then was a reluctance to send soldiers to Africa’s hot spots.

Empowering Women

The African Union’s (AU) adoption of the Protocol on the Rights of Women in Africa, which came into force in November 2005 after 15 of the AU’s 53 members finally ratified it, is a significant step in the efforts to promote and ensure respect for the rights of African women. The countries that ratified the Protocol were: Cape Verde, the Comoros, Djibouti, Gambia, Lesotho, Libya, Malawi, Mali, Namibia, Nigeria, Rwanda, Senegal, South Africa and Benin and Togo.

The Protocol was adopted on July 11th 2003, at the second summit of the African Union in Maputo, Mozambique, and requires African governments to eliminate all forms of discrimination and violence against women in Africa and promote equality between women and men. It also commits African governments, if they have not already done so, to include in their national constitutions and other legislative instruments these fundamental principles and ensure their effective implementation, and obligates them to integrate a gender perspective in their policy decisions, legislation, development plans, and activities, and to ensure the overall well-being of women.

The Protocol explicitly sets forth reproductive rights of women by recognising their right to access medical abortion when pregnancy results from rape or incest or when the continuation of the pregnancy endangers the life or health of the mother. It further calls for the elimination of female genital mutilation and an end to violence against women as well as recognising women's right to own property and protects their inheritance rights.

The situation of women in Africa is also beginning to change as more and more of them are organising themselves and speaking out. Yet there is still a very long way to go to guarantee the dignity of women who account for one half (if not more) of the continent's population. African women provide food, nutrition, water, health, education, and family planning to an extent greater than elsewhere in the developing world. They are effectively the household managers, but far from rewarding them they face a variety of legal, economic and social constraints. Women are known to grow 80 per cent of food produced in Africa, and yet few are allowed to own the land they work.

Today, at least at the rhetoric level, it is widely accepted that the full participation of both men and women is the best way to build and sustain democracies, reduce conflict and improve human development. When a country educates its girls, its mortality rates usually fall, fertility rates decline and the health and education prospects of the next generation improve. Yet everywhere in Africa, women continue to be under-represented – as leaders and problem solvers, decision-makers or elected officials. The same women acknowledged as leaders in daily existence apparently are no good for parliaments or governments, with a few exceptions, most notably Ellen Johnson-Sirleaf, the president of Liberia and Africa's first woman president.

A particularly active player is the United Nations Development Fund for Women (UNIFEM), established in 1976, which supports innovative activities benefiting women in line with national and regional priorities; serves as a catalyst to ensure the appropriate involvement of women in mainstream development activities, as often as possible at the pre-investment stage and plays a catalytic role in relation to the UN's overall system of development cooperation. In 2007 UNIFEM worked with the Federal Ministry of Women Affairs and civil society organisations to try to encourage more women to stand in the country's elections.

A potentially promising area, but one which has yet to acknowledge and address women's concerns and the factors necessary for their full participation, is the New Partnership for Africa's Development (NEPAD, previously mentioned in the section on democracy). NEPAD, however, does not really deal with the gender aspects of development.[3] It does not address how narrowing the gender gap in all sectors, not just by promoting female education, is the key to progress and nor does it bring out the elements of the partnership between men and women in the NEPAD project.

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[3] See Popularising NEPAD Among Women in Africa by Florence Butegwa for much more detail (www.unesco.org/women/NEPAD/butegwa.htm).

Armed Conflict Declines

For the first time in a long time, Sub-Saharan Africa (SSA) is no longer one of the world's two most war-prone regions, according to studies by the Hamburg Working Group on the Causes of War (AKUF) and the Human Security Centre. This may seem paradoxical when six of the 10 countries that top the Failed States Index, drawn up by Foreign Policy magazine and the Fund for Peace, are from SSA: Sudan, the Democratic Republic of Congo, the Ivory Coast, Zimbabwe, Chad and Somalia.

One probable factor behind this downward trend in armed conflict which is often under-rated, is the increased engagement of the international community, something that has particularly benefited SSA. Of the 16 UN peacekeeping operations around the world in March 2006, 6 were active in African countries – amounting to 66,000 of the 88,000 peacekeepers worldwide (see Figure 2).

Figure 2. UN Peacekeeping Operations in Africa

Mission	Established	Total personnel
MONUC (DR Congo)	1999-	20,016
UNMEE (Ethiopia and Eritrea)	2000-	3,818
UNMIL (Liberia)	2003-	18,022
UNOCI (Ivory Coast)	2004-	8,583
ONUB (Burundi)	2004-	4,845
UNMIS (Sudan)	2005-	10,529
Total		65,813

As at March 31, 2006.
Source: http://www.un.org/Depts/dpko/dpko/bnote010101.pdf, 05.05.2006

Other explanations are that the traditional definitions of war focus very narrowly on centrally directed forms of organised violence. This type of war is becoming less prevalent – an encouraging sign. But the erosion of the state's monopoly of force and the force and the growing failure of public institutions to perform core functions – trends which indirectly affect human security – are rarely, if ever, reflected in the statistics on armed conflict. A second explanation for the apparently contradictory messages is that the various rankings of fragile or failing states currently do not enable any clear trends to be discerned, but merely present an initial overview of the situation at the start of the 21st century. The mere fact that some sort of ranking has been attempted for the first time indicates that there is a growing awareness of the problem. But is there really a general trend towards *a new world disorder*? That has yet to be proved conclusively.

There are three driving forces behind war and state failure in SSA: poverty and the existence of 'lootable resources', political instability and the legacy of former wars. The 'new wars' are less about ideological differences or political ambitions than opportunities for self-enrichment.

Rather than being a blessing for development, the existence of ‘lootable resources’ such as diamonds, high-grade timber, oil, coltan or the raw materials which are the source of opium and cocaine creates a ‘resource curse.’

The Economy

A combination of high commodity prices, greater currency stability, debt relief and some structural reforms are starting to produce stronger growth in Africa as a whole. Local stock markets have been riding high and the continent is also beginning to attract more yield-hungry private equity money. The IMF forecasts 6 per cent GDP growth for Africa as a whole in 2007, similar to that in 2006, compared to 10 per cent for the oil-exporting countries and 4.5 per cent for the oil importers. Sub-Saharan Africa’s real GDP increased by an average of 4.4 per cent in 2001-4, compared with 2.6 per cent in the previous three years. The African economy as a whole, however, accounts for around 2% of world GDP (roughly the same as Spain).

The commodity boom (prices and volumes alike) is clearly one of the main drivers of African growth. And given China’s (see separate section below) and India’s energy plus raw material intensive growth pattern and the ensuing demand Africa’s upswing is likely to last in the medium term. However, this does not explain the breadth of Africa’s new growth. All the countries grew at a considerable speed – oil exporters, oil importers, former and current conflict-ridden countries, like the Ivory Coast, with the only notable exception of Zimbabwe. Available research gives some clues to why this is happening. The factors, dating from around the mid 1990s, include:

- The beginning of the commodity boom.
- Protracted effects of conflict resolution in major countries.
- Political swings to the better, as in South Africa (1994) and Ethiopia (1991).
- Economic reforms finally paying off (macro-economic stabilization, the undisputable part of structural adjustment).

Another and more recent factor is foreign direct investment (FDI). Africa’s progress in ending wars and driving regional economic integration, thereby overcoming much of the destructive consequences of the colonial boundaries and creating larger markets, is making the continent more attractive for FDI. In 2006 it amounted to $38.8 billion, 26 per cent more than in 2005 according to preliminary estimates by the United Nations Conference on Trade and Development (UNCTAD) and the second largest rise after South-east Europe and the CIS (see Figure 3). But it only represented 10.5 per cent of the total FDI of $367.7 million in developing economies compared to 11.8 per cent of the $334.3 billion in 2005.

Figure 3. FDI inflows, by host region, 2004-2006 (billions of dollars)

Region	2004	2005	2006
Africa	**17.2**	**30.7**	**38.8**
Latin America and Caribbean	100.5	103.7	99.0
Asia and Oceania	157.3	200.0	229.9
South, east and south-east Asia	138.0	165.1	186.7
South-east Europe and CIS	39.6	39.7	62.0

Source: UNCTAD.

Asian FDI in Africa, in particular, is growing. This is partly because of the complementary nature of economic development between Asian and African countries, according to a report by UNCTAD.[4] Traditionally, FDI flows from developing Asia to Africa were mainly from the Asian newly industrialising economies (Hong Kong SAR, Republic of Korea, Singapore, and Taiwan Province of China). But recently China (see separate section) and India have emerged as significant sources. Singapore, India and Malaysia currently are the top Asian originators of FDI in Africa, with investment stocks of $3.5 billion (cumulative approved flows from 1996 to 2004), $2 billion and $1.9 billion through 2004, respectively, followed by China, the Republic of Korea and Taiwan.

UNCTAD believes Africa has the potential to become an important investment location for Asian companies. The rapid economic growth in Asia can be expected to lead to increased Asian investments in Africa, in both natural resources and manufacturing. In particular, the rapid industrial upgrading taking place in Asia provides ample opportunities for Africa to attract efficiency-seeking and export-oriented FDI from Asian economies. The number of cross-border mergers and acquisitions in the extraction and related service industries of Africa tripled in the first half of 2006, as compared to the same period in 2005. But it was far from uniformly bright across sectors, countries and subregions. More than 50 per cent of foreign capital goes to oil-rich Nigeria and Sudan, and much of the rest to South Africa.

According to the World Bank, real income per head in the 48 countries of sub-Saharan Africa between 1960 and 2005 rose on average by 25%, while it leapt 34 times faster in East Asia. It is striking that Ghana and South Korea had the same GDP per head in 1968. Today, South Korea's per capita income is roughly 10 times higher – in purchasing power standards – at more than $20,000. A major reason why South Korea became an Asian "tiger" is because of the large amount of inward foreign investment it has received. The other major factor has been huge investment in education. The same elements have driven Ireland's economy forward so that it is now wealthier in per capita terms than its old colonial exploiter Britain. Can some African countries become "lions"?

[4] See Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries (UNCTAD, March 2007).

To reap the potential of expanding Asian interest, African governments could draw on important lessons from many Asian countries now showing high economic growth and upgraded industrial activity, UNCTAD contends. Those countries made strategic investments in education and infrastructure that were crucial not only for promoting economic development in general but for attracting and benefiting from efficiency-seeking and export-oriented FDI.

FDI creates both benefits and challenges to African countries. On the one hand, in theory, it brings in more competition to the domestic market and puts downward pressure on consumer prices by attacking former monopolies. On the other hand, – given the small size of many African economies – FDI also has a serious potential of destabilisation in an environment of liberalized capital markets. In addition, as the fade out of the so called multi-fibre agreement illustrated, export-oriented private capital inflows depend a lot on concessions made by the industrial world. The shaky engagement of textile firms in Lesotho is an example of the investment volatility created by such footloose industries. Sustained growth in Africa, however, is hardly imaginable without FDI. The recent FDI boom is thus encouraging.

Why is it that Africa has remained generally impoverished and unable to climb out of its poverty trap? Sub-Saharan Africa contains some of the poorest countries in the world, with average per capita income of just $600 per year (see Figure 4). Because of high population growth, African economies have to grow faster than in many parts of the world to increase average incomes. Growth has accelerated, but the average conceals big differences between those countries which export oil, who have benefited from high prices, and others. Some of the smaller African oil exporters, like Gabon, have some of the highest incomes, as does diamond exporter Botswana. South Africa and Nigeria account for nearly half of Africa's GDP. (Tiny Switzerland, with 7 million people, produces almost as much as the whole of Africa, with 726 million people.)

Figure 4

One of the World Bank's flagship reports on the continent suggests, after comparing Africa to other parts of the world, that as a result of the reforms undertaken during the 1990s it is not the policy gap, political unrest or weak institutions anymore that hinder economic development, but primarily demographic factors (i.e. labour supply) and poor initial conditions (income, life expectancy at birth, age dependency, etc) that prevent Africa from rolling out its growth potential. [5]

The Ndulu report says the continent's slow and sometimes reverse demographic transition reflected by above-average fertility rates in combination with the HIV/Aids pandemic and other diseases explains two thirds of the average differential in African growth rates compared to the

[5] *Ndulu, Benno et al.* (2006): "Challenges of African Growth. Opportunities, Constraints and Strategic Directions." The World Bank, Washington DC

rest of the developing world. In conjunction with unfavourable geographic conditions and poor endowments resulting from that, these factors will be particularly challenging and thus be more difficult to tackle than “mere” framework for business issues. The report does not suggest that governance does not matter, but rather implies there are other issues which are more pressing *now*. Notwithstanding, they emphasise that achievements in the field of political reform have to be maintained. The growth strategy proposed comprises four overlapping fields of intervention: investment climate, infrastructure, innovation, and finally institutional capacities.

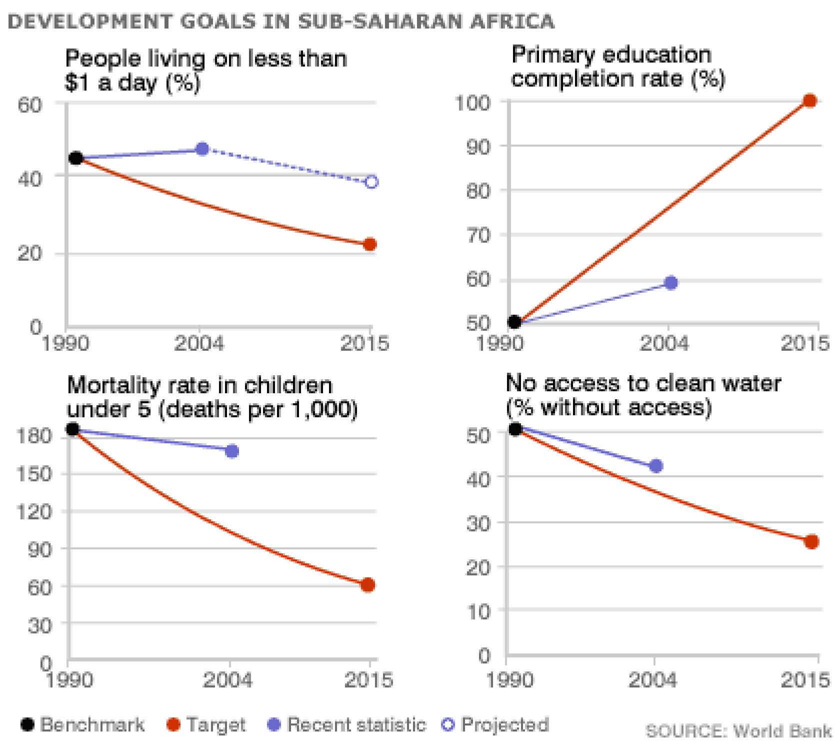
The question that most vexes economists is the approach that should be taken to lift Africa out of its poverty trap and eliminate the constraints on growth for there is no common agreement. The political benchmarks for worldwide and not just African poverty reduction were set in 2000 when the UN General Assembly adopted its “Millennium Declaration” containing eight ambitious Millennium Development Goals (MDGs) to be achieved mostly by 2015. Poverty alleviation became the overarching goal of all development efforts as its enshrinement into the HIPC II initiative, the G8’s framework for debt relief, illustrates. Highly indebted poor countries wishing to qualify for the debt cancellation scheme have to adopt a national Poverty Reduction Strategy Paper (PRSP), whereas the purpose of the whole process of debt relief is the creation of an additional financial scope for fighting against the various forms of poverty.

The challenge is huge, as Figures 5 and 6 below show. Even the current growth rates do not suffice to meet the first goal of cutting extreme poverty by half, apart from some promising country cases. Conventional wisdom has it that 7% growth is necessary to change this trend. The big challenge remains: which concrete measures have to be taken in order to meet the poverty reduction target? And how realistic is it for a non-oil exporting African country to emulate an aggressive export strategy along the lines of China, without much care for equality and equity, aiming at 7 –10 per cent growth to drastically reduce poverty? China, with sustained growth of around 10 per cent, has achieved a massive fall in absolute poverty but it has been accompanied by sharply deteriorating income distribution.

Figure 5

Millennium Development Goals: Eradicate extreme poverty and hunger			
Goals	Indicators	Years and Figures	
Eradicate extreme poverty	Population below 1 $ PPP per day	1990: 44,6 %	2002: 44 %
	Mean shortfall from poverty line	1990: 19,5 %	2002: 18,7 %
Eradicate extreme hunger	Prevalence of underweight children under five years of age	1990: 32 %	2002: 30 %
	Proportion of population below minimum level of dietary energy consumption	1990 - 93 33 %	2001 - 03: 31 %
Source: UNSTATS Millennium Indicators, September 2006			

Figure 6



Backed by appreciable growth, some countries have successfully managed to reduce poverty over the last years, as household survey panel data show. But again, how sustainable is this, not just with regard to the growth path, but to the poverty trend itself? A number of empirical studies demonstrate that the percentage of transitory poverty in African poverty trajectories is high – people in large numbers move in and out of poverty. If and how many families manage to definitely jump out of poverty and into a higher income growth path can only be safely said when one looks not at current income (or expenditure) but at the underlying endowment with assets, be they physical or human capital. Even with current income growing for some time, a family can only be assured of having left the poverty trap when their asset base has changed.

Consequently, there is new research on the subject, conceptually and empirically. Michael Carter and Christopher Barrett call for an asset-based approach underlining the fact that poverty is not only a question of low income but also a matter of insufficient asset accumulation or unfair asset distribution. “Asset”, as defined by the authors, is understood as a broad concept comprising “conventional, privately held productive and financial wealth, as well as social, geographic and market access positions that confer economic advantage”.[6]

Another approach to accelerating poverty alleviation is a massive increase in official development aid (OAD), as proposed by the United Nations Millennium project (UNMP), the advisory body to the UN Secretary General headed by Jeffrey Sachs, and analogously by the UK-led Commission for Africa. The economics underlying the concept are similar to the asset approach focusing on individual poverty assessment. But, instead of a family’s assets, they consider the wealth of nations in terms of the level of capital accumulation and the likelihood of future improvement. The argument goes that Sub-Saharan Africa excluding its southernmost tip[7] is persistently caught within a development trap because initial conditions do not allow getting out of the low-level equilibrium situation behind it. Sachs provides five reasons, the confluence of which contributes to low total factor productivity, low domestic savings and high demographical pressure.[8] They are:

- Africa is marked by high transport costs and small market sizes due to geographical conditions and widespread poverty.
- The position of many African countries within the arid or semi-arid tropics hinders major increases in agriculture productivity.
- The continent carries an elevated disease burden which does extraordinary harm to its labour force.
- Adverse geopolitics from colonization onwards.
- The continent hardly profits from the diffusion of international technology.

6 Carter, Michael R. and Christopher B. Barrett (2006): “The Economics of Poverty Traps and Persistent Poverty: An Asset-based Approach.” In: Journal of Development Studies 2 (42), p. 178-199

7 Botswana, Lesotho, Namibia, South Africa and Swaziland which together form the Southern African Customs Union (SACU) being directly dependent on the cape area as the region’s economic powerhouse.

8 Sachs, Jeffrey et al. (2004): “Ending Africa’s Poverty Trap.” In: Brookings Papers on Economic Activity (2004) 1, p. 117 – 216

According to the UN Millennium Project, these factors keep Africa below the necessary take-off point, and only a big push combined with improved governance can help Africans surmount their persistent, structural backlog. Sachs and his team have put forward a detailed catalogue of measures to be taken, a common feature of which is the need to upgrade infrastructure. In order to steal their potential critics' thunder, Sachs and his colleagues tell an anecdote:

> "It is often said that past aid to Africa has little to show for it. In fact, there has been too little aid to make a difference. Moreover, the aid has been very poorly targeted mainly toward the donors' foreign policy clients […]. To use a simple analogy, consider a large forest fire with a tendency to spread. Suppose that only one fireman is initially sent to fight the blaze, and he is overwhelmed. The critics might then say, "Why should we send more firemen? We've already seen that they are ineffective!" In dealing with the control of any epidemic process, a proper scale of intervention is needed. Similarly, aid has to be large enough […]"[9]

The big push approach is a highly controversial one and has created a kind of schism among development experts and aid practitioners. The opposing camp says that take-offs can rarely be identified in economic history apart from some Asian tiger states and they are mostly not associated with foreign assistance or massive public investment as the big push narrative implies, but rather

> "development happens when many agents have the institutional environment that allows and motivates them to take small steps from the bottom, as opposed to development happening from a Big Push planner at the top."[10]

Sachs' response to this would be that even if African countries were perfectly governed – which is very far from the case – they would not develop beyond a certain threshold without international assistance.

If a significant number of developing countries are in fact stuck in a poverty trap, then of course the data available cannot demonstrate a particularly significant correlation between development aid and growth. In the past development aid mostly grew at weak and erratic rates. Empirically, there are no cases in which a country has been lifted over a development threshold by a massive increase in ODA, and nowhere in the comprehensive body of literature on the first-generation East Asian newly industrializing countries has it been claimed that development aid – and specifically US aid (e.g. the famous Agricultural Trade Development and Assistance Act of

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[9] Ibid, p. 145.

[10] *Easterly, William R.* (2005): "Reliving the '50s: the Big Push, Poverty Traps, and Takeoffs in Economic Development." Working Paper No 65, Center for Global Development, Washington DC

1954, also known as US Public Law 480) – was crucially important for the economic breakthrough. Taiwan and South Korea were not stuck in a neoclassical-style savings-investment trap but had other problems, and the way in which they handled them can indeed be regarded as a *sui generis* big push, but not as an ODA push. What Sachs and others are proposing is, plainly and simply, something historically new.

The core of the problem rather is what kind of big push countries should aim at. It is often overlooked that in economics there are two kinds of development traps and, consequently, two kinds of big pushes as well. If you are convinced that thanks to the external availability of technology developing countries can rapidly catch up with the others, helping them with the demographic factor and some physical and social infrastructure will do. One may call it the infrastructure variant of the big push. "Closing Africa's Infrastructure Gap" – the buzzword of the World Bank's Africa Action Plan comes very close to it. If, by contrast, low initial market size and productivity, with the ensuing difficulty to reach economies of scale, hold back most private investors, then the development trap has a fairly different configuration. This was the quintessential message of the strand of economics dubbed the High Development Theory. Below a certain threshold, economic actors fail to become complementary in their investment decisions. The first does not invest, because the market is not there, the second does not invest either, in the end virtually no one invests. If by extension foreign investors share the same feeling as domestic entrepreneurs and their stance cannot easily be altered by availing human capital, then developing countries, especially in Africa, have a much deeper problem.

Easily accessible or guaranteed export markets help in such a situation; Africa's share of global exports today is less than half the 5 per cent recorded in 1980. There are some partial success stories, however, such as apparel and textiles exports under preferential schemes such as AGOA or, to a much lesser extent, EU preferences. Yet, despite an array of preferential access agreements, including Washington's African Growth and Opportunity Act and the "Everything but Arms Initiative", African exports still lack free access to OECD markets. Granting unrestricted access would contribute significantly towards expanding the trade and growth potential of African countries, boosting their capacity to reduce poverty.

Debt Cancellation

The G8 deal at Gleneagles, Scotland, in June 2005 to write off most of the debts owed to Western governments, the IMF and the World Bank by 14 African countries, represented an important breakthrough in Africa's debt burden, one of the single biggest obstacles to the continent's development (see Figure 7). Singer Bob Geldof, who organised global Live 8 concerts to put pressure on the G8 to act, hailed the deal as a "victory." Desmond Tutu, a veteran of the fight against apartheid in South Africa, called the deal a "splendid start".

The beneficiaries are Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia. A great deal of Africa's debt is illegitimate, having been incurred by despotic and unrepresentative regimes, and the billions of dollars spent annually on debt service diverted resources from HIV/AIDS programmes, education and other important needs.

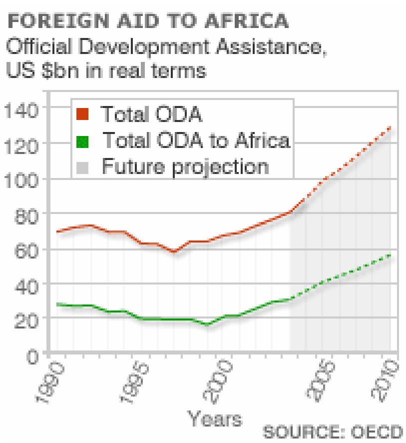
Some 20 million African children are now going to school as a result of resources freed up from debt cancellation, according to Irish rock star and anti-poverty campaigner Bono. In 2003, Zambia spent twice as much on debt repayments as on health care. But partial debt cancellation allowed the government to grant free basic healthcare to its population in 2006.
Another example is Liberia, excluded from the deal in 2005 and whose debt is well over $1,000 for every woman, man and child – compared to an average daily income of $0.33 – but which edged towards debt cancellation in 2007 when the US Secretary of State, Condoleezza Rice, promised to write off $391million owed to the US. Much of this country's $3.7 billion debt was built up by dictator Samuel Doe in the 1980s and by Charles Taylor from 1989 to 2003. Taylor did not pay interest on the debts, so it ballooned. His rule was a period of brutal civil war, with his army forcibly recruiting child soldiers. Today, Liberia has a democratic government.

Figure 7

The Jubilee Act, a groundbreaking bill re-introduced in the US Congress in 2007, that includes almost all countries in Africa, would, if approved, be another milestone as it would require the US Treasury to work in appropriate multilateral settings to achieve 100 per cent cancellation of the debts of 50 nations by the International Monetary Fund from their own resources without harmful conditionality.

The rich countries at the Gleneagles summit also promised to double aid to Africa from $25 billion to $50 billion by 2010 (see Figure 8). Aid flows to Africa declined in the 1990s as problems such as corruption put off Western donors. EU countries, separately, are committed to raising their aid from 0.36 per cent of GNI in 2004 to 0.56 per cent in 2010 and the symbolic 0.7 per cent by 2015.

Figure 8



Natural Resources: a Curse and a Blessing. The Case of Nigeria and Chad

Africa is weighed down by debt, but it is rich in natural resources, particularly oil, gas and minerals and they are a dominant source of income in many countries. Oil revenues, for example, generate more than two-thirds of government revenues in Angola, Equatorial Guinea, Gabon and Nigeria (80 per cent in this case and 95 per cent of export earnings). Globally, Africa is becoming increasingly important to world energy supplies, especially when security of supply is threatened by instability in the Middle East. It is estimated that the US will import 15-25 per cent of its oil from Africa by 2015. The continent supplied just over 4 per cent of the world’s oil in 2003 and it is expected to contribute a fifth of the global increase in production between 2004 and 2010. Africa is also well placed to respond to rising global demand for gas – Algeria, for example, is already Spain’s main supplier (32 per cent of total gas imports).

Yet, in one of the more bizarre economic puzzles, countries with plenty of natural resources, particularly oil, are in general not the richest countries. And Africa is far from alone in this paradox. In the 17th century, resource poor Holland surpassed Spain that was flooded with silver from its colonies. During the 19th and 20th centuries economic growth in Switzerland and Japan was much higher than growth in resource rich Russia and more recently we have seen how resource poor Asian tigers have overtaken the oil producing countries Venezuela, Mexico and Nigeria. This is not the place to offer technical explanations of why this should be; suffice to say that the classic study by Jeffrey Sachs indicates that for a sample group of 97 developing countries there is a negative correlation between resource richness and economic growth.[11] The African oil producers have performed even more poorly than other oil-exporting countries – out of the 30 or so worldwide, they are among the worst performers in the UNDP's Human Development Index.

In the case of Africa, the abundance of natural resources in some countries has had a devastating impact, fuelling conflict, corruption, economic decline and pushing many children more deeply into poverty. Take the case of Nigeria: over a 37-year period, oil has generated a net income stream for the country of more than $350 billion and yet the majority of the population live on less than one dollar a day. In 1970, per capita GDP stood at around $1,113 and today it is even less. The proportion of Nigeria's population living below the one dollar-a-day poverty line has risen from 36 per cent to 70 per cent; in absolute figures this represents an explosion of poverty from 19 million people to around 90 million. A United Nations report shows that in quality of life, Nigeria rates below all other major oil nations, from Libya to Indonesia. Its annual per capita income is less than that of Senegal, which exports mainly fish and nuts. In 1960, agricultural products such as palm oil and cacao beans made up nearly all Nigeria's exports; today, they barely register as trade items and Africa's most populous country, with 130 million people, has gone from being self-sufficient in food to importing more than it produces.[12] The World Bank categorizes Nigeria as a "fragile state," beset by risk of armed conflict, epidemic disease, and failed governance.

But it does not have to be this way. At independence in 1966, Botswana, particularly rich in diamonds but also with significant deposits of copper, nickel, salt, iron ore and silver, was one of the poorest countries in the world. Today it is an upper-middle income developing country

11 Sachs, J in A. Warner, 1995, "Natural Resource Abundance and Economic Growth", NBER working paper 5398. Resource richness is measured in a number of ways. The basic indicator is the percentage of GNP taken up by exports of natural resources. The higher this percentage, the more likely it is that the country experienced relatively poor economic growth.

12 See the article in the February 2007 issue of National Geographic (www7.nationalgeographic.com/ngm/0702/feature3/)

with a per capita GDP of around $11,000 in purchasing power parity terms (on a par with the Czech Republic). Botswana has invested much of its wealth wisely in public services – for example, by 1996 it had the second highest level of per capita spending on education in the world as a proportion of GDP. Improvements in under-5 mortality rates have also been impressive, falling from almost 14 per cent in 1970 to under 5 per cent in 1998, though the gains are threatened by HIV/AIDS.

Perhaps it is unfair to compare the success of tiny Botswana (population 1.6 million) with the appalling failure of Nigeria whose population is 80 times larger. But, as Save the Children UK pointed out in a submission it made on natural resources in Africa to the African Commission,

> "what makes the difference between natural resources acting as a "curse" or a "blessing" is governance – the way the resources are used and the accountability which drives this."

While Nigeria is a dramatic example of how to squander oil wealth Chad has taken an interesting and innovative approach to its "black gold". In 2000 it became clear that Chad, whose close to 10 million inhabitants have a life expectancy of around 48 years and only 40 per cent of the population can read and write, had important oil reserves. An international consortium of oil firms, led by Exxon Mobil, reached agreement with the governments of Chad and Cameroon to develop the oil fields. The estimated cost of this project stood at around $3.7 billion, or close to twice the GDP of Chad. Oil began to be exported in 2004.

In order to try to prevent the natural resources curse, the leader of project decided from the very beginning to look for partners to help it manage the social, ecological and political impact. The most controversial step was the decision to ask for financial participation by the World Bank. From an NGO point of view it was not at all clear why an international development institution like the World Bank should support a major multinational in order to develop a commercial project. Exxon insisted on financial participation because of the locking in effect that it brings about. Only in this way could it be sure the World Bank would take a long-term interest in the project and provide the necessary financial and human resources to support it.

Even more fundamental, the consortium convinced the president of Chad to enact a law which explicitly regulated the use of the oil money. This law was a condition sine qua non for the World Bank's participation. The law clearly stipulates primary sectors for investment: public health, education, social services, infrastructure and rural development. Eighty per cent of revenues go to these priority sectors, 5 per cent is allocated to the region where the oil is extracted, 10 per cent to a fund for future generations and 5 per cent can be allocated freely. All the earnings from oil are transferred to one bank account (in London) in order to simplify control of the money. The account is controlled by a steering committee of nine people, four of whom are appointed by President Idriss Deby (since December 1990), two by parliament, one by the highest court and two representatives from civil society. Each payment from this account has to carry the signature of all members of the committee. This format allows unprecedented transparency and behind it is the idea that it provides the oil project with enough political legitimacy to convince banks to invest in it and the necessary political stability that allows the long run exploitation to go ahead unhindered.

Had Nigeria instigated and carried through such a scheme over the last 35 years the country would not have been subverted by the very thing that gave it promise –oil. Nigeria has moved from military dictatorship to democracy, but corruption remains rampant although less so than in the past. A Western diplomat quoted in an International Crisis Group report called Nigeria’s corruption "the institutionalized looting of national wealth." The country is ranked 142nd out of 163 countries in the latest corruption league by the Berlin-based Transparency International. Nevertheless, there has been some progress in combating Nigeria’s corruption thanks to the establishment in 2004 of the Economic and Financial Crimes Commission (EFCC). The new banking environment created by reforms led to the delisting of Nigeria in 2006 from the Financial Action Task Force's (FATF) register of countries that are in breach of the global anti-money laundering and anti-corruption code.

But despite all the good intentions even Chad’s project has its limits. For instance, the president has the right to change the law that regulates the oil revenue allocation after five years. And though the president appoints only four people to the steering committee, it is clear that he also holds the members of parliament and the person designated by the highest court in his pocket, granting him a comfortable majority.

Nevertheless, Chad’s pioneering scheme is potentially very important because by spreading sovereignty over national wealth in a vertical manner over different actors - regional, national and international – it avoids the pitfall of concentrated sovereignty which in countries with a weak or no democratic tradition (most if not all of Africa) tends to open the way to legitimise the robbing of the country. Modern democracies have split sovereignty along horizontal lines into three separate power structures and it seems to function quite well. There is no presumption that spreading power vertically could not function likewise.

By spreading the authority over natural resources, in Chad’s case oil, the aura of presidential power is reduced and the fight for the pot of gold then fuels the natural resource curse likewise.

The Chad example shows that multinationals can become the engine of the process of spreading power, while the affiliation with the World Bank, on the one side, and civil society, on the other, limits the power of the sovereign (i.e. the president). The law thus becomes a point of reference that allows watchdogs to monitor the actions of the sovereign from below (civil society) as well as from above (international institutions).

Multinationals have a long and rather bleak history of political involvement in poor countries. The so-called banana republics in Latin America existed not that long ago and though the interventions today are somewhat less open than they used to be, there is no doubt that secret capital transfers still make or break political power. Investment projects like the one in Chad have an horizon of around 25 years so if a company abandons the project after say three years it and the country would be left with financial ruin. A company can try to control power directly so that it favours its interests – the case of United Fruit in Guatemala, for example, during a substantial part of the 20th century - but in today's world this is a risky if not impossible strategy. Hence the alternative of political involvement through vertical power as it allows a certain form of political control while at the same time providing international legitimacy towards the new political partners (NGOs, international institutions and the eye of the Western public). In Chad the end result is unprecedented transparency in an income stream that dwarfs any official development aid and as such is usually the main reason for civil war or outside military inventions.

There are also other reasons for allocating a more active political role to business. A multinational like Exxon Mobil has resources and knowledge sources that are far greater than those of many underdeveloped and even developed states. This is a single shot game for Chad and almost certainly the only chance it will get to steer itself away from abject poverty. Will the country succeed in developing a viable economy? Will the agricultural sector be saved in order to prevent the explosion of poverty that took place in neighbouring Nigeria. Will the multinationals involved and the international community develop enough political counterbalancing power to make sure that the president respects the spirit of the law? For the moment the curse has been contained, but the threat is far from over.

The New Scramble for Africa: China's Upswing in Trade, Iinvestment and Aid

A new actor has appeared on the African stage: booming China has gone on a spending spree in the continent. Its main interest in the continent during the 1950s and 1960s was to gain influence by acting as a counterweight to American and Russian influence during the Cold War and advance Chinese-style communism. It supported African liberation movements. Now China wants commodities, particularly oil (the country is the world's second largest consumer of crude) and new markets for its export-driven economy.

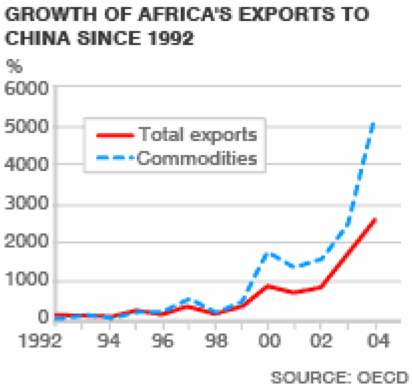
One of China's first contacts in Africa was Julius Nyerere, the founding president of Tanzania, who visited Beijing 13 times, a record for an African leader. What he saw in China inspired "ujamaa", the policy of self-reliance and collective farming announced in the Arusha Declaration - Nyerere's audacious statement of African socialism in February 1967. Chairman Mao returned the compliment, sending Chinese engineers to build Tazara - the Tanzania Zambia Railway - to carry exports of Zambian copper. China's other ideological friends in East Africa were Ethiopia, Uganda and Zambia.

China and Africa have changed a lot politically since then; both, in their different ways, are pursuing capitalist paths. Co-operation now is business, not ideologically based. Beijing has identified Africa as an area of significant economic and strategic interest. Africa already supplies a third of China's oil, South Africa and Zimbabwe are major suppliers of platinum and iron ore, the Democratic Republic of the Congo supplies copper and cobalt and Congo-Brazzaville, Gabon and Cameroon timber. Several West and Central African countries send cotton to China's textiles factories. It is oil, however, that dominates the picture.

Nigeria is a particularly important country for China because it is Sub-Saharan Africa's top oil exporter and has long been viewed by China as a partner. In 2006 China secured four oil drilling licences from Nigeria in a deal involving $4 billion in investment, it acquired a controlling stake in Nigeria's 110,000 barrel-a-day Kaduna oil refinery and China National Offshore Oil Corporation (CNOOC) paid $2.3 billion for a stake in a Nigerian oil field. Angola, where another Chinese company is a partner in several blocks, has overtaken Saudi Arabia as China's single biggest provider of oil. Another focus is Sudan which supplies an estimated 7 per cent of China's total oil imports. China first established a presence in the unexploited Muglad oilfields of southern Sudan in 1995. The China National Petroleum Corporation is the single largest shareholder (40 per cent) in the Greater Nile Petroleum Operating Company, which controls Sudan's oil fields and has invested $3 billion in refinery and pipeline construction in Sudan since 1999.

There are more than 700 Chinese state companies involved in Africa in oil, mining, fishing, precious woods and telecommunications. China's overall trade (exports and imports) with Africa rose from $11 billion in 2000 to $56 billion in 2006. The pace of growth in Africa's exports, particularly commodities, albeit from a very low base, has been spectacular (see Figure 9). China is Africa's third most important trading partner. The trade balance so far, however, is very much in China’s favour and this is generating African concern about a flood of cheap imports swamping local manufacturing.

Figure 9



China’s FDI stock in Africa stood at $1.6 billion at the end of 2005, with Chinese companies present in 48 African countries, although Africa still accounts for only 3 per cent of China’s outward FDI. A few African countries have attracted the bulk of Chinese FDI in Africa: Sudan is the largest recipient (and the 9th largest recipient of Chinese FDI worldwide), followed by Algeria (18th) and Zambia (19th).

As well as the investment and trade with Africa, Hu Jintao, China's president, announced in 2006 a doubling of state aid to the continent from its 2006 level by 2009, although he gave no figures. He said Beijing would offer $3 billion in preferential loans, with no political conditions attached and $2 billion in export credits over the next three years and would double the number of goods which do not attract tax when imported to China. China would also train 15,000 African professionals and set up a development fund to build schools and hospitals. In February 2007 Hu made a 12-day, eight-nation tour of Africa, his third trip to the continent since taking office in 2003. This followed the first Sino-African summit in Beijing in November 2006 attended by nearly 50 African heads of state and ministers.

In the eyes of Western governments, China’s so-called “peaceful rise” has brought with it responsibilities: Beijing is being criticised for not using its influence to push more for improvements in human rights and good governance in some countries, particularly in Zimbabwe and the Sudan where more than 200,000 people have died in the Western Dafur region and more than two million people have fled their homes during the four-year conflict.[13] Beijing was urged to support UN measures against Sudanese officials responsible for the Darfur

[13] The neo conservative Heritage Foundation published a highly critical report on China’s influence in Africa and the implications for the United States (see www.heritage.org/Research/AsiaandthePacific/bg1916.cfm).

policy, encourage the government of Sudan to set aside some oil revenues for the victims of atrocities, monitor the end-use of the weapons it has sent to Sudan (which Human Rights Watch said were used in Darfur) and support the human rights of those in the oil-rich regions which China is exploiting.

Beijing, however, prefers quiet diplomacy to wielding a big stick. It presents itself as an "all weather friend" who takes the principle of non-interference in the internal affairs of partner countries seriously. Many African leaders like this. As The Economist put it,

> "China's straightforward approach is an attractive alternative to the pernicketiness of the IMF and the Paris Club of creditors, which have been quibbling over terms for years. So it is with many African countries, fed up with the intrusiveness of Europeans and Americans fussing about corruption or torture and clamouring for accountability."[14]

The Sino-Africa summit illustrated that the message has been understood by African leaders. The Greater Nile Oil Project in Sudan, where Chinese, Indian and Malaysian firms stepped in when American and Canadian companies had to leave the country due to a US sanctions regime some years ago, is a major example. Furthermore, generous Chinese credits weaken the influence of international finance institutions and Western donors in some places. China's support, however, comes with one significant political string attached: nearly all African countries have endorsed the one-China policy and abandoned their recognition of Taiwan. When Michael Sata, the main opposition candidate in Zambia's presidential election in September 2005 said he would recognise Taiwan if he won, China's ambassador in Zambia let it be known that Beijing would consider cutting diplomatic relations if he was the victor (which he was not).

Western companies seeking business in Africa have raised their voices against China, but having themselves been criticised for their depletion of the continent's riches, they cannot speak with much authority. Their criticism smacks of hypocrisy. President Hu rebutted charges that China was developing a neo-colonialist relationship with Africa. At the end of his last trip he recalled the visits to the continent 600 years ago of Zheng He, an acclaimed Chinese sailor of the Ming Dynasty who led a fleet to the east coast four times. "They brought to the African people a message of peace and goodwill, not swords guns, plunder and slavery," he said, in an implicit contrast with the European colonialists of the 18th and 19th centuries.

[14] See "Never Too Late to Scramble" (The Economist, October 28, 2006).

China’s push into Africa could have a big impact on the development of some countries. The first studies examining the impact of China’s growth on poverty in Africa mostly come to similar conclusions:

- Most exports from Africa to China are extractive in nature. The corresponding revenues therefore often disappear in the hands of the “state class”. Labour-intensive products, which might offer job opportunities for the poor, do not play a major role. All in all, the poor currently do not necessarily benefit from exports to China.
- Among the few processed goods Africa exports to third markets, in particular textiles and clothing benefit from Chinese investors, keen to make use of special opportunities offered under the US AGOA scheme, and some European preferences. These effects are, however, seriously in danger due to specific rules in AGOA and EBA which must be carefully re-negotiated by African governments in order to make these opportunities last.
- Chinese construction firms conquering ever-increasing parts of the African market make extremely little use of local resources.
- The African internal markets are more and more exposed to being flooded by products of Chinese origin, putting the few domestic producers of consumer goods under pressure. The poor slightly benefit from this situation as far as they are regarded as consumers gaining advantages from lower prices than as producers exposed to more competition. Apparently tens of thousands of jobs throughout Africa have already been lost due to increased import competition from China.
- Similar arguments apply to China’s foreign direct investments in Africa. They are above all directed to the capital-intensive exploitation of natural resources and contribute to the stabilization of dubious regimes like the one of Omar al-Bashir in Khartoum.

As China’s push into Africa is the result of a very strategically designed industrial policy, the challenges can only be mastered for the better of African economies over the long term by the rapid deployment of intelligent industrial, trade and technology policy packages – something African governments have so far not been champions of and therefore are in need of massive technical assistance. This kind of industrial policy will also have to preserve the Chinese willingness to invest in Africa, which aims at more sectors than just oil and metals and the dynamics of which can also serve as an example to African and European investors still struck by earlier market failures.

Africa's Relationship with the European Union

In 1958, one year after the founding of the then European Economic Community (EEC) and on the eve of decolonisation, 18 French and Belgian colonies in West and Central Africa became associated with the EEC. When Britain joined the EEC in 1973 a number of its former colonies were also incorporated into the process. Under the Lomé Convention, first signed in Lomé, Togo, in 1975 and which to some extent arose out of a sense of responsibility toward the colonial past, Europe guaranteed itself regular supplies of raw materials and maintained its privileged position in overseas markets. Today, the Lomé Convention is a cooperation programme between the 27 countries of the European Union and 71 countries of Africa, the Caribbean and the Pacific (ACP). It is based mainly on a system of tariff preferences for exports to the EU and special funds which maintain price stability in agricultural and mining products. The Lomé Agreement was succeeded by the 20-year Cotonou Agreement (signed in Benin in June 2000) which extends cooperation to civil society, the private sector, trade unions, local authorities, etc.

The Cotonou Agreement symbolises the shift in the European integration process, following the fall of the Berlin Wall and the subsequent entry (in 2004) into the EU of former communist countries in Eastern and Central Europe and thus in Europe's relationship with Africa. Cotonou emphasises the need for responsible governance, sets up a structured dialogue between the partner countries and allows a suspension of cooperation in the event of excessive corruption or a violation of the agreement's principles including democracy and human rights.

In the aftermath of 9/11 in New York there has also been an increasing "securitisation" of the EU's Africa policy. The African Peace Facility set aside €250 million (2004-2007) to support the new African security architecture and finance peace missions carried out by the African Union or other regional organisations. These funds were taken from the European Development Fund (EDF) established under the Cotonou Agreement. The current EDF aggregates €13.5 billion and the next one (2008-2013) €22.7 billion, a significant leap in the financial dimension of EU-Africa relations. The EU has also committed itself to delivering on long-made promises regarding an increase in Official Development Aid (ODA). In 2005, the member states adopted a graduated scheme under which they will almost double their aid from 0.36% of GNI in 2004 to 0.56% in 2010 and to the symbolic 0.7% by 2015. Less ambitious goals were set for the new members states in Central and Eastern Europe. The EU is striving to take a leading role in implementing the OECD's Paris Declaration on Aid Effectiveness.

A joint statement by the European Council, the Commission and the Parliament, in early 2006, came out in favour of increased general or sectoral budget support in order to

> "strengthen ownership, support partner's national accountability and procedures, finance national poverty reduction strategies (including operating costs of health and education budgets) and promote sound and transparent management of public finances."

Germany, for example, has set a target of 30% of its financial assistance to Africa being channelled this way.

The EU is building a long-term strategic partnership with Africa, reflected in its document "Towards a Euro-African Pact to Accelerate Africa's Development", which for the first time seeks a coherent and broader approach towards not only the sub-Saharan region but also towards the continent as a whole. 'Our partnership is based on a strong political dialogue between equal partners,' said Louis Michel, Commissioner for Development and Humanitarian Aid. 'We must avoid a paternalistic approach: we are not there to substitute states but enhance their capacities, promoting ownership and good governance.' The strategy includes:

- The Euro-African Partnership for Infrastructure and Networks, promoting regional and continental interconnection at continental level to support regional integration.
- The EU Governance Initiative, providing assistance for the implementation of the governance reforms proposed by the Africa Peer Review Mechanism (APRM).
- The Euro-African Business Forum, bringing together entrepreneurs and public and private investors from both Europe and Africa.
- The Nyerere programme, for the exchange of students and the promotion of poles of excellence across the continent.

Market access is to be increased through free trade agreements known as Economic Partnership Agreements (EPA) which will come into play after the waiver granted by the World Trade Organisation (WTO) regarding the non-reciprocal preferential treatment towards Europe's former colonies is to be phased out by the end of 2007. The WTO's multilateral framework only allows the establishment of regional free trade agreements that are designed for reciprocal liberalisation of 'substantially all trade' within a 'reasonable' delay. These treaties must also not discriminate against other developing countries outside the ACP group. At the moment, ACP goods benefit from preferential treatment, while products from other countries at the same development stage are subject to high tariffs.

The “Everything but Arms Initiative”, adopted in 2001, does provide free access to European markets for imports from all least developed countries, including those outside the ACP world. Exemptions only concern rice, sugar and bananas, which are subject to transition rules.

EPAs are expected to put an end to the current situation marked by a ‘spaghetti bowl’ of over-lapping trade agreements, which economists do not deem investor-friendly. But the EPAs coupled with galloping Chinese imports of consumer goods, such as cheap clothing, plastic articles, bikes and electrical appliances will produce a strong disincentive for African governments to finally come up with some industrial policies of their own. Africa will be in the commercial crossfire of China and the EU. Many fledgling light manufacturing and agro-processing industries could be dealt a fatal blow. And those African countries which lack institutional quality and an adequate framework for doing business will find it difficult to fully benefit from free trade. Institution building needs to keep pace with economic freedom.

Conclusion: a Glass Half Empty or Half Full?

Afro-optimism is on the rise. According to Donald Kaberuka, president of the African Development Bank, "Africa has its best chance in 30 years to make substantial progress." Microsoft Corp chairman Bill Gates told a panel on Africa at this year’s World Economic Forum in Davos that he was “incredibly hopeful - the breakthroughs are coming. We can solve the health crisis and generate a rich continent."

There is no doubt that progress has been made on many fronts, but there is still an extremely long way to go. Depending on whether one is a pessimist or an optimist by nature, the African glass is either half empty or half full. But the continent does seem to be moving in the right direction.

(*) This essay draws freely on some of the papers presented at the Scribani European Jesuit Network conference in Munich ("Africa and Europe: Cooperation in a Globalised World) on September 6-8, 2006, hosted by the Institute for Social and Development Studies, and on other material. The papers drawn on are:

"Africa's Growth, Development Aid and the European Union", Helmut Asche (University of Leipzig) and Axel Biallas.

"Violent Conflict and State Fragility in Sub-Saharan Africa, Trends, Causes and Policy Options", Tobias Debiel, professor of International Relations and Development Policy, University of Duisburg-Essen.

"Option for Africa: Challenge for Christian Churches and Civil Society – and for Jesuits", Peter J. Henriot, head of the Jesuit Centre for Theological Reflection in Lusaka, Zambia.

"Multinationals and the Natural Resource Curse", Luc Van Liedekerke, University of Antwerp and Catholic University Leuven.

"The Relationship between Africa and Europe", Valerian Shirima, Jesuit Provincial of the East-African Province.

"Ways of Cooperation between Europe and Africa", Clare Short, member of the UK parliament and former Secretary of State for International Development.

(**) William Chislett is a journalist and author.