BOLSTERING AFRICA'S ROLE IN THE GLOBAL ECONOMY

The importance of regional integration

A continental strategy for economic diversification through the AfCFTA and intellectual property rights

Vera Songwe, Executive Secretary, U.N. Economic Commission for Africa & Nonresident Senior Fellow, Africa Growth Initiative, Brookings Institution @ECA_Official @songwevera

With all Africa now signed on to the African Continental Free Trade Agreement (AfCFTA) and 29 countries having ratified it (as of January 2020), the region is now implementing a single continental market for goods and services and laying the foundations for the establishment of a continental customs union. Many on the continent look to the AfCFTA as an investment, economic diversification, and job creation blueprint that will shape the future of Africa in the years to come, help meet the SDG targets by 2030, and consolidate progress toward the African Union's Agenda 2063. Indeed, with a combined GDP of over $2.3 trillion and a population of 1.2 billion—of which most are below the age of 30—African countries stand to gain substantially from intra-regional trade.

Progress on the finalization of AfCFTA Phase I negotiations, namely, the establishment of the schedules of concession for trade in goods, rules of origin, and specific commitments for trade in services, is encouraging. However, Africa will need to do more than just increase trade in existing commodities to benefit fully from the AfCFTA, hence the importance of beginning Phase II of negotiations on investment, competition policy, and intellectual property rights.[1] In particular, with an increasingly digitized economy and a store of innovative youth, working on IP registration and protection will be key to harnessing the full potential of the AfCFTA and securing Africa's future.

Still-low intra-regional trade highlights the potential gains from the AfCFTA

Though intra-African trade has been increasing slightly, it remains substantially below optimal levels, and intracontinental trade is still very low compared to the rest of the world. The share of intra-African exports as a percentage of total African exports has increased from about 10 percent in 1995 to around 17 percent in 2017, but it remains low compared to levels in Europe (69 percent), Asia (59 percent), and North America (31 percent).[2]

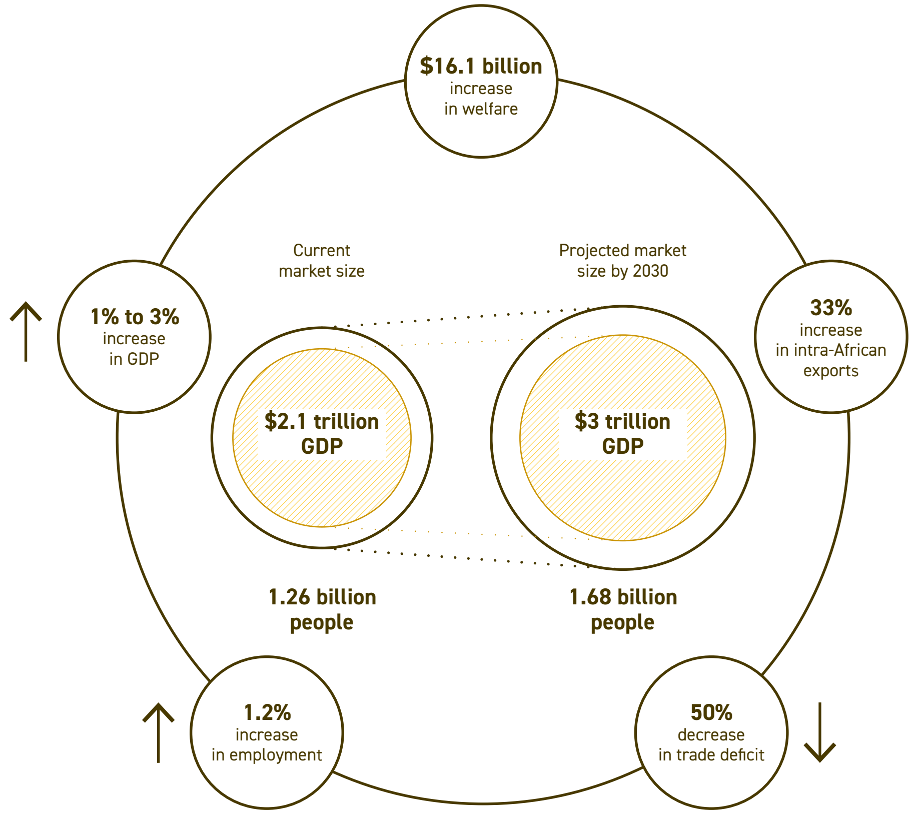
1 See Vera Songwe, "Africa must take a lead role in the data economy," *Financial Times*, October 14, 2019.

2 United Nations Economic Commission for Africa, *Assessing Regional Integration in Africa IX: Next steps for the African Continental Free Trade Area* (Addis Ababa: United Nations Economic Commission for Africa, 2019).

Figure 6.1

Gains from the African Continental Free Trade Area

Implementation of the AfCFTA is expected to boost African welfare, GDP, and intra-African trade. The below figures show the continent's potential gains under a scenario in which there is 100 percent liberalization of tariffs on trade in goods. UNCTAD states that the gains will arise from increased employment, improved use of domestic resources to increase the productivity of the manufacturing and agriculture sectors, and access to cheaper products. These gains will not accrue evenly among all countries, but, on the whole, Africa will benefit from the AfCFTA.



Source: UNCTAD, "The Africa Continental Free Trade Area: The Day After the Kigali Summit," UNCTAD Policy Brief 67 (2018).

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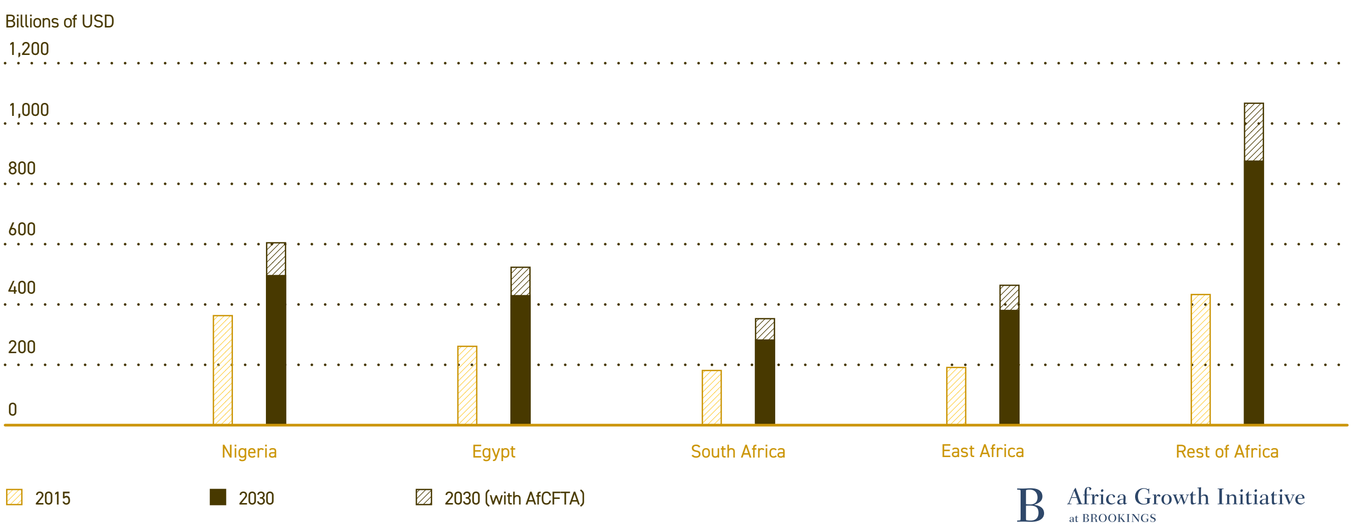
Projected GDP of Africa with and without the AfCFTA



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Source: Brookings Africa Growth Initiative, using data from Jacques Bughin et al., Lions on the Move II: Realizing the Potential of Africa's Economies (Brussels: McKinsey & Company, 2016).

Figure 6.2

Regional integration among selected regional economic communities

Africa's current regional trade agreements only cover a limited number of policy areas, and have had limited impact on regional integration, infrastructure, and the free movement of people. The AfCFTA is far more ambitious, and will cover as many as 20 policy areas, eight more areas than the most comprehensive current regional agreement, the EAC.

	AfCFTA	Common Market for Eastern and Southern Africa (COMESA)	East African Community (EAC)	Economic Community of West African States (ECOWAS)	Southern African Development Community (SADC)
Tariffs on manufacturing goods	✓	✓	✓	✓	✓
Tariffs on agricultural goods	✓	✓	✓	✓	✓
Export taxes	✓	✓	✓		✓
Customs	✓	✓	✓	✓	✓
Competition policy	✓	✓	✓		
State aid	TBN	✓	✓		
Antidumping	✓	✓	✓	✓	✓
Countervailing measures	✓		✓		✓
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)	✓				✓
State trading enterprise (STE)	✓				
Technical barrier to trade (TBT)	✓		✓		✓
General Agreement on Trade in Services (GATS)	✓			✓	✓
Sanitary and phytosanitary (SPS)	✓	✓	✓		✓
Movement of capital	✓	✓	✓	✓	
Public procurement	TBN				
Investment	✓				
Intellectual property rights (IPRs)	✓	✓			
Environmental laws	TBN				
Labor market regulation	TBN				
Agreement on Trade-Related Investment Measures (TRIMs)	TBN				

✓ Covered under trade agreement   **TBN** To be negotiated

Source: World Bank, World Development Report 2020: Trading for Development in the Age of Global Value Chains (Washington, D.C.: World Bank, 2019).

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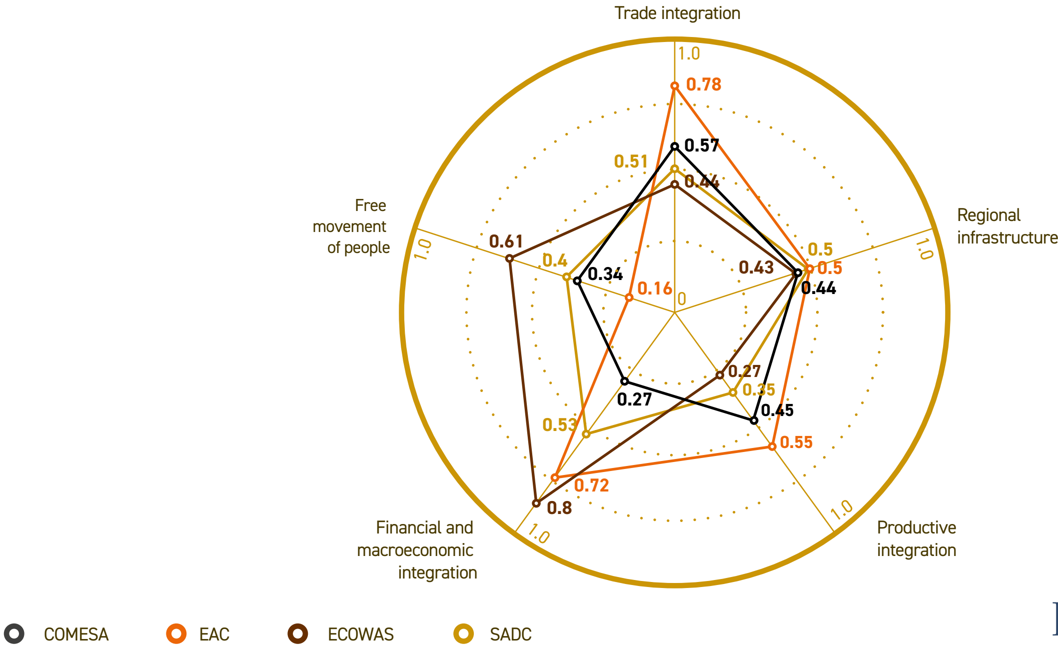
Figure 6.3

Progress on various dimensions of regional integration

The African regional economic communities continue to make progress towards integration, but progress has been uneven across the communities. Notably, the ECOWAS and EAC regions are leading on financial and macroeconomic integration, and the EAC and COMESA have made the most progress on trade integration. Most glaringly, for all regions, is the insufficient progress around regional infrastructure.



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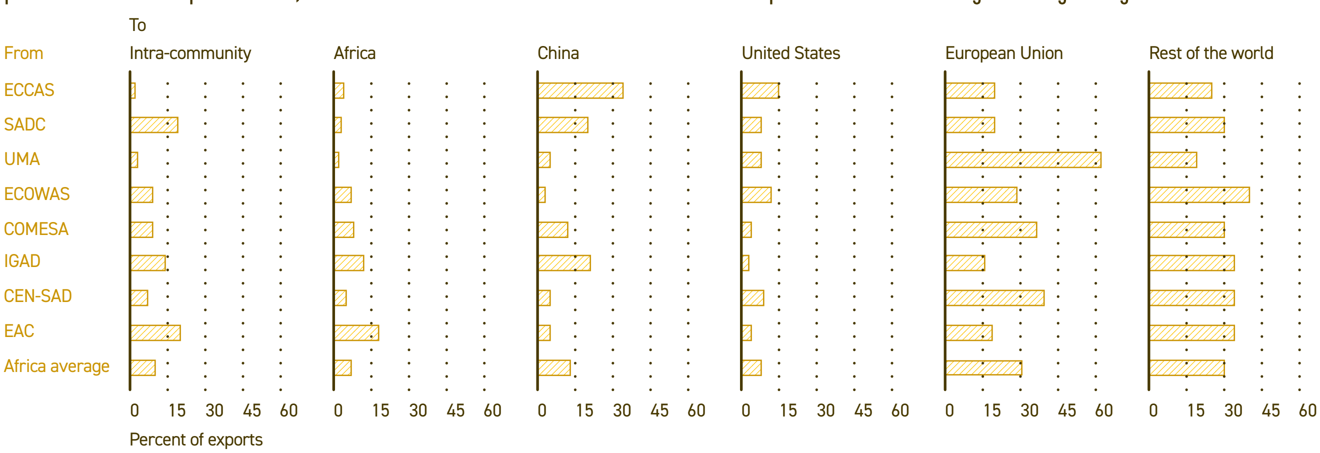
Note: Progress in each dimension of regional integration is scaled from a minimum of 0 to a maximum of 1, where 1 is the best score attainable. Scores in each dimension are calculated by weighting and standardizing selected indicators for each dimension. Productive integration refers to the ability to take part in regional and global value chains in order to unlock productive potential and make sectors more globally competitive and considers items such as shares of intra-regional intermediate goods exports and imports.
Source: "Regional Economic Communities," Africa Regional Integration Index, accessed December 11, 2019.

Figure 6.4

Export trade of the African regional economic communities by partner, 2010–2017 average

The challenge of the AfCFTA will be to increase regional trade beyond the immediate regional economic communities. Though intra-African trade has been increasing slightly, it still remains substantially below optimal levels. With intracontinental exports and imports averaged at 17 and 12 percent, respectively, clearly the region cannot rely solely on its own economy for a demand pull or push. As the figure shows, though, tremendous potential for growth lies within the continent's borders. For example, while both SADC and the EAC export about 20 percent of their goods within their sub-region, only the EAC exports over 15 percent to the rest of Africa. In short, the scope for growth is great when it comes to trade with the rest of the continent. With strong policies for diversifying goods production and also export markets, the AfCFTA could incentivize African countries to shift imports from outside the region to neighboring countries instead.



Source: UNECA, compiled from UNCTAD database.

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Supporting innovation will boost export diversification

For Africa to realize the full potential of the AfCFTA it will have to put in place policies that encourage and protect innovation by both residents and non-residents alike, but with a sharper focus on domestic innovation.

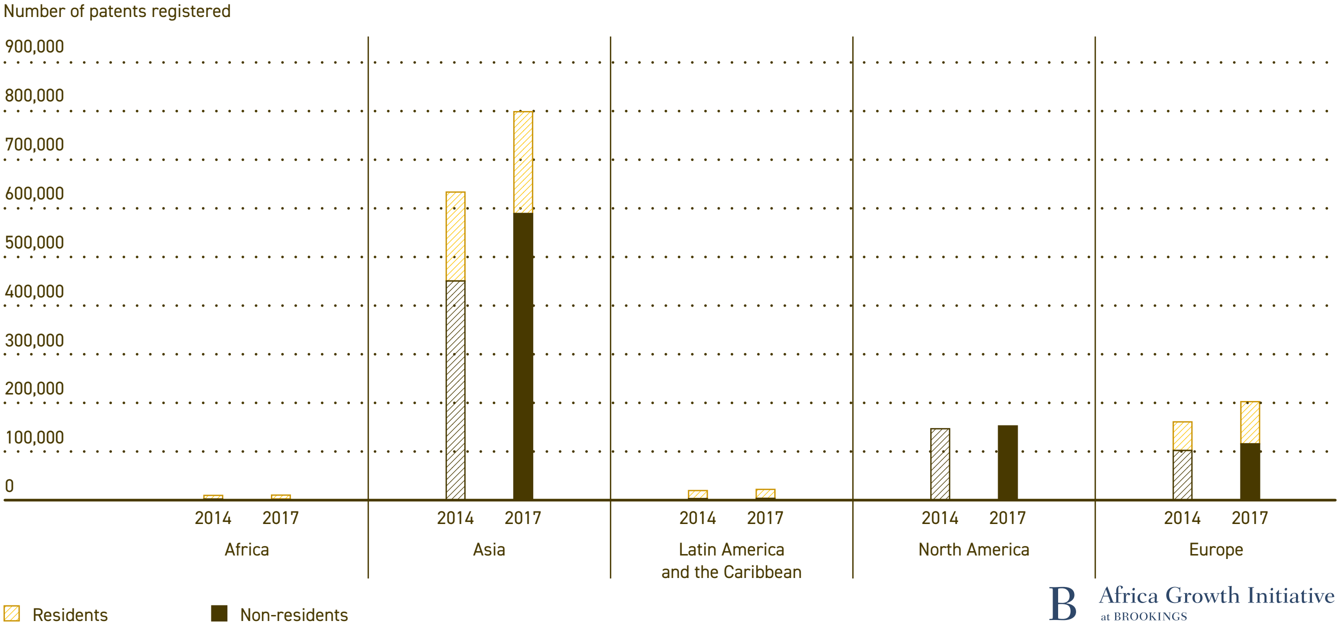
Indeed, an important component of export diversification is innovation—for which Africa is primed due to its young, dynamic, and increasingly educated population. Unfortunately, current policy frameworks on the continent do not adequately protect and encourage innovation.

One indication of innovation is the number of patent registrations filed in countries, and Africa is lagging globally. In 2017, African countries registered 1,330 patents by residents, compared to 1,682 in Latin America and the Caribbean, 592,508 in Asia and 116,359 in Europe (Figure 6.5). Moreover, contrary to the case of Latin America, Asia, and other developing market economies, in Africa, registration by non-residents is higher than by residents and growing faster. The substantial difference between patents registered by residents and patents registered by non-residents could be a result of the high and prohibitive costs of patent registration, as non-residents often are more able to afford patent registration than residents. For example, it is more expensive to register an idea in Côte d'Ivoire, Kenya, or Senegal than it is to register in Canada, the U.K., or Japan, which creates an avoidably and prohibitively high barrier to innovation (Figure 6.6). Notably, countries with more diversified economic bases—such as Tanzania, South Africa, and Botswana—also tend to have lower patent registration costs.

Figure 6.5

Number of registered patents by region

Patents are important tools for encouraging and protecting domestic innovation. As such, an important indicator of innovation is the number of patent registrations filed in a country. Notably, unlike other regions of the world, patent registration by non-residents in Africa is higher than that by residents and is growing faster. Many experts posit that the substantial difference between these numbers could be a result of the high and prohibitive costs of patent registration.

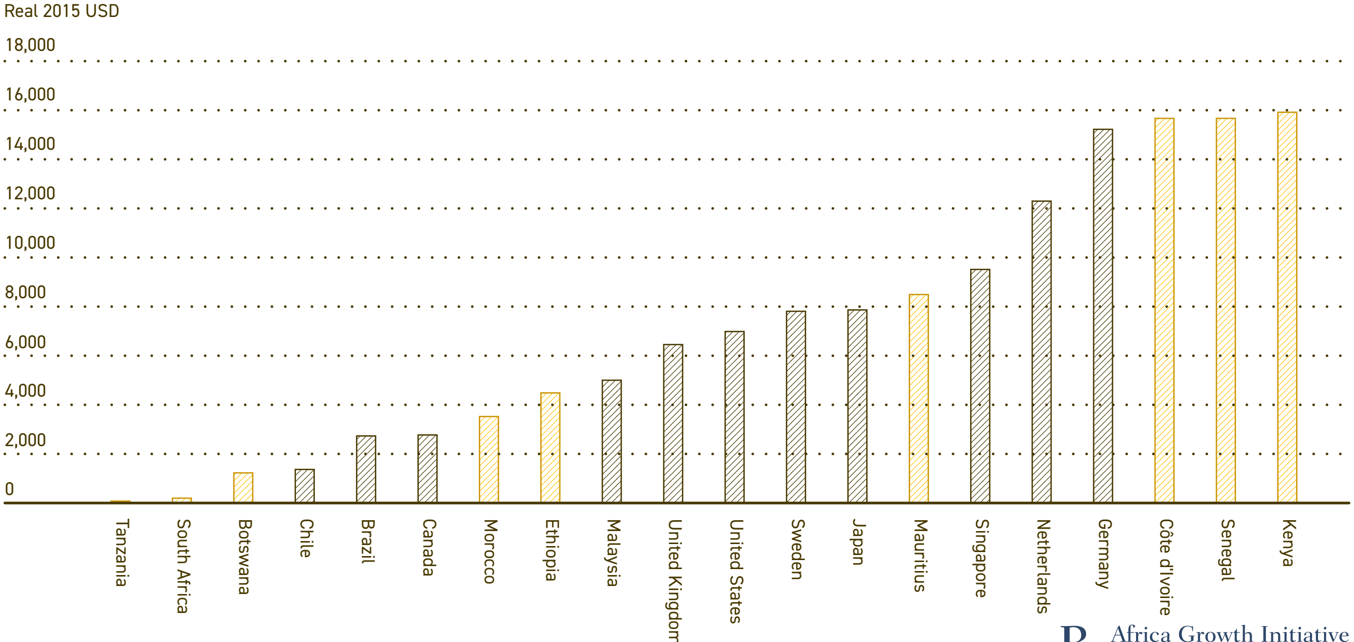


Source: "2018 IP statistics," Africa Regional Intellectual Property Rights, accessed December 6, 2019. African Union, Statute of the Pan African Intellectual Property Organization (Addis Ababa: African Union, 2016).

Figure 6.6

Cost of a patent for a small entity, select countries

Patent registration fees in Africa range from some of the lowest to very high, and too often are much higher than those in developed countries, creating an obstacle for local innovators and entrepreneurs.



Source: Various country patent registration websites.

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In GDP per capita terms, registration costs are even more prohibitive for Africa's innovators, who are more often young and without jobs. Kenya's patent registration fees are 13.3 times its GDP per capita, while for Senegal and Ethiopia the ratio is 10.2 and 7.9 respectively. By contrast, the same ratios for the U.S., Germany, and Malaysia are 0.1, 0.3 and 0.4, respectively, a reflection of more affordability in registration of ideas in other regions.

Two key sectors in which IP protection along with the AfCFTA will boost growth

New technology platforms are developing across the continent, from Ride in Ethiopia to health care platform Bylos in Rwanda. In Kenya, for example, nearly 50 percent of all transactions are done through mobile payment.

In 2018, Africa's **services sector** accounted for over 52 percent of Africa's GDP—largely boosted by the booming digital sector. (For more on the potential of technology and digitization in boosting African economies, see Chapter 5). These technologies are empowering new small and medium entrepreneurs, creating jobs, diversifying economies, improving productivity, and facilitating entry into new markets.[3] The AfCFTA can provide the vehicle for going to scale through a pooled African market—but only if these innovations are adequately protected, a move that requires innovation registration to be standardized across markets. Currently, in some cases, new technologies need to be registered in every country of entry, adding another barrier for young entrepreneurs already facing challenges like financing and poor infrastructure. While policymakers invest heavily in cybersecurity, which is important, significant investment is needed in the protection of innovation by ensuring the application of affordable harmonized IP laws across the continent.

3 Martin Wolf, "The fight to halt the theft of ideas is hopeless," *Financial Times*, November 19, 2019.

In addition, an important area of the intellectual property rights discussion is in the health and pharmaceutical sector. The **health and biotechnology market** holds great potential for the continent. Indeed, a recent report by Global Market Insights projects that the size of the biotechnology market will almost double from about $399.4 billion in 2017 to $775 billion by 2024.[4] Currently, Africa accounts for over 25 percent of the pharmaceutical market, but produces only 2 percent of the drugs used there. The continent also imports over $14 billion worth of drugs, many of which are produced using African plant varieties.

The development of a biotechnology supply chain on the continent will not only help to diversify Africa's economies but will also create jobs. A well-exploited African health care and wellness sector, including regional pharmaceutical value chains, could create over 16 million jobs across the continent. The IP rights discussion is central to the success of Africa's health and pharmaceutical sector. While the World Trade Organization (WTO) supports rules requiring countries to provide an effective level of plant variety protection,[5] an IP protocol in the AfCFTA can address gaps in the existing WTO rules by protecting traditional knowledge, cultural expression, and biological resources.

With the collective weight of the continent behind the AfCFTA, African countries may be able to finally get an agreement harmonizing key IP issues that are not at all or not fully covered under other multilateral treaties.

Next steps for Africa and the Continental Free Trade Agreement

The current trade tensions among the United States, China, and others loom large on the global agenda. Moreover, a synchronized slowdown of the world economy, underpinned by Brexit and a weak euro area, would lower world demand. These challenges portend a difficult external environment and underscore the importance of the AfCFTA. To benefit from the AfCFTA, though, including economic diversification, implementation of policies that encourage and protect innovations are fundamental prerequisites.

In addition to protecting innovation, Africa will have to work towards a **continental policy on research and development** that enables African governments to accelerate research and development in universities. Second, as more and more industries locate to the continent, Africa must ensure that the innovations from its new companies are available to or shared with local producers. Third, to support innovation, **education, especially higher education and education for girls**, has never been more crucial for Africa. Growth in areas like the pharmaceutical and biotechnology sectors requires substantial investments in higher education. Education will support efforts to build and strengthen Africa's competitiveness in an increasingly global environment where margins are dropping and competition is increasing. Already, regional institutions like the African Regional Intellectual Property Organization and the Pan-African Intellectual Property Organization provide for regional cooperation in the management of IPs as Phase II negotiations of the AfCFTA begin, but a **continental regulatory body** could help to harmonize regulation and implementation of policies.

We're still getting out of the starting gates, but already Africa is speeding ahead. While implementation of this landmark trade agreement will require time and effort, protecting the spirit of and Africa's aspirations for increased trade and prosperity should be the focus of the policymakers, the private sector, and the international community alike over the next decade and beyond.

4 Sumant Ugalmugale and Rupali Swain, *Biotechnology Market* (Selbyville, DE: Global Market Insights, 2019).

5 See Article 27.3 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) – plant and animal inventions are patented if they are new. See also Alan Oxley, *Retarding Development: Compulsory disclosure in IP law of ownership and use of biological or genetic resources* (Melbourne: Australian APEC Study Center, Monash University, 2006).

Viewpoint

Support for governance in Africa will level the playing field for US commercial engagement with the region

Witney Schneidman, Nonresident Fellow, Africa Growth Initiative, Brookings Institution
@WitneySchneid

To many nations and international businesses, Africa is increasingly an important investment destination. In August, at the Tokyo International Conference on African Development, Japan's private sector committed to investing $20 billion over three years in Africa.[1] At the first Russia-Africa Summit in Sochi in last October, the Kremlin announced that $12.5 billion worth of deals were reached, although mostly in the form of memorandums of understanding.[2] Even as Europe wrestles with Brexit, the European Union held the fifth Africa business forum in Morocco last November. And, in an effort to spur investment, the U.S. has sought to revamp its commercial engagement in Africa through the creation of the $60 billion U.S. Development Finance Corporation and a more active commercial diplomatic strategy known as Prosper Africa. The list goes on.

While this trend is welcome, American companies have yet to enter African markets at a significant scale due to the perceived risk in investing there. In fact, only 14 African countries are in the top half of the Transparency International's Perceptions of Corruption Index, which ranks 180 countries according to the perceived levels of public sector corruption. Conversely, 29 countries from the continent are ranked among the bottom 50 nations. Given the extra-territorial reach of the U.S. Department of Justice in its efforts to enforce the Foreign Corrupt Practices Act, American companies are likely to be risk-averse entering many emerging markets, especially in Africa.

Indeed, Paul Boynton, chief executive of Old Mutual Alternative Investments, notes that global investors are holding back because of the perceived risks of investing in Africa, which in reality are much higher than the actual risks.[3] Indeed, the recent governance trend line has been positive, if uneven. The Ibrahim Index of African Governance notes that three out of four African citizens now live in a country where governance has improved over the past 10 years.[4] At the same time, more elections are taking place in Africa than ever before, although fewer than one in six leads to a full transfer of power to the opposition.[5] In fact, virtually every country now holds an election on a regular basis. The African Union, which will suspend a government that comes into power

1 Aisha Salaudeen, "Japan takes on China with a planned $20 billion investment in Africa," *CNN*, August 30, 2019.
2 Henry Foy, "Russia turns on the charm at first Africa summit," *Financial Times*, October 24, 2019.
3 Paul Boynton, "Sub-Saharan Africa's struggle to attract impact investment," *Financial Times*, August 28, 2019.
4 Mo Ibrahim Foundation, *Ibrahim Index of African Governance Report* (London: Mo Ibrahim Foundation, 2018).
5 Martin Ronceray and Bruce Byiers, "Elections in Africa—Playing the game or bending the rules?" *ECDPM Discussion Paper* 261 (2019).

through extra-constitutional means, has committed member governments to "regular, free, fair and transparent elections" through the African Charter on Democracy, Elections and Governance.[6]

Since the end of the Cold War and the fall of the Berlin Wall, the demand for accountable governance in Africa and regular elections has become one of the region's defining characteristics. Most recently, for example, in Zimbabwe, an impressive 70 percent of the electorate turned out for the first post-Mugabe elections, though they also tragically resulted in at least six deaths in post-election violence when the military turned on protestors. Given Africa's aspiration for free and fair elections, it is in the interests of the continent's partners to redouble their funding for improved transparency, fair and free elections, and respect for the rule of law, which inevitably will lead to increased foreign direct investment.

The U.S. should be a leader in this effort. Africa receives about $16 billion in aid annually from the U.S., including long-term development assistance, humanitarian programs, political aid and military and security assistance.[7] However, when it comes to support for democracy programs—elections, human rights and gender equality organizations, political parties, and legislatures—the amount spent across Africa's 54 countries in 2017 was a paltry $286 million, only 1.78 percent of total aid, or about $5 million per country.[8] As it concerns investments in anti-corruption programs and institutions in Africa that same year, the U.S. spent only $9 million. This equals just over $165,000 per country, a relatively insignificant amount given the challenges and potential commercial significance of many African markets.

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The U.S. would do well to step up investments in Africa's democratic institutions and processes. A more transparent investment environment in Africa will level the playing field between American companies and many of its competitors, especially those from China. Given the region's youthful population and the spread of social media in urban areas, the demands for democratic accountability and transparency are likely to grow. So will the demand for jobs, which only the private sector can provide at the required scale. Indeed, employment in Africa continues to be a challenge, as 85.8 percent of employment is in the informal sector, and the region needs to create 12 million jobs annually to keep up with population growth.[9]

Helping to strengthen democratic and transparent processes and institutions in Africa will improve the investment environment. Improved governance will decrease the perception of risk in Africa, and the volume of U.S. investment in the region will likely grow. Both Africa and the U.S. will be significant beneficiaries.

6 African Union, *African Charter on Democracy, Elections, and Governance* (Addis Ababa: African Union, 2007).

7 James McBride, "How Does the U.S. Spend Its Foreign Aid?" *Council on Foreign Relations*, October 1, 2018.

8 OECD. 2019. Creditor Reporting System. Accessed on September 23.

9 Celestin Monga, "Jobs: An African Manifesto," in *Creating Decent Jobs: Strategies, Policies, and Instruments,* eds. Celestin Monga, Abebe Shimeles, and Andinet Woldemichael (Abidjan: African Development Bank, 2019), 1-47.

Viewpoint

Unpacking the engagement of nontraditional actors in Africa: China and other emerging players

Yun Sun, Nonresident Fellow, Africa Growth Initiative, Brookings Institution

While China, Europe, and the United States have been intensifying their competition in Africa over the last decade, the next decade is likely to see other players making more prominent moves. Among them, India, Russia, and major actors in the Middle East are already shifting resources and attention to the promising continent.

Chinese financing begins to show downsides

China's comparative advantage has laid in the large financial resources at its government's disposal and its state-backed economic engagement model. Although Beijing has indicated a desire to increase private equity investment in Africa, it is unlikely to abandon its overall priority on infrastructure development financed by Chinese loans. But as the frenzy over the large Belt and Road Initiative infrastructure projects in Africa subsides with the existing projects' loan payments due, African governments have to deal with the sobering financial consequences of projects such as the Addis-Djibouti railway and the Mombasa-Nairobi railway.

The Chinese financing model has been widely criticized by observers, and the debt sustainability problem does not only affect African government borrowers, but also the Chinese banks as creditors. As the Second Belt and Road Forum in April 2019 ushered China into a stage of more stringent and responsible lending mechanisms, the hope is that Chinese financing to Africa will become more disciplined. But this also requires African governments to be more disciplined and cautious in their economic cooperation with China. Instead of indulging in what appears to be easily available funding, African governments will have to recognize and prepare for the consequences of debt to China, both economically and in terms of security and other strategic implications.

India looks to engage through technology

India is also growing its partnership and deepening economic and political relations with Africa. Although the amount of financing may not rival that of China, India's engagement efforts are comprehensive, including bilateral senior visits, increased trade and investment, development assistance, and trilateral cooperation alongside other countries. Indian technology centers in Africa have the potential to advance high-tech development in the region, an area that other partners have generally neglected. In fact, since 2015, six IT centers have been established in the region, including the Center of Excellence in Information Technology in Morocco, a Center for Advanced

Information Technology in Lesotho, and related centers in Madagascar and Zimbabwe. India has also built up vocational training centers in seven nations, including the Gambia and Rwanda.

Russia is reviving its involvement

Although Russia is nowhere near where the Soviets had been in terms of engagement and influence in Africa, Moscow is launching a charm offensive to resurrect old bonds, strengthen its commercial and security presence, and garner support on the world stage. Notably, this relationship is drawing scrutiny, largely from the United States, which is critical of what it calls Russia's "votes for arms" deals.[1] In the meantime, Russia remains a key player in arms sales to Africa, although investment and other economic activities have a long way to go.

Although Russia's commercial engagement is lagging, progress is notable, with its trade with Africa jumping from $1.8 billion in 2010 to $4.8 billion in 2018.[2] Given Russia's strength and Africa's needs in the energy sector, partnerships and investments in traditional oil and gas as well as nuclear power are arising in Côte d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Nigeria, Rwanda, Zambia, and elsewhere. Furthermore, in October 2019, Russia hosted the first-ever Russia-Africa Summit in Sochi, during which $12.5 billion worth of deals were struck. Russia also announced the forgiveness of $20 billion in debt.

Turkey is igniting engagement

Turkey has been gradually raising its profile in Africa for the past decade. In the past 15 years, its trade with African countries has quadrupled from $5.4 billion to $20.6 billion. Turkey and Africa have established summits and a formal partnership since 2008, and Turkish President Tayyip Erdoğan has made more than 30 trips to Africa since coming to power in 2003.[3] Under his watch, Turkey has expanded its diplomatic presence to more than 40 embassies in Africa, up from 12 in 2009. Similarly, the state-controlled Turkish Airlines now flies to more than 50 African destinations, up from 14 just nine years ago.

Countries in the Middle East look to bolster their regional presence

The Middle Eastern countries have demonstrated increasing interest in Africa's economic potential in recent years. As a regional and global trade hub, the **United Arab Emirates** (UAE) is quickly recognizing the tremendous potential Africa's emerging markets and industrialization bring, and has become a leader in African investment within the Gulf Cooperation Council, overtaking Saudi Arabia in 2016. Due to the UAE's geographical proximity to Africa, many large multinational companies have already established their Middle East and Africa headquarters in Dubai. Both Dubai and Abu Dhabi have made considerable investments in African infrastructure, technology, and energy: For example, during President Cyril Ramaphosa's visit to the UAE in July 2018, the country announced a $10 billion investment in infrastructure and enterprise growth within the South African economy over the next few years.

1 "Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration's New Africa Strategy," *White House National Security Council,* December 13, 2018.

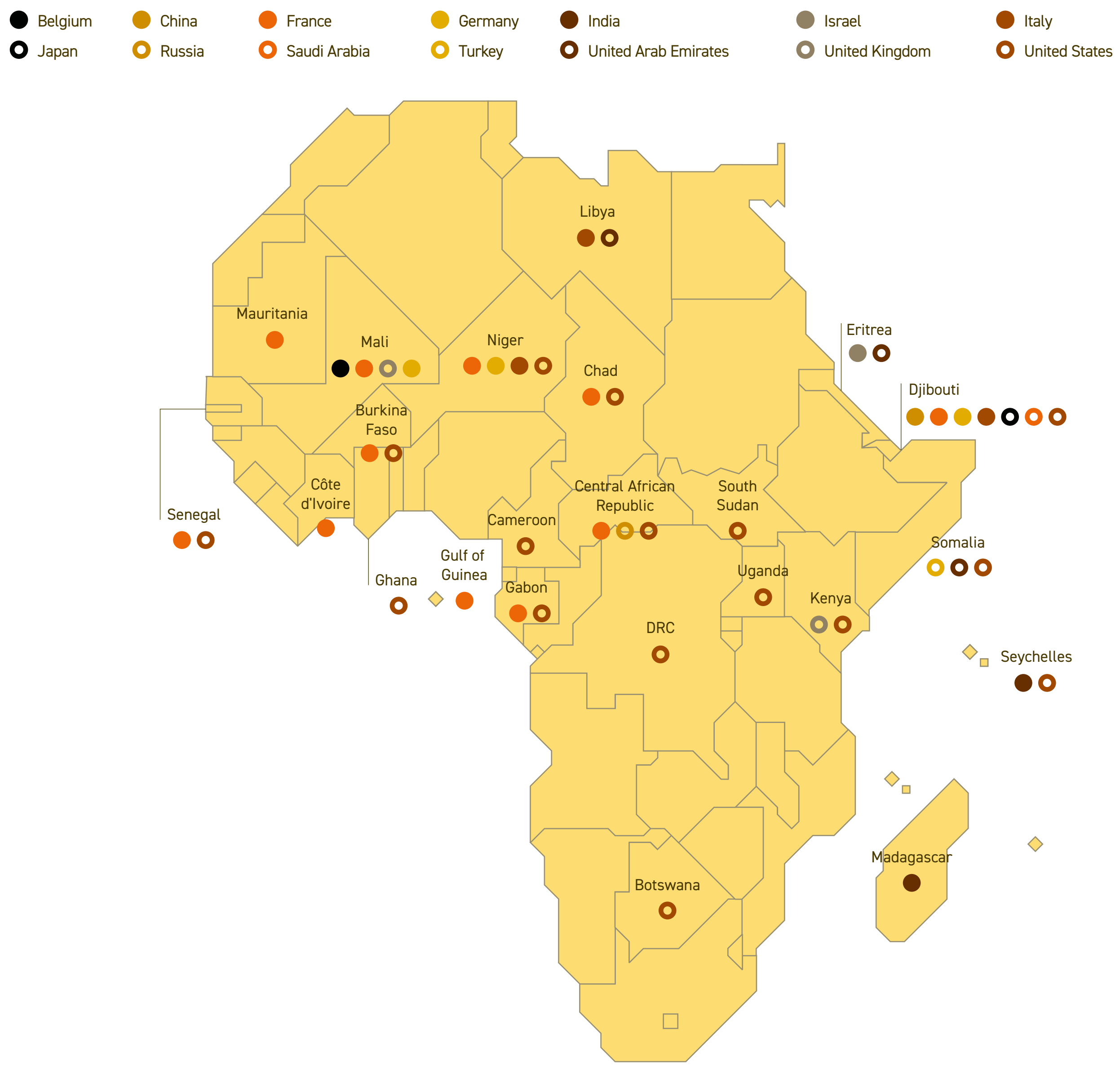
2 Landry Signé, "Vladimir Putin is resetting Russia's Africa agenda to counter the US and China," *Brookings Institution,* October 22, 2019.

3 Peter Kenyon, "Turkey Is Quietly Building Its Presence in Africa," *NPR,* March 8, 2018.

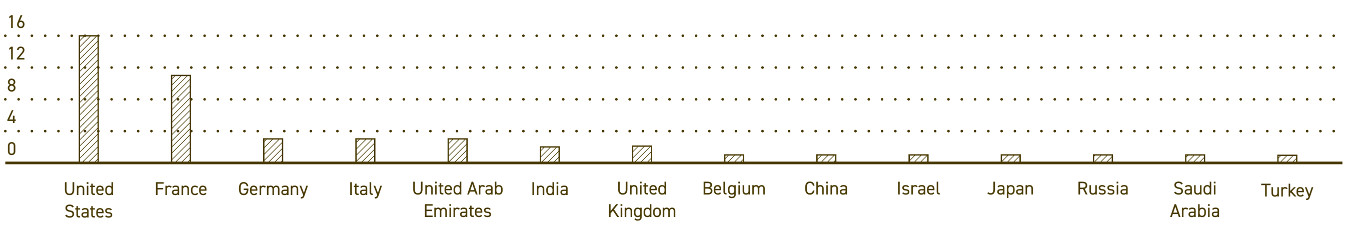
Figure 6.7

Defense partnerships: Military outposts in Africa

As commercial engagement has increased so has security collaboration, with many African countries hosting a number of European and Asian military outposts. Djibouti's location on the Red Sea makes it a particularly strategic security partner. Even so, the United States remains the partner with the most military outposts in the region, followed by France.



Military outposts by foreign country



Source: Andrews Atta-Asamoah, "Proceed with caution: Africa's growing foreign military presence," Institute for Security Studies, August 27, 2019.

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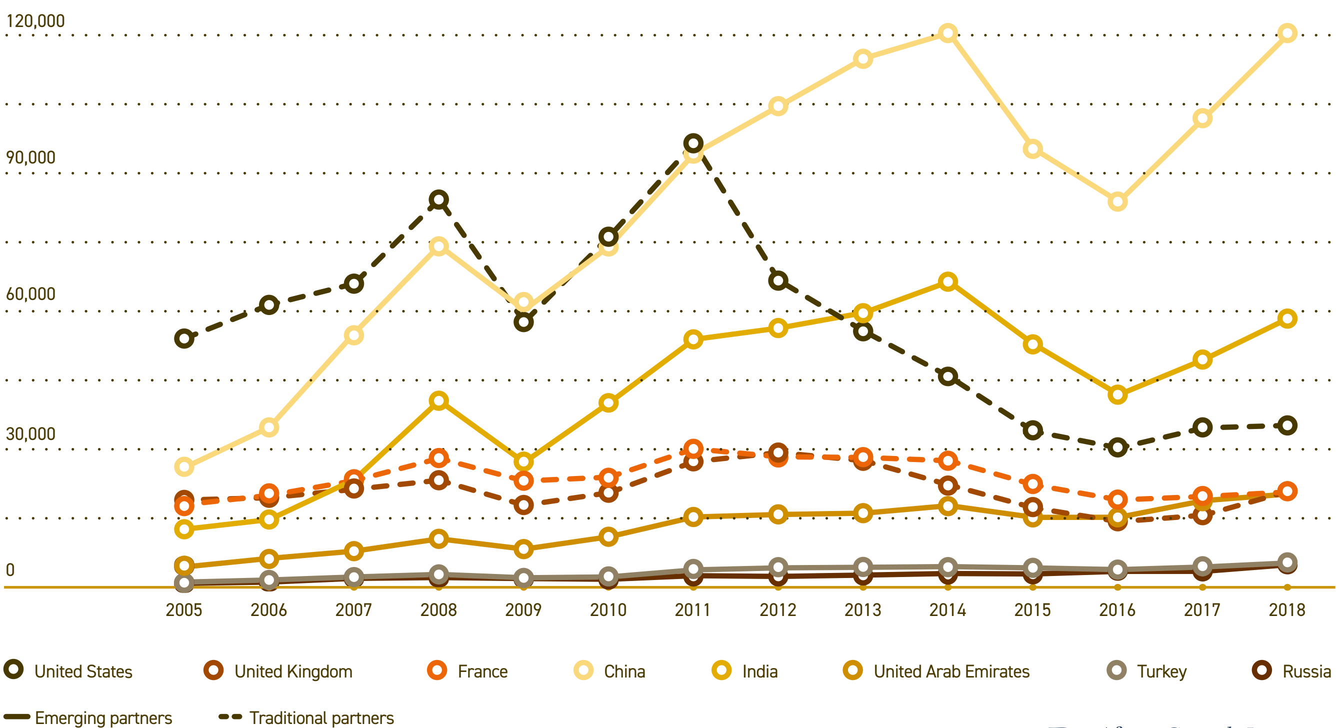
Figure 6.8

Africa's commercial and diplomatic partnerships

Africa's partnerships with the world have rapidly evolved in recent years and are likely to continue doing so over the next decade. Emerging partners such as China, India, the United Arab Emirates, Turkey, and Russia are increasingly trading with the continent, holding summits with African leaders, and establishing a military presence in Africa. In contrast, traditional partners such as the U.S. and countries in the European Union have, in many cases, decreased their involvement with Africa.

Commercial partnerships: Trade with traditional and emerging partners

While China, India, and other new partners increase their commercial relationship with the continent, trade with more traditional partners, especially the U.S., is dipping.



Source: "Direction of Trade Statistics," IMF, accessed November 12, 2019.

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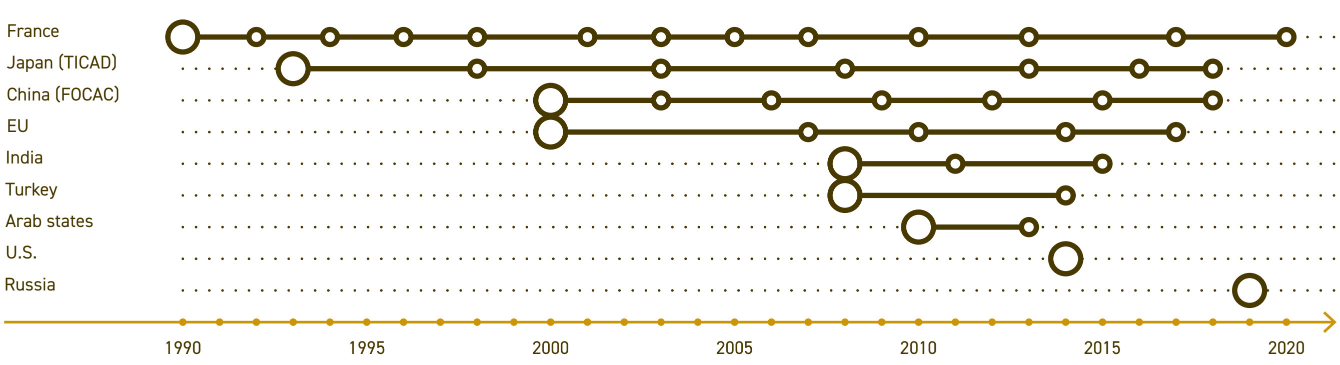
Diplomatic partnerships: Summits with African leaders

The United States is playing catch-up in terms of using a continent-wide leaders' summit to frame its strategy with Africa, as Japan, China, and the European Union have all maintained long-running Africa heads-of-state summits. Russia is the newest country to engage in such a way. Summits offer opportunities not only for high-level diplomatic engagement, but also facilitation of commercial relationships.



Note: Larger dots represent first conference meeting.
Source: Judd Devermont, "The Art of Summitry," Center for Strategic and International Studies, September 30, 2019.

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Partially reflecting the competitive relationship between the UAE and **Saudi Arabia**, during that same trip, Ramaphosa was able to secure a $10 billion investment commitment—focused on reviving South Africa's energy sector—from Saudi Arabia. In its quest for food security, Saudi Arabia has also become the top investor in agriculture in Africa.

Africa might just be the new battleground for the feud between the Gulf states and **Qatar**. Qatar currently has more embassies in Africa than any country other than Turkey. To expand security ties and develop economic relations, including in its quest for food security, the Qatari government has been increasingly active in African peace and security affairs and economic investment. Indeed, Qatar has played the roles of both a mediator and an investor in the Sudan Darfur issue and between Eritrea and Djibouti in their border disputes.

As the world's fastest-growing continent, Africa is attracting attention and resources from all key world and regional players. This trend will continue to grow in the foreseeable future, resulting in a much more diverse and complex picture in terms of the external players' roles and impact on Africa. The diversification of Africa's external partners, which will continue over the next decade, is generally a positive trend, as the involvement of more interested players will reduce the continent's dependence on any single party. Now, African policymakers and leaders must manage the complex competitive relations among these new partners while maximizing the gains for African society and peoples. Capacity building of African states and civil society is now an even more pressing task.

Viewpoint

How to make the global governance system work better for Africa

Kemal Derviş, Senior Fellow, Global Economy and Development, Brookings Institution @KemalDervis

The provision of global public goods (GPG)—such as mitigating climate change, fighting tax avoidance, or preserving and extending fair rules-based international trade—is even more important for Africa than for other parts of the world. And yet, Africa could be sidelined from the decision-making process for the foreseeable future in a global governance system dominated by the G-2 (the United States and China) or the G-3 (should the European Union succeed in acting cohesively).

Mitigating climate change. A prime example of a GPG in which Africa has an outsized stake is climate protection given the region's high exposure to climate change. In fact, according to the Intergovernmental Panel on Climate Change, given Africa's geographic position, high dependence on ecosystem goods and services, and weak adaptation capacity, no continent is more vulnerable to the effects of climate change that come with worsening drought conditions, increased water stress, and sea level rise.1 (For more on the impacts of climate change on Africa, see Chapter 4.)

Protecting corporate tax bases. Given Africa's challenge with domestic resource mobilization, another important example of a GPG for the region is the protection of corporate tax bases—in other words, preventing large corporations from shifting their accounting profits to the countries with the lowest tax rates. This issue is particularly important for Africa, where corporate taxes are a substantial fraction of total government revenue.[2] Some progress has recently been made on this front under the OECD/G-20 Inclusive Framework on Base Erosion and Profit Shifting.[3] The OECD-sponsored work has expanded to the issue of fair taxation of digital platforms, and is now trying to unify various proposals with the aim of reaching international rules focused on an agreed definition of a country's tax base as well as a global floor to national tax rates.[4] The issues involved remain contested: Progress has been made on tax evasion through the automatic exchange of information between countries, but steps to reduce legal tax avoidance are still being discussed. It is good that many African countries are participating in the work of the OECD/G-20 to make sure the region's interests are well represented.

Africa's mostly small nation-states have a great interest in a rules-based multilateralism rather than an international order based on ad hoc "deal-making," where the very large players can exert their weight in each case

Ensuring a fair and stable system for international trade. As many African countries are small, trade-dependent economies where export-led strategies are necessary for economic success,[5] a fair and stable system of rules governing international trade is a third example of a GPG vital for Africa. Sidelining the World Trade Organization would not be in the interest of African countries.

In these as well as other domains of global governance, Africa's mostly small nation-states have a great interest in a rules-based multilateralism rather than an international order based on *ad hoc* "deal-making," where the very large players can exert their weight in each case.

The way forward

In the past, the least developed countries—including most African nations—were able to secure some special consideration in the domains of trade ("equal but differentiated treatment") and climate (special treatment in the Kyoto protocol), owing to their low income levels. This principle should continue to be applied during the coming decade.

1 Isabelle Niang et al., "Africa," in *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change,* ed. Vicente R. Barros et al. (Cambridge, U.K. and New York: Cambridge University Press, 2014), 1199-265.

2 "Corporate tax remains a key revenue source, despite falling rates worldwide," *OECD,* January 15, 2019.

3 "International Collaboration to End Tax Avoidance," *OECD/G-20*, 2019.

4 "OECD invites public input on the Secretariat Proposal for a 'Unified Approach' under Pillar One," *OECD,* November 15, 2019.

5 Vera Songwe and Deborah Winkler, *Exports and Export Diversification in Sub-Saharan Africa* (Washington, D.C.: Brookings Institution, 2012).

However, going forward, Africa's losses because of tax avoidance or global warming threaten to dwarf the gains it may receive through the traditional special treatment regime. Full participation in the rule-making process is thus the first global governance-oriented objective that African nations should pursue.

A related specific objective for African countries should be to argue for the introduction of a population variable in the calculation of voting weights where weighted voting applies, such as in the governance of the Bretton Woods institutions.[6]

True, it would be unrealistic and unjustified for population to be the main determinant of voting weights in international institutions. There is no global democracy, nation-states are still the legitimate constituent units of the global system, and voting weights should reflect nations' capacity and willingness to contribute resources to the provision of global public goods. But population should not be excluded altogether. The basis of global governance has always included a partial recognition of the democratic principle of "one person, one vote," as is evident from the beginning of the Charter of the United Nations: "We the People…" This principle should translate into at least a modest role for population in calculating governance weights.

A world in which the rules of the game are essentially made by the superpowers alone, either globally or within their own spheres of influence, is not in Africa's interest. For Africa to be able to lend its support to the kind of multilateralism from which it will benefit, African nations will have to take further steps in uniting their voices toward this common goal.

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6 Currently, voting weights at the IMF only include GDP, openness, variability of current payments and net capital flows, and international reserves. For details, see Brahima Sangafowa Coulibaly and Kemal Dervis, "The governance of the International Monetary Fund at age 75," Brookings Institution, July 1, 2019.