06

AFRICA'S EXTERNAL RELATIONS: REINVENTING AND PURSUING NEW PARTNERSHIPS

ESSAY

VIEWPOINTS

GOVERNANCE CALL-OUT

The tips of the butterfly: Linking East Asia and Africa

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In the late 1990s, South Africa's then-Trade and Industry Minister Alec Erwin likened the country's trade strategy to a "butterfly," according to which the thorax ran north-south to Europe and North America, while the "wings" oriented west-east were to link Africa with Latin America and Asia.

Erwin's concept promised much then, as now, for a diversification effort, but so far has delivered less. Still, there is much to gain from closer regional ties, in at least two respects.

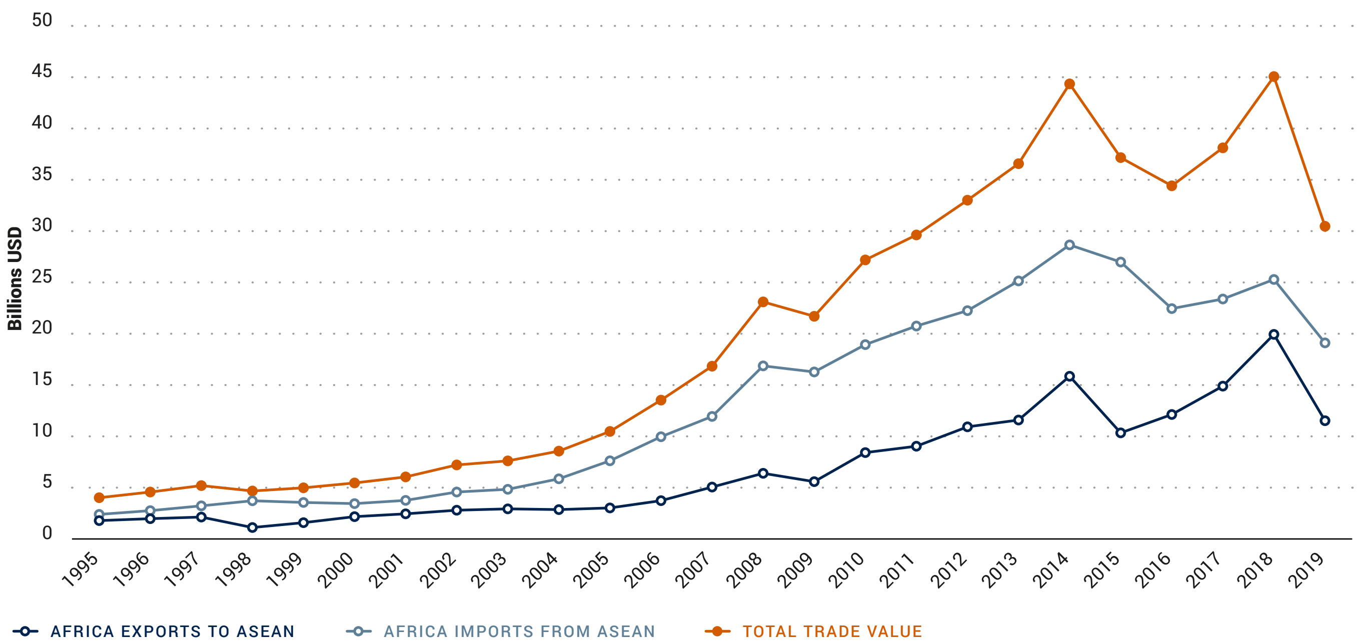
The first of these is underscored by the growth and nature of economic relations. While trade relations between Africa and Asia have burgeoned, they remain lopsided; Africa is primarily a source of raw commodities, Asia an exporter of finished products. This result speaks to the relative development and diversification experience of the two regions over the last 60 years.

Moreover, the trend also hints at the second benefit of closer regional ties: Africa does not have to reinvent the development wheel in learning from Asia's experience.

That more than 1 billion people have been lifted worldwide out of extreme poverty since 1990s is largely due to developments in East Asia—and in China in particular.

FIGURE 6.1. AFRICA-ASEAN TRADE VOLUME, 1995-2019

Trade between Africa and ASEAN countries grew rapidly in the 10 years between 2004 and 2014. Both exports and imports fueled the rise in trade. Since 2014, trade between the two blocs has leveled off as African imports with ASEAN receded.



SOURCE: Authors' calculations, WITS Trade Flow, 2020.

THE ASIA STORY HAS LESSONS—BOTH GOOD AND BAD—TO SHARE

Not so long ago, many Asian countries found themselves under circumstances very similar to much of Africa today: high levels of poverty, commodity dependent, political and social instability, and with few prospects of employment for burgeoning urban populations.

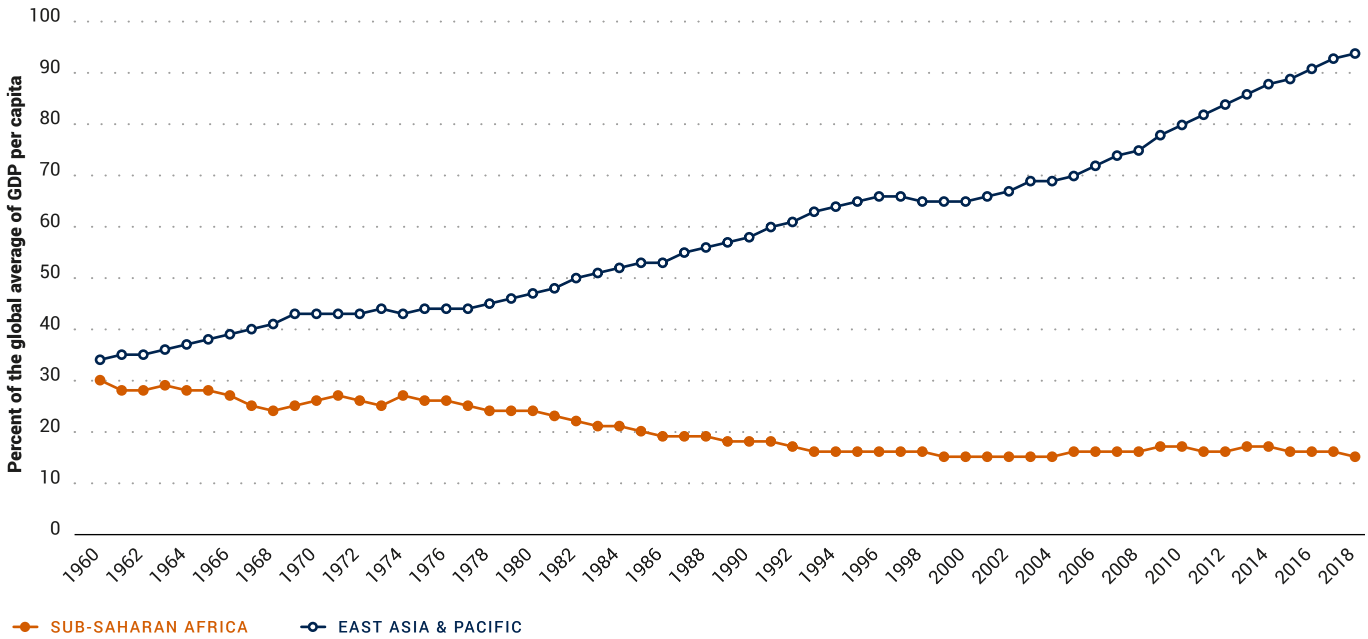
The transformation started with Japan after World War II, when it redirected its industrial prowess towards consumer manufacturing rather than imperialist ambition. Then followed the "Asian Tigers", as South Korea similarly transformed itself from the debris of the Korean War. Between 1962 and 1989, the Taiwanese economy grew at nearly 10 percent each year. The same happened in Singapore between 1967 and 1993. And so followed others. Now, the 620 million-person, 10-country ASEAN (Association of South East Asian Nations) grouping[1] has seen its average Human Development Indicator improve from 0.543 to 0.719 between 1990 and 2018, reflecting the region's impressive improvements in both the expectancy and quality of life.[2]

Then along came China. The sheer scale of its population coupled with an average of nearly 10 percent annual growth has been responsible for three-quarters of the global poverty alleviation effect by lifting 680 million people out of misery, reducing its extreme-poverty rate from 84 percent to just 10 percent in 33 years starting from 1980. As a consequence, over half of the world's poorest now live in sub-Saharan Africa.

The importance of learning from the example of others, and looking forward, not backwards, are two of the central lessons from East Asia's development revolution. There

FIGURE 6.2. REGIONAL GDP PER CAPITA RELATIVE TO THE WORLD'S GDP PER CAPITA

In 1960, the average GDP per capita of the world was just $445. At $134, sub-Saharan Africa's GDP per capita was 30 percent of the world's average. East Asia and the Pacific's GDP per capita was slightly higher, at $151. However, the relative GDP per capita of these two regions have diverged sharply since then. Now, East Asia and the Pacific's GDP per capita is almost equivalent to the global average ($11,345), while sub-Saharan Africa remains at 15 percent of that number.



NOTE: Data are in constant 2010 USD.
SOURCE: Authors' calculations, World Development Indicators, 2019.

1 ASEAN includes: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
2 "Human Development Reports." United Nations Development Program, 2019.

FIGURE 6.3. LESSONS FROM THE ASIAN EXPERIENCE

WHAT ASIA DID	WHAT AFRICA SHOULD AVOID
Listen to business	A focus on commodities alone
Ensure openness	Mistake trading for development
Instill the basics: political and macro stability	Infrastructure absent a package of logistics
Invest in education and skills	Reattempt import substitution
Import ideas and talent, and learn	Ignore the environment for the next generation
Endlessly improve productivity	Lose not use the upcoming demographic change
Attach a laser-like focus to job creation.	Attempt authoritarianism as a political solution

are others: The premium of good leadership, rolling out the "basics" from agriculture to infrastructure, and the central importance of openness (summarized in Table 6.1).

Despite the obvious differences, Africa and Asia share many similarities: In fact, East Asia seemed to have very few advantages over Africa at the point of decolonization.

Traditional East Asian societies were often characterized by ethnic disunity, frail institutions, limited governance outside of the capital, weak democracy, subsistence agriculture, fragmentary external trade linkages, and acute social stratification—conditions prevalent in many African states.

Traditional East Asian societies were often characterized by ethnic disunity, frail institutions, limited governance outside of the capital, weak democracy, subsistence agriculture, fragmentary external trade linkages, and acute social stratification[3]—conditions prevalent in many African states. Both share a history of commodity and colonial exploitation, where the conquerors were sharply divided from the conquered by race, though there was a tendency on the part of the colonizers to favor some local groups over others.

East Asia has prospered in spite of this legacy. While most East Asian countries had to accept a complex ethnic make-up as a result of colonial involvement—as did Africa—this situation, in most cases, has not resulted in endemic instability. East Asia, too, has had to cope with weak human capital, yet its states have, by and large, quickly turned their people into an asset through investment in education. While Africa's institutional capacity is cited as a structural developmental impediment, some countries in Southeast Asia have grown economically with institutions at independence far worse resourced than those in African countries. Few African countries, after all, can claim the bitter cost and damage wrought by the wars in Vietnam, Laos, and Cambodia.

Whereas some Asian countries enjoyed especially large aid flows (South Korea and Taiwan, for example) and continue to do so (such as Vietnam), they did not allow themselves to become dependent on this single source of income. Most Asian countries have put aid to good use, in part because of firmer local ownership of projects.

Similarly, a more conducive policy environment also helps to explain why some East Asian countries have used their significant natural resource endowments to their advantage (Vietnam, again, or Malaysia, for instance) without becoming overly locked into commodity production and, hence, vulnerable to price fluctuations.

The regions share a parallel on corruption. Africa's average ranking in 2018, for instance, on Transparency International's Corruption Perceptions Index is 32/100; ASEAN scores 42/100. (The world average is 43, with higher scores indicating better governance.)[4]

3 Osborne, Milton. Southeast Asia: An Introductory History. Allen & Unwin, 2013.
4 "Corruption Perceptions Index." Transparency International, 2021.

The difference in development results between the regions does not originate in political systems either,[5] even though for some, East Asia's development success has been used to justify authoritarianism, given that the region's economies have managed high economic growth rates without full political rights.

Rather, a lot of East Asia's success has been down to leadership, policy style, and governance substance.

Overall, the most notable differentiating factor between the regions of Africa and East Asia is in the relationship between government and the private sector.

Key aspects of Asia's relative economic success—including high spending on education, bureaucratic responsiveness, attractive policy for business investment, low wages, high productivity, investment in infrastructure, raised agriculture outputs as an initial spur to growth, and an overwhelming focus on competitiveness—are routinely overlooked by advocates for autocracies.

Those East Asian states that attempted centrally planned economic development were a catastrophe, just as the model has, too, proven a disaster in the African countries pursuing this path. Asian countries—e.g., China, Cambodia, Vietnam—that moved away from this model immediately prospered.

Overall, the most notable differentiating factor between the regions of Africa and East Asia is in the relationship between government and the private sector. Investment growth that diversifies the economies and creates jobs, notably in industry, in Africa has remained comparatively very low.

The extent of economic openness, not only to trade and capital but also technology and the ideas that go with it has been key in these success stories. The figures are stark. Whereas its population share is 18 percent of the global sum of 7.9 billion people, Africa today receives an average of around 3 percent of global flows of foreign direct investment (FDI). The continent's GDP amounts to just under 2.7 percent of the worldwide total—a share per capita that has fallen by 50 percent over the last 60 years.

Japan's industrialization was, for example, based on three key elements:

- a strong private sector supported by an education system providing apposite skills;
- a supportive state;
- a willingness to attract and absorb outside ideas, technology, skills, and capital.

Simply being receptive to outside thinking was not enough. The government deliberately sought lessons and imported technical and commercial partners by sending government officials abroad to network and study. In pre-World War II Japan, as much as two percent of the government's budget was dedicated to the advice of foreign corporate and industrial specialists.

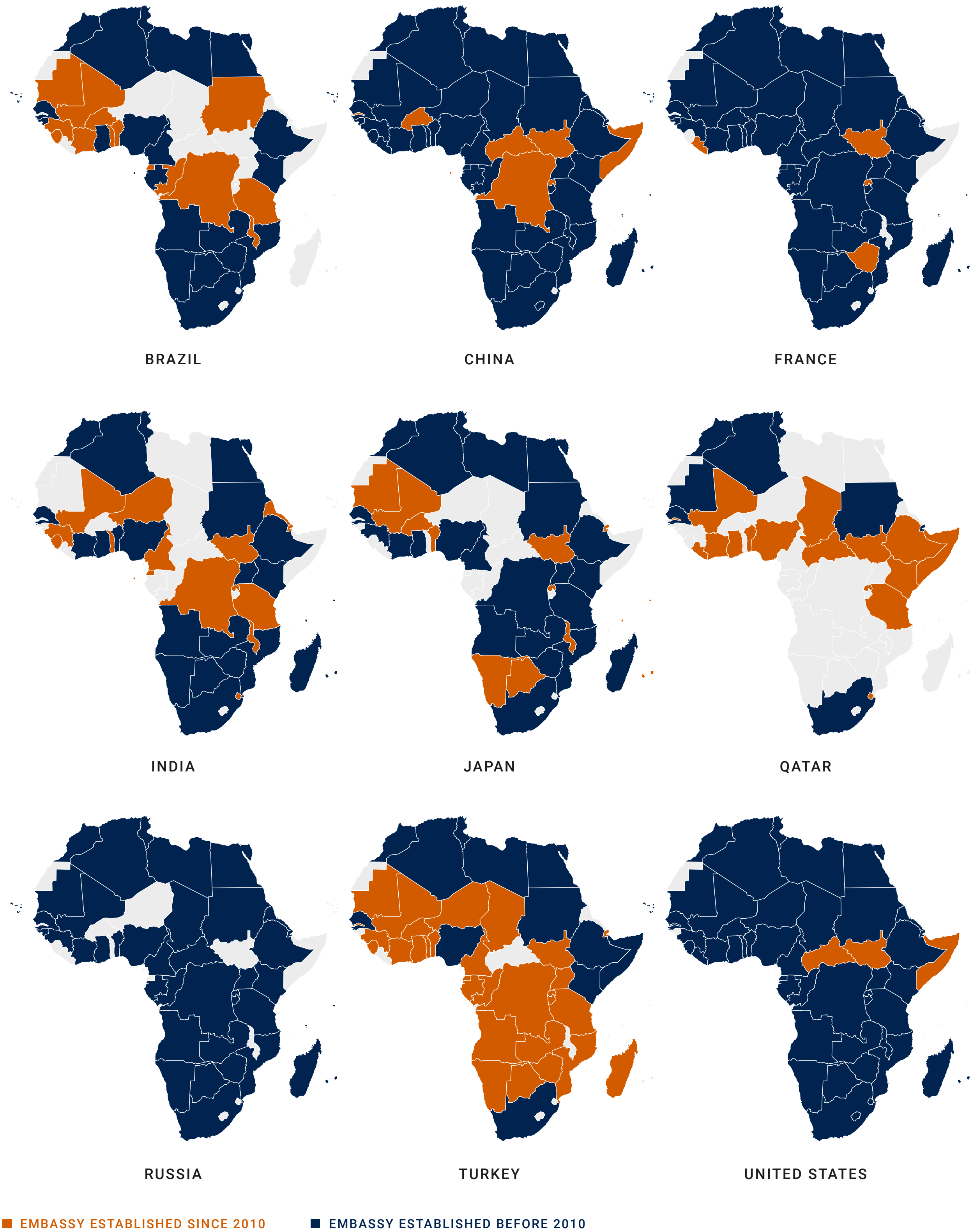
Despite the caricature of a closed society to outsiders, Japan actively diffused and internalized the technologies and practices foreigners left behind. Its spinning technology leaned on British technology; electrical machinery to a relationship with GE, AEG, and Siemens; the telegraph to French involvement; and shipbuilding to British and U.S. firms. The steel industry was based around collaboration between the state-owned Yamata Iron Works and Germany's Gutehoffnungshutte and, later, between the Mitsui zaibatsu and Britain's Armstrong and Vickers. Japan likewise borrowed car and motorcycle expertise: Isuzu from Wolseley Motors and Nissan from Austin, Toyota from U.S. carmakers, and Mitsubishi from Fiat. After the war, Honda and Suzuki, among others, were willing to study European models and reverse-engineer and improve on their products.

One contributing factor of Japan's early success was the presence of a corporatist state, although sometimes inefficiently so. In the 1950s, the role of the Ministry of International Trade and Industry (MITI, which transformed to the Ministry of Economy, Trade and Industry–METI–in 2001), was to target key sectors, particularly textiles, through foreign exchange allocation. Their focus over the following decade shifted to promoting domestic

5 Mills, Greg et al. *Democracy Works: Turning Politics to Africa's Advantage*. Hurst, 2019.

FIGURE 6.4. EMBASSIES, OLD AND NEW, BY GUEST COUNTRY

While political interest from outside actors is not new to Africa, the geopolitical landscape is changing. Countries like the United States, France, and Russia have had embassies in a majority of African countries for more than a decade. In recent years, however, new partners have emerged, evidenced by the rise of their diplomatic representation on the African continent. Perhaps the most striking example of this is Turkey, which has opened embassies in 30 African countries in the last decade alone.



SOURCE: Moyer JD, Turner SD, Meisel CJ. (2021). "What are the drivers of diplomacy? Introducing and testing new annual dyadic data measuring diplomatic exchange." Journal of Peace Research. 2021;58(6):1300-1310. doi:10.1177/0022343320929740
Pardee Centre for International Futures, Diplometrics Project

technology through research and development subsidies. In the 1970s, it promoted alternative energy sources (notably nuclear) in the wake of the oil shock, along with deregulation. Now its role is mainly as a "troubleshooter" within government ministries—or "troublemaker," as one former official put it.

Still, Japan's economic transition remains pertinent to Africa.

One priority for Japan's development spending in Africa is on *kaizen*—the "continuous improvement" of the workforce. To this end, a Kaizen Institute was established in Ethiopia in 2013, while the Japan International Co-operation Agency (JICA) continues to fund seminars, experts, training, and other skills improvement initiatives in Africa as part of its $1 billion in annual African aid. This engagement has accelerated and deepened as Japan has felt marginalized by China's African ambitions, and Tokyo has learned lessons from the effectiveness (or not) of its aid.

Such a focus on skills and education is not going to be enough to replicate, or even adapt, the Japanese model. At its core, it will require understanding the nature of business and its needs to seeing the customer—whether a business or an individual—as being at the center of government's actions.

LEARNING TO TRUST THE PRIVATE SECTOR

While no country or region is a complete analogue to any other, the East Asian experience illustrates the astonishing results a determined government can deliver. Africa's leaders will have to adopt a sense of urgency equal to the task if they are to ensure that their countries prosper from huge demographic changes underway.

Africa has sought to address these deficiencies in part through increasing sovereign debt, much of it for Chinese-supplied infrastructure. This strategy carries with it other challenges, not least the management of this stock for future generations, and the transparency and corruption surrounding such deals.[6]

Africa's development answers lie in providing the space for the private sector to flourish and to establish the regulatory conditions in which it can grow to formalize.

Africa's development answers lie in providing the space for the private sector to flourish and to establish the regulatory conditions in which it can grow to formalize. There are an increasing number of stories of sustained entrepreneurial success across Africa. Too often these stories are, however, in spite of often-predatory government interference rather than because of adroit policy. African business is supremely practiced at circumventing government obstacles, rather than relying on government to catalyze and nurture good ideas and must routinely find workarounds to inefficient infrastructure. The continent gets ahead now largely because of the power of entrepreneurship and not the efficiency of governments.

Take South Africa's roll-out of COVID-19 vaccines: With the private sector leading, after a slow start (when government tried to control the process), the country has now developed a system with the capacity to vaccinate up to 0.7 percent of the 60 million population each day. Likewise, the country possesses world-class banking and insurance services, and its private mining sector has long been acknowledged as a global leader. However, the sinews that keep these economic muscles flexing are chronically dysfunctional. South Africa's state-run ports languish at the bottom of global, and even African, efficiency rankings. Its state electricity systems, which on paper make up more than half of the continent's generating capacity, are beset by operational problems and, thus, consumers by frequent outages. Its railways, once the best in Africa, are today a rickety facsimile of a proud history and are proving a major constraint to exports of raw materials.

And, yet, other African countries, such as Botswana and Morocco, show how it is possible to run state-owned entities along efficient, commercial lines and, in so doing—coupled with streamlined regulatory and tax processes reducing the cost and wear of everyday frictions—provide the requisite foundation for external investors. The power of the private

6 Mills, Greg. *Expensive Poverty: Why Aid Fails and How it Can Work*. Pan Macmillan South Africa, 2021.

sector, formal and informal, can be seen in a multitude of ways, from tourism to retail. As Asia has shown, state ownership is not the problem; it's how these entities are run. Whether they operate along commercial principles or as agents for the redistribution of political largesse is the difference between success and failure.

The critical aspect in Africa's developing relationship with Southeast Asia is to find the means to build stronger ties, a relationship that goes beyond a burgeoning loan book for African infrastructure, to a regime that expedites freer trade and seeks fresh investment in African industrial and services sectors.

*

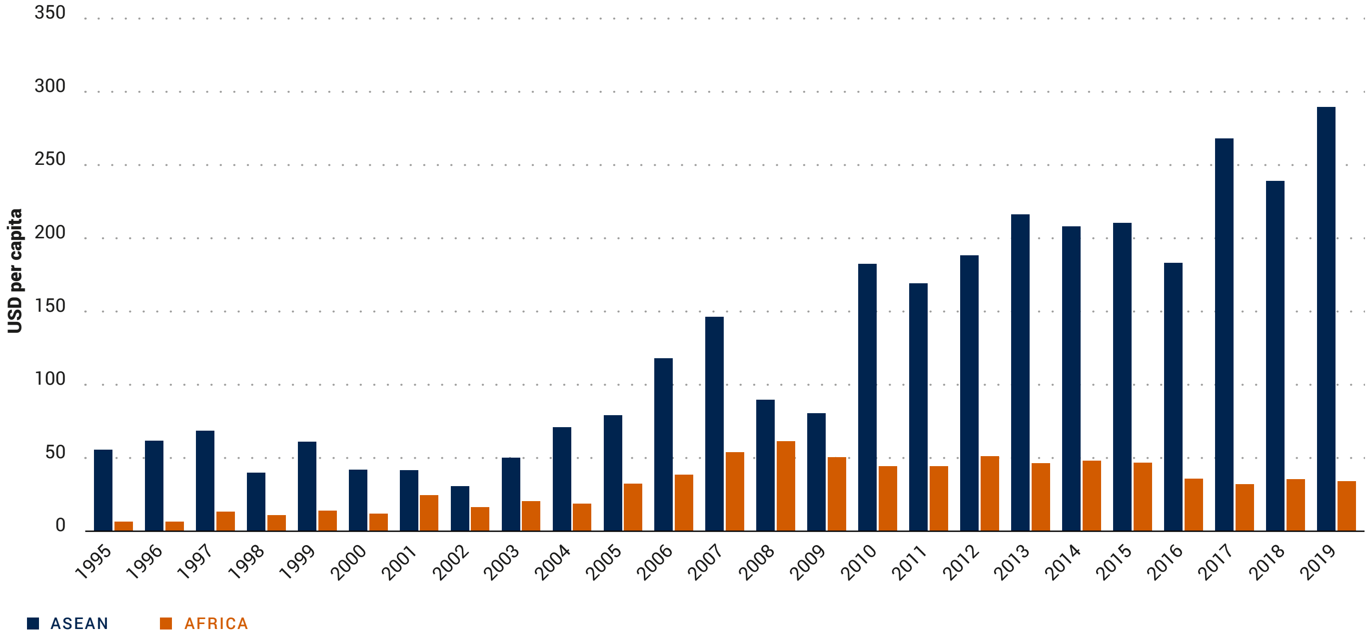
In May 2000, *The Economist* led with the headline, "The Hopeless Continent." A decade later it led with the heading, "Africa Rising." Yet Africa is neither a continent of chronic despair nor unchecked optimism. The key lesson from Asia's development choices and progress is to focus on dealing with the facts on the ground as they are.

Implicit in the difference in developmental performance between the two regions is, however, opportunity.

The critical aspect in Africa's developing relationship with Southeast Asia is to find the means to build stronger ties, a relationship that goes beyond a burgeoning loan book for African infrastructure, to a regime that expedites freer trade and seeks fresh investment in African industrial and services sectors. For their part, Asian countries should seek a more equitable and thus sustainable relationship with Africa; and for theirs, African governments should seek to put business, not government, at the center of economic development.

FIGURE 6.5. FOREIGN DIRECT INVESTMENT PER CAPITA, NET INFLOWS

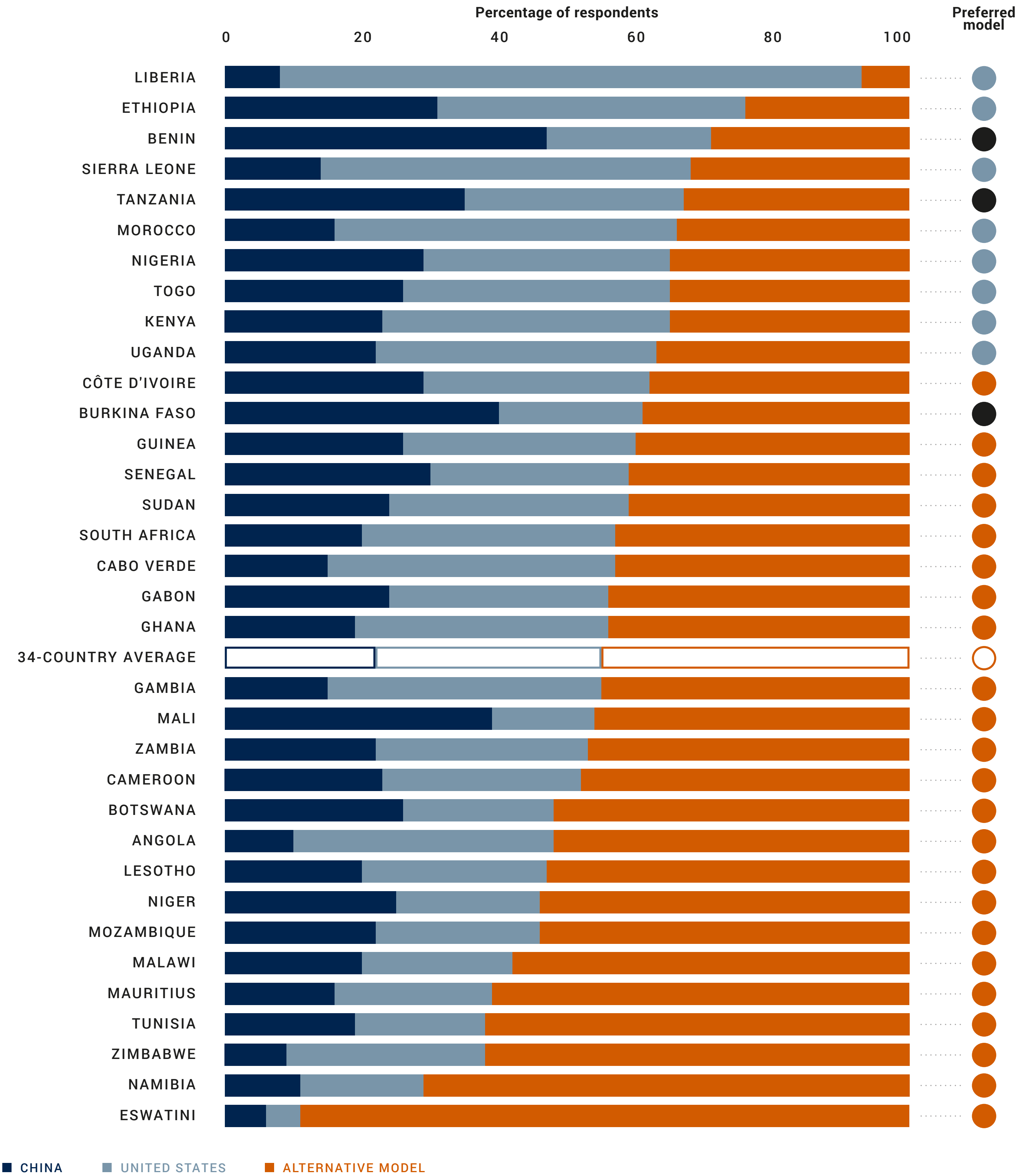
In 2001, ASEAN and Africa attracted close to the same foreign direct investment (FDI) per capita ($42 and $24 per capita respectively). Although both regions have seen their FDI per capita increase since then, their paths have nonetheless diverged. ASEAN receives $289 per capita in FDI per year, a value that has increased nearly every year since 2001. Africa, meanwhile, saw its FDI per capita peak in 2008 before stagnating over the past decade.



SOURCE: Authors' calculations, World Development Indicators, 2021.

FIGURE 6.6. AFRICA IS OPEN TO A NEW DEVELOPMENT MODEL

While the United States is still the more preferred single development partner across the African continent (with China coming in second), Afrobarometer survey data indicate that Africa is open to an alternative model. In fact, in more than 70 percent of the countries surveyed, a plurality of voters preferred an alternative model to the United States or China. In Eswatini, the results were stark: Nearly nine in 10 respondents preferred an alternative development model.



NOTE: Respondents were asked, "In your opinion, which of the following countries, if any, would be the best model for the future development of our country, or is there some other country in Africa or elsewhere that should be our model?" Data shows responses from Afrobarometer survey Round 8 (2019/2021), which covered 34 countries.
SOURCE: Sanny, J. and Selormey, E. (2021). "Africans welcome China's influence but maintain democratic aspirations." Afrobarometer. Dispatch No. 489.

The future of India-Africa relations: Opportunities abound

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India and Africa's historical links have experienced a revival in recent years,[1] and there are strong reasons for optimism that the partnership could be mutually beneficial. In fact, in recent years, and especially during the COVID-19 pandemic, Prime Minister Narendra Modi's government has made moves that indicate its intention for India to become Africa's biggest partner.[2]

Building on a growing trade and investment portfolio, India now has a strategy with clear guiding principles and areas of focus. The private sector is key to this strategy, particularly in the areas of skill and capacity-building initiatives, health care, agriculture, and the digital revolution. Moreover, underpinning the seriousness of India's Africa policy shift, the country has made maritime security a key pillar in most of its engagement with countries like Kenya and South Africa.

But why would India be interested in Africa? Present mega trends in Africa are supportive of India's trade and investments in the region. Africa's large working-age population, its growing middle class, and the significant share of services are all ingredients for value adding trade and investment relationships. Consumer-driven goods related to agribusiness, apparel and clothing, pharmaceuticals, and automotive components are opportunities for India's foreign direct investment (FDI) where Africa, through the African Continental Free Trade Area (AfCFTA), is putting in place the appropriate rules of origin to assure their optimization. Importantly, experts expect the African Continental Free Trade Agreement, which is already operational, to boost the levels of trade and investment, development of value chains, and industrialization across the region. The agreement is not only good for Africa: Concomitantly, it will provide a unified continental market that Indian firms can easily access and tap into—potentially increasing the scope and level of India's engagement with Africa. And there is a lot of room for India in Africa: For example, Africa accounted for just 15 percent of India's outward total investment stock between 2017 and 2019.[3] In the same period, Mauritius, which is often used to re-route investments to third countries due to its favorable tax conditions, accounted for 82 percent of that number.

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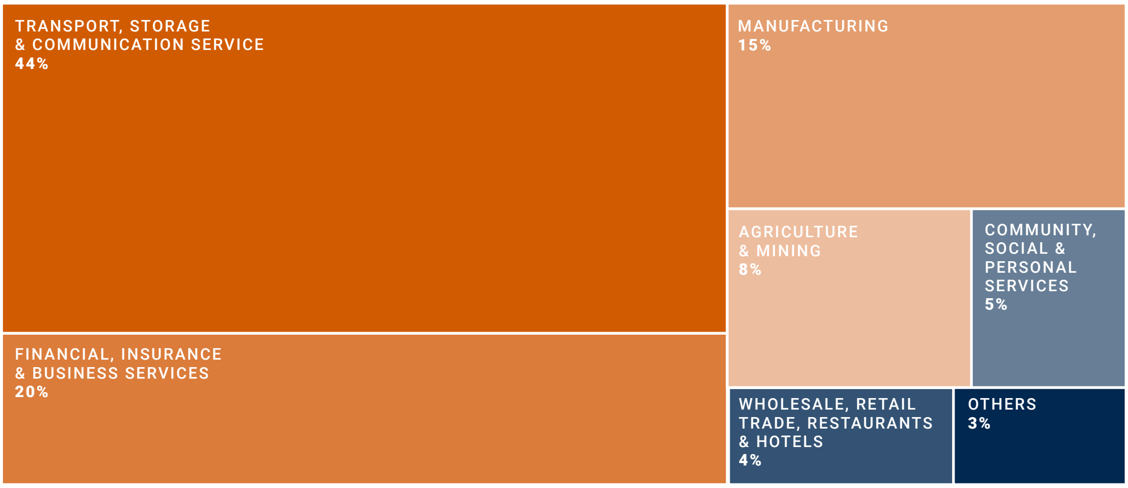
LOW-HANGING FRUIT FOR AFRICA-INDIA TRADE

Recent Export Credit Agency (ECA) estimates suggest that gains from the AfCFTA will be pronounced in the agri-food and industrial sectors, hence creating additional opportunities for adding value to natural resources and diversifying into new business areas. Currently, India's FDI flows to Africa are concentrated in the services sector, which accounts for almost 75 percent of the total (Figure 6.6). Increased FDI in the manufacturing sector by Indian companies could catalyze the development of value chains by providing foreign capital and technical know-how.[4] In fact, a low-hanging fruit that can be exploited by Indian firms is the strengthening of the pharmaceutical manufacturing capacity in Africa.[5]

1 See ECA and CII (2017). Deepening Africa-India Trade and Investment Partnership and Mevel, S. (2017) For a Win-Win Africa-India Trade Partnership, in Trade Insight for detailed information.
2 See Pant, V. Harsh and Mishra, Abhishek, "Is India the New China in Africa?", *Foreign Policy*, June 17, 2021.
3 IMF (2021). Coordinated Direct Investment Survey. Available at: https://data.imf.org/CDIS
4 For instance, investors from Taiwan and China in the 1990s and South Africa in the 2000s were instrumental in developing and expanding the apparel value chain in Lesotho while the Moroccan automotive industry has relied on investments by the French Renault-Nissan Alliance and PSA Group car companies (World Bank (2020). Trading for Development in the Age of Global Value Chains).
5 See report by ECA and AU (2020), Review of Policies and Strategies for the Pharmaceutical Production Sector in Africa, for more insights on the state of Africa's pharmaceutical manufacturing sector and the future prospects.

FIGURE 6.7. THE AVERAGE COMPOSITION OF INDIA'S INVESTMENT IN AFRICA BY SECTOR, 2017-2019

India's investment in Africa has accelerated in recent decades and has been heavily concentrated in certain industries. For example, transport, storage, and communication services account for just under half of that investment (44 percent). Manufacturing and financial, insurance, and business services roughly account for another third (35 percent).



SOURCE: Reserve Bank of India. (2021). Foreign Direct Investment data. Reserve Bank of India.

The leadership of India together with South Africa in the proposal to waive certain provisions of Trade Related Aspects of Intellectual Property Rights (TRIPS), has been reassuring to developing countries.

India is an important source of Africa's pharmaceutical imports, but the pandemic revealed the adverse effects of international supply chains disruptions.[6] India's actions in restricting vaccines destined for COVAX-dependent countries may have made African countries question its commitment as a dependable partner in times of need, and for that, work is cut out for Indian diplomacy when it comes to the next India-Africa Forum Summit. The leadership of India together with South Africa in the proposal to waive certain provisions of Trade Related Aspects of Intellectual Property Rights (TRIPS), has been reassuring to developing countries. The sought waivers, if granted, could lead to increased production of vaccines in Africa, and India's know how will be crucial.

Notably, India has emerged as an attractive destination for "medical tourism." The number of African tourists visiting the country for medical treatment has increased almost threefold in the last decade, from 5.4 percent of the total tourist visits in 2010 to 15.4 percent in 2019.[7] Continued collaboration between Indian health care providers and African partners, ranging from capacity building to establishment of hospitals and investment in telemedicine, is therefore necessary to engender universal health coverage. Moreover, India has signaled health care delivery will be key in its inclusive and transparent development model with Africa. The joint ventures in health care delivery call for education programs, including towards clinical research in the pharmaceutical sector. It is this ecosystem that will continue to make India a partner of choice for Africa when it comes to the health sector.

In the similar vein, knowledge transfer/lessons from the rollout and implementation of India's biometric digital identification program—Aadhar—matters for African governments.[8] If implemented effectively, digital identity can promote good governance by establishing clear institutional mandates and accountability mechanism and more.[9] And the sharing of legal and technical advances on digital identity may help anchor Africa's optimization of digital services trade and integration, an area where India is considered a world leader.

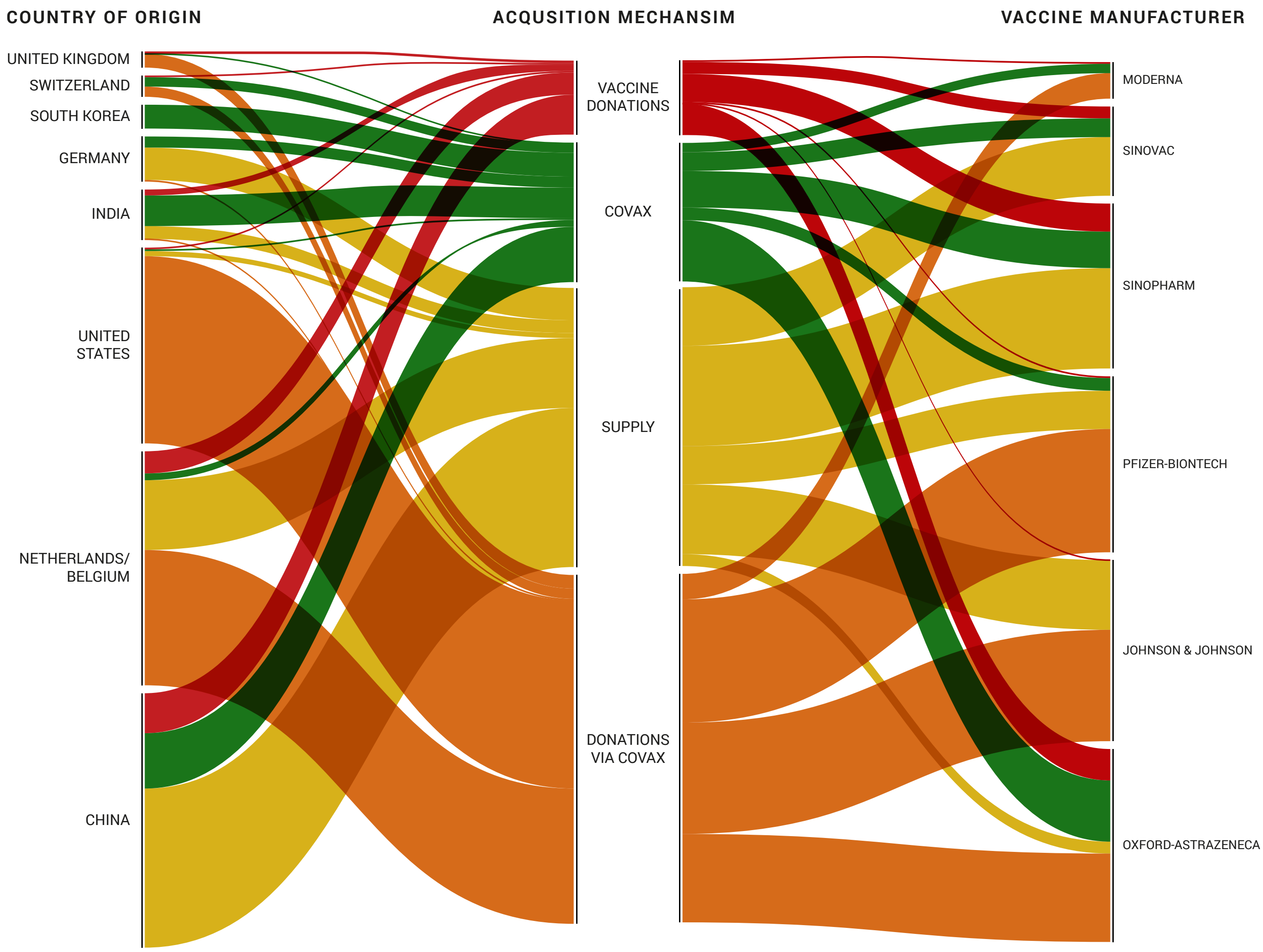
6 This is elaborated in MacLeod, Jamie, et al. "What lessons can Africa learn from India's COVID-19 crisis?" Africa in Focus. Brookings Institution, 2021.
7 Ministry of Tourism (2021). India tourism statistics. Available at: https://tourism.gov.in/market-research-and-statistics
8 For instance, Kenya's biometric Huduma number was declared illegal by the country's High Court due to data protection and privacy concerns. Similar issues raised during the implementation of the Aadhar and the consensus was that data security issues should be addressed before the rollout and implementation of such initiatives.
9 This is in addition to being an enabler for financial inclusion, cash transfers, digital trade, democratic voting process etc.

India has signaled health care delivery will be key in its inclusive and transparent development model with Africa.

Differences in governance systems within the continent could undermine the development of a strong Africa-India partnership. Unlike in India where there is a homogenous governance system, Africa has a diverse and heterogenous system. However, the principles of multilateralism can play a crucial role in realizing a mutually beneficial relationship between India and Africa. Such cooperation will not only be important in dealing with global challenges, but also in defining solutions that offer opportunities for both the African and Indian people.

FIGURE 6.8. COVID-19 VACCINE DELIVERY BY COUNTRY OF ORIGIN, ACQUISITION MECHANISM & MANUFACTURER

China, the Netherlands and Belgium, and the United States account for more than four in five doses delivered to Africa. More than 95 percent of the doses sourced from the United States have been donations, compared to 16 percent of those from China and 67 percent of those from the Netherlands and Belgium. The majority of the donated vaccines has been delivered through the COVAX facility.



NOTE: The data does not differentiate between the Netherlands and Belgium and hence they have been aggregated. Countries (Argentina and Russia) and vaccines (Covaxin, Sputnik V, and Sputnik Light) that account for less than 1 percent of production are not displayed in the diagram. Vaccine donations = bilateral donations of vaccines delivered without an intermediary, such as COVAX. COVAX = procurement and delivery supplied by COVAX via the initiative's pooled purchasing power to leverage equitable deals with manufacturers. Supply = bilateral and multilateral supply deals (including the African Union's AVAT). Donations via COVAX = donations by donor countries received and delivered by COVAX.

SOURCE: Airfinity. (2021). "COVID-19 Vaccination Data." Airfinity.

Deepening Gulf engagement with sub-Saharan Africa

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Over the past two decades, the engagement of the Gulf Cooperation Council (GCC) countries with Africa has been shaped largely by a narrow set of economic and security interests among Gulf states rather than a long-term commitment to deep cooperation with Africa. In the wake of the COVID-19 pandemic, however, there are signs of a shift in relations that signal a broadening of mutual diplomatic and economic ties and emerging partnerships that will benefit both the Gulf and sub-Saharan Africa going forward. This shift is driven by the pandemic recession and a new geopolitical environment facing the GCC.

The Gulf countries have been particularly impacted by the prolonged nature of the COVID-19 pandemic, which drove oil prices to historic lows and exposed their vulnerability to disruptions in global supply chains and overdependence on food imports. As a result, economic diversification and food security have emerged as GCC policy priorities that could serve as levers for deepening economic relations with Africa. Increased cooperation in agriculture and agribusiness, for example, would address food security concerns in the Gulf while raising agricultural productivity and building value chains in Africa along the lines of product development, packaging, and light manufacturing.

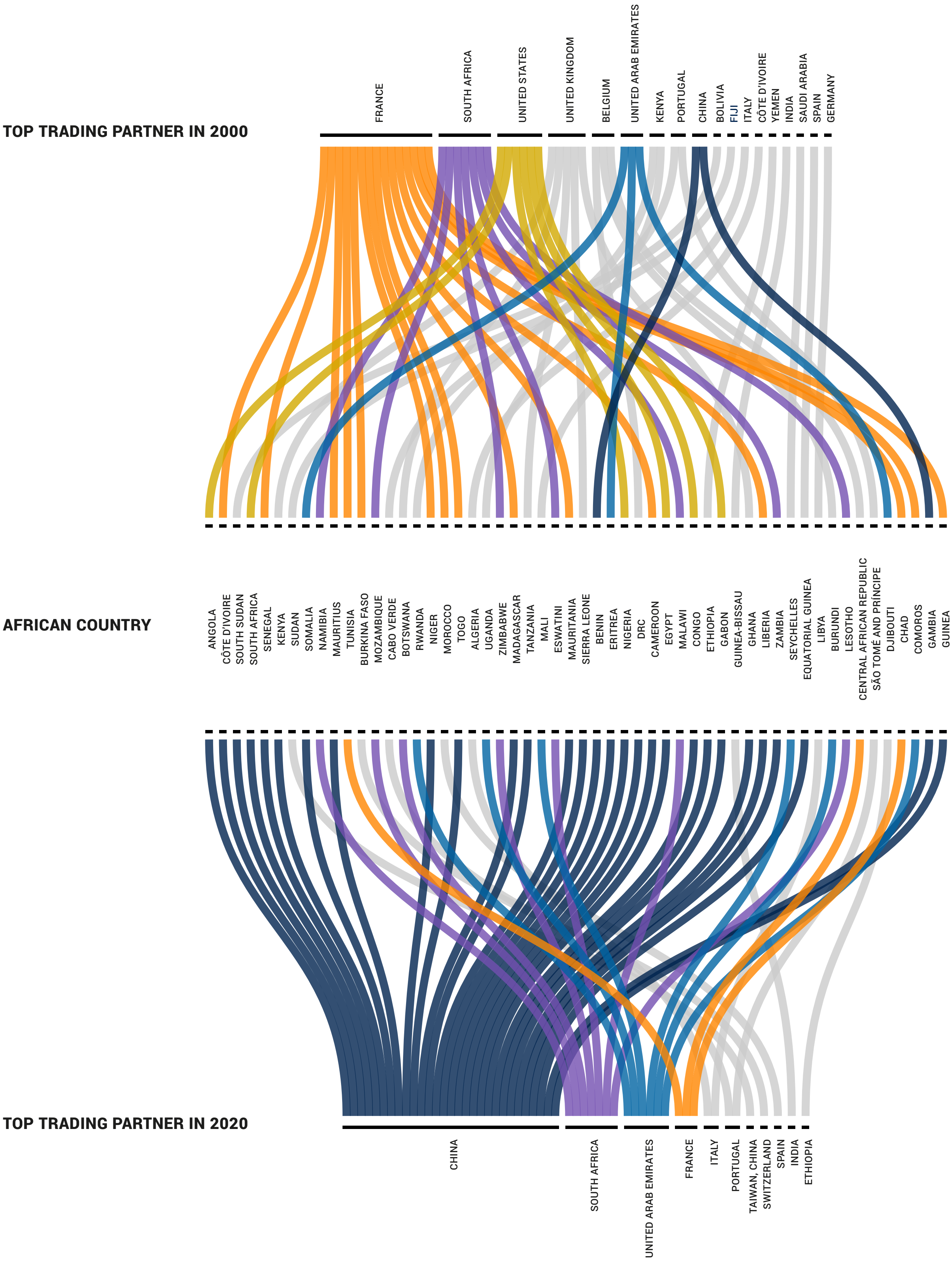
Similarly, as the Gulf countries expand their investments in African transport and logistics infrastructure to leverage their strengths at home and existing assets in Africa, they will bolster trade flows between both regions while integrating Africa more deeply into global supply chains through Gulf hubs. In keeping with past trends, these strategic investments will coincide with an expansion of private investment from the Gulf in a broader range of African industries and economic activities, including construction, telecoms, and financial services. The recent uptick in international oil prices is expected to restore the investment appetite of both Gulf sovereign wealth funds and private corporations.

The prospects for deeper economic relations between the Gulf and Africa are further enhanced by the ongoing shift in regional geopolitics.

The prospects for deeper economic relations between the Gulf and Africa are further enhanced by the ongoing shift in regional geopolitics. Rivalries among the Gulf states over the past decade, especially the United Arab Emirates and Qatar, have underpinned growing military assistance and security alliances in the Horn of Africa. These interventions have been tied to a wider competition between regional powers in the aftermath of the Arab Spring revolutions. Geopolitical stalemates, pandemic recession, and the U.S. pivot to the Indo-Pacific have pushed the Gulf countries to deprioritize their security posture abroad. While military cooperation may well continue, the interests of Gulf states in Africa will increasingly focus on economic promotion and investment that expands markets and enables longer-term diversification.

FIGURE 6.9. TOP TRADING PARTNER, AFRICA, 2000 AND 2020

China has been Africa's top trading partner for many years and is now the top trading partner for 29 Africa countries, including the continent's three largest economies—Nigeria, South Africa, and Egypt. This trend is an abrupt change from two decades ago, when China was the top trading partner for just two African nations. In 2020, the United States was not the top trading partner for any African country.



SOURCE: UNCTAD. (2021). "Bilateral trade data." United Nations Conference on Trade and Development.

The future of Russia-Africa relations

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Russia has been aggressively pursuing its strategic objectives in Africa in recent years—securing a foothold in the eastern Mediterranean, gaining naval port access in the Red Sea, expanding natural resource extraction opportunities, displacing Western influence, and promoting alternatives to democracy as a regional norm.

Africa, thus, is a "theater" for Russia's geostrategic interests rather than a destination itself—a perspective reflected in the means that Russia employs. Unlike most major external partners, Russia is not investing significantly in conventional statecraft in Africa—e.g., economic investment, trade, and security assistance. Rather, Russia relies on a series of asymmetric (and often extralegal) measures for influence—mercenaries, arms-for-resource deals, opaque contracts, election interference, and disinformation.

PARTNERSHIP WITH WHOM?

Russia's Africa-focused initiatives are typically concentrated on propping up an embattled incumbent or close ally: Khalifa Haftar in Libya, Faustin Archange Touadéra in the Central African Republic (CAR), and coup leaders Colonel Assimi Goïta in Mali and Lieutenant General Abdel Fattah al-Burhan in Sudan, among others.

To assess the future of Russia-Africa relations, therefore, it is necessary to be clear that the "partnerships" that Russia seeks in Africa are not state- but elite-based.

To assess the future of Russia-Africa relations, therefore, it is necessary to be clear that the "partnerships" that Russia seeks in Africa are not state- but elite-based. By helping these often illegitimate and unpopular leaders to retain power, Russia is cementing Africa's indebtedness to Moscow.

This strategy works for Russia and the respective leaders who gain international diplomatic cover, resources to consolidate power domestically, a mercenary force, arms, and revenues from resource deals. However, Russia's opaque engagements are inherently destabilizing for the citizens of the targeted countries, resulting in stunted economic development, human rights abuses, disenfranchisement of African citizens, the perpetuation of illegitimate governments, and social polarization.

Through this model, Russia has been able to advance its objectives with limited financial and political costs. Accordingly, we can expect to see Moscow continuing to expand its influence on the continent in 2022.

FOCAL POINTS FOR AFRICA-RUSSIA RELATIONS IN 2022

- **Libya**
  Russia retains Wagner mercenary forces (former Russian defense intelligence troops) and military assets on the ground in support of its proxy, warlord Khalifa Haftar. Russia can be expected to try and steer the outcome of the postponed presidential and legislative elections with the aim of emerging as the principal powerbroker in this geo-strategically important territory—with access to oil reserves and deep-water ports in the eastern Mediterranean and a permanent presence on NATO's southern flank.

- **Sudan**
  Russia has been striving to gain naval port access in the Red Sea, especially Port Sudan. It also has longstanding ties to the Sudanese military, elements of the ousted Bashir regime, and gold trafficking networks in the west. Continuation of the military government in Khartoum provides a ready entry point for expanded Russian influence.

- **Mali**
  The military coup in Mali has provided Russia an opportunity to become a pivotal actor in the Sahel. We can expect Moscow to provide political cover to the junta of Assimi Goïta as it seeks to avoid a transition back to a democratic government. Indications are that Wagner mercenaries have already been deployed in support of the junta.

- **Guinea**
  Russia has long been a patron of former president Alpha Condé, who had been a strong supporter of Russia's extensive mining (bauxite) interests in Guinea. Following Condé's ouster in a coup in September 2021, Moscow can be expected to refocus its diplomatic efforts on propping up the military junta of Colonel Mamady Doumbouya in return for Moscow's continued political sway and unencumbered access in the mining sector.

- **Gulf of Guinea**
  Having consolidated its position in the CAR in 2021, Russia is set to expand its influence in nearby Republic of the Congo, the Democratic Republic of the Congo, and Gabon in 2022. Moscow has been cultivating ties with leaders of all three countries with an eye on becoming a more significant player in the lucrative oil and mineral networks of Central Africa.

- **Angola**
  President João Lourenço is contending for a second term in office in 2022 amid a long recession, criticisms for increasing authoritarianism, and divisions within his ruling party. Russia's opportunistic strategy of coming to the aid of isolated leaders as a means of enhancing Moscow's leverage makes Lourenço an attractive target. His military academy training in the USSR, Russia's extensive Cold War-era ties to Angola, and Angola's vast diamond, oil, gold, and mineral resources will all factor into increased Russian attention on Lourenço in 2022.

CIVIL SOCIETY ENGAGEMENT AND SCRUTINY

Reform, therefore, will not come from these leaders but from African citizens, which will entail greater civil society engagement, enhanced transparency around contracts, and higher levels of scrutiny of any deals struck with Russia.

Since Russia's engagements in Africa are typically predicated on co-opting leaders facing limited checks and balances, they are nearly always detrimental to African citizens who must endure deepened institutionalized corruption, diverted public revenues, unaccountable leaders, and instability. Reform, therefore, will not come from these leaders but from African citizens, which will entail greater civil society engagement, enhanced transparency around contracts, and higher levels of scrutiny of any deals struck with Russia.

Building more mutually beneficial Africa-Russia relations depends on changes in both substance and process. Such a shift would require Russia to establish more conventional bilateral engagements with African institutions and not just individuals. These initiatives would focus on strengthening trade, investment, technology transfer, and educational exchanges. If transparently negotiated and equitably implemented, such Russian initiatives would be welcomed by many Africans.

UK–Africa relations: The need for an urgent reset

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The COVID-19 pandemic, the United Kingdom's post-Brexit economic and political orientation towards the Asia-Pacific, and cuts in development assistance all appear to have widened the political and economic distance between the U.K. and Africa in recent years.

The COVID-19 pandemic, the United Kingdom's post-Brexit economic and political orientation towards the Asia-Pacific, and cuts in development assistance all appear to have widened the political and economic distance between the U.K. and Africa in recent years. But these changes are part of a long-term trend of a slow decline in the relationship: For example, Africa's share of U.K. imports has fallen from 2.1 percent to 1.7 percent over the last 10 years (ONS).[1]

The trade, aid, and financing environment within Africa is also changing: Despite delays in its negotiation and implementation, the African Continental Free Trade Area (AfCFTA), under which trading began in 2021, represents a significant opportunity for many African countries to transform their economies and develop regional value chains, reducing reliance on trade and investment with the U.K. and other traditional partners.

Both Africa and the U.K. can benefit from a reversal of this trend. Indeed, given the dynamism of many African economies, technological innovations, and the climate change challenge, stronger strategic engagement with Africa is essential for the U.K., now more than ever. From a commercial point of view, demand from Africa is not only increasing but also becoming more sophisticated as its middle class expands.[2] This growth generates medium- and long-term opportunities for investment in critical sectors such as business services, in which the U.K. has substantial expertise.

Moreover, the green transformation of the U.K. economy towards net zero will require the creation of partnerships with many African countries to ensure access to critical inputs, such as rare earth minerals. Importantly, this access needs to be built on the transformation and development of African economies themselves: The U.K. should reconsider its lack of an import policy beyond trade preferences and its recent cuts to support for economic transformation.[3]

On the African side, the negotiators of AfCFTA and African policymakers must better consider and design additional policies to develop the enabling environment modern firms require. Such policies should include the provision of critical essential services (e.g., energy), adequate infrastructure, and other business environment aspects. Moreover, the provision of modern services such as business, financial, insurance, and technological services is key for the success of modern firms as well as the development of regional and continental value chains. The UK's investment and expertise in all these sectors can play a useful role.

Importantly, the creation of new and the strengthening of old partnerships between the U.K. and individual African economies must be at the center of the U.K.'s global economic and political strategy. The U.K. might need to be flexible: These partnerships should be developed and implemented within the context of the AfCFTA and Africa's own ambitions. Indeed, the U.K.'s support to the implementation of the AfCFTA constitutes a significant first step[4] that must be supplemented by further action to put the relationship with the continent at the center of the U.K.'s geopolitical strategy over coming decades.

1 "International trade." United Kingdom's Office for National Statistics, 2021.

2 Mendez-Parra, Maxmiliano and Raga, Sherillyn. "Africa and the United Kingdom: Challenges and Opportunities to Expand UK Investments." Overseas Development Institute, 2020.

3 Velde, Dirk Willem te and Mendez-Parra, Maxmiliano. "Importing for development: reforming the UK's trade preferences." Overseas Development Institute, 2021.

4 "AfCFTA Secretariat signs landmark agreement with UK Government." Bilaterals, 2021.

A slim hope for negotiating a settlement to the Tigray conflict in Ethiopia

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The year-long conflict in Ethiopia pitting the Tigray People's Liberation Front (TPLF) and its allies against the Ethiopian government and its internal and external allies has been deadly, with thousands, perhaps tens of thousands, of battlefield casualties.[1] It has also been brutal, with severe human rights abuses perpetrated by all the warring parties.[2] The conflict has caused a massive humanitarian catastrophe in the northern part of the country where 5.2 million people have been facing hunger and lack of basic supplies for almost a year as the Ethiopian government purposefully sought to strangle the Tigray region and violently hampered aid delivery.[3] Hundreds of thousands have been displaced and suffered in Amhara and Afar.

The war has pulled in a set of regional countries, and its persistence threatens the stability of the entire Horn of Africa and Red Sea regions. Moreover, despite intense international engagement, including by the United States, the African Union, and European countries, to institute a cessation of hostilities and conflict-resolution negotiations, the conflict dynamics have been mostly driven by battlefield circumstances.

Embattled between April and November 2021, the Ethiopian government recently succeeded in pushing the TPLF back into the Tigray area. The December 21 decision of Prime Minister Abiy Ahmed to halt the counteroffensive of the Ethiopian National Defense Forces (ENDF) at Tigray borders gives some hope that international diplomacy, bolstered by a U.S.-created sanctions regime, could finally help incentivize a negotiated end to the conflict. But any expectations of a negotiated breakthrough should not be great.

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THE BACKGROUND

Since 2018, ethnic tensions and competition over state resources and power have intensified in Ethiopia, as the country has sought to move away from three decades of authoritarian rule dominated by the Tigray ethnic minority. Elected prime minister in 2018, Abiy, an Oromo, struggled to stave off demands for faster economic redistribution and pent-up grievances of long-suppressed ethnic groups, including the Oromo and Amhara, while tensions escalated between his government and Tigray leadership, culminating in the Tigray seizure of military depots in October 2020.[4] Abiy responded with military force and enlisted the help of Eritrea, a long-term TPLF enemy.

THE BATTLEFIELD SWINGS

Despite ENDF's initial successes, Tigray forces routed the ENDF in the Tigray region in late spring 2021 and pushed into Amhara and Afar. Human rights abuses perpetrated against the Tigray population by ENDF[5] and Eritrean forces helped entrench the Tigray insurgency.[6]

1 Burgess, Annika. "A year of bloodshed, famine and civilian torture. Why is Ethiopia on the brink of all-out civil war?" *ABC News*, 2021.
2 Bearak, Max. "She was in Abiy Ahmed's cabinet as war broke out. Now she wants to set the record straight." *The Washington Post*, 2021.
3 Walsh, Declan. "This Ethiopian Road Is a Lifeline for Millions. Now It's Blocked." *The New York Times*, 2021.
4 "Tigray crisis: Ethiopia orders military response after army base seized." *British Broadcasting Company*, 2020.
5 "Ethiopia's Tigray War: A Deadly, Dangerous Stalemate." International Crisis Group, 2021.
6 "Ethiopia: Eritrean Forces Massacre Tigray Civilians." Human Rights Watch, 2021.

Then, in the fall of 2021, Tigray forces swept to the doorsteps of Addis Ababa, and the government's very survival seemed precarious.

However, through the controversial acquisition of drones from Turkey,[7] the United Arab Emirates, and Iran[8] and aerial bombardment, the ENDF drove Tigray forces back into the Tigray region.

ELUSIVE NEGOTIATIONS AND INTERNATIONAL ENGAGEMENT

Beyond controversial military support for the Ethiopian government, the conflict attracted intense international diplomacy from the United States and various European and African countries, including Kenya. The United States appointed a renowned and highly accomplished diplomat Ambassador Jeffrey Feltman as Special Envoy for the Horn of Africa, and the African Union appointed Nigeria's former President Olusegun Obasanjo as its High Representative.

These various efforts to bring about negotiations between the Ethiopian government and the TPLF have emphasized more or less the same elements since November 2020:

- A comprehensive ceasefire;
- The withdrawal of ENDF, Tigray, Amhara, and Afar warring parties and associated militias to their original territories and the departure of Eritrean forces from Ethiopia;
- Unhampered humanitarian access; and
- Inclusive peace negotiations about equitable power distribution in Ethiopia.

Despite the intensive international engagement, both the Ethiopian government and the Tigray forces remained essentially non-responsive, each seeking to press temporary military advantage, if not outright military defeat of the opponent, before negotiating or making any concessions.

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Although the United States for years coddled the Ethiopian People's Revolutionary Democratic Front (EPRDF) regime (1988-2019) and supported the Ethiopian government as a key counterterrorism ally in Somalia and Horn of Africa, throughout these events, the Ethiopian government has become increasingly alienated from the United States because of U.S. criticism of and toughening responses to the government's complicity in the Tigray humanitarian catastrophe.

In September 2021, the United States unveiled a smart sanctions regime targeting a wide set of actors, including members of the Ethiopian government, Tigray and Amhara leaders, and Eritrean forces while exempting humanitarian aid.[9] Sanctions against the Eritrean forces were implemented, while sanctions against others were delayed to incentivize humanitarian access and internal negotiations. Additionally, because of human rights abuses, Ethiopia's eligibility for duty-free imports under the U.S. African Growth and Opportunity Act (AGOA) were removed on January 1, 2022.[10]

THE RECENT REASON FOR HOPE AMID OMINOUS CLOUDS

In late fall of 2021, the sanctions regime and diplomatic engagement seemed to be producing some results. In November, the Ethiopian government restored a humanitarian-work license to Médecins Sans Frontières, while withholding it from the Norwegian Refugee Council.[11] On December 21, Abiy halted the ENDF advance at the Tigray borders, though some air strikes continue and humanitarian access remains hampered.[12] On

7 Spicer, Jonathan. "U.S. concerned over Turkey's drone sales to conflict-hit Ethiopia." Reuters, 2021.
8 Walsh, Declan. "Foreign Drones Tip the Balance in Ethiopia's Civil War." The New York Times, 2021.
9 Felbab-Brown, Vanda. "The exemplary U.S. sanctions regime for Ethiopia's Tigray conflict and its limitations." The Brookings Institution, 2021.
10 "US removes Ethiopia, Mali and Guinea from AGOA trade programme." Al-Jazeera, 2022.
11 Jerving, Sara. "Ethiopia lifts suspension on MSF, but not NRC." Devex, 2021.
12 "Ethiopia - Northern Ethiopia Humanitarian Update: Situation Report." United Nations Office for the Coordination of Humanitarian Affairs, 2021.

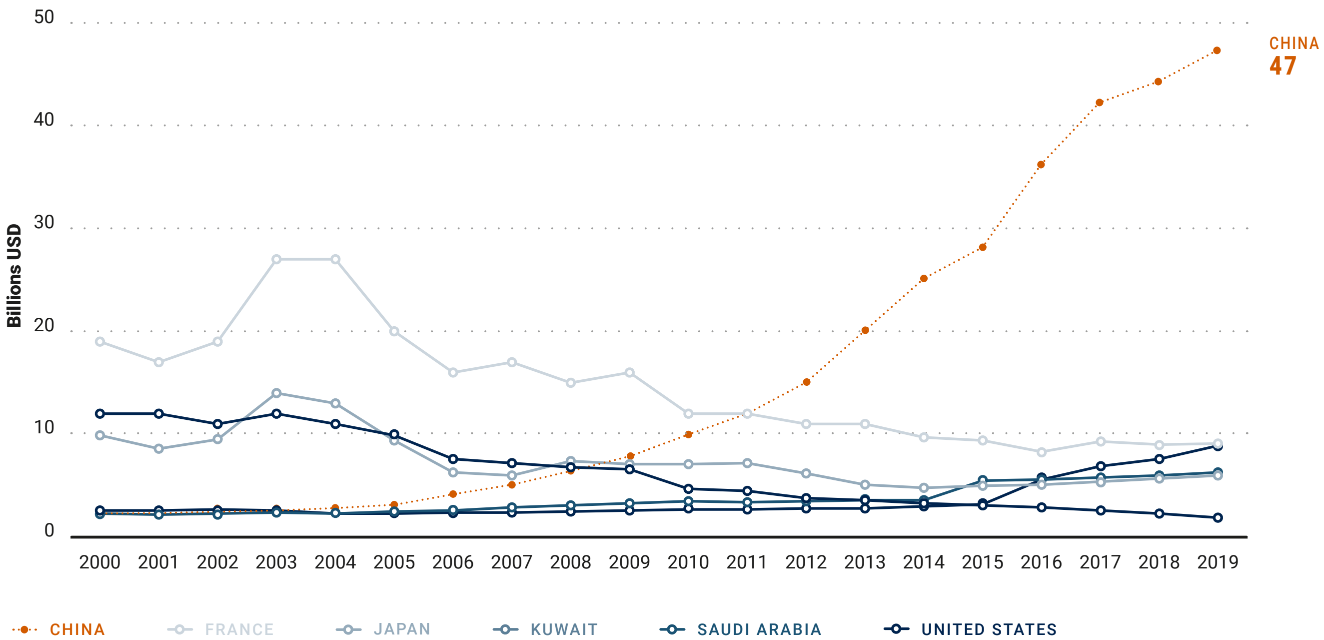
December 30, Ethiopian lawmakers authorized a commission for national dialogue proposed by Abiy.[13]

But while maintaining steadfast international mediation efforts is essential, there are ominous signs. The national dialogue commission excludes the two interlocutors fundamental for any peace: the TPLF and its military ally the Oromo Liberation Army. Moreover, highly incomplete steps taken by the Ethiopian government have likely been motivated to avert Ethiopia's removal from AGOA, but on January 2, 2022, the United States did remove Ethiopia anyway.

There is no credible sign yet that the Ethiopian government is prepared to negotiate any compromise with the TPLF or, if negotiations do start, to seek anything other than a victor's peace and strong punishment of the TPLF leaders. Such terms will, of course, deter the TPLF from a deal even as the insurgency may become resurrected and while the catastrophic suffering of people in northern Ethiopia continues. Any eventual negotiations will not be easy or fast. They are likely to start only after a protracted battlefield stalemate, and international mediators will continue to struggle to alter the calculations of the warring actors before the stalemate becomes obvious.

FIGURE 6.10. AFRICA'S OUTSTANDING DEBT BY CREDITOR

In just a couple of decades, China went from being a nonplayer in Africa's bilateral debt market to being Africa's largest creditor. It now holds more debt than the next 10 largest bilateral creditors combined. Meanwhile, countries traditionally holding Africa's debt, such as the United States and France, have decreased their debt holdings significantly over the last two decades.



NOTE: Debt data include debt serviced by the general government, which does not include public corporations or public financial institutions such as central banks.
SOURCE: World Bank. (2021). "International Debt Statistics 2021." World Bank Group.

13 "Ethiopia to create national dialogue commission." Deutsche Welle, 2021.