

Please check against delivery



Statement

by

**H.E. Mr. Cheick Sidi Diarra
Under-Secretary-General
Special Adviser on Africa and High Representative
for the Least Developed Countries, Landlocked
Developing Countries and Small Island Developing
States**

at the

**Launch of a report:
“Africa’s cooperation with new and emerging
development partners”: Options for Africa’s
development”**

**20 September, 2010
New York**

Excellencies,

Ladies and Gentlemen,

It is a great honour to speak to you at the launch of the report **“Africa’s cooperation with new and emerging development partners: Options for Africa’s development.”** The theme of Africa’s cooperation with new and emerging development partners falls under the Office of the Special Adviser on Africa’s (OSAA) broader mandate to assist in Member States’ debates on new, emerging issues regarding Africa’s development, particularly, in connection with the implementation of NEPAD. The report commissioned by my office, OSAA, discusses the growing role played by emerging partners in Africa’s development and examines how African countries can fashion a strategic response to their interactions with emerging partners in a way that ensures mutually beneficial outcomes.

Developing countries are increasingly using South-South Cooperation as a practical framework and a flexible modality for partnership-building towards achieving the internationally agreed development goals, including the Millennium Development Goals (MDGs). South-South Cooperation assumes even far greater importance in view of the impact of the recent global financial and economic crisis on the progress towards the achievement of the MDGs by 2015. It is estimated that, as a result of the crisis, in 2009, 55 to 90 million more people lived in extreme poverty than had been anticipated before the global economic recession. Furthermore, the crisis compounded the effect of the food crisis and led to an increase in the prevalence of hunger and malnutrition.

The acceleration of South-South Cooperation has resulted in a rapid change in the global development landscape. While China and India, who together account for nearly 40 per cent of the global population, are the primary sources for this change, their increasing presence also opens the space for other new economic and political actors. The report, therefore, also considers the role played by Brazil, Malaysia, the Republic of Korea, the Russian Federation and Turkey in Africa.

In particular, the study shows that the three vectors of trade, aid and FDI that have been separated in Africa's relationships with northern countries in the past decades, are now closely inter-linked in Africa's engagement with emerging economies.

Although the European Union still holds the largest share in exports from and imports to Africa, Africa's trade with the emerging economies has grown rapidly, from a total of US\$8.8 billion in 1990 to US\$148 billion in 2007. In general, Africa's exports to the emerging economies are characterized by a high share of unprocessed primary products. The share of Africa's imports coming from China is growing rapidly and passed that of the US in 2007.

While there are major differences in recording practices and ambiguities in the data on FDI flows, different sources point to significant inflows of FDI from non-traditional donors, especially China, Brazil, the Russian Federation and Turkey in recent years. While South Africa has been the major destination for FDI from emerging economies, recent years have witnessed investments in oil in the Sudan, Angola and Nigeria, with investments also growing in mineral extraction in Zambia, the Democratic Republic of the Congo, Botswana, and South Africa. At the same time, investments in telecommunications, power generation, construction and infrastructure have been growing in importance. This is a welcome development given the huge infrastructure deficit facing African countries.

While there is no reliable or consistent set of data on aid flows from emerging economies to Africa, in the last few years, Brazil, China, India, the Republic of Korea and Turkey have all held large bilateral summits specifically targeted at increasing cooperation with Africa. To give one example, the Forum on China-Africa Cooperation (FOCAC) aimed to provide preferential loans of US\$3 billion and trade credits of US\$2 billion between 2007 and 2009, as well as doubling aid to Africa by 2009. Furthermore, debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, as well as bilateral cancellation of loan agreements have been reached between China, the Russian

Federation and Brazil and many other African countries. China's debt forgiveness for 31 African countries in 2003 amounted to US\$1.27 billion, with a further US\$1.3 billion of debt cancelled between 2006 and 2009.

Thus, it is clear that cooperation on a South-South basis presents a benefit to countries regardless of their level of development. So then, what is the developmental impact of the emerging partnerships on Africa?

The impact of the emerging economies on Africa's consumers has in general been positive. With the exception of food prices, their trade impact has led to a fall in the prices of many key consumer goods. Another important area of advantage to consumers has been in the provision of core generic medicines that are appropriate to African conditions, and in particular, the provision of cheap retroviral drugs and insecticide-dipped mosquito nets. African consumers have also gained from the availability of improved infrastructure, including enhanced railways, roads and bridges and telecommunications.

The report shows that the impact of the emerging economies on the African manufacturing sector has, however, been significantly adverse. Many opportunities in export markets have been foreclosed. Furthermore, manufacturers targeting their own domestic markets have also been severely disadvantaged by competitive imports from the emerging economies, resulting in major job losses in labour-intensive sectors such as textiles and clothing, for example. However, on the positive side, the provision of cheap and appropriate capital goods from the emerging economies has provided many African producers with lower cost and more enhanced productive capacity.

Those African economies that are producers of oil-, gas- and minerals-based hard commodities are potential beneficiaries of the changing terms of trade. At the same time, an additional factor has been the uneven spread of hard commodity exports among African countries. Only five African countries account for more than 80 per cent of all oil

and gas exports and virtually all of the remaining African economies are net importers of oil.

In many respects, the government sector has greatly benefited from the impact of emerging economies in Africa. Thus, new injections of aid have in some cases allowed for improvement of government facilities in dire need. Peacekeeping forces provided by China and India have also played a role in the attempts in some African countries to reduce internal conflict.

Finally, African Governments have been aided in their negotiations with traditional aid donors to withstand Washington Consensus policy reform by drawing on alternative emerging country resources, as well as on the policy experience of emerging countries, which often runs counter to that prescribed by international institutions. Thus, these emerging partnerships have augmented the policy space for new approaches to African development. As a note of warning, however, there is a danger that large inflows that require re-payment may result in future indebtedness.

As can be seen, South-South Cooperation is changing the landscape of international relations. Historically, developing countries tended to look to the North for trade, investment and other development opportunities. In the last decades, however, it has become clear that increased interaction among the countries of the South can bring immense economic and social benefits.

South-South Cooperation is of particular interest to Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, as it greatly expands the development opportunities of these vulnerable countries, which face more daunting challenges than the other developing countries. Their universally-recognized structural, economic, social, environmental and institutional vulnerability makes these countries the most deserving in the renewed effort to expand South-South Cooperation.

Africa clearly has an enormous opportunity to restructure its external relations by benefiting from the entrance of these new economies. In particular, the giant Asian Driver economies are at the early stages of their commodity-intensive growth paths and their thirst for energy and mineral products is likely to be sustained for some time. The key for Africa is to use this demand for commodities to its best advantage in its relations with the new emerging powers.

However, this terms-of-trade reversal simultaneously affects manufacturing, where the impact of emerging economies' entry into global markets has been much more negative for Africa. Therefore, part of the bargain is to address these negative impacts on the very manufacturing sectors which are essential for promoting long-term sustainable growth. African countries need to ensure that exporters of manufactures incorporate Africa in their global value chains.

Taking advantage of Africa's resource potential requires an efficient infrastructure. Here Africa is particularly disadvantaged. The improvement in Africa's infrastructure should therefore be a key objective in developing strategic partnerships with the emerging economies. In this regard, special consideration should be given to the promotion of regional infrastructure to promote intra-regional trade.

Africa might seek to obtain direct assistance in key areas in which the emerging economies have specific competences. The first of these is peacekeeping. The second area reflects the similar operating environments in Africa and many of the emerging economies. Faced with similarly low-income consumers, China, India and Brazil have each begun to develop process and product technologies that are particularly appropriate for other developing countries, including those in Africa. The value of appropriate technology is particularly apparent in small-scale agriculture, manufacturing and services. And finally, in the social agenda Africa stands to gain much from links with the emerging economies, especially in relation to the health and pharmaceutical sectors in general, and malaria and HIV/AIDS in particular.

Excellencies,

Ladies and Gentlemen,

Notwithstanding these opportunities, the problem is that Africa lacks a strategy for the emerging economies. In keeping with the thrust of the report, African countries should exercise “ownership” over these strategic partnerships to ensure complementary win-win outcomes. Therefore, African countries should play a more active role in coordinating and managing support from developing and developed countries to reduce transaction costs and ensure better development outcomes. The report recommends that African countries adopt a strategy of assimilating the vectors of integration, whereby meeting the trade needs of the emerging economies should be conditional upon meeting Africa’s complementary developmental and infrastructural needs.

The report also recommends that African countries should adopt a developmental approach in seeking foreign direct investment. The focus of African countries should not be on attracting Southern FDI per se, but on creating linkages between FDI and domestic economies and on directing these investments to sectors where they can catalyze domestic investment, create jobs, spur regional economic integration, and boost productive capacity.

In this regard, it is important to use targeted incentives to encourage foreign investors to source inputs locally to promote linkages between Southern FDI and African economies. The promotion of joint ventures between African and Southern firms should also boost the diffusion of knowledge to local entrepreneurs and contribute to the structural transformation of African economies. Moreover, it is important to tie the South-South agenda with the achievement of the Millennium Development Goals, and to ensure that cooperation with Southern partners leads to economic diversification and industrial development in Africa, as well as supporting the continent’s integration into the global economy.

The African Union and other continental and regional organizations should coordinate strategic analysis and bargaining where action is appropriate at the continental or regional level. At the same time, the report calls on multilateral organizations, including the United Nations, to provide support for individual African Governments in the monitoring of trade, aid and FDI interactions with emerging countries and help build capabilities in recipient countries to develop an adequate strategic response to relations with emerging economies.

We should not pursue South-South Cooperation for its own sake, but rather, as a mechanism for ensuring a better quality of life for the world's poor by making progress on the MDGs. As I have stated earlier, the Millennium Development Goals cannot be met without focusing on vulnerable countries. Like North-South Cooperation, South-South Cooperation should keep the weakest segment of the international community at the centre of this important partnership in the fight against poverty.

To conclude, ladies and gentlemen, it is true that we have made considerable progress in promoting South-South Cooperation. Political cohesion within the developing world in the last decades has contributed to placing development at the centre of international relations. However, I believe that the potential of South-South cooperation is still not fully exploited.

Let us, as the international community, do what we can to assist and facilitate this process.

Thank you very much.