



# AFRICA, EMERGING ECONOMIES, AND THE CHANGING DEVELOPMENT LANDSCAPE

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**What are the implications of new patterns of South-South cooperation (SSC) for Africa? Will they be reformist or transformative for global development policy? What will be the impact on multilateralism and the United Nations?**

The development landscape for Africa and other developing countries has drastically changed with the emergence of such development partners from the global South as Brazil, China, India, and Turkey. While the member states of the Organisation for Economic Co-operation and Development (OECD) will remain important partners for Africa for the foreseeable future, the center of gravity is irrevocably shifting along southern and eastern axes.<sup>1</sup>

While many analysts see new partners as a blessing in disguise with the potential to open policy space for African countries, others fear “recolonization by invitation.” This briefing explores possible interpretations of this dilemma, which is key to ongoing discussions about the shape of the UN development system.<sup>2</sup>

## AFRICA AND EMERGING POWERS

Africa’s strategic partnership with China, India, and other emerging economies since the late 1990s has had a noticeable impact on the growth of trade and overall economic performance on the continent. This spectacular growth has been underpinned by China and India’s insatiable appetite for African oil, gas, and mineral resources along with expanded investments in its infrastructure. As a result, African countries have raised their productive potential as well as moved goods to local, regional, and global markets relatively quickly.<sup>3</sup>

Although there are differences across the various arrangements between the continent’s countries and their partners from the global South, they also share certain features. In general, the stated objectives of these partnerships are to promote Africa–South cooperation to achieve common development goals. Official pronouncements from the various summits—e.g., the Forum on China Africa Cooperation (FOCAC), the India-Africa Forum Summit (IAFS), the Turkey-Africa Summit—emphasize principles

of mutual respect, reciprocal benefits, respect for sovereignty, and non-interference in internal affairs of partners. This new development narrative is welcomed by African leaders, weary of Western paternalism.

## FROM BANDUNG TO CANCÚN

Attempts to forge a tri-continental bloc of governments from the developing world—from Asia, Africa, and Latin America—led to the Non-Aligned Movement (NAM), launched at the Bandung Conference in 1955.<sup>4</sup> And in 1964, the Group of 77 (G77) was formed as the largest Third World coalition in the United Nations, providing a forum for developing countries to articulate and promote their collective interests relating to the global economy within the context of the resulting United Nations Conference on Trade and Development (UNCTAD). The aim was to address the structural concerns—the rich getting richer, the poor poorer—of developing countries through incrementalism and negotiation.<sup>5</sup>

Among the major achievements of the G77 were the successful negotiation of the Generalized System of Preferences (GSP), a scheme designed to allow trade preferences to be extended by developed countries to developing ones on a nonreciprocal basis; and the Integrated Program for Commodities, including the Common Fund, designed to compensate developing countries in the event of shocks in the commodities market. Other rhetorical landmarks included the adoption by the UN General Assembly in the early 1970s of the Declaration and Program of Action for the Establishment of a New International Economic Order;<sup>6</sup> and the agreement to strengthen South-South cooperation between Africa and South America, which culminated in the Marrakesh Declaration and the Marrakesh Framework for the Implementation of South-South Cooperation in December 2003.<sup>7</sup>

The G77 remains the greatest source of support for strengthening the UN development system. Beyond the initial achievements, a half-century of political mobilization by the G77 has produced few significant results.<sup>8</sup> With the ascendancy of neoliberalism as the dominant economic and political ideology, the multilateral approach to global problem solving under the auspices of the UN lost its political currency.<sup>9</sup> The United States and the United Kingdom turned a deaf ear to Third World demands for democratizing the international system, and deliberately started to undermine the United Nations and some of its specialized agencies.<sup>10</sup>

The liberalization of national economies and a reduced role of the state became the principal ideology guiding international development policy from the 1980s onwards. Moreover, the industrialized countries, led by Washington, forged a project to construct a new global trading regime in the context of the Uruguay Round of trade negotiations (1984-1994) that favored an open and liberalized trading system and the removal of any trade preferences that previously were accorded to developing countries under the General Agreement on Tariffs and Trade. These ideological shifts in global economic policy challenged mainstream UN ideas and had serious consequences for the UN system. In the process, the power and influence of the International Monetary Fund and the World Bank in the management of global economic relations was significantly increased while that of the UN was substantially reduced.

### **A NEW IMPETUS FOR SOUTH-SOUTH COOPERATION?**

The debilitating impact of two decades of structural adjustment and the realization by developing countries of the underlying strategic aims and the unbalanced nature of the new global trade regime during the Uruguay Round provided a new impetus for Third World activism. The two defining moments of this renewed activism were the 1999 ministerial meeting of the World Trade Organization (WTO) in Seattle and WTO's 5th ministerial meeting in 2003 in Cancún, Mexico. Led by powerful emerging countries—such as China, India, Brazil, and South Africa—developing countries came together in various new “Gs” (e.g., G22, G23, G33) to promote their views on key development issues. Especially during the preparatory process for the Cancún gathering,<sup>11</sup> they demanded “Special and Differential Treatment” in recognition of their low level of development. They opposed extending the remit of the WTO into new areas of investment—the so-called Singapore Issues—on the free movement and operations of international investors.<sup>12</sup> This was the first time that the developing countries had come together to stop a multilateral trade negotiation dead in its tracks, signalling the beginning of a new post-Cold War political order.

The momentum for enhanced South-South tactical alliance increased in the twenty-first century with the formation of the BRICS (Brazil, Russia, India, China, and South Africa), signifying their rising importance in the world economy. A proliferation of bilaterally-led South-South cooperation platforms followed—for

instance, FOCAC or and IAFS—as emerging countries sought to bolster their economic relations with African countries. While access to Africa's oil and other strategic resources was the initial motivating factor, these relationships have assumed additional dimensions to take advantage of Africa's untapped markets, youthful population, and growing middle-class. The increased engagement of emerging powers in Africa has rung alarm bells among the traditional Western partners who are now following in China's and India's footsteps by establishing engagement platforms. A good example of this is the recently concluded US-Africa Summit and the first Canada-Africa Business Summit, at which major agreements were made to strengthen trade and investment relations with the countries of Africa.

### **SOUTH-SOUTH COOPERATION—OLD WINE IN NEW BOTTLES?**

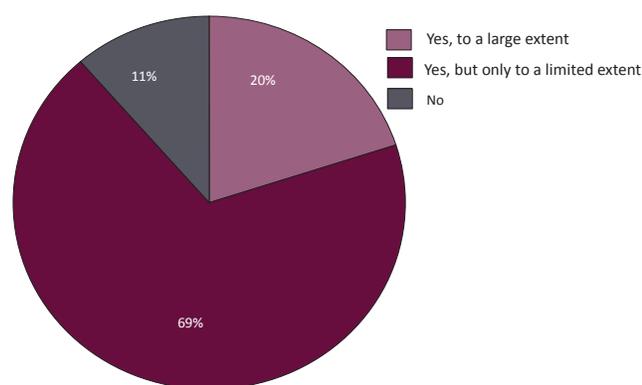
The differences between the new and old forms of South-South cooperation are many. First, the original SSC approach was inspired by the spirit at the 1955 Bandung conference and emphasized Third World resistance against the post-1945 world order. The new forms of SSC (whether bilateral or multilateral) are embedded in the neo-liberal paradigm and are focused on expanding business relationships in Africa.<sup>13</sup> As such, these new arrangements are more reformist than “transformative.” Behind the rhetoric of “win-win cooperation,” however, the key driving force for establishing stronger relations with African countries is the need to secure access to Africa's strategic resources and untapped markets. Aid, investment, and trade are strategically deployed where the interests of emerging powers are greatest.

Second, the emerging powers (and the BRICS in particular) are not trying to construct an alternative, counter-hegemonic project to the present neoliberal order. Instead, they have sought to exercise influence and extend the parameters of global capitalism. They respect multilateral rules and arrangements even as they decry the injustices of the present order. They want to be fully consulted in the design, negotiation, and interpretation of multilateral arrangements. Their continued participation in the post-1945 multilateral system is aimed at constructing a paradigm of globalization that favors them. Therefore, in as much as they try to present themselves as “transformative entities,” the South-South cooperation represented in FOCAC, IASF, and BRICS do not present a paradigm shift in global governance or global development.

Third, and despite the rhetoric of solidarity, major changes in global politics and economics since the end of the Cold War have affected the cohesiveness of the G77. Besides the numerical expansion in membership (to 133 countries today), there has been an increasing differentiation among the members.<sup>14</sup> The interests of the bigger developing countries—in particular, China, India, and Brazil—are not always compatible with the interests of the least developed and most vulnerable members. The emerging powers are more focused on specific issues that affect them rather than rallying behind issues of interest to developing countries as a whole. Moreover, the global South consists of highly differentiated

countries—large and small, rich and poor, land-locked and coastal—with conflicting interests and loyalties, and with multiple memberships in political and regional groupings, including strategic partnerships with the United States and the European Union (EU). Therefore, emerging partners are unlikely to rally behind issues that are very important to developing countries, including financial aid to take steps to address climate change, or the need to substantially cut the generous subsidies that rich countries provide to their farmers that are hurting small farmers in developing countries. In a recent FUNDS survey, global experts expected emerging powers to engage more as donors than recipients in UN forums (see Figure 1).<sup>15</sup>

**Figure 1:** Will the economic progress of emerging powers lead them to engage in discussions on development cooperation resources more as donors than recipients?



### GLOBAL DEVELOPMENT POLICY

The new South-South cooperation arrangements, whereby individual emerging countries are pursuing their national interests through bilateral approaches, bring three significant changes in the realm of development cooperation:

- **Development policy will be less about poverty and more about trade and investment.** For both emerging and traditional Western partners, relations with developing countries will increasingly be defined with more explicit regard to national interests, particularly commercial interests, encapsulated within a broader foreign and security policy, designed to secure domestic political support. The emerging powers are leading the way in the strategic use of aid, investment, and trade unabashedly to pursue their economic interests; and OECD countries are moving in the same direction. Increasingly, bilateral aid agencies are being brought under the ministries of foreign affairs in order to ensure coherence between aid, trade and investment policies. In this regard, there are more points of convergence than divergence between the OECD and emerging economies.<sup>16</sup>
- **The future of development aid is uncertain.** Aid is losing importance and its volume will diminish. There is growing scepticism about aid in OECD countries, and politicians are faced with stronger demands to address domestic needs before

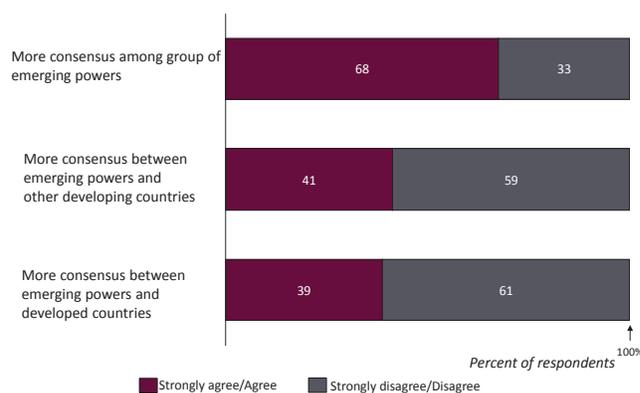
giving official development assistance (ODA). Any traces of post-colonial moral obligation have been replaced by concerns about macroeconomic stability, income, and jobs. Given fiscal consolidation, donors are already cutting back on their development budgets. What little money remains for ODA will be focused on fewer countries and directed toward emergencies and humanitarian action.

- **Non-aid resources from private sources will assume greater importance.** Foreign direct investment, remittances, and philanthropy will offer greater opportunities to support economic development. International NGOs and national counterparts will become more influential and become conduits for higher levels of resources than bilateral agencies. Already, the Bill and Melinda Gates Foundation and the Alliance for a Green Revolution in Africa have had a bigger impact on the agricultural productivity of small farmers than the Food and Agricultural Organization and the International Fund for Agricultural Development put together. Such trends will further erode the comparative advantage of the multilateral institutions.

### CONCLUSION

The influence of the UN system, as well as the Bretton Woods institutions, is in decline. The UN will continue to have a political role as a forum for dialogue, but most of its specialized agencies will become increasingly irrelevant. Many are already threatened by shrinking core budgets and a declining comparative advantage as new non-governmental actors have emerged. At the same time, such global issues as climate change, resource scarcity, security, and pandemics will loom ever larger, and the UN system will remain the essential and relevant forum for dialogue and negotiation on these issues.<sup>17</sup> That said, it will be difficult to reach agreement between the OECD countries and the emerging powers on such issues as climate financing or burden-sharing of UN peace operations. The OECD countries will hang back until they see the emerging powers take commensurate funding steps. Figure 2 depicts one recent range of views about the possible impact of emerging powers on UN conversations.

**Figure 2:** What will be the future impact of emerging countries on discussions in UN forums?



The multilateral development banks will also be threatened, or lapse into secondary status unless they can carve out new roles and reduce the overlap amongst themselves. It is clear that in the future the multilateral and bilateral aid agencies will exert reduced influence. Countries will be able to choose globally from a wide variety of ways to design, finance, and deliver projects (including from the newly established BRICS Development Bank). A number of large borrowers will graduate from the World Bank's concessional lending through the International Development Authority (IDA), leaving it very largely focused on Africa. The debate will accelerate about the future of IDA and the extent to which it should focus on global public goods or green growth rather than country lending.

While the influence and importance of the emerging powers in Africa's development will continue to grow, the traditional OECD partners should not be written off. The EU, United States, and Japan will remain large and essential trading partners for African countries, even if the relationships have historically been unequal, and sometimes exploitative. In a multipolar world, there will be

overlapping spheres of interest. Both OECD countries and the emerging powers will engage in "constructive cooperation" to advance their respective national interests rather than engage in destructive competition.

African countries, however different, all confront the challenge of developing strategic approaches toward old and new partners. This is not only desirable, it is possible. Ethiopia provides a good example because it has a clear long-term development vision and has used its strategic partnership with China and other emerging partners as an explicit bargaining chip in its negotiations with European donors and vice versa. This has created conditions whereby Western development cooperation complements rather than conflicts with development cooperation with emerging powers. Western donors are prepared to work with the Ethiopian state, known for its solid track record in the effective use of aid, despite the regime's questionable democratic credentials. The challenge for all African countries will be to create and maintain balanced relationships with traditional and emerging partners.

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