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Africa-Europe on the Global Chessboard: The New Opening

Shared experience, common development

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The CEED Institute, founded by Dr. Jan Kulczyk in 2010, is a think-tank whose aim is to promote the achievements and economic potential the CEE countries. Its ambition is to support business initiatives, as well as debates on indispensable reforms in the region, including measures to boost sustainable growth and innovative capacities. The objective of the CEED Institute is the dissemination of ideas and projects on how best to improve efficiency and competitiveness of the CEE region.

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Dr. Jan Kulczyk
Founder of the CEED Institute,
entrepreneur
and owner of Kulczyk Investments.

Ladies and Gentlemen,

It is with great pleasure I present to you today the next CEED Institute report. This year the CEED Institute has focused on the opportunities, chances, and challenges of the potential of Africa-Europe partnership.

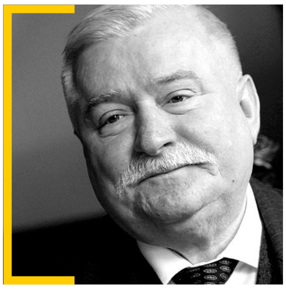
When preparing this report, we wanted to draw all the attention deserved to Africa, a continent that has recently been firing and stimulating the imagination of analysts and entrepreneurs alike, because, dynamically and without any inhibitions, it has been forging its way forward on the world's economic map. Our main aim was to draw attention to Sub-Saharan Africa, a family of still very young states which owe their impressive power to their exceptional diversity, vitality, and untamed appetite for a better future.

During the past 20 years, entrepreneurs and communities of Central and Eastern Europe have proven many times that they know how to successfully change the face of their countries. How to respect democracy and develop free markets on the ruins of centrally controlled economies, whilst simultaneously creating a universal transformation model.

The experience and achievements gained during this transformation and growth has empowered them to operate boldly in this new dimension of the global era and to develop during unstable times marked with the crises of historical powers and the promotion of rising stars.

What do the countries of Central and Eastern Europe have in common with the Sub-Saharan ones today?
By reforming their own economies, they transform their continents.
What may they have in common tomorrow?
Together they may transform the world.

Dr. Jan Kulczyk
Founder of the CEED Institute



Lech Wałęsa
Historical leader
of Solidarity movement (1980-1989),
Nobel Peace Prize Laureate (1983)
and the President of Poland (1990-1995).
CEED Institute Ambassador.

It is time for Africa.

In order to realize the huge potential of Africa, all we need to do is to look at the numbers. The population of Africa, which currently counts over a billion people, is expected to double by 2050 and reach 20% of the world's population, in 2025 one in four of the world's young people will be from Sub-Saharan Africa. At the same time, Europe is losing its demographical importance and in 2050 it will account only for 6% in the global scale. Also the age structure of the European population is disadvantageous, with a growing number of elderly people.

Yet, Africa is also facing grave problems. A huge part of its growing population is suffering from hunger with the number of undernourished going up to 240 million in recent years. African possibilities are still undermined by extremely weak institutions, corruption, lack of education, and recently the outburst of new conflicts and violence. North Africa is going through a painful transformational and still has a long way ahead to reach the rule of law and durable democracy. Ongoing conflicts in Mali and Libya may present a danger for stability of the whole region of Sahel.

Africa was never a 'hopeless continent,' those 54 states and thousands of people and regions have a huge potential, which should be well used. It is time for a strong partnership between Europe and Africa, good cooperation might bring enormous benefits to both continents, it should be a win-win situation.

Lech Wałęsa
CEED Institute Ambassador

Prof. Dr. Horst Köhler
President of Germany (2004-2010),
Chairman of International Monetary Fund (2000-2004),
General Director of the European Bank for Reconstruction and Development (1998-2000).

Africa is on its way.

Just over a decade ago, The Economist called Africa the 'hopeless continent.' Nowadays that well-informed newspaper refers to the 'rising continent' and the final document from the G20 summit last November has the world's 20 biggest economies identify Africa as an emerging 'pole of global growth.' Africa is on the move, and Europe is going to have to watch out if it does not want to miss the train.

Granted, with 54 states and thousands of peoples and regions, Africa is bound to experience highs and lows, progress, and setbacks. There is, in parts of Africa, still a lot of bad governance, a lot of injustice and corruption – yet at the same time, Transparency International ranks the anti-corruption efforts of some African states ahead of those of members of the European Union. Yes, there are many causes for worry, even grief – but there is also more reason than ever to be hopeful.

Africa is engaged in a process of self-discovery, of realizing its potential, at the intellectual and cultural level as well as economically. I at least have been seeing a new self-confidence in Africa – and happily, a self-confidence based on a sense of own responsibility. That is something I am glad to see, and it is a good basis for building partnerships.

Horst Köhler

Prof. Dr. Horst Köhler
Former Federal President of Germany

Executive summary

Africa is on the rise, and so is the heat around the continent. Researchers, business people, and journalists from around the world cherish the transformation that Africa has seemingly made during the last decade. The change in narrative regarding the continent has been dramatic, from the 'hopeless continent,' and a 'scar on the conscience of the Western world,' to the 'hopeful,' 'rising,' and 'dynamic' continent. Africa is no longer represented by the usual face of a suffering child, but rather by the smiling face of the new middle-class.

The continent's metamorphosis is undeniable and is likely to be enduring. According to IMF, in the upcoming five years, ten out of twenty of the fastest growing economies will be from Sub-Saharan Africa. Commodities sectors are booming, rapidly growing consumer markets are attracting new foreign investors, and returns on equity are among the world's highest. Nevertheless, the African business landscape is still not a bed of roses. Political uncertainty, corruption, widespread red tape, weak governance, poor infrastructure, and low labour productivity all make investors wary of the current Africa frenzy. With many positive changes happening, across-the-board enthusiasm is rather misplaced. Africa is home to 56 states, an extremely heterogeneous population, GDP per capita ranging from 300 USD (Burundi) to 36,600 USD (Equatorial Guinea) and political systems ranging from authoritarian regimes (Sudan, Zimbabwe) to democracy (Ghana, Botswana). Therefore, whoever treats the African continent as a monolith, with growth embracing each and every part of it, is naïve or ignorant, or holds this view for a specific reason.

The objectives of this study are threefold. First, it seeks to present and critically discuss major economic, political, and social development trends in Sub-Saharan Africa. Secondly, it is to examine an on-going shift in Africa's international relations with the outside world where Europe's clout is waning and South-South co-operation is on the rise. And, lastly, it seeks to better understand the business and political practices of developing countries in Africa, and thus provide food for thought to CEE, whose business presence on the continent has been alarmingly limited.

The report is divided into four parts. The first chapter presents the general characteristics of Sub-Saharan Africa, with particular emphasis placed on the determinants of economic growth and overall development of the region in dimensions such as: GDP growth, influx of FDI, African trade, rise of the middle class, and technological leaps. Having acknowledged the region's diversity, African countries are grouped into three categories whose names are derived from three prominent African animals: **cheetahs**, **warthogs**, and **crocodiles**. Cheetahs are the fastest-growing countries, which are also characterized by relative political stability and have seen substantial improvements to the business environment. At the opposite end of the spectrum are warthogs – countries classified as fragile, unstable, or outright failed, where the growth process is either shaky or non-existent. The 'middle' category of crocodiles refers to countries whose future is uncertain but may often represent lucrative business opportunities. Countries classified in this group so far have delivered mixed results in pursuing transitions in economic, political, and social management.

Taking into account the multidimensional changes in Sub-Saharan Africa, it should be noted that the region has a great potential for growth not only among African cheetahs, but also in the two other groups of states. In the forthcoming years, extractive industries are still expected to attract the vast majority of foreign capital inflows to Africa, but the non-extractive sectors such as banking, telecommunications, retail, and the automotive industry should also be included on investors' radars.

The second chapter is devoted to the changing dynamics of Sub-Saharan Africa's trade relations with the outside world and shifts in the influx of the FDI concomitant with the growing interest of the new emerging powers (China, India, Brazil) and other developing countries (e.g., Turkey, South Korea). The so-called South-South co-operation has significantly intensified in the last decade. In 2012, for the first time, FDI inflows from developing economies into Africa outstripped those from the developed world. These on-going dynamics have provoked a sense of unease in the Western World and widespread fears that Europe is 'losing Africa' or, at best, is gradually being squeezed out of Africa. Regrettably, this tectonic shift is not a matter of concern for CEE, which does not seem to be interested in gaining a better position in the global economy.

The third chapter discusses political constraints of doing business in Africa, departing from the notion of African statehood, and external factors that determine the political environment of Sub-Saharan Africa. It argues that despite positive changes, the region remains very difficult and institutionally unstable. More recently the relationship between 'Old Europe' and Sub-Saharan Africa has started to be framed within the rhetoric of 'trade not aid.' Nevertheless, it is too early to see whether the financial crisis and the intensification of relations between Africa and other emerging economies are actually leading to a redefinition of formal colonial powers' relations with its former dependencies. Having said that, the co-operation of Sub-Saharan Africa and Central Europe could be a potential new axis cross-cutting two already well-established axes of co-operation.

Chapter four presents lessons coming from the emerging countries' policies in Africa and business models employed by new investors, which may also serve as practical recommendations for countries of Central and Eastern Europe. It discusses matters of political support and political symbolism, which are of the utmost importance for the development of a sustainable business partnership. It also stresses the significance of diplomatic engagement, which is materially expressed in the fast-growing number of diplomatic outposts in the continent, and makes note of an increasing trend of institutionalization of various forms of mutual co-operation between Africa and the developing world, such as business forums, summits, and conferences. All of this is presented against a background of passiveness and a lack of political will on the part of CEE to develop relations with Sub-Saharan Africa, while acknowledging a number of features that in fact might greatly facilitate this. The lack of colonial burden and the generally positive or at least neutral image of CEE in Sub-Saharan Africa, inter alia, are assets that could be used in pursuing a 'going Africa' strategy. Central European companies should look for niches in African markets, which, as the Brazilian case demonstrates, still exist in great numbers. In order to nurture mutual co-operation, setting up the CEE-Africa Forum of Cooperation could be a good start.

In conclusion, it should be noted that despite the various speeds of development of Sub-Saharan African countries and the numerous risks faced by investors, the overall trend indicates that in the medium term, the continent will be one of the most attractive places for doing business in the world. Companies from Central Europe must not ignore this, since the price of standing by, while half of the world is rushing to explore business opportunities in Africa, may be too high. They should seek business niches on the continent, think in a large-scale way, and not concentrate exclusively on the mining sector. The CEE policy-makers should also wake up to the fact that Africa is quickly becoming a different place. Much remains to be done in the fields of political support for investment in Africa and changing the perception of Sub-Saharan states as places where doing business is impossible.

Introduction

There is a tendency to perceive the Africa of today as the promised land of economic opportunities and growth. Some pundits even suggest that Africa can teach the West 'a thing or two about capitalism.' Africa's commodities sector and rapidly growing consumer market are attracting unprecedented interest among foreign investors. Its returns on equity are among the world's highest, governance has largely improved, and political risk is decreasing. In other words, the narrative of Africa's success sweeping across the world posits that Africa is bound to succeed, along with everybody who will jump on the rushing bandwagon.

Currently Africa offers opportunities that are comparable, if not more attractive than other emerging markets. Recent macroeconomic and business indicators clearly demonstrate that the continent is 'on the move' and sustainable development may be around the corner. After the 'lost decades,' 'Africa's growth tragedy,' and other dismal trademarks multiplied by academics and journalists in the past, Sub-Saharan Africa is arguably at a tipping point. The global trend of 'turning south' is in the continent's favour, as well. China, India, and Brazil, along with other emerging and 'second tier' economies such as South Korea and Turkey, are making inroads into the continent and thus contributing to the shift in Africa's relations with the outside world.

Nevertheless, while 'Africa rising' is becoming the buzzword, both foreign investors and Africans must be wary of cheerleaders. Having said that, this report seeks to present a balanced picture of the continent, for its diversity is truly great. 'Africa is not a country,' therefore opportunities should be gauged selectively. Whether the rate of return may be indeed high on average, myriads of risks, stemming from the changing environment of the transforming continent, must not be ignored.

Breaking news from Nigeria (Boko Haram terrorist attacks), Côte d'Ivoire (bloody post-election conflict in 2010-2011), the Democratic Republic of the Congo (on-going conflict in the East), the Horn of Africa (piracy and state failure in Somalia), and, more recently, Mali (territorial disintegration and the resultant French military intervention) clearly illustrate that a one-size-fits-all approach is not very useful. Additionally, most African economies and the continent's economic size in general remain small. In fact, combined GDP for 2011 of all SSA countries was significantly lower than that of Brazil, which constrains Africa's potential for attracting business.

Against this background, this report introduces three different categories of SSA countries whose names are derived from three distinguished African animals: cheetahs, crocodiles, and warthogs. Cheetahs are the fastest-growing countries, which are also characterized by relative political stability and have seen substantial improvements to the business environment. On the opposite end of the spectrum are warthogs – countries classified as fragile, unstable, or outright failed, where the growth process is either shaky or non-existent. The 'middle' category of crocodiles refers to countries whose future is uncertain but have been a hotspot for foreign investors and may often represent lucrative business opportunities. Countries classified in this group so far have delivered mixed results in pursuing transitions in economic, political, and social management.

This colourful mosaic of countries presents very different development challenges and business opportunities for newcomers to Africa, who nonetheless do not seem to be following in the footsteps of the West, but instead are choosing to pursue alternative strategies which have become jointly known as a South-South co-operation paradigm. Courting the continent with political symbolism and pockets full of lines of credit pleases African leaders, whose increasing financial and political confidence is on the rise, helped by burgeoning commodity prices, an emerging middle-class and, importantly, a growing pile of reports such as this, which acknowledge that positive change is indeed a part and parcel of the African economic landscape.

This swing has clearly provided a sense of unease and nervousness about 'losing Africa' in Europe. In the last decade the old continent did not keep pace with new entrants – while Asian countries in Africa were leaping, Europe was lagging. According to recent estimates by UNCTAD, in 2012, for the first time, FDI inflows from developing economies into Africa outstripped those from developed economies. This can be partly explained by internal dynamics. Whereas Africa is on the move, exactly the opposite can be said about today's Europe. The old continent is now in a very precarious position in the aftermath of its economic crisis. Financially starved, with abundant problems and a recession which will probably last for some time, it is in need of fresh air and new direction to channel its vast energy.

It can be therefore suggested that Europe's economic recovery may be smoother if it involves Africa's growing potential. Whereas Europe-Africa relations in general are somewhat lethargic and, as this report argues, require a fresh start, CEE relations with the continent are at their nascent stage and their footprint in Africa is marginal.

Central Europe and, more broadly, the 'old continent,' should frame their relations with Africa by taking on board the on-going dynamics which put the region in a different place on the global chessboard and require a new, more assertive approach. There are reasons for CEE to become more involved in Africa and a number of comparative advantages that might facilitate this. A lack of colonial ties, a successful model of economic transformation, democratic credentials, and a vast business energy that already helped CEE firms establish household names in the EU are far too valuable assets to stand by and watch others capitalizing on Africa's growth.

Time is passing and Africa is becoming a crowded place. 'By the time the fool has learned the game, the players have dispersed,' says an Ashanti proverb. It is high time for CEE to wake up to Africa's growing opportunities and decide whether it wants to be among the fools or the players.

List of abbreviations and acronyms

AMIS	- African Union Mission in Sudan;
ASEAN	- Association of South-East Asian Nations;
AU	- African Union;
BDI	- Bundesverband der Deutschen Industrie;
BRICS	- Brazil, Russia, India, China, South Africa;
CEE	- Central and Eastern Europe;
CEO	- chief executive officer;
CNOOC	- China National Offshore Oil Corporation;
DB reports	- Doing Business reports;
DIHK	- Deutscher Industrie- und Handelskammertag;
DRC	- Democratic Republic of Congo;
EU	- European Union;
EUAVSEC	- European Union Aviation Security Mission;
EUCAP	- European Union Capacity Building Mission;
EUFOR	- European Union Force;
EUPOL	- European Union Police Mission;
EUSEC	- European Union Security Sector Reform Mission;
EUTM	- European Union Training Mission Mali;
Ex-Im Bank	- Export-Import Bank;
FDI	- foreign direct investments;
FOCAC	- Forum on China-Africa Cooperation;
FT	- Financial Times;
G8	- group of the world's eight wealthiest countries;
GDP	- gross domestic product;
GPI	- Global Peace Index;
GSMA	- GSM Association;
HIPC	- Heavily Indebted Poor Countries;
ICT	- Information and Communications Technology;
IIAG	- Ibrahim Index of African Governance;
IMF	- International Monetary Fund;
KOAFEC	- Korea-Africa Economic Cooperation Ministerial Conference;
LGBT	- Lesbians, Gays, Bisexuals, Transgenders;
M&A	- mergers and acquisition;
MDGs	- Millennium Development Goals;
MNC	- multinational corporation;
NGOs	- non-governmental organisations;
ODA	- official development aid;
OECD	- Organization for Economic Cooperation and Development;
PGNiG	- Polskie Górnictwo Naftowe i Gazownictwo (Polish Petroleum and Gas Mining);
RSA	- Republic of South Africa;
SADC	- Southern African Development Community;
SEZ	- special economic zones;
SME	- small and medium enterprises;
SOEs	- state-owned enterprises;
SSA	- Sub-Saharan Africa;
UN	- United Nations;
UNCTAD	- United Nations Conference on Trade and Development;
USD	- United States dollar.

Chapter 1

Africa is rising, but ‘Africa is not a country’

Africa's economic performance in recent years represents a unique period in the continent's history. With a growth rate of 11 per cent, some African states lead the ranks of the fastest growing economies worldwide. On average, Sub-Saharan Africa grew by 5.3 per cent in 2012, compared to the global rate of 3.3 per cent. Over the past decade, real income per person has increased by more than a third, whilst in the past 20 years it dropped by nearly 10 per cent.[1]

[1] The Economist, Africa rising. A hopeful continent, 2 March 2013

What is equally important is that this sustained economic growth was accompanied by relatively low inflation, which dropped into the single digits in 2003. Even the sharp increase in global food and fuel prices did not reverse the trend and the inflation on average is still slowing down. It is anticipated to reach about 7 per cent in 2013.[2] Recent forecasts suggest that Africa can maintain this favourable combination of rapid economic growth and low inflation in the upcoming years. The IMF predicts that over the next five years, 10 out of the 20 fastest-growing economies will be in Sub-Saharan Africa.[3]

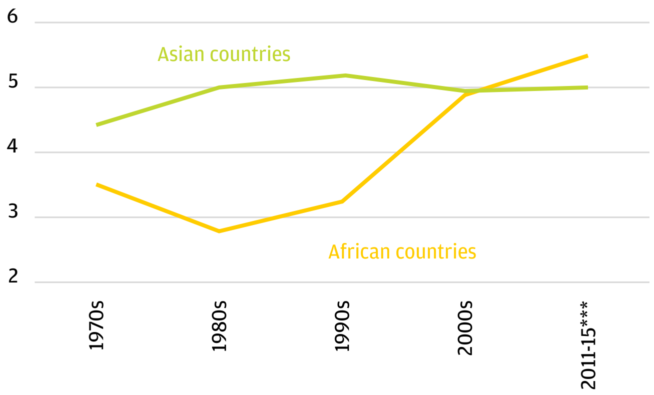
Currently, not even half of SSA countries are what the World Bank classifies as 'middle income' (defined as at least 1,000 USD per person per year), but by 2025 the World Bank forecasts that most African states will have reached that stage.[4] In fact, 'if Sub-Saharan Africa were one country, it would already be a middle-income economy with an average per-capita income of around 1,500 USD,' notes S. Devarajan and W. Fengler, adding, however, that such a statistical exercise would mask a great deal of discrepancies.[5] After the stagnation of 1980-2000, which earned Africa the name 'hopeless continent,' and the period dubbed the 'lost decades,' it has now shifted into the high-growth camp. Optimistic forecasts indicate that Africa's GDP in real terms will grow from 2 trillion USD today to 29 trillion USD in 2050, which means that by that time it would be larger than the combined GDP of the US and Eurozone.[6]

[2] IMF, Sub-Saharan Africa: Maintaining Growth in an Uncertain World, Regional Economic Outlook, International Monetary Fund, Washington, DC 2012, p. VII.
[3] IMF, World Economic Outlook 2012. Coping with High Debt and Sluggish Growth, International Monetary Fund, Washington, DC 2012, p. 194.
[4] World Bank, Africa's pulse. An analysis of issues shaping Africa's economic future, Volume 6, October 2012.
[5] S. Devarajan, W. Fengler, Maghreb Facing New Global Challenges. Is Africa's Recent Economic Growth Sustainable?, Institut Français Des Relations Internationals, Paris, October 2012.
[6] Ch. Robertson, Y. Mhango, M. Moran, The Fastest Billion: The Story Behind Africa's Economic Revolution, Renaissance Capital, 1st edition, 2012.

Figure 1 The world's ten fastest-growing economies
Annual average GDP growth, %

2001-2010**		2011-2015***	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

GDP growth, unweighted annual average, %



Sources: The Economist, IMF

Sources: The Economist, Africa's impressive growth, 6 January 2011, http://www.economist .com/blogs/dailychart/2011/01/daily_chart.

* Excluding countries with less than 10m population and Iraq and Afghanistan
** 2010 estimate
*** Forecast

Importantly, these remarkable economic growth rates have been achieved without major deterioration in debt levels in most of the SSA countries, which gives grounds for optimism and confidence – both in light of the continent's past notorious debt overhang and the current European crisis which has seen debt levels in many countries hit the roof. Costs of servicing external debt in Africa, outstanding at around 300 billion USD as of 2009, accounted for roughly 16 per cent of export earnings, whilst in the 1990s this ratio stood at over 40 per cent.[7] Significant external debt reduction was coupled with similar trends in internal debt numbers. Public debt ratio dropped from 70 per cent of GDP in 2000 to 32 per cent of GDP in 2009. On the micro level, with debt levels as low as 0-10 per cent of GDP (depending on the country), African households are the least indebted households globally.[8]

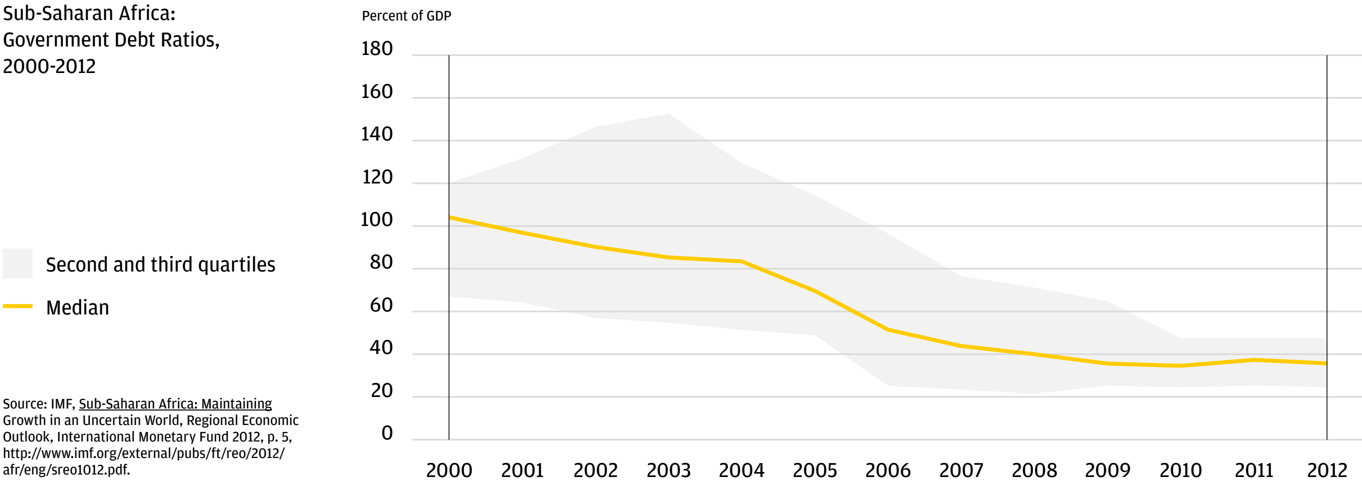
The seemingly arrested debt spiral, increased international development support, coupled with a sounder macroeconomic policy and improvements in terms of trade, have led to advancement in Africa's average balance of payments position. The current account position reached a 1 per cent surplus in 2010, a visible turnaround from the 2.4 per cent deficit in 2000.[9]

As presented in Figure 1, the improvements in fiscal positions that Sub-Saharan countries achieved during the first decade of the 21st century are worthy of admiration (especially when compared with similar ratios in the developed world). The improved financial situation in SSA states is a direct result of successful efforts aimed at stabilizing their economies through, inter alia, more effective revenue collection, institutional improvements, and a decline in government debt.[10]

7 UN, External Debt in Africa, Policy brief No. 3, October 2010.
8 IMF, Regional Economic Outlook Sub-Saharan Africa. Maintaining Growth in an Uncertain World, International Monetary Fund, Washington, DC 2012, p. 5.
9 E. Aryeetey, S. Devarajan, R. Kanbur, L. Kasekende (eds.), The Oxford Companion to the Economics of Africa, Oxford University Press 2012, p. 10.
10 IMF, Sub-Saharan Africa. Regional Economic Outlook, International Monetary Fund, Washington, DC 2007, p. 22.

Figure 2

Sub-Saharan Africa: Government Debt Ratios, 2000-2012



Source: IMF, Sub-Saharan Africa: Maintaining Growth in an Uncertain World, Regional Economic Outlook, International Monetary Fund 2012, p. 5, http://www.imf.org/external/pubs/ft/reo/2012/afr/eng/sreo1012.pdf.

Sustainable fiscal balances helped Sub-Saharan states to lessen the negative impacts of the financial turmoil of 2008-2010. Slight deteriorations in the fiscal burden during the last two years stem mainly from an increase in spending on infrastructure projects that will likely benefit SSA economies in future years.

Sounder fiscal balances in African countries have allowed a few African states to access international bond markets. Investors' confidence in Africa's future economic prospects has been so high that all of the euro bond debuts of Ghana,[11] Nigeria,[12] Namibia,[13] and, most recently, Zambia[14] have been heavily oversubscribed.

Why now?

The strong economic take-off that put the African continent back on stage began around the turn of the century. One may wonder what the triggers were and what exactly happened around that time. First of all, Africa had its economic dawn already in the 1960s, just after gaining independence, when economic growth accelerated[15] and hopes for an economic revival across the continent hit the roof. But this ceased abruptly amidst the coups d'état and political chaos that marked the 1970s and paved the way for two 'lost decades' – the 1980s and 1990s.[16]

During this time Africa was heavily constrained by both human and physical capital shortages, conflicts, and political turmoil – all with a highly negative impact on growth. Cold War politics left a footprint, too, with the struggle between the West and the Soviet Union feeding civil wars and conflicts rather than nurturing investment and trade. After a decade of neglect and marginalization in world politics, and a continuous economic nosedive, in 2000 Africa was famously dubbed a 'hopeless continent' by The Economist, marking the peak of so-called 'Africa fatigue' and rightly expressing the overall mood concerning Africa's future.

The on-going shift in Africa, even if partial and far from 'across-the-board,' has many reasons behind it. A number of changes have come from inside the continent. The third democratization wave that swept across the continent in the 1990s provided a new political framework that helped to initiate governance (modest) and macroeconomic (arguably more ambitious) reforms in many parts of Africa. Thanks to international initiatives such as HIPC, many countries were able to free themselves from the debt burden that had crippled their growth for so long. The worst conflicts that erupted in the political vacuum after the Cold War (Somalia, Ethiopia, Rwanda, Sierra Leone, Liberia, DRC, etc.) ceased, paving the way for reconstruction. Other conflicts fuelled by the Cold War, such as the civil war in Mozambique and Angola, eventually came to an end as well. This all probably would not have mattered much, however, if it were not for new dynamics in the global economy and emergence of Asian giants, especially China. A voracious appetite for metals and oil, needed to spur domestic industrial growth, helped to raise the international prices of commodities to unprecedented levels. This provided fresh money to African governments, easing the financial straitjacket. Interestingly, though, the on-going change also involved resource-scarce countries, such as Rwanda, Ethiopia, Tanzania, and Uganda, whose growth may be attributed to factors other than the export of resources.

11 Ministry of Finance and Economic Planning, Republic of Ghana, Press Release: Five year-bond oversubscribed by more than 200 per cent, http://www.mofep.gov.gh/?q=press-release/230812.
12 Daily Times, Nigeria debut Eurobond heavily oversubscribed, 22 January 2011, http://www.dailytimes.com.ng/article/nigeria-debut-eurobond-heavily-oversubscribed.
13 African Capital Markets News, Namibia's first US$500m Eurobond, 16 November 2011, http://www.africancapitalmarketsnews.com/1451/namibia%E2%80%99s-first-us500m-eurobond/.
14 Times of Zambia, U.S. $750 Million Eurobond – Zambia's Record-Breaking, 2 January 2013.
15 A. K. Fosu, Growth of African Economies: Productivity, Policy Syndromes and the Importance of Institutions, Centre for the Study of African Economies Working Paper WPS/2012-11, p. 2.
16 W. Easterly, R. Levine, Africa's Growth Tragedy: A Retrospective, 1960-1989, Quarterly Journal of Economics, Vol. 112, No. 4, 1997, pp. 1203-50; E. V. Artadi, X. Sala-i-Martin, The economic tragedy of the XXth century: Growth in Africa, NBER Working Paper 9865, 2003.

‘Africa is not a country’

With economic growth sweeping across the continent and Africa frenzy fuelled by the media, it is easy to fall into a trap of overgeneralization. ‘Africa rising,’ despite being commonly applied to the entire continent, is not a continent-wide phenomenon. Africa is an extremely diverse place with even larger diversity with regards to the development challenges of each country. Therefore the ‘one size fits all’ approach towards the continent’s current dynamics is, in fact, very misleading. Of course one cannot ignore that Africa (and especially SSA) is a region with a set of broad characteristics (similar to Western Europe, Eastern Europe, or the Middle East). As a result, certain issues, processes, and challenges can be discussed en bloc as Africa-specific. Nevertheless, they should be handled with utmost care. In many cases, however, specifics prevail and help to explain why policies that work in one set of circumstances may not do so in a different setting.

Investors and analysts should remember that Africa is home to 56 states (the number of recognized states and de facto states if one includes Somaliland),[17] extremely heterogeneous populations, with GDP per capita ranging from 300 USD (Burundi) to 36,600 USD (Equatorial Guinea) and political systems ranging from authoritarian regimes (Sudan, Zimbabwe) to democracies (Ghana, Botswana). In no other region in the world are the differences and contrasts so vast. Therefore whoever acts like the African continent is a monolith, with growth embracing each and every part of it, is either naïve, ignorant, or does it for a reason. For example, even though the average GDP growth for the continent in recent years was around 5-6 per cent, there are countries, such as Eritrea, Central African Republic, and Guinea-Bissau, whose economies have shrunk rather than expanded. In the same vein, inflation and other macroeconomic data show a great deal of diversity (e.g., in Democratic Republic of Congo, Ethiopia, and Eritrea the inflation rate is above 20 per cent). One should also remember that in many cases spectacular GDP growth comes mainly from the low base effect (e.g., Sierra Leone). Besides economic diversity, wide differences are to be found in political and social realms. For example, countries such as Somalia, Central African Republic, and, most recently, Mali are evident examples of failed states where neither the political system nor the economy is running properly.

Having said that, the table below is an attempt to categorize SSA countries, based on past economic growth records as well as the forecast for the upcoming years, and the political situation of each country, into three different groups, using three distinguished African animals: cheetahs, crocodiles, and warthogs. The cheetahs are countries where things have visibly improved over recent years. They are relatively stable. Ghana may serve as the most prominent example of a well-executed transition process. High rates of GDP growth have been coupled with improvement in both political stability and social policies.

It is argued that even recent oil discoveries are not likely to change the course of Ghana’s development path .[18] Quite the contrary, oil revenues can help further enhance sustainable economic growth. Political maturity was upheld during the recent peaceful and unexpected elections, after president Atta Mills passed away in 2012.

Figure 3 African cheetahs, crocodiles, and warthogs

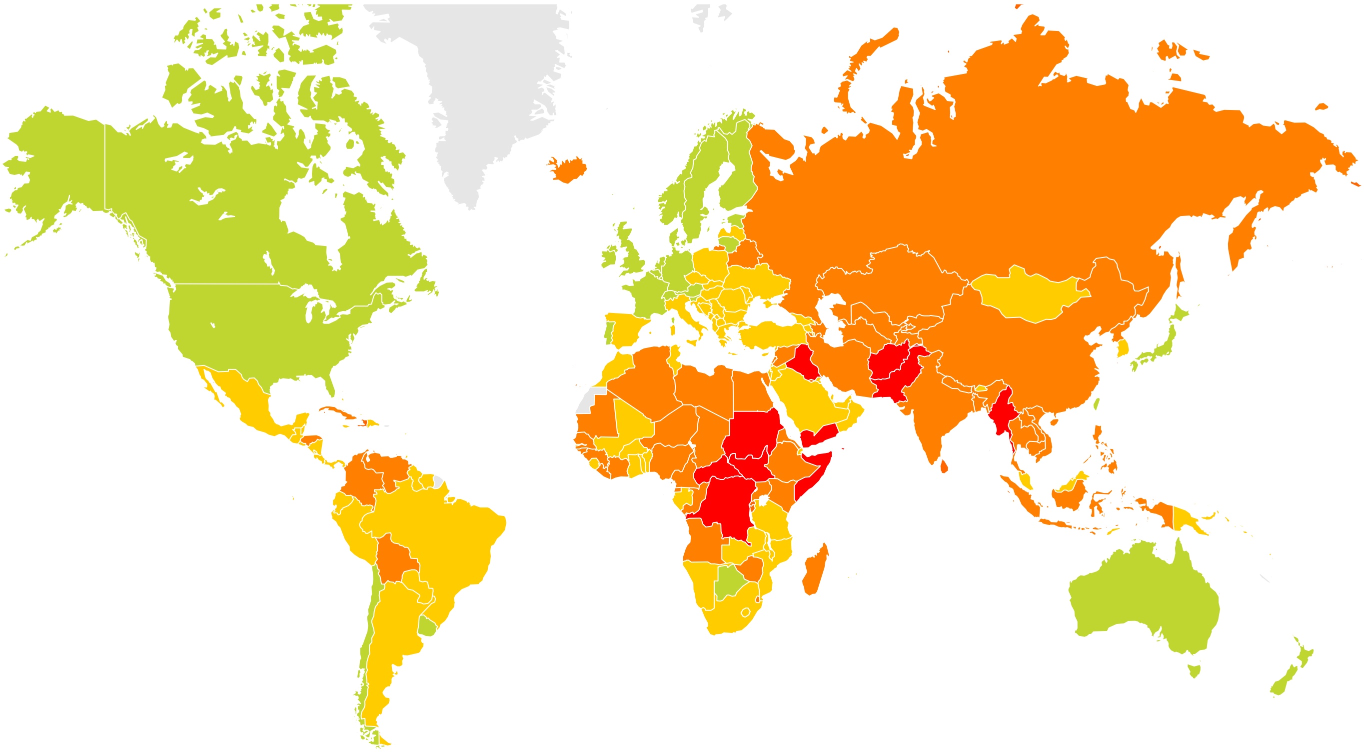
Cheetahs	Crocodiles	Warthogs
1. Botswana	1. Angola	1. CAR
2. Burkina Faso	2. Benin	2. Chad
3. Gambia	3. Burundi	3. DRC
4. Ghana	4. Cameroon	4. Equatorial Guinea
5. Malawi	5. Congo	5. Eritrea
6. Mozambique	6. Côte d’Ivoire	6. Guinea-Bissau
7. Namibia	7. Djibouti	7. Mali
8. Rwanda	8. Ethiopia	8. Somalia
9. Sierra Leone	9. Gabon	9. South Sudan
10. Tanzania	10. Guinea	10. Sudan
11. Zambia	11. Kenya	
	12. Liberia	
	13. Niger	
	14. Nigeria	
	15. Senegal	
	16. Togo	
	17. Uganda	
	18. Zimbabwe	

At the other end of the spectrum are warthogs (a warthog is unofficially a member of the ‘Ugly Five’ of African animals as opposed to the ‘Big Five’, although many people would strongly disagree and call the animal gorgeous, instead). These are countries classified as fragile, unstable or outright failed, where the growth process is either shaky or non-existent. Even if statistically the economy is on the rise, politically the country is in tatters. They rank high in corruption and fraud. Doing business in warthog-countries is associated with high or very high risk and unpredictability.

17 The question about the number of African states can be answered differently depending on the criteria used. For example, AU has only 54 members (including two suspended – Guinea and Madagascar), but the number does not include Morocco which is not a AU member. See: Africa Check, How many countries in Africa? How hard can the question be?, 19 November 2012, http://www.africacheck.org/reports/how-many-countries-in-africa-how-hard-can-the-question-be/.

18 D. Kopiński, A. Polus, W. Tycholiz, Resource ‘curse’ or resource ‘disease’? The discovery of oil in Ghana, African Affairs (forthcoming).

Figure 4 Political Risk 2012



	extreme	(0.00 - 2.50)
	high	(>2.00 - 5.00)
	medium	(>5.00 - 7.50)
	low	(>7.50 - 10.00)
	no data	

Top 20 most at risk countries

Rank	Country	Rating	2012 Score
1	Somalia	extreme	0.82
2	Myanmar	extreme	1.67
3	DR Congo	extreme	1.80
4	Afghanistan	extreme	1.82
5	Sudan	extreme	1.87
6	South Sudan	extreme	2.08
7	Iraq	extreme	2.33
8	Yemen	extreme	2.44
9	Pakistan	extreme	2.49
10	C.A.R.	extreme	2.49

Rank	Country	Rating	2012 Score
11	Nigeria	high	2.82
12	Iran	high	2.83
13	North Korea	high	2.83
14	Libya	high	2.99
15	Côte d'Ivore	high	3.00
16	Russia	high	3.06
17	Zimbabwe	high	3.10
18	P.O.T.	high	3.17
19	Chad	high	3.22
20	Syria	high	3.28

Source: Maplecroft, Political Risk Atlas 2012, http://www.insurancelatam.com/website/wp-content/uploads/2012/02/Map_Poster_MARSH_2012_V610.jpg.

Somalia is a textbook example of a failed state. Simmering conflicts among ethnic groups, local leaders, and elites pushed Somalia into two decades of civil war. Central state institutions imploded, leaving thousands of people without any level of security, appropriate domestic social policies, or healthcare. Over the years the economy of Somalia experienced an 'unmitigated free fall,' as inoperative institutions were unable to either collect taxes or deliver central state services.[19] A central budget was non-existent for almost twenty years. In view of the lurking threat coming from growing insecurity and terrorist incidents, the government of neighbouring Kenya decided recently to take a stance and pushed Al-Shabaab forces away from its borders,[20] helping the Somali government to regain control over the capital, Mogadishu, and other regions of the country.[21]

The third proposed category, crocodiles, includes countries with uneven transition and vague future prospects. Countries classified in this group, such as Ethiopia, during recent years have delivered mixed results in pursuing transition in economic, political, and social management. Ethiopia is a good example of a bumpy development road. On the one hand, even though the economic model of Ethiopia rejects 'Western "free-for-all" capitalism' and liberal democracy, policies started by Meles Zenawi have boosted the country's economy and alleviated poverty.[22] Coordinated efforts among government departments have helped to improve education, agriculture, and health and social care. Although the per capita income of 357 USD per person (as of 2011) is much below the average of 1,466 USD for SSA,[23] Ethiopia is catching up fast. But the Ethiopian development model has experienced hiccups on several fronts. First of all, high inflation (40 per cent in 2011) caused by excessive government spending, mainly on infrastructure projects, and low interest rates are likely to underpin further growth. Secondly, keeping a large workforce in agriculture (the agriculture sector provides work to 79 per cent of the population and accounts for 46 per cent of GDP) is unsustainable over a longer period. High birth rates, at 4.5 per woman, are causing intense pressure on agricultural land. Furthermore, state monopolies, such as in air transport or the telecom sector, are causing economic bottlenecks and prevent the population from reaping the full benefits of technological advancement.[24]

19 E. Aryeetey, S. Devarajan, R. Kanbur, The Oxford Companion to the Economics of Africa, Oxford University Press 2012, p. 574.
20 For more details regarding reasons behind Kenya intervention see, for example: D. Branch, Why Kenya Invaded Somalia. The Opening of an Aggressive New Chapter, Foreign Affairs, 15 November 2011.
21 RNW, Somali government regains control of Mogadishu, 24 February 2011, http://www.rnw.nl/africa/article/somali-government-regains-control-mogadishu.

22 The Economist, Special report: Emerging Africa a hopeful continent, 28 February 2013.
23 The World Bank, http://data.worldbank.org/indicator/NY.GDP.PCAP.KN.
24 The Economist, Ethiopia and Kenya: Doing it my way, 28 February 2013, http://www.economist.com/news/special-report/21572379-ideological-competition-between-two-diametrically-opposed-economic-models-doing-it-my.

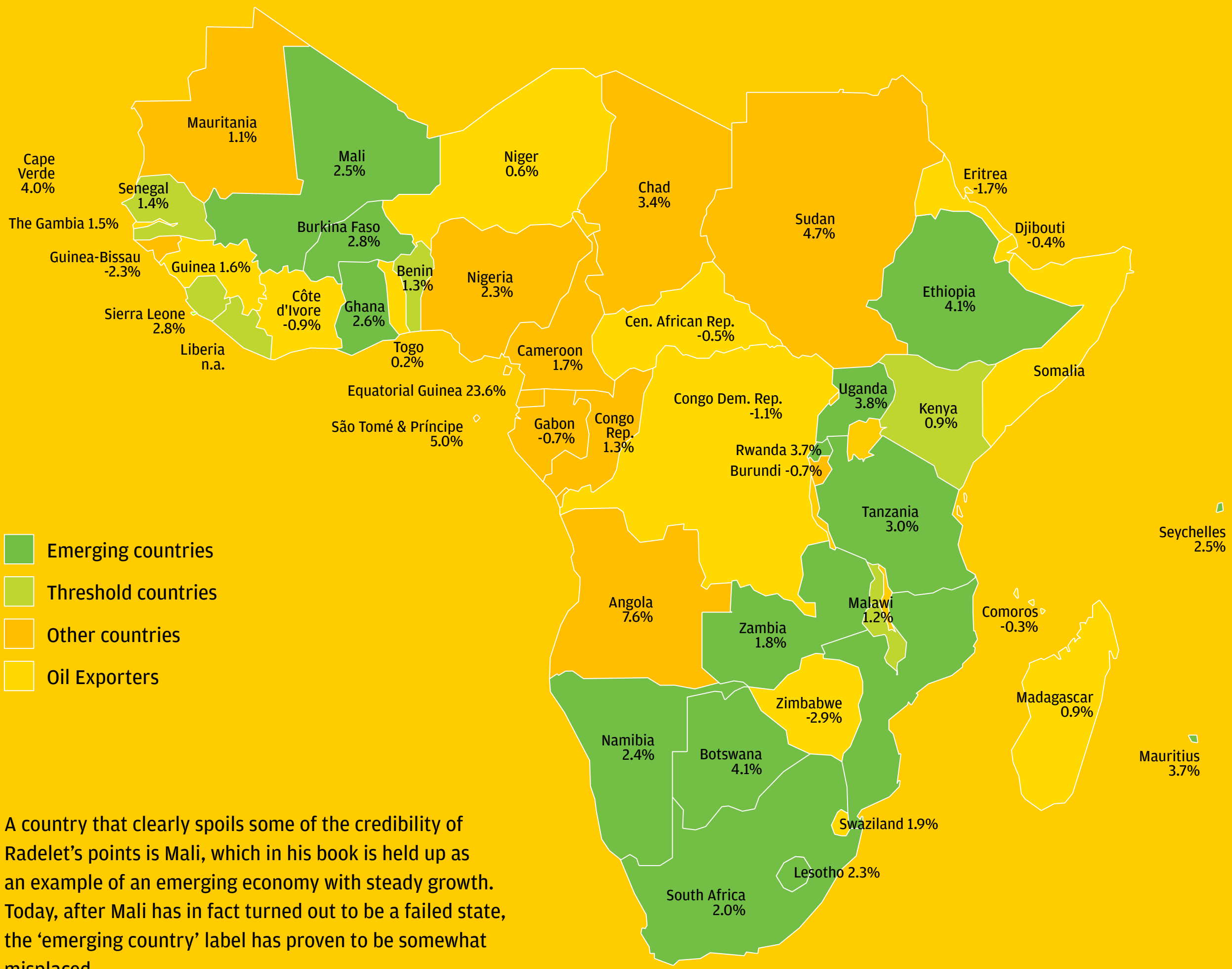
Box 1 **17 emerging African economies by Steven Radelet**

In his book Emerging Africa: **How 17 Countries Are Leading the Way**, Steven Radelet makes a case that roughly one third of Africa has been growing long enough to earn itself the name 'Emerging Africa.' The book explores five fundamental changes underway in the emerging countries:

1. more democratic and accountable governments;
2. more sensible economic policies;
3. the end of the debt crisis and changing relationships with donors;
4. the spread of new technologies;
5. the emergence of a new generation of policymakers, activists, and business leaders.

What makes this analysis convincing is the longer than usual time perspective (starting in the mid-1990s), which is meant to prove that growth in some parts of Africa is not a temporary phenomenon. Radelet argues that the 17 countries made their turnaround not fuelled by commodity prices, but also as a result of sound economic policy reforms.

The African countries that pass Radelet's test are as follows: Mali, Burkina Faso, Ghana, Ethiopia, Rwanda, Uganda, Tanzania, Mozambique, Zambia, Botswana, Namibia, South Africa, Lesotho, Cape Verde, Seychelles, Sao Tome and Principe, Mauritius.



A country that clearly spoils some of the credibility of Radelet's points is Mali, which in his book is held up as an example of an emerging economy with steady growth. Today, after Mali has in fact turned out to be a failed state, the 'emerging country' label has proven to be somewhat misplaced.

Does the hype about Africa reflect reality?

The way Africa has been recently presented in some media coverage is unprecedented. Conflicts, corruption, diseases, and guns have suddenly given way to growth, business, and trade. Africa is no longer represented by the usual face of a suffering child, but rather by the smiling face of the new middle-class. When the phrase ‘Africa rising’ is typed into Google, there are 392,000 results, and a combination of the words ‘Africa’ and ‘growth’ gets 424,000,000 results. Bookshops have become saturated with books titled Africa Rising: How 900 Million African Consumers Offer More Than You Think,[25] Emerging Africa: How 17 Countries Are Leading the Way,[26] Africa’s Turn?[27] and The Fastest Billion: The Story Behind Africa’s Economic Revolution,[28] as opposed to grim accounts of the continent’s economic gangsters, permanent crisis, poverty or Millennium Development Goals. Is Africa really poised for ‘economic take-off, much like China was 30 years ago,’ as suggested by the World Bank?[29] Yes and no, well, it depends.

Opinions may be roughly divided into Afro-optimists[30] and Afro-realists. Afro-optimists see the whole continent as moving forward, or at least pretend not to see its lagging parts. They argue that Africa in general is poised for success, and whoever is left behind now will come around soon.

This is a narrative employed in some business reports clearly in order to spur the enthusiasm of investors and help to build a positive perception of the continent in business circles. The ‘uplifting’ approach is contrasted with the Afro-realists’ camp or simply those specialists who are sceptical about steady growth in Africa. Lant Pratchett warns, for example, that ‘it is easier to create an aggregate of success than a successful aggregate,’ and argues that it is dangerous ‘to artificially link the prospects of a Rwanda or Uganda with what happens in Nigeria or Niger.’[31] There is a third ‘defeatist’ narrative according to which ‘Africa rising’ is a myth, and in fact the process unfolding on the continent is not structural, but statistical.[32] Finally, Morten Jervens occupies the middle ground, arguing that due to poor data we are unable to say whether Africa is rising or not.[33] An interesting perspective is offered by Richard Dowden, a long-standing Africa expert, who essentially acknowledges positive changes but bitterly notes that the Africa rising narrative is mostly circulated in the West, whereas the reality consists of ‘Africans’ rising anger.’[34]

Whether the growing African image is somewhat overblown and sceptics are right to note that the continent’s progress has not been uniform, it must be acknowledged that ‘the fatalistic talk of an African growth tragedy has been proved wrong.’[35]

Figure 5 The newspapers U-turn on Africa (2000 & 2011)

Source: The Economist, The Time.

[25] V. Mahajan, Africa Rising: How 900 Million African Consumers Offer More Than You Think, Pearson Prentice Hall 2008.
[26] S. Radelet, Emerging Africa: How 17 Countries Are Leading the Way, Center for Global Development, Washington, DC 2010.
[27] E. Miguel, Africa’s Turn?, The MIT Press 2009.
[28] Ch. Robertson, Y. Mhango, M. Moran, The Fastest Billion: The Story Behind Africa’s Economic Revolution, Renaissance Capital, 1st edition, 2012.
[29] World Bank, Africa’s Future and the World Bank’s Role in it, http://siteresources.worldbank.org/INTAFRICA/Resources/Africa_s_Future_and_the_World_Bank_s_Role_in_it.pdf.
[30] Optimistic account of Sub-Saharan Africa growth rates has been also presented by the Institute for International Finance, http://www.iif.com/press/press+396.php, see also the work of Nigeria’s Finance Minister Ngozi Okonjo-Iweala and Zambian economist Dambisa Moyo. D. Moyo, China’s Race for Resources and What it Means for the World, Basic Books, New York 2012; N. Okonjo-Iweala, Emerging from the frontier, The Economist, The World in 2013, p. 78.
[31] The Economist Debate, Is Africa poised for steady, rapid growth?, 3 September 2010, http://www.economist.com/economics/by-invitation/guest-contributions/depends_what_you_mean_africa.
[32] See, for example, R. Rowden, The Myth of Africa’s Rise, Foreign Policy, 4 January 2013; there is also an ‘Afro-pessimism’ narrative in the discourse regarding Africa’s development, though is clearly in retreat and explored mostly by sociologists, anthropologists, rather than economists. For more details about: K. Mathews, Is Afro-Pessimism on the Wane? Prospects for Africa in the New Millennium, Africa Quarterly, 40(1), 2000, pp. 81-103.
[33] M. Jerven, We Have No Idea If Africa Is Rising, Foreign Policy, 23 January 2013.
[34] R. Dowden, Africa’s rising rage: middle classes call for revolution, African Arguments, 8 February 2013.
[35] S. Mallaby, Africa is hooked on growth, Financial Times, 1 January 2013, http://www.ft.com/intl/cms/s/0/97847a40-4866-11e2-a1c0-00144feab49a.html#axzz2NeYuEmHn.

Investment and trade

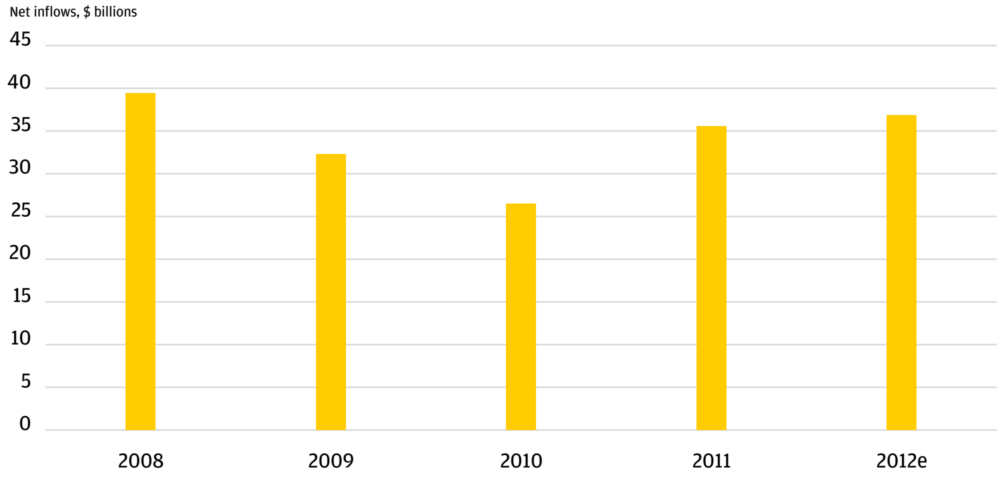
According to the Invest AD, Sub-Saharan Africa now offers the greatest overall investment potential of all frontier markets globally, beating East and South Asia, Eastern Europe, and Latin America.[36] Governments across SSA often highlight larger streams of foreign direct investments as their top priority, as FDI brings skills, technology transfer, and job creation – all of which are very much needed in SSA. As a result, the value of Foreign Direct Investment projects in Sub-Saharan Africa increased from 20 billion USD in 2003 to almost 37 billion USD in 2011.[37]

Africa has been attracting a growing number of foreign investors even though the global investment trends have been experiencing a downturn. According to the World Bank, compared to 2011, FDI inflows to Sub-Saharan Africa in 2012 increased by 5.5 per cent while, at the same time, other developing countries witnessed a total decrease of 6.6 per cent. The World Bank points out that Africa was able to sustain this upward trend in FDI mainly because the vast majority of investment projects on the continent are carried out in extractive industries, where investors have a considerably longer time horizon and are less prone to short-term market fluctuations.[38] Moreover, despite the sluggish global economy, the prices of commodities prevailing at record-high levels confirm investors' confidence in achieving high rates of return in Africa.

Extractive industries have always had a dominant share in the portfolio structure of the continent's foreign investment projects. From 2003 to 2012 investments in Africa's oil, gas, and other natural resources accounted for more than 72 per cent of total capital expenditures,[39] and are one of the most important factors behind the dominating 'Africa is rising' narrative. In 2011 alone, with a total value of more than 25 billion USD, investments in oil, gas, and the mining sector dwarfed the value of projects in ICT and financial services (7.7 billion and 1.4 billion respectively).[40]

New oil wells are being drilled from Liberia to Ghana and Kenya, and mines are being expanded or built in DRC, Sierra Leone, Senegal, Mozambique, and Zimbabwe. In recent quarters, export-oriented investors have especially turned their attention towards East Africa, as companies such as Tullow Oil, Total, CNOOC, Cove Energy, and Ophir with BG Group strive to secure their share in the 'East African El Dorado.'[41] According to UNCTAD, East Africa already broke the downward trend of 2009-10 and attracted almost 4 USD in foreign investments in 2011.[42]

Figure 6
Foreign direct investment flows to Sub-Saharan Africa (2008-2012)



Source: The World Bank, Global Economic Prospects. Assuring growth over the medium term, Volume 6, January 2013, p. 158.

36 Invest AD, Into Africa: An Invest AD report written by the Economist Intelligence Unit Institutional investor intentions to 2016, Economist Intelligence Unit 2012.
37 UNCTAD, World Investment Report 2012. Towards a New Generation of investment policies, New York and Geneva 2012, p. 40.
38 The World Bank, Global Economic Prospects. Assuring growth over the medium term, Volume 6, January 2013, p. 156.
39 This Is Africa, The FDI map, April/May 2012, p. 31.
40 Ibid.
41 See for example: The Economist, African Energy: Eastern el Dorado?, 7 April 2012, http://www.economist.com/node/21552265;
T. Lay, A New Frontier – the Rush for Oil and Gas in East Africa, African Arguments, 29 May 2012.
42 UNCTAD, World Investment Report 2012. Towards a New Generation of investment policies, New York and Geneva 2012, p. 40.

Figure 7
Resources, new discoveries

Regional Grouping	Country	Oil	Gas	O/G Offshore?
Eastern Africa	Burundi	-	-	-
	Ethiopia	-	-	-
	Kenya	-	-	-
	Madagascar	-	-	-
	Malawi	-	-	-
	Mozambique	-	Y	-
	Tanzania	-	Y	Y
	Zambia	-	-	-
	Zimbabwe	-	-	-
Central Africa	Angola	Y	-	Y
	Cameroon	Y	-	Y
	Central African Republic	-	-	-
	Chad	Y	-	-
	Congo	Y	Y	Y
	Democratic Republic of Congo	Y	-	Y
	Equatorial Guinea	Y	Y	Y
	Gabon	Y	Y	Y
Northern Africa	Algeria	Y	Y	-
	Egypt	Y	Y	-
	Libya	Y	Y	-
	Morocco	-	Y	-
	Sudan	Y	-	-
	Tunisia	-	-	-
Southern Africa	Botswana	-	-	-
	Lesotho	-	-	-
	Namibia	-	-	-
	South Africa	-	Y	Y
Western Africa	Burkina Faso	-	-	-
	Côte d'Ivoire	Y	Y	Y
	Ghana	Y	-	Y
	Guinea	-	-	-
	Liberia	-	-	-
	Mali	-	-	-
	Mauritania	Y	-	Y
	Niger	-	Y	-
	Nigeria	Y	Y	Y
	Senegal	-	-	-
	Togo	-	-	-

Source: Raw Materials Group Database 2012, Africa Progress Report 2012. Jobs, Justice and Equity. Seizing opportunities in times of global change, Africa Progress Panel, Geneva 2012.

Other resources and share of world production
Coltan (1.33%); Gold (0.1%)
Coltan (3.08%)
Gold (0.02%)
Chromile (0.32%)
Uranium Oxide (0.21%)
Coltan (9,17%); Zirconium (2.54%); Gold (0.01%)
Gold (1.61%)
Cobalt (7.1%); Copper (4.38%)
Chromite (1.84%); Diamond (0.49%); Lithium (2.61%); Palladium (2.2%); Platinum (2.89%); PGMs (2.47%); Rhodium (1.92%)
Diamond (9.5%)
Gold (0.04%)
Diamond (0,38%)
-
-
Cobalt (46.69%); Diamond (20.50%); Copper (1.57%); Coltan (8.33%); Tin (3.15%)
-
Manganese (2%)
Iron Ore (1.31%)
Phosphate Rock (3.35%); Iron Ore (0.12%)
-
Cobalt (2.76%); Phosphate Rock (14.85%)
Gold (0.42%); Chromites (0.78%)
Phosphate Rock (1.09%)
Diamond (25.71%); Copper (22.4%); Coal (1.04%); Gold (1.63%); Nickel (1.48%)
Diamond (1.75%)
Uranium Oxide (9.85%); Diamond (7.21%); Zinc (1.65%).
Chromite (40.35%); Coal (3.72%); Cobalt (1.54%); Copper (0.77%); Diamonds (7.92%); Gold (9.63%); Iron Ore (2.92%); Lead (1.24%); Manganese (17.87%); Nickel (2.06%); Palladium (38%); Phosphate (1.39%); Platinum (76.92%); PGMs (59.57%); Rhodium (83.33%); Titanium (23.64%)
Gold (0.34%)
Gold (6.9%)
Gold (3.56%); Manganese (2.86%)
Bauxite (0.42%); Gold (0.73%); Diamond (1.9%)
Diamond (0.03%); Gold (0.03%)
Gold (1.82%)
Iron Ore (0.67%); Gold (0.28%); Copper (0.21%)
Uranium Oxide (6.91%); Gold (0.1%)
Colton (2.08%); Tin (0.63%); Niobium (0.31%); Gold (0.13%)
Phosphate (0.59%); Gold (0.23%)
Gold (0.5%); Phosphate Rock (0.45%)

Besides digging mines and drilling wells, foreign investors have also provided funds, estimated by the World Bank at the bewildering amount of 930 billion USD, for projects aimed at minimizing the infrastructure gap in Africa.[43] As outlined by Anthony Thunstorm, the CEO of the Global Africa Project at KPMG:

> ... the [pace] that people are developing new mines, new oil fields, new gas finds, the reality is that there is a whole lot of new infrastructure that wasn't needed two years ago, that is going to be needed over the next 10 years. And already we are just seeing Africa globally as having the biggest potential for infrastructure spending anywhere in the world from the next 10 to 20 years. So that is really the basis of how we have seen the opportunity in Africa.[44]

Although the total value of FDI flows to Sub-Saharan Africa is still slightly below the pre-crisis peak of 37.3 billion USD, investors' activity is picking up and the rebound is gaining speed. As opposed to the pre-crisis period, however, when European and US firms dominated FDI rankings (by source countries), this time companies from Asia (most notably China) are leading the investors' pack. In 2011 entities from the Asia-Pacific region invested around 27 billion USD across the continent, followed by companies from Western Europe (24,5 billion USD) and North America (24.5 billion USD).[45]

It is worth mentioning that even though extractive industries are still expected to attract the vast majority of foreign capital inflows to Africa over the upcoming years, the non-extractive sectors, such as banking, telecommunications, retail, and the automotive industry are beginning to show up on investors' radars. Indeed, the booming continent's middle class is expected to ignite internal demand in these sectors, and foreign investors are becoming more and more willing to capitalize on these trends. A recent survey conducted by Fdimarkets.com reveals that more than half of the tracked companies investing in Africa cited 'domestic market growth potential' as their primary motivation for greenfield investments, while 'proximity to markets or customers' was the second most frequently cited factor.[46]

Foreign investments are one of the major sources of capital, technology, and new products in Africa, therefore local decision-makers are trying to amplify further inflows of capital by introducing more investment incentives, such as direct assistance, tax incentives, and curbing red tape (which is still a commonplace in many countries). These efforts are also represented in the renaissance of special economic zones (SEZ), which is more recently linked to China's push into Africa. For example, only between 2006 and 2007 the Chinese SEZs were established in 6 African countries with prospects for further development.[47] The exact number of all SEZ is subject to debate. For instance, according to a FIAZ study, as per 2008 there are 114 SEZ across the continent.[48] This number is, however, as pointed out by Farole, artificially high due to definitional matters.[49] The growing appetite of the Chinese economy, relative stability, and the recent economic slowdown in the West have opened a window of opportunity which African leaders are increasingly determined to benefit from.

Figure 8 FDI motives of investors penetrating Africa

Rank	Motive	% of companies
1	Domestic market growth potential	51.3%
2	Proximity to markets or customer	32.5%
3	Regulation or business climate	19.1%
4	Natural resources	8.1%
5	Skilled workforce availability	7.4%
6	Lower costs	8.3%
7	Infrastructure and logistics	7.1%
8	IPA or government support	4.5%
9	Industry cluster / critical mass	4.3%
10	Attractiveness / quality of life	2.8%

Source: Fdimarkets.com, cited by This Is Africa, April/May 2012, p. 33.

43 V. Foster, C. Briceno-Garmendia, Africa's Infrastructure. A time for transition, World Bank, Washington, DC 2010, p. 7
44 How We Made It in Africa, Three mega-trends fuelling investor interest in Africa, 18 February 2013, http://www.howwemadeitinafrica.com/three-mega-trends-fuelling-investor-interest-in-africa/24379/.
45 This Is Africa, The FDI map, April/May 2012, p. 31.
46 Fdimarkets.com survey, cited in This is Africa, The FDI map, April/May 2012.

47 D. Bräutigam, T. Xiaoyang, Economic statecraft in China's new overseas special economic zones: soft power, business or resource?, International Affairs ,Vol. 88, No. 4, 2012, pp. 804-806.
48 T. Farole, Special Economic Zones in Africa. Comparing Performance and Learning from Global Experience, World Bank, Washington, DC 2011.
49 G. Akinci, J. Crittle, Special Economic Zones. Performance, Lessons Learned, and Implications for Zone Development, FIAS, World Bank, Washington, DC 2008, p. 18.

Box 2 **SEZ in Africa**

Investment incentives in African countries. African countries are increasing their efforts to attract international capital by introducing globally tested and genuine investment incentives in local economies. Table 1 summarises key incentives in the continent. 16 countries have landlocked status, which means that they do not have access to seaborne trade. This, in many cases, seriously drives the cost of transport upwards by forcing firms to use air transport, roads, and railways.

Overall 20 countries offer SEZs, while 5 countries developed their programmes in co-operation with Chinese firms. 45 per cent of African countries have already established their investment promotion agencies which provide a range of services for international investors. 41 of them provide general information and personal assistance to them. Some of these agencies are also offering assistance in establishing joint ventures with local firms.

Unfortunately we found that the websites of 16 investment promotion agencies are unavailable.[50] A lack of online meeting points may seriously damage the general perception of a given country as an investment host. A great deal of economies provide tax incentives ranging from tax holidays, tax exceptions, and tax exemption on corporate income tax, personal income tax, and taxes on duties.

In recent years many African countries have made a large effort to limit bureaucracy which investors have to face. Already 11 economies in Africa offer so-called one-stop-shops. Such administrative points of contact offer all necessary services for business, thanks to which all arrangements can be done in one place. Although Africa's opening is followed by offering a broad range of investment incentives, the majority of countries are still far behind the leaders in hosting Foreign Direct Investment. As the Doing Business 2013 report shows, the majority of them are still at the bottom of the ranking and much remains to be done.

Figure 9 Investment incentives in Africa

Activity or feature	Number of countries	Percentage of 54 countries
Landlocked status (no seaborne trade available)	16	30%
Countries offering SEZ programmes (overall)	20	37%
SEZs designated for Chinese firms	5	9%
Number of operational SEZs in Africa	About 104	
Operational investment promotion agency	45	83%
Providing information and general assistance to investors	41	76%
Assistance in establishing joint ventures with local firms	8	15%
Tax incentives for investors	34	63%
One-stop-shop service	11	20%

Sources: D. Bräutigam, T. Xiaoyang, Economic statecraft in China's new overseas special economic zones: soft power, business or resource?, International Affairs, Vol. 88, No. 4, 2012, p. 804-806; T. Farole, Special Economic Zones in Africa. Comparing Performance and Learning from Global Experience, World Bank, Washington, DC 2011; G. Akinci, J. Crittle, Special Economic Zones. Performance, Lessons Learned, and Implications for Zone Development, FIAS, World Bank, Washington, DC 2008.

[50] As for February 13th, 2013.

Africa's global trade increased from 171 billion USD in the year 2000 to over 757 billion USD in 2011.[51] However, compared to other regions, the continent's trade figures remain very small (only 2 per cent of global trade originated in Africa). Similarly, intra-regional trade in Africa remains at the lowest level globally and accounts for only 10-12 per cent of total merchandise trade, compared to 40 per cent in North America, 63 per cent in Western Europe, and 30 per cent in the ASEAN region.[52]

Exports of SSA states continue to include products mostly from traditional agriculture and raw materials and natural resources. High levels of product type and export concentration are a vital source of vulnerability for many SSA economies. Most problematic are countries with vast deposits of natural resources, where concentration levels are as high as 80 per cent on a single commodity.[53]

Over the past ten years, SSA's relations with trading partners experienced a considerable shift. For example, the EU share in African export fell from 40 per cent in 2002 to 25 per cent in 2010. At the same time, China-SSA trade dynamics increased from 5 to 19 per cent.[54] In 2011, with a total trade volume of 160 billion USD, China surpassed the US and Europe and became Africa's largest trading partner[54] (a wider analysis of Africa's trade dynamics is presented in chapter 2).

Figure 10
SSA import and export

	$ millions									
Year	**2000**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
IMP	78693	105025	135405	165901	197707	244997	300662	251578	282769	329662
EXP	93240	112815	150244	203289	232645	277375	362176	254873	328976	431860
BAL	14547	7790	14839	37388	34937	32378	61514	3295	46207	102198

Source: UN Comtrade, 2011 International Trade Statistics Yearbook, New York 2013.

51 UN Comtrade, 2011 International Trade Statistics Yearbook, New York 2013.
52 Financial Times, Africa: trade with your neighbours, 30 January 2012, http://blogs.ft.com/beyond-brics/2012/01/30/africa-trade-with-thyself/#axzz2NkafmPmY. Low intra-Africa trade values (caused mostly by 'soft' and 'hard' infrastructure inefficiencies) mean that majority of local entrepreneurs do not have the opportunity to experience trading across borders. Thus they do not know what international trade entails in terms of payments systems, business risk, regulations, or logistics. Path to higher global trade integration leads through the waypoints of enhanced intraregional trade. Consequently, is it hard to expect that Africa's share in global trade can rise without the rise of intra-Africa trade figures.
For more detailed discussion see: African Union, Synthesis paper on boosting intra-African trade and fast tracking the continental Free Trade Area, Addis Ababa 2012.
53 N. A. Afari-Gyanp, Transforming Africa's Structure and Composition of Trade after the Global Economic Crisis 64, in: S. J. Evenett (ed.), Africa Resists the Protectionist Temptation: The 5th GTA Report, Global Trade Alert, Centre for Economic Policy Research (CEPR), London 2010, http://www.globaltradealert.org/sites/default/files/GTA5_afari-gyan.pdf.
54 The World Bank, Global Economic Prospects 2012: Uncertainties and Vulnerabilities, Washington, DC 2012, p. 2.
55 CRIenglish.com, China Becomes Africa's Largest Trading Partner, 22 December 2012, http://english.cri.cn/7146/2012/12/22/2361s739833.htm.

Demographic dividend and the rise of the African middle class

According to Euromonitor International, over 70 per cent of Sub-Saharan Africans are under 30 and more than half of them live in cities.[56] Their consumption habits more and more resemble their peers in the developed world: they search for information online, and are more brand conscious and better educated than their parents. They are the growing middle class of Africa.

Figure 11 Median age: the highs and lows

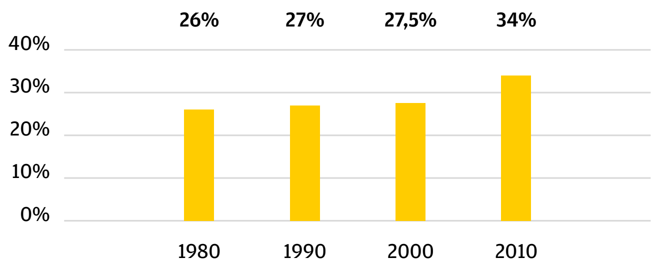
Niger	15.4
Uganda	15.7
Mali	16.2
Japan	45.2
Germany	44.1
Poland	38

Source: Stat.gov.pl, CIA Factbook, World Bank.

The emergence of Africa's new middle class can be interpreted as the clearest mark to date of Africa's social and economic transformation. Comprising as many as 350 million individuals, or more than 34 per cent of the continent's population, the young African middle class is going to become the major source of internal demand growth in SSA countries. It is estimated that overall consumer spending will double by 2020 from the present-day 1,400 billion.[57] The dynamic growth of the middle class will be one of the principal drivers behind the rising business confidence across the continent. This has clearly captured global investors' imagination, and is shifting their attention beyond minerals and hydrocarbons, which thus far have been the only sectors that mattered (statistically this is still the case).

[56] Euromonitor International, The World's Youngest Populations, 13 February 2012, http://blog.euromonitor.com/2012/02/special-report-the-worlds-youngest-populations-.html.
[57] See: V. Mahajan, Africa Rising Africa Rising: How 900 Million African Consumers offer more than you think, Pearson Education 2009.

Figure 12
Growth of the middle class in Africa [percentage of the overall population]



Source: This Is Africa, April/May 2012, p. 20.

It must be noted that the 320 million group of consumers is not completely coherent. In fact, their financial situation ranges from 4 USD to over 20 USD of disposable income per day. More than 24 per cent of Africa's middle class (i.e., those classified as the 'floating middle class' subgroup) live just above the poverty line, and as such are still in danger of falling back into poverty.

Box 2 The rising middle class provides foreign investors from non-oil sectors with vast growth opportunities. The case of fast food

One of the most prominent pieces of evidence of the rise of Africa's middle class is the thriving fast food sector. Many Africans are not yet able to afford pricier full service dining, but fast food seems to be an accessible (but also aspirational) option. Global fast food brands (KFC, Pizza Hut, Wimpy, Mr Biggs) have already ventured into SSA countries and are planning to expand further. But it is not an easy road for fast foods chains. One of the greatest challenges is to establish supply chains. Africa has one of the most protected and illiberal food sectors, which in many cases is controlled by either current or ex-political figures. For example, in Nigeria ex-president Obasanjo is the largest producer of chicken in the most populous African country. Similarly, in Kenya prominent senior figures are giving the cards. In Angola virtually nothing can happen in the business sector without the Santos family being involved. Starting up a business in Africa for a foreign investor is very challenging and risky. It requires a lot of determination, patience, dealing with red tape and prominent politicians. But the rewards can be remarkable. For example, in Accra the payback period for a lavish, three-store KFC site is just six months.[58]

Therefore active government policies are needed to sustain the socio-political ascendance of this newly-born, impoverished middle class. The study of certain examples in Africa such as Liberia,[59] Nigeria,[60] and Sierra Leone[61] indicates the necessary direction of reforms. Although these countries find themselves in different political and economic situations, they follow the same strategy of development in which the middle class is an engine of growth and forms the bedrock for a robust economy based on private property. A stronger middle class does not only enhance the consumer market, but also constitutes a cornerstone of further stable economic development, less dependent on the outside world (e.g., prices of commodities) and more home-grown. It is very likely that the rise of the African middle class will be coupled with the rise of small and medium-sized enterprises on the continent. In the OECD region, the SME sector accounts for 70 per cent of jobs and 95 per cent of enterprises, while in many African countries this segment of the economy is virtually non-existent. The 'missing middle' – as the SME sector in Africa is often referred to – is screaming for greater attention.

58 This is Africa, Jan/Feb 2013.
59 BBC Radio Four, Liberia's middle class 'the core of development,' 11 April 2012, http://news.bbc.co.uk/today/hi/today/newsid_9712000/9712222.stm.
60 M. O. Onyema, The Dynamics of Poverty and Income Distribution: Is The Nigerian Middle Class Statistically or Economically Growing?, The International Institute for Science, Technology and Education (IISTE), Vol. 2, No. 7, 2012.
61 M. C. Bah, The road to a middle class in Sierra Leone, 8 June 2009, http://www.thepatrioticvanguard.com/spip.php?article4231.

Mobile revolution

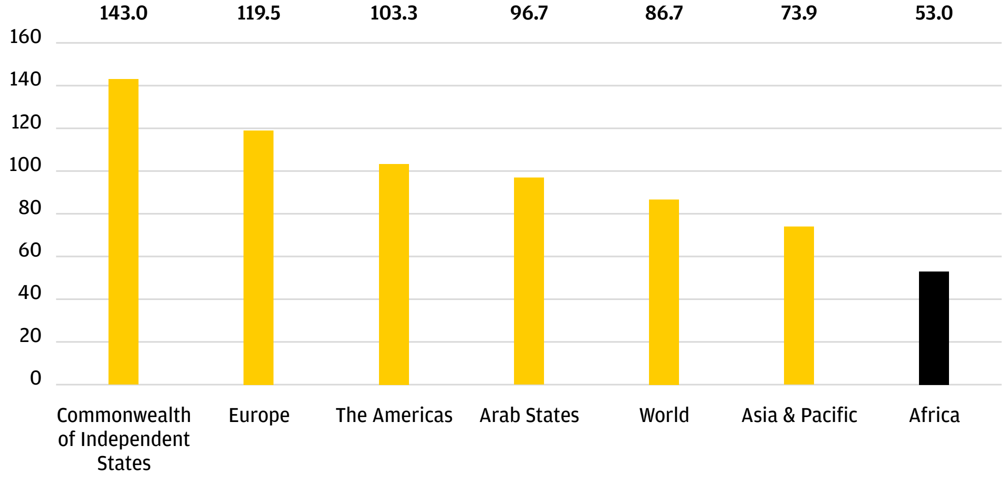
As far as a transformational shift in SSA is concerned, it is hard to think of a more striking sign than the telecommunications revolution sweeping across the region. From a virtual standstill in 2000, there are now over 695 million subscribers on the continent as hungry for the digital age as any other place on earth.[62] The ICT revolution has created one of the most vibrant and perspective industries on the continent, turning people such as Mo Ibrahim, the founder of Celtel, into billionaires. Africa is now the world's second largest mobile market after Asia. Nowadays almost everyone in Africa 'regardless of social class … has a mobile phone, or two or three. Even in remote villages, mobile phones have replaced the bicycle or radio as prized assets.'[63] Africa is by far the fastest growing mobile region in the world. However, with a ratio of mobile subscriptions as low as 53 per cent, the continent still has far to go.

Even larger growth potential is visible in mobile broadband internet. Due to the fact that SSA is a region with considerable (natural) barriers for fixture internet installations (e.g., vast distances between populated locations), mobile broadband is the only way for the majority of consumers to access the internet. This, in turn, puts Sub-Saharan Africa in the world's top position in the mobile-to-fixed internet browsing ratio. For example, in Zimbabwe around 58 per cent of all internet traffic is mobile-originated. In Nigeria and Zambia mobile-based internet access accounts for 57.9 per cent and 44 per cent of internet traffic respectively, while the global average is merely 10 per cent.[64] Mobile broadband traffic is expected to increase 36-fold between now and 2015, as the penetration ratio of 4 per cent is still very low. Mobile technology is becoming the bedrock for industries such as agriculture, healthcare, and, above all, banking. According to a recent GSMA and Deloitte study, the telecom sector created 3.5 million jobs in 2011, accounted for 4.4 per cent of GDP in SSA, and has been responsible for kindling a genuine financial revolution on the continent.[65] For millions of people across Sub-Saharan Africa, mobile phones have been improving access to market data (e.g., food prices for farmers), increasing the productivity of businesses and limiting social exclusion.

One of the most notable signs of the expanding middle class is wider access to the internet, which is widely seen as a major component of the decreasing cost of services (comparing prices) and increasing mobility and entrepreneurship (better matching of supply and demand). The number of internet users rose from 4.5 million in 2000 to 167.3 million in 2008 (a growth of 3,606.7 per cent).[66] Nigeria, the most populated country in Africa, has already over 24 million internet users.[67] However, Sub-Saharan Africa is not only the recipient of technology but, thanks to, for example, the M-PESA banking system, it is also becoming an exporter of it.

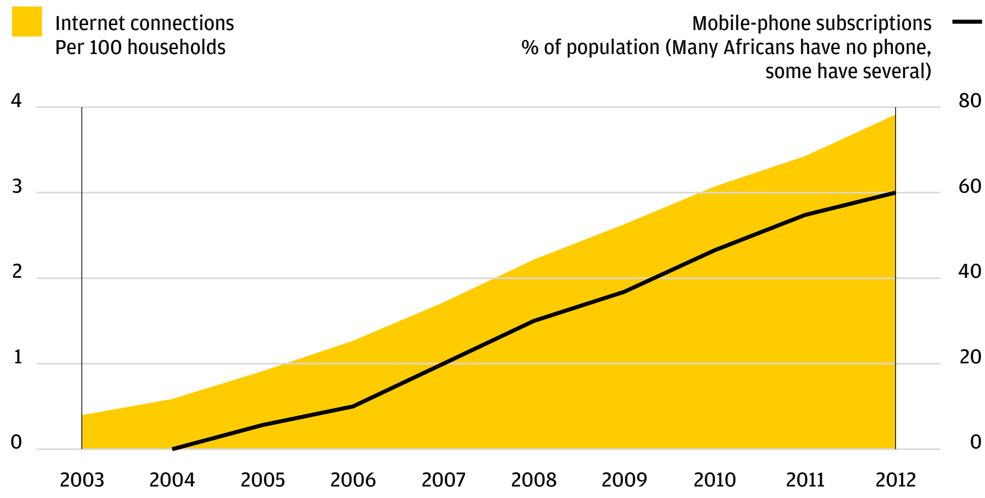
62 Wireless Intelligence, Analysis: Dashboard, Africa 2012, https://wirelessintelligence.com/analysis/2012/04/dashboard-africa-2012/.
63 E. Kanza, Forget the usual tired debates about Africa, it's changing – for the better, 10 May 2012, http://www.guardian.co.uk/global-development/poverty-matters/2012/may/10/africa-changing-for-the-better?INTCMP=SRCH.
64 GSMA and Deloitte, Sub-Saharan Africa Mobile Observatory 2012, http://www.gsma.com/publicpolicy/wp-content/uploads/2012/03/gsma_ssamo_full_web_11_12.pdf, p. 2.
65 Ibid., p. 3.
66 World Internet Users and Population Stats 2012, http://www.internetworldstats.com.
67 M. Ncube, C. L. Lufumpa, S. Kayizzi-Mugerwa, op. cit., p. 8.

Figure 13
Mobile subscribers per 100 people



Source: GSMA

Figure 14
Mobile-phone and internet penetration in Africa



Source: ABI Research.

Rapid developments in the telecom sector would not be possible without an increasing liberalization of the sector and price reductions in both airtime and handsets.[68] However, infrastructure shortages and high taxes faced by mobile users[69] remain the key challenges curbing telecom sector growth. Nevertheless, perspectives for further expansion of the mobile sector are bright. It is expected that by 2016 penetration will reach 75 per cent, while the number of subscribers will exceed 700 million in the SSA region.[70]

Against this background, the view of Africa in order to be impartial should be balanced. The image of a rising Africa comes with a host of problems that need resolutions in order to fully deserve the 'Africa rising' label. Improvements in macroeconomic and political management, accompanied by two major positive trends – fast urbanization and population growth – have led SSA on a decade-long path of development. But as these factors played a positive role, they now constitute the biggest challenges for SSA states to overcome. Other challenges – directly or indirectly related to fast-tracking urbanization and population growth – come from microeconomic inefficiencies (including low productivity), food security, poverty, HIV/AIDS, and the still fragile middle class.

68 Sub-Saharan Africa Mobile Observatory 2012, op. cit., p. 11.
69 Africa has the world's highest tax burden (as proportion of handset price) imposed on mobile phones. For example, in Gabon total tax burden imposed on mobile phones equals 36% (a VAT rate of 18%, a customs duty of 30%, and an airtime excise of 18%; for more details see: GSMA, pp. 57-63).
70 Sub-Saharan Africa Mobile Observatory 2012, op. cit.

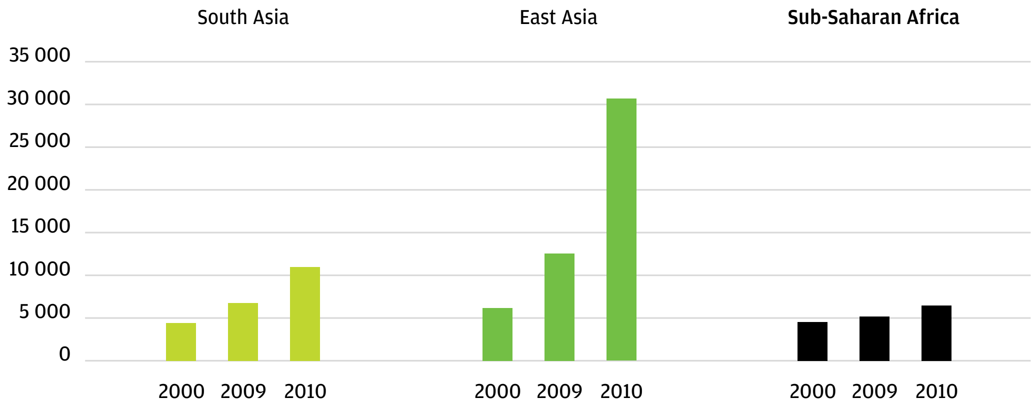
Population growth, urbanization and climate change – the three major development challenges for SSA

The constantly growing population of Africa (in 2050 the number of people living in Africa is going to reach 2 billion[71]) will have two major long-term consequences for the development of SSA. First of all, the pressure on land, especially agricultural land, will grow dramatically. This, in turn, will require more attention devoted towards research and development of higher crop yields to feed the growing population. To some extent this problem can be alleviated with the help of foreign investors, who can provide Africa with more efficient tools to cultivate the land. Secondly, the growing demand on agricultural land will have a negative effect on forest covers, as larger and larger areas will have to be denuded of trees.[72] Thus, preventing excess environmental degradation will become an even greater challenge than it is now. Moreover, due to increasing global warming and greater climate variability, it is very likely that the recent scenarios of both severe droughts (e.g., in the Horn of Africa) and floods (e.g., in Nigeria and Mozambique) will intensify further.

In addition, the combination of both high fertility rates and steadily declining child mortality levels means that Africa has the highest youth dependency ratio in the world. This exerts negative pressure on the productive capacity per capita. Indeed, when compared to East Asia and Latin America, as Figure 1 and Figure 2 show, productivity in SSA appears pitiful.[73] This is mainly due to poor education and inadequacy between the demand and supply of labour.

Besides low productivity, Africa has to deal with sharp discrepancies between macroeconomic and microeconomic policies in SSA. Macroeconomic policies are largely in line with the world's standards, while microeconomic ones, such as provision of pro-business infrastructure, creation of business-friendly regulations, and efficiency of public spending, lag behind. The course of Sub-Saharan Africa's development over the last 60 years has been frequently referred to as the 'African tragedy,' pictured as the home of HIV/AIDS, bloody conflicts in failed states, and extreme poverty. The absence of good governance is being mentioned as the key factor explaining Africa's slow rate of development and distinguishes African countries from other faster growing development economies.[74]

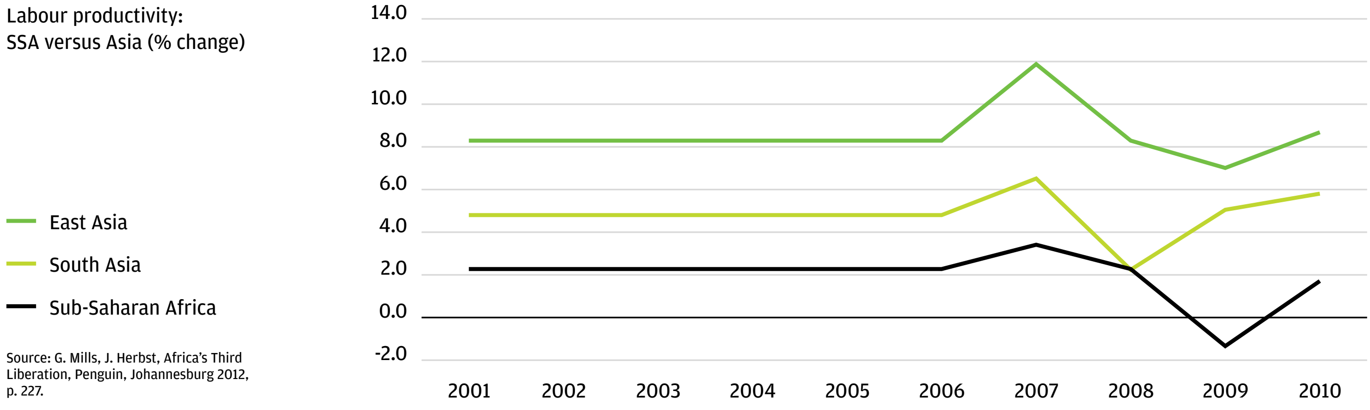
Figure 15
Output per worker (USD)



Source: G. Mills, J. Herbst, Africa's Third Liberation, Penguin, Johannesburg 2012, p. 227.

71 United Nations, World populations to 2300, United Nations Department of Economic and Social Affairs/Population Division, New York 2004.
72 E. Aryeetey, S. Devarajan, R. Kanbur, L. Kasekende (eds.), The Oxford Companion to the Economics of Africa, Oxford University Press 2012, p. 11.
73 A. Gelb, Ch. Meyer, V. Ramachandran, Does Poor Mean Cheap? A Comparative Look at Africa's Industrial Labor Costs, CSAE Conference 2013, Oxford March 18, 2013, https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=CSAE2013&paper_id=934; M. Duarte, D. Restuccia, The Productivity of Nations, Federal Reserve Bank of Richmond Economic Quarterly, Volume 92/3, Summer 2006.
74 P. Lawrence, The African tragedy: international and national roots, in: The Political Economy of Africa, V. Padayachee (ed.), Routledge, Oxon 2010, pp. 31-32.

Figure 16
Labour productivity:
SSA versus Asia (% change)



Source: G. Mills, J. Herbst, Africa's Third Liberation, Penguin, Johannesburg 2012, p. 227.

Box 4 Lies, damn lies, and African statistics

In November 2010 Ghana Statistical Service (GSS) revealed a piece of information which caused a great deal of confusion among scholars, politicians, and institutions around the world. The GSS announced that it was introducing a technical change to the way gross domestic products (GDP) is compiled. Precisely, it changed the base year (or benchmark year) based on which Ghana's GDP is calculated. This 'technical change' in methodology caused material changes in Ghana's economy, as the country's GDP was adjusted upward by 63 per cent, from 25.6 billion to 44.8 billion cedi. Consequently, the GDP per capita, in current US dollars, doubled from approximately 550 USD to 1100 USD, and Ghana, in the course of one day, jumped from the lower to lower-middle-income country group.

Referring to this announcement, Todd Moss, from the Centre for Global Development, wrote on his blog that 'if we are nearly two-thirds wrong on Ghana's GDP, what hope can we possibly have in stats for Chad? Everyone knows that data is dubious, but this seems to add a whole new level of doubt.'[75] Shanta Devarajan, the World Bank's Chief Economist for Africa, was even more blunt in his comments. In his keynote speech at the IARIW-SSA conference, referring to Ghana's case, he declared 'Africa's statistical tragedy.'[76] There were even some allegations that the revision was directed by John Atta Mills and was part of his presidential campaign.[77]

[75] T. Moss, Ghana Says, Hey, Guess What? We're Not Poor Anymore!, 5 November 2010, http://blogs.cgdev.org/globaldevelopment/2010/11/ghana-says-hey-guess-what-we%E2%80%99re-not-poor-anymore.php.
[76] S. Devarajan, Africa's Statistical Tragedy, accessed 6 October 2011, http://blogs.worldbank.org/africacan/africa-s-statistical-tragedy.
[77] M. Jerven, A Level Playing Field? Revising per capita GDP Estimates in Sub-Saharan Africa: From Structural Adjustment to SNA, prepared for the Special IARIW-SSA Conference on Measuring National Income, Wealth, Poverty, and Inequality in African Countries, Cape Town, South Africa, September 28 – October 1, 2011, p. 2.
World Bank, Changes in Country Classifications, 1 July 2011, 7 January 2011.

The World Bank, however, did not hesitate and approved the revisions reclassifying Ghana as a low-middle-income country.[78]

Morten Jerven, a prominent scholar from Simon Fraser University, in his book devoted to the quality of African statistics, Poor numbers,[79] tried to answer the question of how reliable the statistics compiled by national offices in Africa are. His conclusions are anything but uplifting. Reasons behind the current state of Africa's poor numbers are complex. Among other factors, dearth of human capital, obsolete equipment, and deficiencies in methodologies are referred to as the most common problems.

Econometricians used to say that the output data is only as good as the input data is. If GDP (and other) numbers provided by national statistics offices in Africa are far from reliable, so might be any rankings, articles, or other reports based on them.

The recent case of Ghana, a middle-sized economy in Africa, revealed how the rebasing can dramatically influence national statistics. One can only imagine the dramatic change that is ahead of Nigeria – the second largest African economy with an even more outdated base year than that of Ghana – which is planning a similar revision in the upcoming months. And Nigeria is not the last country in line. According to a recent survey by Statistics South Africa, more than half of SSA countries have an outdated base year by more than a decade.[80] As Todd Moss exclaimed, 'Oh, boy, we really don't know anything.'

[78] World Bank, Changes in Country Classifications, 1 July 2011, 7 January 2011.
[79] M. Jerven, Poor Numbers: How We Are Misled by African Development Statistics and What to Do about It, Cornell University Press, 2013.
[80] M. Jerven, M. E. Duncam, Revising GDP estimates in Sub-Saharan Africa: Lessons from Ghana, The African Statistical Journal, Volume 15, August 2012, p. 15.

Food security, poverty reduction, and HIV/AIDS remain key concerns

Although, in general, food security in the SSA region has been improving in recent years, the region is still vulnerable to food shortfalls. Progress in reducing hunger in some of the countries has been dramatically slow. On average, the proportion of people experiencing hunger in SSA dropped only slightly over the last 20 years (from 25.3 per cent in 1990 to 21.7 in 2010).[81]

According to the International Food Policy Research Institute, Sub-Saharan Africa and South Asia are the two regions with the highest level of hunger globally.[82] Ghana is the only country in the SSA region which managed to reduce hunger sustainably (by more than 50 per cent in the 1990-2008 period). Mali and Malawi performed well too (reducing hunger by more than 40 per cent during the same period), but they still have not reached the levels set by the MDGs. The remaining countries, specifically DRC, Burundi, Chad, Eritrea, and Gambia, are way off track.[83]

Box 5 The potential impact of AIDS on FDI in SSA by Pieter Fourie*

Any assessment of the impact of AIDS on future FDI flows to the African continent needs to question a key assumption: that there is an AIDS epidemic in Sub-Saharan Africa. This assumption is incorrect. However, I am not an AIDS denialist. Rather, what I mean is that there is not only one AIDS epidemic in Africa; rather, there are multiple epidemics. For example, the AIDS epidemic in South Africa is very different from the AIDS epidemic in Zambia, or Botswana, or Swaziland, or Angola.

For starters, the AIDS prevalence levels in these different communities vary greatly: adult prevalence is in excess of 30 per cent in countries like Botswana, Swaziland, and South Africa, but it is not even in double figures in a country like Angola. In much of West Africa the AIDS epidemic is so small that it is difficult to sensibly compare it with SADC member countries. Even within countries there is incredible variety in AIDS prevalence: in South Africa there are districts of the KwaZulu-Natal province where more than half of the adult population has AIDS, whilst in much of the Western Cape the adult prevalence level is below 5 per cent. The point is that any FDI planning has to take into account the great variability in the scale and manner in which AIDS manifests and affects societies. There is not one AIDS epidemic in Sub-Saharan Africa, but several different epidemics, which cannot be planned for politically by simply applying a single policy intervention as 'best practice.'

The private sector generally and foreign companies wishing to invest in SSA need to do careful contingency planning for the specific community where their investment will take place. Is the industry labour-intensive? What is the gender balance? What income levels are represented? Is it urban or rural? How educated are the locals? Which medical system is in place? These and other factors need to be taken into account as political planning and risk assessment strategies prior to investment decisions. In terms of the current demand for primary mineral products from Africa, investors should consider whether they will make AIDS medication available to their employees only, or whether they will extend medical services to the families of workers. In high prevalence epidemics, investors should consider staff redundancy mechanisms – training extra personnel, or deploying specialised medical personnel and services.

The global AIDS industry is going through a period of medical triumphalism – much emphasis is placed on the ameliorative role of anti-retroviral drugs. Investors need to be clear on the timeframe of their commitment: in some countries health is viewed as a human right, and FDI champions may be obligated to provide AIDS drugs long after their initial investment. Importantly, investors should remain cognisant of the persistent threat of (1) drug-resistant tuberculosis, which becomes rampant in contexts where populations are immuno-compromised, and (2) the potential emergence of drug-resistant strains of HIV, particularly in societies where the AIDS pandemic has not been accompanied by modified sexual behaviour. These two factors might spoil the benefits of FDI, both for Africa and for investors.

However, these are not 'inevitable surprises,' and if investors plan for this today, they will be able to position themselves better for tomorrow.

* Pieter Fourie teaches Politics at the University of Stellenbosch, South Africa. In 2003-2004 he worked for UNAIDS in London as a researcher on a scenario-building project regarding the impact of AIDS in Africa over the next 20 years, and he remains involved in a number of AIDS projects in South Africa and Southern Africa.

81 IFFRI, Global Hunger Index 2012, International Food Policy Research Institute, http://www.ifpri.org/ghi/2012.

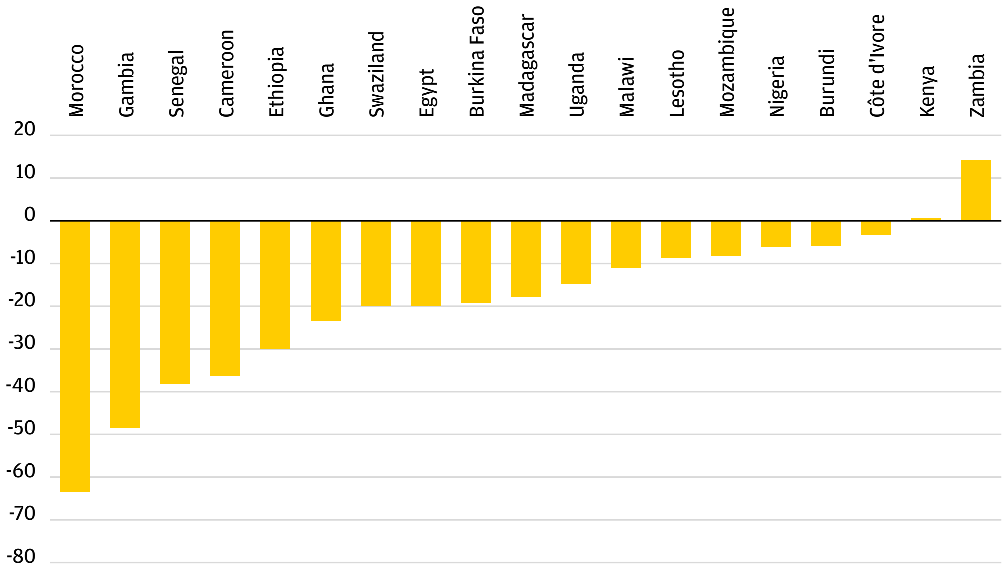
82 IFFRI, 2012 Global Food Policy Report, International Food Policy Research Institute, 14 March 2013.
83 UNDP, Assessing Progress in Africa towards MDGs, United Nations Development Programme, New York 2011, http://web.undp.org/africa/documents/mdg/2011.pdf.

Besides hunger, other factors which negatively influence life longevity in SSA are HIV, malaria, and respiratory infections. Of the over 30 million people living with HIV/AIDS in the world, 21 million (or 30 per cent) are in SSA. According to UN estimates, in Africa malaria claims between 1 and 2 million people every year,[84] while tuberculosis kills more than 0.5 million annually.[85]

It is notable that strong economic performance over a longer period of time by itself does not necessarily translate into a significant reduction of poverty. For example, even though Benin's GDP over the last 20 years averaged at 4.4 per cent, the country did not manage to alleviate poverty significantly and the number of people living below the poverty line account for more than a third of Benin's population.[86] The national statistics bureau of Nigeria announced in February 2012 that despite a decade of growth (at an average of 7 per cent annually), the poverty in the country has actually increased, as a total of 61 per cent (or more than 100 million people) in Nigeria live in absolute poverty.[87]

Figure 17

Percentage change in population living below the poverty threshold



Source: ADB, Percentage change in population living below the poverty threshold. Assessing Progress in Africa toward the Millennium Development Goals, African Development Bank, Tunis 2011, p. 6, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Goal1%20Eng.pdf.

84 WHO, World Health Statistics 2008, World Health Organization, Geneva 2008, http://www.who.int/gho/publications/world_health_statistics/EN_WHS08_Full.pdf.
85 WHO, Global Tuberculosis Report 2012, World Health Organization, Geneva 2012.

86 IMF, Benin: Poverty Reduction Strategy Paper, IMF, Washington, DC 2011, p. XIV, http://www.imf.org/external/pubs/cat/longres.aspx?sk=25292.0.
87 BBC News, Nigerians living in poverty rise to nearly 61%, 13 February 2012, http://www.bbc.co.uk/news/world-africa-17015873.

In a substantial number of SSA countries, progress along a development track would be arguably more difficult without 'outside help' by means of official development aid (ODA).

Wide streams of hard currency from donors helped finance a range of development projects (mainly in infrastructure) across the continent. In some countries net ODA received[88] was the major source of budget income used to cover central government expenses. For example, during the 2008-2012 period, net ODA accounted for 196 per cent of government expenses in DRC, 99.3 per cent in Burkina Faso, and 91.6 per cent in Togo.[89] The significant dependency on aid in these countries often leads to questions regarding the sustainability of financing for development projects and their results.[90] In total, Sub-Saharan Africa received 42.4 billion USD in 2011, which accounts for the largest aid allocation (25.5 per cent) relative to other regions. It is also worth noting that ODA trends have changed considerably in recent years. Aid from China, India, and other developing nations has become much more prominent in Africa than before.[91]

For many African nations and households, remittances are an equally important source of funds and foreign exchange as the ODA. According to World Bank estimates, Sub-Saharan Africa received 31 billion USD in remittances in 2012. Nigeria, with almost 21 billion USD in remittances, was by far the biggest destination of migrant workers' money transfers. The Bank predicts that remittances will remain flat over the upcoming years.[92] One of the major barriers to further growth of remittance flows in SSA is the very high cost of transferring money. In fact, with the average remittance cost standing at 12.5 per cent, Sub-Saharan Africa has the highest cost of sending money among all developing nations.[93]

88 Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 per cent (calculated at a rate of discount of 10 percent). For more see: Data.worldbank.org.

89 Ibid.

90 For a more detailed discussion regarding ODA as a source of vulnerability to sustaining MDG progress, please see: UNDP, Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty, United Nations Development Programme, New York 2011, p. 151, http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Inclusive%20development/Towards%20Human%20Resilience/Towards_SustainingMDGProgress_Ch5.pdf.

91 See G. T. Chin, B. M. Frolic, Emerging Donors in International Development Assistance: The China Case, York Centre for Asian Research, York 2007; D. Brautigam, China's African Aid: Transatlantic Challenges, A Report To the German Marshall Fund of the United States 2008; L. Cabral, J. Weinstock, Brazil: an emerging aid player, ODI Briefing Paper 2010; M. Davis, How China delivers development assistance to Africa, Centre for Chinese Studies, Stellenbosch, South Africa 2008; P. Kragelund, The Potential Role of Non- Traditional Donors' Aid in Africa, ICTSD Series on Trade-Supported Strategies for Sustainable Development, No. 11, 2010; T. Lum, H. Fisher, J. Gomez-Granger, A. Lealand, China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia, Congressional Research Service, Washington, DC 2009; R. Manning, Will 'Emerging Donors' Change the Face of International Cooperation?, OECD DAC Chair, 2006, http://www.oecd.org/dataoecd/35/38/36417541.pdf; S. Naidu, India's growing African strategy, Review of African Political Economy, 35(115), 2008, pp. 116-128; K. Smith, T. Yamashiro, F. Zimmermann, Beyond the DAC: The Welcome Role of Other Providers of Development Co-operation, DCD Issues Brief May, OECD, Paris 2010; N. Woods, Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance, International Affairs, 84(6), 2008.

92 Data.worldbank.org, http://data.worldbank.org/indicator/BX.TRF.PWKR.CD?order=wbapi_data_value_2011+wbapi_data_value+wbapi_data_value-last&sort=desc.

93 Send Money Africa, The World Bank, https://sendmoneyafrica.worldbank.org/sites/default/files/SendMoney_Africa_Remittances_Report_2013.pdf.

Africa is rising. On average Sub-Saharan Africa in 2012 grew at 5.3 per cent, compared to the global 3.3 per cent. Over the past decade real income per person has increased by more than a third, whilst in the past 20 years it dropped by nearly 10 per cent. In the upcoming five years ten out of twenty world's fastest growing economies will be from Sub-Saharan Africa.

The number of Foreign Direct Investment projects in Sub-Saharan Africa increased from 20 billion USD in 2003 to almost 37 billion USD in 2011. Sub-Saharan Africa offers greatest overall investment potential of all frontier markets globally, beating East and South Asia, East Europe, and Latin America.

Oil, gas, and mining sectors attract more than 72 per cent of all FDI inflows to SSA; however, non-extractive sectors (e.g., ITC, financial services, infrastructure) have experienced unprecedented growth. Domestic market growth potential and proximity to markets or customer are the two most important motives for FDI.

Africa's trade with the world has increased from USD 171 billion in the year 2000 to over 757 billion USD in 2011 but compared to other regions the continent's trade numbers remain very small (only 2 per cent of global trade was originated in Africa). Similarly, intra-regional trade in Africa remains at the lowest level globally and accounts for only 10-12 per cent of total merchandise trade.

Over 70 per cent of Sub-Saharan Africans are under 30 and more than half of them live in cities. Consumer spending is estimated to double by 2020, and reach 2,800 billion USD.

There are now over 695 million mobile subscribers in Africa and the market penetration market is only 53 per cent. The mobile broadband traffic is expected to increase 36-fold in the region between now and 2015.

Africa is not a country. The continent is an extremely diverse place with heterogeneous population, GDP per capita ranging from 300 USD (Burundi) to 36,600 USD (Equatorial Guinea) and political systems from authoritarian regimes (Sudan, Zimbabwe) to democracy (Ghana, Botswana).

Growing population numbers along with fast urbanization constitute the two major opportunities and – at the same time – challenges ahead of the SSA. Once managed appropriately, the dynamic changes in population structure and urbanization ratio can further enhance growth and development. However, if addressed without the required dedication and effort, they can derail the region.

SSA is still vulnerable to food shortfalls and the proportion of people experiencing hunger dropped only by a margin from 25.3 per cent in 1990 to 21.7 per cent in 2010. Ghana, Mali, and Malawi are the only countries in the SSA which managed to reduce hunger sustainably.

Of over 30 million people living with HIV/AIDS in the world, 21 million (or 70 per cent) are in SSA.

One of the biggest doubts regarding Africa's robust economic performance is the apparent underdevelopment of the manufacturing sector. It remains to be seen if Africa can sustain the dynamic growth without undergoing the industrialization process first.

Chapter 2

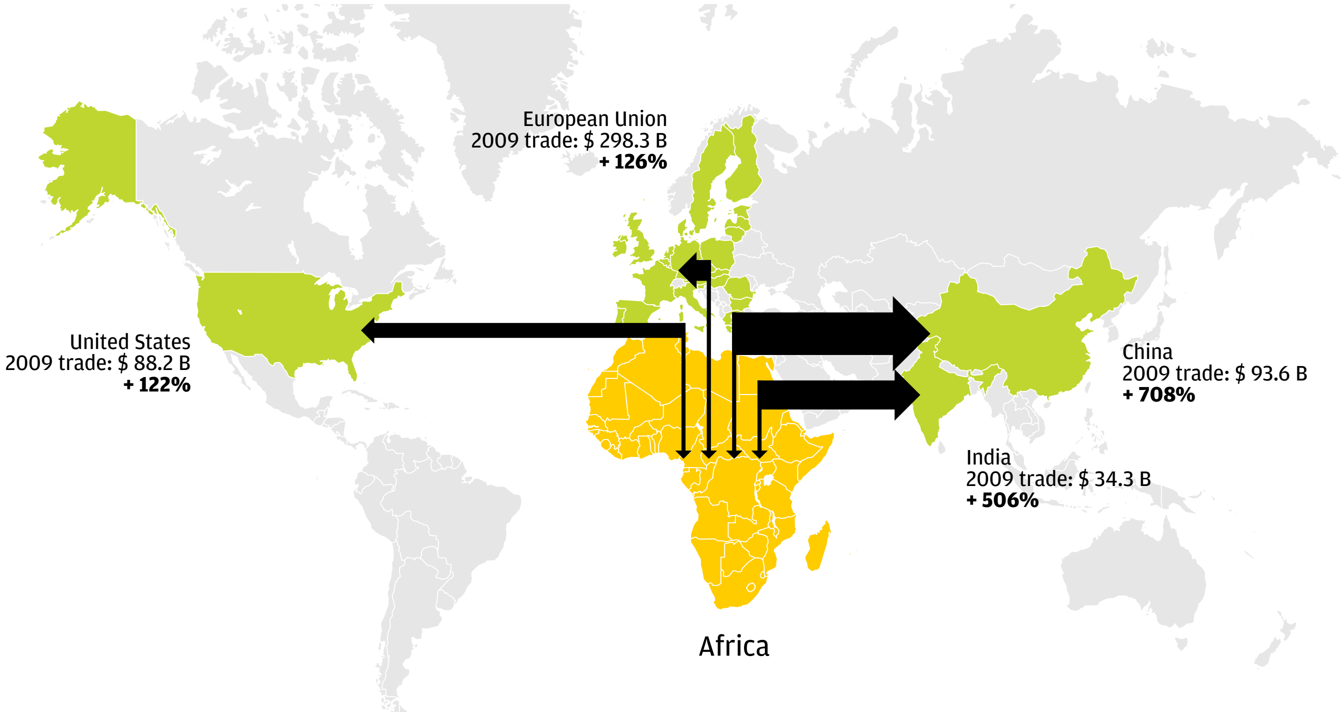
Europe is taking a nap, while others are waking up

Whether or not Africa's 'golden age' is somewhat overblown, it is perfectly legitimate to say that the general perception of the continent has dramatically changed and it has undergone a transformational shift in its relations with the outside world. Interestingly, the shift in perception between Africa and Europe works the other way, too, a fine example being the South African government warning its citizens about travelling to the UK due to riots.[94]

This process should mostly be attributed to the growing engagement of other developing countries, especially China and India, which were the first to appreciate the continent's potential, sometimes against all odds. In fact, this process has been unfolding for a number of years, and has garnered a lot of attention in both the media and academic milieu.[95] This is not to say that while emerging economies were establishing new footholds in the continent, Europe was packing its bags.

It is true that the West regarded Africa as a 'forgotten continent' in the 1990s when the Cold War rivalry came to an end, and some of the Sub-Saharan states lost their political relevance virtually overnight. Nevertheless, whereas this chapter seeks to show a spectacular reshuffle in Africa's international relations, it must be clearly stated that in real terms, the Western World still remains politically and economically entrenched in the continent, and its clout should not be underestimated. For example, as a whole, the European Union still accounts for around quarter of Africa's trade, and a vast majority of FDI stock is of European origin (of which, sadly, the CEE share is negligible). Thus, to say that Europe has lost Africa[96] or is being squeezed out of Africa is surely an exaggeration.

Figure 18
Increase in trade with Africa



Source: OECD Development Centre.

[94] R. Curnow, What if UK riots were happening in Africa?, CNN Business 360 Marketplace Africa, 12 August 2011, http://business.blogs.cnn.com/2011/08/12/what-if-uk-riots-were-happening-in-africa/.
[95] See for example: A. Goldstein, N. Pinaud, H. Reisen, X. Chen, The rise of China and India: what's in it for Africa?, OECD Development Centre Studies, Paris 2006; UNCTAD, Asian Foreign Direct Investment in Africa. Towards a New Era of Cooperation among Developing Countries, UNITED NATIONS, New York and Geneva 2007; H. G. Broadman, Africa Silk Road, World Bank, Washington, DC 2007; J. Henley, S. Kratzsch, M. Külür, T. Tandogan, Foreign Direct Investment from China, India and South Africa in sub-Saharan Africa: A New or Old Phenomenon?, UNU-WIDER Research Paper No. 2008/24, 2008.
[96] D. Johnson, Africa's Plight: How Europe Lost Africa, 28 February 2008, http://www.spiegel.de/international/world/africa-s-plight-how-europe-lost-africa-a-537699.html.

What is nonetheless changing are the power dynamics – Africa courted vigorously by emerging countries is now a different place.

The first decade of the millennium clearly demonstrated that when Africa was becoming a hot spot, Europe was not paying attention. The old continent was not able (or willing?) to capitalize on Africa's potential and keep pace with new entrants. In quantitative terms, the dynamism of Euro-African relations pales in comparison with what can be observed in the South-South relations (see Figure 18).

It can therefore be said that **while Asian countries in Africa were leaping, Europe was lagging**, provoking bitter reactions from some African leaders.[97] The reasons were multiple. A great deal of political energy was being channelled into the EU's internal reforms and deepening the integration process. Furthermore, the enlargement shifted strategic interests to the Eastern rim, which led to Africa drifting away from Europe. The financial crisis and its repercussions made Europe further occupied with its own matters. **Trade statistics reveal the full scope of this process: between 1985 and 2006 Sub-Saharan Africa's share of the foreign trade of the European Union member states declined from 3.2 per cent to 1.4 per cent.**[98]

For Central and Eastern European states, the time was also not right for engaging in Africa. They were in the process of foreign policy priorities' redefinition towards membership both in the EU and NATO, and developing relations with Sub-Saharan Africa was probably the last thing on the policy-makers' minds.

Box 6 Europe-Africa economic relations in a nutshell

59 per cent
– mineral/fuels as a share of EU-27 imports of goods from Africa (2009).

South Africa & Nigeria
– two top SSA importers of EU-27 goods.

20.96 billion
– EU-27 outward FDI flows to Africa, 2010 (million EUR), mostly to Maghreb; Nigeria, the top SSA FDI recipient, hosted only 771 billion.

Main EU countries involved (FDI) 2009
UK 7,408 billion EUR and France 5,029 billion EUR.

40 per cent
– EU exports to Africa are machinery and transport equipment (2010).

9 per cent
– EU-27 trade going to Africa (France, Italy, and Germany accounting for more than half).

4 per cent
– the share of the EU-27 global FDI stock held in Africa (2010).

Source: Eurostat.

97 South African Government News Agency, Zuma disappointed at Europe-Africa partnership, 1 December 2010, http://www.sanews.gov.za/world/zuma-disappointed-europe-africa-partnership.
98 D. M. Tull, China and Africa: European perceptions and the responses to the Chinese challenges, SAIS Working Papers in African Studies 02-08, 2008, pp. 3-4.

To be sure, Africa did not disappear from Europe's radar completely during the last decade. Two events are especially worth mentioning here: the Gleneagles G8 summits in 2005 and the Lisbon summit in 2007. The former delivered outcomes that many observers saw more as a spin than a real push,[99] and which were overshadowed by an aid-poverty nexus[100] with little attention given to much-needed trade provisions (e.g., ending agricultural subsidies)[101] or business, and which generally failed to sustain the pressure in the aftermath. Two years later, the Joint Africa-EU Strategy, with its prime purpose 'to establish a new strategic and political partnership between Africa and Europe based on a joint vision and common interest,' did provide some transformation in African policy. Yet after the EU-Africa summit, many observers were quick to note that **if things did not change soon, 'building bridges between the two continents' would rather end with Europe losing Africa.**[102]

To be fair, the United States was lagging just as much, or even more. New power inroads were causing a lot of nervousness and a sense of unease. According to Richard Downie from the Center for Strategic and International Studies, 'Africa is the corner of the world where that declining U.S. influence is most evident.'[103] According to Sen. Chris Coons, who chairs the Senate Foreign Relations Subcommittee on African Affairs, 'we may be winning the war on disease, while losing the battle for hearts and minds in Africa.'[104] Although this tectonic shift in Africa's international relations is predominantly attributed to emerging global powers, namely China, Brazil, India, and Russia, other developing countries, such as **South Korea, Turkey, Iran, Malaysia, Taiwan, or Singapore, are just a few new kids on the block that want a piece of the action.** They are sometimes referred to as the second tier of Africa's emerging partners, among which South Korea and Turkey stand out as particularly active, while also demonstrating an alternative sectoral approach.[105]

The current position of Europe on the African chessboard is certainly a result of years of neglect. The African policy of the leading Western nations has been in a stalemate for years with only modest changes, most of which have occurred only recently. As argued, for example, by Ian Taylor,[106] the legacies of the Cold War are not all dead, and there is a great deal of inertia driving the mutual relations. Archaic structures and norms still inform the African policies of the big powers – old habits die hard. It is nonetheless fair to acknowledge a number of recent developments which might suggest that the Western world is waking up to the fact that Africa is undergoing dramatic changes – showing that the policy towards the region requires a fresh start. Examples include the New Strategy towards Sub-Saharan Africa issued by the US administration[107] and its equivalent formulated by the government of Germany.[108]

While these documents should be applauded, most analysts describe them as solidification of the status quo rather than a radically new approach[109] ('trying to reform the status quo with a view to its maintenance'[110]), or as being very vague in terms of actual commitment and tools. The US strategy is six pages long; the German strategy, while strikingly more comprehensive (over 60 pages) and unprecedented (it is the first strategy focusing on Africa in German history), is geared rather towards North Africa (most German foreign trade with Africa is conducted with Maghreb and South Africa, plus the strategy was crafted in the wake of the Arab spring). It also seems occupied more with development aid than business. The EU has embarked on the reshaping of its relations with Africa by issuing its aforementioned Joint Africa-EU Strategy (JAES) in 2007.[111] While admittedly having a few interesting highlights,[112] the strategy stops short of being a brand-new start for relations between the EU and the continent, and its implementation has been hitherto clouded. As Tull argues, even **if Europe has increased its engagement with Africa over the last couple of years, 'this has been largely driven by developments that were linked to internal dynamics' rather than 'dynamics in Africa itself.'**[113] With regard to EU-Africa summits, it seems that international reputation and global leverage are more at stake than the specific objectives that Europe wants to achieve in Euro-Afro relations.

Thus, in general, the gap between reality and rhetoric with regards to Europe-Africa relations is growing, and behind-the-scenes politics often stand above official reforms, many of which are tailored for public consumption.[114] Of course, it is fair to admit that the timing for radical policy reforms is not conducive. Adversely affected by the financial crisis and the euro zone turmoil, Europe is neither in a mood nor can afford financially to think of Africa more boldly. Things may change as we increasingly witness new, yet still isolated, announcements of some European capitals heralding a change,[115] but this remains to be seen. Additionally, Europe is no longer in a position to communicate with Africa from high moral ground, as it has become plunged into its own governance problems. As aptly noted by FT, '**Many of his Western peers still appear unaware of how grating it is for Africans to be lectured on poverty reduction, corruption and financial probity in the light of recent governance failures on their own turf.** Africans can, after all, legitimately ask what if not a failure of governance caused the global financial crisis in 2008, among the many other problems that beset Western governments.'[116] Moreover, 'the relative importance of the Africa connection may be much higher in light of the financial crisis and ensuing slowdown which still casts its long shadow on the European Union, rendering the old continent less attractive for investors.'[117]

99 C. Duodu, Gleneagles What was all that hype about?, New African; Aug/Sep2005, Issue 443, p. 34-37.
100 G. Harrison, The Africanization of poverty: A retrospective on 'Make poverty history,' African Affairs, Vol. 109, Issue 436, pp. 391-408.
101 Holding Gleneagles to account, Africa Confidential, July 2005, http://www.africa-confidential.com/special-report/id/11/Holding_Gleneagles_to_account; P. Jackson, Briefing: the Commission for Africa, Gleneagles, Brussels and Beyond, African Affairs, 104/417, p. 659-660.
102 C. Juma, How Europe is Losing Africa, Business Daily (Nairobi), 13 December 2007.
103 T. Kermeliotis, Is the West losing out to China in Africa? CNN, 9 September 2011, http://edition.cnn.com/2011/BUSINESS/09/08/america.losing.influence.africa/index.html.
104 FOX News, Senators: US losing sway in Africa as China rises, 1 November 2011, http://www.foxnews.com/us/2011/11/01/senators-us-losing-sway-in-africa-as-china-rises/.
105 OECD, The broad range of emerging partnerships, African Economic Outlook, 2011, http://www.africaneconomicoutlook.org/en/in-depth/emerging-partners/africa-pushes-aside-post-colonialism/the-broad-range-of-emerging-partnerships/.
106 I. Taylor, The International Relations of Sub-Saharan Africa, Continuum, 1st edition 2011, p. 192.
107 US Strategy Toward Sub-Saharan Africa, June 2012, http://www.whitehouse.gov/sites/default/files/docs/africa_strategy_2.pdf.
108 Germany and Africa: A Strategy Paper by the German Government, http://www.auswaertiges-amt.de/cae/servlet/contentblob/599218/publicationFile/160755/Afrika_Konzept.pdf.
109 See for example: The Official Blog of Amb. David H. Shinn, US Strategy in Sub-Saharan Africa, 14 June 2012, http://davidshinn.blogspot.com/2012/06/us-strategy-in-sub-saharan-africa.html.
110 S. Nour, A Partnership on Eye-Level?, Partnership with Africa Foundation, 26 September 2012, http://www.german-african-partnership.org/news/a-partnership-on-eye-level/.
111 EU Commission, EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa's development, 12 October 2005, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0489:FIN:EN:PDF.
112 See for example, J. Mangala (ed.), Africa and the European Union: A Strategic Partnership, Palgrave Macmillan 2013.
113 D. M. Tull, China and Africa: European perceptions and the responses to the Chinese challenges, SAIS Working Papers in African Studies 02-08, 2008, p. 4.
114 I. Taylor, op. cit.
115 D. Cameron, Combating Poverty at Its Roots. Economic development requires aid, but also sound institutions. Britain can lead on both fronts, The Wall Street Journal, 1 November 2012, http://online.wsj.com/article/SB10001424052970204712904578090571423009066.html?mod=googlenews_wsj.
116 Financial Times, Why Africa is leaving Europe behind, 18 August 2011, http://www.ft.com/cms/s/0/3de29606-c834-11e0-9852-00144feabdc0.html#ixzz2MTxPH8pq.
117 See Financial Times, Europe: less important to Africa than you might think, 2 November 2012, http://blogs.ft.com/beyond-brics/2012/11/02/europe-less-important-to-africa-than-you-might-think/#ixzz2M68mhghs.

Figure 19
Examples of non-India / non-China investment projects in Africa

Brazil	Odebrecht (with Sonangal and Damer)
	Camargo Corrêa (with Escom)
	Vale S.A.*
	Vale S.A. (with CFM and Rio Tinto)*
	Petrobras (as a member of the Chevron consortium)
	Vale S.A. (a 50:50 joint venture with African Rainbow Minerals)
Turkey	Ayka Textile Group
	Kolin Insaat
	Yapi Merkezi
	Rönesans Afrika
Taiwan	Standard Textile Pty.
	Tuntex Textile
	AU Optronics Corp
	Formosa Bottling Company Nigeria Limited
Singapore	Dufil Prima Foods (a Tolaram subsidiary)
	Jurong Consultants
	Shankar's Emporium
	Olam
Malaysia	Petronas
	Ramatex
	Pure Circle
	Sime Darby
South Korea	Daewoo Daewoo Shipbuilding & Marine Engineering,
	Daewoo Engineering & Construction Company
	Korea Electricity Power Company (KEPCO)
	Samsung
Iran	Iran Khodro Industrial Group Manouchehr Manteqi

Angola	Sugar and Bio-Ethanol Plant
Angola	Acquaville residential condominium in Luanda
Mozambique	Coal mine in Moatize
Mozambique	Coal terminal in the Port of Beira
Nigeria	Exploration of Agbami Oil Field
Zambia	Copper mine in Konkola North
Ethiopia	Textile factory
Uganda	Upgrade of a road from Hoima to Tony
Ethiopia	500 km of railways, between Weldiya and Awash
Gabon	564 social housing units in the area of Angondjé
South Africa	Textile production
Swaziland	Textile production
South Africa	1.2 megawatt solar project
Nigeria	Production and distribution of sparkling fruit drinks and water
Nigeria	Noodle production factory in Kaduna, a wheat mill in Port Harcourt
Nigeria	Design of a 300 ha industrial park for the oil sector
Angola	Distribution, services and marketing of Sony products
Côte d'Ivoire, Ghana, and Nigeria	Cashew processing factories
Botswana, Burundi, Democratic Republic of the Congo, Gabon, Ghana, Guinea Bissau, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, South Africa, Republic of South Sudan, Cameroon, Chad, Republic of Sudan	Oil refining + downstream (including Engen subsidiary in SA), oil exploration, development and production
Namibia	Textile factory
Kenya	Sourcing agricultural inputs (Stevia leaves)
Liberia	Oil palm and rubber production
Nigeria	Shipping oil, building gas processing facility
Nigeria	Building power plants
Sudan, South Africa, Nigeria, Ethiopia, and Senegal	Manufacturing plants
Senegal	SenIran auto plant in Thies

Figure 20
Number of African countries in which emerging partners have significant trade (at least 10 million USD a year)

	Rank	Exports by Africa		Imports by Africa	
	2009	2000	2009	2000	2009
China	1	22	34	30	41
India	6	19	31	28	38
Korea	10	13	15	22	29
Brazil	12	11	10	12	28
Turkey	13	13	13	9	24
Thailand	16	15	14	19	25
Russian Federation	17	6	13	12	15
Chinese Taipei	19	14	10	14	12
United Arab Emirates	20	4	20	4	17
Singapore	22	7	9	14	18
Malaysia	23	6	15	10	22
Indonesia	24	10	9	19	22
Argentina	27	8	3	10	17
Saudi Arabia	29	8	9	0	0
58 others (average)		1	1.4	1	2.4

Source: OECD, The broad range of emerging partnerships, Africa Economic Outlook, 2011, http://www.africaneconomicoutlook.org/en/in-depth/emerging-partners/africa-pushes-aside-post-colonialism/the-broad-range-of-emerging-partnerships/.

Figure 21
Number of sectors in which emerging partners have significant trade with Africa (at least 53 million USD a year)

	Rank	Number of African export sectors		Number of African import sectors	
	2009	2000	2009	2000	2009
China	1	8	9	6	7
India	6	7	7	5	8
Korea	10	6	4	4	6
Brazil	12	4	6	6	9
Turkey	13	6	7	5	7
Thailand	16	4	4	5	6
Russian Federation	17	2	4	4	8
Chinese Taipei	19	4	3	4	4
United Arab Emirates	20	1	6	0	6
Singapore	22	4	4	5	7
Malaysia	23	2	4	4	7
Indonesia	24	4	3	5	6
Argentina	27	1	0	3	4
Saudi Arabia	29	4	4		
58 others (average)		0.2	0.4	0.3	0.6

Source: OECD, The broad range of emerging partnerships, Africa Economic Outlook, 2011, http://www.africaneconomicoutlook.org/en/in-depth/emerging-partners/africa-pushes-aside-post-colonialism/the-broad-range-of-emerging-partnerships/.

The transformational shift in Africa's international relations and the concomitant increasing presence of developing countries on the continent is revealed in trade and FDI statistics. According to UNCTAD, Africa has become an increasingly sought-after destination of capital from developing countries – both in terms of greenfield investment and M&A (mergers and acquisition). **'The number of greenfield projects from developing countries increased from 87 in 2003 to 309 in 2008. The number of projects from developed countries rose from 238 to 497 over the same period.'**[118] This powerful investment push does not necessarily mean that the stake held by developing countries in Africa outweighs the investments of the developed world. In quantitative terms, Africa is still predominantly packed with developed countries' investors. Before the global financial meltdown in 2008, more than 90 per cent of FDI stock had Western origins; from 2000 to 2008 only 20.8 per cent of FDI destined for Africa came from developing countries (three out of four dollars invested were from Asia).

Today, due to accelerated economic growth, the changing perception of the continent among investors, and buoying commodity prices, the picture is looking more balanced. According to recent estimates by UNCTAD, in 2012, for the first time, **'FDI inflows from developing economies into Africa outstripped those from developed economies,'** the largest developing-economy investors in 2011 being: India, South Africa, China, Korea, and Mauritius.[119] Extractive sectors have usually been a prime destination of foreign capital in Africa both for emerging and 'traditional' investors. Nevertheless, slowly but steadily, the continent is attracting different types of businesses. As outlined in chapter 1, **sectoral shifts, especially towards services (construction, electricity, gas, and water distribution, transport), is partly triggered by the emerging middle class in many African countries (banking, retail, communication).**

Nevertheless, **caution is advised while playing with FDI statistical data covering emerging market investors, as these suffer heavily from poor quality and limited coverage** (see also Poor Numbers BOX). This is particularly true for China. To quote R. Kaplinsky, Chinese official FDI estimates are 'contradictory, confusing and almost certainly understate their true significance.'[120] The problem is also illustratively described by Lucy Corkin, who states, 'You've got Africa, the big black hole of data, and China, the big black hole of data – put the two of them together and it's a disaster.'[121] Therefore FDI inflows of developing countries are underestimated, and many projects go unreported (this is the case of FDI reaching Africa not directly but via tax havens). The problem can be partly overcome by sourcing data in host countries / points of entry, but as other scholars have discovered, it is not without problems, either.[122]

Quite surprisingly, data transparency is also crippled in many developed countries. For example, Deborah Brautigam, basing her assessment on the OECD statistics, aptly notes that '2010 FDI data by US companies in twelve African countries (almost all resource-rich) was 'confidential.' What's more, in 2010 the second most popular destination for US FDI flows to Africa was ... Mauritius (a tax haven) where US firms sent 1860 million USD.'[123]

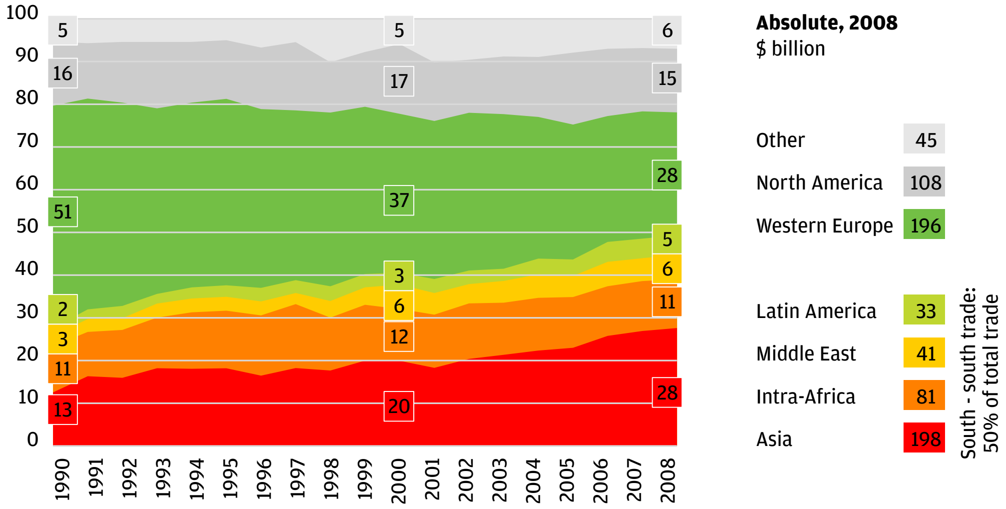
The process of Africa's drifting away from Europe is also reflected in the relative decline of the continent's trade flows with European states. The old colonial masters' near monopoly has long been broken, first by the US and more recently by emerging Asian powers (see the charts below), leading to a complete reshuffle in Africa's trade relations. A report by Renaissance Capital meticulously analyses this trend:

> In 1960, when colonialism was ending, two-thirds of SSA's trade was with the EU. Over the next four decades, the EU's importance as SSA's trade partner declined, as SSA sovereigns developed new trade relations. However, the 1990s was the decade when SSA's trade relations showed the biggest change. In 1989, the EU accounted for 50 per cent of SSA's total trade. A decade later this share had dropped to 38 per cent and it fell further in the 2000s. In 2011, 25 per cent of SSA's trade was with the EU, the same proportion as with Developing Asia.[124]

118 UNCTAD, Economic development in Africa. Report 2010: South-South cooperation: Africa and the new forms of development partnership, UNCTAD, Geneva 2010, p. 90.
119 Reuters, Foreign direct investment into Africa to double by 2014: UN, 6 July 2012, http://www.reuters.com/article/2012/07/06/ozatp-africa-investment-idAFJOE86501J20120706.
120 R. Kaplinsky, M. Morris, Chinese FDI in Sub-Saharan Africa: engaging with large dragons, European Journal of Development Research, Vol. 21, No. 4, 2009, p. 5.
121 R. Behar, Mining Copper in Zambia, Fast Company, 1 June 2008.
122 See, for example, problems encountered by Xiaofang Shen while collecting Chinese FDI statistics for her research. X. Shen, Private Chinese Investment in Africa Myths and Realities, Policy Research Working Paper 6311, World Bank, Washington, DC 2013, p. 11.

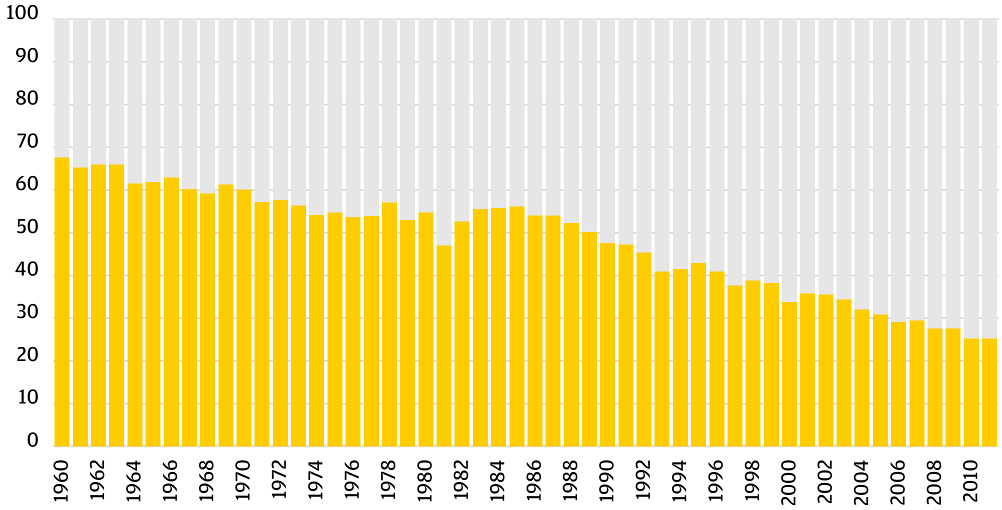
123 See Is US FDI to Africa more transparent than China's?, China in Africa: The Real Story. Digging into the myths and realities, Blog by Deborah Brautigam, 7 January 2013, http://www.chinaafricarealstory.com/.
124 Financial Times, Europe: less important to Africa than you might think, 2 November 2012, http://blogs.ft.com/beyond-brics/2012/11/02/europe-less-important-to-africa-than-you-might-think/#ixzz2M68mhghs.

Figure 22
Africa's trade with other developing countries



Source: International Monetary Fund Direction of Trade and Statistics.

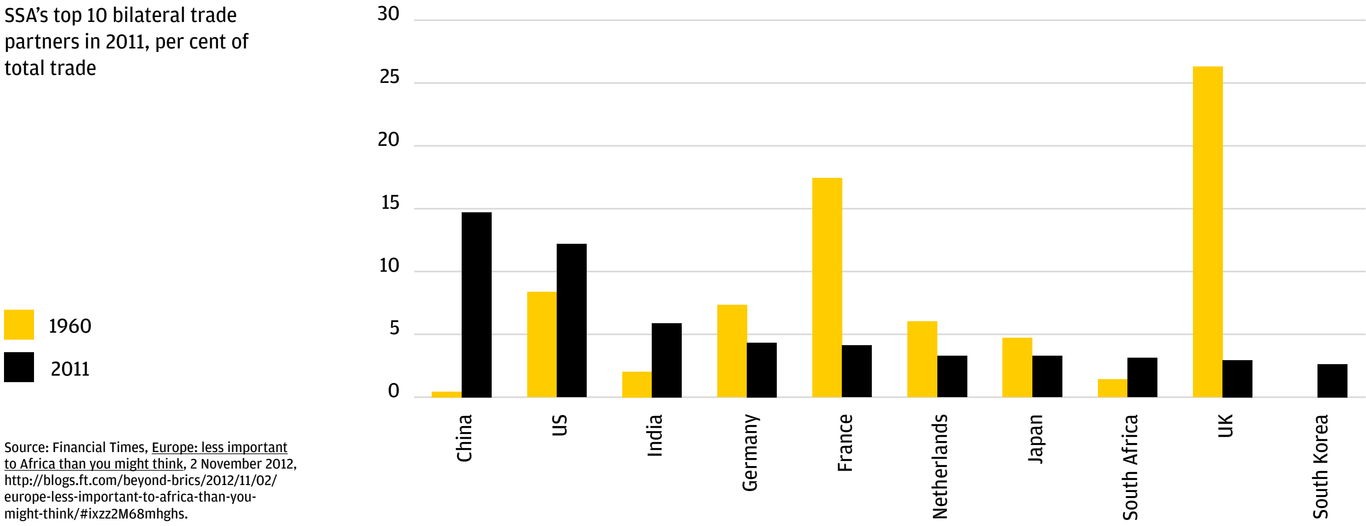
Figure 23
Share of trade with SSA, per cent of total



Source: Financial Times, Europe: less important to Africa than you might think, 2 November 2012, http://blogs.ft.com/beyond-brics/2012/11/02/europe-less-important-to-africa-than-you-might-think/#ixzz2M68mhghs.

Figure 24

SSA's top 10 bilateral trade partners in 2011, per cent of total trade



Source: Financial Times, Europe: less important to Africa than you might think, 2 November 2012, http://blogs.ft.com/beyond-brics/2012/11/02/europe-less-important-to-africa-than-you-might-think/#ixzz2M68mhghs.

As rightly noted by some sceptics, a spectacular, sometimes 3-digit growth in trade and investments in the past decade in South-South relations must also be attributed to a low base effect. Even small absolute changes from a low initial amount can translate into a large percentage change. For example, for China's trade with Africa, which was marginal at the turn of the century, statistically each year has brought a huge leap forward. Eventually, however, after years of continuous buoyant growth, today the African pie is divided along different lines. After overtaking the US in 2011, China continues to be the top African trading partner, with over 220 billion USD in 2012, which amounts to 38 per cent of African trade.[125]

'Just as Western companies were mothballing mines, walking away, certainly not bringing new investments, China plunged in and dared to go where the white man feared to tread,' says Richard Dowden, director of the Royal African Society, based in London.[126] Indeed, new entrants are active not only in filling the vacuum which is to be found in many places in Africa, for example, by investing in countries most European firms do not dare to even consider as a business destination due to an increased security risk (South Sudan, DRC, Somalia etc.). It is common to think that they have also been effective in crowding out some European and American companies from their 'backyard' through fierce price competition. Recent research shows, however, that this argument is a bit shaky.

For example, the long-awaited report for the US Congress asserts that in the three case studies that were investigated, Chinese and US companies' interests do not clash. If anything, US firms are more exposed to competition from European rivals. This is partly because 'U.S. firms are less willing to conduct business in some areas of Sub-Saharan Africa, citing factors such as business risk and market size.'[127] From this it can be assumed that at this stage European firms perhaps should be more concerned with Western competition than with the much-feared Asian ones. This, surely, does not include extractive industries, which investors of all nationalities are trying to tap into. Another feature of the changing power dynamics in Africa is that in many instances companies from developing countries work towards rehabilitating projects abandoned by Western firms. The Zambian Chinese-owned mine in Chambishi is a textbook example of such a practice. The facility was running at a loss, and shut down in 1997. A Chinese investor, who did not share the lack of enthusiasm of the former owner, acquired the operation and reopened it in 2003 with financial success (after 13 years of closure, the mine currently produces about 24,000 tons of copper per annum).[128] This and other examples provide food for thought for Western firms which now reconsider some business destinations. As Dowden recounts, **'it was quite amusing to see the Western mining companies, who'd been shrugging their shoulders at Africa and looking elsewhere, suddenly rushing back in.'**[129]

125 OECD, The broad range of emerging partnerships, Africa Economic Outlook, 2011, http://www.africaneconomicoutlook.org/en/in-depth/emerging-partners/africa-pushes-aside-post-colonialism/the-broad-range-of-emerging-partnerships/.
126 T. Kermeliotis, Is the West losing out to China in Africa?, CNN, 9 September 2011, http://edition.cnn.com/2011/BUSINESS/09/08/america.losing.influence.africa/index.html.

127 United States Government Accountability Office (GAO), Sub-Saharan Africa. Trends in U.S. and Chinese Economic Engagement, Washington, DC, February 2013, p. 59.
128 See D. Kopiński, A. Polus, Sino-Zambian relations: 'An all-weather friendship' weathering the storm, Journal of Contemporary African Studies, Special Issue, Vol. 29, Issue 2, 2011.
129 T. Kermeliotis, op. cit.

The general perception of the continent has dramatically changed and it has undergone a transformational shift in its relations with the outside world, which should mostly be attributed to the growing engagement of other developing countries, especially China and India.

Notwithstanding the shift in Africa's international relations, the Western World still remains politically and economically entrenched in the continent, and its clout should not be underestimated. For example, as a whole, the European Union still accounts for around quarter of Africa's trade, and a vast majority of FDI stock is of European origin.

The first decade of the millennium, however, clearly demonstrated that when Africa was becoming a hot spot, Europe was not paying attention. The dynamism of Euro-African relations pales in comparison with what can be observed in the South-South relations.

Africa has become an increasingly sought-after destination of capital from developing countries – both in terms of greenfield investment and M&A (mergers and acquisition). The number of greenfield projects from developing countries increased from 87 in 2003 to 309 in 2008. The number of projects from developed countries rose from 238 to 497 over the same period.

Extractive sectors have usually been a prime destination of foreign capital in Africa both for emerging and 'traditional' investors. Nevertheless, slowly but steadily, the continent is attracting other types of businesses especially in services (construction, electricity, gas, and water distribution, transport), is partly triggered by the emerging middle class in many African countries (banking, retail, communication).

The process of Africa's drifting away from Europe is also reflected in the relative decline of the continent's trade flows with European states. While in 1960, when colonialism was ending, two-thirds of SSA's trade was with the EU, today 25 per cent of SSA's trade was with the EU, the same proportion as with Developing Asia.

Newcomers in Africa are active not only in filling the vacuum which is to be found in many places in Africa; for example, by investing in countries most European firms do not dare to even consider as a business destination due to an increased security risk (South Sudan, DRC, Somalia, etc.). They have also been effective in crowding out some European and American companies from their 'backyard' through fierce price competition.

The current position of Europe on the African chessboard is a result of years of neglect. The African policy of the leading Western nations has been in a stalemate for years with only modest changes, most of which have occurred only recently.

Europe's waning influence can be partly explained by internal issues. A great deal of political energy was being channelled into the EU's internal reforms and deepening the integration process. Furthermore, the enlargement shifted strategic interests to the Eastern rim, which led to Africa drifting away from Europe. The financial crisis and its repercussions made Europe further occupied with its own matters. Central European countries were also busy redefining foreign policy priorities towards membership both in the EU and NATO.

Admittedly, the timing for radical policy reforms is not conducive. Adversely affected by the financial crisis and the euro zone turmoil, Europe is neither in a mood nor can afford financially to think of Africa more boldly. Additionally, Europe is no longer in a position to communicate with Africa from high moral ground, as it has become plunged into its own governance problems.

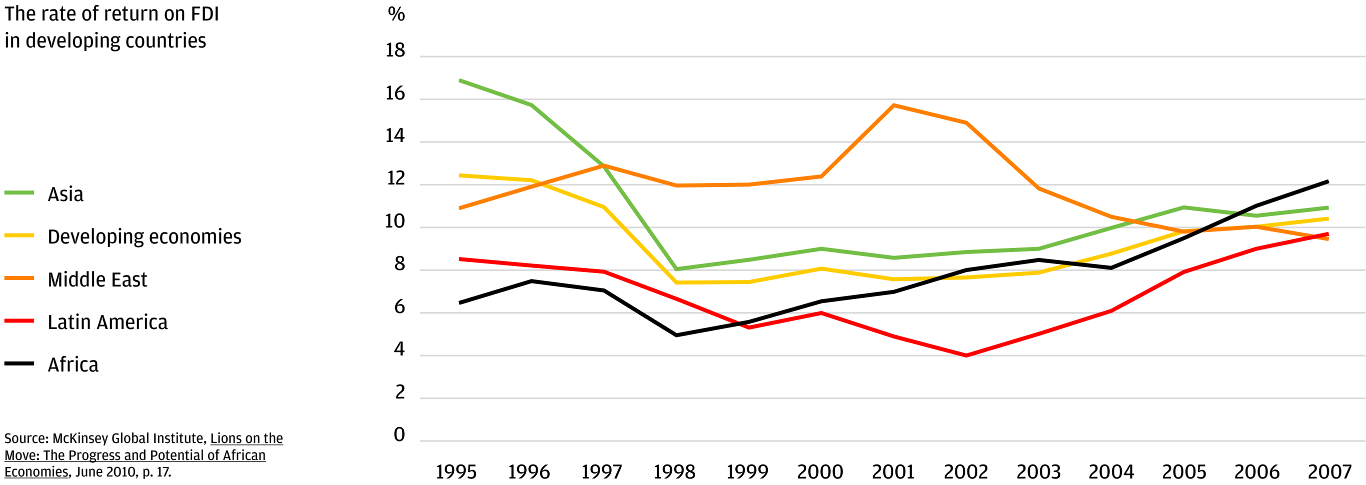
Chapter 3

It's... politics, stupid! The relevance of political factors in Euro-Afro relations

Sub-Saharan Africa is usually characterized as a region where political risks are high, mainly due to the inefficiency of states. The high degree of uncertainty, corruption, widespread regulatory obstacles, ethnic heterogeneity, poor governance, risk of social tensions, and the lack of skilled labour, together with low labour efficiency, are among the major characteristics of this highly complex business and political environment. Whereas political stability in many parts of Sub-Saharan Africa during recent years has vastly improved, the region is still facing high poverty rates and some of the lowest human development indicators in the world. At the same time, **economic activity in the countries undergoing political transformation, or emerging from conflict, may present relatively high rates of return,** which is a reason why the region is attracting a fast-growing number of foreign investors today.

This report divides political factors that underpin business relationships with and in Sub-Saharan Africa into internal and external ones. At the same time, the position of the region south of the Sahara in the international milieu is often attributed to its colonial past. The purpose of this chapter is to contextualize and discuss inter-state and international political factors which may affect business operations in Sub-Saharan Africa.

Figure 25
The rate of return on FDI in developing countries



Source: McKinsey Global Institute, Lions on the Move: The Progress and Potential of African Economies, June 2010, p. 17.

Colonial legacy – politicization of the past

The relative underdevelopment of Sub-Saharan states is often attributed to Africa's colonial past.[130] Conversely, nowadays a new narrative is emerging as more and more African intellectuals are deciding to stop blaming colonialism for the continent's failings.[131] This trend can be traced to the turn of the 20th century when the New Economic Partnership for Africa[132] was launched as the very first initiative born in Africa, and aimed at local potential mobilization in order to fight poverty and strengthen Africa's voice in international affairs. This narrative is also present today, as the language of 'development' is slowly replacing the rhetoric of neo-colonialism. On the other hand, the on-going commodity boom and resultant surge of FDI pouring into extractive industries has led to revitalization of the accusations of neo-colonialism, sino-colonialism and the emergence of the 'new scramble for Africa' thesis.[133]

The growing role of China on the continent, in particular, has led some scholars to the conclusion that the substantial increase of interest in Africa has more to do with exploitation than promoting development, since foreign investors hardly ever think about long-term investment on the continent in sectors other than mining.[134] Besides allegations that Chinese investments are purely profit-driven, and some developmental projects tend to be linked to access to natural resources, simultaneously the accusations of European neo-colonialism are also present in political discourse, especially in terms of relations between France and its former colonies. There is also an on-going dispute over the British colonial legacy in Africa, particularly concerning Britain's brutal treatment of the Kikuyu people during the Mau Mau uprising in Kenya.[135] At the same time, German politicians accepted the 'moral responsibility' for the genocide of the Herero and Nama people in nowadays Namibia[136] (however, no reparations were paid, as the German government claims that it has already paid its dues through bilateral development aid to Namibia). The scale of Belgian crimes against humanity in the Congo is still a matter of academic debate, but the reign of terror instituted by King Leopold II remains one of the most shocking examples of colonial interference in Africa.[137]

More recently, African public opinion was outraged by Nicolas Sarkozy's speech in Dakar in 2007, when the president of France stated that:

> The tragedy of Africa is that the African has not fully entered into history ... They have never really launched themselves into the future ... The African peasant only knew the eternal renewal of time, marked by the endless repetition of the same gestures and the same words ... In this realm of fancy ... there is neither room for human endeavour nor the idea of progress.

Sarkozy's speech was interpreted as a sign of Frenchmen's dishonesty, and evidence that Africans are still perceived as inferior in terms of intellectual development.[138] A change of France's negative image in Africa was among the principal aims of president François Holland's visit to the continent, where he promised to bring about a 'moral dimension' to French foreign policy instead of the language of 'Françafrique.' France is the most visible military force on the continent, but after 9/11 there is a noticeable increase in US military activity in Sub-Saharan Africa, especially in the Horn of Africa.

130 Mainly due to the relative lack of colonial powers investments in social capital and infrastructure in Africa and activities designed to drain out natural resources from the continent; P. Duignam, L. H. Gann, Economic Achievements of colonizers: an assessment, in: Colonialism in Africa, 1870-1960: The economics of colonialism, P. Duignam, L. H. Gann (ed.), Cambridge University Press, New York 1975, pp. 675-679.

131 E. Twineyo-Kamugisha, Why Africa Fails. The Case for Growth Before Democracy, Tafelberg, Cape Town 2012.

132 See for example: I. Taylor, Nepad: Toward Africa's Development Or Another False Start?, Lynne Rienner Publishers, 2005; http://www.nepad.org/.

133 P. Carmody, The New Scramble for Africa, Polity Press, Cambridge 2011.

134 Though, as noted in chapter 1, this approach is changing as the foreign investors starting to discern opportunities in non-extractive sectors.

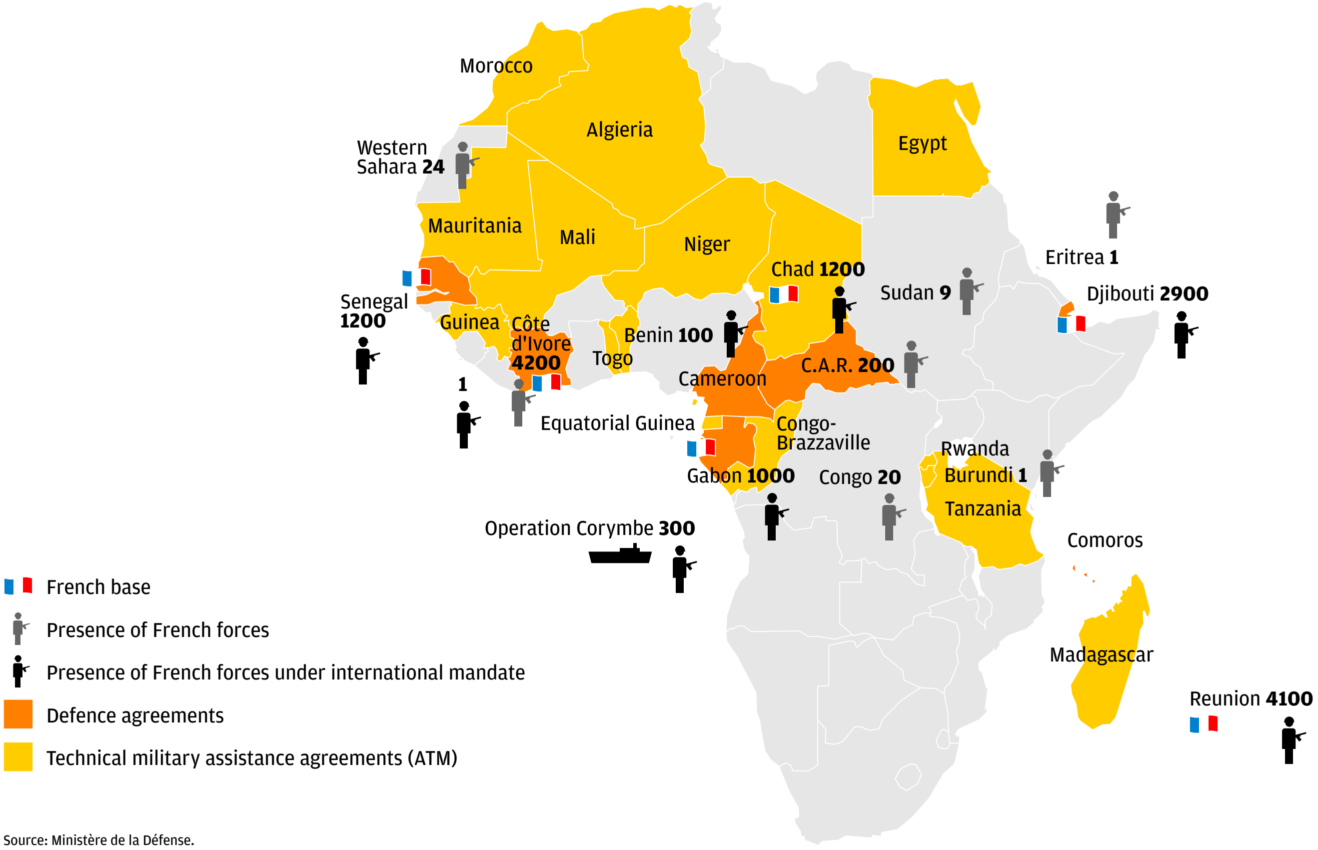
135 C. Elkins, Britain's Gulag. The Brutal End of Empire in Kenya, Pimlico, London 2005.

136 J. Sarkin, Colonial Genocide and Reparations Claims in the 21st Century. The Socio-Legal Context of Claims under International Law by the Herero against Germany in Namibia, 1904-1908, Praeger Security International, Westport 2009.

137 A. Hoschschild, King Leopold's Ghost: A Story of Greed, Terror, and Heroism in Colonial Africa, Mariner Books 1999.

138 Sarkozy's speech is also considered as one of the reasons behind Senegal's attempts to close French military base in the country. During his next visit on the continent in 2008, Nicolas Sarkozy was emphasizing that France has to be very careful not to lecture African countries about good governance.

Figure 26
French military bases in Africa



Source: Ministère de la Défense.

Some African politicians and intellectuals are stressing the fact that Europeans and Americans have a habit of lecturing Africans about human rights, democracy, and the rule of law. In recent years much criticism was directed at the International Criminal Court, and the main complaint was the almost exclusive focus of the Court's prosecutors on Africa.[139]

Despite the appearance of the narrative of the necessity of self-help among African intellectuals, the heritage of the colonial period still plays a role in relations between African states and the former colonial powers. The pressure to change the political regime in Zimbabwe and Libya, as well as diplomatic rows over gay and lesbian rights in Uganda,[140] are among the most recent events when African leaders have openly accused Western states of neo-imperialist policies. On the other hand, the New Labour administration in the UK presented the imperative of changing patterns of political and economic relations with Africa as a 'moral issue.'[141]

At the same time, such international organizations as the Commonwealth and la Francophonie, established on the ruins of colonial empires, give the possibility of deepening political dialogue and establishing business opportunities among African countries and the United Kingdom or France. Colonial heritage is not the major determinant of trade relations between Sub-Saharan Africa and the West, although accusations of colonialism are used by some African politicians in order to secure a better bargaining position against Europeans, while Chinese authorities insist that their state has never been interested in colonizing Africa. History matters, but its interpretation and contextualisation usually depend on the current political purposes, and the 'legacy of colonialism' is used as a tool to achieve current political gains.

139 Partly as a response to accusations of so called 'Africa bias,' Fatou Bensouda from Gambia was appointed the chief prosecutor of the Court in mid-2012; F. Bensouda, We are not against Africa, New African, No. 520, August/September 2012, pp. 12-18; BBC News Africa, Is Africa on trial?, 27 March 2012, http://www.bbc.co.uk/news/world-africa-17513065.
140 F. Chothia, Gay rights: Africa, the new frontier, 7 December 2011, http://www.bbc.co.uk/news/world-africa-16068010.
141 D. Bulley, Ethics As Foreign Policy: Britain, The EU and the Other, Routledge, Oxon 2009, pp. 52-60.

African statehood

In the 1980s Sub-Saharan states were often described as 'neo-patrimonial,' 'cleptocratic,' and based on patronage networks.[142] Poor governance and weak institutions were usually among the major characteristics of the region. Numerous economic and political reforms in Africa were enforced by international financial institutions, such as the World Bank and International Monetary Fund,[143] but widespread criticism of their infamous Structural Adjustment Programmes and aid conditionality, combined with fresh sources of development finance (mainly from Asia) which became available in the new millennium, created a new political environment in which reforms aimed at strengthening democracy and the rule of law were not at the top of the political agenda. Conversely, without external pressure, many African states recently introduced reforms aimed at better services delivery. Nevertheless, basic services are very often delivered by a mixture of NGOs, international agencies, private enterprises, and African governments. This situation leads to the erosion of the idea of statehood, as the state does not have capacities to be the major services' provider.

[142] A. Thomson, An Introduction to African Politics, Routledge, London and New York 2006.
[143] In the early 1990's idea that 'third wave' of democratization began to roll across Sub-Saharan Africa was very popular in the academic discourse. J. Haynes, Introduction. The 'Third World' and the third wave of democracy, in: J. Haynes (ed.), Democracy and Political Change in the 'Third World,' Routledge, London and New York 2001.

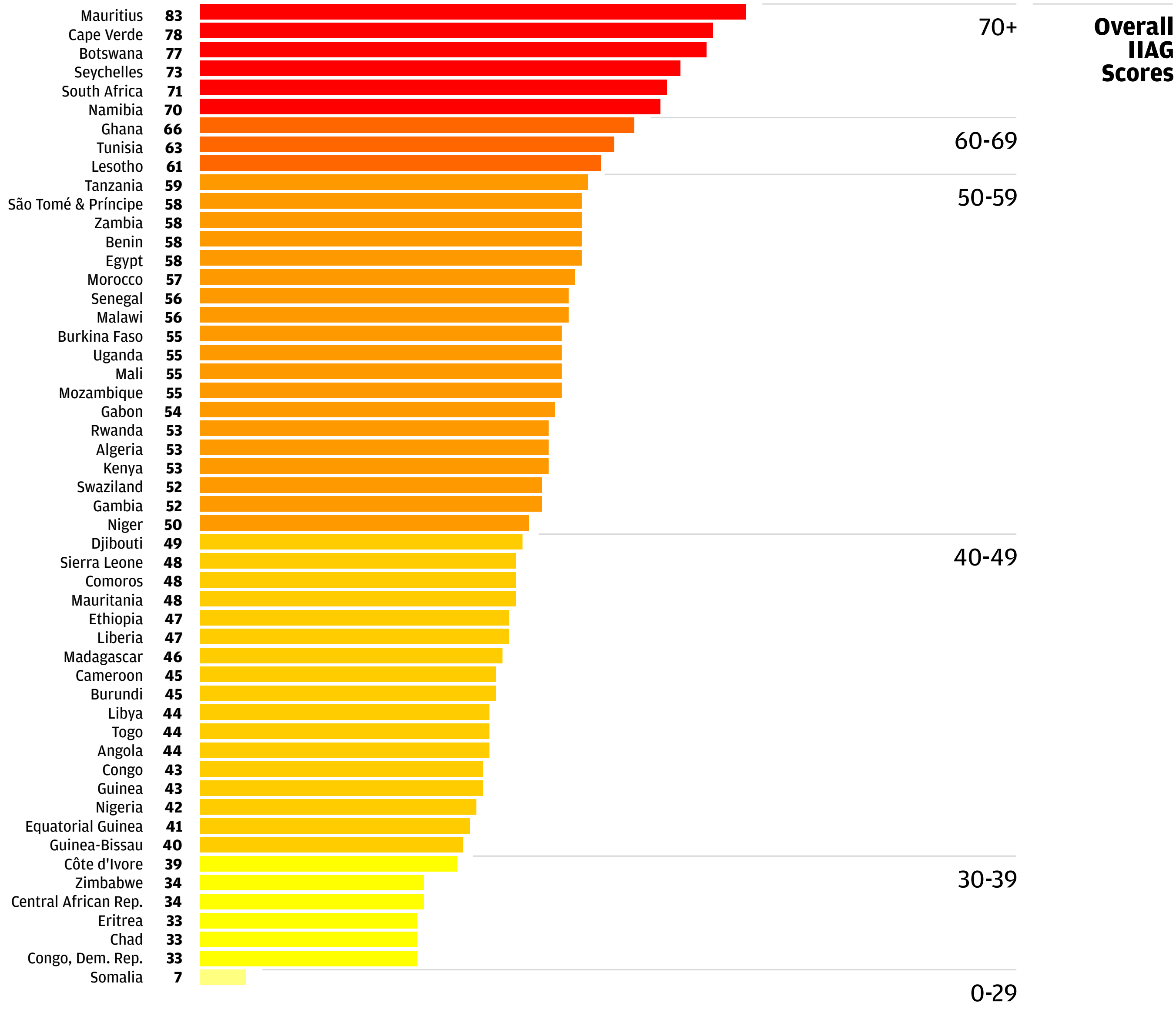
Politically, the fastest growing Sub-Saharan economies can be described as hybrid regimes, where patronage networks co-exist with democratic procedures and even countries considered as stable democracies, such as Ghana, are characterized by uncertainty when it comes to the election processes.[144] In most places the state is institutionally weak and unable to enforce the existing law upon investors, which often demonstrate an open disregard for the regulations of countries in which they conduct operations.[145] One of the most publicized examples of a multinational corporation that continuously ignores the domestic legislation and principles of corporate social responsibility is the activity of Shell in the Niger Delta.[146] The Nigerian state has a reputation of being too weak to enforce the law against multinational corporations, and this very weakness has been perpetuated by the non-transparent relationship between state authorities and corporations operating in the Niger Delta.[147]

[144] Elections 2012: Mahama ahead by a hair, Africa Confidential, Vol. 53, No. 23, 16 November 2012. Widespread uncertainties also accompanied elections in Kenya in March 2013, but by large the elections were peaceful. Much uncertainty also applies to the political future of Côte d'Ivoire.
[145] This situation is reinforced by the practice of signing agreements between African governments and foreign investors and not making them available to the public information. In many Sub-Saharan states NGOs are advocating for enacting of Freedom to Information Bills.
[146] J. G. Frynas, Corporate and State Responses to Anti-Oil Protests in the Niger Delta, African Affairs, Vol. 100, Issue 398, 2011; P. Collier, Ch. C. Soludo, C. Pattillo (eds.), Economic Policy Options for a Prosperous Nigeria, Palgrave Macmillan, New York 2008. Nigeria is considered a 'classic' example of resource rent mismanagement. World Bank Vice President for Africa Oby Ezekwesili estimated that over half a century of Nigeria's independence, poorly delivered or stolen resource rent was USD 400 billion, which is twelve times the national budget of Nigeria for 2011.
[147] See Ch. Albin-Lackey, Control, Corruption and Violence in the Niger Delta, and W. Tycholiz, Kryzys w Delcie Nigru, in: Zabójcze transakcje. Fatal transactions. Surowce mineralne a rozwój państw afrykańskich, D. Kopiński, A. Polus (eds.), Difin, Warszawa 2010.

Figure 27

2012 Ibrahim Index of African Governance

Source: Mo Ibrahim Foundation, 2012 Ibrahim Index of African Governance, http://www.moibrahimfoundation.org/downloads/2012-IIAG-summary-report.pdf.



In general, holding regular elections has become relatively well-established in many Sub-Saharan states, and during the last two decades a visible strengthening of the states' power can be observed.

The Ibrahim Index of African Governance (IIAG)[148] shows steady progress on the continent across four main categories:

- safety and rule of law;
- participation and human rights;
- sustainable economic opportunity; and
- human development.

[148] IIAG provides a comprehensive ranking of African countries according to the quality of governance. It uses 84 outcomes-based criteria. IIAG is a part of Mo Ibrahim Foundation activities. (Mo Ibrahim is a Sudanese businessman, a founder of Celtel. After selling Celtel in 2005, he set up the Foundation which major aim is to improve governance on the continent.) The Foundation also award African politicians with The Ibrahim Prize for Achievement in African Leadership, however in 2009, 2010, and 2012 the Prize was not awarded. http://www.moibrahimfoundation.org/overview/

Figure 28

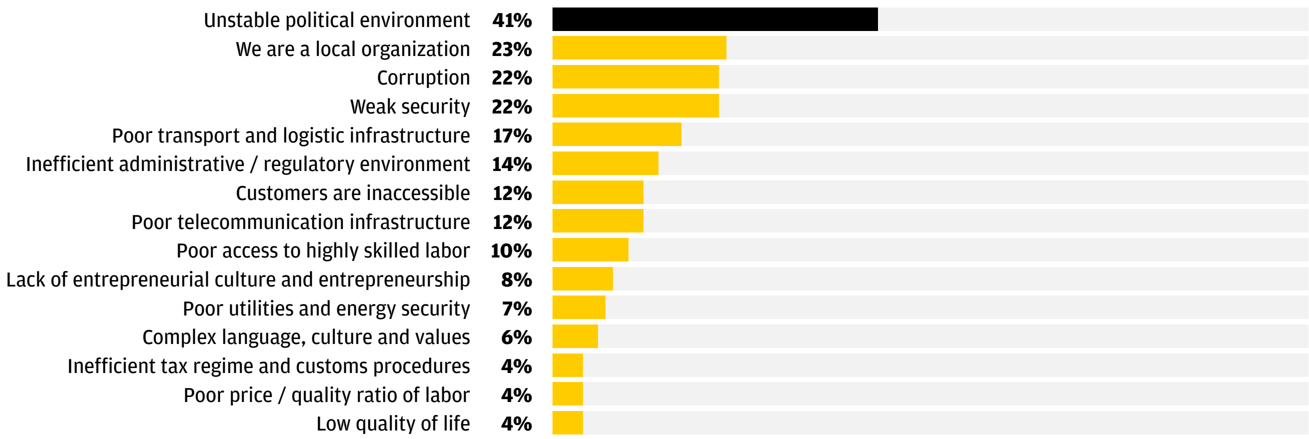
African democracy ratings in 2011

Source: The Economist, African Democracy. A glass half-full, 31 March 2012, http://www.economist.com/node/21551494.

However, during the last five years at least part of the positive processes on the continent has been put on hold. There is a noticeable trend in reduction of civil liberties and uncertainty related to the electoral process in Sub-Saharan Africa, as noted by Freedom House: ‘Recent years have seen backsliding among both the top performers, such as South Africa, and the more repressive countries, such as Gambia and Ethiopia. Lack of adherence to the rule of law, infringements on the freedoms of expression and association, widespread corruption, and discrimination against women and the LGBT community remain serious problems in many countries.’[149] In other words, significant improvements have been visible in the region since the late 1980s, and steps forward remain definitely greater than reversals.[150] However, the events of the last few years raise questions about the sustainability and irreversibility of the changes that have taken place on the continent.[151] As a result of these processes, new terms for the description of political regimes in Sub-Saharan Africa began to appear, of which the most popular are flawed democracies and hybrid regimes. Nevertheless, at the regional level, over the last six years three of the five regions – West Africa, Central Africa, and Southern Africa – have slightly improved their overall governance level, while North Africa and East Africa have registered slight declines.[152]

Notwithstanding its general reputational shift, Sub-Saharan Africa is definitely not the most encouraging place for business. Red tape, widespread corruption, and erratic regulations – these are the hallmarks of the African landscape. In fact, doing business in African countries is a nightmare for many investors, even for Africa’s fervent advocates.[153] One of the most respected measures of the ease of doing business worldwide is Doing Business Reports, published by the World Bank.[154] The index incorporates the following areas: starting a business, dealing with construction permits, access to electricity, registering property, obtaining credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Figure 29
Barriers to investing in Africa



Source: Ernst & Young, It’s time for Africa. Ernst & Young’s 2011 Africa Attractiveness Survey, http://www.ey.com/Media/vwLUExtFile/Africa-attractiveness-2011/$FILE/download_rhf_de.jpg.

149 Freedom House, Sub-Saharan Africa, http://www.freedomhouse.org/regions/sub-saharan-africa.
150 G. Crawford, G. Lynch (eds.), Democratization in Africa: Challenges and Prospects, Routledge, London 2012.
151 The Economist, African Democracy. A glass half-full, 31 March 2012, http://www.economist.com/node/21551494.
152 Mo Ibrahim Foundation, 2012 Ibrahim Index of African Governance Summary, October 2012, http://www.moibrahimfoundation.org/downloads/2012-IIAG-summary-report.pdf, p.11.
153 The Wall Street Journal, Out of Africa, Into Asia, 10 September 2010, http://online.wsj.com/article/SB10001424052748704358904575478310504593870.html.
154 See: Doingbusiness.org.

Figure 30
Examples of regulatory reforms in the 2013 Doing Business Report

Country	Reform	Place
Congo	Making construction permits less expensive by reducing the cost of registering a new building at the land registry.	183
Mali	Making taxes less costly for companies by reducing the corporate income tax rate.	151
Namibia	Making electricity easier to access by reducing the time required to provide estimates and external connection works, and by lowering the connection costs.	87
Togo	Making it easier and less costly to start a business by reducing incorporation fees, improving the work flow at the one-stop shop for company registration, and replacing the requirement for a copy of the founders' criminal records with one for a sworn declaration at the time of the company's registration.	156
Sierra Leone	Improving access to credit information by establishing a public credit registry at its central bank and guaranteeing a borrower's right to inspect their personal data.	140
South Africa	Reducing the time and documents required to export and import through its on-going customs modernization program.	39

Source: Doingbusiness.org, http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Fact-Sheets/DB13/DB13SSAFactSheetEnglish.pdf.

In all past issues of Doing Business Reports, African countries have featured heavily in the bottom-ranked economies in the entire series. There are, however, positive signs that the business landscape in many parts of Africa is changing for the better. The 2012 Doing Business Report revealed that 36 out of 46 economies in Africa have improved in the ease of doing business. Globally South Africa, Rwanda, and Ghana ranked 36th, 45th, and 63rd. Rwanda is particularly noteworthy, as it has managed to improve its business climate in all areas examined, and as a result has been catapulted to the 45th position in the ranking (from the 58th position the year before, and 143rd in 2009), which makes it the second most business-friendly country in all of SSA, and the first in East Africa. Since 2005 the Rwandan government has implemented 26 regulatory reforms. For example, registering a business in Rwanda today takes only a single day. This has led commentators to dub the country the Singapore of Africa.[155] Simultaneously, Freedom House has noticed an increase in unlawful detention, torture, and ill-treatment of civilians by military intelligence in Rwanda,[156] and president Kagame was openly accused of authoritarian aspirations.

Doing Business Reports do have their flaws, which are particularly exposed in Africa. For example, the index does not offer any measure of civil strife, which may heavily distort the actual business climate in countries that are relatively business-friendly, yet suffer from conflicts. Some experts also dismiss DB reports as not taking into account specific African business culture and values. It is important to note that the ease of doing business is not synonymous with a lack of regulatory barriers (a state-less Somalia will most likely not become a business dream destination any time soon), but with a stable and predictable business climate. It is interesting to note that Poland was ranked only 55th in the 2013 Doing Business Report.

155 The Economist, Business in Rwanda: Africa's Singapore?, 25 February 2012, http://www.economist.com/node/21548263.
156 Freedom House, Freedom in the World 2013, http://www.freedomhouse.org/sites/default/files/FIW%202013%20Booklet%20-%20for%20Web_0.pdf.

Box 7 Doing business in fragile states? Phoenix Africa model

Phoenix Africa is a new business model that concentrates its operations on post-conflict states. This economic activity is based on an assumption that seeking out business opportunities in post-conflict states is desirable, since it brings development and investment to the countries that very much need them, and the post-conflict environment offers many business opportunities.

According to Phoenix Africa, operating in post-conflict states is desirable for two principal reasons:

1

'It provides the biggest opportunity for a development impact: where the need is most severe, every dollar invested naturally has the biggest development return;

2

The post-conflict niche also provides numerous good business opportunities. For understandable reasons, most investors are not drawn to countries in recovery from periods of war; however, if the risks are properly managed, it is possible to do good business in these areas.'

See more: http://www.phoenixafrica.co.uk/about.htm.

Military engagement and 'normative power' of the EU

After the Cold War, Sub-Saharan Africa was the most politically unstable region of the world. European states have been active in 25 various military missions across the continent, moreover **'no fewer than 60 per cent of the Security Council's activities are devoted to Africa and half of the current UN peacekeeping operations are in Africa.'**[157]

[157] C. de Lavarence, Our Men at the UN, New African, No. 525, February 2013, p. 13.

Yet a positive trend in the reduction of armed conflicts has been visible during the last 22 years as the number of conflicts has declined by half – from at least 30 at the end of the Cold War. There is also a substantial decrease in the number of attempts at military coups. Nevertheless, the European Union and former colonial powers remain at the core of the peace-keeping, peace-making, and peace-enforcement operations in Africa. European military missions on the continent are presented in the table below.

Figure 31

Military missions of European countries in Africa after the Cold War

Dates	**1990**	**1991**	**08 April 1994**	**10 March 1994 – 20 March 1994**	**1997**
Country	Rwanda	Zaire	Rwanda	Rwanda	Zaire
Intervening states	Belgium	Belgium	France	Italy	Belgium
Type of mission /name	Operation Green Beam and Silver Back, evacuation of civilians from Rwanda	Blue Beam	Operation Amaryllis, evacuation of civilians from Rwanda	Evacuation of civilians from Rwanda	Green Stream
Objective	Evacuation of civilians from Rwanda	Military intervention and evacuation of civilians	Evacuation of civilians from Rwanda	Evacuation of civilians from Rwanda	Military evacuation of civilians
Size	n/a	n/a	1500	n/a	n/a

In recent years a significant reduction in the number of armed conflicts in Sub-Saharan Africa can be observed, as well as a decrease in the overall violence during these conflicts. There are several reasons behind this trend. As mentioned in chapter 1, the end of Cold War rivalry meant that the USSR and the US ceased financial support for the conflicting parties in various parts of Africa. In addition, the international community began to take initiatives aimed at strengthening peace and democratization in Africa.

One of the most spectacular initiatives was the implementation of the Kimberly Process, which largely removed the so-called ‘conflict diamonds’ from the market. Some of the conflicts were resolved through negotiations, while others have been suppressed due to the exhaustion of the fighting parties. According to the Global Peace Index (GPI), in 2012 Sub-Saharan Africa, for the first time, was not the least peaceful region in the world.[158]

[158] The consequences of ‘Arab Spring’ and Israeli-Palestinian conflict resulted in the Middle East and North Africa categorization as the world’s least peaceful region.

September 2002 – April 2011	**November 2004**	**June – September 2003**	**December 2004 – June 2007**	**May 2005 –**	**July 2005 – December 2007**
Côte d’Ivoire	Côte d’Ivoire	Democratic Republic of Congo (DRC)	DRC	DRC	Darfur, Sudan
France	Great Britain	Belgium, Brazil, Canada, France, Germany, Greece, South Africa, Sweden, United Kingdom, Croatia	European Union	European Union, 14 member states	European Union
Operation Unicorn	Operation Phillis	Operation Artemis to stabilise the Bunia region before UN troops arrived – military	EUPOL Kinshasa police mission – civilian	EUSEC DRC: mission to assist security sector reform – civilian	EU assistance to AMIS African Union mission – civilian and military
Operation in support of the United Nations Operation in Côte d’Ivoire	British service-assisted evacuation operation for British citizens	Contribution to the stabilisation of the security conditions and improvement of the humanitarian situation in Bunia	Monitoring, mentoring, and advising of the Integrated Police Unit	Providing of advice and assistance to the authorities in charge of security	Support for AU political, military, and police efforts to address the crisis in Darfur
1809	n/a	1800	58	51	47

Nevertheless, during the last five years, the new axis of instability running from Kenya and Somalia in the east to Nigeria in the West began to appear. It is Africa where the International Crisis Group locates 4 out of 10 hotspots ('countries to watch') in 2013 (Kenya, DRC, Sudan, Sahel, and beyond).[159] The recent collapse of the government in Mali, and the French intervention in this country,[160] is the most visible exemplification of the relative political fragility of the region.

The military engagement of the EU and European states is a part of the political landscape of the continent, but one of the most popular concepts that define relations between the European Union and Sub-Saharan Africa is the conceptualization of **Europe as a 'normative power.'** According to this concept, the EU and its members use various political, cultural, and economic tools in order to popularize certain patterns of political behaviour in the developing world.

[159] L. Arbour, 10 Conflicts to Watch in 2013, Foreign Policy, 27 December 2012, http://www.crisisgroup.org/en/publication-type/commentary/arbour-ten-conflicts-to-watch-english.aspx.

[160] Justification for military intervention has been the subject of debate in France. The vast majority of politicians and the media supported the military action in Mali, and one of its biggest supporters was Bernard-Henri Lévy (he also convinced president Sarkozy to attack Libya in 2011). Among critics of the France's involvement in Mali was former prime minister Dominique de Villepin.

Figure 31
continued

Dates	**April – December 2006**	**July 2007 –**	**March 2008 – March 2009**	**June 2008 – September 2010**	**December 2008 –**
Country	DRC	DRC	Chad, Central African Republic	Guinea-Bissau	Somalia
Intervening states	European Union	European Union	France, Ireland, Poland, Sweden, Austria, Belgium, Germany, Greece, Portugal, Finland, Romania, Italy, Spain, Albania, Slovenia, the Netherlands, Croatia, United Kingdom, Bulgaria	European Union	EU, Norway, Ukraine, Croatia, Montenegro
Type of mission /name	EUFOR DRC: assistance for the UN to supervise elections – military	EUPOL DRC Police mission: assistance in the reform of Congolese national police – civilian	EUFOR Tchad/RCA: civilian policing mission and military security mission to protect Darfur refugees	EU SSR Security Sector Reform mission – civilian	Operation Atalanta: EU naval force against piracy – military
Objective	Help for the UN peacekeeping force to secure the region during elections	Assistance for the police authorities in thefield of security sector reform	Protection of civilians and UN personnel in danger, facilitation of aid delivery	Advice and assistance for security sector reform	Protection of merchants and vessels of the World Food Programme; deterrence and prevention of acts of piracy
Size	2300	50	3700	24	1342

In other words, Europe influences African politics in order to shape and enforce the acceptance of internationally acknowledged norms, and promotes a certain conception of 'normal' behaviour. However, some empirical studies show that 'normative power' is just another form of influence on Sub-Saharan Africa, as the relations between former European colonial powers and African states are asymmetrical, and this very asymmetry is even further deepened by the politics of 'moral superiority' of the West over the developing world. Partly as an opposition to this concept, China presents its engagement in the continent as being based on the idea of non-interference in internal affairs.

Because of the experience of political and economic transformations in the 1990s, Central and Eastern European states have the potential to put reforms implemented by African governments into a better perspective, and the exchange of the experiences of both the democratization process and market liberalization might facilitate the creation of business opportunities. Central and Eastern Europe also experienced the asymmetry of relations with foreign capital, and some lessons of the past might be of potential value for African governments. At the same time, African governments have a lot of experience with international corporations active in extractive industries, which might be vital for Central Europe in light of the recent discoveries of shale gas. Central European state representatives are present during official meetings between the EU and Africa, but the bilateral relations are underdeveloped.

Source: data compilation based on Multilateral Peace Operations: Africa 2008, SIPRI; EU Civilian and Military Missions since 2003.

April 2010 –	**April 2011**	**June 2012 –**	**July 2012 –**	**August 2012 –**	**11 January 2013 –**
Somalia/Uganda	Libya	South Sudan	Somalia, Djibouti, Kenya, the Seychelles, Tanzania, and Western Indian Ocean	Niger	Mali
14 EU members, Serbia	European Union	European Union	European Union (German leadership)	European Union	France (leadership), forces of the government of Mali, Belgium, Canada, Chad, Denmark, Germany, the Netherlands, Spain, Sweden, United Arab Emirates, United Kingdom, United States
EUTM Somalia: mission to train security forces	EUFOR Libya: humanitarian aid – military	EUAVSEC South Sudan: aviation security mission – civilian	EUCAP NESTOR: maritime training mission – civilian	EUCAP SAHEL: security forces training – civilian	Operation Serval
Training of Somali security forces	The European Council approved the military mission EUFOR Libya on 1 April 2011, to supply aid to Libya during armed conflict there, but only if the UN requested assistance. The mission was never launched	Strengthening of aviation security at Juba International Airport in response to an invitation from South Sudan	Enhancement of maritime capacities of 5 countries in the Horn of Africa and Western Indian Ocean (Somalia, Djibouti, Kenya, the Seychelles, Tanzania). It will complement EUNAVFOR	Provision of Nigerian Forces with counter-terrorism and anti-organised crime training and support	The aim of the operation is to oust Islamic militants from the north of Mali
145	n/a	64	20	19 (80 pledged)	Around 8000

Inter-regional and bilateral co-operation

The official co-operation between the European Union and Africa takes place in various stages. The long-term vision of Euro-African relations is outlined in the Africa-EU Joint Strategy adopted in 2007. As listed in the document, the most important official channels of co-operation are:

- Official summits of the EU and African Union;
- Ministerial Meetings;
- Meetings of the Africa-EU Task Force; and
- Expert group meetings.

Within the last decade, the EU has provided support to many regional initiatives in Africa. However, the European Union's engagement and devotion to solving African problems is constantly put into question. The EU's trade policy and the negotiations of Economic Partnership Agreements are constantly generating tensions among the EU and Sub-Saharan states.[161]

A common agriculture policy and subsidies for agriculture production, together with phitosanitary restrictions for African products, have grown to be another bone of contention between Europe and Africa. The European Union's financial support for regional integration in Sub-Saharan Africa is also criticized, as regional integration should not take priority over national integration (see chapter 2 for more information about EU-Africa relations).

What indicates a renewed interest in Africa, but also the waning European weight on the continent, is an institutionalization underpinning efforts to strengthen ties with Africa, which is reflected in the number of summits, forums and strategic documents that have seen the light of day in recent years. Aside from the well-known Forum on China-Africa Cooperation, many other, less spectacular forums have been organized and hosted by aspiring African partners. Selected institutionalized forums of official co-operation are presented in the table below.

Figure 32
Examples of economic forums, conferences, and summits in the last 5 years

Sources: the Internet.

Country/countries	Name	Year	Place
People's Republic of China	Forum on China-Africa Cooperation (FOCAC)	10-12 October 2000	Beijing, China
	FOCAC	15-16 December 2003	Addis Ababa, Ethiopia
	FOCAC	3-5 November 2006	Beijing, China
	FOCAC	8-9 November 2009	Sharm el-Sheikh, Egypt
	FOCAC	19-20 July 2012	Beijing, China
South Korea	The first Korea-Africa Forum	7-9 November 2006	Seoul, South Korea
	Second Korea-Africa Forum	23-25 November 2009	Seoul, South Korea
	Korea-Africa Economic Cooperation Ministerial Conference (KOAFEC)	14-17 September 2010	Seoul, South Korea
Turkey	Turkey-Africa Cooperation Summit	18-21 August 2008	Istanbul, Turkey
	First Ministerial Review Conference of the Turkey-Africa Partnership	16 December 2011	Istanbul, Turkey
	7th Turkish-African Congress	8-19 January 2012	Khartoum, Sudan
India	1st India-Africa Forum Summit	April 2008	New Delhi, India
	2nd India-Africa Forum Summit	May 2011	Addis Ababa, Ethiopia
Brazil	Brazil-Africa Forum	13 September 2012	Johannesburg, SA
Iran	Iran-Africa Summit	14-15 September 2010	Teheran, Iran
Malaysia	Malaysia-Africa Business Forum	18 June 2011	Putrajaya, Malaysia
Russia	Russia-Africa business forum	December 2011	Addis Ababa, Ethiopia
Singapore	Africa-Singapore Business Forum	29-30 August 2012	Singapore
South American states	3rd Africa-South America Summit	February 2013	Malabo, Equatorial Guinea
Taiwan	Taiwan-Africa Summit	9 September 2007	Taipei, Taiwan

[161] Ch. Soludo, From Berlin to Brussels. Will Europe underdevelop Africa Again?, World Economics, Vol. 13, No. 2, April-June 2012.

In general, the trend of institutionalization of the co-operation between African states and other developing states is visible,[162] as well as the increase in the trade between Africa and other countries of the global South. Brazil's trade with Sub-Saharan Africa increased between 2000 and 2010 from USD 2 billion to USD 12 billion,[163] and the trade between India and Africa is predicted to reach USD 90 billion in 2013, from just USD 4.6 billion in 2000.[164] Particularly impressive is the increase in trade between China and Africa – from USD 2 billion in 1999 to over USD 200 billion in 2012. That is why the Forum on China-Africa Cooperation is of special importance for both sides, since the vast majority of projects involving Sino-African co-operation was launched during FOCAC. The special emphasis paid by African governments to FOCAC is visible, as the turnout of African heads of states during these meetings is very high. **FOCAC is the main platform where the Chinese government announces projects aimed at political and economic co-operation between Africa and China.** Financial support for Chinese enterprises in Africa is mainly provided by the China Ex-Im Bank, and according to the Chinese Ministry of Commerce, 'The government has exempted tariffs on 60 per cent of goods imported from 30 African countries in order to boost trade with the continent … and is also encouraging enterprises to invest in African countries by raising funds and giving preferential loans.'[165] China is also trying to visualize its presence in Africa. Probably the most prominent symbols of the Chinese presence on the continent are the new headquarters of the African Union in Addis Ababa, founded, designed, and built by the Chinese.[166]

Unfortunately, there is no forum of co-operation between Central Europe and Africa, not even at the level of ministers or experts, and as was mentioned before, the channels of communication existing within the frameworks of the EU's are not used effectively by the states of region. Creation of a forum aimed at co-operation development between Central Europe and Africa or better usage of the European Union's frameworks seems to be justified, since Sub-Saharan countries represent one of the largest geographical voting blocs in international institutions. Development and tightening of diplomatic links can be productive for both sides – for example, to coordinate the election of non-permanent members of the UN Security Council,[167] and for decisions about candidates for senior positions in international institutions.[168]

Another new trend visible in Africa's relations with developing countries is the constantly increasing number of diplomatic missions on the continent. India has already twenty-six embassies in Africa, and China forty-nine.[169]

[162] The states of the global south are largely united by a common desire of the UN Security Council reform and changes in the International Financial Institutions.
[163] World Bank, Brazil and Sub-Saharan Africa: South-South Partnering for Growth, Washington, DC 2011, http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:23061951~pagePK:146736~piPK:226340~theSitePK:258644,00.html.
[164] Standard Chartered, Africa-India trade and investment – playing to strengths, Global Research, 8 August 2012, http://www.standardchartered.com/en/resources/global-en/pdf/Research/Africa-India_trade_and_investment_Playing_to_strengths.pdf.
[165] Ministry of Commerce People's Republic of China, http://english.mofcom.gov.cn/article/newsrelease/counselorsoffice/westernasiaandafricareport/201212/20121208505036.shtml.
[166] Another field of Chinese presence manifestation in the construction sector is designing and building national stadiums in Sub-Saharan states.
[167] Nigeria, Egypt, and Republic of South Africa are aspiring to the permanent seats in UN Security Council.
[168] Diplomatic support of African states helped, for example, to deliver the post of IMF managing director to Christine Lagarde.
[169] D. Shinn, Emerging Powers in Africa. Introduction to African Security Issues, Africa Center for Strategic Studies, National Defense University Fort McNair, Washington, DC 2012.

Brazil has expanded its engagement with Africa, doubling its diplomatic presence from 17 to 37 embassies over the last few years.[170] Turkey is catching up, with thirty three embassies in place, and even ostracised Iran has embassies in twenty African countries.

Figure 33 Foreign sovereign embassies in Sub-Saharan Africa in 2011

Rank	Country	No. of embassies
1	US	46
2	Russia	45
3	China	42
4	France	38
5	South Africa	37
6	Nigeria	34
	Germany	34
7	Brazil	31
8	Japan	27
9	UK	26
10	Turkey	23
	Spain	23
11	Saudi Arabia	21
	Egypt	21
	India	21
	the Netherlands	21
12	Switzerland	19
	Italy	19
13	Canada	18
14	Argentina	17
	Belgium	17
15	Libya	16
	…	
	Poland	5 (down from 9)
	Czech Republic	**5**
	Slovakia	**4**
	Hungary	**2**

Source: T. Cargill, More with Less: Trends in UK Diplomatic Engagement in Sub-Saharan Africa, Africa Programme Paper: AFP PP 2011/03, Chatham House.

[170] Ch. Stolte, Brazil in Africa: Just Another BRICS Country Seeking Resources?, Chatham House Briefing Paper, November 2012.

Turkey represents a good example of an incredible surge of interest in Sub-Saharan Africa during the last decade which should serve as an inspiration to Central and Eastern European states. Ankara's policy, aimed at 'opening up to Africa,' was launched in 1998. Ten years later Turkey was declared the strategic partner of the African Union, and the Turkey-Africa Cooperation Summits were initiated. Turkey's strategy is very comprehensive and reaches out to many individual countries, an example being the Mozambique-Turkey Trade Forum.[171] Turkey has also recently decided to open 15 new embassies in Sub-Saharan Africa (the total number rose to 33 in 2012 from 12 only a few years before).[172] A similar pattern was followed by Brazil according to a plan by Lula da Silva's government, which doubled the diplomatic presence in Africa.[173] Between 2003 and 2010 Brazil opened seventeen new embassies in Africa. Some European states (such as Sweden and the United Kingdom) are taking into consideration the development of micro-posts with one or two diplomats in Sub-Saharan states.[174] In this context, the Polish Ministry of Foreign Affairs decided to close four embassies in Africa.

Many experts admit that there is room for increasing trade and investment between Eastern European and African countries, but what is missing, however, is information about market opportunities. For example, for Polish embassy first secretary Sławomir Sonarski, trade between South Africa and Poland could easily be boosted five-fold if only investors were better informed and had more state support.[175] For Sonarski, 'Africa is the future, everybody is coming here.'

The growing political importance of Africa is also reflected in the increasing number of official visits to the continent (see more on the role of political symbolism in chapter 4). What is particularly disturbing is that since 2002, when president Aleksander Kwaśniewski visited South Africa, no Polish prime minister or president has returned to the continent.[176] Just to give it a comparative perspective, the new Chinese president, Xi Jinping, chose Africa as his first international trip.[177]

Political support for investment and the rhetoric of 'trade not aid'

Some Western European states have special agencies that are specialized in facilitating investments in Africa. In the United Kingdom, institutions of the Commonwealth[178] – especially the Commonwealth Business Council[179] – are important channels for business contacts. The other channel of communication between African and British businessmen is constituted by the Africa-based agents of United Kingdom Trade and Investment, who provide them with necessary information and contacts. France is exercising a very similar pattern of using institutions that remain from the colonial era – Organisation Internationale de la Francophonie. Historically, la Francophonie was more focused on France's interest of promotion, while the Commonwealth has become a forum where African countries have criticized the foreign policy of the United Kingdom during the struggle against apartheid regimes in Southern Africa.[180] Italy, in turn, is employing more general instruments, whose main aim is to support the general development of relations with Africa by offering private financing for investments. A good example of such an approach is the Infrastructure Consortium for Africa, launched by the G8 Summit in Gleneagles in 2005, where Italy is quite active in advocating for Italy-based companies. In Germany the will to increase economic involvement in Africa is highlighted in official documents.[181] Practical assistance for business is provided through specialized agencies, such as DIHK (Deutscher Industrie- und Handelskammertag) and BDI (Bundesverband der Deutschen Industrie), which represent the largest companies of the German economy. They have branches dedicated specifically to emerging markets, including Africa, that provide entrepreneurs with the necessary insights and contacts. The German example proves that even without significant historically-based relations, a government can be helpful in supporting private investments.

The beginning of the second decade of the 21st century has brought an observable change in the statements made by major European politicians during official visits to Africa, which can be summarized as 'trade not aid.' The composition of European states' official delegations is also undergoing considerable changes – ministers responsible for development aid are increasingly replaced by businessmen who are looking for trade contacts. While visiting Kenya, Angola, and Nigeria, Angela Merkel was accompanied by a delegation of German business moguls instead of politicians, and the main message that the German chancellor was promoting during this visit was the determination to develop trade relations with Sub-Saharan Africa. British prime minister David Cameron followed a similar pattern when he visited Africa as the head of a 25-strong business delegation, stating that the purpose of his trip was to promote trade.[182] The progressive reduction of funds allocated for development assistance can partially be explained as a consequence of the global crisis and the constant search for savings in national budgets.

171 AllAfrica, Mozambique: Turkish Companies Invited to Invest, 8 October 2012, http://allafrica.com/stories/201210081394.html.
172 Republic of Turkey, Ministry of Foreign Affairs, http://www.mfa.gov.tr/turkey-africa-relations.en.mfa.
173 Ch. Stolte, Brazil in Africa: Just Another BRICS Country Seeking Resources?, Chatham House Briefing Paper, November 2012. In 2003 president Lula declared development of relations with Africa as a priority for his government.
174 T. Cargill, More with Less: Trends in UK Diplomatic Engagement in Sub-Saharan Africa, Africa Programme Paper: AFP PP 2011/03, Chatham House, http://www.chathamhouse.org/sites/default/files/19366_0511pp_cargill.pdf.
175 Engineering News, SA-Poland trade has room to improve, clarity needed on incentives, 10 January 2013, http://www.engineeringnews.co.za/article/sa-poland-trade-has-room-to-improve-clarity-needed-on-incentives-2013-01-10.
176 At the time of writing this report, the Polish prime minister Donald Tusk office planned an official visit to Nigeria in April 2013.
177 Reuters, China's Xi to visit Africa as U.S. frets over Beijing influence, 9 March 2013, http://www.reuters.com/article/2013/03/09/us-china-parliament-africa-idUSBRE92804A20130309.

178 Cameroon, Nigeria, Gambia, Botswana, Ghana, Kenya, Mozambique, Namibia, Rwanda, Sierra Leone, South Africa, Swaziland, Tonga, Uganda, and Zambia are members of the Commonwealth. Moreover South Sudan has also applied for the membership.
179 Commonwealth Business Council, http://www.cbcglobal.org/.
180 A. Polus, Commonwealth na arenie międzynarodowej, Wydawnictwo UWr., Wrocław 2009.
181 See: Deutschland und Afrika: Konzept der Bundesregierung, the report of German foreign ministry; Marktchancen in Afrika 2011/12 – Potenzial für den deutschen Mittelstand, complex analysis of market opportunities for German companies in each state of Africa.
182 D. Cameron, risked criticism at home as he flew to Africa in the middle of phone-hacking scandal linked with the 'News of the World.'

Besides assurances that the 'shadow' of colonialism has been lifted, another visible trend can be observed during Western leaders' visits to Africa, namely warnings against Chinese investments. In 2011 prime minister Cameron stressed the uncertainty of long-term Chinese engagement when he stated:

> I believe the model of authoritarian capitalism [in China] we are seeing will fall short in the long term … Neither can it offer the confidence and stability needed for investment. If you are going to set up in business, you need to know that you can go to a court confident that a contract will be enforced objectively – including against the government. And you need to know that your assets won't suddenly be seized by the government … Free societies can provide this stability and confidence. So I passionately believe in liberal democracy – and I believe Africa can do it too.[183]

This rhetorical shift is, however, not entirely convincing to Ian Taylor, who argues:

> I think people like Cameron and Merkel are responding to what they perceive to be the rise of competition from other actors (the BRICS, US, etc.) in Africa. There is probably more of a focus on business than with the previous fixation on aid and charity, but this is all opportunistic. I don't think there is a fundamental change in attitude, except that maybe now because of the whole 'Africa Rising' discourse, they feel the need to address this and promote their own corporations' interests in this 'big emerging market.' But it is all still what 'we' can get out of Africa, more or less.[184]

[183] J. Goroves, Cameron warns Africans over the 'Chinese invasion' as they pour billions into continent, Daily Mail, 19 July 2011, http://www.dailymail.co.uk/news/article-2016677/Cameron-warns-Africans-Chinese-invasion-pour-billions-continent.html.
[184] E-mail correspondence with Ian Taylor, professor in International Relations and African Politics in the School of International Relations, University of St. Andrews.

A very similar narrative was adopted by the US secretary of state, Hillary Clinton, when she cautioned Africa against co-operation with undemocratic regimes that only want to exploit Africa's natural resources.[185] It remains an open question, whether this new anti-Chinese rhetoric is just another way of trying to win over Africa, or whether it is a new opening in mutual relations leading to the old Euro-Afrique being replaced by a Euro-African partnership. The new sources of foreign capital and Asia-imported development models of co-operation put African countries in a better position towards Europe, and hypothetically should allow them to negotiate better trade agreements with both the West and the East.

The narrative of 'trade not aid' was also adopted by South Africa in December 2012, when the African National Congress decided to put economic diplomacy at the heart of South Africa's foreign policy in Sub-Saharan Africa. The RSA traditionally stresses non-interference into internal affairs as the backbone of its relations with the continent. The Republic of South Africa might become a major force in the region within the next decade. Its aspirations to lead Africa were confirmed during the race for the African Union chairmanship, eventually won by Nkosazana Dlamini-Zuma.[186]

Investors from Central Europe should not only accept the narrative of 'trade not aid' in relations with Sub-Saharan Africa, but should go even further and seek long-term strategic partnerships with African companies and governments, keeping in mind the prospects of development of African markets and the rapid population growth of the continent. Political support is essential in this process, as well as the awareness of barriers of entry on particular African markets.

[185] The Guardian, Hillary Clinton's morally superior speech in Africa was deluded, 7 August 2012, http://www.guardian.co.uk/global-development/poverty-matters/2012/aug/07/hillary-clinton-speech-africa-deluded.
[186] C. Duodu, Is the AU fit for purpose?, New African, August/September, No. 520, 2012, pp. 46-49.

Notwithstanding its general reputational shift, Sub-Saharan Africa is definitely not the most encouraging place for business. Red tape, widespread corruption and erratic regulations – these are the hallmarks of the African landscape. Despite positive changes, many parts of the Sub-Saharan Africa remain very difficult and institutionally unstable.

There are, however, positive signs that the business landscape in many parts of Africa is changing for the better. The 2012 Doing Business Report revealed that 36 out of 46 economies in Africa have improved in the ease of doing business. Globally South Africa, Rwanda, and Ghana ranked 36th, 45th, and 63rd.

After the Cold War, Sub-Saharan Africa was the most politically unstable region of the world, yet a positive trend in the reduction of armed conflicts has been visible during the last 22 years as the number of conflicts has declined by half – from at least 30 at the end of the Cold War. There is also a substantial decrease in the number of attempts at military coups.

Recently the most evident trend in the Sub-Saharan Africa's relations with the outside world is emergence of the new axis of South-South co-operation.

What indicates a renewed interest in Africa, but also the waning European weight on the continent, is an institutionalization underpinning efforts to strengthen ties with Africa on the part of developing countries, which is reflected in the number of summits, forums, and strategic documents that have seen the light of day in recent years.

During the financial crisis, the relationship between the 'old Europe' and the Sub-Saharan Africa began to be described using the rhetoric of 'trade not aid.' It is, however, too early to determine whether those events are actually enforcing the redefinition of formal colonial powers' relations with its former dependencies.

Co-operation of Sub-Saharan Africa and Central Europe could be a new axis cross-cutting two already well-established axis of co-operation.

Political support is of the crucial importance for the development of sustainable business partnerships between Central Europe and Sub-Saharan Africa. Yet there is a disturbing lack of political will among Central European policy-makers to build its long-term presence in the continent and nurture business co-operation.

In fact, it appears that even the marginal presence of the Central European countries is subject to cutbacks. For example, whereas in recent years there is a rapid increase in diplomatic presence in Sub-Saharan Africa of many newcomers, Central Europe is reducing the number of diplomatic outposts in the region.

Chapter 4

Europe-Africa – lessons to learn from others

Go Europe, go Africa

In the past, there were marches in the West to drop the debt. There were concerts to increase aid. And it was right that the world responded. But they have never once had a march or a concert to call for what will in the long term save far more lives and do far more good – an African free trade area. **The key to Africa's progress is not just aid. It is time for some fresh thinking.**[187]

The recent tectonic shift in Africa's international relations, combined with rising optimism about the continent's future, provides (and if this is not the case – should provide) plenty of food for thought for Europe – both 'old' and 'new.' As has been argued in the previous chapters, some Western European countries (e.g., the UK, Germany) have recently started betting on a different card than in the past, and have made modest attempts to adjust their objectives in mutual relations, so that they are more in line with Africa's on-going dynamics, even if the usual warning of a 'Chinese invasion' or 'authoritarian capitalism' slips out here and there.[188] The 'trade not aid' rhetoric mentioned in the previous chapter has featured heavily in speeches during official visits, while development aid and good governance topics, normally at the centre of attention, have now somehow been side-lined.

The UK's prime minister has said things while touring Africa that would have been interpreted as heretical ten years ago:

> It is now possible to imagine an Africa no longer dependent on aid, and a real source of growth for the whole world ... And the road to get there lies through freeing up the wealth-creating power of enterprise and trade.[189]

This new rhetoric, even if it does not translate fully into a brand-new quality in Europe-Africa relations, comes with a realization that Africa is on the move. Exactly the opposite can be said about today's Europe. Europe is now in a very precarious position in the aftermath of its economic crisis. Financially starved, with abundant problems and a recession which will probably last for some time or may turn into a double dip recession, the old continent is in need of fresh air and new direction to channel its vast energy. It is therefore suggested that Europe's economic recovery may be smoother if it involves Africa's growing potential.

Inter-regional trade, otherwise a good indication of successful economic integration, has been adversely affected by the crisis. **Central European countries, with close links to the Eurozone, are already paying a high price for a poor trade diversification. With over 80 per cent of Polish trade now going to the financially troubled European Union, there is a need for fresh markets and business opportunities.**

Many European economies are stuck in low gear and currently do not offer a risk-yield relation that would continue to thrill investors. According to Ronald Pfende, the chief financial officer of Stanbic Nigeria, a Nigerian bank that was acquired by South Africa's Standard Bank in 2007, 'The risk profile of Europe is high risk, low return; it's the worst of both worlds,' whereas for African markets 'the risk has continued to decline, but the yields continue to be high. If people get rational, and not emotional, you will get progressively more money coming through to Sub-Saharan Africa.'[190] This Africa business/trade optimism is, quite astoundingly, not shared by all EU officials. Karel de Gucht, the European Trade Commissioner, seems, for example, sceptical about boosting trade with Africa on the grounds that 'they [African countries] can export much, much more to Europe than we can the other way,' which leads him to conclude that 'the idea that we need the African market to develop and to recover is not necessarily true.'[191]

[187] R. Saymour, Europe's courting of Africa, African Business, October 2011, p. 54.
[188] Daily Mail, Cameron warns Africans over the 'Chinese invasion' as they pour billions into continent, 19 July 2011, http://www.dailymail.co.uk/news/article-2016677/Cameron-warns-Africans-Chinese-invasion-pour-billions-continent.html.
[189] The Telegraph, David Cameron arrives in Africa for trade mission, 18 July 2011, http://www.telegraph.co.uk/news/politics/david-cameron/8644297/David-Cameron-arrives-in-Africa-for-trade-mission.html.
[190] Invest AD, Into Africa. Institutional Investor Intentions to 2016, Invest AD & Economist Intelligence Unit (EIU), January 2012, p. 7.
[191] Interview with Karel de Gucht, European Trade Commissioner, www.thisisafricaonline.com, p. 26.

Regrettably, his points represent an old, worn-out rhetoric in which trade relations between Africa and Europe rest solely on the fixed Ricardian comparative advantage. This static view does not take into account the rapidly changing African landscape, new comparative advantages which are in the making, and business opportunities that may not be available today, but will be tomorrow.

While discussing trade and business potential, it must be stressed that with their legacy of speaking to Africa from high moral ground, stressing good governance and making aid conditional on political reforms essentially geared towards liberal democracy, European countries face moral and political dilemmas while dealing with Africa. There are accusations of double standards, and this may surely be problematic in boosting business co-operation with some African states. When Angela Merkel, while touring the continent, struck a lucrative deal to sell eight patrol boats to Angola (interestingly, it was the very first visit of the German chancellor to Angola), back home she was condemned for dealing with a government that had a poor human rights record.[192] Whereas in some instances criticism may be indeed deserved, very often it is applied selectively (for example, China, which is also widely contested in the West for violating human rights, is too important commercially to voice open criticism).

Lessons to learn for Central Europe and Europe as a whole

Developing countries, such as China, India, Brazil, South Korea, Turkey, and many others – all of which have been tapping into African markets and resources under the notion of South-South co-operation – have clearly provided not only a sense of unease and nervousness about 'losing Africa' in Europe, but also a great inspiration. The modus operandi of emerging powers is obviously very different from the one employed by the West. Therefore it is naïve to suggest that European countries – especially those from Central Europe – could simply emulate China or India. Nevertheless, there are a number of features that may be instructive for countries interested in bolstering economic co-operation with the African continent.

No strings attached. One of the most distinctive, and probably most widely discussed, facets of the new emerging powers' engagement in Africa is the lack of conditionality, i.e., policy conditions imposed on governments, which have been in turn the cornerstone of Europe's and the West's policy towards the continent. Chinese loans are a particularly good example here. In general terms, China's way of doing business in Africa is founded on the principle of non-interference into internal affairs.[193]

[192] Deutsche Welle, Merkel under fire for controversial warship deal with Angola, 13 July 2011, http://www.dw.de/merkel-under-fire-for-controversial-warship-deal-with-angola/a-15233133.
[193] I. Taylor, China's oil diplomacy in Africa, International Affairs 82 (5), 2006, pp. 938–941.

There are no demands for more accountability, better governance, or less corruption – practices which have been a hallmark of the West in Africa at least since the neo-liberal swing in the 1980s and the World Bank and IMF's push for highly controversial structural adjustment programmes.[194] There is only one, fundamental condition for accessing Chinese money – cutting off diplomatic relations with the Republic of China (Taiwan). Arguably, this condition will soon become irrelevant, since China's clout in Africa is growing every day, making the acceptance of the 'One China Policy' among African governments nearly universal.[195]

Other newcomers also do not believe in, nor practice, Western-style conditionality in their relations with African states,[196] although it must be clearly stressed that aid systems of emerging economies are very heterogeneous (e.g., Brazilian aid to Africa is of a limited size and targeted towards capacity building,[197] while Chinese aid is massive and with a relatively wide coverage – see below), and specific modalities show great diversity. There are, however, some misconceptions concerning aid conditionality, especially in the case of China. Chinese aid, in fact, has a number of lock-in mechanisms and 'technical' conditions. Despite financial aid and loans often coming as a result of a recipient country's own request, and in consultation with the government (which is, in fact, in a formal sense similar to the loans of international financial institutions), the Chinese, on their part, retain virtually full control over the contract tendering process. Another limitation is that funds from concessional loans often must be granted to Chinese contractors or exporters, rendering this type of assistance effectively a kind of tied-aid. These terms are different from contract to contract and local content sourcing is agreed individually; for example, in the last China Development Bank loans to Ghana, 60 per cent of finance was reserved for Chinese entities.[198] There is an additional condition stating that no less than 50 per cent of the equipment, materials, services, or technology needed to implement the project should be sourced in China.[199] Therefore, under the cloak of development motives, this aid strategy is very much geared towards achieving commercial objectives, although, as argued by China, it is not a zero-sum game, as both sides end up better off.

[194] I. A. Elbadawi, World Bank Adjustment Lending and Economic Performance in Sub-Saharan Africa in the 1980s: A Comparison of Early Adjusters, Late Adjusters, and Nonadjusters, World Bank Policy Research Working Papers, WPS 1001, Washington, DC 1992; R. Lensink, Structural Adjustment in Sub-Saharan Africa, Longman, New York 1996; H. Meilink, Structural Adjustment Programmes on the African Continent. The Theoretical Foundations of IMF/World Bank Reform Policies, African Studies Center Working Papers, No. 53, 2003; T. Mkandawire, C. Soludo, Our Continent, Our Future. African Perspectives on Structural Adjustment, International Development Research Center, Ottawa 1998; P. Mosley, Decomposing the Effects of Structural Adjustment: The Case of Sub-Saharan Africa, in: R. Van der Hoeven, F. Van der Kraaij (eds.), Structural Adjustment and Beyond in Sub-Saharan Africa, Research and Policy Issues, James Curry and Hainemann, London 1994; P. Mosley, T. Subsat, J. Weeks, Assessing Adjustment in Africa, World Development, Vol. 23, No. 9, 1995, pp.1459-1473; W. Van Der Geest (ed.), Negotiating Structural Adjustment in Africa, UNDP, James Currey and Hainemann, New York/London 1994; A. Devarajan, D. Dollar, T. Holmgren (eds.), Aid and Reform in Africa: Lessons from Ten Case Studies, The World Bank, Washington, DC 2001; D. E. Sahn, P. A. Dorosh, S. D. Younger, Structural Adjustment Reconsidered. Economic Policy and Poverty in Africa, Cambridge University Press, Cambridge 1997.
[195] Only Burkina Faso, the Gambia, São Tomé and Príncipe, and Swaziland host embassies of Taiwan on their soil; since the beginning of 'China opening' on Africa policy, Taiwanese embassies in South Africa, Guinea-Bissau, Central African Republic, Liberia, Senegal, Chad, and Malawi were closed. Taiwan has two trade missions in South Africa and Nigeria.
[196] ODI, Brazil: an emerging aid player. Lessons on emerging donors, and South-South and trilateral cooperation, Overseas Development Institute, Briefing Paper 64, October 2010.
[197] The Economist, Brazil's foreign-aid programme: Speak softly and carry a blank cheque, 15 July 2010, http://www.economist.com/node/16592455/print.
[198] Reuters, Ghana to repay $3 bln China loan with oil resources, 24 August 2011.
[199] China Exim Bank Official Website, http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html.

Nonetheless, the growing financial muscle of emerging economies in Africa, combined with a no-strings-attached strategy, poses a threat to European countries which, as China and other countries march on, are losing bargaining power. For African leaders flushed with new funding, conditional aid no longer appears to be the exclusive source of development finance. The most frequently cited example of China 'undoing' assistance from the West is the IMF conditional loan to Angola which was rejected by the Angolan government only to welcome the Chinese loans.[200]

For the West it took a long time to critically acknowledge that conventional conditionality has essentially failed and that the top-down, comprehensive, one-size-fits-all solutions coercively imposed in Africa by the developed world have led nowhere.[201] At the Lisbon summit in 2007, when European countries started to rethink their engagement with Africa, João Cravinho, the Portuguese minister responsible for the summit, admitted that the Western approach had been indeed 'excessively simplistic in insisting on European models of government for Africa,' and suggested that Europe will, in future, 'focus on the essence of government, rather than the forms, [and be] less hung-up on particular forms of decision-making.'[202] It should also be noted that, opposed to conventional conditionality, which is about setting policy conditions upfront and then releasing money upon their completion, recent research reveals that performance-based conditionality, which works more as cash rewards for implementing reforms, may not be so bad after all.[203]

The CEE countries have only recently joined the ranks of donors, and still struggle today to develop their nascent aid systems.[204] They all have formally agreed to gradually shift the focus of their development policy and aid allocation to Sub-Saharan Africa (SSA). Yet, contrary to the official rhetoric, African countries continue to find low priority in aid policies.

Development co-operation policy is largely focused on the close neighbourhood which is explained by path dependency and a lack of historical ties with the continent. But expanding bilateral programmes to countries such as Afghanistan proves that geographical distribution of aid can be subject to radical change and is not eternally bound by path dependency. Officially, a number of African states are classified as priority countries in aid policies, but in practice they serve merely as fig leaves masking a true lack of interest in the continent. It is suggested that many arguments traditionally used to explain the marginal position of SSA are no longer adequate, and the current stance towards African countries is more the result of a lack of strategic vision and ad hoc formulation of foreign policy.[205] Having said that, in light of the on-going shift, the time seems perfect for reassessing a way forward and considering better-suited and more timely aid strategies towards Africa. They are in 'a luxury situation' since they can draw on both the past record of the West (which is mixed at best) and alternative approaches vigorously explored by Africa's new development partners.

High-level engagement, diplomatic presence, and political symbolism

Europe-Africa relations have been heavily tainted by patronizing attitudes and a disturbing lack of symmetry. Whereas other developing countries court African states as peers, even if this sometimes does not go beyond rhetoric, European (and Western) politicians have a notorious tendency to speak about and to Africa from high moral ground and enlightened positions, using language that hardly helps to put the relations on a more equal footing. An interview with the European Trade Commissioner, Karel de Gucht, in which he laments that 'a lot of countries in Africa are just territories, not real states that can take care of the fundamental needs of their population,'[206] serves as a good example. Whereas such a view may be perfectly legitimate in the academic world, it is hard to see why this is expressed by the EU's official representative. Sarkozy's 'maladroit' speech, mentioned in the previous chapter, or Clinton's lecturing African leaders on China's peril,[207] are hardly a fresh start in West-Africa relations. This resonates in the recent Financial Times interview with Jacob Zuma, who laments that 'Western businesses and governments have a 'psychological problem' and are still prone to lecturing Africa,' while also advising them to 'resist warning against the embrace of China and rethink their own investment strategies.'[208]

It has long been argued that political symbolism is a vital component of South-South relations, and emerging countries are successfully adjusting their diplomatic tune for the sensitive ears of African leaders. This is being done by high-profile diplomatic visits, rolling out red carpets for African officials and organizing lavish diplomatic banquets in Beijing, such as the one that accompanied the FOCAC summit. The Guardian described it as follows: 'The most lavish party that China has thrown in more than 50 years got under way last night with high-pitched Peking opera, rhythmic African drumming and a gravity-defying display of acrobatics in the Great Hall of the People.'[209]

[200] L. Corkin, Uneasy allies: China's evolving relations with Angola, Journal of Contemporary African Studies 29 (2), 2011, pp. 169-180.
[201] C. Gore, The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries, World Development, Vol. 28, No. 5, 2000, pp. 789-804.
[202] The Economist, Robert Mugabe at the EU-Africa summit, 8 December 2007, http://www.economist.com/node/10273503.
[203] B.C. Parks, Z. J. Rice, Does the 'MCC Effect' Exist? Results from the 2012 MCA Stakeholder Survey, MCA Monitor, February 2013.
[204] See more O. Horký-Hlucháň, S. Lightfoot, Development Policies of Central and Eastern European States: From Aid Recipients to Aid Donors, Routledge, London 2012.

[205] D. Kopiński, Visegrad Countries' Development Aid to Africa: Beyond the Rhetoric, Perspectives on European Politics and Society, Vol. 13, Issue 1, 2012, pp. 33-49.
[206] Interview with Karel de Gucht, European Trade Commissioner, op. cit.
[207] T. Moss, Missing in Africa: How Obama Failed to Engage an Increasingly Important Continent, 1 October 2012, http://www.foreignaffairs.com/articles/138158/todd-moss/missing-in-africa.
[208] A. Russell, Zuma warns west's 'colonial' corporates, Financial Times, 3 March 2013, http://www.ft.com/intl/cms/s/0/7824cc28-83ed-11e2-b700-00144feabdc0.html#axzz2NKaclQ1q.
[209] The Guardian, The savannah comes to Beijing as China hosts its new empire, 4 November 2006, http://www.guardian.co.uk/world/2006/nov/04/china.jonathanwatts.

Every newcomer and country interested in joining the race for African markets and resources, which potentially includes CEE, should learn the lessons offered by the recent Chinese ventures into the continent. African countries, flooded with new loans, grants, and, more importantly, political attention, are not in a mood to listen to Western countries' criticism, but rather welcome and appreciate approaches based on partnership and mutual benefit. Todd Moss, from the Centre for Global Development, concludes his article in Foreign Affairs about the US engagement in Africa with remarks that should fit neatly into European reality as well: 'the United States cannot afford to ignore Africa. But rather than viewing the continent as a problem to be solved, the next administration should do something radical: treat Africa just like any other region of the world.' This advice should guide the Africa policy of European countries, particularly CEE, which have not been diplomatically active in the continent in recent years.

As has been argued in the previous chapters, a vital component of the successful commercial push for Africa is a strong diplomatic representation in the continent. Many countries have already realized a simple truth – a business connection works better if it is supported by diplomats. Clearly, it is easier to have working relations with a distant country with diplomatic staff on the ground which can help to nurture contacts, lobby in local government if necessary, or collect information, and which also provides a personal touch in mutual relations, which can matter a lot. During the current diplomatic frenzy in Africa, countries from Central and Eastern Europe have been shutting embassies one after another, leading to a situation where diplomatic presence in the continent is gradually becoming symbolic. Poland has been left with only a handful of embassies in Africa – in Angola, Ethiopia, Kenya, Nigeria, and the Republic of South Africa. Other CEE countries have demonstrated a similar approach. The Czech Republic has also retained only five embassies in SSA (in Ethiopia, Ghana, Kenya, Democratic Republic of the Congo, Nigeria, the Republic of South Africa, and Zimbabwe). After closing seven embassies over the past few years (in Guinea, Tanzania, Ghana, Mozambique, Angola, Ethiopia, and Nigeria), Hungary currently has as many as two (sic!) diplomatic posts in Sub-Saharan Africa (in Kenya and the Republic of South Africa).

This may lead to the conclusion that short-term calculations or a static view of the current usefulness of a diplomatic outpost (e.g., the Polish government explained its decision as being the result of a lack of strong economic relations with the countries where its embassies were shut down[210]) take priority over a long-term vision, but in fact the reality is much grimmer, as Africa is almost entirely missing from the CEE's long-term vision and their foreign policy objectives.

[210] Onet.pl, Współpraca gospodarcza Polski z Afryką – marginalna, 13 April 2011, http://wiadomosci.onet.pl/kraj/wspolpraca-gospodarcza-polski-z-afryka-marginalna,1,4241724,wiadomosc.html.

Box 8 What drives China in Africa? By Dr. Daouda Cissé*

China-Africa relations date back in the late 1950s. During that period the relationship between China and African countries was mainly based on historical ties connected with liberation movements and anti-western hegemony in the world. At the time, China's presence in Africa consisted mainly in aid.

However, over the years, China's engagement in Africa has noticed shifts and we see a new path of development particularly related to new political and economic agendas on both sides. In China different actors (central and provincial government officials, agencies, and companies) got involved in China's economic co-operation with Africa. China's 'go out' strategy in the late 1990s, the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000, and the release of a white paper in 2006 on China's Africa policy have shaped Sino-African relations and driven attention from academics, policymakers, and non-governmental organisations (NGOs) to analyse this growing relation.

Therefore questions that arise across time and have to be asked in their respective context are: what is driving China in Africa? Who are the key actors on the Chinese side of the relationship? What are the implications for Africa?

One should clearly differentiate: China's presence in Africa is portrayed differently by different actors (government, ministries or agencies, SOEs, private companies, individual entrepreneurs, etc.); these actors have different interests. China, despite the idea of a top-down government, is not a homogenous political and economic system where decisions from the central government are implemented without questions or quarrels. Therefore China's overseas economic policies raise questions about interest groups and individual demands.

In order to promote its economic development overseas through mechanisms and policies, China has strengthened its relation with Africa, politically based among other aspects on 'mutual benefit' or 'win-win co-operation,' and on 'non-interference in domestic affairs' as stated in Beijing's foreign policy documents. With its increasing involvement in the global political economy sphere, China aims at playing a global role in (re)shaping the world political and economic order. China relies on African countries' support to do so, both morally, but also in terms of support in the UN, for instance. The South-South co-operation framework, which constitutes a platform for emerging powers, African and Latin American countries, to set economic exchanges, follows this trend.

China-Africa relation is underpinned (if not driven) by economic co-operation (trade, investments, and aid). Chinese domestic interests clearly dominate; this is not about selfless assistance. After its 'open door' policy, industrial and entrepreneurial reforms have helped China to move its economy forward to another level of industrialisation, urbanisation, and modernisation. Such economic growth comes along with domestic needs for resources and markets that the Chinese government should satisfy for the country's stability.

At the same time, in the late 1990s Africa has made economic growth agenda. Reforms for trade liberalisation, market openness, and manufacturing industries' take-off have been undertaken. In a globalised world, Africa has attracted other investors among the emerging powers (China, India, Brazil, Turkey, etc.), aspiring to have diverse and various partners. Resources endowment and markets with less competition in many African countries have attracted China into Africa. This tendency shows the rising pace of China's trade and investments with Africa. However, the nature of trade poses challenges for both China and Africa: Africa is particularly relying on imports of consumer goods from China and exports of resources to China. This trade pattern in the long run remains unsustainable and prevents African manufacturing industries from growing. China promotes OFDI in Africa for resource security, market-seeking, asset-seeking, and efficiency-seeking, mainly through its SOEs and MNCs.

Resource-security: to secure resources at home, modernise and urbanise, China's appetite for more resources in order to satisfy its populations' growing needs for energy consumption drives the 'middle kingdom' in Africa, Latin America, Asia, and Australia endowed with natural resources.

Market-seeking: the search for new markets in order to sell its manufactured goods is somehow obvious for China if one considers its production capacity, price competitiveness, and its market saturation level; hence, the local competition. This trend drives China's world exports.

Asset-seeking: in order to acquire technology, foreign expertise, and management style, distribution networks via partnership with local companies in Africa, Chinese companies are more and more present in the African business environment. They sometimes operate under mergers and acquisitions or joint ventures in order to have important market share or expand to other regions.

Efficiency-seeking: for efficiency, profitability, and access to inputs (production/labour) Chinese companies exploit the benefits of economies of scale by contributing to China's FDI in Africa.

The most visible Chinese investments in Africa are mainly state-to-state projects – more often with concessional or conditional loans to African governments to only acquire Chinese companies' equipment – which enable Chinese companies to operate in Africa. Yet, small scale and private investments are increasing drastically and a recent World Bank report estimates them to be at least 55 per cent of all Chinese investments in Africa. Overseas investments from Zhejiang province, for instance, are estimated to be more than 80 per cent private enterprises.

The big projects come with development assistance (construction of stadiums, hospitals, schools, and recently the African Union Headquarters) which somehow is a part of China's economic diplomacy and aiming at building a 'positive image' of China among Africans. China's appetite for resources has driven the increase of world raw material prices which probably contribute to resource-rich African countries' growth. But African interests with China's presence on the continent are political and often individual (governments' interests) rather than national. In its relations with China, African governments would better have national agendas based on good governance and transparency to meet the common interests of their population. In fact African policymakers should focus on long-term implications of China's engagement in Africa and think strategies from the aspired outcome.

Following Chinese companies' venture to Africa, many individual entrepreneurs and traders have settled in Africa seeking for markets with buyers with a low-purchasing power in need for affordable products. To this extent, 'world factories' in Guangdong contribute to China's exports which in the past decades have been the main force of China's economic growth.

Africa needs development via infrastructure building, industrial, and manufacturing growth in order to attract investors and tap into international markets. This somewhat matches with China's African policy objectives to link trade, investment, and aid on the African continent, but the devil is in the detail – and in the long-term strategy.

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A multilevel approach using soft power and Ex-Im banks

While the number of diplomatic outposts may signal a certain level of long-term commitment, business models pursued by companies from developing countries provide even stronger evidence that they tend to stay in Africa for good. For example, many Chinese companies engage in trade activities by setting up trading posts which help them gradually become acquainted with the domestic environment prior to undertaking further investment. Hazan, a Chinese shoe company, may serve as a good example of such a strategy. Starting in Nigeria as a small production facility assembling exported half-finished goods from China, Hazan evolved into a major market player, and in 2007 built a full-scale factory covering an area of 40,000 square metres.[211]

Large state-owned enterprises from developing countries active in Africa are considered to have an upper hand over many Western firms which are primarily concerned about short-term profits and pressure from shareholders back at home, which in turn hinders their long-term thinking about the business presence, especially in high-risk countries. For instance, thanks to the financial support of Beijing, Chinese companies have lower risk aversion, which may also explain why they do not hesitate to invest in fragile and potentially politically unstable states such as Sierra Leone and Sudan, effectively acting as 'new pioneers' in the continent. Business risk is perceived as a temporary problem that is smoothed out in the long term and balanced with commercial and strategic benefits. Besides, according to internal guidance, 'Chinese investors normally have to be provided with a risk guarantee when they suffer economic losses because of political and non-commercial risks like war, currency exchange ban, requisition, or breach of contract by the host country government.'[212] Having said that, a vigorous government with an appropriate toolkit at hand does have tremendous influence over the time-horizon and business choices of companies investing overseas.

A comprehensive 'Going Africa' strategy would not be possible without the financial backing of the state, which also includes both legal and institutional support. For example, Chinese multinational companies investing overseas can rely on public aid under 'Guidance for Granting Loans to Support the Overseas Processing of the Investor's Raw Materials and Assembling Operations,' serving as a legal basis for receiving public aid.[213] Central stage in the 'going global framework' is occupied by the Chinese Ex-Im Bank, which typically grants short- and long-term loans on preferential terms (lower interest rates), denominated both in renminbi and foreign currencies. This is what 'bundling aid with investment' means in practice. Chinese companies involved in resource-seeking projects can also benefit from financial support while setting up joint ventures with local partners.[214] Also the Indian Export-Import bank has been increasingly active in extending lines of credit to Indian companies carrying out investment projects in Africa and local governments. As of January 31, 2012, the bank has 106 operative lines of credit in Africa valued at US 4,203 million USD, covering more than 40 countries in the continent.[215]

It has also been strengthening its physical presence in Africa by opening up new branches across the continent (currently three locations: Addis Ababa in Ethiopia, Johannesburg in South Africa, and Dakar in Senegal). Brazil is also making use of its state funding to facilitate Brazilian companies (mostly heavy-weight players such as Odebracht, Petrobas, Vale) to venture into Africa by extending credit lines through the Brazilian Development Bank BNDES for projects in, inter alia, South Africa, Angola, and Mozambique.[216]

Boosting trade and investment relations with Africa goes hand in hand with politics. In fact, a large number of FDI projects, especially carried out by SOEs, are politically-driven. It is notable that investments in Africa are routinely traded as part of a 'package' – a political deal that includes trade, access to resources, development aid, and debt relief. The state shielding also includes building (or financing) prestigious projects in Africa, such as sport stadiums, governmental palaces, and hydroelectric dams. There are numerous examples of this complex approach. In Gabon, for instance, China has been granted a contract worth US 3 billion USD to develop iron ore deposits in Belinga, promising in return to build a 310 km-long railway linking the mining site with the coast, a hydroelectric dam to power it, plus a deep-water port north of Libreville. Reportedly, the very same project was rejected by BHP as 'too costly.'[217] This multilevel approach clearly challenges the new foreign aid orthodoxy which states that development co-operation should be clearly delineated from commercial transfers. In the case of new South-South relations, these transfers are complementary and mutually reinforcing. The so-called 'Angolan model,' which is quite typical to Sino-African relations, basically constitutes a type of barter agreement between China and African countries.[218] This agreement usually entails a concessional loan which is extended by Beijing to an African government through Ex-Im Bank. The loan is secured with access to mineral deposits and serves as the basis for contracting Chinese companies to build roads, railways or to set up mining installations.[219] Interestingly enough, Chinese companies typically employ imported materials and Chinese labour, which effectively equals Chinese loans supporting employment and production back in China. This bears a close resemblance to the practice of tying aid, which has caused many controversies in the West and is now being phased out.

[211] China Daily, Chinese private enterprises pioneer in Africa, 20 February 2009.
[212] L. Zhaoxi, China's go global policy, in: Chinese Multinationals, J.-P. Larcon (ed.), World Scientific Publishing Co. Pte. Ltd., Singapore 2009, p. 47.
[213] Ibid., p. 46.
[214] Ibid.
[215] Export-Import Bank of India, Southern African Development Community (SADC): A Study of India's Trade and Investment Potential, Exim Bank: Research Brief, No. 66, March 2012.

[216] Ch. Stolte, Brazil in Africa: Just Another BRICS Country Seeking Resources?, Chatham House Briefing Paper, November 2012.
[217] The Guardian, China buys its future from Africa, 10 February 2008, http://www.guardian.co.uk/business/2008/feb/10/mining.china.
[218] L. Corkin, Uneasy Allies of necessity: China's evolving relations with Angola, paper presented at the conference 'China's quest for African resources: the new scramble or strategic partnership,' University of Wrocław, Poland, 14-15 December 2009.
[219] L. Corkin, China's contribution to the Development of African Infrastructure through Investment in the Extractive Industries, AFRODAD Occasional Papers, Issue 8, December 2007.

David Shinn, a long-standing diplomat and expert on Africa, offers many other examples documenting the multilevel and complementary approaches of other emerging countries in Africa, both on the economic and political front:[220]

- **India:** two India-Africa summits (New Delhi in 2008 and Addis Ababa in 2011); a duty-free tariff preference scheme for exports from poorer African countries; a 5 billion USD line of credit to African countries over the next three years, announced in 2011; the Export-Import Bank of India has offices in Dakar, Durban, and Addis Ababa to monitor its projects throughout the continent; investment in the Pan-African e-Network project; a pledge of provision of 500 million USD in aid to Africa over the next five years; India has sent hundreds of teachers to Africa and plans to establish educational institutes throughout the continent, with the first ones designated for Burundi and Ghana; India has roughly 6,500 military and police personnel assigned to four of the seven UN peacekeeping missions in Africa; some 15,000 African students attend colleges and technical schools in India each year; 22,000 new scholarships for students were created in 2012.

- **Russia:** Russia-Africa Business Forum in Addis Ababa (2011); a preferential tariff regime for developing countries, which grants duty-free access for African products; signing an agreement with South Africa to establish a command and control centre for the Russian Space Agency; Russia announced that it committed more than 1 billion USD during 2010-2011 to aid the poorest African countries and will try to provide 400-500 million USD in aid to Africa annually; Russia contributes about 225 peacekeepers to UN missions in Africa and has concentrated its engagement in South Sudan; between 2000 and 2007 Russia sold more than 1 billion USD in arms to African countries; Moscow has cancelled over 20 billion USD in African debt; in 2012 Russia announced plans to launch a communications satellite for Angola; since 2000 its trade with the continent has grown rapidly from a low base, but peaked in 2008 at 7 billion USD; Russia has invested more than 20 USD billion in Africa's energy and minerals sector.

- **Turkey:** 2005 was proclaimed 'Year of Africa' by prime minister Recep Tayyip Erdogan; the very first visit of the Turkish head of government to Africa south of the equator (2005); the first Turkey-Africa Cooperation Summit (2008); Turkey's trade with Africa totalled 16 billion USD in 2010; by the end of 2011, there were 113 development projects in thirty-seven African countries managed by regional offices in Addis Ababa, Khartoum, and Dakar; 400 Turkish companies have invested about 1 billion USD in Africa; Turkey has deployed half a dozen frigates as part of the U.S.-led Combined Task Force 151 that is conducting anti-piracy operations off the coast of Somalia; scholarships for African students.

- **Iran:** the Iran-Africa Cooperation Headquarters were set up in 2004; the Iran-Africa Business Council and the Africa Research Center affiliated with Iran's Teacher Training University were created; four free trade zones were established in Africa; the Iran-Africa summit in Tehran was attended by representatives of forty African countries.

The Brazilian example is particularly interesting, as it demonstrates that the government may be helpful in igniting and paving the way for economic co-operation with Africa.[221] President Lula has invested a great deal of political capital and personal commitment in relations with Africa. Between 2003 and 2010 he paid altogether 21 official visits to the continent. This was initially opposed by local business, which did not share the charismatic Brazilian leader's enthusiasm and accused the president of 'ignoring the economic realities and neglecting Brazil's dependence on the consumer markets in Europe and the United States.'[222] Today no one in Brazil dares to question the political intensification of the Brazil-Africa ties. Moreover, when industrialized countries' markets were engulfed by the financial crisis, Africa's potential was even more widely acknowledged. To some commentators, India provides a strikingly different example from China and Brazil. This is a case where business is moving ahead of the government. The government is not driving the process, nor is it paving the way for business by using a diplomatic and strategic toolkit, which is often the case. The Indian government is actually having difficulties in catching up with Indian business.[223]

[220] D. H. Shinn, Emerging Powers vie for Influence in Africa, International Policy Digest, 4 May 2012, http://www.internationalpolicydigest.org/2012/05/04/emerging-powers-vie-for-influence-in-africa/.

[221] Ch. Stolte, op. cit., pp. 9-10.
[222] Ibid., p. 10.
[223] How we made it in Africa, BRICS and Africa: insight from Martyn Davies, 6 March 2013, http://www.howwemadeitinafrica.com/brics-and-africa-insight-from-martyn-davies/24726/.

Lessons to learn from the mistakes of others

Newcomers interested in establishing long-term economic ties with Africa can learn not only from positive examples of how to do business with and in the region, but they can also pick up a lesson or two from mistakes made by others. Since China is by far the most active player in Africa today, it serves well to illustrate both. Whereas Beijing is very much concerned about official relations between China and African leaders (as presented above), China's engagement in Africa creates many tensions on the ground. These tensions are somehow being eased by high-level official meetings and constant declarations of mutual support, but anti-Chinese rhetoric casts a longer shadow in the African political discourse. Even if the vast majority of African officials are enthusiastic about their new Chinese friends, as time goes by more critical voices are being heard, including ones coming from the highest echelons of power. A good example is a comment recently made by the director of the Nigerian Central Bank, to the surprise of many of his peers. He warned that 'China is no longer a 'fellow underdeveloped economy.'' According to the central banker, 'China is the second-biggest economy in the world, an economic giant capable of the same forms of exploitation as the West. China is a major contributor to the de-industrialisation of Africa and thus African underdevelopment.'[224]

Many controversies surround the settling of legal differences between Chinese investors and African states. The vast majority of Chinese investment is in the mining sector, and safety conditions in Chinese mines are surrounded with a great deal of controversy,[225] as well as issues of Chinese companies' compliance with the legal provisions on the protection of the environment and labour regulations.[226] It is symptomatic that in some African countries the political campaigns of certain political parties are based on anti-China rhetoric.[227] The constantly growing population of Chinese migrants in Africa[228] is facing serious problems,[229] living in closed-off communities, neither ready nor willing to integrate into the African social fabric. However, as pointed out earlier, social tensions arising from Chinese investments are mitigated at the highest political levels. One can say that Chinese authorities have brought to perfection the art of 'soft power' and its application in relations with Africa,[230] but much remains to be done to improve the image of China and the Chinese among Africans who deal with the Chinese community, Chinese investors, and traders on a daily basis.

The Chinese stock of experience can serve as an important lesson for investors from Central Europe. In addition to the necessary political and legal support for economic involvement in Africa, every effort should be made to ensure that the local communities will not perceive incoming investment from CEE as targeted solely for their exploitation. Therefore it seems appropriate to explore local cultural norms, and to use (where possible) experiences of expats from CEE living in Africa.

Time for CEE to get their act together

> Nigeria is becoming a beautiful bride. What is happening is the Chinese, the Koreans, everyone is coming around, and if European companies do not wake up, they will see that most of the best businesses are taken. For us, really, whoever gives the best terms, the best conditions, and is willing to come and invest, those are the ones that we'll do business with.
>
> – Shamsudeen Usman,
> Nigeria's minister of finance,
> quoted by The Economist[231]

While Africa has become an increasingly crowded place, business from Central and Eastern Europe has showed astounding persistence in turning its back on the continent's potential. Only recently did Kulczyk Investments make headlines with its Neconde project in Nigeria (see BOX below). A number of other stories of lesser weight have appeared in the press as well, such as Exallo Drilling, a subsidiary of PGNiG, a Polish gas and oil company, presenting its ambitious investment plans in East Africa,[232] and Krezus SA, which has set up Krezus Mining Guinee SA for exploration and mining in this West African country.[233] Other than that, even if Polish firms contemplate or in fact carry out projects in Africa, they do it beyond the radar of public opinion, and in all likelihood without any backing from the state.

224 W. Wallis, Africa told to view China as competitor, Financial Times, 11 March 2013, http://www.ft.com/intl/cms/s/0/58b08eb0-8a6c-11e2-9da4-00144feabdc0.html#axzz2O5Df2HQS.
225 The Economist, Trying to pull together, 20 April 2011, http://www.economist.com/node/18586448.
226 See Human Rights Watch, You'll Be Fired if You Refuse. Labor Abuses in Zambia's Chinese State-owned Copper Mines, November 2011, http://www.hrw.org/sites/default/files/reports/zambia1111ForWebUpload.pdf.
227 Anti-Chinese rhetoric was central for the Patriotic Front and Michael Sata in Zambia; D. Kopiński, A. Polus, Sino-Zambian relations: 'An all-weather friendship' weathering the storm, Journal of Contemporary African Studies, Special Issue, Vol. 29, Issue 2, 2011, pp. 181-192.
228 G. Mohana, M. Tan-Mullins, Chinese Migrants in Africa as New Agents of Development? An Analytical Framework, European Journal of Development Research 21 (4), 2009, pp. 588-605.
229 A. Bowman, Africa's Chinese diaspora: under pressure, Financial Times, 8 August 2012, http://blogs.ft.com/beyond-brics/2012/08/08/africas-chinese-diaspora-under-pressure/#axzz2NhzEBM9c.
230 It is symptomatic, that China's incoming president, Xi Jinping, is planning to visit Africa on his first foreign trip. 'Soft power' (a concept introduced by Joseph S. Nye) is one of the most popular ideas in Chinese academic discourse. The notion of 'soft power' has been frequently used by president Hu Jintao during his official speeches. For more see: Mingjiang Li (ed.), Soft power. China's Emerging Strategy in International Politics, Lexington Books, Plymouth 2009.

231 The Economist, After China and America, it is Europe's turn to woo Africa, 8 December 2007, http://www.economist.com/node/10259087.
232 Dziennik Gazeta Prawna, Exalo Drilling, największa polska spółka wietrnicza, szuka ludzi do pracy, stawia na Bliski Wschód i Afrykę, 12 February 2013, http://serwisy.gazetaprawna.pl/energetyka/artykuly/680123,exalo_drilling_najwieksza_polska_spolka_wietrnicza_szuka_ludzi_do_pracy_stawia_na_bliski_wschod_i_afryke.html.
233 Onet.pl, KREZUS SA: Związanie zależnej spółki akcyjnej KREZUS MINING GUINEE SA w Republice Gwinei przez Emitenta, 20 February 2013, http://biznes.onet.pl/krezus-sa-zwiazanie-zaleznej-spolki-akcyjnej-krezu,18522,177614,1,komunikaty-detal.

What could be in the CEE countries' favour is the fact that Africa is looking more and more for diversification. African leaders and companies are beginning to understand that putting their country's trade, FDI, and general economic well-being into the hands of one or two big players might not be the best idea after all. Therefore African countries have raised their gaze beyond the hills of BRICS in search of new partners who can help them to diversify their economic relations with the world.

Do firms from Central Europe possess any features that could facilitate nurturing the CEE-Africa connection? **While this report does not attempt to argue that comparative advantages exist or should be taken for granted, its authors are of the firm opinion that it is high time CEE businesses got their act together and started serious discussion about how to handle the 'Africa rising' issue.** Below are some arguments that could serve as food for thought.

Box 9 Doing business in Africa. A recipe by Kulczyk Investments

How to be successful in Africa? There is no easy answer to this question and foreign companies have to work out their own, unique business models. For example, besides selling beers in Africa, SAB Miller builds its own water tanks and power plants to secure uninterrupted water and energy supplies in Ghana and Uganda.[234] Promasidor, an Africa diary company, substituted fat milk for vegetable milk to give the product a longer shelf life and thus overcome limited access to refrigerators,[235] and Unilever with its Farmer Field School project trains tea farmers in Kenya to increase their productivity.[236]

Fitting in this find-your-own-way trend, Neconde Energy Ltd., a consortium of companies lead by Kulczyk Investments, has been building its business model based on long-term partnership with local business partners and communities. In 2011 Neconde Energy Limited won a tender and rebought from Shell, Total and Agip Oil a 45 per cent stake in production license OML 42, located in probably the most risky place for doing oil business in the world – Niger Delta. The remaining 55 per cent belongs to Nigerian National Petroleum Corporation.

OML 42 license lease is composed of five oil fields with total proven oil reserves of 1.8 billion boe. The undiscovered potential is estimated at further 1.4 billion boe. In the peak production year (1974), Egwa, one of the oil fields, output stood at around 250,000 barrels of oil equivalent per day (boe/d).

However, due to growing tensions with local communities, oil production decreased systematically to reach 50,000 barrels per day and 10,000 boe/d of natural gas just prior to full shut down in 2005. Currently OML 42 provides approximately 20,000 barrels of oil per day and Neconde plans to increase the output to near-peak levels of 200,000 barrels.

What makes Mr. Kulczyk, a Polish successful entrepreneur and founder of Kulczyk Investments, believe that he will succeed where Shell and other global players failed? First of all, instead of partnering with international oil companies, Kulczyk Investments involved in the project Nigerian business partners: NestOil Group, an expert in gas and oil infrastructure, and Yinka Folawiyo Group, a leader in Nigerian upstream sector. The two partners shall provide Neconde with know-how, expertise and help with maintaining contacts with federal government.

Secondly, the company wants to avoid mistakes made by Shell and meet expectations of local communities rather to shoot to them with bullets. This move seems to be smart as it will allow the consortium to better understand and address local communities complex needs. There are further plans to help with construction of basic amenities and infrastructure, as well as to transfer technology to local communities.

The OML 42 story written by Shell had everything but a happy ending. Hopefully, for Kulczyk Investments and local people, this time would be different...

[234] Market Watch, SAB Miller looks to grow in Ghana and Uganda, The Wall Street Journal, 11 December 2012 accessed, http://blogs.marketwatch.com/thetell/2012/12/11/sab-miller-looks-to-grow-in-ghana-and-uganda.
[235] http://www.promasidor.com/about_history.php.
[236] Unilever, The Farmer Field School project. Growing sustainable tea in Kenya, http://www.unilever.com/images/sd_TheFarmerFieldSchoolProject-GrowingSustainableTeainKenya_tcm13-212243.pdf.

- **Lack of colonial burden and a relatively positive image.**

This is a feature which is widely exploited both on the rhetorical and business level by many developing countries trading with and investing in Africa, such as China, India, and Turkey. Historically, CE countries have not participated in the scramble for Africa nor have supported the colonial powers in any stage of constructing or deconstructing the colonial system on the continent. In fact, they showed a great deal of solidarity in the course of the decolonization process and wholeheartedly championed, albeit for political reasons, independence from the West. This can help set the stage for much-needed symmetry and trust in the mutual relations.

- **Polish diaspora in Africa (see BOX)**

Box 10 Polish investment in Africa – the role of Polish diaspora and Polish-African contacts, by Prof. Arkadiusz Żukowski*

Africa has always been far from the main waves of Polish emigration. The number of Polish citizens and persons of Polish origin currently living in the continent is estimated at 20-25 thousand. This number is subject to significant fluctuations (which may be attributed mostly to political and economic changing situation) and has been falling steadily. A relatively strong cluster of Polish community can be still found in South Africa. Nowhere in Africa, however, including South Africa, are Polish a significant part of a business elite, although many of them are employed as high-skilled specialists (mainly as engineers and medical staff).

At the outset of the 1990s, the Polish Ministry of Foreign Affairs investigated possibilities of establishing pro-Polish lobbies in countries with significant Polish diaspora. With regards to Africa, this attempt was aimed at South Africa, but it essentially ended with a negative outcome. In the last twenty years the situation has further deteriorated (decreasing number of Polish diaspora in South Africa, lack of direct and close relations with the government and ruling ANC, lack of financial and economic tycoons among Polish diaspora).

Nevertheless, the Polish diaspora in Africa may play an important, positive role in helping to nurture Poland-Africa business contacts, particularly on individual level. Even more realistic would seem efforts towards setting up lobbies among African graduates of Polish universities, who often become a part of political establishment after returning to Africa. It must be stressed that since the 1960s more than 4,000 African students have gone through the Polish system of higher education. Some steps in this direction have been made in the past, but their execution is far from satisfactory.

Currently, the number of Africans studying in Poland is not even close to the level recorded during the Communist Era, yet the number of students from Angola and Nigeria are hardly negligible. Interestingly, many African graduates ended up in the highest echelons of power after returning to their home countries and served in the top positions in local politics. These are, among others, examples of Alpha Oumar Konaré, the former president of Mali (1992-2002), João Teta, the vice-rector of Agostinho Neto University in Luanda and Secretary of State for Science and Technology of Angola, or Libertine Appolus Amathila, Deputy Prime Minister of Namibia since March 2005. In some African countries, these graduates (often married to Polish citizens) help to set up pro-Polish organisations, for instance La chambre de commerce Congo-Pologne, COPOL in Congo-Brazaville, Clube Polónia e Amigos in Mozambique or Ghana-Poland Association.

Another group of Polish abroad that may be useful in strengthening economic and trade ties with Africa are honorary consuls residing in the continent. Many of them have very good working relations with the local business and political elites (e.g., honorary consul in Durban or Lusaka). This could be further facilitated by a number of Africans employed in the Polish diplomatic service as honorary consuls (some of them speak Polish, some are prominent local politicians), although this has recently become problematic due to lack of proper candidates.

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- **Successful business models, resilience, and flexibility of CEE exporters/entrepreneurs.** CEE firms often function in an extremely volatile business environment, where regulations and the existing legal framework (e.g., tax regulations) are subject to frequent changes, making local business more adaptable. This business feature may turn out to be very useful while dealing with the African business landscape, which is all but predictable and stable. At the same time, CEE companies have showed a great resilience in the recent financial crisis and were able to adopt strategies that successfully helped mitigate the business risk and uncertainty.

- **Political and economic transformation.** A successful and generally applauded transition from centrally-planned to free market economies, which has entailed processes such as privatization, deregulation, and liberalization.

CEE companies should search for niches in African markets, which, as the Brazilian case demonstrates, still exist in great numbers. It is not about defeating China or India in Africa, which, due to the gap in economic potential, would lead nowhere. Smaller countries do manage to make inroads into Africa in sectors or countries where there is still a lot to uncover. To support this, countries in question might focus on various forms of co-operation. As four CEE countries are arguably too small to provide an effective counterbalance for other countries competing for Africa's markets and resources, local politicians might want to consider a concerted approach to some of the topics (e.g., organizing joint summits, setting up, or merging diplomatic missions).

Some Western European countries (e.g., the UK, Germany) have recently started betting on a different card than in the past, and have made modest attempts to adjust their objectives in mutual relations so that they are more in line with Africa's on-going dynamics, yet whether this is a trend remains to be seen.

One of the most distinctive, and probably most widely discussed, facets of the new emerging powers' engagement in Africa is the lack of conditionality, i.e., policy conditions imposed on governments, which have been in turn the cornerstone of Europe's and the West's policy towards the continent.

The growing financial muscle of emerging economies in Africa, combined with a no-strings-attached strategy, poses a threat to European countries which, as China and other countries march on, are losing bargaining power. For African leaders flushed with new funding, conditional aid no longer appears to be the exclusive source of development finance.

For CEE the time seems perfect for reassessing a way forward and considering better-suited and more timely development aid strategies towards Africa. They are in 'a luxury situation' since they can draw on both the past record of the West (which is mixed at best) and alternative approaches vigorously explored by Africa's new development partners.

Europe-Africa relations have been heavily tainted by patronizing attitudes and a disturbing lack of symmetry. Whereas other developing countries court African states as peers, even if this sometimes does not go beyond rhetoric, European (and Western) politicians have a notorious tendency to speak about and to Africa from high moral ground and enlightened positions.

Political symbolism is a vital component of South-South relations, and emerging countries are successfully adjusting their diplomatic tune for the sensitive ears of African leaders. This is being done by high-profile diplomatic visits, rolling out red carpets for African officials and organizing lavish summits.

African countries, flooded with new loans, grants, and, more importantly, political attention, are not in a mood to listen to Western countries' criticism, but rather welcome and appreciate approaches based on partnership and mutual benefit.

A vital component of the successful commercial push for Africa is a strong diplomatic representation in the continent. Many countries have already realized a simple truth – a business connection works better if it is supported by diplomats. Yet countries from Central and Eastern Europe have been shutting embassies one after another. For example, Poland has been left with only a handful of embassies in Africa – in Angola, Ethiopia, Kenya, Nigeria, and the Republic of South Africa. Other CEE countries have demonstrated a similar approach.

Western firms are primarily concerned about short-term profits and pressure from shareholders back at home, which in turn hinders their long-term thinking about the business presence, especially in high-risk countries. A vigorous government with an appropriate toolkit at hand does have tremendous influence over the time-horizon and business choices of companies investing overseas.

The Chinese and other developing countries' stock of experience can serve as an important lesson for investors from Central Europe. In addition to the necessary political and legal support for economic involvement in Africa, every effort should be made to ensure that the local communities will not perceive incoming investment from CEE as targeted solely for their exploitation. Therefore it seems appropriate to explore local cultural norms, and to use (where possible) experiences of expats from CEE living in Africa.

Africa has become an increasingly crowded place, nevertheless business from Central and Eastern Europe has showed astounding persistence in turning its back on the continent's potential, while there is a number of comparative advantages in the region that might facilitate business co-operation, such as: lack of colonial burden and a relatively positive image, diaspora in Africa, successful business models, resilience and flexibility of CEE exporters/entrepreneurs, stock of experience gathered during political and economic transformation.

CE companies should search for niches in African markets, which, as the Brazilian case demonstrates, still exist in great numbers. It is not about defeating China or India in Africa, which, due to the gap in economic potential, would lead nowhere. Smaller countries do manage to make inroads into Africa in sectors or countries where there is still a lot to uncover.

As four Central European countries are arguably too small to provide an effective counterbalance for other countries competing for Africa's markets and resources, local politicians might want to consider a concerted approach to some of the topics (e.g., organizing joint summits, setting up, or merging diplomatic missions).

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