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Harnessing Africa's External Trade Partnerships for 'Agenda 2063'

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Abstract

In the context of the African Union's 50-year vision, Agenda 2063, this paper provides an analytical account and critical assessment of Africa's strategic trade relations with two of its most important traditional partners, the European Union and the United States; and with two of its most important emerging partners, China and India. Based on the insights these provide, the paper identifies some emerging global issues which could have an impact on Africa's trading position and its prospects for industrial development. This is followed by indicative policy considerations that could provide strategic guidance to African leaders as well as highlight opportunities and challenges for realising the goals of Agenda 2063. The paper concludes by examining the implications of the changing dynamics of Africa's key trade relations.

JEL Codes: O1, O3, F1, F2, F5

Keywords: Agenda 2063, international trade, industrial development, economic growth, international relations

Contents

Abbreviations and acronyms

ACP	African, Caribbean and Pacific
AGOA	African Growth and Opportunity Act
AU	African Union
BRICS	Brazil, Russia, India, China and South Africa
EDF	European Development Fund
EPA	economic partnership agreement
EU	European Union
FDI	foreign direct investment
FOCAC	Forum on China-Africa Cooperation
FTA	free trade area
G20	Group of 20
GDP	gross domestic product
ICT	information and communication technology
IMF	International Monetary Fund
LDC	least developed countries
NEPAD	New Partnership for Africa's Development
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
REC	regional economic community
SDG	sustainable development goals
TPP	Trans-Pacific Partnership
T-TIP	Trans-Atlantic Trade and Investment Partnership
UNECA	United Nations Economic Commission for Africa
USA	United States of America
WTO	World Trade Organization

1. Introduction

Agenda 2063 represents a transformative vision and a policy framework to achieve 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena' (AUC 2014). It is an aspirational document whose practical expression seeks to promote a high standard of living, modern and liveable habitats, transformed and climate-resilient economies, and a modern agricultural sector. There is also an emphasis on democratic values, capable institutions, gender equality and empowered youth, as well as an Africa that can finance its own growth and development. We should not ignore the strong synergy that exists between Agenda 2063 and the Addis Ababa Action Agenda's commitment to implementing the United Nations Sustainable Development Goals (SDGs).

Agenda 2063 has been developed through a broad-based consultative process among a range of African stakeholders, and builds on a history of planning and strategic templates such as the Lagos Plan of Action, the Abuja Treaty and the New Partnership for Africa's Development (NEPAD). It is sensitive and takes into account the changing continental and global environments. In Africa, growth and development challenges have multiplied and become more complex with regard to addressing the legacies of poverty, unemployment and inequality, which are compounded by the collateral effects of political instability, environmental degradation, food insecurity, rising urbanisation and a demographic youth bulge. Globally, there have been tectonic shifts in power, wealth, and equality which reinforce the divisions and cleavages between rich and poor countries, while emerging powers such as Brazil, Russia, India, China and South Africa (BRICS) are increasingly reshaping the contours of international relations (Hurrell 2006).

Africa continues to be marginalised in the global power hierarchy, such that global governance has become a metaphor for weak multilateralism and systemic exclusion. However, against this backdrop, Africa can no longer be described as a 'hopeless continent'; its collective economy is on track to be worth US$3 trillion by 2030, and 19 countries are expected to grow by more than 5 per cent in this period (EY 2017). These positive strides represent a promising structural evolution, while there has also been considerable progress with democratisation, political liberalisation, good governance and popular electoral participation. However, economic conditions are likely to remain difficult, particularly with regard to domestic sources of resource mobilisation, welfare distribution, capital flows, terms of trade, the political climate and the regulatory environment (le Pere and Ikome 2012).

Adding to the raft of issues, there are institutional deficits and implementation shortcomings which have impeded substantive integration and related development strategies. Four considerations are germane here: the ambiguous and imprecise legal frameworks for integration; regional and continental blueprints that are far removed from real facts as far as levels of poverty, inequality and unemployment are concerned; normatively and institutionally disparate regional economic communities (RECs) with their own integration agendas which do not speak to or conform with continental initiatives; and the absence of enforceable rules, norms and practices to do so. The great diversity of the eight officially recognised RECs, their complex administrative and unwieldy organisational configurations, and their unco-ordinated nature render their functional efficacy as building blocks for continental integration very problematic (Vickers 2017: 7–8). At the level of the African Union (AU), there is also an institutional and capacity vacuum, particularly with regard to driving key areas of integration such as agriculture, industry, energy, environment, transport, human capital, development finance and so on.

A major dilemma is that Africa has laboured under a planning and policy paradox: the more frameworks and programmes have been adopted, the more their outcomes and effectiveness have been dictated by the law of diminishing returns. Indeed, there is now a sobering admission that 'post-independence plans yielded only modest results in terms of the overarching objective of structural transformation. The failure of plans was largely due to discontinuities in the planning process, stemming from political instability, institutional and bureaucratic weaknesses, poor plan design and implementation, and over-ambitious targets' (AU and ECA 2015: 6).

Africa's integration dynamics and challenges also have to be situated in the role and shifting interests of external trade and development partners, which have to be taken into account in realising the goals and objectives of Agenda 2063. This relates particularly to the historically defined engagements of the European Union (EU) and the United States of America (USA), which have only served to reinforce and underline Africa's marginality and dependence as forms of 'collective clientelism' (Ravenhill 1985). The effects of the EU's Economic Partnership Agreements (EPAs) must be properly understood for their balkanising consequences, while the USA's African Growth and Opportunity Act (AGOA) is based on a number of market access conditions which can be revoked on the basis of (real or perceived) poor political and economic performance by African countries. The external engagements are rendered more challenging with the entry of BRICS onto the African geopolitical landscape and the extent to which they represent an alternative set of instruments for trade and development co-operation.

Given this compendium of challenges to and constraints on regional integration in a continent of 55 countries, and with great political, economic and cultural diversity, there is an imperative to 'walk on three legs' (Caholo 2015). This means expanding the size of markets and promoting economies of scale, production efficiencies and competitiveness; collaborating more intensively through multilevel partnerships to build productive and industrial capacity; and developing affordable and effective services and infrastructure to lower transaction costs. The challenge for the custodians of Agenda 2063 is to create a broadened policy and institutional environment among all stakeholders, and a consensus on what constitutes an Afrocentric integration process, with a focus on those factors and capacities that could improve the competitive position of African countries with respect to innovation, skills development and equitable labour market policies.

The element of competitiveness through regional integration takes on added significance in view of the fact that 80 per cent of all global trade occurs through value chains. The systemic challenge for Africa is how to strategically and systematically locate its economies and business cycles in relation to more productive and upstream regional and global value chains, with due regard to its manifold factor endowments. Only then will African countries be able to extract maximum value addition with positive developmental impacts, since 'value chains have become the dominant feature of the world economy, involving countries at all levels of development, from the poorest to the most advanced' (OECD 2013: 3). There is a shift in the discourse about Africa's development, with emphasis now directed at the need for its countries, especially the 35 classified as least developed countries (LDCs), to undertake measures in policy and practice that would yield structural transformation in the letter and spirit of Agenda 2063.

What this means is giving life to new and productive activities, and shifting from traditional rent-seeking and extractive sectors to more value-enhancing activities that are capable of engendering nascent forms of industrialisation based on Africa's comparative advantages in manufacturing, services and agriculture. The imperative for structural transformation is driven by the realisation that resource extraction has reached a point of diminishing returns and may be limiting Africa's long-term growth and development prospects.

Against this introductory overview, this paper will assess Africa's trade relations with two of its most important traditional partners, the EU and the USA, and with two of its most important emerging partners, China and India. Based on these analytical portraits, it will identify some emerging global issues which could affect Africa's position in trade and which could have direct implications for its industrial development such that these issues require some thought and reflection. This is followed by indicative policy considerations, which African leaders could use for strategic guidance and which also highlight those opportunities and challenges which arise from the Agenda 2063 framework. The conclusion then sketches some implications of the changing context of Africa's key trading relations.

2. Relations with the European Union

Africa's relations with Europe have been profoundly shaped and influenced by the legacy of colonialism, whose central tenets continue to be found in a carefully choreographed political economy of domination and dependency (Ravenhill 1985). After the establishment of the European Economic Community in 1957, 18 African countries were incorporated in 1963 into the Yaoundé Convention, whose governing feature was reciprocity in trade. This ambit was considerably broadened when the former colonial dependencies of the African, Caribbean and Pacific (ACP) Group of States were integrated into a more expansive and institutionalised trade and co-operation architecture in the form of the Lomé Convention in 1975. It abandoned the reciprocity principle and instead offered countries of the ACP group various forms of trade preferences and development assistance, which were further codified in the Cotonou Agreement on the basis of a World Trade Organization (WTO) waiver, after the expiry of the Lomé Convention in 2000 (Whiteman 2012: 29–38).

The lack of enthusiasm among an expanded 28-member EU for a continuation of the preferential trade and aid regimes, together with the lapse of the WTO waiver at the end of 2007, inaugurated a transformation back to reciprocity in the form of the EPAs, albeit asymmetrical in timing and content. Besides the negotiations and main focus around trade in goods, the EPAs also contain 'rendezvous' clauses for further discussion on services and trade-related rules for sustainable development, competition policy, investment and intellectual property rights.

EPAs divide the continent into regional blocs for the purposes of negotiations, composed of Central Africa, the East African Community, Eastern and Southern Africa, the Southern African Development Community, and West Africa. Based on their regional affiliation, countries agree to sign an 'interim' EPA as the first step towards locking all of them into particular configurations for purposes of concluding a final reciprocal trade arrangement. However, African LDCs receive customs-free access to the EU market without the EPAs under the 'Everything But Arms' agreement. As such, they are allowed to export all products other than weapons into the EU without paying tariffs and therefore these countries do not face the consequences of not joining an EPA.

This attempt by the EU to rationalise African regionalism in terms of its own template could prove antithetical to the AU and Agenda 2063's integration agenda, at a time when these initiatives need to find policy and operational traction, especially with regard to the establishment of a continent-wide free trade area (FTA) in 2017. In this regard, the EPAs could prove to be a powerful anti-integrationist influence and an adversarial force, since they 'also risk diverting trade, complicating further the spaghetti bowl of trade arrangements, narrowing policy space, creating fiscal losses in countries that rely heavily on trade taxes, and eroding the existing fragile industrial base' (ACBF 2014: 43–44).

It can thus be argued that EPAs have consequences and implications that might represent an 'albatross around the neck' of continental integration imperatives, and here there are several relevant considerations. Firstly, there is the potential loss of tariff revenue, which could reduce the ability of African countries to provide much-needed social and welfare services; in Africa the effects would be quite severe and detrimental, since tariffs account for 7–10 per cent of fiscal revenue (South Centre 2012). Secondly, EPAs entrench the power imbalance between the EU and African countries with even greater intensity. They overwhelmingly represent unabashed EU self-interest, with an excessive neo-mercantilist orientation that leans towards aggressive market access, on the one hand, and reprobate protectionism on the other. Moreover, the European Commission is a bureaucratic juggernaut with a technical and strategic negotiating capacity that heavily burdened African negotiators can hardly match (Meyn 2012).

Thirdly, EPAs as currently implemented are not strategically and operationally aligned with regional groupings and continental programmes, as embodied in Agenda 2063, to deliver long-term development, economic growth and poverty reduction. South Africa's Minister of Trade and Industry, Rob Davies, was thus led to remark: 'Our overriding concern remains that the conclusion of the separate EPAs among different groupings of countries in Africa that do not correspond to existing regional arrangements will undermine Africa's wider integration efforts. If left unaddressed, such an outcome will haunt Africa's integration project for years to come' (quoted in Ismail 2017a: 8). In addition, the EU's emphasis on market liberalisation does not take sufficient account of African countries' lack of economic and trading capacity, or their multiple supply-side challenges and deficits in infrastructure, development finance and human capital. EPAs therefore directly undermine the extent to which African countries and regions have the necessary flexibility over the timing, pace, sequencing and product coverage for opening their markets to the EU.

While the EU as a bloc remains Africa's largest trading partner, its share of Africa's exports has declined from 47 per cent in 2000 to 36 per cent in 2014 (Vickers 2017: 59). In 2013, the total value of two-way trade was €423 billion. EU imports from Africa are dominated by mineral fuels, crude oil and natural gas, while its export basket consists of finished products such as machinery and vehicles, energy products, chemicals, manufactured goods and processed food.

Co-operation at the continental level is framed by the Joint Africa–EU Strategy launched in Lisbon in 2007, the last review of which took place in 2015. In this scheme, financial aid features quite prominently, such that from 2007 to 2013 the EU disbursed €140 billion in official development assistance (ODA), making Sub-Saharan Africa the highest recipient of any region, with 39 per cent. The EU is also the largest contributor to the AU Commission, providing 80 per cent of its budget and contributing €1.4 billion since 2004. African countries are also major beneficiaries of the European Development Fund (EDF), whose 11th tranche provides €30.5 billion for 2014–2020.

The EDF underwrites the EU–Africa Infrastructure Trust Fund, established in 2007. Since then, 104 grants have been made to support 80 projects in energy, transport, water, and information and communication technology (ICT), valued at €655 million. There is also the EPA Development Programme for West Africa, which has a focus on poverty reduction, economic development, agriculture and industry, and for which the EDF has set aside €6.5 billion for 2014–2020. This programme is built on four axes: promoting intra-regional trade and facilitating integration into global markets; developing trade-related national and regional infrastructure; adjustment to other trade-related needs; and implementation and monitoring. Individual EU Member States such as Belgium, France, Germany, Sweden and the United Kingdom (UK), as well as Norway, also provide significant bilateral support. For example, the UK support for aid for trade increased from US$497 million in 2011 to $790 million in 2014, with Kenya, Nigeria and South Africa being the main recipients and accounting for 45 per cent of the UK's Africa exports (Vickers 2017: 63).

In summary, the prospects for consolidating a relationship based on equality, mutual benefit, and shared interests and common values, as prescribed by the 2007 EU–Africa Joint Strategy, will inevitably come up against a tension: the good intentions of the EU's development assistance programme versus the naked self-interest and divisive calculus of its reciprocal trading regime. We should be mindful of the UK historian E H Carr's famous formulation: 'a harmony of interests thus serves as an ingenious moral device invoked, in perfect sincerity, by privileged groups in order to justify and maintain their dominant position' (Carr 2001: 74–75).

3. Relations with the United States

The centrepiece of US–Africa relations is the African Growth and Opportunity Act (AGOA), which was a major initiative by President Bill Clinton to enhance trade opportunities for eligible African countries, as well as a vehicle to improve their trading capacity. AGOA was adopted by the US Congress in May 2000 as a preferential trade regime dedicated to the 49 countries of Sub-Saharan Africa. It consists of roughly 6,800 tariff lines, including those falling under the Generalised System of Preferences, and since its enactment has been renewed four times: in 2004, 2006, 2007 and 2012. The act authorises the President to determine eligibility based on certain factors: establishing or making progress towards a market-based economy that upholds the principles of private property and the rule of law; eliminating barriers to US trade and investment, and not engaging in any activities that undermine US national security and foreign policy interests; having policies that combat bribery and corruption, and protect worker's rights; and not engaging in any gross violations of internationally recognised human rights or supporting acts of terrorism (Odongo 2013). At the last count, 39 countries from the Sub-Saharan region were part of AGOA.

At its expiry at the end of September 2015, President Barack Obama authorised the extension of AGOA to 2025 by signing the Extension and Enhancement of AGOA Act, which contains new and controversial provisions that could potentially erode the preferential regime in favour of a reciprocal trade agreement, for which the EPAs probably serve as an instructive model (Ismail 2017b: 527). In this regard there are three critical considerations (Ismail 2017b: 538–39).

Firstly, the non-reciprocal and unilateral arrangement that is at the heart of AGOA is seen as an anachronism in the world of free trade, and, to the extent that African countries will continue to enjoy preferences, this will come with a price tag. AGOA is seen as tantamount to a 'give-away' programme that is detrimental to US manufacturers. In the case of South Africa, the lobby for poultry, beef and pork products has seen AGOA's renewal as an opportunity to press for better market access, particularly since South Africa is one of the main beneficiaries of a very diversified and high-end AGOA export basket made up of automobiles, automotive parts and processed agricultural products. The aggressive push to increase the export quota for bone-in chicken pieces to South Africa almost threatened the country's AGOA status. This should be seen as a very worrisome and insidious development for other African countries, since such chicken pieces are essentially worthless waste in a saturated US consumer market but are sold so cheaply that they could displace local production, as is already the case in South Africa (Ismail 2017b: 534–538).

Secondly, and linked to this, there is the problem of 'structural attrition', whereby the preferential regime is used to gain enhanced access to African markets. As a consequence, the 2015 act provides support for any lobby or interest group which seeks to advance its economic interests in Africa but might come up against local trade or investment barriers. Such groups can then petition the president to either suspend or withdraw AGOA benefits for the country concerned. This is certainly a recipe for increasing tension rather than advancing co-operation.

Thirdly, the original letter and spirit of AGOA aimed to enrich relations on the basis of investment and support for developing Africa's industrial and export capacity. This could be undermined if the new act is used as a mechanism for enhanced market access that could threaten any embryonic attempts at industrialisation. These three considerations taken together are thus the first 'shot across the bow' in the USA's intention to negotiate reciprocal free trade arrangements with the countries of Sub-Saharan Africa.

This is hardly fanciful in the era of President Donald Trump, whose 'putting America first' ethos could herald a turn to hard instrumentalism and mercantilism, and for whom the preferences which African countries enjoy might be anathema. Even though Trump has withdrawn the USA from the Trans-Pacific Partnership (TPP), and Brexit (the UK's exit from the EU) could affect the Trans-Atlantic Trade and Investment Partnership (T-TIP), these mega-regional deals mean that two thirds of world trade will be located in these new arrangements, with direct consequences for AGOA preference erosion into the US market (Ismail 2017a: 11)

Be that as it may, the extent to which AGOA countries have underutilised their preferences is striking when it comes to attracting investment and taking advantage of the tariff lines to increase their productive capacity and export potential. The bulk of AGOA exports is oil, which constituted 86 per cent of the total share of US$90 billion in 2013. Such exports further originate in only seven countries (Angola, Chad, Congo, Gabon, Côte d'Ivoire and Nigeria), while much of AGOA trade is concentrated in clothing and textiles. And apart from South Africa, which accounts for US$3.1 billion of AGOA exports, only seven other countries have exports to the USA of more than US$100 million. This export profile is symptomatic of a lack of diversity and the persistent supply-side constraints that impede African countries' productive capacity and competitiveness.

This wide underutilisation of the tariff lines is something of a paradox and must be seen in the context of broad-based technical capacity-building programmes provided by the USA. In July 2005, President George W Bush introduced the African Growth and Competitiveness Initiative, worth US$200 million, to boost the trading capacity of African countries. In 2011, the African Competitiveness and Trade Expansion programme was established with an annual budget of US$30 million for the purpose of creating three AGOA trade hubs in Botswana, Ghana and Kenya. The USA expanded its trade and assistance ties under President Obama, under the rubrics of the US–Africa Leaders' Summit and the US–Africa Business Forum in June 2014, followed by another round of summitry in September 2016. Both summits laid the groundwork for widening the remit of US–Africa trade, investment and security co-operation.

The Business Forum focused on strengthening trade and financial ties, and on boosting Africa's economic potential by mobilising US$9 billion in trade and investment in support of African business and private sector development. President Obama's 'Power Africa' initiative of 2014 received strong bipartisan support in the US Congress, with the passage of the Electrify Africa Act in February 2016, which will make electricity available to 50 million people across the continent. There is also the United States Agency for International Development (USAID)-administered aid package of US$12 billion annually that supports conflict prevention, agricultural productivity, climate resilience and humanitarian relief. The bulk of these funds, however, are earmarked for the 'President's Emergency Programme for AIDS Relief' across 15 focus countries.

The net effect of the AGOA extension has been a positive development but this could be undercut if the 'flexibilities' embodied in the 2015 act find traction among US interest and lobby groups. Given the new and evolving protectionist policy environment in Washington, these groups will probably feel greatly emboldened in advancing the goals and objectives of structural attrition.

4. Relations with China

As early as 1967 the Ghanaian scholar Emmanuel Hevi wrote that 'few subjects are as complicated as China's Africa policy and the motives behind it' (Hevi 1967: 2). This observation still has profound relevance, since debate persists about China's role and motives in Africa.

In this regard, C Alden has developed a prism of three interesting perspectives through which this role and its motives can be understood. The first views China as a development partner committed to a win–win formula of mutual gains through trade, investment and development assistance, all of which have injected a newfound dynamism into Africa's growth prospects and geostrategic relevance. In the second formulation, China is an economic competitor whose national interests are concentrated on the extraction of Africa's abundant resources as a means of underwriting China's own modernisation and growth agenda. Here scant attention is paid to typical Western normative concerns such as good governance, human rights, environmental protection and labour standards. In the third, China is the embodiment of the new scramble for Africa and behaves no differently from other major powers such as the EU and the USA, but its ambition is to displace traditional Western spheres of influence under the rubric of South–South co-operation. This style of 'authoritarian capitalism' provides China with the long-term leverage and geostrategic advantage that is capable of reshaping the political economy of Africa (Alden 2007).

All these perspectives make sense when considering that China has been the primary consumer of African commodities and a major source of development finance and investment, and that de facto it has challenged Western spheres of influence. On the surface, China's feat in making a transition from a backward to a modern economy in just over three decades has made it an attractive model for other developing countries. Its ability to lift 680 million people out of poverty between 1981 and 2010, and to reduce extreme poverty from 84 per cent in 1980 to 10 per cent in 2015, is nothing short of extraordinary (Gurtov 2015: 75). It is this achievement that raised hopes that, perhaps, stronger commercial engagement between China and Africa would re-ignite Africa's stalled momentum towards shared prosperity. This is all the more so since the Chinese leadership has been careful not to project a domineering image towards Africa: it has tempered its commercial engagement with an emphasis on notions of mutual respect and solidarity.

The Forum on China–Africa Cooperation (FOCAC) is an institutional expression of the relationship between the two, although it is distorted, since China crafts the agenda, sets priorities and provides all the co-operative funding. However, since its establishment in 2000 and after five triennial summits, it is only recently that FOCAC is gaining real significance because, historically, China has always preferred bilateral engagement (based on the 'One China Policy') in the pursuit of its commercial interests (Shelton et al. 2015: 7–12). China made the most far-reaching and consequential commitments at the sixth FOCAC summit, held in South Africa in December 2015. There President Xi Jinping announced a US$60 billion package for financing ten major initiatives. This included $10 billion for a fund dedicated to building industrial capacity and investment in manufacturing, hi-tech, agriculture, energy and infrastructure. In addition, there was $5 billion for aid and interest-free loans, and $35 billion for export credits and preferential loans.

The FOCAC process has been underpinned by a surge of foreign direct investment (FDI) from China into a diverse set of countries. Many countries have seen an expansion of infrastructure in the form of roads, airports, telecommunications, hospitals and ports, while trade linkages between China and Africa have deepened, thereby helping to create alternative markets for countries. However, the Chinese focus has been mainly on investment in commodities, particularly oil, gas and metals, which accounted for two thirds of Africa's exports to China by value in 2014, while there are very few countries where sustained manufacturing activities take place.

By the end of 2013, Chinese FDI in Africa topped US$26 billion, rising to $36 billion in 2016 in 66 projects, compared with Chinese FDI in the USA at $22 billion. This amply demonstrates the seriousness with which the Chinese regard Africa as a strategic arena for exercising their commercial diplomacy (Chen et al. 2015). Many African leaders thus view China as a dependable partner. However, many of Africa's exports to China comprise low value-added commodities, whereas African countries import relatively higher value-added and manufactured products from China, including capital and consumer goods. This relationship is also deficient in institutional components, and so far has not focused on upgrading the capabilities of African partner countries.

Notwithstanding the recent slowdown of China's economy, Africa still retains its geopolitical importance in China's strategic calculus. While commodity demand remains depressed, China still seeks to extract trade and commercial advantage from an African market of more than 1 billion consumers, with fast-changing consumer tastes and demands. On the basis of the 'One China Policy', China has been able to prove its bona fides as a trusted development interlocutor by providing instrumental benefits such as grants, zero-interest loans, development finance and investment, and substantial debt relief. China has thus been guided by dynamics of 'state-led pragmatic nationalism' in Africa, which is 'ideologically agnostic, having nothing, or very little to do with either communist ideology or liberal ideals. It is firmly goal-fulfilling and national interest driven … The country's strategic behaviour is flexible in tactics, subtle in strategy, and avoids appearing confrontational' (Zhao 2007: 39). This flexibility and subtlety has been powerfully expressed in the partnership that China recently forged with the World Bank, forming a joint infrastructure enterprise to fund projects in Africa, and especially to bring those projects to commercial viability that have not yet reached bankability (*Daily Nation* 2016).

China overtook the USA as Africa's single largest trading partner in 2009, with the value of trade rising from US$10 billion in 2000 to top $300 billion in 2015, and with the goal of further increasing the value to $400 billion by 2020. From a low of 2.3 per cent in 1995, China now accounts for 24 per cent of Africa's total trade (*China Daily* 2015). However, much of the two-way trade has been skewed in China's favour. The only exceptions to this general rule have been resource-rich countries such as Angola, the Republic of Congo, the Democratic Republic of Congo, Nigeria, Equatorial Guinea and Zambia, which have sustained trade surpluses on the back of their bulk exports of raw materials (Drummond and Xue 2013). African companies therefore face major operational hurdles related to their inability to locate themselves within Chinese value chains. This helps to explain why Africa's trade with China has hardly contributed to export diversification and economic transformation.

As a consequence, Africa's dependence on China for its exports has not been entirely healthy. China's gross domestic product (GDP) grew by 6.9 per cent in 2015, down from 7.3 per cent in 2014, and was expected to experience further decline to 6.3 per cent in 2016 (IMF 2016). Sectors such as manufacturing, construction and real estate, which have in the past absorbed most of Africa's commodities, have witnessed a slump. Africa's business cycle has in the past two decades been tightly aligned to that of major emerging economies, especially China, and this coupling has proven to impede Africa's industrialisation prospects. According to a recent IMF paper which assessed Africa's exposure to China, 1 per cent growth in China's real fixed investment growth is associated with a 0.6 per cent increase in Sub-Saharan Africa's exports (Drummond and Xue 2013). This dependence could have deleterious consequences for Africa's long-term prospects. China, as Ali Zafar notes, exerts an indirect effect on economic management in Africa, especially because it is a global price setter (Zafar 2007: 108).

China's competitive edge has been honed on the basis of key factors such as low unit-labour costs, a surfeit of subsidised credit and an undervalued exchange rate. Moreover, its total factor productivity has been greatly enhanced by its accession to the WTO in 2001 and aggressive reform of its state-owned enterprises. The recent rise in China's labour costs and the appreciation of its currency provide African countries with the strategic opportunity to attract more investment from China as well as from developed countries. As China rebalances its economy in favour of greater capital intensity, it is estimated that it will shed more than 85 million manufacturing jobs (Noah 2016). Africa could therefore become the strategic locus for the 'offshoring' of these jobs, provided it can respond to the relevant institutional and policy challenges that come with this opportunity.

On balance China's contribution to Africa has been positive, especially since it has increased growth and national incomes. This, however, comes up against an incontrovertible reality that China has not helped Africa move into patterns of sustained industrialisation to generate broad-based growth and development. This move could take the form of incremental adjustments when it comes to both building institutions and stimulating shifts within product spaces, as a basis for integration into the value chains. So far, this relationship has rather fostered various forms of dependence which have accentuated Africa's static comparative advantage in commodities.

There is an opportunity for China to undertake a different approach to its relationship with Africa. Hints of this emerged at the sixth FOCAC summit, where President Xi identified four pillars that would underpin the future of China–Africa co-operation, namely mutual political trust; solidarity and co-operation in international affairs; economic and security co-operation; and greater sincerity and friendship. In a normative sense at least, these pillars together with the broadening ambit of co-operation contained in the ten major FOCAC initiatives for 2015–2018 provide the ingredients for long-term sustainability, but this can be ensured only through institution building and enabling African countries and regions to make incremental shifts in the relevant product spaces.

President Xi also recently observed that China's economic slowdown and the rebalancing of the economy away from debt-fuelled investment in infrastructure and heavy industry signalled a 'new normal' for China. This should be a warning to Africa. The economic slowdown in emerging economies, China's internal economic restructuring and new priorities aimed at repositioning China in the global economy have meant a shift away from commodities and a growing orientation towards consumption, services and innovation – all of which will require de-emphases on imports from elsewhere, not least from African countries (IMF

2016). There could be new opportunities in this shift for African countries, especially in developing product spaces for low-end manufacturing as a consequence of China's shift towards the higher end of the value chain.

As the Chinese experience amply demonstrates, a strong case can be made for the virtues that could accrue from Africa's participation in regional and global value chains, since these open up potential avenues for industrial development. The importance of segmented value chains comes into play, since they allow African countries to engage in international trade as part of specific stages of the production process, which helps to exploit comparative advantages. Here, the importance of the service sector and FDI must be emphasised for the impetus they provide in expanding trade. China can provide the necessary skills and technology through the FOCAC process, especially in the production of intermediate goods, which account for nearly 60 per cent of Africa's total merchandise imports and over 80 per cent of its exports. Intermediate goods thus represent the most dynamic dimension of Africa's merchandise trade but still account for only 2–3 per cent of the global figure (UNECA 2015: 101–124). This brings us back to a major structural impediment, namely that African producers are mainly linked to global value chains as suppliers of raw materials or other low-end products such as basic metals, chemicals and fuels.

An important contribution that China can make to the diversification of economic activity is the outsourcing and relocation of its labour-intensive industries as well as low-skilled jobs to Africa, while developing more capital-intensive, high-tech industries within China (Sun 2014: 6). Furthermore, institutional upgrading needs to feature as an important component of this relationship. With more galvanised institutions, there is greater opportunity for African countries to increase their supply capacity and thereby broaden their production base. Institution building and production relocation from China could do much to enhance Africa's capabilities.

5. Relations with India

India and Africa share a multidimensional and historical relationship that has been greatly facilitated by geographical proximity and an easily navigable Indian Ocean, both of which have had a direct bearing on trade, the movement of peoples and cultural exchange (Dubey 2016). During African countries' struggle for independence, India was a strong partisan of their cause. In the recent past, this relationship has experienced major changes, with a greater focus on capacity building, development cooperation, and trade, commercial and technological initiatives (Beri 2011). India's relations with Africa take place across several registers – pan-African, regional and bilateral – and through an extensive range of diplomatic and political mechanisms.

These include the India–Africa Forum Summits, the India–REC meetings, the annual India–Africa Trade Ministers meeting and regular meetings of joint working groups, intergovernmental commissions and the India–Africa Business Conclave. There is also the 'Pan-African e-Network', which supports tele-education, tele-medicine, e-governance, e-commerce and meteorological services across 53 countries, while other multilateral interactions take place at the Indian Ocean Rim Association for Regional Cooperation (Mullen and Arora 2016).

The flagship of growing India–Africa ties is the India–Africa Forum Summits, which have convened at regular intervals since 2008. The first summit took place in Delhi in April 2008 and crafted the conceptual framework for political and economic dialogue and cooperation. There was a strong focus on financing development, with the extension of a US$5.4 billion line of credit and $500 million in grants for 2008–2013. Very importantly, the summit offered Africa's LDCs a duty-free preference scheme. A further credit line of $300 million was made available for NEPAD projects and there was increased support for technical training and scholarships through a special 'Aid to Africa' budget (Mullen and Arora 2016).

The second summit was held in Addis Ababa in May 2011 and provided an opportunity to review progress made since the first summit. The Indian government made available a further line of credit of US$5 billion and grants worth $700 million. The grants were specifically targeted at establishing collaborative mechanisms in the fields of agriculture, rural development, food processing, soil and water testing, ICT and vocational training. The largest summit took place in New Delhi in October 2015, attended by 41 African Heads of State and hosted by the Prime Minister, Narendra Modi, for the first time. The summit examined global issues such as food security, trading regimes, climate change and terrorism. The Indian government made more concrete commitments for concessional credit lines worth US$10 billion and new grants worth $600 million. The grant package included $100 million for an India–Africa Development Fund for Infrastructure and $10 million for an India–Africa Health Fund (Mullen and Arora 2016).

In trade, there was a 15-fold increase between 2000 and 2015, from US$4.5 billion to $71.5 billion. There is expected to be a surge in trade driven mainly by India's growing energy needs and increasing Indian imports of minerals and fuels from Africa as well as coal, natural gas and uranium. India's exports consist of agricultural products, automobiles and machinery, pharmaceuticals, electronics, and communications materials. As far as investment goes, India is now the fifth largest investor in Africa, with investment valued at US$12 billion, and its companies are active in a range of sectors including telecommunications, mining, steel, automobiles, energy, healthcare, agribusiness, ICT and pharmaceuticals (Mullen and Arora 2016).

In broad terms, India follows the Chinese co-operation paradigm of non-conditionality, no policy prescriptions, mutual benefits and gains, and respect for the sovereignty of African countries (Beri 2011). This is exemplified through robust state-to-state engagement, responsiveness to African demands and needs, and a consultative and collaborative idiom. Many African countries (mostly Anglophone) have benefited from India's low-cost technical training and study programmes. There are five areas that hold great promise for future expansion: infrastructure, financial co-operation, small business growth, energy resource development and technical assistance.

6. Some emerging issues: points to ponder

There are several emerging issues that highlight the magnitude of challenges faced by Agenda 2063 and the factors that could conspire against the existing policy and institutional impulses towards continental integration. These emerging issues could exercise a further centrifugal influence on Africa's already marginal position in the international political economy. There is thus a need for tactical and strategic adaptation over the medium and long term by African countries and external partners, to cope with the continental and systemic shifts that characterise the political, trading and financial environments (UNECA 2015).

From the above sketches, it becomes evident that the contextual and structural shape of Africa's trading partnerships has changed substantially over the past two decades, but most critically there is the declining importance of trade with the EU and the USA, and the dramatic advance of China and India as emerging partners. Quite fundamentally, it would seem that duty-free and quota-free access for Africa's LDCs since 2008, with improved rules of origin and an enhanced preferential regime under AGOA since 2000, and with several renewals, have hardly been an unmitigated blessing for African countries.

Although the EU remains the most important destination for African exports, there has been an 11 per cent decline since 2000. Whereas China was hardly a trading presence in Africa in 1995, today it accounts for 12 per cent of Africa's exports and has overtaken the USA, whose share has similarly contracted from 16.5 per cent in 2000 to just below 6 per cent in 2014. Meanwhile, India's share has more than doubled from 2.5 per cent in 2000 to over 6 per cent in 2014 (Vickers 2017: 59). The Sub-Saharan region has also become a strong pole for intra-regional trade (18 per cent), although growth has been only marginal since 1995 (15 per cent).

However, the conclusion of the T-TIP could have negative effects for African countries unless accompanied by generous relaxation of rules of origin and expanded preferences in service trade, as well as some level of harmonisation of EU and US unilateral trade regimes for developing countries. Aid for trade could be used more intensively by all of Africa's trading partners, not only to assist African and other developing countries to better confront the consequences and vagaries of the mega-regional deals, but also to enhance and improve their trading capacities and positions.

Concerning the impact of the TPP, a recent analysis examined the overlap of export categories between the countries of the Commonwealth and internal TPP exports to assess the effects of displacement or trade diversion (Mendez Parra and Rollo 2014: 3). It found that the magnitude was insignificant (less than 10 per cent) and was indicative of the very different trade and production structures of TPP members and third countries of the Commonwealth, even though we cannot discount the possibility of certain sectors being affected.

At the Group of 20 (G20) Hangzhou Summit in China in September 2016, a major milestone was announced, namely the 'Initiative Supporting Industrialisation in Africa and LDCs'. This is significant because of the initiative's explicit sectoral focus on supporting agro-industry, broadening production bases, investing in secure energy, developing resilient infrastructure, leveraging domestic and international finance, and promoting science, technology and innovation. The German G20 presidency this year has committed to finding ways and means to give practical expression to this industrialisation initiative, leading up to the G20 summit in Hamburg on 7–8 July 2017.

Although it has become fashionable to focus on informal global summitry, the G20 process is limited by the lack of direct implementation capacity. In this regard, we should not ignore the transformative potential of the SDGs and the far-reaching impact these could have for African countries, especially the LDCs, over the next 15 years. Africans have a high stake in the SDGs, since the 169 targets that they embody cover economic growth, social development and environmental protection, all of which are of critical importance to the overarching goals of tackling poverty, unemployment and inequality. The challenge of the SDGs is whether or not the necessary focus and concentrated effort will flow from so many goals.

However, the normative logic of the SDGs cannot be discounted, since they demand far-reaching changes in modes and structures of production and consumption, not only for promoting sustainable development across its different dimensions and indicators but also, quite crucially, for reducing inequality at domestic and global levels. The EU's 2015 new trade strategy contains innovative ways for integrating the SDGs into all of its trade instruments, but such good intentions to ensure sustainability could be undermined by the EU's highly technocratic and politically insensitive approach to trade.

In the WTO, Africa has suffered from a lack of progress in the Doha Development Round, which started in 2001. Rather than serving as a catalyst for a new phase of trade growth and development, Doha has degenerated into a neo-mercantilist battle over market access between North and South. Despite efforts to save the Doha Development Round at the Ninth and Tenth Ministerial Conferences, held respectively at Bali, Indonesia, in December 2013 and Nairobi, Kenya, in December 2015, the WTO has pursued a pragmatic path of subtly changing the philosophical and normative application of the 'single undertaking' principle, thus heralding a shift away from multilateral to plurilateral approaches (Ismail 2017a: 4).

The implication of this is that poor countries such as Africa's LDCs are under no obligation to participate in negotiations or implement any agreement that might overburden them. This is highly problematic, since agreements negotiated in such a context take no account of developing-country needs and interests. While they may benefit to some extent from tariff liberalisation, there is the spectre of further marginalisation of African countries in the global trading system. Moreover, agreements that are not implemented on the most-favoured-nation principle are even more problematic, since they would exclude non-participants from improved market access.

The final issue has to do with China's Belt and Road initiative, which was unveiled in 2013, with the ambition of expanding land and sea linkages between Asia, Africa, Europe and beyond. The initiative rests on massive and unprecedented investments in infrastructure, manufacturing and services as the essential means of giving these links real substance and boosting trade among participating countries. Already, China commits US$150 billion annually to the 68 countries that participate in the project (*The Economist* 2017).

In the first major summit – called the Belt and Road Forum – held in Beijing from 12 to 15 May 2017 and attended by leaders from 29 countries, President Xi pledged US$124 billion to further develop interlocking economic and investment partnerships, with the intention that over the next 5 years China will import $2 trillion in products from countries that are engaged in the initiative. Moreover, it is expected that the active use of local currencies will assist in mobilising domestic savings, lower remittance and exchange costs, and safeguard financial stability.

Building on their joint experience in the FOCAC process, there is an opportunity for African countries to integrate Belt and Road funding into their own development needs and processes, especially with regard to industrial growth and infrastructure investment. This will entail proactive interaction with the Chinese to establish what synergies exist, making the necessary contractual and investment commitments, and putting in place monitoring and evaluation mechanisms to ensure win–win gains (Ryder 2017).

7. Towards some policy considerations

There are many positive features and elements of growth and development across Africa that are salutary for Agenda 2063 and represent an emerging 'African consensus'. These include reasonable prospects for increased growth, more responsible governance and accountable use of public resources; strong commitments to integration; declining levels of conflict; innovative forms of development finance; great untapped human and natural capital; and Africa's growing geopolitical relevance. The following are indicative considerations that could be useful in bringing Africa's main trading partners into a social contract that helps to advance the aims and objectives of Agenda 2063.

7.1 Building state capacity for effective governance

Strong and capable states underpinned by the necessary institutional mechanisms will be key to driving many aspects of Agenda 2063's policies and programmes. By and large, state capacity has been inadequate in addressing the challenges and problems that retard growth and development, as well as lacking the foundation for a broader and all-encompassing pan-Africanism. This is a function of weak human agency at all levels but is a particular indictment of the lack of effective and progressive leadership at the state–society nexus. There are real impediments with high levels of debt and the fiscal impact of reduced tax and tariff revenues that have a direct impact on state weakness. This is compounded by persistent failures to manage corruption, low skills levels, patronage politics, and a lack of transparency and accountability.

Improving state capacity is a long-term project, rendered more difficult where the promise of democracy and citizen participation is under threat. There are four essential interventions that are necessary to build state capacity. The first is legal and regulatory capacity which allows the state to define and enforce rules for social and economic interaction, and which grounds the rule of law. Secondly, there is a need for technical capacity to put in place policy and legal frameworks that allow the private sector to grow on the basis of a stable and supportive macro-economic environment. The third relates to the state's extraction and taxation capacity to raise revenue and mobilise domestic sources for development and social welfare. Finally, there is the administrative capacity of the state to attract managerial talent and professionalism in the interest of a more effective and efficient civil service.

7.2 Focusing on trade and industrial policy

Many African countries still struggle to develop competitive approaches to industrialisation and industrial development. With a few exceptions, they generally lack industrial sectors that are dynamic and diversified and could be the locus of structural transformation and accelerated growth. Here trading partners could assist in supporting policy frameworks that are capable of generating efficient and labour-intensive industrial activities and could evolve into competitive export platforms. Previous attempts at industrial policy have emphasised the wrong methods based on import protection, subsidised credit, tax incentives and burdensome regulation.

A new approach is required that puts the spotlight on efficient industrial policy that boosts industrial development, export performance, competitiveness and the optimal allocation of resources. Related to this is the need to develop domestic capabilities in strategic entrepreneurial, management and technical functions. Industrial policy should thus provide special incentives for fostering the growth of small- and medium-sized enterprises as a driver of job creation. Equally importantly, African governments must claim back the policy space lost to external pressures for market liberalisation, to allow governments to better govern markets in support of industrialisation. An important element of this mix is developing appropriate regional mechanisms to promote trade, development finance and infrastructure, while liberalisation should focus on efforts to unlock intra-regional trade complementarities.

7.3 Making regional integration meaningful

Regional integration in Africa has been a hotbed of divergent interests, with a multiplicity of agreements, programmes, protocols and processes that are simply declaratory and do nothing more than reinforce the hard sovereignty of African states. This has produced an incentive environment that is predominantly state-centric and elite-driven. The question for Agenda 2063 is how to turn the REC and AU integration architecture into meaningful and value-adding vehicles for social and economic transformation that will improve the lives of ordinary citizens.

Significant steps have been taken that signal some progress, but a range of institutional and organisational deficits persist. These include ambiguous legal frameworks that are far removed from the realities of citizens' welfare, especially with regard to harnessing regional economies of scale to promote growth and development. Secondly, there is too much diversity among the RECs with their complex and unwieldy configurations, overlapping memberships, and lack of enforceable norms, rules and practices. Thirdly, commitments are made which are normatively supranational in nature but, among member states, there is a distinct lack of political will to cede even a modicum of sovereignty for the larger regional good.

The Tripartite Free Trade Agreement and the Continental Free Trade Agreement could become the catalysts for better harmonisation, co-ordination and confidence building among the RECs, on the one hand, and between RECs and the AU, on the other. In conjunction with external partners, there is a great opportunity within the remit of Agenda 2063 to fill the institutional vacuum in the AU with regard to key areas of integration such as agriculture, industrial development, the environment, peace and security, infrastructure, human capital and so on.

7.4 Building human capital and capacity

Social development in Africa is critically linked to policies that facilitate access by the poor to human, physical and financial assets to improve quality of life. Poverty reduction and human development have typically focused on the economic and social spheres, but evidence suggests that addressing the legal empowerment of the poor could be a powerful antidote and weapon in the fight against the high levels of poverty that exists across Africa, where currently more than 400 million people have to survive on US$1.25 a day or less.

There are too many African countries where laws, institutions and policies deny large segments of the population opportunities to participate on equal terms. The legal underpinnings of entrepreneurship, employment equity and market interaction are too often assumed in development theory, as are contracts and property rights. Meanwhile, what occurs in Africa's burgeoning informal sectors is hardly taken into account. It is here assets and work are most insecure, unprotected, and where productivity tends to be low.

Failures in governance and markets have thus conspired to produce low-levels of investment in public health and education, with serious knock-on effects for employment and growth. Moreover, any future gains that could result from economic growth could be compromised by persistent levels of poverty, political instability, and low life expectancies because of disease pandemics. Public investment in health and education ensure distributional effects which directly benefit those at the bottom of the pyramid, especially women. Hence, the legal empowerment of citizens through better access to health and education could roll back the frontiers of poverty, unemployment, and inequality, but will require deep-rooted changes in Africa's states and societies, particularly if Africa's growing demographic burden is to be better managed and controlled.

7.5 Developing new 'social coalitions' for growth and development

Promoting 'African solutions for African problems' might be the main responsibility of African states and citizens working together, but it requires what could be called an 'Agenda 2063 partnership coalition' that is capable for providing the gravitational pull for broad-based growth and development, by locking in an ethos of ownership among African and external stakeholders, especially the key trading partners reviewed in this paper. The consultative and participatory process that shaped the vision of Agenda 2063 could be replicated by institutionalising such a coalition, consisting of AU Member States, the private sector, civil society, the diaspora, the media, the intelligentsia and all of Africa's key external partners.

Such a coalition could be the vector of policy learning and a more sophisticated debate about how to address those dilemmas that arise from firmly embedding Agenda 2063 as a pan-African project. This must include a more forceful and positive narrative about the potential of Africa and the promise of win–win gains that would come from this co-operative endeavour. This could change the typically parochial and fatalist assumptions about Africa's future that exist among Africans and external actors.

7.6 Developing an Agenda 2063 global diplomacy

The post-Cold War universe presents Africa with a different set of growth and development challenges that are emblematic of a changing world of production and consumption. The manifestations of this can be found in the heightened disparities between rich and poor countries, and growing structural vulnerabilities caused by transboundary problems such as poverty, disease, conflict, climate change, terrorism, financial crises, weapons' proliferation and so on.

Africa's main traditional trading partners, the EU and the USA, still exercise an inordinate influence and control over the pace of growth and development of African trade through their institutionalised trade and co-operation frameworks, which, in many ways, are antithetical to the letter and spirit of Agenda 2063's emphasis on self-determination, self-reliance and pan-Africanism. Moreover, the system of global governance is hardly emancipatory or co-operative but provides the types of perverse incentives which reinforce the hegemony and dominance of developed countries in shaping the discourse of international relations. And, to repeat the point, at a time of declining EU and US trade, China and India have gained significant trade and investment traction across the continent.

In view of these dynamics, African countries need to adopt a more nuanced approach to their international engagements and commitments. This critically turns on how they can leverage growth and development opportunities as well as generate the necessary finance to address externalities such as climate change. This must be grounded in forging new and overhauled international partnerships that become steering mechanisms for addressing the identified challenges to growth and development.

Given this, external trade, development finance and aid, foreign investment, and debt relief need to be carefully aligned with Agenda 2063's strategic initiatives. This alignment must be coupled with effective resource mobilisation and support for regional and continental integration plans, as well as putting in place viable monitoring and evaluation systems. All of these will require building a muscular and skilled diplomatic capacity that is capable of reorienting Africa's external relations away from its peripheral position to becoming a serious and respected actor on the international stage.

8. Conclusion

If the collective energies and creativity of African people can be harnessed on the basis of adding real and productive value to its trading relationships, it will certainly assist with realising the vision of Agenda 2063 as a charter for putting the entire continent on a positive growth and development trajectory over the next five decades. However, Agenda 2063 must express itself as a different paradigm of hope and inspiration lest it become another failed experiment in development orthodoxy.

The normative thrust of Africa's major trading relations finds strong echoes in the four pillars enunciated by President Xi at the sixth FOCAC summit in South Africa, which bear repeating: mutual political trust; solidarity and co-operation in international affairs; economic and security co-operation; and greater sincerity and friendship. These are the ingredients for crafting a more comprehensive strategic partnership between traditional and emerging partners. China's new model of trade and development is quite instructive in this regard.

The recalibration of the Chinese economy means that, while much of China's relations with Africa will depend on state-to-state dynamics or will be state led, there is an increasing reliance on market forces, private sector engagement and privately directed capital to drive the next phase of its engagements (Davies 2015). This takes into account the shifts in China's domestic economy and the imperatives of Africa's industrialisation to move away from reliance on natural resources. This crowding in of market forces together with private investment will portend a diminishing role for Chinese state-owned enterprises in Africa, whose returns to scale have become questionable.

Such a crowding-in phenomenon could take several forms: building Africa's private sector confidence in those economic processes and allocative mechanisms that create incentives and opportunities that arise from trading relationships; identifying effective and acceptable distributional payoffs in any industrialisation process; and encouraging mutual learning, problem solving and compromises in dealing with the historical and atavistic obstacles to growth and development, including poverty, unemployment and inequality.

This reorientation thus provides a fertile opportunity for all trading partners to rethink how the confluence of ongoing economic and development challenges can be incorporated into fresh appraisals and discursive thinking. It will demand a reimagining of how aid for trade in particular can improve the lives of African citizens. The hybrid frontier that mixes state-led initiatives with the dynamics of the market and private sector could mark a new beginning of creative reflection about Africa's resource and industrialisation nexus, and how the proverbial sow's ear can be turned into a silk purse.

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