



African Center For Economic Transformation

Development Partnerships China and Africa

Summary of GDLN Consultations

- October 20, 2009

Consultation included representatives from:

- China
- Ghana
- Liberia
- Rwanda
- Uganda
- The world Bank
- and the DAC

The Main Areas Provided for Discussion in the Agenda Included the Following

- ✓ How China's aid and investment is integrated into national development strategies and long-term development plans.
- ✓ How do Chinese firms create value chain linkages and promote competitiveness of African Firms
- ✓ How does China-Africa cooperation promote use of local content in trade and investment agreements, local employment and skills development
- ✓ How do China-Africa partnership align with local and international best practices related to environment and social practices
- ✓ What are some of the emerging directions in China-Africa relationships

Five Main Themes Emerged from the Consultation

- ✓ The China-Africa relationship has been very positive, it is deepening, becoming more dynamic and integrated into country strategies
- ✓ But there is further scope for African firms to benefit from China's investment
- ✓ China's expanding market provides opportunities for African agricultural exports and manufactured goods.

Main Themes Contd.

- ✓ Concerns with product quality and environmental standards
- ✓ Considered China-Africa cooperation is one of the key strategic relationships for the continent.

The China-Africa relationship has been very positive.....

- Ø China's engagement with Africa making a very significant contribution to growth and development.
 - Ø China's focus on infrastructure, investment and trade was supporting long-term economic efficiency.
 - Ø China is willing to undertake challenging projects that traditional donors have been reluctant to tackle. And, this was especially important during the current severe economic downturn.

- Ø Participants highlighted the importance of China's focus on trade and investment.
 - Ø On investment, participants considered that projects financed by China had moved from a "stand-alone" approach, to one that is more closely tied to national development strategies.

The China-Africa relationship has been very positive.....

- ✓ Participants also discussed the suggestions to promote Special Economic Zones (SEZ's) and asked about the differences between export processing zones with requisite infrastructure and tariff incentives, and SEZ's
- ✓ Participants felt that multilateral donors should do more to complement what China is doing.

Scope for African firms to benefit from China's investment..

Like to see would like to see more African firms providing services, value addition to exports, and domestic job creation through associations with Chinese investments or investors.

- Ø Through sub-contracting for value addition or through direct services to Chinese companies, including in areas where unskilled labor may be needed and higher-level services.
- Ø There is scope to create more opportunities for Africa's private sector through local joint ventures, training, and local outsourcing.
- Ø Suggested more open procurement policies, including local competition, could help to build local firm participation in Chinese investments.
- Ø Wanted to learn more about China's own experience with technology transfer, and to see what lessons might be applied to Africa
- Ø Additional scope to use local labor directly in Chinese investments, and scope to limit the number of Chinese casual workers that come to work on projects.

China's expanding market provides opportunities for African agricultural exports and manufactured goods.

One avenue to address the very high trade imbalance between China and Africa

- Ø Some Chinese policy obstacles inhibit Africa's participation including relatively higher tariffs on processed and semi-processed agricultural goods.

- Ø Need for additional tariff concessions from China on processed and semi-processed agricultural exports, so that more domestic value added could be provided.

- Ø Stressed the importance for African firms to better understand the Chinese market and to define strategic entry points where they would be competitive. This would mean:
 - Ø meeting requirements of Chinese consumers, adaptation of product quality and marketing, and reliability of supply to be able to compete more effectively

Concerns about Product Quality and Environmental Standards

Focused on the linkages between national policy for environment, construction and engineering standards, and product quality of imports.

- Ø Participants noted that Larger, multinational firms are more visible and subject to oversight, but smaller operators operating in selected sectors are less subject to oversight.
- Ø Participants noted that environmental risks could be aggravated if standards are not maintained
- Ø Participants also shared concerns about electronic waste management, and noted that low quality electronic products wore out quickly and added to waste management problems.
- Ø Participants also felt that countries have the responsibility to provide adequate supervision and control over investment and construction activities, and that this needed attention.

Concerns about Product Quality and Environmental Standards.....contd

- Ø Participants also noted that traders bringing in electronic and other consumer goods are responding to market demand, based on the purchasing power of consumers.
- Ø Concerns over quality standards are also being discussed in China, and there is still a process of developing labor, environmental and quality standards there.
- Ø Participants also noted China's success in afforestation, and suggested that this would be an area for further knowledge exchanges.

China-Africa cooperation is one of the key strategic relationships for the continent

They believe that China is supporting growth and development and look forward to deepening the relationship in the future.

- Ø Recognize that there are significant differences between Africa and China that cannot be overlooked.
- Ø African leaders need to consider which issues that would be of benefit to development and growth should be considered at a region-wide level. For example, addressing trade and tariff issues goes beyond national boundaries, as do the mobilization of financing for large regional investments.

China-Africa cooperation is one of the key strategic relationships for the continent... contd

- Ø China is continuing to look for ways to increase investment in Africa, including through the use of SEZ's as a way to get more Chinese companies to operate from the continent.
- Ø China is also examining ways to increase African access to the Chinese market.
- Ø Countries need to address these issues with more specific strategies and approaches that can be put to the Chinese—identify market opportunities for commodity or processed goods and then address the constraints to expanding exports to China. Strategies cannot be overly general.

ACET's mission & approach

MISSION: *The Africa Center for Economic Transformation provides African governments with world-class policy research and advice on critical transformation issues to achieve long-term growth and transformation*

FOCUS AREAS

APPROACH:

Policy Advisory

- Use mostly seasoned African experts to provide trusted advice, to governments
- Build capacity and transfer knowledge

Policy Research

- Develop an indigenous perspective (work closely with national think-tanks)

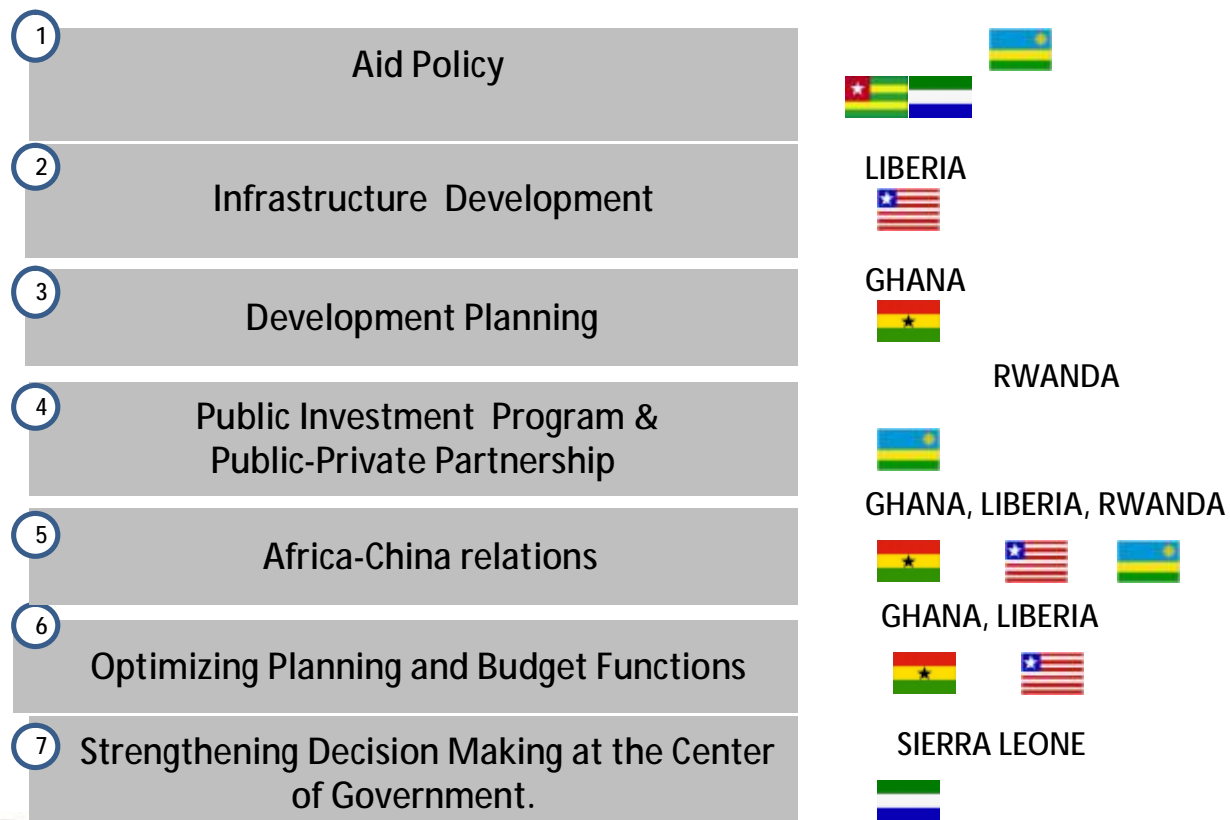
Fellows Program

- Augment governments' internal capacity by deploying skilled Africans from the Diaspora

ACET is engaged in considerable policy advisory and research across Africa

POLICY ADVISORY ENGAGEMENTS

- Current countries of engagement are Ghana, Liberia, & Rwanda, Sierra Leone & Togo



ACET is engaged in considerable policy advisory and research across Africa

POLICY RESEARCH INITIATIVES

- Our research work focuses on deepening understanding of issues related to structural transformation of African economies.

THE MIDFIELD:

- Modernizing Agriculture
- Investing in infrastructure
- Diversifying exports and increasing trade
- Fundamentally reforming Financial systems
- Increasing human capital
- Expanding employment
- Leveraging technology
- Driving transformation through development

- Our work will have 4 dimensions;
 - i. Monitoring countries' trajectories
 - ii. Identifying issues
 - iii. Highlighting regional dimensions
 - iv. Leveraging Asian development experience

Areas currently working on;

- African Economic Transformation Report
- Country Specific Studies
- Microfinance
- Health
- Entrepreneurship
- Domestic Resource Mobilisation
- Micro-Economic Benefits
- Regional Studies
- Other Research

THANK YOU