

**CHINA-DAC STUDY GROUP'S EVENT ON
DEVELOPMENT PARTNERSHIPS**

Opening Speech

By

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Protocol observed.

Ladies and Gentlemen,

I take this opportunity, on behalf of all participants in general and those from Africa in particular, to thank the organizers of the China-DAC Study Group for organizing this event on development partnerships. I also wish to thank the African Center for Economic Transformation for facilitating the recent consultations on Africa-China partnerships that was held by Video Conferencing, on October 20, 2009. The summary of the emerging issues from this consultation event not only confirms the shared opportunities and challenges that the China-Africa partnership has ushered in for African countries; but also serves as a wake up call to African policy makers to be keen on their part of the bargain.

The Importance of Partnerships

As you may know, partnerships are not only an integral element in personal relationships; they are also a vital element in shaping the nature of mutual survival and prosperity of communities and nations. If there were any doubts in the past in this regard, the concerted response that it has taken the nations of the world to avert the looming global economic recession brought about by the recent global financial crisis has silenced them. With regard to the specific reason that brings us here – sharing experiences and promoting

learning about growth and poverty reduction in China and African countries, I believe we can make the most of our time by together appreciating the current nature of the China-Africa partnership and the factors that explain it, and by being candid about where each party is set to go.

Why China is an Important Partner

China is not only a strategic partner for Africa. It is also an instructive partner. China's sustained rapid economic growth over the post-1978 reform era, which is also the era of globalization, is of worldwide importance. This growth experience has been based mainly on China's internal dynamics. China's growth path and its associated long-term-oriented institutions contradict many of the principles of the free market economy that are riddled across the African continent. China is one country, with about 1.3 billion people while Africa is made up of 54 countries and 1 billion people. Could there be any common denominators between the two, that Africa has not capitalized on? The search for answers to questions like this could not be any timelier; and I believe that the emergence of the DAC-China Study Group is a strategic development in this regard.

Just under four decades ago, development indicators for China were no different from those of many African countries. While China was able to reduce the share of its population in poverty from 65% in 1981 to only 4% in 2007, many African countries are still struggling

to halve the number of people living below the poverty line in their countries despite all the global support they have received under the MDG global campaign. Even more interesting is the manner in which China was able to free more than 600 million of its people from poverty in under 30 years. The spatial patterns of China's rapid economic transformation fundamentally challenge conventional geographies of urban and regional development. It is therefore not surprising that Africans, and the international donor community, are interested in understanding better how China developed its strategies and policies in the different aspects of development.

The Current Nature of the China and Africa Partnership

As far as the current nature of the China-Africa partnership is concerned, there is no doubt that China's emergence as a global power has helped to positively leverage developing countries including those in Africa in terms of their position in global trade negotiations. This is evident from the changing pattern of Africa's trade with the rest of the world. China is now Africa's third largest trading partner after the United States and the European Union. Its share in Africa's annual export growth has almost doubled since 2000. While Africa and China have been trading partners for centuries, the level and intensity of their relationship have significantly increased in recent years. Between 2001 and 2006, Africa's exports to and imports from China rose on average by more than 40 percent and 35 percent, respectively, significantly higher than the growth rate of

world trade (14 percent) or commodities prices (18 percent). Trade between China and Africa reached a record 106.84 billion U.S. dollars in 2008, up 45.1 percent from 2007.

As noted by the IMF, the China-Africa relationship today hinges heavily “on markets for each other’s exports and Africa’s demand for infrastructure, the Chinese corporate sector and joint ventures have supplanted government agencies. In other words, for Africa, China is now a major market, financier, investor, contractor, and builder—as well as donor”. This is a positive development despite the gaps and shortcomings that have been associated with this relationship. It is positive in the sense that it is not only benefiting individual African countries that are trading with China but is also helping Africa to slowly begin expanding its capacity for intra-African trade.

According to the 2008 International Trade Report, the annual change in Africa’s exports to the rest of the world reduced from 19% in 2006 to 16% in 2007, while that of imports increased from 14% to 24%. Intra-regional trade amongst African states over the same period reached over US \$ 40 billion, representing 11.4% of Africa’s exports. Compared to 2004, this represents a 14% increase. It is evident that while the rate of growth in Africa’s trade with the rest of the world is slowing down, the rate of growth in Intra-African Trade is picking up.

Where the China-Africa partnership should be headed

In terms of where Africa is headed, I recognize that there are many concerns surrounding the China-Africa partnership such as debt sustainability concerns, environmental issues, labour standards, concerns about counterfeit goods and the insolated nature of Chinese investments in Africa. Important as these issues are, I consider them symptomatic of the weak nature of many African states and less of a fundamental problem in the China-Africa partnership. With the respective institutions that are mandated to watch over these areas getting stronger in African states, we should be able to see these concerns fizzling out. I therefore wish to focus my attention on what I consider to be more fundamental hindrance to making the China-Africa partnership a win-win partnership for the people of China and Africa – the fragmentated nature of the African economic bloc.

There is currently a great awakening within the African continent that for it to reach its full growth potential, it is important that Africans accord facilitating trade among themselves the same attention, if not more, than they do to facilitating trade with the rest of the world. The African continent has enormous growth potential. Recent global economic trend confirm this fact in that while more established markets are heading for a recession, the African continent is experiencing high growth with average economic growth over the last four years eclipsing 5%. Both economic and political arguments suggest that increased Intra-African Trade (IAT) can foster a regional

take-off. A major constraint however to intra-African trade is the weakness or absence of regional and continental-scale trade infrastructure. Other obstacles include trade policy, non-convertibility of currencies, ethnic, cultural and linguistic diversity and political instability in some parts.

Official statistics show that Intra African Trade is a small fraction of each country's total trade and has remained roughly constant over the years. According to the United Nations Economic Commission for Africa, trade among African countries accounts for only about 10% of their total exports and imports. This unacceptably low level of trade among African countries has been attributed to poor transport links among African countries, with most African trade still going to and from the former colonial powers. It is therefore important that subsequent development cooperation between China and Africa focuses on scaling up engagement from country-specific approaches to regional and continental approaches. This will not only go along away in boosting Africa's capacity to be self-sustaining but will also lower the cost of doing business for Chinese firms in Africa.

The Need to Improve Communication Flow

In the same way that linguistic diversity is a binding constraint to trade integration among African countries, low cultural ties between China and Africa, especially in language, is proving to be a major barrier to effective and efficient partnership between the African and

Chinese people. The China-Africa partnership needs to pay more attention to tackling language barriers in the dealings of the business communities of the two regions. Addressing the language barrier will undoubtedly help Chinese and African domestic firms create value chain linkages that will see African entrepreneurs tap into their Chinese counter expertise and vice versa. It will also increase and diversify Africa's tourism revenues from the increasingly affluent Chinese communities seeking for leisure and recreations opportunities in Africa.

Technology Transfer – a Key Pillar

Another important issue that should not escape our attention in charting the future course of China-Africa partnership is the issue of technology transfer. Appropriate technology is very vital to the value-addition processes that many African countries need to turn around the perpetual problem of poor terms of trade brought about by their heavy reliance on export of primary products. While Africa also has a lot to learn from China with regard to domesticating embedded technologies that come with tied aid, it is very clear that tied aid is not the best vehicle for achieving the much needed technology transfer required to increase production and productivity of African firms and farms. Trade by itself will also not do much in this regard. What is needed is more direct investment in Africa by Chinese firms in the areas that helped China leap in its development path, especially in agriculture. It is important that these investments take

the form of equity investments and joint-partnerships between African and Chinese firms. This is something that African policy makers must be keen to stress in negotiating investment agreements with their Chinese counterparts.

Conclusion

In conclusion, the relationship between China-Africa is very important to both parties and the world at large. This relationship is getting stronger and deeper hence the need for more strategic commitment. It is clear that this relationship now needs to steadily pay more attention to supporting and promoting more coherent development strategies. This is especially so at the regional and continent level. In doing so, African policy makers must become more vigilant in defining and shaping the outturn of their partnership agreements with China. As they do so, it is important that they carry along their long standing bilateral and multilateral development partners in the changing dynamic that China's increasing role as an African development partner has ushered in.

I thank you all for listening to me and I wish you fruitful deliberations.

T H A N K Y O U