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Emerging trends and concerns in the economic diplomacy of African states

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Abstract: Increased globalisation has played a key role in shaping recent trends and concerns in the economic diplomacy of African states. African states are increasingly interested in becoming more relevant actors in the global economy. The economic diplomacy of African states is primarily a diplomacy of development aimed at improving the quality of life of African citizens. Economic diplomacy at both bilateral and multilateral levels is helping to articulate the key concerns of African states. This diplomacy in recent years has been defined by the engagement of African states with non-traditional partners such as China, India and Brazil and also a strong impetus towards greater economic integration within Africa. The renewed economic growth of African states spurred a much bigger middle class and the discovery of new natural resources has helped to create a great economic interest in Africa by both Western and non-Western states that have sought to engage African governments so as to further their own interests in economic diplomacy. In order to enhance the articulation of their economic interests, African states need to overcome key trade and investment barriers that still exist.

Keywords: economic diplomacy; trends; concerns; African States.

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1 Introduction

The new world economic order is characterised by increased globalisation which implies the development of closer linkages between states, societies, business and cultural entities in a world system. This emerging situation has presented both challenges and opportunities for the African continent. At the turn of the new century, Africa's share of world trade plummeted to levels below those in the 1960s when it had accounted for 2% of world trade. The erosion of Africa's world trade share has represented a staggering income loss of billions of dollars annually. Despite huge strides in economic development made in many parts of the world over the last few decades, many people in

Africa still remain in dire poverty. According to the 2007/2008 United Nations Human Development Report, the 20 countries with the lowest human development are all located in Sub-Saharan Africa (UNDP, 2008). Although globalisation can provide access to a global market for goods and services, the net result can also be to widen asymmetries in growth and development. It is argued by Amin, for example, that developed states form the global North or economic 'core' which dominates the international economic institutions and often influences developing country economic policies. These actions and policies can be unfavourable to the developing countries, including African states that are sometimes considered as being on the periphery of globalisation. Amin (1976) argues, for example, that the history of periphery capitalism is dominated by short-term miracles and long-term blocks, stagnation and even regression. These challenges have, however, also been accompanied by many new opportunities for economic diplomacy on the African continent. Trade and investment have often been identified as a vital engines of economic growth and development to facilitate an African renaissance in the 21st century. With the formation of the African Union in 2002 and associated institutions such as the New Partnership for Africa's Development (NEPAD), there was a renewed impetus for development on the continent. A new and better calibre of African leaders emerged in some countries in the 21st century, although with some notable exceptions. In recent years many interesting opportunities have emerged in Africa that have made Africa of great interest to emerging global powers such as China, India and Brazil that are all seeking additional trade and investment opportunities within the continent. These developments have helped to define the new economic diplomacy of African states. The economic diplomacy of African states can be considered in the context of both bilateral and multilateral diplomacy. Africa's awareness of economic diplomacy is sharper because of globalisation but the subject has always been important especially in the context of the diplomacy of development. What is, however, new is the sense of urgency that Africa should catch up with the rest of the world.

2 The conceptual foundations and historical evolution of the economic diplomacy of developing states

The economic diplomacy of African states can be understood in the context of the diplomacy of development. Diplomacy is primarily concerned with the management of relations between states and between states and other actors (Barston, 1997). During the Cold War diplomacy was informed primarily by power relations and the political and ideological interests of states. In post Cold War era, however, the agenda of diplomacy and the range of issue areas has continued to undergo considerable expansion and a key area of recent emphasis has been the economic interests of states. The economic diplomacy of African states is to a considerable extent a diplomacy of development. The diplomacy of development considers how developing states articulate their interests in the international system. The fundamental goal of development policy is to create sustainable improvements in the quality of life for all people. While raising per capita incomes and consumption is part of that goal, other objectives include reducing poverty, expanding access to health services, and increasing educational levels (World Bank, 2000b).

Recognising that developing states were individually unable to exert significant influence on the international system and its institutions, a number of countries, mainly

from the Southern developing region of the world, attempted to promote a collective identity. The 1955 Afro-Asian Bandung Conference in Indonesia is widely regarded as the first major step to forging that identity and is the genesis of what came to be known as the Southern perspective. It was led by Jawaharlal Nehru of India, Marshal Tito of Yugoslavia, Achmed Sukarno of Indonesia and Gamal Abdel Nasser of Egypt. The Southern perspective was given theoretical expression by dependency theorists who argued that underdevelopment was not due to endogenous factors such as the persistence of traditional institutions but due to the underdeveloped countries' long-term external relationship to world capital (James, 1997).

Heads of state initiated a dialogue among themselves that subsequently came to be known as the Non-Aligned Movement which was expanded to include a number of countries from Latin America. This movement served three main functions. Firstly, it was to be the developing countries' political arm for addressing initiatives against the remnants of colonialism. Secondly, it was to be their vehicle for positioning themselves outside the sphere of the Cold War scenario, and finally, it was to promote the interests of developing countries (Goldstein, 2003).

A fundamental priority of the developing states was addressing the issue of neocolonialism or the continued economic dominance of developing states by the industrialised states. A number of political leaders and scholars such as Nkrumah and Raul Prebisch argued that while the era of colonialism was largely over, former colonies were trapped in a capitalist international economic system which was dominated by institutions and mechanisms tilted in favour of developed states. For example, it was argued that multinational corporations and their subsidiaries controlled a substantial part of developing country economic resources (Leys, 1996).

Developing states turned to their membership in international organisations to foster Third World solidarity and momentum for change in the international system. In 1964, the United Nations Conference on Trade and Development (UNCTAD) was formed spearheaded by 77 developing states that came to be known as the Group of 77 (G-77). UNCTAD meets about every four years in the capital city of a developing state. While its membership has increased in recent years, G-77 has been the developing countries' representative at UNCTAD sessions. The G-77 sought to make UNCTAD a mechanism for dialogue and negotiation between developing and developed states (Spero and Hart, 2003). The creation of UNCTAD was seen by many developing states as way of emphasising and addressing the problems of trade and development in a broader and more open forum than GATT and eventually bringing a fundamental change in the international economic order. The development of these ideas fell into two periods. The first lasting from approximately 1964 to 1978 focused on restructuring North South relations. After 1978 the dominant focus shifted to using economic diplomacy to develop cooperation among developing states (Barston, 1997).

In Africa this found expression in a much greater push after 1980 towards regional integration initiatives. The record of UNCTAD, however, in terms of reform of the international economic order through multilateral diplomacy is limited although it has played an important part in elevating trade and development issues to broader attention thus informing the North-South debate.

OPEC helped to generate attention towards the concerns of developing states in 1973 when the cartel made up of oil-producing developing countries embargoed oil shipments to some of the developed states and significantly raised the price of oil. OPEC political and economic leverage resulted in the sixth special session of the UN General Assembly

in 1974, which called for the establishment of a New International Economic Order. This programme for action was designed largely to facilitate the pace of development among developing states and change the unequal economic balance between developing and developed states (Todaro, 1992).

The NIEO was seen by many developing states not so much as an attempt to fine-tune the existing international economic order but as an effort to elevate the issue of economic development to the top of the international agenda. The NIEO included calls for:

- firstly, the creation of an integrated programme for commodities (IPC) to stockpile and control the price of commodities
- secondly, extension and liberalisation of the generalised system of preferences
- thirdly, the development of a debt-relief programme
- fourthly, increasing official development assistance from the rich, developed states of the North to the less developed South
- fifthly, changing the decision-making process in major international institutions such as the United Nations, IMF and World Bank to give a greater voice to Southern states and reduce developed country dominance of these institutions
- sixthly, increasing the economic sovereignty of developing states.

Several initiatives were stipulated here including greater control by developing states over their natural resources; increased access to Western technology; the ability to regulate multinational corporations; and preferential trade policies that would ensure greater access to the markets of developed states. The implementation of many of these aspects has remained largely incomplete even up to the present and to a large extent continues to define the economic diplomacy of developing states, including African states (Todaro, 1992). The phase of the NIEO was a time of declaratory diplomacy but one could also consider the various generations of development thought.

3 The three generations of development thought and their impact on the economic diplomacy of African states

There have been three generations or decades of development thought. The economic diplomacy of African states, and of developing states in general, has been profoundly influenced by these three generations of development thought. This is because the diplomacy of African states has always been and continues to be primarily a diplomacy of development. The first generation emerged in the 1950s when development economists formulated grand models of development strategy involving structural transformation and a role for extensive government involvement in development planning. The dominant economic models such as the Harrod Domar growth model had policy implications that involved strong state action. To many of the early development economists, a less developed economy was characterised by pervasive market failures. This school of thought was also known as the structuralist school and emphasised rigidities, lags, shortages and surpluses, low elasticities of supply and demand, structural inflation and export pessimism in developing states. Believing that a developing country did not have a reliable market price system, that the supply of entrepreneurship was

limited, and that large structural changes were necessary, the first generation focused on the state as the major agent of change. To correct or avoid market failure, they advocated central coordination of the allocation of resources. In terms of economic diplomacy this state-centric approach implied that a lot of bilateral and multilateral aid resources were channelled through the state which was considered the main agent of development. It also reinforced the role of official or track one economic diplomacy which is conducted among states. Thus, the economic diplomacy of African states during the first generation was state-centric and reinforced the primacy of states in the development process. This trend also made African states appear as pawns in Cold War diplomacy which was prevalent at the time. Economic assistance by the superpowers was primarily given on the basis of ideological orientation.

The first generation arguably gave too much attention to physical capital in the development process at the expense of human capital. It was later increasingly recognised that development depended on productive human agents who through their acquisition of knowledge, better health and nutrition, and increase in skills would raise total factor productivity. Extensive government intervention also had adverse effects that could be considered as 'government failure'. These included the neglect of agriculture, the inefficiency of state owned enterprises and the adverse effects of import substitution. Price distortions became prevalent in wage rates, interest rates, and exchange rates. The policy challenge now became to 'get prices right' (Meier, 2001).

The second generation of development economics gave support to a resurgence of neo-classical economics. Governments were encouraged not only to remove price distortions but also to 'get policies right'. Not differences in initial conditions but differences in policies were not thought to explain disparate performances of the developing countries. A country was considered to be poor not because of the vicious circle of poverty but because of poor policies. Markets, prices and incentives were considered central in policy-making. In accordance with neo-classical economic theory, the second generation moved from high aggregative models to disaggregated micro-studies in which the units of analysis were production units and households. There was a marked shift from a focus on the process of development to an emphasis on particular aspects of underdevelopment. Numerous studies, for example, by Krueger criticised price distortions, high rates of protection and rent-seeking. The first generation has presupposed that the government consisted of benevolent guardians acting in public interest. The second generation also focused on an overextended and exploitative or predatory state. It profoundly influenced the economic diplomacy of African states because African states receiving bilateral and multilateral aid faced conditionalities that required them to implement liberalist neo-classical economic reforms. In the 1980s and 1990s, however, market failures emerged. There was increasingly a recognition of the existence of imperfect and costly information. Risk and information imperfections became highly relevant for developmental analyses. The adverse effects of SAPs especially on growth and vulnerable groups in African states called in question the wisdom of the second generation policies (Meier, 2001). Neither the first nor second generation of development thought delivered any real value to African states. That failure was, however, a precursor to the present shift where African states seem to focus on what they can deliver themselves via economic diplomacy. This explains the increased focus on South-South and especially intra-African cooperation.

The third generation of development thought recognised that development implies growth plus change. There is a greater emphasis on 'quality growth' which incorporates

broader criteria of development such as poverty reduction, distributional equity, environmental protection and the enhancement of human capabilities. The notion of the enhancement of human capabilities based on the work of Sen (1999) has a profound influence on the way development was conceptualised. Sen argues that the goal of development is to expand the capabilities of people to live the lives they choose to lead.

Human development is therefore a process of enlarging people's choices. At all levels of development three choices are essential: for people to live a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. Additional choices valued by people range from political, economic and social freedom to opportunities for being productive and creative, and enjoying personal self-respect and guaranteed human rights (Sen, 1999).

Employment creation will remain a central concern for development scholars in the third generation. The need to create jobs will be especially pressing given that the world's labour force will increase by 40% over the next two decades with 95% of the increase being in developing countries. The third generation has also been marked by its focus on improving institutions. The role of institutions is vital to enable one to appreciate the heterogeneity in the experience of developing states. The focus in the third generation currently is on 'getting institutions right' (Meier, 2001). Institutions are rules of the game or humanly devised constraints that shape human interaction including both formal rules (constitutions, laws and regulations) but also informal constraints (norms of behaviour, conventions and self-imposed codes of conduct). The institutional environment is critical to development. The most critical third generation challenge faced by African states is a crisis of institutions that do not in most cases effectively serve the common good. High levels of income inequality also remain a major challenge. High levels of unemployment also remain a significant policy challenge in most African states. The economic diplomacy of African states continues to be shaped by the broad concerns of the third generation of development thought. African states engage in bilateral and multilateral diplomacy primarily in an attempt to address the key economic challenges and concerns that they face in their development. Unlike the state-centric economic diplomacy of the first generation, the third generation's economic diplomacy has a multiplicity of actors including private sector organisations and non-governmental organisations.

4 The engagement of African states with non-traditional partners

Traditionally, many African states engaged closely in economic terms with their former colonial powers. Former colonies of Great Britain for example developed many economic opportunities with Great Britain and trade and investment opportunities tended to be heavily skewed in favour of these former colonial powers. Kenya, for example, up to the turn of the century had heavy investment and trade with Great Britain. Former French and Belgian colonies tended to have significant economic relations with their former colonial powers.

In building the relations between Africa and other continents many African states have developed new strategic partnerships with non-traditional partners. A key partner that has emerged for African states has been China. The Forum on China-Africa Cooperation was established in 2000 to promote trade and investment with 44 African states and held its first heads of states-level summit in Beijing in 2006. The aim of the forum is to strengthen economic cooperation between African states and China. It aims to

address areas of cooperation on regional and international issues including climate change and a developmental approach to WTO negotiations. In some countries China has even begun to challenge the influence of the USA. China has been developing close economic relations with governments in the Gulf of Guinea, from Angola to Nigeria as well as the Central African Republic, Chad, Congo, Libya, Niger and Sudan (Zweig and Jianhai, 2005). China's global economic strategy is predominantly shaped by its own development objectives and its demand for energy and other resources. These considerations inform China's interaction with African states. In general, China's diplomacy in Africa is structured on a bilateral basis with negotiations being held between China's central government and its African counterparts. However, an increasing number of Chinese local governments also act independently of the national government to establish economic engagements across Africa.

The disaggregation of China-Africa trade indicates that Africa's trade with China is highly concentrated in only a few countries. Around 60% of Chinese exports are destined for only six countries: South Africa (21%), Egypt (12%), Nigeria (10%), Algeria (7%), Morocco (6%) and Benin (5%). 70% of China's imports originate from four African states: Angola (34%), South Africa (20%), Sudan (11%) and Republic of Congo (8%) (African Development Bank, 2010). China-Africa trade is not only skewed towards certain countries but also towards certain economic sectors. 70% of Africa's exports to China consist of crude oil and 15% consist of raw materials. Agricultural exports have only a modest share even though they constitute the bulk of the exports of some African states. African exports to China are therefore not well diversified with the exception of China. The structure of Africa's imports from China is also similar with the dominant products being machinery, transport equipment and manufactured products (African Development Bank, 2010).

In terms of foreign direct investment, the main recipients of Chinese investments were South Africa, Nigeria, Sudan, Zambia and Algeria. The significance of Nigeria, which is Africa's leading oil producer, reflects the Chinese strategy of attempting to achieve energy independence. The key sectors in Africa that received FDI flows from China in 2006 were the mining sector, business services, finance, transport and telecommunications, wholesale and retail trade, manufactured goods with other sectors being significantly underrepresented. For example, agriculture, forestry and fisheries attracted less than 1% of Chinese foreign direct investment. The three leading investors in African companies are Chinese state owned oil companies (African Development Bank, 2010). China has a special significance for African states since many African states still regard it as a fellow developing country.

Economic relations between African and India have also grown considerably in recent years. India's investment in Africa in the year 2000, for example, was 10 billion Rupees in 2006. India has, for example, had a historically strong economic and cultural relationship with South Africa. This has translated into a vibrant bilateral economic diplomacy between the two states. Since the 19th century, ethnic Indians have established communities in every continent including the African continent. India and South Africa have a 150 years old strong cultural relationship which is an added advantage towards strengthening the economic and trade relationship. The bilateral trade doubled from \$3.18 billion in 2004–2005 to \$7.73 billion in 2009–2010. Both states have recently developed close strategic, cultural and economic ties. At present, there are close to 1.3 million Indians living in South Africa, most of them belonging to fourth or fifth generations. With India as part of the India-Brazil-South Africa (IBSA) dialogue forum,

the ties further solidified with South Africa's 2011 acceptance into the BRICS group. India shares an important energy partnership with South Africa. India's largest import from South Africa is coal, which amounted to about US \$1.5 billion. On the other hand, South Africa imported mainly information technology services and pharmaceutical goods from India. India has become the sixth largest trading partner to South Africa from the Asian region. The two countries have set a target of achieving US \$15 billion bilateral trade by 2015 (The Diplomatic Society, 2012).

African states have also in recent times enhanced their economic relations with Brazil. Historical ties between Brazil and Africa are strong: almost half of Brazil's nearly 200 m citizens trace its heritage back to Africa. At the same time, 'South-South' trade is an increasingly important theme in Africa's economic diplomacy. Brazil, the world's sixth largest economy and an emerging global power, has been a critical player in this theme. Although down from its peak of US\$ 26 bn in 2008, Brazil's US \$20 bn in trade with the continent in 2010 ranked it third behind China and India, and represented a five-fold increase in such trade since 2000 (\$4 bn). Brazilian FDI to Africa, although only 6% of total outward FDI, at more than \$10 bn in 2009, has also been growing since 2000. President Luíz Inácio Lula da Silva's foreign policy emphasis on Africa paved the way for such trade with and investment in the continent by an increasing number of Brazilian companies. This trade and investment has taken place mostly in natural resources, agriculture, and infrastructure (Diverging Markets, 2012).

Despite its cultural and historical links to Lusophone countries in Africa such as Angola, Mozambique, Cape Verde, Guinea Bissau and São Tomé and Príncipe, Brazil is increasingly doing business with non-Lusophone Africa with 61% of its trade coming from Nigeria, Algeria, South Africa and Libya. Brazil is active in 38 African countries via development aid, trade or private investment. Trade between Africa has jumped from \$4 billion in 2000 to nearly \$27.7 billion 2011 and up by 35% compared to 2010. Brazil recently invested \$3 million over a period of three years to help Senegal reach food security. Brazil is contributing \$7 million during the first stage of a 20-year programme to boost local agriculture and introduce new technologies to improve productivity in African states. The Brazilian Cooperation Agency (ABC), which is an arm of Brazil's Ministry of Foreign Affairs notes that the volume of aid and technical assistance has more than doubled in three years and is due to exceed \$400 million this year with more than half of it being directed towards Africa (Diverging Markets, 2012).

Negotiations are also underway in many African states to further strengthen economic relations between Africa and Latin America. Kenya, for example, recently opened its first permanent mission in Latin America in Brazil. The agenda for South-South cooperation has been informed by a broader objective of promoting multilateralism in the interests of the developing world.

5 Africa as the continent of opportunity

The economic diplomacy of African states has also been informed by a recent economic resurgence of the continent which has created many new opportunities. Africa has more than 900 million consumers. Despite the challenges on the continent these people need to eat, they need clean water, they need shelter, clothing, and medicine. Many of the people also want cell phones, bicycles, computers, cars and education for their children. Many businesses are already seizing opportunities to build markets across Africa. There are, for

example, more than 130 million Africans with cell phone subscriptions and it is the fastest growing mobile phone market in the world. Africa's growing market has interested many international companies from both Western and non-Western states and in vital ways informs recent trends in economic diplomacy. The opportunity in Africa is also bigger than the continent with millions of Africans in the global diaspora sending billions of dollars back to Africa as well as bringing their experience and knowledge back home to Africa. It is estimated that \$44 billion is sent to Africa by immigrants from abroad (Mahajan, 2009).

Over the past decade six of the World's ten fastest growing economies were African. In eight of the past ten years Africa has grown faster than East Asia, including Japan (Africa has a fast growing middle class with around 60 million Africans having an income of \$3,000 per year with 100 million expected to have reached middle income status by 2015-almost the same as in India now. The rate of foreign investment has increased about tenfold in the past decade. Increased Chinese involvement in Africa has improved Africa's infrastructure and boosted its manufacturing sector. Other non-Western countries such as Brazil, Turkey, Malaysia and India are following its lead (*The Economist*, 2011).

The existence and discovery of oil in several regions of Africa has also informed the recent economic diplomacy of African states. In 2003, Prime Minister Wen of China visited several oil-producing African states accompanied by Chinese oil executives, and President Hu visited Algeria, Egypt and Gabon (Zweig and Jianhai, 2005). Until last year the East African region was thought to have no more than 6 billion barrels of proven oil reserves compared with 60 billion in West Africa and even more in North Africa. Kenya, the East Africa's region's largest economy on March 26th 2012 announced a major oil find in Turkana in the Northern part of the country. A British oil firm, Tullow, compares the prospects in the Turkana region and across the border in Ethiopia to Britain's bonanza from the North Sea (*The Economist*, 2012). The discovery of new oil deposits will considerably impact the economic diplomacy of the states involved bringing new actors and interests. Oil can prove to be both a blessing and a curse as the experience of African states such as Nigeria shows.

6 Economic integration among African states

Emerging regional trading blocs in Africa present considerable trade and investment opportunities and also constitute a key pillar of the economic diplomacy of African states. Many African states, for example, Kenya and South Africa now view membership and participation in these trading blocs as a key part of their economic diplomacy. The Abuja Treaty of 1991 envisaged an African economic community but progress has been mostly sub-regional. The main economic integration schemes in Africa are the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC), the Economic Community of West African States (ECOWAS) and the East African Community (EAC) (World Bank, 2000a). Many of these trading blocs such as the East African Community are increasing being marketed as one investment area providing firms with economies of scale and access to much broader base of consumers.

The project of economic integration in Africa can be contextualised within the broader framework of the African Renaissance. Okumu (2002) argues that the idea of an

African Renaissance has been around since 1996 but is still difficult to concisely articulate the intellectual basis of the movement. He notes that renaissance is not exclusively concerned with economic growth although it might contribute to it. Renaissance can be conceptualised as a rebirth, rediscovery, renewed commitment and achievement usually associated with a fresh sense of personal identity that leads to a sense of well-being. As part of a new paradigm for long-term and sustainable growth, Okumu argues that economic integration is vital for the success of an African Renaissance. He contends that the main preoccupation of African states since independence in the early 1960s has been the pursuit of economic integration as a means of achieving economic development. He further adds that despite the slow progress and severe setbacks that African states have experienced in their pursuit of economic integration in the post-independence era they must persist in pursuing this goal until success is achieved. He argues that economic integration is a key strategic policy that could remove the constraints of a limited market by increasing intra-African trade specialisation and allowing African countries to benefit from the process. He posits that existing economic groupings in Africa need much firmer underpinning in their political and economic realities if they are genuinely to stimulate intra-regional trade. He notes that it is in the interest of stronger economies to help create opportunities in neighbouring states to counter-balance the pressure on a few regional metropolitan areas where high expectations put unbearable stress on the existing facilities.

Nyong'o Anyang' (1990) comments on the unfinished agenda in regional integration in Africa. He traces the evolution of regional integration in Africa from the formation of the Organisation of African Unity. After the establishment of the OAU it produced the Lagos Plan of Action after 20 years. He notes that concern for regional integration in Africa has not necessarily led to action. Subjective feelings are also not commensurate with the ability to confront objective circumstances so as to change life for the better. He considers the experience of the East African community which economically made a lot of sense but politically failed to survive because of the claims of national sovereignty and ideological divergence of the East African partner states.

To succeed in the 21st century, Africa has to become a full partner in the global economy. Despite past failures and the lacklustre implementation of existing schemes, the case for Africa's economic integration remains compelling (World Bank, 2000a). A critical policy question identified by the World Bank (2000a) Report is that of how regionalism can help Africa to achieve its development goals in a globalised economy. It contends that the results of integration in Africa have been modest because of economic integration arrangements that are sometimes overlapping with countries subject to conflicting obligations. It contends that there have also been wide variations in the nature and speed of integration. It is also argued that the design and objectives of economic integration schemes have often been driven by a preference for formal trade and factor market integration rather than by basic policy coordination and collaboration in regional projects. The models of economic integration have therefore often been over-ambitious. African integration schemes, it is noted, have also suffered from implementation lapses, including those arising from weak governance.

Todaro (1992) argues that while an integration strategy seems persuasive on paper and may in fact be the only long run solution to the economic problems of small states, in practice economic integration requires a degree of statesmanship and regional rather than nationalistic orientation which is often lacking in many developing states. He argues that the case of the East African community demonstrates how political and ideological

conflict can more than offset the economic logic of cooperation. He, however, notes that over time if developing states continue to see their destinies as more closely intertwined to those of their neighbours and the pursuit of greater collective self-reliance and self-sufficiency gathers momentum the pressures for economic integration will gradually overcome the forces of separation and continued dependency.

7 Concerns for African states in the current WTO Doha Trade Round

An important aspect of the multilateral economic diplomacy of African states is their participation in the WTO Doha trade round. The current round of WTO multilateral trade negotiations was launched in November 2001 in Doha, Qatar. It is intended to enhance the development relevance of the WTO although expectations for its successful conclusion remain mixed. The collapse of the Doha Ministerial in Cancun, Mexico in September 2003 underscored the challenges faced by the negotiators (Braga and Grainger-Jones, 2006). African states have several key concerns relating to the Doha round.

Agriculture remains a fundamental concern for African states because many of their economies are still predominantly agricultural. The WTO Agreement on Agriculture is seen as one of the most controversial. African, and other developing countries, accepted the Uruguay Round Agreements as a whole mainly because they thought they would benefit from agricultural liberalisation and subsidy reduction in the OECD countries under the Agreement on Agriculture. However, these promises were often not fulfilled and loopholes such as the 'Green Box' permitted supposedly non-trade distorting subsidies by the developed countries. As a result, OECD countries' agricultural subsidies have been legitimised and have increased rather than decreased since the Uruguay Round (Jawara and Kwa, 2004).

The General Agreement on Trade in Services (GATS) is also of concern to African states. Trade in services was brought into GATT for the first time under the Uruguay Round despite misgivings among developing states. As a compromise it was agreed that a 'bottom-up' approach would be used so that each member would have the right to decide on the sectors it would open up and the limitations to liberalising each sector. However, the GATS agreement is one from which the African states reap little benefit because of the unequal competitive positions of service suppliers from the North and South. African countries have therefore been put under considerable pressure to liberalise in service sectors where they cannot compete thus adversely affecting local service industries and development objectives. International trade in services is dominated by a few large multinational corporations and given their massive financial strength, world-wide networks and access to sophisticated information technology infrastructure, it is difficult for indigenous African country providers, which are mainly small and medium enterprises, to catch up (Mudida, 2009).

Yet another area of concern for African states in the Doha Round is the Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement. Intellectual property rights were brought for the first time into a multilateral trade framework during the Uruguay Round. This was done especially at the request of multinational corporations in the pharmaceutical and information technology industries, especially in the USA, which claimed they were undergoing significant losses from the inadequate protection of their intellectual property abroad. African states, like other developing countries, resisted the

TRIPs agreement on the basis that it would benefit multinational corporations while preventing their own enterprises from copying technologies to develop as had been done historically in the developed countries. The TRIPs agreement, however, came into effect in 1995 and it sets high standards of protection for patents, copyrights, trademarks, and industrial design and licences, allowing patents to be granted on products and processes for 20 years. The issue of patenting of life forms under the TRIPs agreement also received widespread criticism from African states. In addition to raising fundamental ethical issues such as the patenting of the human genome, the agreement has in a sense facilitated 'biopiracy' through the patenting of life forms, including plants and their medicinal functions, which were previously available for public use in African states (Jawara and Kwa, 2004).

In order to enhance their capacity to negotiate in multilateral negotiations many African states have invested considerably in training for skilled negotiators. In Kenya, for example, public officials and diplomats engaged in economic diplomacy have in recent years been undergoing considerable negotiations training. Such training has been even more intensive for individuals of African states engaged in multilateral diplomacy. Yakop and Bergeijk (2011) demonstrate that diplomatic representation via embassies and consulates is not relevant for enhancing trade within the OECD but it is significant in the bilateral relationships of developing countries. Diplomats in African countries now frequently undergo courses on negotiation to make them more effective in articulating the economic interests of their states.

8 The way forward for the economic diplomacy of African states

African states therefore face a number of challenges in their economic diplomacy. African countries have considerable potential, but realising this potential requires action on several fronts especially to raise international competitiveness. The East Asian experience also reinforces the argument that the state can play an important role in promoting exports by establishing a pro-export incentive structure that coexisted with moderate but highly variable protection of the domestic market (World Bank, 1993). A variety of instruments were used in East Asian countries including export credit, duty-free imports for exporters and their suppliers, export targets, and tax incentives. These measures can be studied by African governments and adopted where appropriate.

African tariffs and other trade restrictions are still higher than in other developing regions and anti-export bias is still considerable. This has significant impact especially because of the small size of African economies and the importance of imported inputs. Many African states are still heavily dependent on trade taxes for about one-third of government revenue (World Bank, 2000a).

It is vital to introduce complementary measures beyond trade policy to improve Africa's competitiveness. Trade reforms need to be accompanied by measures that lay a firm foundation for investment and production. These include an effective and non-corrupt tax administration, functioning commercial courts, reliable infrastructure, and a working financial system (Mudida, 2009).

Given shortfalls in domestic investment because of low incomes, it is vital for African states to attract substantial investment to the export sector. A major challenge in this respect is that many African countries are still ranked among the riskiest places to do business and even retaining domestic savings is difficult. A critical priority is for African

governments to provide a safe and profitable business environment. Institutional reform is vital in improving the business environment. Institutions in this context refer to sets of formal or informal rules governing the actions of individuals and organisations and the interactions of participants in the development process (World Bank, 2000b). Formal legal rules may, for example, ensure that contracts are enforced, property rights honoured and competition maintained. Informal rules relate to unwritten rules which are deeply embedded in a society's culture and reflect its fundamental values. Institutions simultaneously enable and constrain the actions of individuals or organisations. Institutional reforms specify new rules or change old ones with the intention of changing the behaviour of individuals and organisations. African states should aim to create institutions which aim to promote entrepreneurship, profits and capital accumulation while achieving an overall objective of promoting the common good (Rwegasira, 2003). It is necessary to undertake measures to strengthen the state and manage public resources in more accountable ways. Domestic and international pressure must be sustained so as to ensure greater entrenchment of democratic values in many African states. Such values combined with a greater concern for the common good will help to stem the massive levels of corruption that have impeded development in many parts of Africa. Effective institutions are the foundation of development and hold the future for many African states (Mudida, 2011). Institutional reform will also help to reduce protracted conflicts in many parts of Africa because it will ensure that basic needs of the larger proportion of the population are more adequately met. There are close linkages between security and development (Mudida, 2008).

Economic Partnership Agreements (EPAs) also constitute an important vehicle for improving Africa's trade prospects in the 21st century. They are based on the principle of 'more trade not aid'. An example is the attempt to create a free trade area between the European Commission of the European Union and the Group of African, Caribbean and Pacific (ACP) countries. The EPAs are a fundamental element of the Cotonou Agreement which is the latest agreement in the history of ACP-EU Development Cooperation. The Cotonou Agreement aims at poverty reduction while contributing to the sustainable development and gradual integration of the ACP countries into the world economy. The African Growth and Opportunity Act (AGOA) was signed into law on May 18th 2000 and offers incentive for African states by expanding preferential access for imports from selected Sub-Saharan African states into the US market. The AGOA Acceleration Act of 2004 extends preferential access for imports from beneficiary African states until September 15th 2015. Specific criticisms that have arisen with regard to AGOA are that African states had little input into its preparation and also that it violated WTO rules. In order to better exploit the provisions of AGOA African states should insist on a greater role in the negotiation of future extensions (Mudida, 2009).

Despite past challenges such as overlapping membership, the case for stronger economic integration in Africa remains compelling. There is a widely held view within Africa that African unity could help stem its political and economic marginalisation. The promise of pan-Africanism has kept alive the ideals of the Lagos Plan of Action despite formidable challenges in implementation. Thus, a vital policy question for African states in the 21st century is how regionalism can help to attain Africa's development goals in a globalised economy. It is vital that a regionalism with a more flexible design is stressed, based on cooperation among countries to jointly implement specific projects. Such cooperation should include transportation and communications infrastructure in addition to investment regulation and trade policies (Mudida, 2009).

Since many African economies are small, both individually and in sub-groups, the potential welfare gains from freer trade in Africa may be limited in the short to medium term. This implies that perhaps the principal focus of integration should be on promoting investment rather than intra-regional free trade. The creation of an economic space where investors can produce for regional as well as global markets may provide small African economies with better growth opportunities than simply removing trade barriers among themselves (Mudida, 2009).

The concerns that African countries have relating to the current WTO Doha Round underscore the need to pay more attention to multilateral negotiations and try to influence the outcome. Many African states do not even have representatives at the WTO. African states should participate more fully in setting the global trade agenda and partner with other developing countries, for example, in Latin America and Asia to negotiate for the dismantling of restrictive trade practices that inhibit export diversification in poor countries. To improve the multilateral trade regime, institutional reforms within the WTO are required. These reforms should focus on how decisions are made, what gets put on the agenda, how disagreements are resolved and how rules are enforced (Stiglitz, 2006). Such reforms, if effective, will ensure that the benefits of globalisation are more equitably shared. The agricultural sector, for example, accounts for almost two-thirds of the economic gains that could be obtained by dismantling the present global system of merchandise trade barriers and farm subsidies (Anderson and Martin, 2006). Africa can claim the 21st century and its expanding trade and investment opportunities will make it one of the most attractive regions in the years to come.

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