United Nations
Office for South-South Cooperation

South-South Ideas

South-South Cooperation Modalities and Instruments for Accelerating Regional Trade in Africa

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Abbreviations and Acronyms

ACBF	African Capacity Building Foundation
AfCFTA	African Continental Free Trade Area Agreement
AfDB	African Development Bank
AFREXIM Bank	Africa Export Import Bank
AIIB	Asian Infrastructure Investment Bank
AMU	Arab Maghreb Union
ARC	African Risk Capacity
ARIIs	African Regional Integration Index
ASEAN	Association of South East Asian Nations
ASI	African Solidarity Initiative
AU	African Union
B2C	Business to Consumer
BIAT	Boosting Intra-African Trade
BITs	Bilateral Investment Treaties
CADFund	China-Africa Development Fund
CAF	Development Bank of Latin America
CENSAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Corona Virus Disease
DBSA	Development Bank of Southern Africa
EAC	East African Community
EADB	East African Development Bank
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EPAs	Economic Partnership Agreements
EU	European Union
FDI	Foreign Direct Investments
FOCAC	Framework on China-Africa Cooperation
GDP	Gross Domestic Product
IBSA	India, Brazil and South Africa

ICT	Information Communication Technology
IF	Integrated Framework
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
ITC	International Trade Centre
LAC	Latin America and the Caribbean
LDCs	Least Developed Countries
MFA	Multi-Fibre Agreement
MISCA	Mission to the Central African Republic
MRTA	Multilateral Regional Trade Agreement
NAFTA	North America Free Trade Area
NDB	New Development Bank
NEPAD	New Partnership for Africa's Development
OECD	Organization for Economic Cooperation and Development
OFDI	Outside Foreign Direct Investment
PCRD	Post-conflict Reconstruction and Development programme
RCEP	Regional Comprehensive Economic Partnership
RDBs	Regional Development Banks
RECs	Regional Economic Communities
RTAs	Regional Trade Agreements
SADC	Southern Africa Development Community
SADPA	South African Development Partnership Agency
SDGs	Sustainable Development Goals

Executive Summary

For many years the lack of capacity - defined as the ability to deliver individual, organizational and state objectives and mandates - constrained Africa from taking advantage of trade and investment opportunities presented by the global economy. However, the continent has made significant strides in lifting some of the constraints hindering its efforts in achieving sustainable development and reducing abject poverty. In this regard, African governments have become increasingly aware of the importance of developing capacity to promote trade and attract investments for Africa to participate more effectively in the global economy and to reap the full benefits of globalization. To this end, a range of policies should be developed and implemented with a view of improving the capacities of countries to expand their trading and investment horizons.

There is widespread agreement among policy makers on the desirability and necessity of accelerating regional integration in Africa and on the lessons that the continent can draw from the experiences of the Global South and their actions on South-South cooperation (SSC) to foster development. The fundamental issue is how best to integrate in a way that is sustainable and contributes to development of the continent.

Understanding South-South Cooperation and its potentials

South-South Cooperation (SSC) is understood to mean the exchange of resources, technology, and knowledge between countries of the Global South. There is now an attempt to include all collaboration between developing countries in that definition, along with the sharing of resources and costs for mutual benefit. Developing countries see SSC as a way of promoting self-sufficiency among southern nations and strengthening economic ties among these states. The nature of SSC has evolved over time from a focus on defeating colonialism to greater mutual partnerships based on economic diplomacy, which has coincided with the shift in the balance of economic and political power in the world. Countries are keen to explore how they can benefit from ideas that have worked elsewhere, using them to advance development.

There is an ongoing debate about the benefits of SSC, particularly with respect to trade, for Africa. These discussions have partly resulted in several initiatives including the formation of regional economic communities (RECs) and the recent African Continental Free Trade Area Agreement (AfCFTA), which African countries signed among themselves and commits them to remove tariffs on 90 percent of goods, progressively liberalize trade in services, and resolve non-tariff barriers to trade. The real test of the AfCFTA as an SSC initiative will be how quickly African countries can accelerate export diversification and product sophistication, and make trade more inclusive and increase levels of regional integration within the region.

Constraints and challenges to increasing trade and investments in Africa persist

Since the 1980s, African countries have sought to liberalize their economies and prioritize the promotion of trade and inward investments as core development strategies. The EU has been calling for trade and investment liberalization in Africa within the context of Economic Partnership Agreements (EPAs), as a way of promoting investment and trade activities on the continent. Indeed, as members of the WTO, several African countries have ratified the Agreement on Trade and Related Investment Measures (TRIMs), which prohibits governments from requiring foreign investors to use locally produced inputs. This requirement, however, which should have served to strengthen domestic input-output and intersectoral linkages is weakening local content and value-addition. Instead, in the dash to provide protection and market to the so-called investors, several African countries negotiated bilateral investment treaties (BTIs), which they are required to implement or else penalized for failure to do so. African governments have also taken various incentive measures to promote trade and investments. With respect to investments, some of these measures included setting up of export processing zones, reducing or removing taxes, granting the right to foreign investors not to reinvest locally generated profits, and exempting them from the rule or practice of applying labour and environmental laws. However, the plethora of pro-trade and pro-investment measures has failed to improve Africa's position significantly. The capacity challenges to the promotion of trade and investment in Africa are wide-ranging including ensuring integrated trade and investment policies, weak regulatory frameworks, poor infrastructure and connectivity, weaknesses in influencing and setting local development agenda, inability to withstand shocks, pandemics and public health, institutional weaknesses in lead government departments, inability to adopt and operate global trading norms, limited donor coordination, dumping problems, weak ICT infrastructure for e-commerce, constraints associated with TRIPs and limited private sector-government engagement.

South-South Cooperation in the recent past

Despite the constraints, South-South cooperation has grown rapidly in importance. This is as true of the trend in trade and direct investment as it is of credit relationships between developing countries and of development cooperation (low-interest loans, grants and technical cooperation). Over the past decade South-South trade has expanded more quickly than North-South trade. The economy of the 'Global South' more than quadrupled from 2000 to 2016, to $30.9 trillion (UNCTAD, 2019c). But the trade and investments remain vulnerable to shocks and power inequality even within the Global South. South–South trade stood at almost US$ 5.5 trillion in 2014. After 2 years of decline, South-South trade recovered to about 4.9 trillion US$ in 2017 and exceeded its 2014 levels in 2018, reaching US$5.6 trillion (UNCTAD, 2019c). The COVID-19 outbreak only serves to confirm this reality. Historically SSC remained a governmental policy linked to foreign policy. As a result, the role of non-state actors in shaping and implementing its policies overall remains weak or non-existent. However, this is changing in many countries depending on the sectors of intervention. Countries where the private sector has been prominent in the development of cooperation activities in recent times include Turkey, the UAE and China. The bilateral arrangements between the countries are increasing being implemented through the engagement of the private sector.

South-South Cooperation for enhancing trade and investments in Africa: the way forward

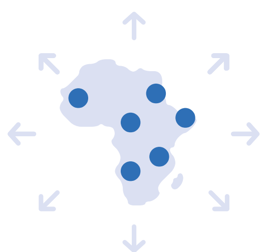
Given the challenges and causes underlying the lack of capacity in trade and investment promotion in Africa, the continent should take advantage of SSC and devise creative responses, strategies and mechanisms going forward. It is crucial that African governments and countries should gear their efforts towards creating a conducive environment that fosters the development of human and social capital. New training and incentive systems should be developed to train and to retain qualified personnel in the public and private sectors. Such an environment would also encourage individuals and organizations to develop their own capacities to actively participate in the global economy. African countries need to foster the emergence of quality institutions to ensure the effective implementation of sustainable trade and investment programmes and policies through reforms in various areas such as education, tax and labour regulations, financial sector, and legislation on property ownership, among others. The countries should also continue to support the NEPAD STAP agenda, especially in terms of infrastructure development. However, the reforms to address trade and investments issues should align with the rest of Africa's development agenda, especially with regards to poverty reduction.

The private sector should also become a key player in the continent's fight against poverty by leveraging its expertise to raise finance, spur innovation and transfer technology and bring efficiencies that arise from the commercial budget discipline. A weak private sector is unable to mobilize and leverage financing or obtain the technology and innovation necessary for increasing productivity, a green transition and inclusive development. However, there is greater awareness of the externalities that private sector entities generate from their operations prompting calls for corporate social responsibility and accountability.

With the recent COVID-19 outbreak every country is under financial pressure, where possible, new capital injections by the stronger shareholders would be a wise way to deploy scarce resources since these regional institutions are well positioned to support cross-border initiatives necessary to build transnational resilience to crises. Because these new banks have good working relationships with multilateral institutions as well as with national commercial and development banks, they could leverage this position to absorb funds from the larger institutions for managing critical regional initiatives to build regional public goods and exploit a capillarity already in place to distribute resources across their member states. This form of SSC action would bring much needed liquidity to cash-strapped countries like Malawi, Somalia, Central African Republic and Eritrea. SSC should be fostered as a move away from the 'post-colonial' narrative of traditional overseas development assistance and be predominantly demand driven to foster solidarity rather than stemming from donor-country interests based on solidarity. In this regard, African countries do accept that South-South cooperation presents them with a viable path to sustainable development given the renewed emphasis on solidarity in the Global South.

Introduction

Africa has made significant strides in lifting some of the constraints hindering its efforts in achieving sustainable development and reducing abject poverty. Most of the constraints and challenges are linked to ineffective policies, poor management systems and frameworks, weak governance, conflicts, health crises and heavy external debt (Sako and Ogiogio, 2002; Lopes and Kararach, 2019).



African governments have become increasingly aware of the importance of developing capacity to promote trade and attract investments for Africa to participate more effectively in the global economy and reap the full benefits of globalization.

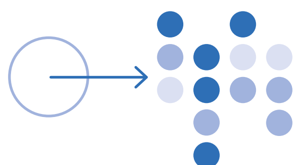
All these factors are affecting the patterns of trade and investments in Africa for example, HIV/AIDS is affecting the quality of labour required for trade and investment activities and is eroding available financial resources. COVID-19 has disrupted various supply chains and general economy activity. In this regard, African governments have become increasingly aware of the importance of developing capacity to promote trade and attract investments for Africa to participate more effectively in the global economy and reap the full benefits of globalization. To this end, a range of policies should be developed and implemented with a view of improving the capacities of countries to expand their trading and investment horizons.

There is widespread agreement on the desirability and necessity of accelerating regional integration in Africa and on the lessons that the continent can draw from the experience of the Global South and their actions on South-South cooperation (SSC) to foster development. The fundamental issue is how best to integrate these lessons in a way that is sustainable and contributes to development of the continent. Viner (1950) and subsequent elaborations by economists have raised possibilities of both gains (trade creation) and losses (trade diversion) from greater regional integration and trade-related cooperation. Economic theory suggests both trade-related conditions may exist with high levels of complementarity. For example, Samuelson-Stolper theorem suggests trade liberalization has reductive effects on inequality through wage equalization across sectors and regions (Samuelson and Stolper, 1941; Cerdiero and Komaromi, 2017; Banerjee and Duflo, 2019). But the reality seems to show that the benefits of integration and associated trade liberalization generally accrue to developed rather than to developing regions. Poorer regions have low levels of intra-regional trade, limited capacity and export similar primary products. In fact, major barriers to intra-regional trade often result from inadequate infrastructure and underdeveloped production structures rather than tariffs or regulatory barriers (Kararach, 2014; Lopes and Kararach, 2019). Regional integration must be complemented, if not preceded, by advances in cooperation and coordination programmes to address real economy constraints that may hinder trade and investments. One of the constraining factors in regional integration processes, which must be resolved quickly in the context of the African Continental Free Trade Area (AfCFTA), is the unevenness in levels of development among the various integrating parties and regional economic communities (RECs).

The purpose of this paper is to highlight the major capacity constraints and challenges facing Africa as it seeks to expand its trade opportunities as well as attract greater volumes of good quality investments (both local and foreign) within the context of South-South Cooperation (SSC) and related engagements. In addition, it puts forward a set of strategies and recommendations to address these challenges. We draw on significantly from an earlier work (see Sako and Kararach, 2007) to highlight the obstacles to enhancing intra-Africa trade and investments and what roles and instruments from SSC can be brought to bear on these challenges and constraints. Capacity is understood as those capabilities by which individuals, organizations and states are able to deliver on their objectives and mandates. Capacity building would involve a process through which individuals and entities obtain, improve, and retain the skills, knowledge, tools, equipment, and other resources needed to deliver objectives and mandates competently. It allows individuals and organizations to perform with increased quality and scope.

The paper consists of six sections of which this is the first. Section 2 discusses the notion of South-South Cooperation (SSC) as a trade integration process. That definition acts as the analytical anchor in this paper. Section 3 outlines the capacity constraints, challenges and opportunities for SSC as from an African vantage point. Africa seems to have a mixed experience with SSC and the lessons that can be drawn from the relationships. This issue of experience and lessons of SSC for Africa is discussed in section 4. Section 5 adopts a strategic viewpoint to provide the strategies, instruments and the way forward for SSC. The conclusion is presented in section 6 – noting the huge opportunities presented by Africa's engagement with SSC member countries.

1. Conceptualizing South-South Cooperation as Trade Integration



South-South trade, defined as trade among developing economies, including the East European and Asian economies in transition from centrally-planned systems to market economies, is a vibrant reality.

A new geography of trade and investments has emerged across the global economy in the last three decades. South-South trade, defined as trade among developing economies, including the East European and Asian economies in transition from centrally-planned systems to market economies, is a vibrant reality (Munyaradzi and Kararach, 2020). This is the result of a series of converging factors such as high rates of economic growth, added value and demand in some developing countries, particularly in East Asia, average tariff reductions, resulting from Uruguay Round commitments and trade integration agreements focusing on reductions of subsidies to agriculture, lifting restrictions on foreign investments and opening up trade in services; leading to expansion global trade (UNCTAD, 2004).

During the same period, developing countries experienced structural transformation with a shift to value-added exports and joining international value chains for the production of components and the assembly of completed products. Manufacturing grew to account for around 2/3 of developing country merchandise exports by the start of the new millennium. In addition, exports of manufactures to other developing countries account for nearly as much of their total exports - 65 percent and 64 percent, respectively, by 2001 (World Bank, 2004). Consequently, low tariffs on and just-in-time delivery of imported components have become a competitive must for most developing country exporters, even in the case of the 50 least developed countries (LDCs), where vigorous private exporters excel (Government of Australia, 2004). Except within low-income countries (with 16%), the export of manufactures among developing countries remained at slightly lower levels (at 55%) in 2018 (UCTAD, 2019a).

The emerging phenomenon did not only affect exports of merchandise but also of services, which accounted for a larger share of developing country output, reaching 60 percent of GDP or more for upper middle-income countries by the start of the new millennium (UMICs, see WTO, 2004). Tariff reductions by their nature lower input costs and produce a consumer surplus that may raise demand for goods and services. For instance, according to World Bank estimates,[1] China's GDP stood at $14 trillion by the end of 2019, and that the country has become a major trading nation like the United States, the United Kingdom and Germany (World Bank, n.d). Many Southern countries have continued to grow faster than their Northern counterparts, the services sector in general in these emergent countries, and South-South trade in services expanded considerably, especially tourism, transportation, information, education, medical, telecommunications and financial services. Since the 1980s enormous efforts were put into liberalization and attempts to remove trade barriers in both developed and developed countries. Such barriers scheduled for removal included qualification requirements, technical standards and licensing for the provision of business and professional services

1 https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN

as well as restrictions to the admission of newcomers, foreign ownership and the movement of people, no matter how qualified. The success in overcoming these barriers has been partial . The average applied ad valorem tariffs in developing countries remain over than three times as high as those in industrialized nations and nearly three quarters of all tariffs faced by developing country exporters are imposed by other countries in the Global South (UNCTAD, 2019a).

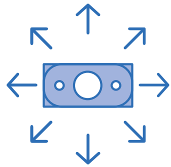
While average applied tariffs in a country like Singapore amount to near zero, tariff peaks –those that are three or more times the size of the average applied tariff in each country– are very common in two thirds of developing countries, predictably in raw materials and basic manufactures. Average tariffs tended to be higher for agricultural products as compared to manufactures – sitting at 15% and 9% for African agricultural and manufactured products in 2018 (UNCTAD, 2019a). Table 1 gives the average levels of tariff among major trading blocs with and within Africa for all commodities for 2016. African producers face lower tariffs than those from the world or the European Union but room for tariff reductions in intra-African and intra-REC trade is significant. Average tariff rates vary greatly among RECs suggesting the levels of efforts pending to harmonize tariffs due to AfCFTA. Intra-REC trade is mostly subject to lower tariff rates than trade between RECs, and intra-African trade is subject to lower tariffs than imports from outside of Africa. Agricultural products tend to face higher tariff rates than industrial products. There is room for improvements in the removal of non-tariff barriers.

Table 1: Sample average tariff rates by product group, 2016 (percent) for all products.

Importer	Exports									
	World	EU	Africa	AMU	CEDSAD	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Africa	9.7	8.9	5.6	12.3	8.0	5.0	2.9	8.1	6.9	5.1	4.0
AMU	8.7	9.8	8.9	6.3	6.8	8.9	16.0	14.4	14.0	12.8	16.6
CENSAD	10.8	8.3	9.4	12.5	7.4	11.4	8.6	12.2	4.9	14.9	12.8
COMESA	8.6	12.9	3.7	6.9	5.4	2.5	1.1	5.5	15.2	2.2	3.3
EAC	11.8	13.3	5.2	15.1	4.1	1.7	0.1	5.4	18.1	0.9	6.9
ECCAS	12.7	13.0	9.4	17.6	9.5	3.4	0.6	9.1	15.7	0.9	12.1
ECOWAS	12.5	12.5	9.3	14.4	7.3	14.8	15.1	14.0	4.6	15.4	13.3
IGAD	11.9	7.1	7.4	15.7	3.1	1.0	0.2	3.5	17.8	1.2	10.3
SADC	7.9	5.6	3.1	14.2	10.9	4.3	4.5	5.6	12.1	7.4	1.5

Source: UNCTAD, (2019a). Key Statistics and Trends in Regional Trade in Africa. Available: https://unctad.org/en/PublicationsLibrary/ditctab2019d3_en.pdf

South-South Cooperation (SSC) is understood to mean the exchange of resources, technology, and knowledge between countries of the Global South (United Nations Office for South-South and Triangular Cooperation, 2019b). There is now an attempt to include all collaboration between developing countries in that definition, along with the mutually beneficial sharing of resources and costs. Developing countries see SSC as a way of promoting self-sufficiency among Southern nations and strengthening economic ties among these states (Shaw et al., 2011). The nature of SSC has evolved over time from a focus on defeating colonialism to greater mutual partnerships based on economic diplomacy, which has coincided with the shift in the balance of economic and political power in the world. Countries are keen to explore how they can benefit from ideas that have worked elsewhere, using them to advance development (Munyaradzi and Kararach, 2020). SSC must create objective conditions for trade integration to be viable and sustainable as well as uplift lives of the poor in the Global South (Bergamaschi and Tickner, 2017).



African Continental Free Trade Area Agreement (AfCFTA) will make Africa the largest free trade area in the world.

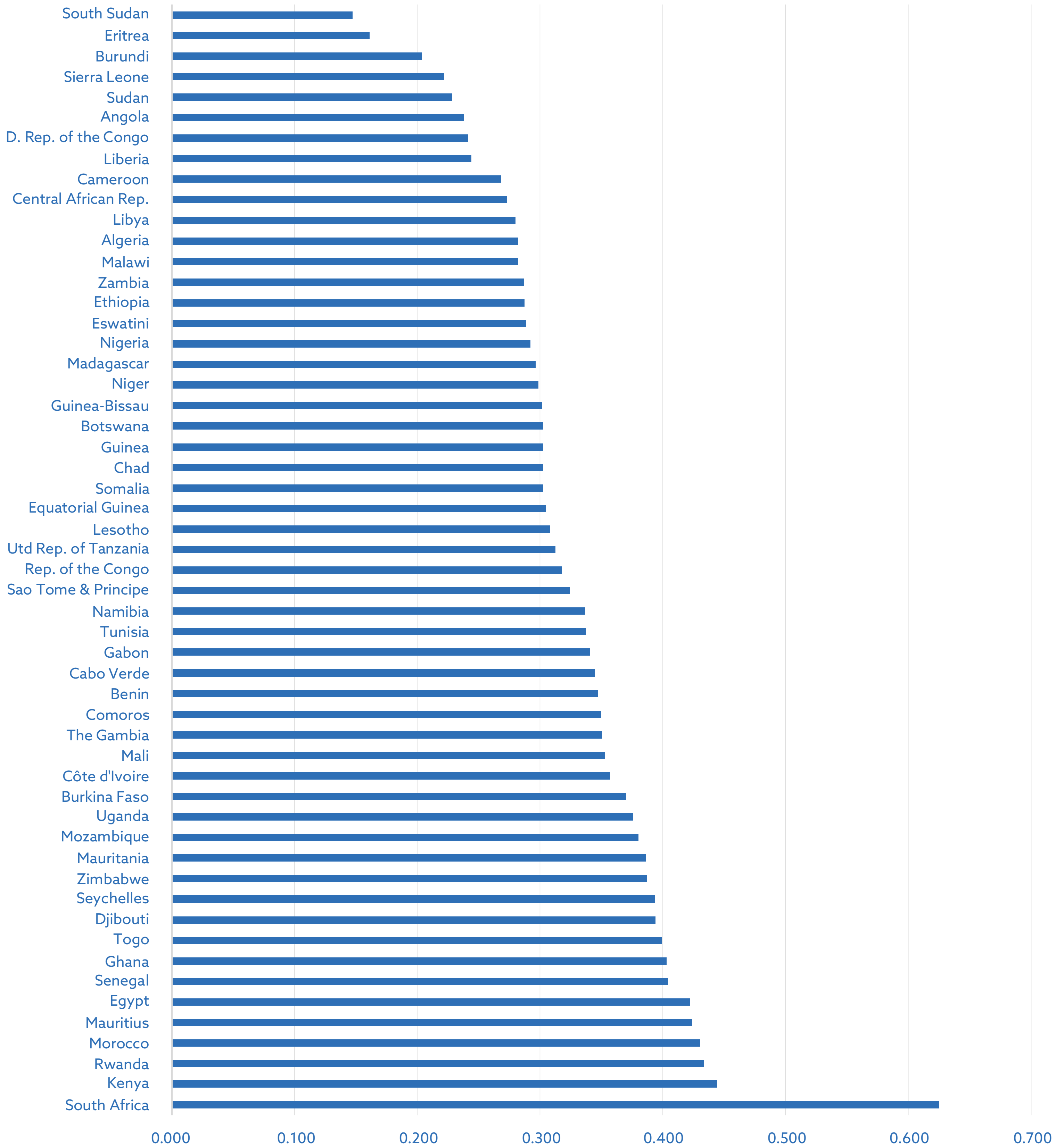
There is an ongoing debate about the benefits of SSC, particularly trade, for Africa. These discussions have partly resulted in several initiatives including the formation of regional economic communities (RECs) and the recent African Continental Free Trade Area Agreement (AfCFTA), which African countries signed among themselves and commits them to remove tariffs on 90 percent of goods, progressively liberalize trade in services, and resolve non-tariff barriers to trade. The agreement has been designed to create a single African market of over a billion consumers with a total GDP of over $3 trillion. This will make Africa the largest free trade area in the world (Songwe, 2020). The AfCFTA is anticipated to enhance intra-Africa trade. The share of intra-Africa exports as a percentage of total African exports has increased from about 10 percent in 1995 to around 17 percent in 2017[2], but it remains low compared to levels in Europe (69 percent), Asia (59 percent), and North America (31 percent). This is an important reason to anticipate that trade will be a key driver of growth in Africa[3]. The Economic Commission for Africa (ECA) projects the AfCFTA will increase the value of intra-Africa exports. The removal of tariffs on goods by itself is estimated to increase the value of intra-Africa trade by between 15 percent (or $50 billion) and 25 percent (or $70 billion) by 2040 (UNECA, 2018). Alternatively, the share of intra-Africa trade would increase by about 40 percent to over 50 percent, given extent of liberalization reforms, between 2020 and 2040 (UNECA, 2015). The real test of the AfCFTA as an SSC initiative will be how quickly African countries can accelerate export diversification and product sophistication, and make trade more inclusive (Songwe, 2020) and increase the levels of regional integration within the region (Lopes and Kararach, 2019). Figure 1 gives the levels of regional integration in Africa based on the African Regional Integration Index (ARII) for 2019.

The ARII uses a 95 percent confidence interval from the mean to identify the performance of countries as low, average, or high. Under linear conditions, a score below 0.333 is classified as low, a score between 0.334 and 0.667 is classified as average, and a score above 0.668 is classified as high. In Figure 1, a country's "All Africa" value indicates how well the respective country scores compared to all other

2 UNCTAD puts this at a lower figure at 15.4% in 2019. See UNCTAD (2020). Available at: https://unctad.org/en/PublicationsLibrary/ditctab2019d3_en.pdf.

3 In a number of Keynesian and post-Keynesian models, export trade is a major source of autonomous demand.

Figure 1: Over levels of regional integration in African countries, 2019.



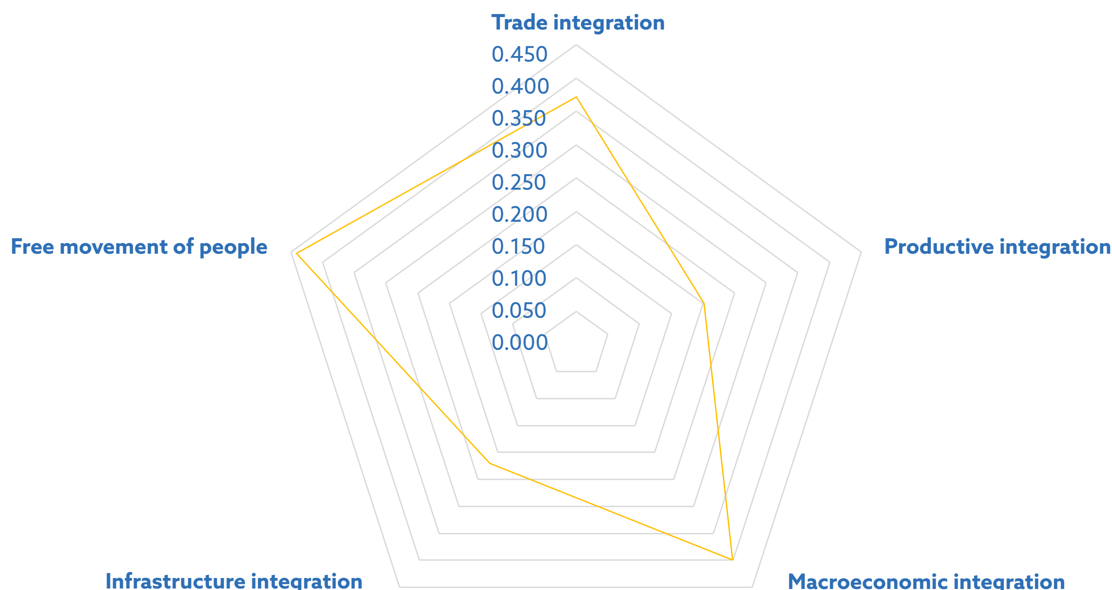
Source: AfDB, ECA and AU (2019).

African countries, not just compared to the other members of the regional economic community/ies to which the country belongs. Because of ARII's multidimensional nature, some countries' rankings for overall regional integration are higher or lower than expected. This is the case for Comoros, Djibouti and Somalia, which rank highly thanks to their top positions in the free movement of people dimension. In contrast, Nigeria's overall ranking on regional integration is low, even though it is the second-most integrated country on the productive dimension and is a strong contributor to gross domestic product. This is due partly to the fact that, at time of measurement, Nigeria had signed but not yet ratified the African Continental Free Trade Area (AfCFTA) agreement and only a small proportion of its imports came from within the region. Also, the ARII measures regional integration in Africa along five dimensions[4]: trade integration, productive integration, macroeconomic integration, infrastructural integration and free movement of people. These dimensions use sixteen indicators to determine the extent to which African countries are integrated within their region.

The continental levels of integration based on the five clusters are given in Figure 2 with the following score on the ARII: trade integration – 0.371; productive integration at 0.201; macroeconomic integration – 0.399; infrastructure – 0.220; and free movement of people at 0.441. Productive integration has the weakest score and free movement of people the highest. Infrastructure integration also remains weak. In this regard, the AfCFTA potentially embodies a "win-win" approach for Africa and vulnerable communities within these countries to receive benefits from the agreement if trade creation is deepened (Kararach, 2014). The AfCFTA will require supporting policies and a strong focus on achieving tangible outcomes from related initiative, the Boosting Intra-African Trade (BIAT) Action Plan, to speed up growth in intra-Africa trade. As a complimentary framework to speed-up the implementation of the AfCFTA, BIAT seeks to address seven key constraints to intra-Africa trade and diversification: trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information, and factor market integration (Songwe, 2020). Particular attention should be attached to trade facilitation and building productive capacities. Trade facilitation is the key to reducing non-tariff trade costs and ensuring inclusive benefits since landlocked countries and small, informal, and female traders are usually more burdened by inadequate trade facilitation services or activities. Additionally, building productive capacities through re-skilling programmes will be crucial to ensuring that displaced workers and vulnerable persons participate in welfare-enhancing opportunities offered by the AfCFTA. Africans must be equipped to engage in skill-intensive manufacturing industries such as apparel and machinery. Such skills can be secured by active engagement in SSC sponsored training and deepening regional integration (Lopes and Kararach, 2019; Songwe, 2020).

4 By enhancing factors such as skills, infrastructure and productive capacity, SSC can strengthen the ranking of countries in ARII.

Figure 2: Average levels of regional integration per cluster.

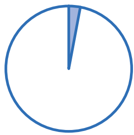


Source: AfDB, ECA and AU (2019).

It must be noted that within the Global South there also competition among regional economies. Vieira and Alden (2011) argued that the increasing competition between Southern powers such as China, India, South Africa and Brazil for global economic opportunities, particularly on the African continent, has clear implications for the future of SSC. In spite of these differences, the formalization of trilateral relations between India, Brazil, and South Africa in 2003 as IBSA was evidence of the common understanding of these states that together they can better contribute to the reshaping of global governance mechanisms in a number of sensitive issues in contemporary global politics such as international trade, finance, and the reform of decision making structures of multilateral organizations. It has also been reflected in other coordination initiatives among emerging economies of the Global South.

Over the years East Asian economies like China and Japan have become South Africa's leading trading partners (TIPS, 2011; Mhaka and Leke, 2018). As an example, in 1990 17% of the South African imports were from East Asian countries, rising by 6 percentage points to 21% in 2009 (TIPS, 2011). Likewise, South Africa exports to East Asia amounted to 13% of total exports in 1990 but by 2009 it almost doubled to 21% of total exports. The trade between South Africa and China is actually unique. China has become South Africa's largest trading partner driven by its demands for natural resources (Alden and Yushan, 2014). South Africa exports to China were put at US $8.7 billion in 2014, rising to US $9.6 billion during 2019. However, South Africa is suffering the 'malign' trading pattern faced by many African countries whereby China is importing mostly natural resources as inputs for its manufacturing industries, and then the output from these industries is sold back to SA (Workman 2015, Mhaka and Leke, 2018). These patterns of trade have been the basis of the call for greater structural transformation of African economies (Lopes and Kararach, 2019).

2. Trade and Investment Capacity Constraints and Challenges for Africa, and the Global South and South-South Cooperation



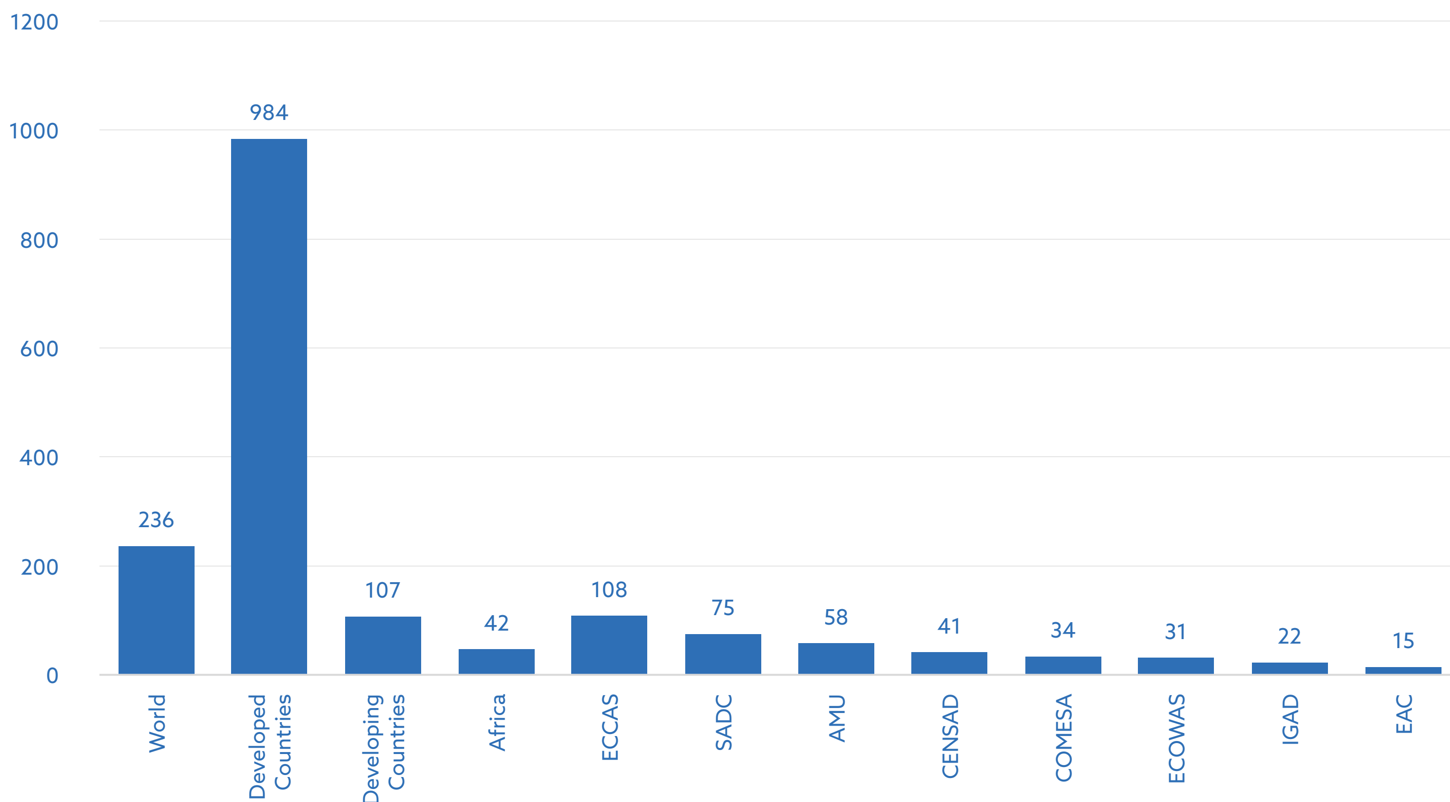
Africa is currently the recipient of only 3% of world investment inflows with less than 2% of global trade and output.

Since the 1980s, development partners have been urging African countries to liberalize their economies and prioritize the promotion of trade and inward investments as core development strategies. The EU in particular has been calling for trade and investment liberalization in Africa within the context of Economic Partnership Agreements (EPAs), as a way of promoting investment and trade activities on the continent. Indeed, as members of the WTO, several African countries have ratified the Agreement on Trade and Related Investment Measures (TRIMs), which prohibits governments from requiring foreign investors to use locally produced inputs[5]. This requirement, however, which should have served to strengthen domestic input-output and intersectoral linkages is instead weakening local content and value-addition. Instead, in the dash to provide protection and market to the so-called investors, several African countries negotiated bilateral investment treaties (BTIs), which they are required to implement or else penalized for failure to do so. African governments have also taken various incentive measures to promote trade and investments. With respect to investments, some of these measures included setting up of export processing zones, reducing or removing taxes, granting the right to foreign investors not to reinvest locally generated profits, and exempting them from the rule or practice of applying labour and environmental laws. However, the plethora of pro-trade and pro-investment measures has failed to significantly improve Africa's position[6]. The continent is currently the recipient of only 3% of world investment inflows with less than 2% of global trade and output. Inward Foreign Direct Investments (FDI) can play a crucial role in building local productive capacities. Figure 3 presents per capita FDI flows into Africa compared to rest of the world. In 2016 countries in the world received $236 dollar per capita in the form of FDI. There is an investment gap between Northern and Southern countries. The former is receiving about 10 times more in direct investment per capita than the latter. African countries receive $49 per capita. Particularly IGAD and EAC are facing challenges in attracting FDIs. Though in absolute terms they are small, FDIs account for a significant share of national incomes in some Africa countries. The figure is as high as 7.9% for ECCAS, 4.1% in SADC and 2.5 in COMESA (UNCTAD, 2019b).

5 The argumentation is that emphasis on local content would burden foreign investors and lower overall investments inflows.

6 The problem of unequal exchange seems to be endemic exacerbating the backwash effects of integration in the global economy. SSC could support the development of lagging regions and sectors in Africa going forward.

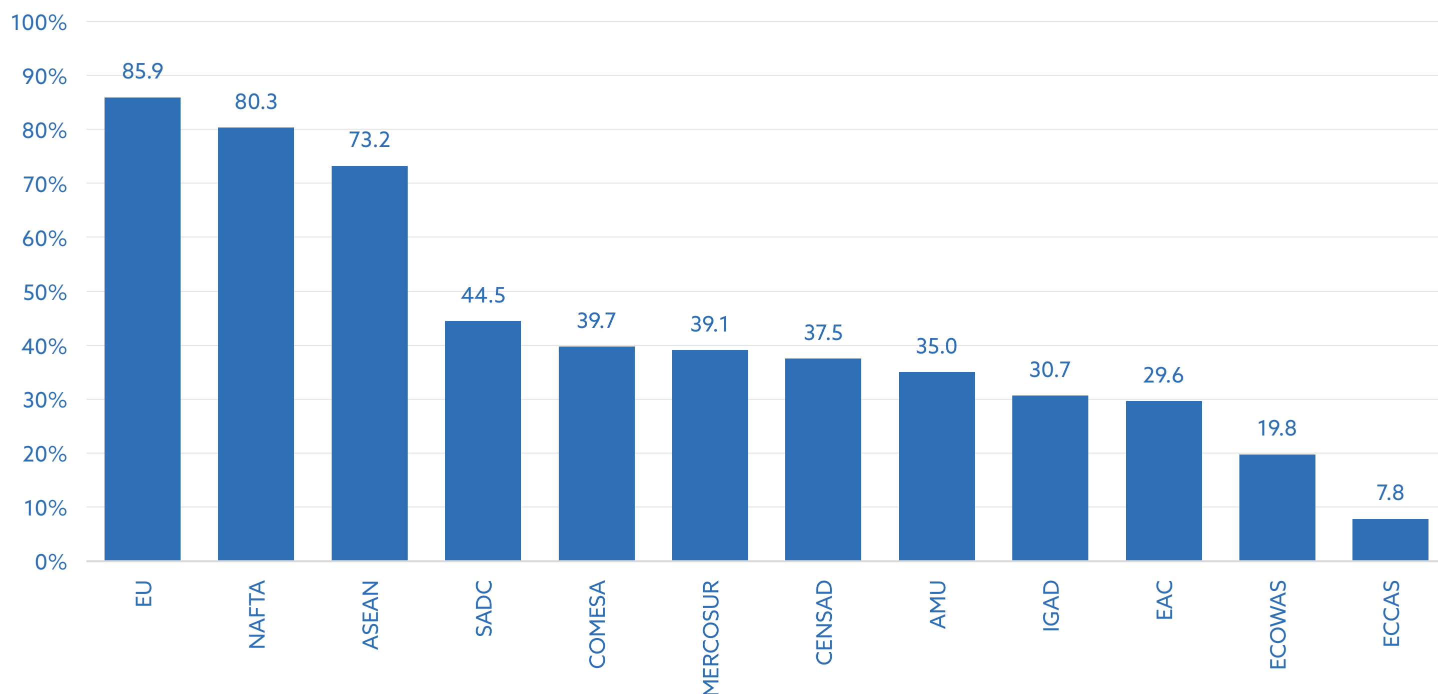
Figure 3: FDI inflows per capita, by region, in US$ (2016).



Source: UNCTAD (2019b).

Efforts to expand trade and investment have so far been geared towards primary commodities rather than diversification. A large share of investment occurred in extractive industries to exploit the natural resources such as oil and minerals, and this in only a few African countries. Similarly, the trade sector in most sub-Saharan African countries relies heavily on the export of primary commodities, which accounts for close to 90% of merchandise exports. To realize the transformation of African economies, the continent should devise and implement a long-term diversification strategy through well-targeted and sustainable capacity building initiatives. Figure 4 presents the trade complementarity index among several RECSs including those in Africa. The trade complementarity index assesses the trade potential among a group of countries. Low indices imply a low correspondence or match between the export supply and import demand among the REC members. RECs in Africa tend to have very small trade complementarity indices suggesting low correspondence (similarity) between the export compositions of a member state with the import structure of other member states in the same REC. The indices are particularly low for ECOWAS and ECCAS. A low complementarity may also indicate a weak potential effect of trade policies such as reducing tariffs and transportation costs in boosting regional trade in the short to medium term. In other regions, such as the Association of South East Asian Nations (ASEAN), the European Union and NAFTA the index is much higher. These regions, however, also have high intra-industry trade shares and often similar advantages. Thus, intra-regional trade can develop over time in Africa (UNCTAD, 2019b)

Figure 4: Trade complementarity index among REC member states, 2016.



Source: UNCTAD (2019b).

Africa is one of China's most important development cooperation partners. By 2003 China had completed 800 projects in Africa. This figure covered projects in education and health, and the secondment of Chinese workers and cooperation projects in the security policy sphere (Sako and Kararach, 2007). Economic relations expanded further, with FDI in Africa increased from US$ 280m in 2005 to about US$ 1.9 billion a decade later (UNCTAD, 2019b). To promote further Chinese investment in Africa, a special fund endowed with US$ 5 billion was also established. Against the background of closer relations, the Forum on China-African Cooperation (FOCAC) was set up to promote discussions around mutual assistance between the continent and China. An example of such action, the China-Africa Development Fund (CADFund), was established in June 2007. It was the first Chinese equity investment fund focusing on Africa. The CADFund encourages and supports Chinese firms to invest in Africa. China has continued to deepen its engagement in Africa. At the 2018 FOCAC, China announced $60 billion in financial support to Africa going largely to support the financing of infrastructure and connectivity. In addition, China is assisting African countries with the implementation of NEPAD (New Partnership for Africa's Development) and, at international level, within the UN and WTO and also in peace-keeping activities in the region with one of the largest military bases outside of China in Djibouti. All these factors that are enhancing market integration due to infrastructure, productivity due to innovation and new technology as well as stability from better security will enhance the conditions for trade and investments in Africa and the Global South.

The debates around the types of capacity building activities that are required to promote trade and investments vary between countries. In this regard, it is important to first undertake a clear assessment of the capacity gaps. At the organizational level, it might well be that the Least Developed Countries (LDCs), given the rule-based WTO arrangements, are in need of as many lawyers as economists for their Trade and Economic Missions. In addition, LDCs should foster the appropriate institutional environment to develop their capacity in pushing forward their trade, investment-promotion and broader development agenda. Also, developing countries trade officials should resist 'persuasive' attempts of Northern countries designed to weaken their group stances[7]. Another gap may be the lack of adequate infrastructure and other types of capacity or, where existent, their inadequate utilization, maintenance and retention. Given this framework, the input into building the capacity of LDCs in multilateral trade and investments arrangements will vary from one country to another despite the common group position on major trade and investment issues. The seeming paradox whereby SSC is on the rise as an ambition while developed countries continue to play a dominant role in African trade and investments is derived from both historical legacies and the structural realities that define African economies. Recalling that many African economies at independence depended on a few commodities and markets, post-independence efforts to diversify both export products and markets should be seen as attempts to break loose of the legacy of colonialism. Indeed, SSC has been deployed as an instrument in the toolkit to build the capacity to move African economies towards greater economic independence.

The identification of capacity building constraints would require a clear understanding of the nature, causes and scope of the gaps. The broad literature seems to suggest the following (i) capacity building constraints on trade especially on negotiation and policy implementation; (ii) lack of capacity to produce high value goods – which partly is a result of education system which is based on theory and not practice; (iii) lack of domestic investment in trade, which partly one can attribute to lack of prioritization by policy makers; (iv) dependence on AID which does not promote development; and (v) lack of capacity in infrastructure to sustain trade. Drawing from the experience of the African countries, it is possible to discern several capacity constraints on and challenges to the promotion of trade and investments in Africa, mainly related to the supply side issues as well as to institutional and human resource aspects. The major constraints include:

2.1 Weak Capacity for Integrated Trade and Investment Policies

A large number of African countries, however rich in tradable natural resources, have weak capacities in the design of effective development policies in the area of trade and investments. In the case where trade and investment policies have been developed, they were inconsistent with the overall national growth and development strategy. A sound and comprehensive development strategy is essential for an economy to move to a higher economic development path through the optimization of the limited technological and human resource base. Trade and investment flows between Africa and Asia are substantially driven by the complementary structures of the two regions: while Africa's imports from China and India mainly consist

7 There are instances where trade negotiators from developing countries reportedly get offered personal gifts to soften their positions

of manufactures and machinery, what China and India mostly need from Africa are natural resources, especially energy. The following picture emerges from the available data: 86 percent of all African exports to Asia are raw materials, with oil and natural gas accounting for 47 percent. Almost 50 percent of African imports from Asia are manufactured products. In trade relations between Africa and Asia, China and India play – at 49 percent – a central role, having now taken over from Japan and South Korea in the region. This reality calls for a rethink of trade and investment policies with these emergent countries – especially, trade in raw materials.

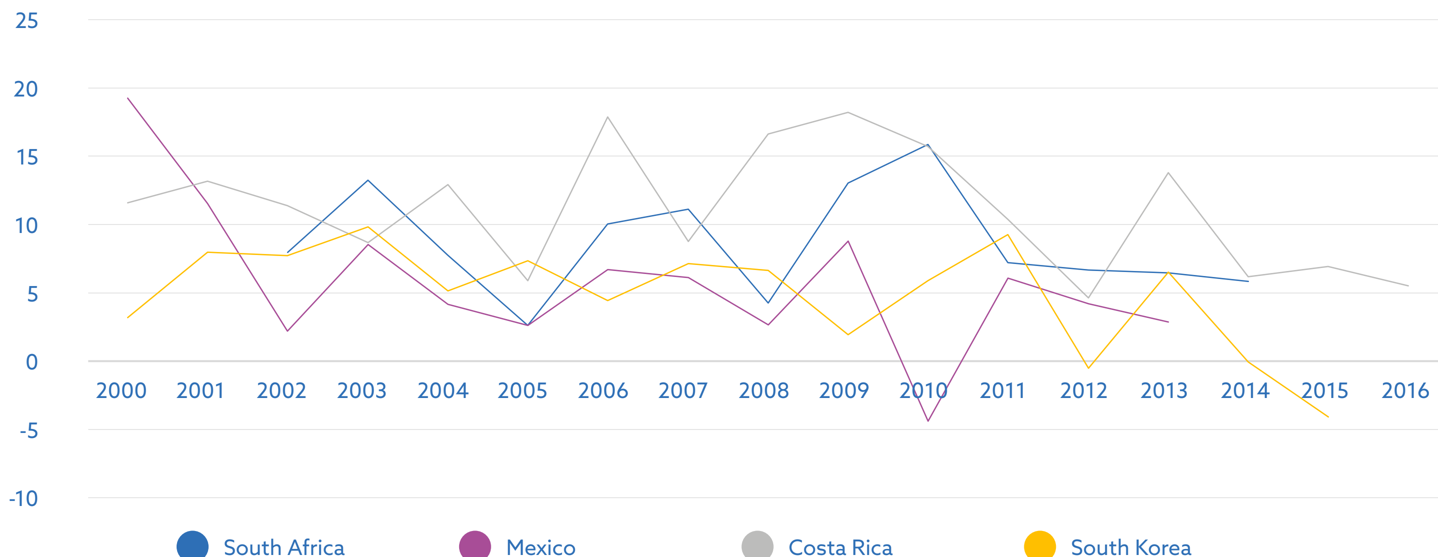
For most African countries, the structure of their economies has remained by and large unchanged since independence. Agriculture constitutes the mainstay in terms of production and employment, representing the largest share in the creation of national wealth. Africa has failed as a continent to widen its resource-based sectors and move up the value-added ladder. The failure is mainly due to weak policies that failed to address the supply side constraints including poor transport and communications infrastructure, low productive capacities as exemplified by high wage costs relative to value-addition (see Table 1) and inadequate plus expensive labour force, among others. Figure 5 shows the growth in labour compensation between 2000 and 2016 for South Korea and three emergent Global South economies. The labour compensation per hour worked is defined here as compensation of employees in national currency divided by total hours worked by employees. Compensation of employees is the sum of gross wages and salaries and employers' social security contributions. Table 2 and Figure 5 suggest that all these factors undermine Africa's capacity to benefit from economies of scale as a result of increased levels of trade and investments.

Table 2: Labour costs relative to value-added at 'take-off' for select African and Asian economies.

Africa – 1990s		**Asia – 1960s-1970s**	
Botswana	0.39	**Indonesia**	0.21
Cote d'Ivoire	0.33	**South Korea**	0.26
Cameroon	0.40	**Malaysia**	0.27
Ghana	0.36	**Singapore**	0.35
Kenya	0.35	**Thailand**	0.24
Nigeria	0.26		
Tanzania	039		
Zambia	0.35		
Zimbabwe	0.42		

Source: Sako and Kararach, 2007.

Figure 5: Labour compensation per hour worked in three emerging market economies and South Korea (2000-2016).



Source: OECD database 2019. Available at: https://data.oecd.org/lprdty/labour-compensation-per-hour-worked.htm#indicator-chart.

As Bonaglia and Fukasaku (2002) noted: By itself, the implementation of good policies will not suffice to enhance the international competitiveness of domestic firms. Macroeconomic and structural reform programmes must be sustained, since gains are not likely to materialize immediately, and complimentary policies for promoting trade and investment need to be implemented (p. 4). Hence, Africa should seek to enhance its capacity in trade and investment policy analysis and management.

Many of the domestic firms in the Global South are state-owned enterprises (SOEs). The role of SOEs is particularly significant in China's case. According to World Bank estimates, 43 percent of China's outward FDI (OFDI) is undertaken by SOEs. In principle, China's and India's development cooperation is well integrated into their general foreign, economic and security policies. Conceptually, it is guided by the Bandung Principles, especially that of noninterference in the internal affairs of the recipient country. The provision of concessionary financial resources is not therefore conditional on adherence to such conditions as "good governance," "rule of law," "market economy" or "respect for human rights." Reporting on development performance is geared to their own categories, unclear though these may be. Consequently, a comparison with OECD/DAC standards is hardly possible in practice.

In 1997, the major development institutions, namely the IMF, ITC, UNCTAD, UNDP, the World Bank and WTO, developed the Integrated Framework (IF) in collaboration with LDCs and other donors, with a view of supporting LDCs in building their trade capacity and integrating trade issues into their overall national development strategies. African countries lack the capacity required to design, implement and monitor trade and investment policies as integral parts of development policy. This means there is an urgent need to develop the technical expertise of staff in Ministries of Finance, Commerce and Trade as well as in other government departments and

agencies involved in trade and investment issues. A holistic approach to development policy and planning will prove crucial as other sectors, such as health and education, can also produce direct and indirect impacts on Africa's efforts to promote trade and investment. We discuss in Section 5 the role SSC will play in an integrated trade and investment policies in Africa.

2.2 Weak Infrastructure and Supply-Side Capacities

Various barriers are constraining trade and investments on the supply side, thereby undermining the continent's capacity to respond to trade and investment opportunities. The continent is experiencing considerable deficits in infrastructure, raising significantly the transaction costs for traders and investors alike. Producers need access to the market to sell their products, and this usually requires adequate road and transport systems, ports and storage facilities, and energy and water supplies. There are costs impeding trade linked to infrastructure. Average transport costs correspond to about 21% of the value of imports for LDCs, 19% for landlocked developing countries and around 22% for small island developing states, compared to the world average of 15% in 2016 (UNCTAD, 2017). Looking at the various industrial surveys conducted by official statistical agencies, doing business remains expensive in Africa, partly due to transportation constraints. Other infrastructure constraints are linked to factors such as energy, communication and soft-infrastructure such as skills and a healthy population.

Trade and investment support services are also lacking, particularly in the area of trade and investment promotion, development finance, and marketing. In various instances, information on the availability of these services is scanty, thus limiting their effective utilization for national development. These factors have seriously undermined the development of the private sector. Building business capacity is also crucial to helping companies understand and sell in the world market, provide technical training to agricultural producers, provide access to credit and export-related finance and insurance to enable entrepreneurs to respond flexibly to opportunities and strengthen their competitiveness. Africa requires cost-effective and efficient transport networks, access to relevant and timely information on markets and investment opportunities, and an adequately trained and motivated work force (Sako and Ogiogio, 2002:7). Developing human capacity is the key to addressing supply-side constraints as Africa continues to suffer from severe brain drain, whereby 35% of university graduates have left the continent to live abroad (IOM, 1999). About 70,000 highly-skilled people are estimated to leave the continent annually (AU, 2018). To build trade and investment capacity of African countries, the provision of training should focus on international trade and economics, particularly in areas related to financial, legal and technological aspects of trade and investments. The training programmes in countries in the Global South could be oriented in that direction. Countries such as India, Malaysia and China are increasingly offering such training.

2.3 Business and Regulatory Frameworks

Page (2003:11) argues that a 'particular problem for agricultural production is the question of the rules governing land tenure. If there are small holdings or forms of communal tenure that make consolidation of holdings or use of holdings as collateral for loans difficult, this will restrict the types of production and the access to capital. A new example of the importance of legal regimes is the difficulty of using small plots to get access to the possibility of allocating land to environmental services'. The point raised by Page on the importance of the business and legal environment as possible constraints on trade and investment expansion in small-holder agricultural sector also applies to other economic sectors in developing countries, as they affect the ways to do business in a given country. Indeed, a recent report by World Bank showed that doing business in Africa is extremely difficult as a result of bureaucracy, weak incentive systems, cumbersome procedures, corruption, red tape and other restrictions. Despite some improvements over the years in a number of countries, the continent lags behind other regions in the world in its overall rankings under the Doing Business index (World Bank, 2019). However, the reported progress may now be called into question as the World Bank recently discontinued the use of the index. Deregulation could include speedy ratification of trade protocols and other agreements relating to free trade such as free movement of goods, services and capital. China as an example is enhancing internet connectivity by providing 5G technology.

2.4 Lack of Capacity to Influence and Set the Development Agenda

African countries are generally small both in terms of economic size and political power. As noted above, Africa accounts for less than 2% of global trade and output. The continent's share of global foreign direct investments is equally small. As a result, African countries have failed both individually, and as a group, to influence the flow of global trade and investment finance. The fear of losing investment opportunities has left these countries exposed to poor employment standards, whereby workers and citizens do not receive adequate protection from unscrupulous investors. Any negotiation with investors or trading partners is a bargaining game in which countries with economic and political clout tend to have the upper hand. More often than not, African negotiators do not raise important issues, such as those related to health and environmental· requirements during negotiations (Sako and Kararach, 2007). It is arguable that the RECs have been ineffective in terms of: (a) using their positions to bargain with developed countries; (ii) mobilizing resources (especially finance) from RMCs to facilitate such discussions of trade and investments issues; and (iii) coalescing leadership among African countries. For example, large countries such as South Africa, Nigeria, and indeed Egypt had been expected to provide that leadership role required to assist the continent act with one voice to prioritize its development agenda – especially the issues around greater market access and intellectual property rights. SSC can provide that voice and platform.

2.5 Lack of Capacity to Withstand External Shocks

The socio-economic reforms of the 1980s and 1990s have increased Africa's exposure to global economic shocks, heightening the continent's vulnerability to external environment. This vulnerability is also directly linked to Africa's failure to diversify its productive base and export structure. In the event of declining demand for the few export commodities, the countries experience macroeconomic shocks, including foreign exchange constraints and high inflation and exchange rates. African countries need to develop their capacity to anticipate economic shocks and develop home-grown solutions as they seek to join the world economy. Opening up to forces of global competition can bring with it significant social and economic dislocations to certain productive sectors, affecting rural farmers, infant industries, small businesses, and the arrogant attitude towards African concerns by development partners as lacking merit, among others. A case in point is the unemployment of garment and textile workers in many developing countries as a result of the expiration of the Multi-Fibre Agreement (MFA) in early 2005 (InterAction, 2007). An adequate macroeconomic framework in terms of monetary, budgetary and financial policies and a comprehensive development strategy are key driving forces in the expansion of trade and investment as well as building resilience for economies (Kararach, 2014; Lopes and Kararach, 2019). SSC could enhance economic diversification (both product and market) and reduce vulnerabilities of African countries to external shocks.

2.6 Pandemics and Conflicts as Major Hindrances to Capacity

Health pandemics, such as HIV/AIDS and COVID-19, and conflict have adversely affected the development of capacity for the promotion of trade and investment in Africa. Both factors are threatening the sustainable formation of human capital and the growth of a qualified and healthy labour force. There is no doubt that the loss of labour on the magnitude associated with conflicts and pandemics in Africa has serious implications on the economic growth and development of the continent. Conflicts and political instability have also been responsible for the destruction of physical infrastructure in Africa.

Pandemics such as HIV/AIDS and COVID-19 have had significant impacts on Africa's trade and investment performance. The recent COVID-19 numbers are sobering. The African Development Bank (AfDB) (2020) initially projected real GDP in Africa to contract by 1.7 percent in 2020, then dropping by 5.6 percentage points from the January 2020 pre-COVID-19 projection, if the virus has a substantial impact but of short duration. If it continued beyond the first half of 2020, there would be a greater GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth projected before the outbreak of COVID-19. Given the growth contraction, Africa could suffer GDP losses in 2020 between $145.5 billion (baseline) and $189.7 billion (worst case), from the pre-COVID-19 estimated GDP of $2.59 trillion for 2020. Some losses are anticipated to be carried over to 2021, because the projected recovery would be partial. For 2021, the projected GDP losses could be from $27.6 billion (baseline) up to $47 billion (worst case) from the potential GDP of $2.76 trillion without the pandemic. The most affected economies are those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic

outcomes, however, remains uncertain. It will depend critically on the evolving epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of behavioural changes. Southern countries such as Cuba and China have responded by sending medical personnel and equipment in 'solidarity' – these are clear examples of SSC.

2.7 Limited Capacity Within African Trade and Investment Ministries

Ministries with trade and investment portfolios in most African countries have limited political clout and weak capacities in terms of staffing levels and skills, and technological advancement, which limits information sharing among ministries as well as countries in the trading blocs across the continent. In most cases, ministries were not able to assess the value of investments and joint ventures promoted by foreign companies, all the more so when companies underreport the expected profit level. Companies set up complex transfer pricing, which requires strong capacity on the part of host countries to track such tax-avoidance malpractices. Currently, only two (South Africa and Botswana) out of eighteen anglophone African countries had transfer-pricing legislation. Moreover, greater attention needs to be paid to issues of trade and investment policy implementation and legal enforcements. In a similar vein, African countries, when compared to the rest of the world, have inadequate trade negotiation teams, in terms of skills mix, size and administrative support. As a result, African countries are often in a weak position to negotiate with well-resourced missions such as those representing OECD countries. Africa thus needs to build the capacity of its trade negotiation teams to participate effectively in international trade forums. Southern development partners such as China and India could be helpful here in strengthen the position of Africa in trade negotiation.

2.8 Lack of Partnerships Between Governments, Private Sector and Civil Society on Trade and Investment Issues

Recent anti-globalization and ultra-nationalist pressures have put governments in the Global South in awkward positions as the real benefits of trade and other engagements in the global system have come into question. The role of the private sector has been questioned even more. This is because African governments have tended to view the private sector as a source of taxation, and civil society as a bedrock of political resistance to government policy. In some instances, both the private sector and civil society have been viewed as agents of foreign powers or interests. This relationship has undermined the ability of African countries to leverage the advocacy role that their local private sector and civil society could play in lobbying for social and economic justice for the continent. For example, the campaigns by civil society and the private sector during annual events such as the World Social Forum and the World Economic Forum could serve to strengthen the position of African governments in their efforts to promote trade and investments as part of a holistic development agenda. People-to-people exchange in the Global South would help developing countries amplify that voice and responses on trade and investment issues.

2.9 Lack of Capacity to Adopt and Operationalize Global Trading Norms and Standards

In the move towards globalization, there has been mounting pressure on countries and companies to comply with global norms and standards. For instance, machinery and equipment parts are manufactured in various countries but are assembled in accordance to international specifications. However, African countries are ill-equipped to apply international norms and standards to these products. Currently, such a capacity exists in very few African countries, namely South Africa, Egypt and Mauritius, where contract-manufacturing is developed in areas such as motor assembly and textiles. There is therefore a real need for African countries to develop the capacity to adopt and operationalize global norms and standards in order to attract and retain foreign trade and investments. These require appropriate regional trade and investment partnerships agreements. And even more, building up the capacity for accreditation and certification of African products. The proliferation of regional trade agreements (RTAs) has led to the relationships between regional economic communities and WTO rules or disciplines becoming increasingly complex (Fiorentino, Verdeja and Toqueboeuf, 2006).

A major obstacle to advancing the understanding of RTAs is the absence of detailed information about their contents (WTO, 2009) and analytical and legal capacity in many African countries. This limits empirical analyses of their economic effects, and policy debates between those who view RTAs as discriminatory instruments hostage to protectionist interests and those who see them as conducive to multilateral opening of economies. In response, some commentators have sought to provide analytical mappings of RTA rules in six key areas — market access, technical barriers to trade, contingent protection, investment, services and competition policy — across dozens of the main RTAs. The information collected sheds light on the interplay between regional and multilateral trade rules, advances empirical work on the economic effects of RTAs and informs the policy debate on ways to deal with their burgeoning number across regions and sectors (Estevadeordal et al., 2009). As of 1 June 2020, 303 RTAs were in force around the world. These correspond to 490 notifications from WTO members, counting goods, services and accessions separately[8]. Southern countries could negotiate as a group to get better accession terms by redefining global trading norms and standards.

2.10 Lack of Capacity to Handle Constraints Arising From the Rule of Origin

African countries also need to be adequately capacitated to deal with constraints posed by the rules of origin, such as for instance the preferential treatments of goods and services granted to a member country of a free trade area. Indeed, many African countries have overlapping memberships in various regional trading areas, which makes the systematic application of the rules of origin difficult. The concerns are mostly related to the ease with which goods that are processed partly or fully in a third country can get duty-free access under a bilateral agreement by being re-exported with just enough processing to satisfy the rules of origin requirements. SSC could help in the harmonizing of such trade rules and standards.

8 The AfCFTA hopes to do away with the problems associated with multiplicity of RECs membership.

2.11 Lack of Capacity to Use Donor Assistance Effectively and Coordinate Donor Support

The recent history of development assistance in Africa is characterized by cases of poorly coordinated interventions, especially with respect to trade and investments. The lack of coordination of interventions in various instances has led to incoherence, limited complementarities and lack of synergies at the policy and programme levels. However, in recent years, development partners and agencies have emphasized the importance of coordination and complementarities in development interventions and, in particular, with respect to capacity building efforts. The post-Paris Declaration on Aid Effectiveness of 2005 debates – especially the follow-up discussion on development effectiveness – are a good example of the change in approach towards capacity building. Donors themselves need to adopt a framework that strengthens coherence and neutrality to strike a balance between priorities of donors and of African development. Donors should collaborate to avoid duplication in their capacity building activities for investment and trade promotion. African countries, for their part, need to own the implementation of trade and investment promotion capacity building initiatives and mainstream them in their development strategies. The caveat here is that issue of capacity to use donor assistance effectively and coordinate donor support remains very complicated, and far beyond the rhetoric of promoting aid effectiveness, for a number of reasons: (i) while donors talk about Paris Declaration on Aid Effectiveness, their actions on the ground are generally different. They still do not want their aid to be coordinated; (ii) based on this, Africans as recipients of donor aid tend to be subject to different and complicated financing and procurement regimes, which makes it very difficult for recipients of aid to manage these; and (iii) this leads to lack of efficiency in utilization of donor resources. SSC could support African countries in training personnel in public financial management skills (such as auditing and procurement) as well as project management.

2.12 Import Capacity and Dumping Problems

African countries are experiencing difficulties in effectively importing essential investment goods and services. As already noted, most African countries have poor infrastructure raising import costs alongside limited capacity to export. Except for a few countries, namely Botswana and oil-exporters such as Angola, most African countries continue to register a negative balance of payment. Countries such as Zimbabwe suffer from severe foreign exchange shortage. Another issue that African countries are facing is the issue of dumping of products, such as cars, electronic equipment, genetically modified food products and other goods of low quality, from developed and emerging countries.

For a long-time South-South direct investment ‘transferred’ technologies imitated from the North and are no longer considered cutting-edge and dynamic in their countries of origin but could be marginally useful in host countries. Such technologies such as recycled machinery, laptops and cellphones were not able to generate the innovative capabilities in new host countries. In some instances, the motive of South-South direct investments is usually far removed from transferring technology in terms of generation of skills and capabilities in the host country but instead aimed at gaining market share (Diaz-Alejandro, 1977). Moreover, some Southern firms tend to pay very low wages and their role in removing income gaps becomes negligible or negative. There have been cases whereby some South-South joint ventures were ethnocentric and used as forms of alliances between people of same ethnic origins operating in different countries. This is the case with Asian investments in Eastern Africa (with Indians), Lebanese and Arab investments in Africa generally and Latin

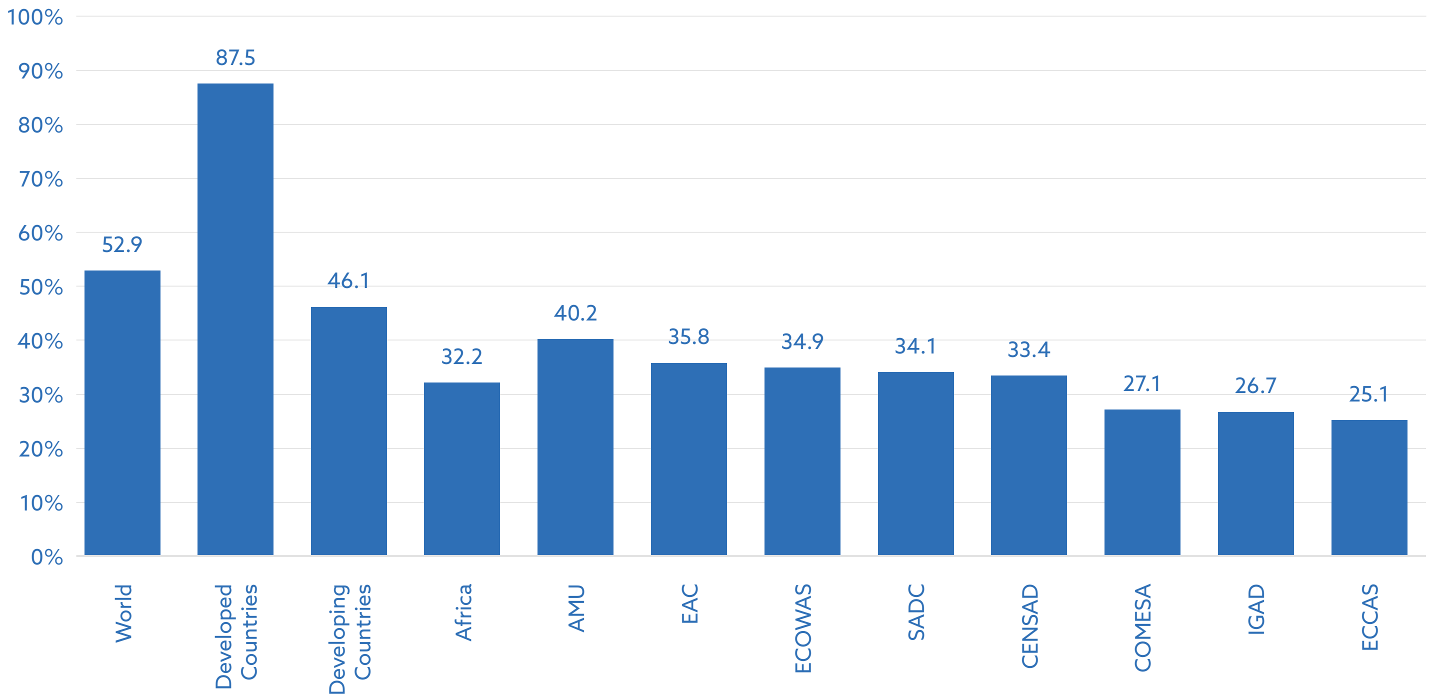
American investments in former Portuguese and Spanish colonies (Carlson, 1982). Such investments have tended to lead to social tensions and been politically disruptive. Many countries have complained about dumped and illicit goods as some suppliers from the South have tended either to supply used and obsolete machinery from the North or reconditioned inferior types of machinery or, they have used markets in the South as testing or dumping grounds for articles that are not easily marketable or useable elsewhere (Mihyo, 1992). SSC may have to redefine the export policies of member countries.

2.13 E-Commerce and ICT

Africa has not yet invested sufficiently in the utilization of modern technology to promote trade and investment on the continent.). A recent empirical study show the importance of ICT on economic development (David and Grobler, 2020) The African Development Forum held at UNECA Addis Ababa as far back as 1999 identified the following barriers to e-commerce in the continent (UNECA, 1999): African infrastructure is not sufficiently e-commerce-friendly due to inadequate infrastructure; deficient electronic transactions infrastructure; costly foreign intermediaries such as Amazon and Western Union, trust and perceived security issues, trade facilitation barriers, and poor legal and regulatory framework. The African e-commerce environment is not inadequate as a result of low level of awareness of e-commerce; lack of ICT skills among African entrepreneurs and professionals. Indeed, Africa also has the lowest internet diffusion in the world where fewer than 5% are online as compared to 98% in Iceland in 2020. The weak ICT capacity has hindered Africa's chances of exploiting the growth in e-commerce and related activities. Figure 6 presents UNCTAD's Business to Consumer (B2C) e-commerce Index, which measures the readiness of countries to engage in online commerce. The index average of developed countries is about twice that for developing countries. In Africa, the index is 32.2, much smaller than the developing country average. Moreover, the index varies considerably among the African RECs AMU and SADC score better than others while ECCAS achieves the lowest index.

Africa's fortunes with respect to e-commerce are starting to change. The African Union (AU) has been engaged in the establishment of a pancontinental e-commerce strategy (Banga and Kozul-Wright, 2018) – especially enhancing the backbone infrastructure in line with Agenda 2063. The platform economy has also seen certain developments in Sub-Saharan Africa. The platform only provides product sales service with an aim of enabling standardized transactions across countries. A number of these platform companies (see Table 3) have become the pioneers in the retail industry across the African region. They may help Africa to leapfrog the development model of hypermarkets and supermarkets, and directly enter the online retail era. The online platform may also enable small and medium-sized enterprises in Africa to provide retail, packaging, logistics and other services, thereby generating many employment opportunities and helping the region to escape poverty (UNOSSC, 2019a).

Figure 6: Weighted E-Commerce Index by African RECs (2017).



Source: UNCTAD (2019b).

In Asia companies such as Alibaba, JD.com, Tencent, Airbnb, Didi, and Flipkart have witnessed rapid growth and development. Alibaba was founded in 1999, when the company had only 18 employees. By 2018, Alibaba had become one of the world's top 500 brands, with 86,000 employees and a market capitalization of more than US$ 400 billion as of December 2018. Table 3 summarizes some of the major players in the e-commerce space globally and in Africa. Alibaba and JD.Com are trading across the globe and are developing their networks in African countries such as South Africa, Kenya and Rwanda. In 2017, Alibaba trained 200 young African entrepreneurs and founders of digital companies to become agents of change in their home countries.

Table 3: Examples of Southern countries – Cross-Border E-Commerce Platforms.

Company	Summary Description of the Firm
Alibaba	Alibaba Group, established in 1999, was listed on the New York Stock Exchange on September 19, 2014. Its founder and chairman is Jack Ma. The group was ranked 300th on the Global 500 list released by the Fortune magazine on 19 July 2018.
JD.com	JD.com is China's biggest self-operated e-commerce company. On May 22, 2014, it was listed on NASDAQ. On June 18, 2018, the company and Google jointly announced that Google would invest US$ 550 million in JD.com.
Flipkart	Flipkart is India's largest B2C e-commerce platform. In July 2018, Walmart acquired the company at a price of US$ 16 billion, the biggest acquisition ever made in Walmart's history
Jumia	Even the Sub-Saharan African region is witnessing the emergence of fast-growing cross-border e-commerce platforms like Jumia. Established in 2012, Jumia has become Africa's largest cross-border e-commerce platform covering 23 African countries.
MercadoLibre	MercadoLibre, registered in Argentina in 1999, is the most popular e-commerce site in Latin America. By 2016, its users in Latin America numbered 174.2 million, with its services covering all Latin American countries. The same year, MercadoLibre relocated its headquarters to São Paulo, Brazil
Kilimall	Established in July 2014, it is Kenya's largest online shopping site. Apart from Kenya, it has now expanded operations to Uganda and Nigeria.
Konga	Konga is one of the largest online shopping sites in Nigeria.
Mall for Africa	Mall of Africa (MFA) is Africa's largest shopping mall and e-commerce platform. On 18 May 2017, it joined forces with eBay to establish the shopping site Ebayforafrica.com to provide online shopping service for Nigerian and Kenyan consumers.
Takealot	Takealot is the largest local e-commerce platform in South Africa. Its predecessor, Take2, was a South African online retailer traced back to 2011. In 2016, Takealot received the Overall Winner Award and People's Choice Award at the PriceCheck Tech & E-commerce Awards. Naspers invested 960 million rand (approximately US$ 69.4 million) in Takealot
Bidorbuy	Bidorbuy is another C2C platform in South Africa. Established in 1999, it is now one of the country's largest e-commerce companies. Bidorbuy has yet to secure a large piece in the cross-border e-commerce market pie. Considering the research topic of this paper, no in-depth analysis of Bidorbuy has been included.

Source: Created by the authors, October 30, 2018.

Indeed, there is room for the development of the broader nascent digital sector. This would take advantage digital developments on the continent, especially in countries such as Kenya, Ethiopia, Rwanda, Ghana, and Nigeria which have set up digital parks. These developments go beyond e-commerce solutions (e.g. Jumia) but new disruptive start-ups, some of which offer solutions to healthcare supply chain, agriculture, health and finance opening up new opportunities for investment in emerging sectors and trade in services in particular across the region. These are cooperation or partnerships within the private sector space.

2.14 Trade in Services

The WTO framework also has defined the opening up of trade in services as a priority in an attempt to integrate the services sector in the global trading arrangements. The service sector forms the bulk of most economies, representing a share ranging from 30% in developing countries to 70% in the developed ones. Trade in services is rather complex, as services are intangible, non-storable, non-standardized, and often require physical proximity for transactions between providers and users. Barriers to trade in services are not limited to import tariffs but can also occur in the form of prohibitions, quantitative restrictions, price-based instruments and government regulations (such as standards, licensing, procurement rules) (Dowlah, 2004:153). Since the 1990s, the USA, the EU and Japan have accounted for 66% of the international trade in services, of which 42% was conducted among themselves. Before Africa can open up its services sector to global competition, the continent should first ensure that foreign participation in its banking, insurance, telecommunications, transport, and related trade in services is consistent with the national development strategies. Currently intra-Africa trade in services such as banking and telecommunications is on the rise with a few players such as Bank of Africa, Standard Bank, KCB, MTN, Orascom and Airtel.

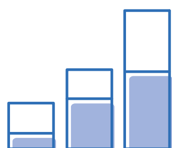
2.15 Agreement on Trade Related Intellectual Property Rights (TRIPS)

TRIPS constitute one of the WTO rules designed to protect the right of a wide spectrum of intellectual properties including designs, patents, inventions, and innovations. With its near-universal applicability, TRIPS blurs the traditional distinction between commercial and cultural inventions in the age of ICT and digital products. In effect, TRIPS foster the monopolization, as opposed to liberalization, of knowledge and resources in various areas such as agriculture, medicine, engineering, and the like (Stiglitz, 2006). This rule has devastating impacts on the efforts for promoting trade and investments in LDCs. The most prominent case in this regard was the attempt of international pharmaceutical companies to block the development of generic HIV/AIDS and tuberculosis drugs for the treatment of diseases in LDCs. TRIPS is arguably undermining the capacity of poor countries to exploit and benefit from late-comer advantages in the field of science and technology, as this Agreement provides protection to developed countries. The implementation of TRIPs will result in significant net static rent transfers of an estimated US$ 8 trillion to the developed countries, namely the USA, Germany, France, Italy, Sweden and Switzerland, while all the other nations including LDCs would register huge losses (Sako and Kararach, 2007). The development of generic drugs in countries like India and South Africa present a clear platform for collaboration in Global South to deal with the constraints imposed by developing countries of TRIPS requirements in the global economy, for example, by making the moratorium permanent, prohibiting non-violation complaints on intellectual property rights. SSC can also support the continent to develop centres of excellence in innovation and R&D.

3. Recent Experience in SSC and Trade Complementarities in the Global South: Some Lessons for Africa

South-South cooperation has grown rapidly in importance. This is as true of the trend in trade and direct investment as it is of credit relationships between developing countries and of development cooperation (low-interest loans, grants and technical cooperation).

3.1 Development of South-South Trade



The economy of the 'Global South' more than quadrupled from 2000 to 2016, to $30.9 trillion.

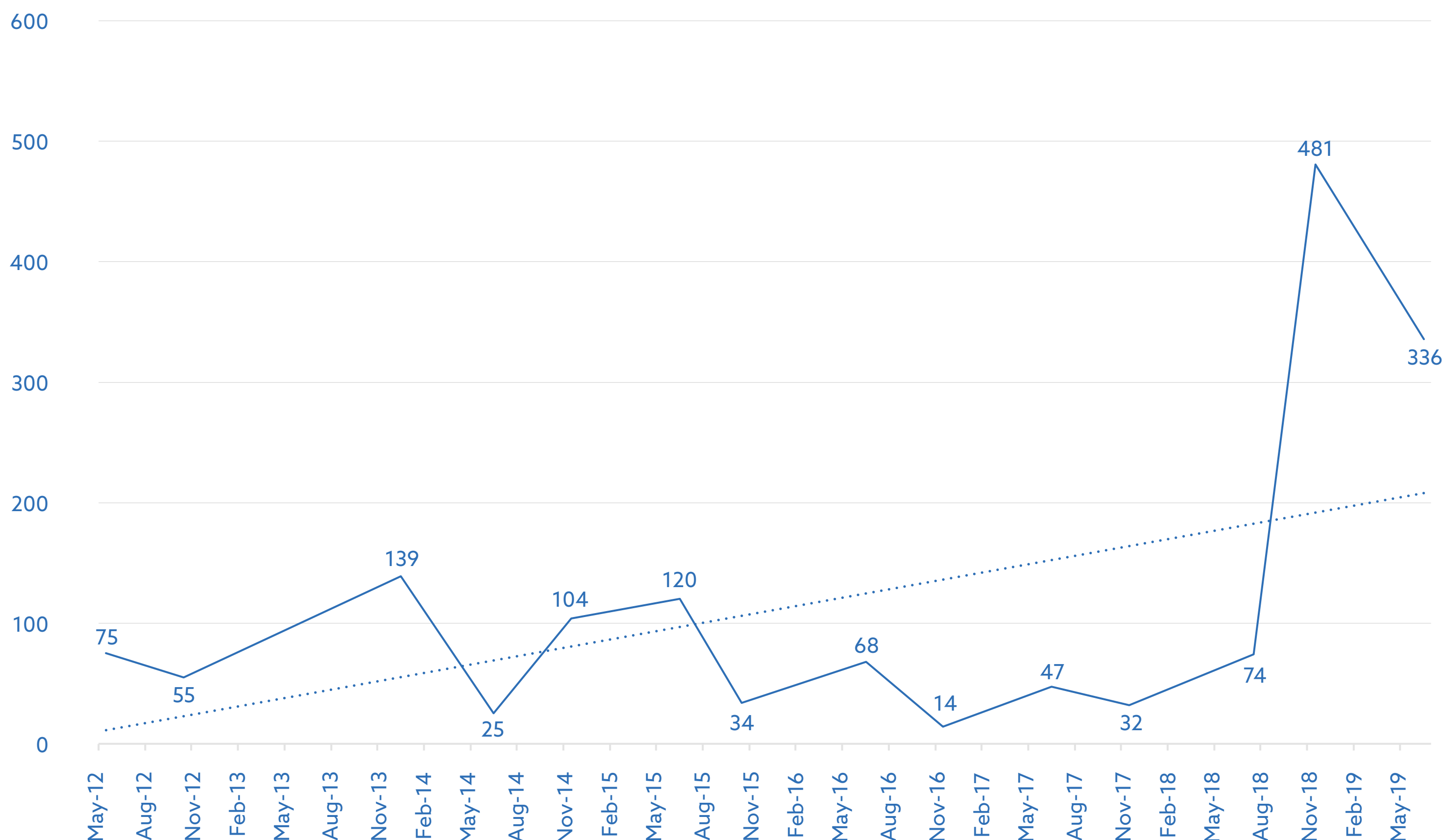
Over the past decade South-South trade has expanded more quickly than North-South trade. The recent proliferation of regional trade agreements such as the recently launched AfCFTA, and the rising trade in technology-intensive goods have propelled the South's 'remarkable growth' in the past two decades. The economy of the Global South more than quadrupled from 2000 to 2016, to $30.9 trillion (Mohanty et al., 2019). But trade remains vulnerable to shocks. As UNCTAD (2019c: p. 10) notes: South–South trade reached almost US$ 5.5 trillion in 2014. But after two years of decline, South-South trade recovered to about US$ 4.9 trillion in 2017 and exceeded its 2014 levels in 2018, standing at US$ 5.6 trillion. The COVID-19 outbreak confirms this reality. Estimates for the second quarter of 2020 by the WTO point to a year-on-year plunge in global trade in goods of approximately 18.5 percent as the virus and associated lockdown measures affected a greater share of the world. Exports of developing countries fell 7 percent in the first quarter, while imports fell 2 percent and South-South trade dropped by 2 percent.

However, most South-South trade is intra-regional, although supra-regional trade is also on the increase in absolute terms, for example between China and the EU. A further indicator of growing South-South cooperation is the rise in the number of Regional Trade Agreements (RTAs) among developing countries. In the early 1990s there were only 50 such agreements. Today there are more than 200 agreements. The growing importance of countries in the South (especially China, Brazil, India and South Africa) and the concomitant increase in South-South cooperation are also plain to see at the level of global governance, and especially of the World Trade Organization (WTO), to build a regime that scales up financial resources for trade and investments; enhances policy space; and builds resilience. There are many signs that the emergence of the G-20 (agricultural export countries) has transformed the WTO from an organization dominated by the West to a multipolar-oriented institution (WTO, 2012a, b).

There are also emergent worrying trends among the G-20 and some countries in the Global South as they try to localize and regionalize supply chains. The WTO in its 21st Monitoring Report on G20 trade measures issued on 24 June 2019 noted with concern that the trade coverage of new import-restrictive measures introduced during

the period (October 2018 to May 2019) went up by over 3.5 times the average since May 2012 (date of first edition of the report) due to the rise protectionist and autarkic tendencies in world economy led by big economies such as the USA and the EU. The 2019 report found that trade worth US$ 335.9 billion had been affected by these measures during the eight months period, and this remains the second highest figure on record, after the US$ 480.9 billion reported in the 2017/2018 period. Together, these two periods represent a dramatic spike in the trade coverage of import-restrictive measures (WTO, 2019). Figure 7 represents the trend in the measures. These figures are estimates and represent the trade coverage of the measures (i.e. annual imports of the products concerned from economies affected by the measures) introduced during each reporting period and not the cumulative impact of the trade measures. The report also notes that the G20 are the most frequent users of the transparency mechanisms of the Technical Barriers to Trade (TBT) Committee, submitting around 42% of all new regular TBT notifications since 1995. During the review period, the main stated objective of regulations introduced by G20 economies were the protection of human health or safety and the protection of the environment. More than half of the new STCs and all the persistent STCs discussed in the TBT Committee during the review period concerned measures introduced by G20 economies (ibid). SSC could reduce the persistence of TBT by pushing for reforms of the WTO.

Figure 7: Trade coverage of new import-restrictive measures in each reporting period (not cumulative) (trade volume in US$ billions).



Source: WTO Report on G20 Trade Measures, 2019.
Available at: https://www.wto.org/english/news_e/news19_e/g20_wto_report_june19_e.pdf.

3.2 Development of South-South Investment

South-South FDI has also experienced unprecedented dynamism (Sako and Kararach, 2007). More specifically, recent figures (Table 4) show Africa escaped the global decline in foreign direct investment (FDI) as flows to the continent rose to US$51 billion in 2018, an increase of 21% on 2017. Growing demand for some commodities and a corresponding rise in their prices as well as the growth in non-resource-seeking investment in a few economies underpinned the rise. While FDI in some large economies on the continent – such as Nigeria and Egypt – contracted, this was outweighed by a surge in flows to others, most significantly, South Africa as examples of South-South investments. These numbers are forecasted to fall even further in 2020 due the outbreak of COVID-19 (UNCTAD, 2020).

Table 4: FDI inflows and projections, by group of economies and region, 2017–2019, and forecast 2020 (Billions of dollars and percent).

Group/regions	Projection			
	2017	**2018**	**2019**	**2020**
World	1700	1495	1540	920 to 1080
Developed economies	950	761	800	480 to 600
Europe	570	364	429	240 to 300
North America	304	297	297	190 to 240
Developing countries	701	699	685	380 to 480
Africa	42	51	45	25 to 35
Asia	502	499	474	260 to 330
Latin America and the Caribbean	156	149	164	70 to 100
Transition economies	50	35	55	30 to 40
Memorandum: annual growth rate (percent)				
World	-14	-12	3	(-40 to -30)
Developed economies	-25	-20	5	**(-40 to -25)**
Europe	-16	-36	18	(-45 to -30)
North America	-40	-20	0	(-35 to -20)
Developing countries	7	0	-2	**(-45 to -30)**
Africa	-10	22	-10	(-40 to -25)
Asia	7	-1	-5	(-45 to -30)
Latin America and the Caribbean	14	-5	10	(-55 to -40)
Transition economies	-25	-31	59	**(-45 to -30)**

Source: UNCTAD (2020). World Investment Report, 2020.

As much of the FDI from developing countries has recently been confined to the investors' own regions[9]), it is becoming more important for countries at the same or lower level of development. In terms of sectoral distribution, the available data indicate that South-South FDI is largely concentrated on the extractive industry and infrastructure/ services. Many transnational businesses in developing countries, however, are also investing in other sectors such as telecoms, wholesale and manufacturing. South-South FDI is often encouraged by various government measures in both bilateral and regional economic community contexts. Besides the extensive removal of restrictions on capital exports, governments of developing countries offer tax incentives and other privileges for investment in other developing countries. In some regional arrangements, such as SADEC, ASEAN (Association of South-East Asian Nations) and the Andean Community, provision is also made for special incentives, such as low taxes, tariff reductions and favorable profit-transfer conditions.

The rise in South-South FDI brings new opportunities, but it also poses problems for the recipient countries. A particular advantage is that businesses in developing countries usually have considerable know-how about their region. This is especially true of regional distribution networks and appropriate local technologies and inputs. The problem is that Southern firms may stifle growth in similar sectors in another Southern country in a race to the bottom as high tariffs between Southern countries are lifted. Also, technology spillovers in South-South trade may be at the lower end, and not sufficient to enable rapid leapfrogging by local firms to withstand the new competition. Indeed, global firms in countries such as South Korea, China, Singapore and India were nurtured behind high tariff walls with other active state support (Chang, 2007). Some of these firms such as Samsung, Huawei and Tata have managed to go global. Some African candidates include FirstRand, Sasol, Sanlam, and MTN Group.

Developing countries also benefit from the fact that geographical proximity and cultural similarities facilitate the coordination of operations in other countries, and their businesses also tend to be more willing to take the risk of investing in a difficult political environment or in post-conflict situations. However, the actual significance of these favourable opportunities can be assessed only on a case-by-case basis, since by far the most South-South FDI goes to the extractive industry and to infrastructure projects, where linkage and spillover effects that benefit general development tend to be less pronounced.

As a result of the growth of South-South trade and the dynamism of South-South FDI, many banks in developing countries have expanded their South-South banking business. Like other multinational enterprises in developing countries, banks in developing countries prefer to operate in their own region or in a familiar cultural environment and legal system. Like South-South FDI, banks in developing countries have more experienced in difficult environments and are therefore more prepared to take risks than investors in industrialized countries. Low-income developing countries in particular are consequently able to benefit from the cross-frontier activities of developing-country banks as examples of Bank of Africa, Standard Bank and KCB show in Africa.

9 The numbers here are high based on regional hubs. However, the share of South–South investment in total investment to developing economies drops from 47 per cent (when measured on the basis of standard FDI data) to 28 per cent when measured on the basis of ultimate ownership (IMF, 2019).

3.3 Growth of South-South Development Cooperation

A further indicator of increased South-South cooperation is the fact that not only the rising powers, but other developing countries too, have become a greater source of ODA flows. The data on the actual scale of South-South development cooperation, however, is still fragmentary. It would seem that a large proportion of these financial resources are provided by only a few countries and that there is considerable variation from year to year. From 1994 to 2002 almost 60 percent of concessionary loans were granted by China. Turkey, Russia and Mauritius accounted for a further 30 percent in that period. Of these concessionary loans, some 70 percent went to only 15 countries, foremost among them low-income countries. The sub-Saharan African countries received the largest share of the resources (47 percent), while Latin America and the Caribbean benefited from about 26.5 percent. Europe and Central Asia accounted for just under 20 percent. This picture has changed radically – especially with respect to China. Out of the $60 billion China pledged to Africa at the 2015 FOCAC, concessional loans, credit lines, and African small- and mid-sized enterprise loans jointly constitute 70 percent of the total—with only 9 percent of the announced funding in zero-interest loans. At the 2018 FOCAC, where China again pledged $60 billion to Africa, half of the money was in the form of credit lines and development finance, with grants and interest-free loans jointly accounting for less than 25 percent of the total (Sun, 2020). Other players are Turkey in Somalia, India in East Africa, and Brazil in Mozambique and Angola.

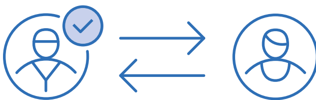
However, there is no doubt that China is now by far the largest donor among the countries of the South (Kararach, 2011). In fact, this suggests that development cooperation resource flows from China exceed those of all the other BRICS countries (Brazil, Russia, India and South Africa) combined by a factor of 10 (Bergamaschi et al., 2017). Like the other South-South resource flows, most concessionary loans (excluding China's) are intra-regional (78 percent). Thailand, for example, provides 90 percent of its ODA resources for infrastructure projects in neighbouring countries (Cambodia, Laos, Myanmar and the Maldives).

3.4 The Private Sector and Civil Society in SSC

Historically SSC remained a governmental policy linked to foreign policy. As a result, the role of non-state actors in shaping and implementing its policies overall remains weak or nonexistent. However, this is changing in many countries depending on the sectors of intervention. Countries where the private sector has been prominent in development cooperation activities in recent times include the Republic of Korea; Turkey, the UAE, and China (Bergamaschi et al., 2017). The bilateral arrangements between the countries are increasingly being implemented through the engagement of the private sector. The limited role of the private sector in SSC could have emerged out of an historical reality whereby multinational corporations led the establishment of colonial spaces – for the British East India Company, the Dutch East India Company and such organizations. Moreover, such firms have been responsible for the generation of negative externalities such as environmental degradation and climate change. The demand by local communities for greater accountability and corporate responsibilities have seen multinational corporation pay attention to reputational risks linked to their own activities.

While economic interests in SSC by Cuba is strong, the private sector is left on the backburner and the public sector is given a leading role. A well-known example is the government of Cuba's sales of medical services to other governments and thus benefits from much-welcome economic income. The export of medical services has helped Cuba to soften the impact of the USA's boycott against the island as these services have become major source foreign exchange.

Cuba's case contrasts strongly with that of India where the private sector has a big influence on the design and implementation of the SSC policy, through the participation in joint platforms, and the development of public-private partnerships (PPPs). China has increasingly linked 'aid' with business opportunities for Chinese firms to increase benefits from aid and to consolidate the achievements of cooperative projects (Bräutigam and Xiaoyang, 2009). Civil society's engagement in SSC is not prominent nor significant in most cases. Civil society tends to become prominent in circumstances where the private sector and government have erred in their engagement with a country or community as aid recipients. It usually takes the form of social movements involved in protests against the authorities. For example, social movements opposed Brazil's agricultural projects in Mozambique, thus broadening the spectrum of actors involved in SSC to include civil society and communities, and hence counterbalancing state domination of SSC policy by fostering greater local project governance and accountability. As the voices for accountability and transparency grow louder, SSC is ceasing to be a merely intergovernmental matter. The transformation of SSC as engagement between social actors and a people-to-people affair is underway.



The transformation of SSC as engagement between social actors and a people-to-people affair is underway.

4. Strategies, Instruments and Recommendations for the Way Forward

Given the challenges and causes underlying the lack of capacity in trade and investment promotion in Africa discussed in the previous sections, the continent should take advantage of SSC and devise creative responses, strategies and mechanisms going forward, some of which are highlighted below.

4.1 Building Capacity to Build Capacity

SSC has seen the birth of multilateral agencies to build a range of capacities and skills to engage in the global economy, Agencies such as the African Capacity Building Foundation (ACBF) and Africa Economic Research Consortium have been set up to provide training and capacity building to regional countries to spur growth.

It is crucial that African governments and countries should gear their efforts towards creating a conducive environment that fosters the development of human and social capital. New training and incentive systems should be developed to train and to retain qualified personnel in the public and private sectors. Such an environment would also encourage individuals and organizations to develop their own capacities to actively participate in the global economy. SSC has seen the birth of multilateral agencies to build a range of capacities and skills to engage in the global economy, Agencies such as the African Capacity Building Foundation (ACBF) and Africa Economic Research Consortium have been set up to provide training and capacity building to regional countries to spur growth. For instance, ACBF has an extensive experience in the area as the Foundation supports training programmes; public sector reforms; strengthening of capacity in economic policy analysis and management, and financial management and accountability; development of statistics; improved governance in parliaments; and professionalization of the voices of non-state actors such as regional economic communities.

The AU has now designated the ACBF as regional institutions for capacity building and more of its resources should come from African countries. This is important if Africa is to build capacity which will be strategically enhance trade-related; since trade under SSC is lopsided in favour of big players such as China, India and Brazil, Africans should focus more on operationalizing AfCFTA, and trade facilitation and other capacities for implementing this great initiative. Given nationalist tendencies within all countries, building capacity for trade and investment with other developing countries may hinder Africa's progress to operationalize AfCFTA and increase investment within the continent. Indeed, Africa countries must give greater attention to resource mobilization for capacity building using domestic sources. This will allow Africans not to be led by theories but practical issues which will allow them implement trade and investment issues properly. In addition, Africa must develop independent capacity to negotiate trade and investment agreements, for example, by utilizing the services of the African Legal Support Facility. Moreover, developing negotiation skills may require revamp of the education systems to cover practical and strategic issues dealing with trade and investment in a world economy increasingly dominated by nationalist tendencies.

4.2 Institutional Development and Infrastructure Upgrading

In this respect, African countries need to foster the emergence of quality institutions to ensure the effective implementation of sustainable trade and investment programmes and policies through reforms in various areas such as education, tax and labour regulations, financial sector, and legislation on property ownership, among others. The countries should also continue support the NEPAD STAP agenda[10], especially in terms of infrastructure development. However, the reforms to address trade and investments issues should align with the rest of Africa's development agenda, especially with regards to poverty reduction. Equally important is the need to continuously revamp and restructure African training programmes. Traditionally, the curriculum of most African training institutions has emphasized trade and investments issues from an economic point of view. Much emphasis has been on international trade theories, including comparative advantage, Jacob Viner's theory on gains from trade, and equalization of prices. However, the curriculum are being revised to integrate aspects related to international trade law and financial architecture, as these have direct bearings on the success or failure of the trade and investment agendas of African countries. Essentially, a typical team to defend Africa's position in international trade negotiations should be composed of members with a wide range of skills in various areas such as international (commercial) law, psychology and economics with a view to ensuring the necessary skills mix of the team. SSC would support both the process of institutional re-engineering and bridging the infrastructure gaps.

4.3 Strengthening the Private Sector and the Business Environment

It is essential that African countries become active and effective players in the global economy. This requires the design and implementation of appropriate industrial, employment, macroeconomic and other relevant policies. It also calls for a wide range of reforms, as is the case for example of the financial system reform aimed at promoting trade and investments, providing efficient services, and developing capital markets. A regional approach in this respect is crucial to foster regional integration and develop investment and trade promotion centres, with a view to exploiting trade and investment opportunities in Africa. The private sector should become a key player in the continent's fight against poverty by leveraging its expertise to raise finance, spur innovation, transfer technology and contribute efficiencies that arise from commercial budget discipline. A weak private sector is unable to mobilize and leverage financing and obtain the technology and innovation necessary for rising productivity, a green transition and inclusive development. Lopes and Kararach (2019) explore in detail the role of the private sector in Africa's effort for structural transformation. A number of private sector firms from countries such as China, India, Brazil and Turkey are now involved in implementing SSC projects.

10 The NEPAD's STAP outlines the continental response in four areas: (a) facilitation – the establishment of the policy, regulatory and institutional frameworks to create a suitable environment for investment and efficient operations; (b) capacity building-initiatives to empower the implementing institutions to perform their mandates; (c) investment – in physical and capital projects; and (d) studies – to prepare future projects.

4.4 Reduction of Capacity Risk Factors

As noted earlier, there are a number of risk factors to capacity building, retention and utilization in Africa, not only in the area of trade and investment promotion but also in the broader area of socio-economic development. The devastating effects of conflicts and diseases such as HIV/AIDS and malaria are real and constitute a real threat to the building of long-term capacity in Africa. There is therefore an urgent need to develop mechanisms to mitigate and address the risk factors.

Countries of the Global South are working to develop mechanisms to underwrite risks. In Africa such institution is the Africa Risk Capacity. The African Risk Capacity (ARC)[11] is described as a Specialized Agency of the African Union established to help African governments improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters. Through collaboration and innovative finance, ARC enables countries to strengthen their disaster risk management systems and access rapid and predictable financing when disaster strikes to protect the food security and livelihoods of their vulnerable populations.

The African Risk Capacity is made up of two mutually reinforcing entities: the African Risk Capacity Agency and the ARC Insurance Company Limited. These entities provide ARC Member States with capacity building services and access to state-of-the-art early warning technology, contingency planning, and risk pooling and transfer facilities. The ARC has been providing trade insurance to member countries. SSC partners can support the deepening of the financial base of the ARC.

4.5 Trade Facilitation Agreements

The number of regional trade agreements have grown under the auspices of the World Trade Organization (WTO). A number of these have taken a regional approach. Examples include the African Continental Free Trade Agreement signed by African countries, the Trans-Atlantic Trade and Investment Partnership (TTIP), between the USA and the European Union (EU), and the Regional Comprehensive Economic Partnership (RCEP) agreed to by 15 Asian economies of which 10 are members of the Association of Southeast Asian Nations (ASEAN; Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). The problem with these trade agreements is that non-members are bound directly suffer erosion of trade preferences in MRTA markets. All initiatives will strengthen trade in the Global South. Using Computable General Equilibrium analysis, Mevel and Mathieu (2016) showed that deepening continental trade integration – by establishing the Africa Continental Free Trade Are (CFTA) – should be seen as a key priority for Africa; it would help offset harmful impacts caused by other MRTAs on African economies and strongly stimulate intra-African trade. In addition, African countries should speed up and strategically enhance trade-related South-South cooperation given its potential to support Africa's structural transformation agenda.

11 See description and details at: https://www.africanriskcapacity.org/

4.6 Trade Finance

Trade finance is another way by which the Global South is innovating and changing SSC. Alvarez (2013) argues that developing countries can effectively address their trade and infrastructure finance needs. A new global financial architecture and a holistic approach to trade and finance is required by Southern suppliers to enter, establish and/or move up in complex regional /international value chains, for example by supporting ease of doing business. Many developing economies have established and/or strengthened their national development banks and Export/Import Banks (ExImbanks), as well as regional development banks (RDBs) to provide trade finance and investment funding. African examples include the Land Bank of South Africa, Zimbabwe Infrastructure Development Bank, Afrexim Bank, the TDB and the African Development Bank. There has also been greater attention being paid to 'aid for trade' in the recent past by development partners (WTO, 2013). Since the Aid for Trade Imitative started in 2006, US$ 409 billion in official development assistance and US$ 346 billion in low concessional loans has been disbursed to developing countries build their trade capacities. Another US$ 100 billion in both flows combined was committed in 2017. Of note is that South-South engagements contributed US$ 9 billion and foundation US$ 100 million in 2019 (OECD/WTO, 2019).

With about 80-90% of global trade in goods benefiting from trade finance (Auboin, 2011), the urgent availability of trade credits under affordable conditions, particularly in the case of developing countries and LDCs, cannot be over emphasized. The deceleration of the growth rate of global merchandise exports over the last two decades is pressuring developing countries to look to each other to enhance regional trade[12]. Several factors may explain the decline in the growth rate of world trade over this period. These headwinds facing major African trading partners include natural disasters, including the earthquake in Japan, and floods in Thailand that significantly disrupted the operation of GVCs, as well as global economic uncertainties arising from a worsening of sovereign default risks across the Eurozone and weak global demand that negatively affected commodity prices; autarkic nationalism and related rivalry between the USA and China, and the outbreak of COVID-19 in 2020.

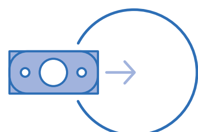
4.7 Regional Development Banks and Funding Arrangements for Greater Trade and Investments

In the last two or decades, the number of actors in international development has changed considerably. The new players include private foundations, South-South cooperation providers, and other stakeholders, which are becoming more influential both quantitatively and qualitatively. One of the key changes has been the birth of new multilateral development banks and their role within the field of international development (Abdenur, 2015a). Two recently established such institutions are the Asian Infrastructure Investment Bank (AIIB) (which is regional) and the BRICS' New Development Bank (NDB) (which is transregional) – both of which are engaged in infrastructure financing in Asia and Africa.

Latin American countries as well as African countries have partnered to form their own regional development banks. Examples are the Central American Bank for Economic Integration (CABEI) (with an active portfolio totalling $1.96 billion, which includes emergency aid, regional purchase and supply of medicines and medical

12 Global trade declined by about 15% in 2008/2009 due to the financial crisis and again from 2012/2013 when commodity prices collapsed, then by close to 27% when COVID-19 hit in 2020.

equipment, finance to public sector operations, support to the financial sector with a focus on MSMEs and credit lines to support liquidity management of the central banks of member states, the latter involving up to $1 billion); the Development Bank of Latin America (CAF) (with $2.5 billion for crisis response and support to business operations); the Caribbean Development Bank (CDB) ($140 million to help countries fight COVID-19 and an additional $3 million for medical equipment); and in Africa, the Trade and Development Bank (TDB) (in 2020 provided emergency medical supply and relief support in grants to Eswatini). The African Development Bank has been engaged in massive investments infrastructure in the decade 2010-2020. Generally, these 'new' banks (TDB, Afrexim Bank, DBSA, EADB) are less dependent on international markets compared to member share subscriptions to raise resources to be able to expand lending.



With the recent COVID-19 outbreak every country is under financial pressure. Where possible, new capital injections by the stronger shareholders would be a wise way to deploy scarce resources, since these regional institutions are well positioned to support cross-border initiatives necessary to build transnational resilience to crises.

With the recent COVID-19 outbreak every country is under financial pressure. Where possible, new capital injections by the stronger shareholders would be a wise way to deploy scarce resources, since these regional institutions are well positioned to support cross-border initiatives necessary to build transnational resilience to crises. Because these new banks have good working relationships with multilateral institutions as well as with national commercial and development banks, they could leverage this position to absorb funds from the larger institutions for managing critical regional initiatives and use an existing capillarity to distribute resources across their member states. This form of SSC action would bring forth much needed liquidity to cash-strapped countries like Malawi, Somalia, Central African Republic and Eritrea.

Equally important is the growth of mobile payment systems as a mechanism for inclusive finance (UNCTAD, 2020). It has been generally difficult to provide financial services to micro and small enterprises and impoverished populations. The Grameen Bank, and such microcredit institutions, have been creatively providing accessible and affordable financial products and services for the poor. Such banks targeting the poor provide poverty relief through small loans for low-income populations in many developing countries, as part of the overall framework of South-South cooperation. The Grameen Rural Bank supports the development of microfinance institutions in African countries such as Cameroon, Egypt, Ethiopia, Morocco, Nigeria, Rwanda, Tunisia, and Uganda, and provides microfinance to farmers in these developing countries (Grameen Foundation, 2019).

Indeed, regional development banks or/and funds, could help resolve the 'Spaghetti' problem of the RECs in Africa (Kararach, 2014). Such funds could be structured to compensate losers in integration efforts and to support equity in social and spatial development. Greater attention needs to paid to the changing character of global value chains and trade in intermediate goods as a result of growing service-intensity of trade in advanced industrial countries and a few emerging economies. Growing digitalization among firms that optimize global supply chains, as well as deployment of industrial robots at firm level could further complicate Africa's nascent capacity to trade in goods. Regional development banks and fund would also be important tools in supporting lagging sectors and regions.

4.8 Regional Public Goods, Pooling Innovations Costs and Centres of Excellence as Well Accreditation

Africa needs to develop regional public goods – especially in areas such as infrastructure, disease control and climate change adaptation and mitigation to foster co-operation in areas of logistics, skills development, R&D and technology across the Africa and the Global South. It could borrow from the experience of Latin American and Caribbean (LAC) countries. These countries set up the Regional Public Goods Initiative (RPG Program) in 2004 to address the effects that may result from an increased movement of goods, services and people across borders (for example, contagion financial crises, infectious diseases or the possibility to transfer pension benefits by migrant workers). The Program also promotes regional public goods in situations where regional collective action adds value to national interventions. (The Program's underlying assumption is that, through cooperation and the pooling of resources and expertise, countries can make greater development gains than they would on their own or do so at a lower cost.)

The RPG Program reflects three trends in the LAC region and its role in the global architecture of development cooperation:

- The progressive integration of goods, services and factor markets in the LAC region has led to greater interdependence, resulting in externalities that have prompted an increasing demand for policy coordination beyond trade including transport, health and climate change;
- The need for South-South Cooperation (SSC) to be a source of innovative development solutions which can be shared and replicated by other countries; and
- Ensuring multilateral development banks support their clients address the externalities of increasing regional and global interdependence by serving honest brokers of oft conflicting national interests.

4.9 Reviving Multilateralism and Common Solidarity

Countries are increasingly demanding SSC deliver concrete development results as an approach to the future of SSC. In 2010, the UN General Assembly sought to redefine SSC as 'a common endeavour of peoples and countries of the South, born out of shared experiences and sympathies, based on their common objectives and solidarity, and guided by the principles of respect for national sovereignty and ownership, free from conditionalities ... a partnership among equals adopts a multi-stakeholder approach to SSC, which includes civil society, the private sector, academia and non-governmental organizations'. SSC was a move away from the 'post-colonial' narrative of traditional overseas development assistance and is predominantly demand driven to foster solidarity rather than stemming from donor-country interests based on solidarity[13].

This redefinition is extremely broad, ranging from capacity building to infrastructure development, rather differentiating it from North-South engagement; and emphasizing shared experiences and solidarity (Lucey, 2017). Two African examples of the new approach focusing on shared experiences and solidarity come from South

13 See UNOSSC (2019b) for a detailed discussion of the evolution in SSC in recent years.

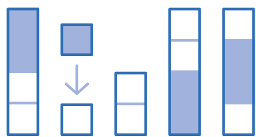
Africa. The establishment of the South African Development Partnership Agency (SADPA) and the Development Bank of Southern Africa (DBSA) as vehicles to provide technical assistance based on requests from beneficiary African country. The focus is on solidarity rather than multilateralism that underpinned traditional SSC. South Africa has worked with African countries on regional infrastructure financing and capacity building and training. South Africa is thought to have a better understanding of context and to be able to play the role of a 'broker' between Southern and Northern countries.

Most SSC on the continent led by South Africa has occurred on a bilateral or trilateral level, but there are increasing attempts to develop wider and more inclusive collaborations. This raises the question of the role of multilaterals and where they fit into these new initiatives that focus on efforts for inter-country exchanges. There are two other examples. The first is the African Solidarity Initiative (ASI) of the African Union (AU). This initiative, initiated in 2012, promotes in-kind technical assistance with the motto 'Africa helping Africa' and culminated in the African Solidarity Conference held in February 2017. As noted by the Institute for Security Studies (ISS), this conference was under-attended and struggled to obtain financial contributions, in contrast to the Mission to the Central African Republic (MISCA) conference held later that same day. By 2020 the in-kind assistance had become the framework for implementing the AU's Post-conflict Reconstruction and Development (PCRD) programme.

The other set of initiatives comes from the India, Brazil South Africa (IBSA) fund. The fund allows for more poverty alleviation and development projects, with a view to transfer greater agricultural knowledge and techniques. The IBSA fund is often described as a 'laboratory' to serve as an incubator/experiment fund and may serve as a useful model for future SSC.

It has to be noted that African countries are increasingly seeking to strengthen their voices in many of the cooperation mechanisms and dialogue forums. African countries have been at the forefront of the calls to reform multilateral agencies such as the World Bank, IMF and the WTO. Such reforms would revamp the governance of global trade and investment regimes. Even though many of these forums such as FOCAC and EU-Africa Forum are claimed by promoters to be based on mutuality, the power imbalances within remain apparent thus keeping alive the African call for reforms of many of these engagement platforms with greater attention to issues such as climate change, fair trade and ethical investments in Africa and for African entities.

5. Conclusion



Capacity building in trade and investment promotion should constitute a priority in Africa's development agenda.

The lack of capacity has been pivotal in Africa's inability to exploit the investment and trade opportunities offered by the global economy and SSC in particular. Africa needs first and foremost to build and sustain its capacity. Building capacity does not constitute an end in itself but a means for achieving overall socio-economic development. African governments and people should become increasingly proactive and innovative in developing policies and institutions that are required for a sustainable development. Capacity building in trade and investment promotion should constitute a priority in Africa's development agenda. Similarly, donor coordination and collaboration among implementing agencies are equally important in achieving the objectives for trade and investment promotion.

The increase in South-South cooperation offer opportunities for poor developing African countries in particular, since these investors are familiar with the technological requirements and actual cultural and political conditions of the continent and are far more willing to take risks than investors from industrialized countries. However, the presence in African countries of some SSC participants also poses a number of challenges such as trade diversion and dumping. The rapid growth rates of countries such as India and China with the consequent increase in their demand for raw materials have led to tremendous pressures in many African countries. The risk is that, as the extraction of raw materials usually proceed without any major linkages or spillovers for the rest of the economy, enclave economies have started to emerge or become entrenched. These challenges for African countries appear all the greater when predatory competition and dumping are considered.

African countries do recognize that South-South cooperation present them with a viable path to sustainable development given the renewed emphasis on solidarity in the Global South. We note the importance for the Global South the need to identify and seize latent opportunities offered by the changing power balance in the world economy and the Fourth Industrial Revolution to promote greater South-South cooperation. Within the context of the Sustainable Development Goals and Agenda 2063, Africa must be aware important gaps in traditional development cooperation and draw critical lessons to strengthen mechanisms to promote trade and investments in a revamped South-South cooperation going forward. This paper offers an opportunity to consider both successes and failings current approaches to trade and investments, to facilitate different thinking, to strategize with specific actions about improvements to existing international development systems, mechanisms and institutions, and to build a future where social outcomes and results are prioritized.

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