Trade: Africa

Commitment

“The G8 in return agreed to a comprehensive plan to support Africa’s progress. This is set out in our separate statement today. We agreed: to stimulate growth, to improve the investment climate and to make trade work for Africa, including by helping to build Africa’s capacity to trade and working to mobilize the extra investment in infrastructure which is needed for business.”

- Chair’s Summary (final press conference)413

Background

It is estimated that Africa needs a growth rate of approximately 8% per year in order to reach the Millennium Development Goal of decreasing poverty by one half in 2015.415 Africa accounts for 2% of world trade and has insignificant shares in global manufactured exports despite some improvements in economic performance.415 The Commission for Africa set recommendations for the achievement of growth and development in Africa to the G8, EU, and partner organizations on 11 March 2005.416 The Commission stressed the need to make the investment climate stronger through public/private partnerships, increase the investment in infrastructure enormously such as rural roads, small-scale irrigation, regional highways and Information and Communications Technology (ICT).417 In order to improve the capacity for trade, internal changes such as transport technology would be necessary. In light of these recommendations, the G8 countries set forth specific commitments to improve Africa’s capacity to trade. Specific to this commitment was the pledge by G8 leaders to accept three initiatives: stimulate growth and improve the investment climate in Africa, build Africa’s capacity to trade, and mobilize investment in infrastructure for business.

Team Leader: Sadia Rafiquddin

Assessment:

<table>
<thead>
<tr>
<th>Country</th>
<th>Lack of Compliance</th>
<th>Work in Progress</th>
<th>Full Compliance</th>
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<tbody>
<tr>
<td>Canada</td>
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<tr>
<td>France</td>
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<td>Germany</td>
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<td>Japan</td>
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<td>Russia</td>
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<td><strong>Overall</strong></td>
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<td><strong>0.67</strong></td>
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Individual Country Compliance Breakdown

1. Canada: +1

Canada demonstrated successful compliance with the Gleneagles commitment to promote trade and investment in Africa. In particular, Canada launched the Canadian Investment Fund for Africa (CIFA) in Accra, Ghana on 12 October 2005.\(^{418}\) CIFA is a significant component of the Canada Fund for Africa and a key response to Canada’s commitment to the G8 Africa Action Plan and the New Partnership for Africa’s Development (NEPAD). CIFA aims to attract foreign direct investment in Africa by providing risk capital for private companies. The Canadian government is matching all investment dollar for dollar.\(^{419}\) CIFA also endeavours to expand Africa’s infrastructure, create jobs, and provide better access to technology. At its launch, CIFA announced that it will channel US$162-million into Africa.\(^{420}\)

At the WTO ministerial conference in Hong Kong from 13-18 December 2005, Mr. Jim Peterson, Canada’s Minister of International Trade, stated that Canada’s goal is “to rein in subsidies and to achieve major improvements in market access.”\(^{421}\) However, Canada failed to open its market to African countries during the conference, though it did confirm that it will eliminate export subsidies on agricultural goods by 2013.\(^{422}\)

Analyst: Laura Yau

2. France: 0

France receives a grade of ‘0’ for its achievements toward improving trade in Africa as identified at the Gleneagles Summit. While France has reaffirmed its commitment to this issue and has identified

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\(^{422}\) Tom Grimmer, WTO averts talk breakdowns, Globe and Mail, (Toronto), 18 December 2005.
infrastructure development as one of its seven priority sectors for African development, there is currently little evidence of new independent funding allocated to fulfilling this commitment.

Citing Africa as one of its top three priorities for international action, France reiterated its support for the New Partnership for Africa’s Development (NEPAD) in order to “spur regional integration and infrastructure development in a spirit of partnership with developed countries”. France participated in the fifth meeting of the Africa Partnership Forum (APF) in London on 4-5 October 2005, which aims to “record, monitor and report on delivery of all financial and policy commitments to Africa...and set clear, time-bound benchmarks against which progress can be measured and monitored”. France also took part in the inaugural meeting of the Infrastructure Consortium for Africa, held on 6 October 2005. The Consortium seeks to work as a partnership between donors and stakeholders “to accelerate progress to meet the urgent infrastructure needs of Africa in support of economic growth and development”.

At the 23rd Conference of Heads of State and Government of Africa and France, held in Bamako on 3-4 December 2005, France stated its commitment to African development and its support for the Doha round of trade negotiations in dealing with development. In a statement made by HE Mrs. Christine Lagarde, Minister Delegate for Foreign Trade, at the Hong Kong Ministerial Conference this December, France said “we must put development back at the heart of the Round” and confirmed French “support [for] an increase in aid for trade” for the poorest countries. As a member of the WTO, France was represented in the Hong Kong round’s Ministerial Declaration which discussed expanding aid for trade and created a task force to offer recommendations on how to ‘operationalize’ aid for trade.

Analyst: Melissa Molson

3. Germany: +1

The German government registered a high level of compliance with the Gleneagles’ trade in Africa commitment as they sought ways to make trade work for Africa as well as successfully build Africa’s capacity to trade. A Ministerial Declaration released by Germany on 19 December 2005 committed to eliminating all export subsidies on cotton to Africa by 2006, thereby benefiting African cotton farmers and making trade work for Africa. There was also progress in Germany’s commitment to build Africa’s infrastructure. On 21 October 2005, the governments of Germany and Burkina Faso announced a comprehensive plan which would see Germany provide €54 million between 2005 and 2007 for economic development with a focus on market oriented agricultural goods and their production. In addition, in a press release dated 20 December 2005, the German government pledged the government of

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Mozambique €68.5 million between 2005 and 2006 to develop education, rural areas, and the private sector.432

Analyst: Adrian M.T. Roomes

4. Italy: 0

Italy registered partial compliance for its achievements toward improving Africa’s human, technological, and institutional capacity to trade. Since the Gleneagles Summit, Italy made a few contributions that promote trade in Africa. In December 2005, the Italian Cooperation (IC) under the Government of Italy announced that it will provide aid of over €4 million to be used in agricultural projects in Angola.433 IC also gave €1.1 million towards two projects that intend to promote computer literacy and increase technological development in Mozambique.434 However, Italy has yet to make any significant contributions and actions towards improving trade in Africa.

Analyst: Laura Yau

5. Japan: +1

Japan registered a high degree of compliance with respect to its commitments to improve the investment climate in Africa and to help build Africa’s capacity for trade. Japan has taken and continues to take a leadership role in promoting efforts to develop trade in Africa. It will be involved in the Fourth Asia-Africa Business Forum (AABF) to take place in 2006,435 and will host the Fourth Tokyo International Conference on African Development (TICAD IV) in 2008.436 The TICAD conferences actively promote Asia-Africa business relations and provide “one of the largest international platforms for global cooperation for African development.”437 While Japan’s official trade policy has no significant discussion of trade in Africa,438 the Ministry of Foreign Affairs has outlined specific measures that it will take to promote trade, business development and investment in African countries.439 These include promoting trade and investment between Africa and Japan by “facilitating trade investment, enhancing business exchanges and promoting product development and export to Japan.”440

Japan’s support of the United Nations Industrial Development Organization (UNIDO) has helped develop income generating projects and upgrade skills though developments such as the Community Based Production Centres in Guinea.441 The $300 million annually that Japan makes available for overseas investment loans,442 commitments to share Japanese technology and expertise through UNIDO,443 and
the existence of the UNIDO Tokyo office which acts as a source of information to facilitate private investment into Africa, shows that Japan is creating the conditions necessary to make their African investment promotion centres effective.

Analyst: Nathan Weatherdon

6. Russia: 0

Russia receives a score of '0' regarding its commitment to improving Africa’s capacity to trade. Russia reaffirmed its commitment to this issue and played an active role in the international arena in support of African infrastructure initiatives. However, there is currently little evidence of new funding allocated towards fulfilling this commitment.

At a statement made to the Joint World Bank IMF Development Committee on 25 September 2005, Minister of Finance Mr. Aleksei Kudrin noted that Russia "strongly support[s] World Bank’s Africa Action Plan...[and] welcome[s] the renewal of attention to investments in infrastructure". Russia also participated in the fifth meeting of the Africa Partnership Forum (APF) in London on 4-5 October 2005, which aims to "record, monitor and report on delivery of all financial and policy commitments to Africa...[and] set clear, time-bound benchmarks against which progress can be measured and monitored". Russia was an active participant of the APF meeting, assisting with the preparation of the APF’s Draft Joint Action Plan and other documents relating to the functioning of the APF. Russia also took part in the inaugural meeting of the Infrastructure Consortium for Africa, held on 6 October 2005 in London. The Consortium seeks to work as a partnership between donors and stakeholders "to accelerate progress to meet the urgent infrastructure needs of Africa in support of economic growth and development".

Analyst: Melissa Molson

7. The United Kingdom: +1

The UK has achieved successful compliance through financial support that intends to improve Africa’s investment climate, capacity to trade, and infrastructure for business. Prime Minister Tony Blair and Hilary Benn, Secretary of State for Trade and Industry Development announced in a press release dated 17 November 2005 that the UK government will donate US$30 million annually to the Investment Climate Facility (ICF) over three years. The British Prime Minister stated, "The ICF’s activities will address both the real and perceived obstacles. It will be vital for investment, growth, jobs and sustainable poverty reduction in Africa". Supported by the New Partnership for Africa’s Development (NEPAD) and African Heads of State, the ICF is the vehicle that the G8 and Commission for Africa proposed as necessary in order to

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improve investment in Africa. In a press release dated 3 October 2005, the UK announced it will donate £200 million to the World Bank's Africa Catalytic Fund of which a portion will be allocated towards improved infrastructure on the continent. Officials from the Department for International Development chaired the first meeting of the Infrastructure Consortium for Africa held on 6 October 2005 in London. Finally, in a speech on 14 November 2005, Prime Minister Blair committed to increasing "aid for trade" with a donation of £100 million a year until 2010. The money will help developing countries raise exports to the rest of the world, African countries are expected to significantly benefit.

Analyst: Sadia Rafiquddin

8. United States of America: +1

The United States' government registered a high level of compliance with the Gleneagles' trade in Africa commitment, with attempts to stimulate growth in Africa's economy by improving Africa's business infrastructure and investment climate. The United States Department of the Treasury reaffirmed this commitment in a press release dated 2 December 2005. It stated, "In the context of our shared commitments to double aid for Africa by 2010, we agree to give priority to the infrastructure necessary to allow countries to take advantage of the improved opportunities to trade".

The United States went further towards improving African infrastructure when on 8 November 2005, Mr. Lloyd O. Pierson, Assistant Administrator of the United States Agency for International Development (USAID) formally opened a new West Africa Trade Hub in Dakar, Senegal. USAID has opened three other hubs in Kenya, Ghana, and Botswana since President George W. Bush instated the Trade for Africa Development and Enterprise (TRADE) Initiative in 2001.

The United States also took strides toward improving the climate for investment in Africa. On 22 December 2005, President Bush made a proclamation which added Burundi to 36 other African countries eligible for benefits under the Africa Growth and Opportunity Act (AGOA). The AGOA was signed into U.S. law on 18 May 2000, and was intended to provide incentives for African countries to continue to open their borders to free trade. In addition, on 2 November 2005, USAID announced the creation of Global Commercial Microfinance Consortium, a commercial fund that will provide financing to Microfinance Institutions. These institutions provide credit to small entrepreneurs and poor families

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globally, and an undisclosed portion of USAID’s initial US$75 million endowment was set aside for Mozambique.461

Analyst: Adrian M.T. Roomes

9. European Union: +1

The European Union has successfully fulfilled the trade in Africa commitment as outlined at the 2005 Gleneagles Summit. In a report titled “EU Strategy for Africa: Towards a Euro-African Pact to Accelerate Africa’s Development” the EU set forth its commitment to help meet Africa’s growth potential, foster integrated markets, and improve infrastructure on the continent. In a press release dated 12 October 2005, the European Council adopted the “European Union Strategy for Africa” which will launch the new Partnership for Infrastructure initiative.462 Under the Partnership for Infrastructure, “the EU will support programs that facilitate interconnectivity at the continental level to promote regional trade, integration, stability and development.”463 In order to have more integrated markets, the EU is currently negotiating with four Sub-Saharan African countries through the Economic Partnerships Agreements (EPAs).464 The EU’s most significant donation thus far, announced December 2005, is an increase in its annual contribution to “Aid-for-Trade” by €1 billion to a total of €2 billion per year by 2010.465

Analyst: Sadia Rafiquddin