

Africa in the New World

How global and domestic
developments will impact by 2025



Jakkie Cilliers

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1 Introduction

The world is currently experiencing a massive change in the balance of power as influence and industry shift from the West to the East. The international system as we have known it since 1945 is being transformed with the rise of new powers, the impact of globalisation and changing values. Much has been made of China's rise to rival the United States in global economic influence with India in tow, and Brazil becoming the other possible major global power by the middle of the 21st century. Some studies, notably those of Goldman Sachs (*BRICs and beyond*) and PricewaterhouseCoopers (*The world in 2050*),¹ point to the potential importance of Russia, Mexico, Indonesia and Turkey.

Africa, however, does not feature in these various global scenarios. The continent's largest economy, South Africa, is strikingly absent in discussions about the long-term future of the world. The only country that does feature, in passing, is Nigeria, either because of the regional implications of state collapse or the potential of its oil production and projected massive population growth.

But whilst African developments will not become a substantive driver and factor in global scenarios in the next two or three decades, the importance of the region will steadily increase, as this analysis will demonstrate.

The future cannot be predicted, although it is possible to project certain trends, such as population growth, economic development and technology – and the collective impact of climate change on all of this. Human intervention, the choices and opportunities made and taken by leaders and the reactions of ordinary people will forever defy accurate forecasts. The closest correlation in global growth scenarios is that between population growth and urbanisation on the one hand and economic development on the other. This also holds for Africa, where demographic growth has the potential to generate unparalleled levels of economic growth for future generations.

Compare Africa, with its massive youth bulge, with the stagnant populations of Europe, Japan and Taiwan. The worker population of even China and South Korea will peak in the next decade, placing an increased demand on the social security system. In the United States, the 65 million people that will be added to its population by 2030 will be due to immigration, as native-born white Americans have almost (but not quite) the same low fertility rates as Europeans. The importance of human capital is such that, according to Fareed Zakaria, ‘the United States’ potential new burst of productivity, its edge in nanotechnology and biotechnology, its ability to invent the future – all rest on its immigration policies’.²

LIMITS TO GROWTH

The world is experiencing an unprecedented era of prosperity – a trend that will probably continue for the next two decades, but with two caveats.³ The first is that the current unsustainable and carbon-intensive nature of global economic development will, by the end of this period, bump up sharply against the impact of population growth and the associated damage to the environment. This is most evident in the relationship between climate change, energy security and food security. Asian affluence and the move to more resource-intensive meat and dairy consumption is placing extreme pressure on resources at a time that will add 1,3 billion people to the current 6,7 billion by 2025.

While there is currently some movement towards biofuel production, actual lifecycle carbon gains appear to be lower than previously calculated when production costs such as diesel and fertilizer are factored in. The increases in the severity of extreme weather conditions worldwide – including droughts, floods and natural calamities – are clear warning signs. It remains to be seen how

governments in developing countries will be able to respond to the dramatic increases in food prices, public pressure and even riots as the adaptive capacity here is low.

The second, related caveat is the coming to an end of the current cycle of industrial development based on liquid hydrocarbon production – crude oil, natural gas liquids, and unconventional sources such as tar sands. The oil and gas production of many traditional energy producers is already declining. Elsewhere – in Mexico, China and India – production has flattened. The number of countries capable of meaningfully expanding production will decrease and the globe will, in the next few decades, have to confront only its third industrial shift in several hundred years – the transition from fossil fuels to alternative sources of energy. New technologies will have to provide many of these answers. However, as the US National Intelligence Council warns, ‘all current technologies are inadequate for replacing traditional energy architecture on the large-scale basis needed, and it is questionable whether new technologies in the energy field will be commercially viable and widespread by 2025. The pace of technological innovation will be key to outcomes during this period.’³⁴

Clearly global climate change has become a determining factor in our choices about human welfare. It is not possible for the populations of China and India to achieve the same levels of affluence (and therefore per capita pollution) as those of Europe and North America. Nor will the affluent societies in North America and Europe be able to sustain their current carbon-intensive consumption patterns. The best available scientific indications point towards current patterns of production and consumption becoming fully unsustainable within the next 15 to 20 years.

TIME HORIZON

This monograph takes a shorter-term view of the future, to roughly 2025–2030, and looks at some of the challenges and opportunities for Africa. Of all the continents, Africa hardly features as a factor in most global projections. Neither the Global Trends work of the US National Intelligence Council in 2004 – *Mapping the global future* – nor the more recent *Global Trends 2025: a transformed world*³⁵ makes more than a passing reference to Africa. From Washington it is, in many senses, as if the African continent is not part of the world, except as a source of commodities, for humanitarian considerations, or as an object of international

intervention to halt the spread of instability. The reasons for this lacuna are not hard to fathom. Sub-Saharan Africa contributes less than 2 per cent to the global economy – a percentage that has steadily declined decade after decade.

Projections and estimations of the future are inevitably based on a past where Africa served as an object of amazement and discovery, then as a source of slavery, colonialism and imperialism until the achievement of emancipation in the previous century, and lately of international activism through donor assistance and peacekeeping. Africa has never had agency – it has not been an actor, an independent factor, in the growth calculations and projections of the global future.

THE FUTURE

The future cannot be a mere linear economic or demographic projection of the past, as became evident with the collapse of communism two decades ago and the amazing rise of China. The accelerating signs of economic growth, improvements in the quality of economic and political governance, and steady decline in instability and war in Africa since the 1990s, coupled with the commodities boom of this decade, could indicate an opportunity for some African countries – but not all – to break with past trends. The current global boom in commodity prices is driven by economic expansion in Asia and unprecedented levels of world prosperity. Should these continue, demand will remain high and Africa is set to benefit from this strong growth for many years, although economic growth derived from this narrow source is ultimately unsustainable. Should the impact of the subprime mortgage crisis in the United States continue to expand, Africa and indeed the global economy, will suffer severely.

Already a number of example countries in sub-Saharan Africa – such as Botswana, South Africa, Zambia, Ghana, Tanzania, Mozambique and Uganda – have been able to break with a miserable past. These trends, the momentum of a growing population, high commodity prices, urbanisation and new technologies that serve to connect the continent to the rest of the world, may present different futures for Africa, but only if the continent can identify a new, post-industrial style of development, or possibly one based on self-sufficiency. The rise of cheap manufacturing in China and India will, at the minimum, close off manufactured growth as a model for Africa and may even effectively de-industrialise the continent. The effective closure of industry in South Africa

and general decline in Africa's limited manufacturing base is already further advanced than most realise. Should Asian growth falter, particularly that of China, Africa will suffer commensurate loss.

CONTENT STRUCTURE

This monograph looks at key shifts that will determine the future of Africa in the world. The first four 'megatrends' constitute those external developments that will impact upon Africa and over which it has little control, namely the global shift of power from West to East, the impact of climate change, globalisation, and state power and interdependence and complexity. Students of security studies may be intrigued by the fact that the rise of global insecurity does not feature as a megatrend, although it features as an underlying theme in a number of sections. In simple terms it is probably the action of one country, the United States, that will singularly determine our future global (in)security, as US reaction has done more to undermine global security than the original terrorist attacks on 9/11 on the World Trade Center and elsewhere.

The second set of 'African variables' reflects domestic developments, some in response to the megatrends, others more deeply rooted in the region. These are Africa's population dynamics, trade, democratisation/governance, and peace and stability. Collectively the two sets of factors provide a glimpse of the possible emerging futures for the continent. Both emphasise the importance of (sub) regional integration for Africa. A final section will conclude the monograph.

Megatrends

- A global shift of power from West to East
- Climate change
- Globalisation and state power
- Interdependence and complexity

African variables

- Growing and dynamic population
- Trade, aid and growth
- Democratisation and governance
- Peace and stability

The importance of regionalism

2 Megatrend One

The global shift of power from West to East

THE (RELATIVE) DECLINE OF THE WEST

In recent decades, countries all over the world have experienced rates of economic growth that were once unthinkable. Hundreds of millions of people have been lifted out of poverty, creating new centres of regional prosperity and wealth. And it is clear that at least the first half of the 21st century – possibly longer – will belong to Asia.

American resilience

In an excellent article, ‘The future of American power’, Fareed Zakaria⁶ argues that the future of the United States in the next decade or two is not so much about the ‘world without the West’, or indeed the decline of the United States, but really the ‘rise of the rest’ – a process that will see the relative decline of the economic power of the United States and the European Union in their share of global gross domestic product (GDP), industrial production and world trade. His view is that the global dynamism and dominance of the US economy is not about to disappear, although its relative contribution may decline as the world

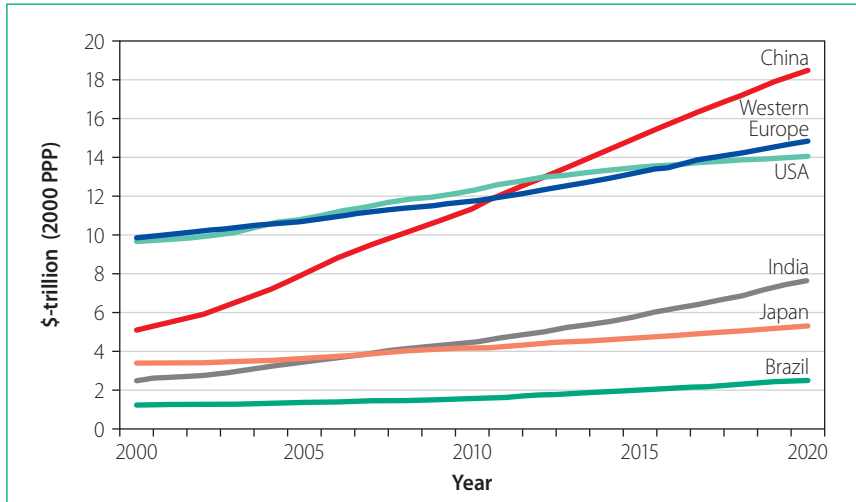
economic cake expands. (That of Europe will decline even faster, given the lack of political unity, limited military power and ageing population.)

In June 2008 the China Internet Network claimed that China had overtaken the United States in having the largest number of Internet users (253 million) and thereby became the world's biggest market with a 50 per cent growth rate over the preceding year. The growth potential remains huge – for even at these numbers only 19 per cent of Chinese people have access to the Internet compared to the 70 per cent (220 million) in the United States. With growth rates of 60 per cent to 70 per cent per year the Internet market is the fastest-growing consumer market sector in China – dominated by Chinese companies such as Baidu, Sina, Tencent and Alibaba, not by American companies such Google or Yahoo.⁷

Less well known is the fact that Internet and cell phone usage in Africa is growing at double the rate of that in China.

The decline of the United States from its position as global superpower has been the source of commentary for several decades – and has defied every bout of prediction about its imminent eclipse. Of the top 22 companies in the world, Americans lead half – from a country with less than 5 per cent of the world's population. By all indication, the United States will still be the dominant global power by 2025–2030, although no longer with the largest economy. It will therefore have experienced a decline in its current dominant position – but Americans (and Europeans) will individually still be substantially wealthier than anyone else for the foreseeable and long-term future.

According to *The world in 2050* the economies of the group of the Emerging Seven (E7) consisting of China, India, Brazil, Russia, Mexico, Indonesia and Turkey will, by 2050, be around 50 per cent larger than that of the current G7 (the United States, Japan, Germany, the United Kingdom, France, Italy and Canada). China will remain the fastest-growing economy for the next few years and overtake the United States to become the largest economy in the world by around 2025 (or earlier, as reflected in figure 1 below), but due to its rapidly ageing population will gradually be overtaken in terms of growth rate (although not level of GDP) by India (around 2015) and Brazil (around 2025). India will have grown to almost 90 per cent of the size of the US economy by 2050, at which point the Chinese economy will be about 30 per cent larger than that of the United States – but individually people will still be much, much poorer than the average American.

Figure 1 Size of the main economies in 2020

Source Francis Cripps, *A global realignment by 2020*

The younger and faster growing Indian and Brazilian populations will be able to sustain a more stable rate of growth up to around 2030 before also experiencing a gradual deceleration as their populations also begin to age.⁸ The economies of Mexico, Brazil, Russia, Indonesia and Turkey are projected to grow from around 3–8 per cent of the size of the US economy today to around 10–25 per cent by 2050.

In the broader scope of things, the current patterns of production and consumption are unsustainable, even in the medium term.

Some would argue that declining population growth is generally a ‘public good’. Yet the decline in birth rate significantly below the magic ‘replacement figure’ of 2,1 children per woman – such as is happening in southern and eastern Europe, to levels of 1,3 children per woman – will be economically devastating for those countries if it is not offset by an influx of migrants. At these rates a country’s population will contract by half in 45 years and the demands for welfare and health care will go through the roof while tax collections from a declining worker-age population decrease to an unsustainable level. In reality northern Europe with its more effective gender equality programmes does much better in the fertility stakes than southern Europe, but neither does as well as the United States with its most recent figures of 2,1 children per woman,

the highest of all developed countries. Others (France and Britain) attract significantly more migrants, so that Britain will have 11 million more people in 2031, partly offsetting their low fertility rates.

The reasons for these disparities are not hard to find: ‘You might say that in order to promote fertility, your society needs to be generous [such as in Sweden or Norway] or flexible. The USA isn’t very generous, but it’s flexible. Italy is not generous in terms of social services, and it’s not flexible.’⁹

The relative shift in the global importance and size of the US economy should not, however, be conflated with a general move away from Western values, systems and indeed even of a global financial and trading system heavily skewed towards the rich and powerful. The attraction of ‘the West’ will not disappear any time soon, nor will the impact of Western lifestyles, music and popular culture, despite the resurgence of China, India, Brazil and others.

The United States has built and extended its global influence on the back of the British Empire and it shares many values with the largest economic block in the world, the European Union. Before the American dream, Britain was the most successful exporter of a particular ‘English way of life’ – one that was admired, watched and copied throughout the world. English spread as a global language spoken from Cape to Cairo, from the Caribbean to Calcutta. Neither Spain nor France managed to equal the impact of the British Empire, which probably surpassed that of the Roman (and possibly that of the Chinese) Empire in its global dominance.

The US economy with its GDP of \$14¹⁰ trillion is not in decline and despite an emerging trend to greater multipolarity (or nonpolarity, as some would have it), predictions about substantive loss of US global influence and power in the period under review are probably presumptive. Whereas Britain’s unrivalled economic status lasted for a few decades, US economic hegemony has already lasted for more than a century and has consistently accounted for at least a quarter of world output. Although the European Union today is a larger economy than the United States, it does not parallel US global influence and will experience a sharper relative decline in its slice of the global economy in the years to come, largely as a result of its ageing population. Most importantly, despite their economic competition, the North Atlantic Free Trade Area (NAFTA) and the European Union share many common values regarding the nature of the global trading system, democracy, human rights and governance. Even in 2025, the US economy will still be twice the size of China’s in terms

of nominal GDP per capita and it is – and will remain – militarily dominant throughout this period, spending more on its military muscle than the next 14 countries combined.

The declining utility of US hard power

US military expenditure at \$534 billion in 2007 (a little over \$700 billion if operations in Afghanistan and Iraq are included) could be viewed as a consequence of its global economic and political dominance. The United States has no enemy against which it is preparing this massive military capability and it is trapped in the classic security dilemma – one that Europe with its much lower levels of defence expenditure has avoided. The more the United States spends to arm itself and to remain safe, the more insecure it feels, not least because its very military expansion is triggering asymmetrical responses, including the use of terrorism. Fear is driving insecurity and military spending – almost like South Africa, where fear of crime increases year on year although government spending on combating crime is going through the roof.

The inordinate domestic influence of the US military-industrial complex on foreign policy has compounded a situation in which the steady increase on hard power detracts from US legitimacy. Diplomacy and other instruments of engagement have been all but marginalised in the old adage of ‘if the only instrument you have is a hammer, every problem becomes a nail’.

Speaking to an admittedly partial audience at the US Global Leadership Campaign in June 2008, even George W Bush’s Secretary of Defense, Robert Gates, expressed his concern about the creeping militarisation of US foreign policy:

In the campaign against terrorist networks and other extremists, we know that direct military force will continue to have a role. But over the long term, we cannot kill or capture our way to victory. What the Pentagon calls ‘kinetic’ operations should be subordinate to measures to promote participation in government, economic programs to spur development, and efforts to address the grievances that often lie at the heart of insurgencies and among the discontented from which the terrorists recruit ... It has become clear that America’s civilian institutions of diplomacy and development have been chronically undermanned and underfunded for

far too long – relative to what we spend on the military, and more important, relative to the responsibilities and challenges our nation has around the world ... Broadly speaking, when it comes to America's engagement with the rest of the world ... it is important that the military is – and is clearly seen to be – in a supporting role to civilian agencies.¹¹

The more the United States arms itself with new sophisticated weaponry and talks up the hype about the proliferation of weapons of mass destruction (always by others, not itself), the less secure and more fearful its people. As the largest source of nuclear proliferation, the United Nations and its fellow members on the UN Security Council (also the five nuclear powers in the Nuclear Non-Proliferation Treaty) will be increasingly unable to reverse the trend towards nuclear arms at a time of a massive expansion of the nuclear power industry. As greater fear galvanises military spending, the United States inevitably fuels global insecurity.

Depending on the outcome of the November 2008 US presidential elections, the future may see some adjustments in this regard, but it is difficult to even fathom a Democratic Party presidency under Barack Obama and Vice President Joe Biden taking on the domestic defence sector and its key allies in the pro-Israel, anti-UN and fundamentalist Christian sectors that have come to dominate US foreign policy instincts. At the same time it is important to recognise that there have been important shifts in the relative importance of various sectors within the United States and the global economy since the warning on the threat of the military-industrial establishment that was sounded by President Dwight D Eisenhower during his farewell address as president in 1961.¹² Eisenhower warned about the threat of 'the conjunction of an immense military establishment and a large arms industry ... and ... the acquisition of unwarranted influence' at a time when the United States had a 3,5 million person military compared to fewer than 1,5 million today (with another 1,5 million in reserve). At that point the US military budget exceeded the total net income of all US companies. Today, the US defence budget is less than that of the top fifty most profitable US companies, but there has been a significant consolidation. In less than a decade, the more than fifty major defence suppliers have contracted to five or six dominant super-suppliers, including Boeing, Lockheed Martin, Northrop Grumman, General Dynamics and Raytheon, companies that have all increased sales

10 per cent per year every year since 2001. These are no longer just US suppliers, but global providers of defence equipment that also provide private security services through subsidiaries such as Vinnell Corporation (owned by Northrop Grumman), Kellogg Brown and Root (owned by Halliburton), MPRI and Dyncorp International. Indeed, the combined revenue of just the top two US companies, ExxonMobil and Wal-Mart, dwarfs US defence expenditure by 50 per cent.

The distribution of power has clearly shifted since those heady days during the Cold War, 'away from the United States and Europe, but also away from nations'.¹³

The United States and Africa

The United States did not have a consistent regional policy towards Africa until the second term of President William (Bill) Clinton, but Africa has increased in importance after that. In 1998, Clinton became the first US president to visit Africa – an event that followed his administration's decision to withdraw American troops from Somalia in 1994 and the subsequent failure to respond to the genocide in Rwanda. Congress passed the African Growth and Opportunity Act (AGOA) in 2000 and the executive branch undertook various initiatives to encourage trade, the private sector and democratic transition in the years following. To some considerations around oil were key to this growing interests since, by 2007, petroleum accounted for a 93 per cent share of overall AGOA imports.¹⁴ At the same time US humanitarian instincts are strong and provided an important, if politically less influential impetus to foreign policy towards Africa.

President George W Bush visited Africa in the third year of his first term and paid his second visit in February 2008 against the backdrop of increased US concern about the importance of Africa in the US 'global war on terror'. The establishment of a single US military command for Africa, AFRICOM, which is currently under way, also occurred under his watch.

Sub-Saharan Africa is less a victim of the US war on terror than most other regions. A recent Gallup poll in 139 countries found that sub-Saharan Africans were significantly more positive to the current US administration than any other region in the world, possibly as a result of that. Some 62 per cent of Africans have a positive view of the United States compared to the next highest,

33 per cent of Asians, with the highest levels of support found in the Central African Republic (92 per cent) and Malawi (87 per cent).¹⁵ Yet the US military eventually had to place the relocation of its African Command (AFRICOM) from Stuttgart in Germany to Africa on hold in the face of concerted African resistance to its location on the continent.

The global challenge for the United States is increased economic competition, particularly from China, compounded by its recent history of parochial political leadership. Following its brief unipolar moment after the collapse of communism, the United States now faces a more multipolar environment, but not to the extent that will challenge its military dominance, although on every other dimension – industrial, financial, social and cultural – the distribution of power is shifting, moving away. In this post-American world, more actors and places will define the world and the ability of future US governments to work outside multilateral networks and institutions (as done by President Bush) can only be retained at the risk of accelerating its steady loss of influence and legitimacy.

Europe and the United States

While the World Competitiveness Report for 2007/08 lists the United States as the most competitive economy, seven out of the remaining nine in the top ten are from Europe, namely Switzerland, Denmark, Sweden, Germany, Finland, the United Kingdom and the Netherlands.¹⁶ With almost 500 million citizens, the European Union generates an estimated 30 per cent share of the world's nominal gross domestic product. The European Union's GDP is now greater than that of the United States, but the EU does not yet act in a unified political fashion and opts for defence on the cheap – relying on the United States for its physical protection from extreme threats, although defence companies such as EADS, BAE Systems and Finmeccanica are all part of the top ten global aerospace and defence companies. The average economic growth of western Europe has also slowed, from 5,8 per cent in the 1950s to 2 per cent in the 1990s and 1,5 per cent in the five years until 2005.¹⁷

Put succinctly: the European Union has developed a single market through a standardised system of laws which apply in all member states, guaranteeing the freedom of movement of people, goods, services and capital. It maintains a common trade policy, agricultural and fisheries policies, and a regional

development policy. Fifteen member states have adopted the euro as common currency and it has developed a role in foreign policy, representing its members in the World Trade Organisation (WTO), at G8 summits and at the United Nations – although not in the Security Council. The Union has also developed a role in justice and home affairs, including the abolition of passport control between many member states under the Schengen Agreement.¹⁸

Europe's influence and power reflects what has widely become known as 'soft power'. When first coining the phrase, US Assistant Secretary of Defense Joseph Nye noted that 'soft power rests on the ability to shape the preferences of others ... It is leading by example and attracting others to do what you want.'¹⁹ Europe does much more than this. Through its support of human rights, democracy and governance reform (often through non-governmental organisations), Europe is a significant international player – an ideological power – and it has the advantage that every new country that joins the family of liberal democracies expands its influence as the principles and institutions appeal as a universal worth. While US post-9/11 actions have served to discredit democratisation and human rights as imposed Western values, the European Union has worked hard to reduce the damage caused by America's recent forceful unilateralism.

The European Union is also the largest aid donor and market for goods from developing countries (including Africa). At a time when multilateral institutions such as the United Nations, the International Monetary Fund and the World Bank strive for reform to remain relevant, many internationalists see the European Union as setting an example for the management of global problems through 'leading by example where possible' (in emissions trading if not in agricultural policy). In the process, ineffective and cumbersome as it may be, Europe serves as a moral compass to the United States, and sometimes others.

Europe could compete with the United States – but the lack of a demographically vibrant society and its current complicated governance systems will probably ensure a steady loss of ground to both the US and others in the years ahead – unless Turkey joins and the new European Union constitution sees the light of day. Its future lies with the (inevitably Muslim) countries to its south and east. According to David Calleo, writing in *Europe's World* in mid-2008: 'Not only do these neighbours offer growing markets and investments, but they are Europe's natural resources for raw materials and energy.'

Europe also needs good relations with the Muslim world for the sake of its own domestic stability.²⁰

But instead of seeing immigrants from Muslim countries as a source of new blood that will allow Europe to grow and expand its influence, some view European expansion to the Mediterranean rim as being complicated by a history of Christian/Muslim wars going back centuries – a forgotten legacy that has been brought back into focus by the apparent inability to integrate minorities (Turks in particular) into its social system. For Europe the threat of terror attacks by alienated domestic communities is real, demonstrated by the devastating incidents in Madrid in March 2004 and London in July 2005. These fears were compounded by the violent protests of disenfranchised immigrant youth in France in October/November 2005 that eventually required President Jacques Chirac to declare a national state of emergency. Abortive terrorist attacks in Germany and Denmark in 2008 and arrests in Barcelona early in 2008 have seen Europe closing its borders, tightening and restricting its immigration policies, and sealing itself off from poor, hungry and hard-working communities – despite its liberal foreign aid policies.

The aged and declining population of Russia provides little source of innovation (although of oil and gas) and European enlargement to the east – now including Poland, the Czech Republic, Slovakia, Bulgaria, Hungary, Slovenia, the three Baltic states and Romania – has probably reached its limit for some years (as the official and potential candidate countries will add little, with the exception of Turkey). So a key driver of Europe's future is going to be the eventual decision on the integration of Turkey with its large Muslim population and what it does with the Mediterranean rim, its southern frontier towards Africa.

The steady drift to right-of-centre politics accentuated by past immigration and integration policies complicates these decisions as more than a million immigrants settle in western Europe annually. Many of these people are from Muslim-majority countries in North Africa, the Middle East and South Asia. Confrontations with Muslim conservatives over education, women's rights, and the relationship between the state and religion are starting to chip away at the left-of-centre political coalitions that have been instrumental in building and maintaining Europe's welfare states and that have been at the forefront of promoting European integration. These stronger right-wing parties are generally anti-European Union and their electoral success will impact upon the speed at which the Union can further integrate.

North Africa and Europe

Economic growth and energy interdependence will propel the Arab-African states along the Mediterranean, such as Libya, Morocco, Tunisia, Algeria and Mauritania, towards Europe.²¹ Many of these countries, including Egypt, have substantial potential with large youthful populations (ages 15–64), similar to that with Taiwan and South Korea before their takeoff in the 1960s and 1970s. Foreign investment, much of it originating from within the region, will increase integration between these Arab-African economies (from a very low current base) and drive private-sector development. With improved educational systems able to produce a more technically skilled work force, current authoritarian systems will in time experiment with political liberalisation. Recently France has blown new life into the stalled Barcelona process to identify and address issues in the Maghreb that hinder progress towards a Mediterranean Union.²²

As the Mediterranean region develops a common energy market, the future of the countries along the Sea will become increasingly intertwined and inter-linked with Europe. In the process a substantial portion of African-Arabs in North Africa will be provided with new opportunities and options for a very different future from that which holds sway today. The pressure on Europe will be massive as the Middle East and North Africa region experiences the largest increase in life expectancy. In this process European core interests, collaborative relations with Muslims to the south and Russians to the east – its source of natural resources for raw materials and energy – could increasingly be at odds with those of the United States if the latter retains its fixation on a global war on terror and remains intent on keeping Russia down and out, rather than integrate a resurgent Russia into the global system.

But this is an extreme view. Ultimately the transatlantic partnership is too important for both Europe and the United States, based on a common heritage and multiple institutional linkages that now date back more than a century – and massive cross-Atlantic economic interdependence that is even more intense than that along the Pacific rim. Hence German Chancellor Angela Merkel's 2007 Transatlantic Economic Partnership is, in the words of US Deputy Secretary of the Treasury George Kimmitt, the 'the most important transatlantic economic initiative ever to come from any EU Presidency'.²³ The initiative's focus is evidence that cross-border investment continues to rise in importance amidst

ongoing calls for investment protectionism from an increasingly inward-looking United States.

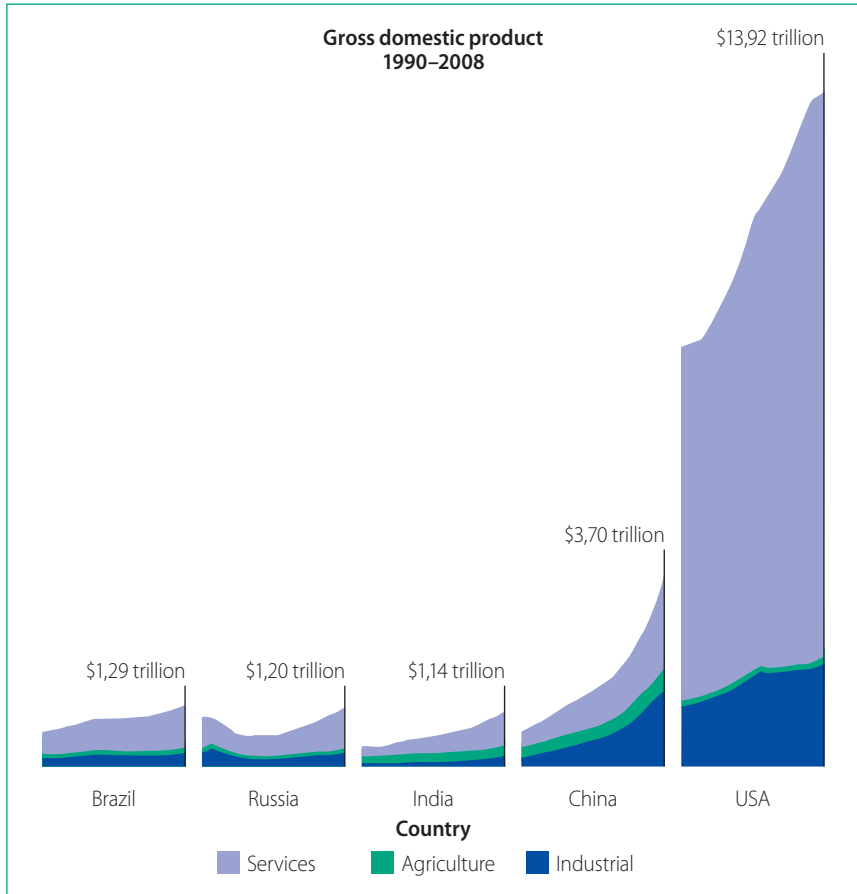
THE RISE OF THE REST

Like all great powers, the United States is primarily concerned with the protection and advancement of its national interests and has historically sought to contain and where possible constrain the development of potential contenders. It has not been able to do that in the case of China. At the conclusion of President Richard Nixon's historic first trip to the People's Republic of China in 1972, the two governments issued the Shanghai communiqué, a statement that formed the basis for Sino-American bilateral relations in subsequent years. In the communiqué, both nations pledged to work toward normalisation of diplomatic relations. The United States acknowledged the notion that there is only one China and reaffirmed its interest in a peaceful settlement of the Taiwan question. The statement enabled the United States and Mainland China to temporarily set aside the issue of Taiwan and to open trade and other contacts. In 1979 the United States broke off relations with Taiwan and established full diplomatic relations with the People's Republic of China.

US nationalism meets China

The rise of China saw US relations change from containment, to engagement, to that of strategic stakeholder – a term first coined by then Deputy Secretary of State Bob Zoellick in September 2005. The reasons for these changes are not difficult to fathom. The volume of trade between the United States and China is currently growing at an average rate of around 20 per cent per annum – from less than \$2,5 billion in 1970 to \$302 billion in 2007.²⁴ To China, the United States is its second largest trading partner and largest purchaser of Chinese goods.²⁵ The ability of the United States to consume is only matched by China's ability to produce.

Events of 9/11 hastened a process of maturing Sino-US relations as requests for cooperation in the US-led 'global war on terror' included Chinese support to counter the threat of the proliferation of weapons of mass destruction (with North Korea and Iran) as well as support on issues such as Darfur and Myanmar/Burma. These were despite tension around economic and trade policies, largely

Figure 2 US versus the BRIC economies according to *Fortune Magazine*

Source Barney Gimbel, The new world order

due to US complaints regarding the value of the Chinese currency, the RMB, and consecutive Chinese trade surpluses.

Inevitably, once US presidential candidates graduate to the White House, their rhetoric on the Chinese threat to US jobs succumbs to the needs of *real-politik*. Thus the view of presidential candidate George W Bush who saw China as a competitor (during his 2000 presidential campaign) differs quite substantially from that of President George W Bush who has to engage and deal with China on a much more equal footing that he would undoubtedly prefer.

Today, China is an important strategic partner of the United States – although the US simultaneously seeks to balance China’s regional influence by maintained strategic relationships with a number of other Asian-Pacific countries, particularly Japan and India, as well as South Korea and Australia, Thailand, the Philippines and Singapore.

The pursuit of economic development and the political reunification of Taiwan continue to lie at the heart of Chinese foreign and domestic policies and will remain thus for much of the period under discussion in this monograph. Beijing does not seek to establish itself as global competitor to the United States or for international influence but rather to avoid international entanglements that could disrupt the country’s ability to focus on its domestic challenges. All other issues are secondary. This view is reflected in the Chinese rhetoric about a more balanced, harmonious world, rather than for big-power status – its peaceful rise. It is also an approach that will undoubtedly change over time as China’s relative power increases and as resource competition requires greater political leverage.

Remember Japan?

In many senses US – and to a lesser extent European – responses to the speed at which China is rising are similar to those that accompanied Japan’s growth from the early 1970s into the 1980s when its meteoric rise triggered near hysterical reactions within the United States, then obsessed with the challenge that Japanese manufacturing presented to its own domestic base. Japan is still the third largest economy in the world after the European Union and the United States, accounting for 9,1 per cent of global GDP. Commentators often forget the heady days of the 1980s when the world had three centres of global finance: New York, London and Tokyo. Accounting for one-third of total global market capitalisation at its peak, Tokyo looked set to dominate the emerging ‘Asian Century’. Similar to Beijing, Tokyo maintained a passive and reactive stance during this period on almost all international issues. Then came the notorious lost decade, and today the Tokyo bourse lags behind even its smaller regional rivals, Hong Kong and Singapore, and the hype about Japan has been replaced by the hype about China.

Japan will face a number of structural challenges in the future – an ageing population (and hence shrinking workforce with the associated social burden),

low household savings (meaning that there is little capital to fund Japanese companies), *statis* in its democracy, and cultural hostility to foreign partnerships. Regionally China uses Japan as a convenient scapegoat around which to mobilise Chinese nationalism, even as Japan is her major regional trading partner. Looking towards the future, Japan aims to piggyback on the breakneck growth in the rest of Asia and to again turn Tokyo into a global financial centre and a platform for high-value-added knowledge creation. Since 2001 Japan has aggressively sought foreign direct investment, which has more than doubled to \$143,8 billion in 2007.²⁶ But already today Japan appears to have been relegated to second-tier status in Asia behind China and its close affinity to the United States rather than Asia ensures continued Chinese political hostility.

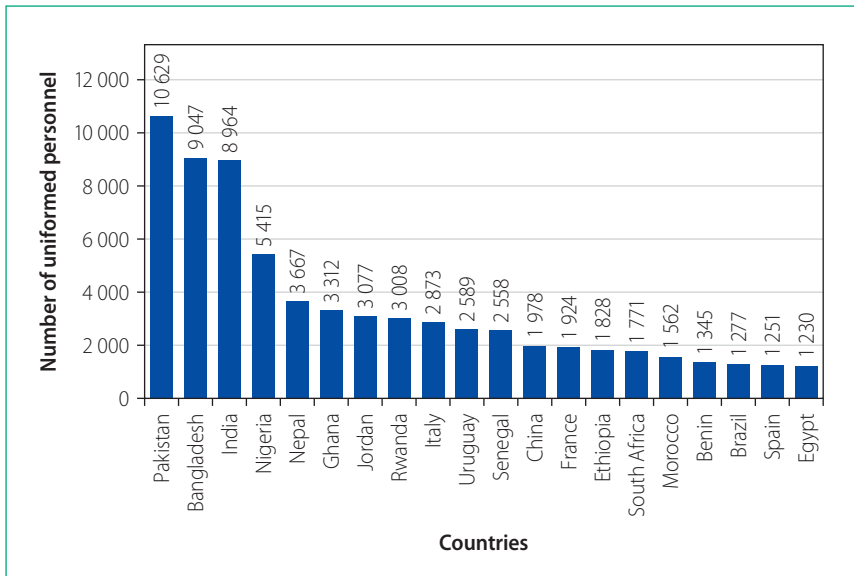
The Chinese dragon

For its part China's growth almost defies description. The size of its economy has doubled every eight years over three decades. It has grown by over 9 per cent per annum for almost thirty years and the average Chinese per capita income has increased nearly sevenfold. China today exports more goods in a single day than it exported in all of 1978.²⁷

Despite these amazing figures, the domestic challenges that face China are immense, for it remains essentially a poor country with a vast underdeveloped hinterland. Around 15 million people migrate from rural areas to cities each year. Since it became a net oil importer in 1993, China's oil imports have grown at 18 per cent a year on average, and imports accounted for 47 per cent of its total oil consumption in 2006.²⁸ The following year the country also became a net coal importer. Despite a massive and increased reliance on coal, increasing domestic oil and gas production, the country imported around 163 million tons of oil in 2007.

The Chinese demand for energy is increasing exponentially and is, in the long run, unsustainable. Between 2002 and 2006 China increased her power generation capacity by 2 329,6 gigawatt, thereby exceeding total installed Japanese capacity. Apart from other factors, this places a heavy pressure on resources and the environment, and China will have to develop a new pattern of industrialisation and development in the medium/long term while diversifying its energy production to natural gas, hydro, nuclear and renewables. Annual targets have now been set to work towards greater energy efficiency,

Figure 3 Top 20 contributors to uniformed personnel to UN peacekeeping operations, 31 March 2008

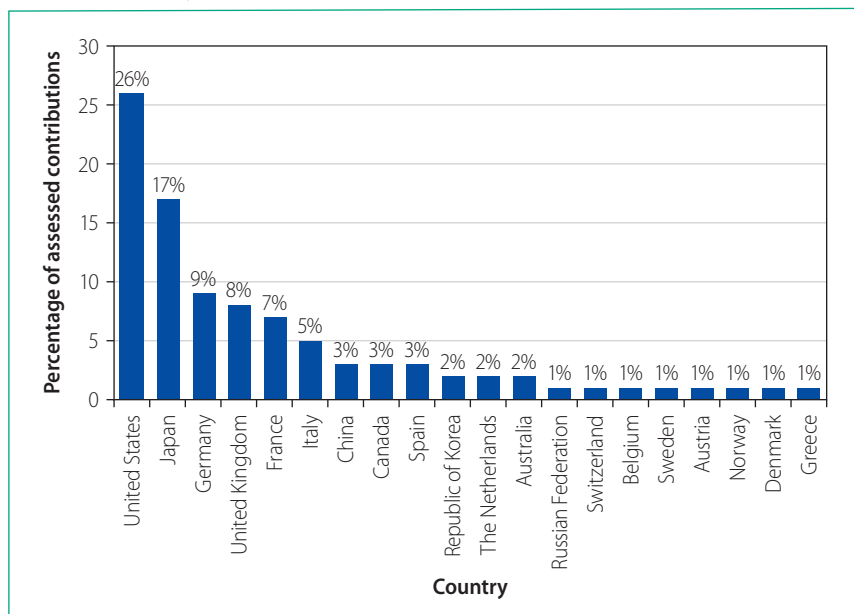


Source UNDPKO factsheet

for more environmentally friendly sources of energy, including climate change mitigation and to promote technology innovation. The consequences of faltering Chinese growth rates and the country's need for alternative paths to deal with its manifold internal and regional challenges are anyone's guess. Nothing is pre-ordained – not even the continued rise of the Chinese dragon in the East.

Different to the United States, China is significantly engaged in UN peacekeeping – a dramatic change from its stance in the 1970s when China avoided participation in any multilateral peace operations, citing its normative concerns regarding state sovereignty and respect for the principle of non-interference in the internal affairs of other countries. In the 1980s China started providing financial support for UN peacekeeping and has sent 5 915 military personnel to participate in 16 UN peacekeeping missions since 1990. It has also expanded its engagement in disaster and emergency relief. Since 1990 China has contributed more peacekeepers than the rest of the P5 combined. In this manner China, which only contributes 2,67 per cent of the UN peacekeeping budget, probably

Figure 4 Top 20 providers of assessed contributors to UN peacekeeping budget, 1 January 2008



Source UNDPKO factsheet

matches in kind the much larger financial contribution by the United States of some 26 per cent.

Peacekeeping serves as a vehicle for China to improve its relations with key UN players within the UN Security Council. China has also demonstrated flexibility in its long-held position on the use of force by peacekeepers but it has not yet contributed any combat troops to UN peace missions. Beijing's hesitance is not only an aversion to modern UN peacebuilding doctrines but also shows a consciousness sensitivity to avoid being regarded as 'too assertive'— either by the West or elsewhere such as in Africa.²⁹

China's growing engagement in UN peacekeeping reflects signs of a much more constructive approach in multilateral processes that is also evident elsewhere. It has, for example, also supported diplomatic efforts to find solutions to the crises in North Korea, Iran, Sudan and Myanmar/Burma in a manner that would have been unimaginable just a few years ago. In response to growing international outrage over its supply of arms to Sudan and questionable oil

partnerships, the Chinese government appointed its first special envoy to Africa in May 2007 and is perceived to have played a generally constructive role in its engagement with the Sudanese government of President Al Bashir that sought a more constructive approach to the UN/AU hybrid peacekeeping mission in Darfur.

China, India, Africa and oil

In a comprehensive analysis of China's thirst for oil, the International Crisis Group notes that Beijing's concept of energy security is showing signs of evolving from a mercantilist approach based on distrust of international markets, and therefore a desire for physical control of oil supplies, to a more open approach favouring international energy markets and cooperation.³⁰ In fact, far from trying to lock up supplies for China as many Western analysts accused CNPC, Sinopec and CNOOC of doing, these companies sell most of their oil produced outside of China on the open market.³¹ And a substantial case can be made for the view that since the Western major oil companies have largely locked China (and others) out of the lucrative oilfields in most of the major producers, emerging market countries have little choice but to pursue energy deals with problematic governments on the fringes of global mainstream oil production.

In achieving these goals China has relied on both substantive actions and symbolic gestures. For instance, the Chinese foreign minister has maintained a policy of making his first overseas trip of the year to Africa.

China has overtaken India in a largely unseen but vigorous competition for a slice of Africa's lucrative minerals, its oil and its markets. Indians often complain that they lose energy assets to China as the latter integrates financial incentives with aid, infrastructure projects, diplomatic incentives and arms packages. In 2004, for example, China's Export-Import Bank extended \$2 billion in soft loans to Angola, which led Angolan company Sonangol to support the bid by China's CNPC over that of India's ONGC for a stake in an offshore block. But Indian-African growth is also going strong.

India's trade with Africa exceeded that of China until as recently as 1999, but India-African trade is now dwarfed by China's burgeoning trade with the region, which amounted to \$73,3 billion in 2007, making it the region's third-largest trading partner after the United States and European Union. China's investment in Africa stands at approximately \$8 billion; four times that of India,

while China's aid to African countries is matching that of major international organisations and Western donors.

Beyond the period under discussion in this monograph, New Delhi is possibly the most important post-China story of the future as the failure of India's own family-planning policies has left it with a huge youth bulge. Its per capita GDP is still only \$960. If adjusted for purchasing power parity (PPP) it is \$2 100.³² On the back of an amazingly dynamic private sector and despite its crumbling infrastructure and impoverished villages, India's poverty rate today is half of what it was twenty years ago. Different to Beijing's central planning, or the dirigisme of Singapore with its neat, structured cities and orderly highways, India is in a messy process of developing the only way possible – from the bottom up. In doing so, India's energy demands are expected to double by 2030, making it the world's third-largest net oil importer, after the United States and China.

In the security sphere, the fact that 90 per cent of India's trade volume and 70 per cent of its trade value is generated via sea transport has prompted India to play a more prominent role in protecting sea lanes of communication along the Indian Ocean. India established its first overseas surveillance facility in Madagascar in July 2007. India has reached defence agreements with several African states along the Indian Ocean rim, including Mauritius, the Seychelles, Madagascar, Mozambique, Kenya and Tanzania, and stepped up joint military exercises with states in the region. Joint naval exercises were held with South Africa and Brazil off Cape Town in May 2008, as well as joint naval exercises with Seychelles. These followed joint exercises between the air forces of India and South Africa in 2004 and naval exercises in 2005. India provided joint patrols off the coast of Mozambique during the AU summit in 2003 and the World Economic Forum meeting in 2004, as well as providing relief to African states hit by the Indian Ocean tsunami in 2004. Much more than China, India is a major contributor of peacekeepers on the African continent, being the world's third-largest supplier of UN peacekeeping troops, second only to Pakistan and Bangladesh in 2008.

Brazil and Russia

The other economically significant member of the emerging powers is Brazil.

South America's political map has not changed since the mid-19th century and the region reflects a degree of irrelevance from global geopolitical issues

– exacerbated by the end of the Cold War (that had provided Central America with greater revolutionary relevance) and resurging waves of populism in key countries such as Argentina and Venezuela.³³

Brazil has great economic potential – although it faces immense infrastructural needs and challenges. It was able to survive the civil wars and instability in the region largely through its geographical protection from contagion – by the Amazon jungle in the north, the Andes Mountains to the west, a river to the south, as well as the Portuguese language that isolated Brazil from its Spanish-speaking neighbours.

Expected to have the sixth largest GDP by 2050, Brazil currently conducts 1,2 per cent of world trade and has diversified products and partners. Brazilian multinationals such as Petrobras, Vale, Gerdau, Odebrecht, Itau Bank, WEG and SADIA have turned into international players. Brazil has growing foreign reserves, currently standing at \$200 billion, and recently became a net foreign investor. The country is not embroiled in political conflicts and is generally seen to have a stabilising influence in the region. Domestically it has a problem with organised crime and extreme levels of income inequality, however. Brazil is expected to become an energy exporter in the near future and new finds could push its oil reserves from 11 to 50 billion barrels – close to the 77 billion reserves of Venezuela.

Brazil has gained particular international attention recently through its massive biofuel production. Currently sugarcane provides 16 per cent of Brazil's energy requirements; other biomass provides 12,4 per cent. Brazil also has the largest rainforests in the world where deforestation contributes 75 per cent of its carbon dioxide emissions. This devastation contributes significantly to global warming both through the associated emissions as well as the destruction of one of the world's most important 'green lungs'. Apart from South–South cooperation – about which much is spoken but little actually happens – Brazil is of lesser relevance to the future of Africa than the United States, China or India, except for its active engagement in the oil sector in Angola and development in Mozambique.

Located between a resource-poor Europe and a resource-hungry and growing China, Russia will continue to use its resources as leverage to increase its global influence and will play an increased role in global energy politics due to its massive oil and gas reserves, but its impact on Africa will also be indirect. Currently a country with around 141 million people, Russia has an ageing and

declining population that is projected to drop below 130 million by 2025. During this period the relative proportion of its Muslim minorities will steadily rise – itself a potential source of tension with its Orthodox Slav population. High rates of male middle-age mortality will probably ensure that Russia will escape the burden of dependants that will characterise western Europe and Japan.³⁴

Initially Russia gained great power status as the heir to the Soviet Union, but until the presidency of Vladimir Putin was a weak state unable to compete or exert international influence beyond its ability to contest US dominance of strategic nuclear weapons. Different to its approach to China, the United States actively worked to weaken Russia and has adopted a hard line towards its former global competitor, to the extent of including neighbouring states within NATO, eliciting a resurgence of Russian nationalism and resource instrumentalisation.

Americans like to refer to Russia as ‘Saudi Arabia with trees’, but the reference reveals more about the US attitude towards their Cold War adversary than it reflects reality. Eastern Europe and the former Soviet Union have witnessed a significant decrease in poverty since the Russian financial crisis of 1998/99. A 2005 World Bank study found that while more than 60 million people in these areas still live on less than \$2 per day, almost 40 million people moved out of poverty from 1998 to 2003. Three key factors have contributed to poverty reduction: growth in wages, growth in employment, and more adequate social transfers.³⁵ Russia will impact on Africa is either as a source of armaments or through its potential alliance with a country such as China but as a major depository itself does not need African minerals.

Recent events in Georgia, when Russia invaded the breakaway province of South Ossetia in August 2008, revealed that the United States does not have the ability to control the territorial ambitions of Russia to reassert itself in its sphere of influence.

The next two decades will see tremendous growth in countries such as Mexico, Turkey and Indonesia. Developments there will have less impact upon Africa than the global shifts in economic fortunes of the United States, European Union, China, India and Russia.

Global culture?

Ultimately the rise of China, India and others are unlikely to challenge the international system as did Germany and Japan in the 19th and 20th centuries

– developments that led to international war and severe and violent disruptions. Because of the growing geopolitical and economic clout, China and the other members of the presumptive new powers, including Brazil and Russia, will have a high degree of freedom to customise their political and economic policies rather than adopting Western norms. Since culture essentially follows power, a world in which Chinese, Indians, Brazilians and Russians are all richer and more confident will therefore be a world of enormous cultural diversity and exoticism, but will still retain many of the characteristics of the West, for it will exist within the framework of a Western civilisation that has dominated the world for several centuries.³⁶ Or perhaps more vividly: ‘The world we are entering will look like Bollywood. It will be thoroughly modern – and thus powerfully shaped by the West – but it will also retain important elements of local culture.’³⁷

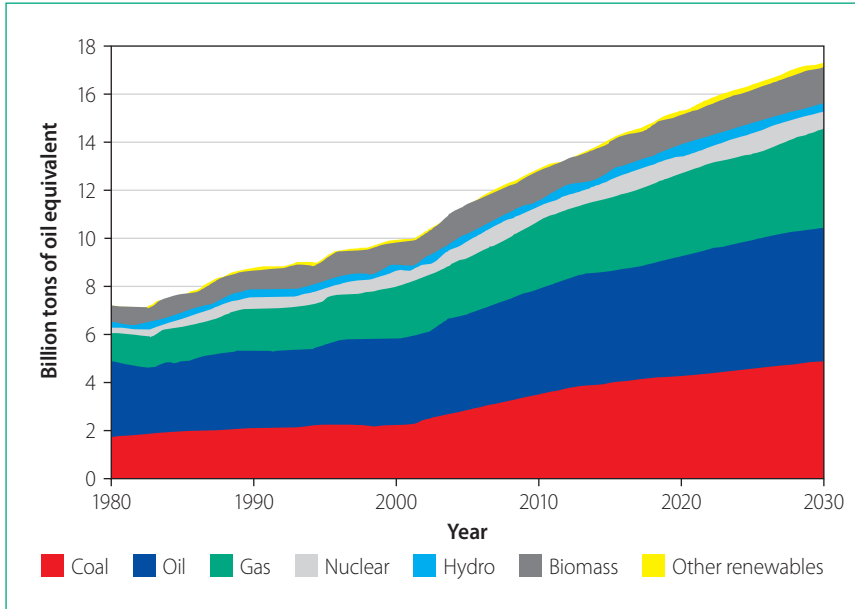
3 Megatrend Two

The impact of climate change

Different to any previous era in recorded history, the strain that humans place on the planet set clear limits on current development paths for countries that aspire to the wealth and affluence evident in the United States and Europe. India's per capita greenhouse gas emissions are in total only equivalent to 4 per cent of those of the United States and 12 per cent of those of the European Union.³⁸ In other words, the world as we know it will long since have ceased to exist if the consumption patterns of the West are to be achieved by Indians and Chinese, let alone by Brazilians, Russians, Mexicans, people from Indonesia and Turkey. Projections of change where people in China and India will eventually be as affluent as those in the West should therefore be treated with a healthy amount of scepticism as the world is nearing the end of fossil-fuelled industrial production.

THE LIMITS OF GROWTH

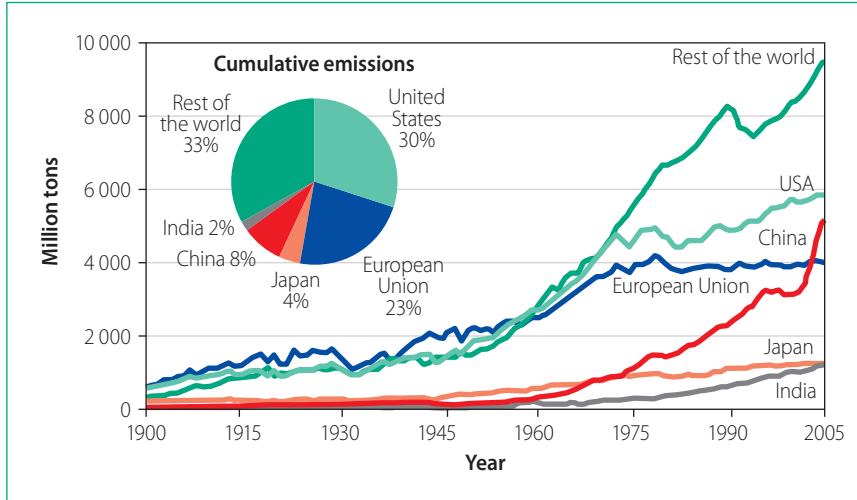
By 2025 oil production will depend upon six countries – Saudi Arabia, Iran, Kuwait, the United Arab Emirates, Iraq and Russia – accounting for 39 per cent of total world oil production. 'Major oil producers will be concentrated in the Middle East that contains some two-thirds of world reserves. OPEC production

Figure 5 Breakdown of likely energy sources

Source Global Trends 2025, 35

in the Persian Gulf countries between 2003 and 2025 is projected to grow by 43 per cent. Saudi Arabia alone will account for almost half of all Gulf production, an amount greater than expected from Africa and the Caspian area combined.³⁹ The world will, by 2025, consume much more natural gas than it does today – and much more coal. Three countries – Russia, Iran and Qatar – hold 57 per cent of the world’s natural gas reserves. Considering oil and natural gas together, Russia and Iran emerge as the energy kingpins of the future.

The global challenge for energy security and lowering greenhouse gases has no single global solution. While current emissions of greenhouse gases aggravate the challenge, the fundamental source of the problem is the stock of emissions that has been accumulated since the Industrial Revolution. Since 1850, China has contributed less than 8 per cent of the world’s total emissions of carbon dioxide, but today it is the top emitter of carbon dioxide, whereas the United States has been responsible for 29 per cent and Western Europe for 27 per cent of historic emissions.⁴⁰ While China and India need to contribute their part to a global solution, it is clearly the industrialised and rich countries

Figure 6 Energy-related CO₂ emissions by region, 1900–2005

Source International Crisis Group, *China's thirst for oil*, 39

of Europe and North America – those responsible for the bulk of greenhouse gases, which have built tremendous wealth for themselves in the process – that need to bear the brunt of the alleviatory burden. It is unlikely that this will happen, for most climate change projections indicate that North America will be the least affected, and may in fact gain, from climate change – although the damage from storms and wildfires to homes, infrastructure and flooding could run into tens of billions of dollars.

It is predicted that global average temperature will increase by 0,2 °C per decade for the foreseeable future. The result will be an increase of extreme events such as heat waves, droughts, floods and hurricanes and declining rainfall in the Sahel, the Mediterranean region and southern Africa – and also a strengthening of the El Niño/La Niña phenomenon in the southern hemisphere, as experienced in 2006/07. Eventually large parts of the western Sahel and much of southern and central Africa may become unsuitable for the transmission of malaria, but the negative impact of global warming will be overwhelming.⁴¹

Different to Asia, which will generally experience higher rainfall (and associated flooding), Africa will face growing water scarcity and stress, with the potential to increase conflicts over water. Both regions will experience associated reductions in crop yields.⁴²

IMPACT ON AFRICA

The UN estimates that more than 75 million Africans will be affected by these developments by 2020. And since almost all of Africa's fifty river basins are trans-boundary, changing rainfall and run-off could impact upon border delimitation, providing further impetus for the recent process launched by the African Union to gather all available information on the continents colonially determined borders to help forestall future disputes since less than one quarter of Africa's 45 000 kilometres of international borders have been demarcated. Agricultural production, which in many African countries relies mainly on rainfall for irrigation, will decrease as seasonal variability (a trend already evident since 1970) with higher rainfall anomalies and more intense and widespread droughts will increase. Harvests could shrink, possibly severely in the Sahel, West Africa and Southern Africa. Agricultural yields from some rain-fed crops could be reduced up to 50 per cent by 2020 in some countries, most seriously affecting small-scale farmers and subsistence farmers as a result of desertification, soil salinisation and water scarcity. This would affect sorghum in Sudan, Ethiopia, Eritrea and Zambia; maize in Ghana; millet in Sudan; and groundnuts in Gambia. In the absence of substantial increases in food production elsewhere on the continent, Africa would require much higher levels of food aid than currently – developments that could tax the humanitarian response capacity.

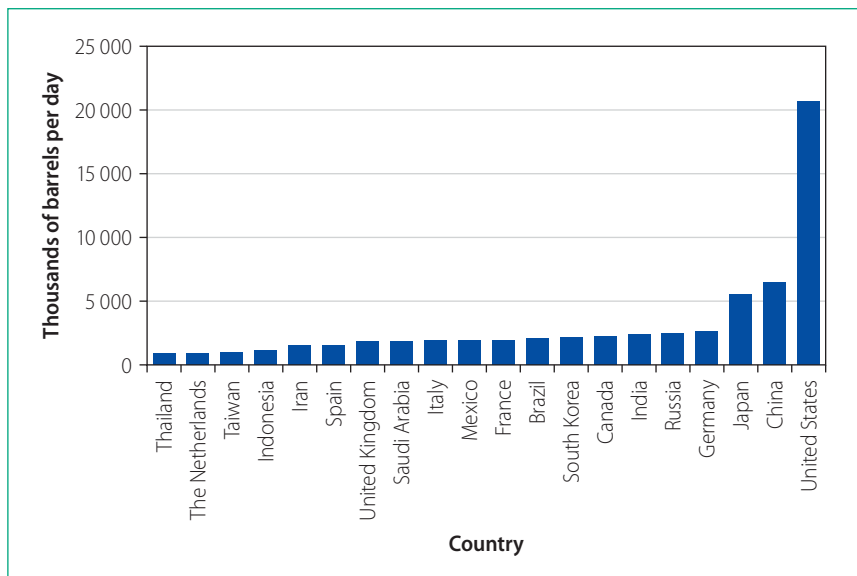
INTERCONNECTED CHALLENGES

Today three factors are converging in the minds of many in the developed and developing world: environmental concerns, food production and energy production. But the trade-off between food insecurity and the production of biofuels is complicated and often region specific. For example, only 1 per cent of total agricultural land in the world (around 1,3 billion hectares is used for food production) has been moved from food to biofuel production in last ten years, so the argument that biofuel production drives food prices is not universally applicable. The greater issue is that richer and more people are eating better, more and different foods (more meat in particular). Global meat consumption has doubled in the last 25 years. The area of land needed to produce animal feeds has expanded accordingly. Ultimately, biofuels can contribute only marginally to the global energy supply and will impact rather differently in each local context.

In the United States the use of maize for biofuel purposes has led to skyrocketing maize prices, but in Brazil there appears to be little competition between food and energy security. This is very different to the potential situation in much of Africa where the trade-off between food and energy is often quite direct – such as maize production in South Africa for food or biofuels. In fact, 60 to 70 per cent of Brazil’s greenhouse gas emissions stem from land clearing for cattle ranching backed by favourable taxation policies, subsidised agriculture and the like. Since more than 60 per cent of Brazil’s cargo is transported by road, carbon dioxide emissions could be reduced significantly by greater use of railways and water navigation, as well as changes to government policy in the Amazon.⁴³

The ‘solution’ to Brazil’s greenhouse gas emissions therefore lies with appropriate government intervention and direction, with improved governance and effective anti-corruption measures – as it does in a country such as Nigeria, which contributes a significant amount of Africa’s greenhouse gas emissions through the flaring of petroleum gas, and South Africa’s electricity monopoly Eskom, which runs large high carbon emission coal plants. Interventions in

Figure 7 Oil consumption by country, 2006 average



Source International Crisis Group, *China's thirst for oil*, 38

these areas, such as the capture of petroleum gas for export and the installation of carbon-scrubbing technologies, would have a significant positive impact upon emissions.

These findings are not dissimilar to the factors that underlie most of Africa's so-called natural disasters. Drought, disease, poverty and destitution all have a common cause, much less nature but rather decisions and options adopted by leaders and the political culture that has been inculcated by an often self-serving elite of Africa's Big Men (the continent has only one woman head of state in Ellen Johnson-Sirleaf, the iron lady of Liberia).

Africa will suffer from the effects of climate change more seriously than any other region (Canada will probably benefit the most) given the continent's limited coping ability, limited infrastructure and reliance upon higher levels of subsistence farming than elsewhere. Current scarcities of fresh water will have increased markedly and global demand for food will rise by 50 per cent by 2030, leading to steep price increases. It is a cruel irony that urbanisation will partly offset some of the worst impacts of climate change, as rural subsistence farming is most likely to suffer the greatest impact.

4 Megatrend Three

Globalisation and state power

The global community is moving, at one level, towards a more distributed power structure where business and non-governmental organisations are gaining influence at the expense of the state. Here Africans face crucial choices. Is there such a thing as an emerging international consensus on human rights, the rule of law, good governance and democracy – or are these simply the self-serving norms of former colonisers that discover them at an appropriately self-serving time? What about the allure of the mercantile approach of countries and corporations hungry for the continent’s resources, epitomised by China and its pragmatic approach to doing business? There is more here than meets the eye, for the contest is not about democracy versus resources, but potentially about alternative development models.

DISTRIBUTED POWER

Today corporate economic influence is often more powerful than politics, many states and numerous governments. This trend will accelerate – at least in the West, where the balance of power is shifting away from governments. This phenomenon will also impact in Africa, where foreign corporations are able to

exert influence – to the extent that more than one African government has been overthrown at the behest of corporate interests. In his revealing book on super elites, *Superclass – the global power elite and the world they are making*,⁴⁴ David Rothkopf presents a fine account of the increased influence of a global cabal of the rich and powerful without national ties and often no loyalty other than the pursuit of profit and power. This is the Davos man (for very few are women) – a term first coined with some disdain by Samuel Huntington a few years ago as a reflection on internationalists that no longer had national roots. It is one of the unintended consequences of globalisation that has seen the rise of transnational corporations and financial institutions that are more powerful and richer than most countries and that have empowered an international elite that share common values and interests and often set the global agenda.

More than fifteen hundred corporations have annual sales or assets in excess of \$5 billion and the businessmen and (few) women in charge of them have global reach. By contrast, the power of most national political leaders originates and generally remains restricted to the borders of their country. Only those countries with meaningful economic ties beyond their borders compare with this global elite in power and influence. In 2007, Rothkopf notes, ‘global GDP was estimated at \$47 trillion. That same year, the top 250 companies in the world had combined sales in excess of \$14.87 trillion, equivalent to nearly a third of global GDP and an amount exceeding the GDP of the United States or the European Union.’⁴⁵

Alternatively, if one takes all entities with sales or GDP in excess of \$50 billion – 166 at the end of 2007 – 60 are countries and 106 are companies.⁴⁶ Companies can lobby for beneficial policies and relocate their operations between countries, punishing some and rewarding others. Controversial company Halliburton derive important revenues from the US government and its US operations, but when public opinion turned against it, the company moved its headquarters to the Persian Gulf. In a global economy, in which multinational corporations are no longer bound to a single country, their transnational status still subjects them to national laws everywhere, but they can exert significant pressure and influence on the governments whose laws define them. In a sense the larger multinationals hover over countries – they have gained a new kind of market power over governments that have to compete with one another for investment, essentially undercutting national sovereignty. In the process global companies and their controlling elites become truly international and can, with due

planning and finesse, operate outside the reach of most national legislation and the impact of many governments. ‘Historically, global financial governance focuses on mediating exchanges between national markets. However, capital can no longer be parsed as national or international – it has become truly global ... While not so long ago finance essentially flowed from corporations based in states with some transnational links, today it is essentially global with some local characteristics. And it is not self-governing.’⁴⁷

A NEW GLOBAL POWER

The rise of companies to a position of such relative power is a fairly new phenomenon. As Rothkopf argues: ‘Major companies have been important since the days of the British East India Company and the Hudson’s Bay Company, engines of the mercantile greatness of imperial Britain, but nowhere near the presence in the global economy that they are today. Even a quarter of a century ago their share was significantly smaller: In 1983, the top five hundred companies had revenues equal to 15 percent of global GDP; today [end of 2007] that has more than doubled to over 40 percent.’⁴⁸ The current annual revenue of companies such as Wal-Mart or ExxonMobil is roughly \$375 billion each. In effect, political leaders recognise that they now report to two constituencies – the voters who elected them and the financial markets that daily conduct a referendum on their policies. This is the market at work – a system that has so much influence that it offers a check to political power. While it provides a major infusion of needed capital and it helps produce transparency, fuel job creation, and enforce rules that are proven to lead to economic growth, it does so at the expense of those elected (and unelected) political elites who do not wish their country to be part of the global economy and benefit from international capital flows.⁴⁹

Hence South Africa’s corporate behemoth, Anglo American, the largest platinum producer in the world, relocated its primary listing from Johannesburg to the London stock exchange in 1999. While noting that it did so as a multinational that operated globally, the impact was effectively to punish the South African government for higher than expected political risk and less than optimal investor conditions. After the move, no African company features on the Fortune 500 list, although three, Standard Bank, First Rand and Sasol, make it to the Forbes top 500 list.

Evidence of the shift in corporate power from West to East is that while the top 500 companies in the world produced \$23,6 trillion in annual revenue in 2007 fewer American businesses are listed today (153) than at any time in the previous decade. The Fortune 500 list confirms the rising prominence of the emerging markets. In less than ten years the number of companies from India, Mexico and Russia grew from one to seventeen. In 2008, 23 of the top 500 are from China.⁵⁰ Furthermore, six out of every ten dollars of the operational revenue of the world's ten biggest corporations – Wal-Mart, ExxonMobil, Shell, BP, General Motors, Chevron, DaimlerChrysler, Toyota, Ford and ConocoPhillips, most of them considered to be US companies – come from operations outside their country of origin; and roughly the same proportion of staff are employed outside their home country.⁵¹

There are, however, important challenges and contradictory trends amongst the emerging economies where business does not have the untrammelled influence and does not enjoy the freedom evident in the West.

A RETURN OF STATE POWER?

While some governments are losing leverage, resource-rich countries everywhere appear to be gaining power. Recent years have, for example, seen dramatic growth of sovereign wealth funds, many of which are controlled by countries traditionally opposed to the West. Sovereign wealth funds are not new. The first were established by Kuwait in 1953, and subsequently by Singapore, Norway and the United Arab Emirates as a way of managing their substantial foreign exchange reserves, essentially oil and gas revenue that could not be fully invested in their own economies. Their sheer size turns them into potential vehicles for geopolitical influence. By mid-2008 sovereign wealth funds control assets estimated at between \$1,5 and \$2,5 trillion (some argue higher) – a figure that could rise to \$12–15 trillion within a decade on the back of rising commodity prices. The Abu Dhabi Investment Authority is the largest fund in the world, estimated at \$875 billion, and its subsidiary, Mubadala Development set up in October 2002, has invested \$400 million in Nigeria's telecoms sector, on top of investments in Algeria and Guinea. The next largest funds, those of Singapore, Saudi Arabia, Norway and China, all factor in the region of \$300 billion. Against this, Africa's own sovereign wealth funds pale – Libya's Oil Reserve Fund is estimated at \$50 billion and

Botswana's Pula Fund at \$4,7 billion. The Nigerian government, nurturing plans to invest crude oil earnings in its own sovereign wealth fund, has ploughed \$462 million into the African Finance Corporation, a private equity fund focused on Africa.⁵²

Although sovereign wealth funds have not yet come to Africa in a big way, it is only a question of time. The World Bank, through its International Finance Corporation, is already considering a 'fund of funds' to help channel 1 per cent of sovereign wealth into African businesses such as agricultural processing and manufacturing. This could add \$30 billion to African growth, development and opportunity and constitute a massive increase in foreign investment in Africa. It would come on top of investments from 'pseudo-sovereign wealth' such as the Industrial and Commercial Bank of China's purchase of a 20 per cent stake in Standard Bank – South Africa's largest – for \$5,6 billion last year.⁵³

The sheer size of sovereign wealth funds has become a source of concern to Western governments as well as the tendency of these funds to cluster in industrial sectors such as infrastructure, energy and transport, perceived to be key to national security. In October 2007 the finance ministers of the G7 invited the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and others to consider the role of sovereign wealth funds – largely driven by the realisation that a growing portion of sovereign wealth funds belong to countries that are ideologically opposed to the West and ostensibly opaque. China's foreign exchange reserves, for example, had reached more than \$1 400 billion by the end of 2007, while those of Russia exceed \$400 billion.⁵⁴

In recent years US and European lawmakers have reacted strongly to attempts by Chinese, Middle Eastern and Russian companies to buy defence, communications technology, infrastructure or energy assets. This was exemplified by the unsuccessful attempt of China's state-owned oil company, CNOOC, to purchase Unocal, the California energy firm. National security concerns were cited as the decisive factor in the US Congress' scuttling of CNOOC's bid. Amid congressional furore, state-owned Dubai Ports World also tried without success to purchase five US container terminals and other port operations. Already in 2007, the US Congress passed the Foreign Investment and National Security Act which, among other things, widened the investment review process to include a mandatory review of transactions where the

buyer is a foreign government, or is controlled by or acting on behalf of such a government.⁵⁵

The United States has not been alone in airing concerns about the sovereign wealth funds. The European Union has been apprehensive about these funds, too. EU resistance to sovereign wealth funds is spearheaded by Germany, which has baulked at allowing these funds to purchase stakes in strategic industries to secure technological secrets. Thus the German government scuppered a bid by Russia's Mischkonzerns Sistema to buy a stake in Deutsche Telekom, and has created its own fund to defend German 'national champions'.⁵⁶ In 2007 German called for the establishment of an international 'code of conduct' for sovereign wealth funds.⁵⁷

But this may simply be a Western kneejerk reaction to globalisation when, for a change, it does not work in its favour. Already the open hostility displayed by some US lawmakers towards sovereign wealth funds has been tempered when the important role played by these funds in diffusing recent US economic problems became apparent. For example, Citigroup, the largest American bank, announced last year that it would sell a 5 per cent equity stake (worth \$7.5 billion) to the Abu Dhabi Investment Authority, providing the bank with much-needed capital to offset losses from the subprime mortgage debacle. Sovereign funds also helped to recapitalise Merrill Lynch and UBS in the wake of the first effects of the widening crisis. Perhaps more fundamental is the concern that after three decades of policy, propaganda, and hype about 'freeing up markets', 'reducing the role of the state', and 'promoting the private sector', the sovereign wealth funds embody a massive and unstoppable shift of influence back to what are in effect state-owned entities.⁵⁸

DEVELOPED VERSUS DEVELOPING COUNTRIES

Two opposing trends are visible here. While states in the West struggle to keep pace with financial engineering and privatisation which has empowered the corporate sector, state-owned enterprises in emerging economies are of increasing importance, particularly in the commodities and energy sector and the governments of key emerging countries are amassing potential financial leverage through sovereign wealth funds.

This trend is most evident in Iran, Venezuela and Russia. The leaders of all three countries act in the belief that the international system is not working

for their countries and skewed in favour of the powerful. Objectively, globalisation has increased inequality and absolute poverty in many places and sectors, but has also delivered unparalleled prosperity to millions of people across the world – so theirs is not an anti-globalist campaign, but it is a coalition against the United States and Western-dominated globalisation. It is also a campaign against the untrammelled influence and power of business as described in earlier sections of this monograph. ‘It is hardly a mere quibble. Because of the weakness of global institutions and the fact that they have been supplanted by informal structures that are typically dominated by Western governments or private sector institutions, they are responding to a genuine deficit of global governance and a genuine reality in terms of the shape of global elites.’⁵⁹

In a sense the free market capitalist system championed by the Atlantic partners is facing its most severe test since the end of communism – the resurrection of a policy paradigm that sees state intervention as a more optimal means of achieving results. Perhaps a reaction to the disempowerment of globalisation and the destructive effects of technology and international financial flows on less-developed societies, this model can point to powerful modern examples. ‘In Asia, with the exception of India and to some extent Japan, the prevailing form of capitalism has an authoritarian shade and relies on state structures. This type of capitalism hinges on corporatist structures, on industrial policies and selective protectionism. It operates in Russia too, where the state controls the major energy groups.’⁶⁰ Hence top Gazprom executive Alexander Medvedev states: ‘Some people argue that state participation in the capital of a company hinders sound business decisions. Yet in truth it is quite possible to run a coherent and commercially-driven strategy while being partly state-owned, as the case of Gazprom shows.’⁶¹

Elsewhere Medvedev continues: ‘Authoritarian techniques like direct state involvement in the economy and society are even finding a degree of favour in liberal democracies. This reflects fears of terrorism, along with the need to cope with global warming while securing energy supplies. The debate in the USA on the implications of the Patriot Act, and is echoed in the European Union’s member states is quite telling, and the rise in economic nationalism [also termed resource nationalism – epitomised by Hugo Chavez in Venezuela and Russia under Vladimir Putin] should also be seen in this light.’⁶² The deepening of the current financial crisis that has rippled out from the subprime mortgage scandal in the United States and the apparent speculative rise in oil prices to

unprecedented levels in 2008 (close to \$150 per barrel) appear to vindicate those who have long cautioned against market fundamentalism. Evident at the time of writing, the concerns expressed by many analysts is about the excessive flows of speculative capital is an argument in favour of regulated markets rather than against the market as such. It is also an argument in favour of a sovereign democracy project that rejects some of the interventionist tenets that Western governments emphasise when referring to the responsibility to protect – instead of reference to the equally important preventive and rebuilding components that it contains.

IDEOLOGY AND AFRICA

Against this background the attraction of African leaders to the rhetoric of the ‘developmental state’ that has become *en vogue* in recent years – the need for developing countries to mobilise their ‘hidden resources’ by improving tax collection, formalising the informal sector, making targeted use of remittances and stopping capital flight – should be obvious. As presented by the UN Conference on Trade and Development (UNCTAD) this, the ‘internal integration’ into the world economy, is about governments designing institutions and processes to allow their economies to adapt to a constantly changing world market. It is presented as in contrast to the ‘external integration’ model of the liberalisation of economies to world markets. For UNCTAD, a successful developmental state creates efficient institutions – a focus on a better state if not necessarily on more state.⁶³

Infused by the rhetoric of dictators such as Robert Mugabe, Africa too is succumbing to the allure of ‘liberalisation at our own pace’, having found a powerful ally in China. While some question whether Russia, Angola, Nigeria, Venezuela and others can develop their oil and other sectors without substantial foreign investment, the reality is that capital only has ethics and nationality when it pays. The private sector and capital will reward those prepared to take higher risk in return with the promise of higher profit. If the UK government is prepared to protect BAE Systems from investigation for its vast slush fund that was used to bribe its way to the purse of the Saudi royal family in return for lucrative defence contracts, and if Google is prepared to censor its search engine to ensure business in China, arguments about corporate ethics should be seen for the smokescreen they often are.

CIVIL SOCIETY

It is not only business and emerging countries which are growing in influence, albeit in different guises and in different economies. So too are non-governmental organisations. Some estimate that global NGO turnover could be as high as \$1 trillion.

The South African Institute of International Affairs (SAIIA) recently published two case studies that illustrate the extent to which non-governmental organisations are impacting on African governments. The first accounts the establishment of the Oasis Forum in Zambia to thwart the efforts of then President Frederick Chiluba to change the country's constitution to allow him to run for a third term in 2001. The forum constituted an umbrella body of lawyers, religious leaders, women's organisations, youth groups, human rights activists and trade unions, joined by individual members of parliament. They mobilised their own constituencies – clerics organised prayer meetings; MPs lobbied colleagues and wrote articles for the independent press; lawyers and others staged debates and discussions. Popular campaigns were aimed at ordinary citizens, who wore green ribbons to show their disapproval of a change in the constitution, blew whistles or honked hooters at specified times. According to SAIIA: 'This demonstration of people power was effective. Only weeks after the campaign began, Chiluba announced he would not pursue a third term.'⁶⁴

The second case study has received international recognition. In August 2006, the Ugandan Cabinet proposed to give away 7 100 of the 30 000 hectares of Mabira Forest to the Mehta group of companies – producers of sugar – to expand their sugar plantation acreage. This free land offer was expected to boost sugar production and increase government tax revenue and foreign exchange from exports. Mabira is the largest remaining natural forest in the vicinity of the capital, Kampala, and the major towns of Mukono and Jinja. The Mabira issue became the right cause at the right time. Civil society organisations joined with religious and cultural institutions to stop a government that seemed defiantly determined to put commercial interests first. Public demonstrations and other campaigns gained wide support. Newspapers and other media became standard-bearers. It was seen as a galvanising civil cause, perhaps the largest ever in the history of independent Uganda, and eventually successfully blocked the government.⁶⁵

International NGO action can have international consequences, first celebrated in the landmark civil society coalition that led to the ban on anti-personnel landmines, the Ottawa Treaty, signed on 3 December 1997. Today civil society and non-governmental organisations regularly campaign and comment on global developments.

The extent to which the information society and globalisation can impact upon specific events was recently demonstrated when 36 human rights groups and non-governmental organisations published a major report on the first anniversary of the UN's decision to deploy the United Nations/Africa Hybrid Mission (UNAMID) in Darfur. The report of 31 July 2008 drew attention to the lack of transport and attack helicopters, which undermined UNAMID. It caused an immediate flurry of response as those governments accused of having suitable aircraft sought to defend their reluctance to deploy.⁶⁶

GLOBALISATION AND GEOPOLITICS

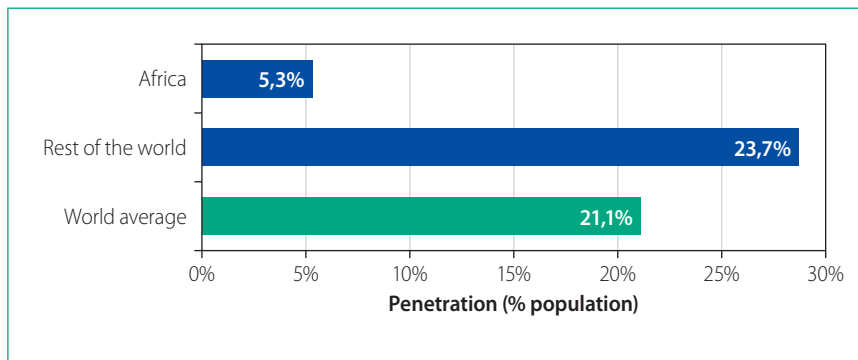
Globalisation is therefore weakening state power. At the same time a reduction in unipolarity and the redistribution of income to resource rich, undemocratic countries such as Russia, Iran and possibly even China bring back notions of bygone geopolitics. There are many examples of a return of national strategic and area of influence politics. The August 2008 Russian military action in South Ossetia, hitherto nominally part of Georgia, thumbed a nose at Washington. Georgian national sovereignty, the Russian president implied, was irrelevant. Has the interdependence of globalisation gone far enough to counter the greater competition and instability inherent in more powers than one? This question introduces the next megatrend – the increased interdependence and complexity that will characterise the future world.

5 Megatrend Four

Interdependence and complexity

The previous section has argued that today there are many more centres of power than states and governments. Indeed, one of the cardinal features of the evolving international system is that new forces have undermined the monopoly of power and influence once occupied by the sovereignty of the nation state. Emerging new networks of technical/functional agencies, non-governmental

Figure 8 Internet penetration, March 2008



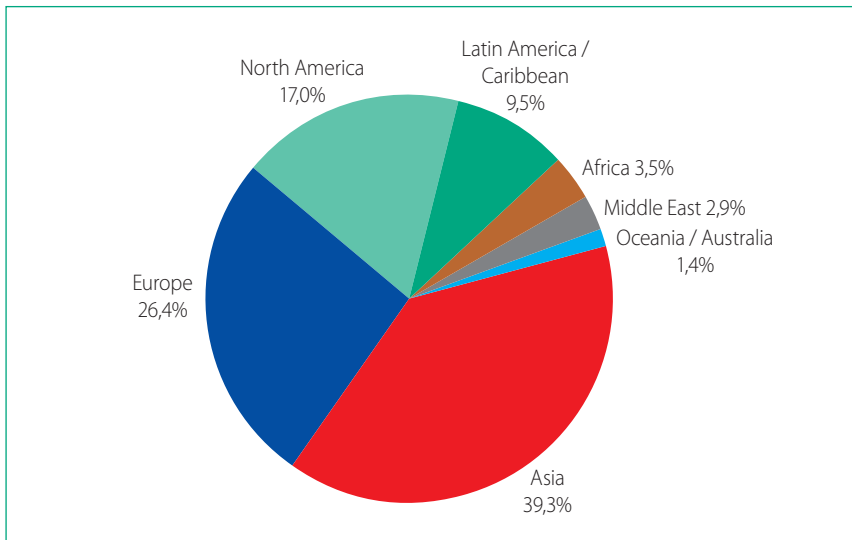
Source www.internetworldstats.com/stats.com

organisations, corporations and regional organisations are challenging the pre-eminent role of the state. To some extent these trends are a function of the distributive information power of the Internet and the power of the media in a connected world. It is no longer possible to hide or conceal excess, poverty or events in one part of the world from another.

AFRICAN CONNECTIONS

Africa may appear to be left behind in a process that sees the ever-increasing integration and interdependence of the global community, but the reverse is actually true. Around 1,459 billion people out of the 6,676 billion total world population use the Internet and this proportion is growing at a rate of roughly 40 per cent per year. Currently only 5,3 per cent (or 51 million) of Africa's 955 million inhabitants use the World Wide Web – against 73,8 per cent of North Americans and 15,9 per cent in China. Africa is the region with the lowest Internet penetration in the world. Yet from this lowest base, Africa is seeing massive rates of growth in Internet usage, with annual rates of around 135 per cent per annum – more than three times the global average.⁶⁷

Figure 9 World Internet users by region



Source www.internetworldstats.com/stats.com

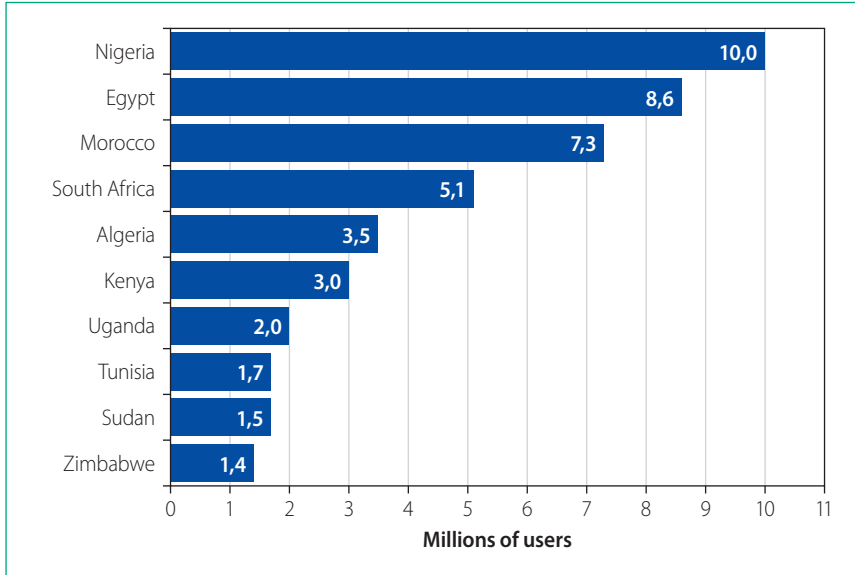
The trends in the cellular phone market are similar. The total number of mobile phone subscribers in the world reached 3,3 billion by November 2007, thus reaching an equivalent of half the planet's population. Around 80 per cent of the world's population has access to mobile phone coverage, as of 2006. This figure is expected to increase to 90 per cent by the year 2010. An increasing number of countries, particularly in Europe, now have more mobile phones than people. The western European average penetration rate was 110 per cent in 2007 while the United States (which has almost as many cars as it has people) has one of the lowest rates of mobile phone penetrations in the industrialised world, at 85 per cent. There are over five hundred million active mobile phone accounts in China, as of 2007, but its total penetration rate still stands below 50 per cent.⁶⁸

So Africa is increasingly getting connected, with Nigeria the largest Internet user in Africa, although the Internet penetration rate in that country is only 7,2 per cent. New technologies are enabling Africans to surf the web, communicate with one another, use cell phones to do their banking (in addition to Internet banking) and to generally overcome the hurdles of low fixed line infrastructure.

Mobile phone use has quadrupled in the last decade. Similar to Internet penetration rates, Africa oversees the largest growth rate of cellular subscribers in the world, its markets expanding nearly twice as fast as Asian markets, fuelled by prepaid or 'pay-as-you-go' services, where the subscriber is not committed to a long-term contract.

IMPLICATIONS FOR GOVERNANCE

These connection trends have a tremendous impact upon the ability of governments to control politics and upon the ability of opposition parties to mobilise. Ethiopia's government is one of many endeavouring to compensate for poor public services with the help of information technology. The dream is to jump a generation of infrastructure by going directly to Internet and mobile phone technology. But in the aftermath of the disputed May 2005 general elections, the opposition party orchestrated a blanket stayaway campaign in the capital city through text messaging – a service that the government soon disabled through its control of the Ethiopian Telecommunications Corporation. As President Meles Zenawi discovered, new technologies carry a political cost as cell phone

Figure 10 Africa's Top 10 Internet users, March 2008

Source www.internetworldstats.com/stats.com

campaigns amongst the capital's thousands of taxi-drivers effectively brought Addis Ababa to a halt. In this manner globalisation serves to weaken the grip that African leaders have upon their populace, empowering civil society and allowing activists and Africa's large Diaspora community to monitor and influence local events from across the world – thereby sharing influence, enhancing transparency and eventually strengthening democracy.

Of course such developments are not only a 'global good', for they also allow criminals, terrorists and autocrats to coordinate, plan and collaborate in crime, suppression and violence. In part through the empowering role of new technologies a whole set of global issues has arisen, such as the management of the environment, weapons proliferation, dual use technology and financial flows – except that there is no global government to respond to them and there is little desire for or chance of the establishment of a single system of authority and reference. The result is concrete global problems and feeble global solutions in a world that is partly networked around specific issues rather than strictly hierarchical. To some this is the rise of soft power where civil society, business, labour, religious and issue-based groups exert increased influence. In the process both

global and national governance becomes more difficult and coalitions become issue-specific.

A GLOBAL DEFICIT IN MANAGEMENT?

On the one hand it may appear as if the supply of global regulatory governance has been outrun by the demand. This is perhaps most important in the lack of overarching authority for global financial flows that could help facilitate stability or reduce the social cost of economic developments. Recent examples of such deficits in global management include the uncoordinated responses to rising oil and food prices and the global reaction to the sub-prime mortgage lease crisis in the United States. In the vacuum between weak international institutions and growing global governance needs, informal institutions and temporary arrangements are evolving. Some are public-private, others are completely governmental and others completely non-governmental. In this new world global business leaders crafted their own long-term climate change policy for presentation to the G8 meeting in Japan, intended to succeed the Kyoto Protocol that expires in 2012.⁶⁹ Or the Fair Labour Association gets governments to sit down with textile companies and non-governmental organisations to set global standards to outlaw sweatshops. Narrow, discrete coalitions for specific issues appear to be a trend for the future, with severe resource implications for developing countries.

On the other hand, the absorptive capacity of many governments is also overstretched. Standards are being set at international, regional and sub-regional levels (through the United Nations, the African Union and an organisation such as the Southern African Development Community, SADC) on a host of issues, an increased number of which are not implemented or monitored. Highly specialised agencies that work on postal systems, policing, climate change or trade further complicate this matrix of regulatory organisations.

Taken together, the two trends make things particularly challenging for Africa where governments have limited capacity and limited ability to engage in international diplomacy on issue-based specifics. As staff from the Institute for Security Studies have found when providing training on small arms control, border security, organised crime, money laundering and counter-terrorism – in many countries the same handful of officials are expected to deal with all these diverse issues. They have to negotiate and participate in diverse international

fora, help to domesticate legislation, monitor implementation, design policy and report to various national regional and international organisations – generally with little time and very limited resources. By comparison, in industrialised countries, each issue benefits from the undivided attention of hundreds of officials, associated think tanks that analyse and lobby groups that advocate – each adding to the resources and avenues available to understand and eventually impact upon the issue at hand. Yet even the richer and better-endowed governments struggle to cope with the complexity of governance requirements. So if the supply of global regulatory governance has been outrun by the demand in certain sectors, in others the supply exceeds demand.

Implications for intergovernmental organisations

The implications are that regional organisations (such as the African Union and sub-regional organisations such as ECOWAS) will either have to run much harder and faster, find a particular niche on which to focus their engagement, or risk becoming increasingly irrelevant. Governments will also have to prioritise while becoming much more nimble and astute if they are to be able to respond effectively in a much faster and dynamic world. Both institutions will have to look at building partnerships with the private sector and civil society to augment their capacity to respond.

Filling this gap is a role many believe that the United Nations should fulfil – and it is clear that it is failing to do so as an absence of leadership from its key members continue to undermine and fatally weaken it. Sufficient warning has been offered – but there has been no uptake from those with the power to change the UN.

Addressing the UN General Assembly in New York on 23 September 2003, UN Secretary General Kofi Annan was blunt: ‘Excellencies, we have come to a fork in the road. This may be a moment no less decisive than 1945 itself, when the United Nations was founded.’ Annan concluded that address with the appointment of a High Level Panel⁷⁰ whose report, in 2004, made a swathe of far-reaching recommendations to prepare the UN for a changing world. The result was impasse and the Gordian knot, reform of the UN Security Council, has not been cut. Annan noted that ‘the composition of the Council [has been] on the agenda of this Assembly for over a decade. Virtually all Member States agree that the Council should be enlarged, but there is no agreement on the details.

Table 1 UN and some of its specialised agencies

	Year started	Number of staff	Budget \$-billion, 2007 ^a	What it does
Some of the UN programmes and funds				
UNCTAD	1964	450	0,1	Integration of developing countries into the world economy
UNEP	1972	890	0,2	Promotes the environment
UNICEF	1946	7 200	3,1	Assistance to children and mothers in developing countries
UNDP	1965	5 300	4,9	Helps countries in their economic development
UNHCR	1950	6 300	1,0	Protection of refugees and resolution of refugee problems
WFP	1963	10 600	3,0 ^b	Food for emergency needs and economic development
Some of the specialised agencies				
ILO	1919	1 900	0,5	Rights at work and employment opportunities
FAO	1945	3 600	0,8	Food and agriculture including forestry and fisheries
UNESCO	1942	2 100	0,7	Education, science, culture and communications
WHO	1948	8 000	1,6	Coordinating health matters
World Bank ^c	1944	10 000	26,8 _d	Technical advice, loans, credits and grants for poverty reduction and the improvement of living standards
IMF	1944	2 500	0,9	Monitoring countries' economic and financial development, lending for balance-of-payments difficulties
IFAD	1976	430	0,1	Rural poverty
UNIDO	1966	650	0,2	Promotes growth in small and medium enterprises
Related organisations				
WTO (GATT)	1948	625	0,2	Trade agreements, negotiations and disputes
IAEA	1957	2 200	0,3	Scientific and technical cooperation in nuclear technologies; nuclear safeguards and inspections

a Regular budget and extrabudgetary resource

c Includes IDA (low-income) and IBRD (middle-income)

b 2005

d FYD7: administrative budget \$2,1 billion, commitments \$24,7 billion

Source Who runs the world?

I respectfully suggest to you, Excellencies, that in the eyes of your peoples the difficulty of reaching agreement does not excuse your failure to do so. If you want the Council's decisions to command greater respect, particularly in the developing world, you need to address the issue of its composition with greater urgency.'

In the absence of real reform, the global organisation is probably facing its most serious challenge since its establishment. An organisation set up by the victors of World War II to maintain global peace and security, the United Nations is increasingly irrelevant. It is also fearsomely complicated and organisationally ineffective. Its key structure, the Security Council, is divided over many critical issues – Darfur, Iran, Myanmar/Burma, Zimbabwe and now of course Georgia – and while it tinkers with ever more formats of meeting and forms of expression, the rancour over the unequal nature of its membership poisons discussion across much of the UN system. Efforts at reform are nowhere to be seen while leadership from its most powerful members or the secretariat is notable only by its complete absence. Despite its continued centrality in diplomatic life, and in the world's peace and security, the UN's institutional and decision-making structures are woefully detached from the realities they are supposed to deal with.⁷¹ How this will pan out in the years ahead is difficult to predict, but change is clearly in the air.

TOWARDS A GLOBAL ORDER

Interdependence – albeit highly asymmetrical – rather than independence will characterise future power relations. Interdependence inhibits competition and conflict, but the growing gap between the haves and the have-nots presents many challenges. Multilateralism will be essential in dealing with a non-polar world, but it will also be more difficult as fluidity and shifting allegiances rather than organisations become the norm amidst a multiplicity of agents that outpace the ability of governments to respond.⁷² Today the World Bank and the IMF are embroiled in serious debates about their future, about voting rights that give disproportionate power to the United States and Europe, and even about the viability of their business models at a time when most capital flows from the private sector.⁷³ Many governments in Africa and elsewhere are less inclined to borrow or follow the prescriptions of international advisors whose formulas have proved to bring about only mixed results and, frankly, few have the means to participate in discussions of a world that is largely passing them by.

There is no absence of efforts to create a more inclusive and legitimate global system of engagement. The ambitious proposal of a Leaders' 20 (L20) by former Canadian Prime Minister Paul Martin sought a 'big bang' in membership expansion. In the last year, French President Nicolas Sarkozy and British Prime Minister Gordon Brown have both endorsed G8 enlargement. Meanwhile, the Heiligendamm Process (established at the 2007 G8 summit by German Chancellor Angela Merkel) has engaged the Outreach 5 (O5) countries in an officials' level outreach dialogue on a number of issues, including innovation, investment, development assistance and energy policy. Extending through till 2009, this process is facilitated at arms-length from the G8 by the Organisation for Economic Cooperation and Development.⁷⁴

In this complicated and interdependent world, the utility of military power is changing – being much more complex and interdependent upon other sources of power and engagement, but is not irrelevant. Even the global superpower is constrained in its ability to use its unrivalled military power in pursuit of national interests except in direct pre-emption. The US spasm of national overreaction in response to the events of 9/11 culminated in the invasion and subjugation of a country that had nothing to do with the terror attacks, serving merely to discredit America, vindicating those who believe it would do anything for oil and revitalising US defence spending as part of the new ascendance of the military-industrial complex that President Dwight Eisenhower first warned about at the height of the Cold War. The United States has discovered that while there is literally nothing that a gorilla cannot break, there is very little it can fix.

Much as the United States is vilified for the unilateral use of force in Iraq (and traditionally also in Kosovo), recent developments add to the complexity of future power relations. The Russian military action into South Ossetia during August 2008 has clearly added fuel to the fire of those who continue to argue that peace requires adequate military power. Today the use of force may be carefully codified in international law and its application in the modern world, but Georgia and Russia have reinforced the continued relevance and utility of military forces at the top table in the most powerful manner possible.

GLOBAL INEQUALITY ON THE DECLINE?

In the process of growing inequality and concentration of riches, business appeared to be trumping politics and the nature of global governance is changing.

Not only does it appear as if a small group at the top of society is reaping unprecedented benefits of globalisation, but many at the bottom are being left out. Different views of inequality present different answers and there is no consensus if there is indeed growing global inequality today. According to some, global income inequality is probably greater now than ever before. Others point to solid evidence about a turnaround that, according to the World Bank, will see the portion of the world considered poor shrink by about 23 per cent by 2025–2030. During the same period the portion of global income that the poor will obtain will also shrink, however, by about 40 per cent.⁷⁵ This is really a debate about the relative strength and impact of equalising versus de-equalising forces.

Glenn Firebaugh lists the most important factors working to reduce global inequality as faster-than-world-average income growth in China and South Asia and slower-than-world-average population growth in the Western offshoots (Australia, Canada and the United States). He lists the most important counterforces working to worsen global inequality as stagnating economic growth, faster-than-world-average population growth in sub-Saharan Africa, and faster-than-world-average income growth in the Western offshoots. Evidence is mounting that global income inequality has declined in the last decades of the 20th century – a turnaround to previous thinking that argued overwhelmingly the reverse. Income inequality is, of course, only one of many dimensions of poverty that includes ill health, powerlessness and exclusion. The picture is a complex one, and Firebaugh argues that the world is witness to a reversal of a longstanding trend, from rising inequality across nations and constant or declining inequality within nations, to declining inequality across nations and rising inequality within them.⁷⁶

This is perhaps most obvious in India, where the growing gap between rich and poor is becoming an important political issue. Fuel was added to the heat of this debate when the latest World Bank review of purchasing power parities in 2007 (that resulted in a dramatic downward correction to China's estimated gross domestic product from \$8,9 trillion to \$5,2 trillion) showed that both global inequality and global poverty are vastly greater than previously assumed.⁷⁷

Inequality – political, economic, cultural, and in other spheres – is a characteristic of all social systems. The declining number of analysts that argue that global inequality is more pronounced today than ever before are of the view that it has the potential to disrupt future prosperity gains and turn expectation

into frustration and violence. This is particularly evident when looking at remuneration levels. While almost half of the people in sub-Saharan Africa live on less than a dollar a day, only 3,5 per cent of Europeans experience the same daily fight for survival. Certainly inequality within countries and even within regions appears to have increased substantially. One analysis, that of Michael Dauderstädt, argues that the situation in the reputed more egalitarian European Union is even worse. His research points out that the total income of the richest 20 per cent of the EU's population is higher than that of the poorest 20 per cent by a factor of 9,8. According to him the comparable figures for the United States and Russia are 8,5 and 7,6 respectively.⁷⁸ Even in China, which has seen dramatic economic growth, the Gini coefficient has doubled from 29 to 47.⁷⁹

A CONCENTRATION OF RICHES

Certainly absolute wealth in the 21st century is more concentrated than ever before. Consider that around 9,5 million individuals, those who have financial assets exceeding \$1 million, control something like \$37 trillion of assets – double what they controlled just ten years earlier. Within this group around 95 000 each own financial assets in excess of \$30 million, for a total of \$13 trillion. And within this group, approximately 1 per cent are the world's thousand billionaires. Reflecting global changes in wealth patterns in line with that described elsewhere in this monograph, while membership of these elites is still overwhelmingly white, male and of European decent, it is growing most rapidly in Latin America, eastern Europe, the Asia Pacific Region, Africa, and the Middle East, due in part to rapidly appreciating emerging markets assets values.⁸⁰ Rothkopf puts it well:

Markets are marvels in many respects, and the growth produced by free-market policies has benefited billions. But markets don't have consciences and would sooner leave behind the sick, the untrained, and the aging. Markets seek efficiency, and this often means consolidation of resources and power, economies of scale, and considerable human costs.⁸¹

The long-term effects of income disparity are difficult to judge, but like the market, politics places a limit on how far such disparities can grow before they too demand, and receive, attention.

External events, the resumption of large-scale armed conflict in the Middle East or a nuclear exchange, for example, will impact severely on Africa. But in general what some describe as the global arc of instability that stretches from Sub-Saharan Africa, through North Africa, into the Middle East, the Balkans, the Caucasus and South and Central Asia, including parts of Southeast Asia, is contracting. Parts of this arc is experiencing increased economic activity, economic reform, improved regulatory performance, trade and development.

For many, globalisation and economic modernisation are breeding political nationalism – although not as strongly in Africa as elsewhere in the world. Interconnectivity clearly awakens a sense of relative deprivation. What we are seeing is the rise of identity in the midst of economic growth.

For the next theme, we now turn to those trends that will determine the relative role of Africa in the global context. The following sections discuss four key variables, namely population trends; trade, aid and growth; democratisation and governance; and finally, peace and security.

6 African Variable One

A growing and dynamic population

While Africa may not feature economically, it does demographically. Asia, Africa and Latin America will be responsible for virtually all of the world's population growth in the coming decades, while less than 3 per cent of the growth will occur in the West. Reflected in table 2 below, the world's population

Table 2 Global population figures

	2007	2015	2025	2050
China	1 328 630	1 388 600	1 445 782	1 408 846
India	1 169 016	1 302 535	1 447 499	1 658 270
Africa	954 642	1 137 906	1 381 693	1 984 753
United States of America	305 826	329 010	354 930	402 415
Indonesia	231 627	251 567	271 227	296 885
Brazil	191 791	210 048	228 833	254 085
Russian Federation	142 499	136 479	128 193	107 832
Japan	127 967	126 607	121 614	102 511
Mexico	106 535	115 756	124 695	132 278
Germany	82 599	81 825	80 341	74 088
World	6 671 226	7 295 135	8 010 509	9 191 287

Source United Nations Economic and Social Affairs, World population prospects, 44–48

Table 3 The demographic, health and economic contrasts among the United States, Germany and Ethiopia

	United States	Germany	Ethiopia
Population mid-2007	302,2 million	82,3 million	77,1 million
Population 2025 (projected)	349,4 million	79,6 million	108,7 million
Total fertility rate (lifetime births per woman)	2,1	1,3	5,4
Population below age 15 (%)	20%	14%	43%
Population ages 65+ (%)	12%	19%	3%
Life expectancy at birth	78 years	79 years	49 years
Infant deaths per 1 000 births	6,5	3,8	77,0
Adults with HIV/AIDS (2005) (%)	0,6%	0,1%	1,4%
Children under 5 underweight (%)	1%	–	35%

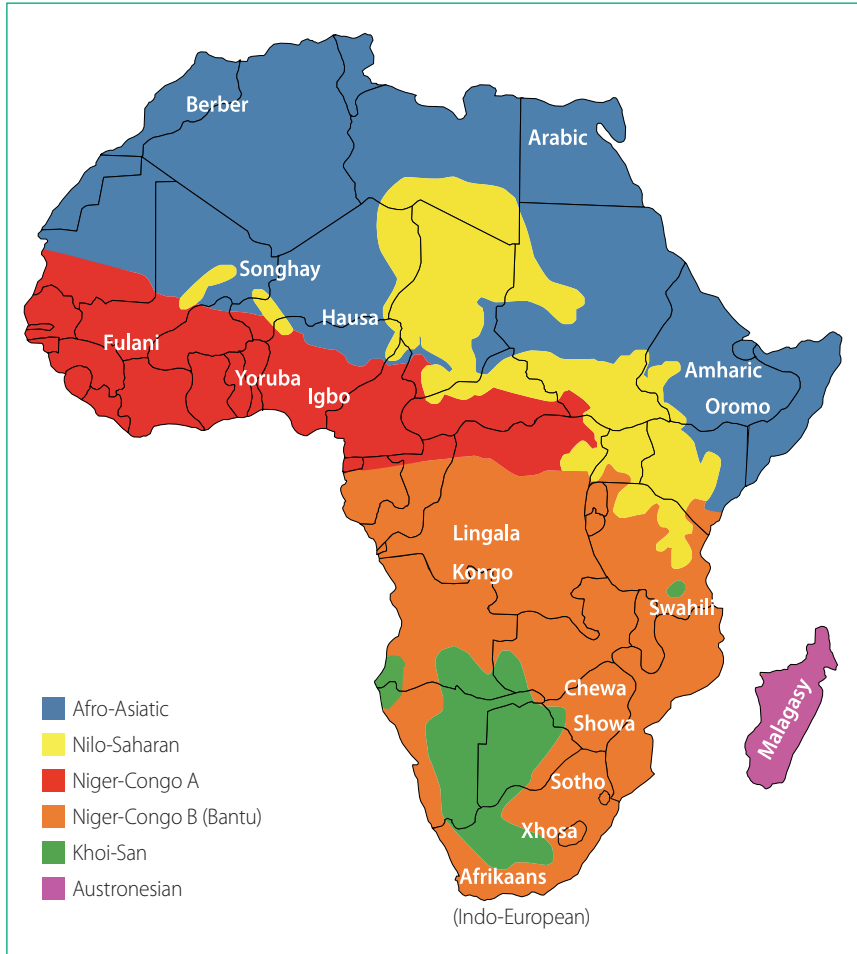
Source World population highlights 2007

will grow from almost 6,7 billion today to just over 8 billion by 2025. Nigeria, the Democratic Republic of Congo and Ethiopia will be among the ten most populous countries in the world by 2050. While the current global population increase is substantial, it represents a steady decrease of previous growth rates.

The demographic divide, the vast gulf in birth and death rates among countries, have dramatic implications, illustrated by the demographic, health, and economic contrasts among the United States, Germany and Ethiopia in table 3.⁸²

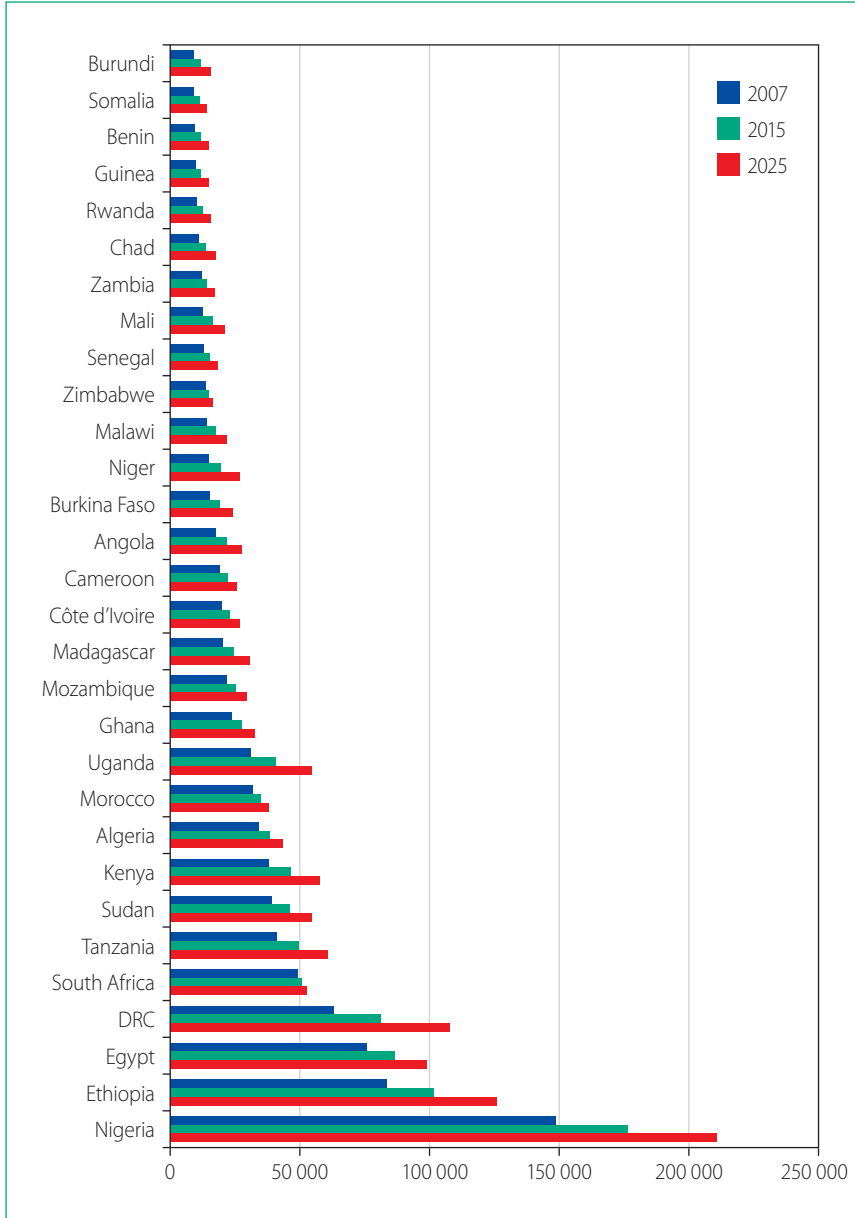
AFRICA'S DEMOGRAPHIC TRANSITION

Sub-Saharan Africa is currently roughly halfway through a demographic transition from high to low death and birth rates, with Southern Africa most advanced and West and Central Africa still in a period of rapid population growth. (This is explained in detail below.) This trend is similar to that experienced by other regions in the world and has generally preceded improved economic conditions. The time lag between declines in mortality and fertility is about 40 years – in the case of Africa mortality started to decline as from 1945 and fertility as from 1985.

Figure 11 Major linguistic groupings in Africa

Ranked in order of population size in 2007, 2015 and 2025, Africa's population statistics are changing. The changing populations of those African countries that have a population of more than 10 million people are reflected in figure 12. The presentation highlights the remarkable population growth in countries such as Nigeria, Ethiopia, Democratic Republic of Congo, Egypt, Kenya and Uganda and the much more mature population pyramid of a country such as South Africa.

Figure 12 African countries with a total population of more than 10 million



Source United Nations Economic and Social Affairs, World population prospects, 44–48)

By the early 1950s sub-Saharan Africa entered the mortality decline phase of its demographic transition. With birth rates relatively stable, the downward trend in death rates led to an acceleration of population growth. The rate of population growth reached its maximum in 1980–1985 with 3,0 per cent per year. The reduction in death rate not only generated a period of rapid population growth but also attendant problems of stagnating per capita incomes, high poverty rates, environmental degradation, current account deficits, widespread use of child labour, occurrences of violent internal conflicts, rapid urbanisation and increased migration flows.⁸³

The second phase of the demographic transition begins when fertility starts to decline. In sub-Saharan Africa this happened around 1980 and in the last 25 years there have been clear signs of declining fertility, if uneven and slow in some instances. Women in sub-Saharan Africa, on average, now give birth to 5,1 children, still considerably more than in Asia and South America. As a result, Africa's share of world population is increasing, although growth rates are slowing down. By 2008 Africa had an estimated population of around 955 million people, comparable to the number of people in North and South America combined, larger than that of Europe and increasingly of an order of magnitude similar to that of China and/or India.

AFRICA'S YOUTH BULGE

The current youth bulge that Africa is experiencing is particularly evident in Nigeria, Ethiopia and the Democratic Republic of Congo – three countries that will remain on rapid-growth trajectories. The youth bulge will rapidly mature in the Maghreb states of North Africa (Morocco, Algeria and Tunisia). More than 70 per cent of all Zimbabweans, Kenyans, Ugandans, Ethiopians, Liberians and Nigerians, for example, are under the age of 30. In fact, young adults (aged 15 to 29) make up 40 per cent or more of the total adult population in the vast majority of sub-Saharan countries. In roughly 30 African countries they constitute more than half of the adult population. According to Michelle Gavin:

In a region where the state has been the source of most power and economic opportunity, but governing institutions are often weak, the desires and grievances of youth are very likely to have political implications ...
The relationship between youth bulges and violence is important, but it

speaks to just one manifestation of youth frustrations and desires. Other avenues for affecting the future include partisan political action, participation in civil society organizations, student activism, and engagement in transnational religious movements ... In one way or another, young Africans are in the market for alternatives to the status quo. This could mean significant change ... When voters under 29 constitute 40% of all registered voters, as they did in the last Liberian election, their issues and demands cry out to be mainstream priorities, not sideshows.⁸⁴

In a trend first identified around the middle of the previous century, population growth in Africa is laying the ground for the economic development and eventually, of a prosperous region should it succeed in converting its 'youth bulge' into a 'worker bulge' – a development that will require a concerted effort given the poor infrastructure and low educational budgets of most countries.

This – the education of Africa – is a challenge that can hardly be underestimated. According to a list published by its Department of Labour, South Africa alone need about a million people to fill job vacancies listed in its 2007 national scarce-skills list, ranging from 252 000 farm managers, 51 110 teachers and 23 000 chief executives and managing directors to 10 600 engineering professionals and 10 755 building and engineering technicians.⁸⁵ The skills development system in Africa remains constrained by the inadequate quantity and quality of teaching staff, obsolete equipment and teaching curricula, and little relationship with the job market. This sobering picture is not merely due to a lack of resources, but also relates to how available resources are being used.

The disconnect between higher learning institutions and the private sector has created the twin problems of high youth unemployment and shortage of middle to high skills. At the same time, in some cases, highly trained individuals lack jobs. For example, in Tunisia with an unemployment rate of around 14 per cent, more than 40 per cent of university graduates remain without jobs. In the meantime, many countries depend on short-term technical assistance that cannot replace local talent.⁸⁶

HIV/AIDS

Africa's progress along the demographic maturity continuum stalled in the 1980s and 1990s, probably due to the austerity measures imposed by the IMF

and the World Bank and the delayed impact of the global oil shocks.⁸⁷ As from 1990, life expectancy has also declined as a result of HIV/AIDS, which hit Southern Africa the hardest. In Zimbabwe, Botswana, Swaziland, Lesotho, South Africa and Namibia, life expectancy declined by 10 to 22 years.⁸⁸ Second hardest hit were East and Central Africa, where life expectancy declined by 4 to 8 years from a peak value in 1995. In other parts of Africa, particularly West Africa, where population growth rates are highest, the AIDS pandemic has not led to actual declines in life expectancy.

The dynamics of the HIV/AIDS are not uniform across the continent. There are, in effect, a number of different, overlapping AIDS epidemics in Africa, of differing viral subtypes.⁸⁹ According to the UN Department of Economic and Social Affairs:

In Southern Africa, the region with the highest prevalence of the disease, life expectancy has fallen from 62 years in 1990–1995 to 49 years in 2005–2010 and is not expected to regain the level it had in the early 1990s before 2045. As a consequence, the growth rate of the population in the region has plummeted, passing from 2.5 per cent annually in 1990–1995 to 0.6 per cent annually in 2005–2010 and is expected to continue declining for the foreseeable future.⁹⁰

Most countries that experienced an early decline in life expectancy are now seeing a turnaround. Successive UN estimates calculate that life expectancy in Botswana has improved from 36,6 years, to 46,6 years and 50,7 years – although still far short of the life expectancy of 65,1 years as recently as 1985–1990. A human disaster in Southern Africa, AIDS is not a continental calamity with life expectancy in the majority of sub-Saharan African countries at its highest level ever.⁹¹

The UNAIDS 2008 *Report on the global AIDS epidemic*⁹² notes that heterosexual intercourse is still driving the epidemic in sub-Saharan Africa, which shouldered two-thirds of the global AIDS burden and three-quarters of all AIDS-related deaths in 2007. In other parts of the world HIV is mainly affecting people who inject drugs, men who have sex with men, and sex workers.

Nine countries in southern Africa are bearing the brunt of the AIDS crisis, accounting for one-third of global infections. The epidemics in Malawi, Zambia and South Africa appear to have stabilised, and in Botswana and Zimbabwe they have started to decline, but Mozambique's epidemic is growing. In most

East African countries, including Kenya, the pandemic has declined or stabilised at about 5 per cent. Young women in many African countries are much more at risk of infection than young men due to sexual violence, harmful traditional practices, and lack of gender equality and therefore ability to negotiate safe sex. In South Africa, for example, women accounted for the vast majority of new infections among people aged 15 to 24.⁹³

HIV/AIDS increases poverty and worsens income distribution. Experienced or educated workers become ill or die, the amount and quality of schooling decrease, and children are deprived of their parents as well as their parents' love and care. For instance, simulations of the impact of HIV/AIDS on poverty over a ten-year period in four sub-Saharan countries show that even in cases where HIV/AIDS does not reduce per capita income, poverty increases. The size of the effect depends on prevalence among people living near the poverty line. For example, poverty increases by 10 percentage points in Swaziland, 6 percentage points in Kenya, and 1,5 percentage points in Ghana. The income gap widened in all.⁹⁴

Today, Africa has high child-dependency rates affected by high total fertility, and low life expectancy caused both by high infant as well as adult mortality rates. In comparative terms, only 10 per cent of countries faced with this type of demographic conditions have been able to generate a higher per capita income than \$4 000 purchasing power parity. Reduced mortality and lower fertility are thus central requirements if the region is to enter a development trajectory towards increasing per capita incomes and reductions in poverty.

URBANISATION, POVERTY AND INSECURITY

Population pressure leads to many changes. In 1950 (the beginning of the independence period) around 15 per cent of Africans lived in urban areas, in 2000 this share had risen to about 37 per cent and is expected to rise to 45 per cent in 2015 and 54 per cent in 2025. While urbanisation is a familiar phenomenon – in Latin America and the Caribbean 75 per cent of the population reside in urban areas – this is not the case yet for Africa and Asia, both still predominantly rural. But this situation is changing rapidly. Africa will not be a rural continent by 2025. People are moving to the cities at a rate of 3 per cent annually and within a decade, 40 per cent of Africans will be urban, mostly slum and shantytown dwellers. Between 2000 and 2010 urban Africa will have to absorb an additional 100 million people.⁹⁵ In the longer term urbanisation will have

to serve as a key adaptation strategy to climate change, as cities are more resilient – provided they have achieved a reasonable degree of development and infrastructure.

Urban poverty is one of the biggest challenges facing African countries. According to UN-Habitat, currently two-thirds of Africa's urban population lives in informal settlements without adequate sanitation, water, transport or health services.⁹⁶ Slums are places of hunger, deprivation and anti-social behaviour which draw youngsters into crime and gangsterism for lack of better alternatives. Lagos is one of the world's megacities – a crime-ridden, vibrant mass of some 15 million people that is growing by up to 8 per cent annually. Two out of three Lagos residents live in a slum without reliable access to clean drinking water, electricity, waste disposal – or roads. Only 30 per cent of houses in the city have an approved building plan. The Nigerian government estimates that Lagos will have expanded to 25 million residents by 2015. Other estimates are much lower, reflected in the fact that the results of the first census in Nigeria in some decades are still outstanding.⁹⁷

Policing is absent in these circumstances and security forces rarely venture into a slum such as Makoko outside Nairobi, except perhaps for the occasional demolition of shanty houses. Instead, security is provided by 'Area Boys', self-styled vigilante groups made up of unemployed young men who defend their territory with threats and often violence.⁹⁸

SKILLS LOSS

Skilled human capital is the most precious of all commodities, responsible for innovation, job creation and dynamism. One of the main challenges facing Africa with its youthful population is the continued drain of skills. Zambia reportedly loses 1 000 teachers to HIV/AIDS each year. In 2006 only 13 doctors were working in Malawi's 27 district hospitals, as many had left for better-paid jobs abroad. According to the International Organisation for Migration, a third to a half of graduates of South African medical schools emigrate to the developed world every year.⁹⁹ In the year 2000, 12,9 per cent of its skilled workers earned a living outside sub-Saharan Africa. The migration of skilled workers varies greatly across regions and countries: in East Africa the migration rate – that is the number of skilled workers living outside the region divided by the number of skilled workers in the region – was as high as 18,6 per cent in 2000.

In certain countries the rates were even higher: 42 per cent of university graduates had migrated from Ghana by 2000, 25,6 per cent from Angola and 26,3 per cent from Kenya. The migration rate for Sweden at the same time was 4,4 per cent.

In key countries, educated Africans flee instability and conflict, most prominently from places with once enviable education systems such as Zimbabwe, Nigeria, Kenya and in the case of whites, South Africa. However, the brain drain does not only have negative effects on those left behind. Migration of skilled workers generates remittances, it improves business and trade networks, increases expected return to education, and leads to increased knowledge and skills when migrants return home.

7 African Variable Two

Trade, aid and growth

COMMODITIES-BASED ECONOMIC GROWTH

For four consecutive years, Africa has experienced record economic growth. Overall, in 2007, the continent registered 5,7 per cent GDP growth and a per capita increase of 3,7 per cent. Pending the impact of the widening global financial crisis, all indications were that growth would accelerate in 2008 and that it will remain buoyant in 2009.¹⁰⁰ Growth has also been more broad-based, although the net oil exporters continue to outpace the net oil importing countries. According to the United Nations Economic Commission for Africa (UNECA) Economic Report on Africa 2008:¹⁰¹

One of the important developments in the world economy that is of high relevance for Africa is the rapid increase in South–South trade and capital flows. Foreign Direct Investment (FDI) from the South increased from just 5 per cent of world outward flows in 1990 to 17 per cent in 2005. FDI to Africa is increasingly coming from Asia, especially China, India and the Gulf States. At the same time, FDI flows within Africa increased substantially in 2006, mainly originating in South and

North Africa. These flows are concentrated in the natural resource and services sectors.

The intensification of ties with Asia in terms of aid, trade and FDI holds both benefits and challenges for Africa. African exports to China have more than quadrupled between 2000 and 2005 to \$19.5 billion. Asian growth expands export markets for African and creates new opportunities for employment creation in local and foreign firms. However, African manufacturing firms confront the risk of losing local markets if they are not able to compete with imports from Asia.

Africa's credit fundamentals have shown commensurate improvements over the last decade. Markets that were once too risky to operate in, countries such as the Democratic Republic of Congo, Angola, Liberia or Côte d'Ivoire, have showed positive momentum. Already, investor interest in North Africa is increasing in response to the recent swathe of North African initial public offerings (IPOs) in countries such as Morocco and Tunisia. Money is not the problem – actually the problem is finding large enough projects outside South Africa to invest in.¹⁰²

The new scramble

The reason for these developments is not hard to fathom. A new scramble is on for Africa's minerals. In countries where mining industries were nationalised, such as the Democratic Republic of Congo and Zambia, decades of self-imposed neglect are being reversed on the back of the recent sharp rises for key mineral resources. Alongside with companies from Australia, Canada, the United States and South Africa, Chinese and sometimes Indian operators have started to invest heavily in the African minerals sector, often replacing more established European operators or bankrupt parastatals.

As the leading consumer of metals such as copper, zinc and lead, China has launched a new scramble and others have responded. The economic interest drives the political embrace. China hosted the heads of state of 48 African countries at the Forum on China-Africa Cooperation (FOCAC) in November 2006, although Japan subsequently hosted the fourth Tokyo International Conference on African Development (TICAD) in Yokohama that drew some 40 African heads of state in May 2008. The previous month there was the India-Africa summit. The December 2007 EU-Africa summit in Lisbon produced an Africa

strategy and then there was the recent Turkey-Africa and the South American-Africa summit. Clearly summiting with Africa is something of a growth industry – reflecting the extent to which both rich and emerging countries are now wooing a region hitherto considered an economic backwater.

Of key concern to Africa must be that the growth in the value of its agricultural exports in 2006 lagged significantly compared to other sectors, with only six sub-sectors generating total export earnings of more than \$1 billion: cocoa and cocoa products, fresh fish and fish products, fresh and dried fruit, cotton, coffee, and tobacco.¹⁰³ Although the extent to which many African economies are dependent upon single commodities has been a source of concern for many years, there is substantial evidence that growth in a number of countries is becoming more broadly based, with more countries than ever achieving rates of growth above 5 per cent, which is nearly twice as much as the rate of population growth in the continent. The quest for sustained economic growth is clearly focusing increased attention on diversification to increase export volumes. Indeed, the five most diversified African economies – Tunisia, Morocco, South Africa, Tanzania and Senegal – are also among the best-performing ones, while the ten least diversified economies are all oil exporters.¹⁰⁴

Significantly, Africa's positive growth performance and brighter prospects occur in spite of the current global financial turbulence, which is casting a shadow on even the most resilient economies in the world and generally threatening global economic expansion. Speaking recently in Paris, Donald Kaberuka, president of the African Development Bank Group, noted that over the last three years commodity and metal producers and exporters in the continent have enjoyed windfall gains and strong growth rates from the high commodity prices. Increasingly, many of these countries are using the windfalls in a manner that will sustain growth. He also noted the challenges:¹⁰⁵

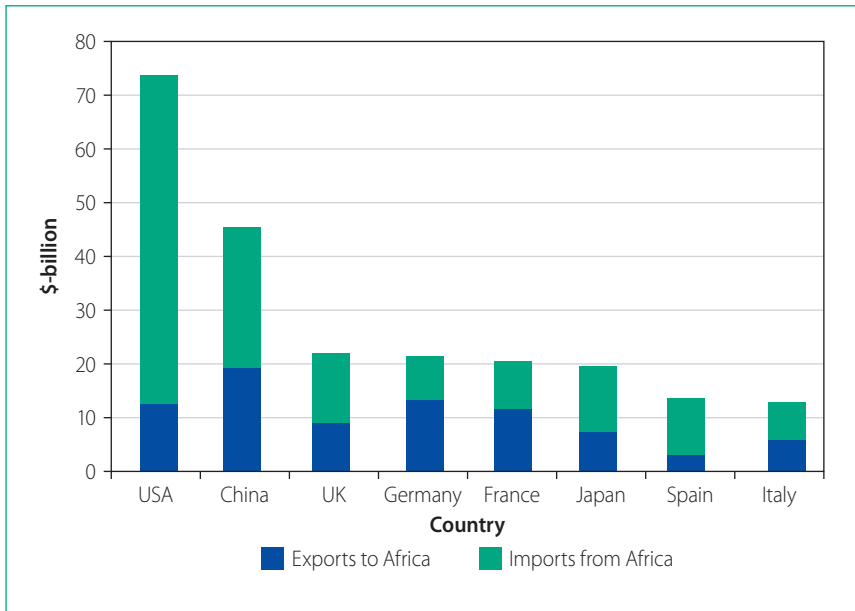
Inflationary pressures have intensified across the continent as a result both of the oil price shock and recent food price rise. These price rises now threaten fiscal consolidation and are worsening the balance of payments in food importing countries. Also, the sudden and escalating prices of food have started to have severe implications in many African countries. Indeed, for the first time in its history, some parts of the continent now face the threat of famine as a result of rising food price rather than physical lack of food. And, given the large share of food in

the consumption basket of the poor in many of our countries, there is a big risk of unwinding progress made by these countries in attaining the MDGs [Millennium Development Goals], especially the likelihood of pushing millions back into poverty.

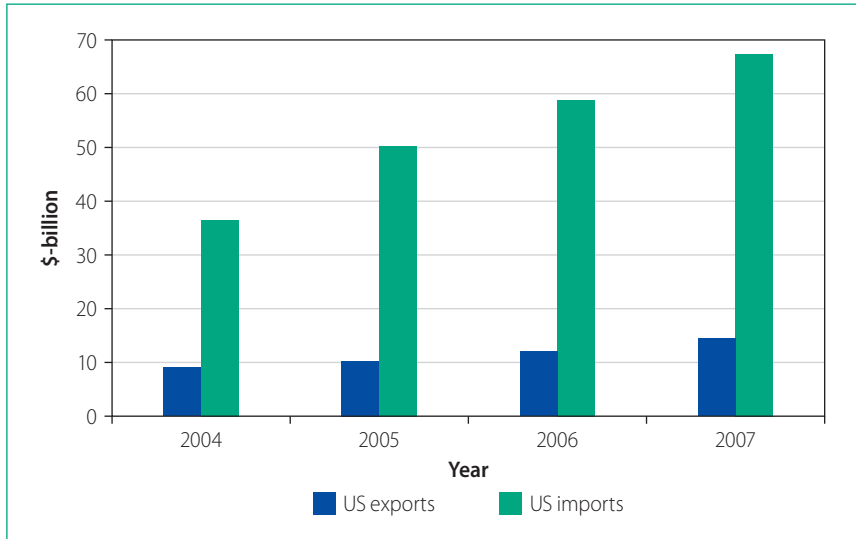
Increased US and EU trade

From a very low base, African trade is expanding rapidly. Total EU trade (that includes Africa’s former colonial masters with their strong historical ties) is largest, with that of the United States second – although the United States is the single country that does the most trade with Africa, largely due to its energy imports from Africa.¹⁰⁶ In 2006 the European Union imported €126 billion in goods and exported €93 billion worth of goods to Africa. Africa accounts for almost 9 per cent of EU imports. Half of these imports are energy products, 23 per cent are manufactured goods and 11 per cent are food and agricultural products. In this manner Africa absorbs 8,3 per cent of EU exports. Machinery,

Figure 13 Sub-Saharan Africa’s principal trading partners, 2006



Source United States Department of Commerce, US-African trade profile 2008

Figure 14 US trade with sub-Saharan Africa

Source United States Department of Commerce, *US-African trade profile 2008*

chemicals and manufactured goods make up more than 78 per cent of EU exports to Africa.

Europe's largest trading partner (imports plus exports) in Africa is South Africa, which accounted for 14 per cent (€18 billion) of African exports to the European Union in 2006, while Algeria and Libya are the biggest African exporters to the European Union. In 2006 they exported €24 billion and €26 billion worth of goods respectively, almost entirely energy products.¹⁰⁷

The United States does not publish figures for all of Africa, but divides the continent between sub-Saharan Africa¹⁰⁸ and the Mediterranean and North Africa. From 2002 to 2006 the United States experienced average annual growth rates of exports with sub-Saharan Africa of 38 per cent, compared to a global average of 22 per cent. During 2007 the value of US exports to sub-Saharan Africa was \$14,4 billion and imports stood at \$67,4 billion – reflecting an increase of 15 per cent from the previous year. Yet the region accounts for slightly less than 1 per cent of US merchandise exports and slightly more than 3 per cent of US merchandise imports, of which 81 per cent are petroleum products. Not unexpectedly, the mining and manufacturing sector is increasingly dominant, going from 82 per cent in 2002 to 91 per cent of the total in 2006.¹⁰⁹

Chinese and Indian trade

Trade with China is still at a much lower level but increasing ever more rapidly, by an impressive 41,8 per cent from 2005 to 2006.¹¹⁰ Crude oil, diamonds, platinum and gold make up almost 50 per cent of Africa's exports to China, and seven of the import categories are manufactured products (ships, boats, cars, car parts, radios, electrical appliances). Almost all imports are cheap consumer and capital goods; there is little trade in intermediate goods.¹¹¹ Chinese investments cover oil, mining, fishing, telecommunications, construction and power generation.¹¹² Between 750 000 and 800 000 Chinese nationals are estimated to live in Africa, many working for about 900 Chinese companies active on the continent in sectors such as construction, heavy and light industries, import/export and retail.¹¹³ Since more than 75 per cent of China's African trade concentrates in four countries, Angola, Nigeria, South Africa and Sudan, its impact varies greatly across the continent.

There are many Chinese mega-projects taking shape in Africa, with interesting diversions from European and American practices:¹¹⁴

The Belinga Iron Ore project in Gabon is an impressive example for the scale of Chinese investment in this sector. With more than 500 million tons of proven reserves, Belinga has an enormous economic potential, but the high capital cost of accessing the land-locked deposit has meant that no international investor had been forthcoming. In 2007, a Chinese-led consortium signed a deal with the government to develop both the mines and the necessary transport infrastructure. Valued at about three billion USA dollars, the investment, which equals the country's annual budget, foresees the construction of a 560-kilometer-long railroad linking the mine to the Atlantic coast, the building of a deep-water port at Santa Clara and two hydroelectric power stations. When the project is completed in 2010, all iron ore from Belinga will be exported to Chinese steel mills ... It is precisely this willingness to make significant capital investment which has given Chinese companies the edge over a competing consortium consisting of the Brazilian mining company CVRD and French nickel firm Eramet.

The same paper from which the Belinga example is lifted details significant Chinese investment in the Democratic Republic of Congo amounting to

\$12 billion, almost ten times that country's annual budget in 2007, as well \$300 million invested in the Zambia's copper belt and its 160 Chinese-owned enterprises.¹¹⁵

China's trade and investment brings economic growth and can be the stepping-stone towards integration into the world economy for sub-Saharan Africa. The high growth rates in a number of countries is undoubtedly related to the commodity boom fuelled by China, and to some extent India. Moreover, the increase in trade has made cheap consumer goods available for many Africans, thus raising living standards. And investments in production and infrastructure are bound to have beneficial effects both directly, through job creation and increased tax income, and indirectly by improving the infrastructure for local firms.¹¹⁶

China and India have huge and expanding consumer markets that present African firms with lucrative opportunities – cut flowers, shrimps, pineapple, and other horticultural products are examples of produce that could do well. Coffee and (Western) tea have growth potential because of the low levels of consumption. Another sector is tourism. With rising middle classes in China and India, the tourism sector is expected to flourish. And, as an incentive to Chinese nationals, eight African countries were recently designated as official tourist destinations by the Chinese government that will eventually translate into more direct flights and cheaper transport.¹¹⁷

Bilateral trade between India and Africa has also grown and Africa's share of India's global trade increased from 5,8 per cent in 2002/03 to 8 per cent in 2006/07.¹¹⁸

India's official investment in Africa stands at \$2 billion, in addition to \$5 billion from the private sector. Economic cooperation spans several sectors, including agriculture, small and medium enterprise, health, education, information and communication technology, automobiles, manufacturing and railways.¹¹⁹

Several bilateral and multilateral initiatives are meant to forge closer economic links between India and Africa. In March 2008, India hosted the fourth India-Africa Project Partnership in New Delhi, which was attended by over 500 business delegates from 33 African countries. At the first India-Africa forum summit in April, India pledged to provide over \$500 million in development grants to Africa over the next five to six years as part of the Aid to Africa budget of the Ministry of External Affairs, as well as doubling India's line of credit to

the region to \$5,4 billion from \$2,25 billion in the last five years. India also announced a Duty Free Tariff Preference Scheme for Least Developed Countries, under which it will provide preferential market access for exports from 50 of the world's least-developed countries, including 34 in Africa. The plan will cover 94 per cent of India's total tariff lines.¹²⁰

India's trade relationship with Africa has traditionally been skewed toward East and Southern Africa, although its trade with West Africa is likely to increase given its growing dependence on oil imports from the region (70 per cent of Africa's oil production is concentrated in the Gulf of Guinea). India has also sought to diversify and reduce its dependence on Middle Eastern oil, which accounts for over two-thirds of its imports. Notably, India's state-owned Oil and Natural Gas Corporation Videsh (OVL) has invested \$2 billion in eight African countries, including Nigeria, which is the region's leading oil exporter, accounting for 10 per cent of India's oil imports.

South Africa, the other big investor in Africa, accounts for two-thirds of Africa's exports to India, mainly gold. India accounts for 90 per cent of the world's exports of cut and polished diamonds and as such has also sought an increasingly close relationship with producers such as Angola, Botswana, Congo and South Africa, which account for 90 per cent of the world's supply of rough diamonds. Ore and metals continue to dominate India's imports from Africa, although uranium may emerge as an increasingly important commodity from the region as India expands its civilian nuclear programme.

South Africa, the continent's largest economy, has seen its share of the African market decline from 4 per cent to 3,4 per cent in the period 2005/06. As the only African country with a substantial manufacturing industry, South Africa exported more to the rest of sub-Saharan Africa than Japan, Italy and Spain, with exports to the region of \$7,3 billion in 2006 – still an increase of 6,4 per cent from 2005.¹²¹

Manufacturing in Africa?

When reviewing the long-term impact of the commodities exports for sustainable economic growth the threats are obvious. First, a natural resource boom is difficult to handle for countries with weak institutions. It also raises the risk of domestic conflict. Second, imports of cheap manufactured goods are a threat to Africa's emerging manufacturing sector and talk of the

effective deindustrialisation of South Africa, the continent's largest manufacturing country, is rife. While two-way trade between China and South Africa has increased dramatically, the content of trade approximates a typical colonial relationship. South Africa exports a range of unprocessed raw materials to China and imports textiles, electronics and manufactured goods. This is particularly affecting textiles and clothing, and in several countries local firms are already struggling to survive.¹²² There are also threats related to foreign direct investment. Chinese firms tend to invest in extractive industries, often relying even on imported Chinese labour, minimising local value-added in the process.¹²³

The business model of China in Africa is construction for commodities. Although locals seldom benefit through job creation, technology and skills transfer, the extent of China's engagement in a country such as the Democratic Republic of Congo makes it a critical player in that country's economic revival. Chinese also readily point to the 16 000 African professionals who have been provided with training through their development assistance, and the swathe of hospitals, schools and universities constructed with Chinese funds.

Is commodities-led growth sustainable?

Garth le Pere¹²⁴ argues, persuasively, that the biggest challenge that faces Africa is deeper and fundamental – the fact that commodities-led growth is ultimately unsustainable. In his view the de facto collapse of the Doha Round of trade negotiations is symptomatic of the failure of neo-liberal trade liberalisation. Even in the light of an increase in exports and growth rates, African poverty has not declined, giving rise to a growth characterised by greater levels of impoverishment. At the core of the problem is that the neo-liberalism of free trade that underpins the WTO philosophy and practice has been unsuccessful in bringing about broad-based development because it has ignored the power imbalances along the value chain. He argues that except for Asia, and in particular China, the trade share of developing countries has stagnated or even declined. African countries have been the first line victims: its share of overall world trade was 6 per cent in the 1980s; it now stands at 2 per cent. Even with growth rates now averaging around 6 per cent on the back of rising commodity prices the question is if per capita income in 2020 will be higher than it was in the 1980s in the face of rising levels of unemployment. He notes a secular tendency for the terms of trade for primary commodities to decline,

even in the best of times because of inherent price volatility but also because the income elasticity of demand for manufactured goods is greater than that for primary products. In other words, as incomes rise, the demand for manufactured goods increases faster than demand for commodities. Africa therefore faces the spectre of income from its commodity exports failing to keep pace with the cost of imports. Moreover, in commodity markets, value often accrues to traders and those in distribution, transport, marketing and advertising and commodity-rich countries can only hope for the rents that accrue from these activities.

The current impasse in the World Trade Organisation, Le Pere concludes, is pretty much a result of the failure to address these concerns as development issues and to inscribe them as part of a package of measures that would help reform the global trading system in ways that create greater equity and balance in terms of the original letter and spirit of the Doha Round; the focus has rather shifted to market access concerns of major trading powers, ironically with China, India and Brazil now playing a bigger role in trade talks. There is enough compelling evidence to show why neo-liberal policies have failed, he argues, but it is the power politics behind trade and the WTO's own systemic flaws that have not allowed the system to recalibrate its priorities, values, rules and procedures.

In the meanwhile, Africa is being courted by the West and by the emerging economies alike. The turnaround in its economic prospects is largely occurring on the back of the global commodities boom and although growing from a very low base, there are indications that it is more broadly based and also becoming more sustained. If le Pere is correct in his analysis, the commodities boom provides Africa with some room for the development of alternatives, but cannot serve as a source of long-term sustainable growth. Yet, in countries such as Mauritius and Tunisia that have generated sustained growth over long periods, the most acute forms of poverty have largely been eliminated.

In this global work energy imports and exports have become critical, to which we now turn.

OIL, ENERGY AND GROWTH

Africa is believed to have up to 10 per cent of the world's proven oil reserves (Libya and Nigeria have the largest proven oil reserves), yet it has become a

source of much speculation regarding US, Chinese, Indian and other competition. China is second only to the United States in its consumption of oil, having become a net importer in 1993, now being the third largest, behind the United States and Japan. At the end of 2007 Angola was accounting for 15 per cent of China's oil imports (more than Saudi Arabia) and Beijing plans to increase its oil imports from Africa from a third of its demand to 40 per cent in the next few years. It is estimated that African crude will account for a quarter of the United States' oil imports by 2015.¹²⁵

Clearly the fact that Africa is one of the world's least explored regions and the associated speed of growth of African oil production is a major contributing factor in the competition between these countries – but so is the fact that the United States has effectively tied down oil imports from the Middle East to feed its own voracious appetite, leaving other consumers to scramble for the smaller fields. As a result Chinese investments in Nigeria (Akpo field) and Angola (Greater Plutonia fields) are pushing up production – part of some \$30 billion China invested in these two countries. In this emerging scenario the bulk of Africa's oil will go to China.¹²⁶

How much?

The additional arguments relating to the relative importance of Africa's oil by John Ghazvinian are five fold. First, most oil found in the Gulf of Guinea is viscous and low in sulphur. Known as 'light' and 'sweet' in industry parlance, it is easier and cheaper to refine than, say, Middle East crude. Second, transport-related costs and risks are low – particularly from the Gulf of Guinea that allows speedy transport to the major trading ports of Europe and North America. Africa also offers a very favourable contractual environment. Without the capacity to effectively manage and oversee oil exploration and production, nor the ability to amass either the technical expertise or the billions in capital investment required to drill for oil themselves, most countries in sub-Saharan Africa operate on the basis of so-called production-sharing agreements that offer foreign oil companies tremendous down-stream profits. This is particularly advantageous as few African countries are members of the Organisation of Petroleum Exporting Countries (OPEC), and therefore not subject to limits on output. Most important of all, virtually all the big discoveries of oil in recent years have been offshore, in deepwater reserves miles way from civil war,

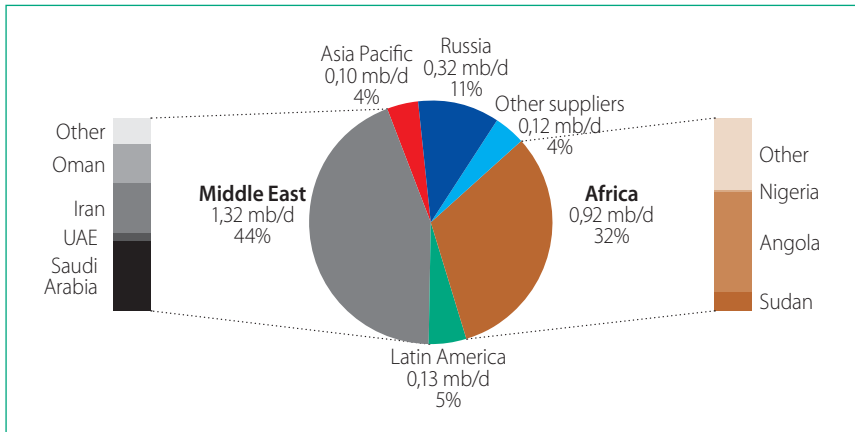
insurrection or strife. In fact, one-third of the world’s new oil discoveries since the year 2000 were in Africa, Ghazvinian writes.¹²⁷

In summary, ‘African oil is cheaper, safer, and more accessible than its competitors’, and there seems to be more of it every day. And, though Africa may not be able to compete with the Persian Gulf at the level of proven reserves, it has just enough up its sleeve to make it a potential “swing” region – an oil province that can kick in just enough production to keep markets calm when supplies elsewhere in the world are unpredictable.¹²⁸

Oil and gas producers in countries such as Angola, Equatorial Guinea and Libya are benefiting from higher prices and increased production.¹²⁹ Africa may even hold the key to unlocking the Russian stranglehold on European gas supplies. A proposed \$21-billion, 4 300-kilometre gas pipeline across the Sahara Desert would connect Nigeria’s vast reserves of gas (the world’s seventh largest) with Europe via Algeria’s Mediterranean coast. Once completed this massive project could provide 20–30 billion cubic metres of gas – just enough to weaken Russia’s grip – or if Gazprom secures the contract, enough to ensure a throttlehold.¹³⁰

Angola recently became more important to China than Saudi Arabia in this area. Metal and agricultural exporters such as Mozambique, Namibia, South Africa, Tanzania and Zambia all exhibited strong growth due to their aluminium, iron, copper, gold and platinum exports. Rubber, coffee, cocoa, and cotton

Figure 15 China’s oil imports by origin, 2006 (in million barrels per day)



Source International Crisis Group, *China's thirst for oil*, 40

all showed large price increases recently that helped countries such as Benin, Cameroon, Ethiopia, Kenya and Liberia. Most recently oil exploration companies announced the discovery of an estimated three billion barrels of oil in Ghana. Although less than three days' worth of global consumption, production of 100 000 barrels per day is to start in 2010 and would double within five years, promising unheralded opportunities for one of Africa's recent success stories. A number of other African countries have joined or are about to join the ranks of the world's oil-producers including Mauritania, Mozambique, Madagascar, Uganda, Kenya and Ethiopia – although none are expected to enter the big league.¹³¹

Oil exporters versus the rest

As the costs for oil increase, countries in Central Africa, the Horn and East Africa will face serious economic challenges. When countries import 80 per cent or more of their energy needs, the associated costs will wipe out much of their potential economic growth as energy becomes more expensive and occupy the major slice of government expenditure. The Central African Republic, Democratic Republic of Congo and most countries in the Horn and East Africa are all very vulnerable in this scenario due to their high import dependence, low GDP per capita, high current account deficits, and heavy international indebtedness.¹³²

In fact, energy exporters versus energy importers are becoming a key differential in trying to map out African futures – complementing the issue of geography. Already Africa's oil exporting countries experience more positive economic growth in recent years, expected at around 6,8 per cent average real GDP growth in 2008 – compared to 4,9 per cent for oil importers. These figures mask important differences between countries – but most importantly, the differential is set to increase. Resource-scarce landlocked countries face dramatically less opportunity for growth. They have a high constraint on market access and are often wholly dependent upon agriculture. As a result, landlocked energy importers are stuck at the bottom of the poverty trap and can only escape through that most scarce of all commodities – innovative and forward-looking African leadership. If Vietnam, ravaged by colonialism and a direct proxy war between the then ideological camps, can do it, why not Africa?

In the short to medium run, there are some clear African winners, resource-rich countries that export oil and base metals. And there are losers: countries

Table 4 Africa in the Human Development Index, 2007

Ranking	Country	Ranking	Country
50	Seychelles	154	Uganda
56	Libyan Arab Jamahiriya	155	Gambia
65	Mauritius	156	Senegal
104	Algeria	157	Eritrea
112	Egypt	158	Nigeria
119	Gabon	159	Tanzania
121	South Africa	160	Guinea
123	São Tomé and Príncipe	161	Rwanda
124	Botswana	162	Angola
125	Namibia	163	Benin
126	Morocco	164	Malawi
127	Equatorial Guinea	165	Zambia
134	Comoros	166	Côte d'Ivoire
135	Ghana	167	Burundi
137	Mauritania	168	Democratic Republic of Congo
138	Lesotho	169	Ethiopia
139	Congo	170	Chad
141	Swaziland	171	Central African Republic
143	Madagascar	172	Mozambique
144	Cameroon	173	Mali
147	Sudan	174	Niger
148	Kenya	175	Guinea-Bissau
149	Djibouti	176	Burkina Faso
151	Zimbabwe	177	Sierra Leone
152	Togo		

Source hdr.undp.org/en/statistics/

that import oil and export agricultural commodities and textiles. Examples of winners are Angola, Gabon and Mozambique, and losers are Côte d'Ivoire, Kenya, Madagascar and Mauritius.¹³³

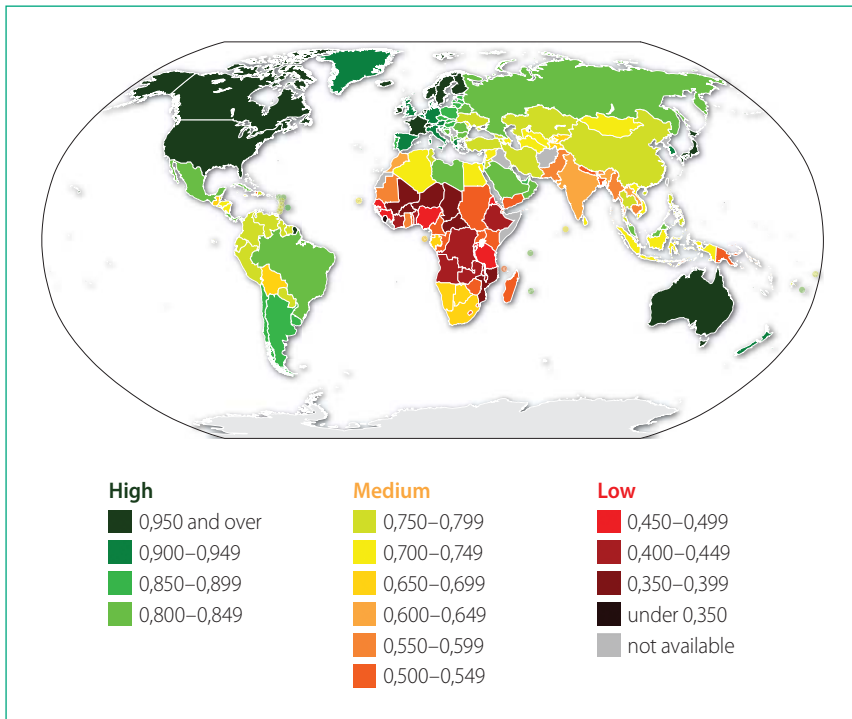
AID

A number of African countries receive substantial support in the form of official development assistance (ODA) for three reasons. First, it is the region that has the most Least Developed Countries (LDCs), reflected in the position that African countries occupy in the Human Development Index. The HDI measures three dimensions of human development: living a long and healthy life; being educated; and having a decent standard of living. Norway is at number 1 and the Seychelles was the highest country from Africa in 2006, at 50th on the list (see table 4). Almost the entire group of countries at the bottom of the HDI are African and the support that these countries receive through ODA is a global effort by richer countries to assist the poor. The second reason is related to the role that Africa played during the Cold War when it was courted and supported by both the West and its communist opponents. During this period African leaders were enticed and sometimes punished for their allegiance to either of the power blocks. Development assistance was therefore often intensely political – a trend that has reduced in subsequent years, although an analysis of current patterns indicates that countries deemed strategically important (Ethiopia, Nigeria, Kenya, South Africa, for example) and key commodity suppliers (Angola is the prime example) receive substantially more development assistance than those with the largest need. Seen from an African perspective, ODA is a part repayment for global trade imbalances, protectionism and an international trading system skewed towards the rich West.

Remittances and investment flows

The nature of development assistance is now changing and it is becoming less important globally compared to remittances and private investment flows, although this trend is still nascent as regards Africa. Globally remittances from those who had emigrated or were working outside their native countries have tripled in eight years to anything between \$250 billion and \$401 billion in 2006 – with average annual increases of 30 per cent. Most remittances flow

Figure 16 Global map of human development indicators, 2007

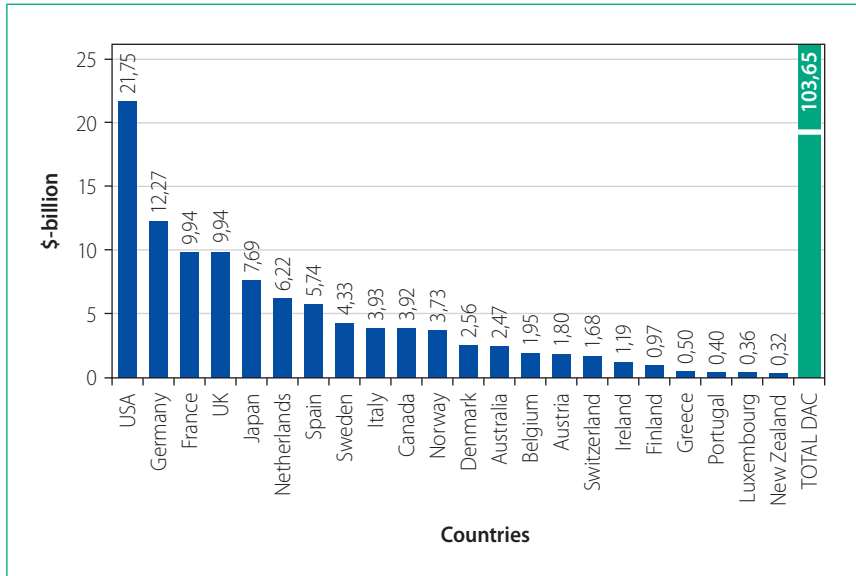


Source [en.wikipedia.org/wiki/Image:UN_Human_Development_Report_2007_\(2\).svg](http://en.wikipedia.org/wiki/Image:UN_Human_Development_Report_2007_(2).svg)

from the United States to Latin America and the Caribbean.¹³⁴ Sub-Saharan Africa gets less than 5 per cent of recorded official remittances compared to the almost 12 per cent of the Middle East and North Africa. Egypt is the largest recipient of remittances in Africa, while Lesotho gets the highest portion of its GDP through remittances from its mineworkers in neighbouring South Africa. While of growing importance, remittances to Africa are not yet at levels that approximate the levels of development assistance that it receives.¹³⁵

Private giving

In the meanwhile private philanthropy through organisations such as the Bill and Melinda Gates Foundation is thriving. This single foundation provides more aid than a country such as Ireland – while World Vision is delivering more

Figure 17 Net official development assistance in 2007

Source www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html

than Australia, Belgium and Switzerland taken together. It appears that total private giving is now matching the amount that governments commit.¹³⁶ Many of these actors address key development problems (such as AIDS, tuberculosis and malaria) that are easily recognisable and that can demonstrate results relatively quickly, but they sometimes compete with or run counter to traditional forms of development assistance. Traditional development assistance is also changing with much of the previous ‘technical assistance’ being contracted out to private consultancies. Hence KPMG bids to undertake security sector reform

Table 5 OECD aid to Africa, current prices in \$-million, net disbursements

Year	2001	2002	2003	2004	2005	2006
Developing countries, total	35 110,73	40 756,90	49 734,99	54 304,19	82 445,31	76 960,11
Africa, total	10 146,05	13 366,57	19 141,56	19 334,10	24 588,86	31 514,82
Africa, % of total	28,90%	32,80%	38,49%	35,60%	29,82%	40,95%

Source stats.oecd.org/wbos/Index.aspx?DatasetCode=ODA_RECIPIENT_REGION

Table 6 Assets of Top 10 US foundations by asset size

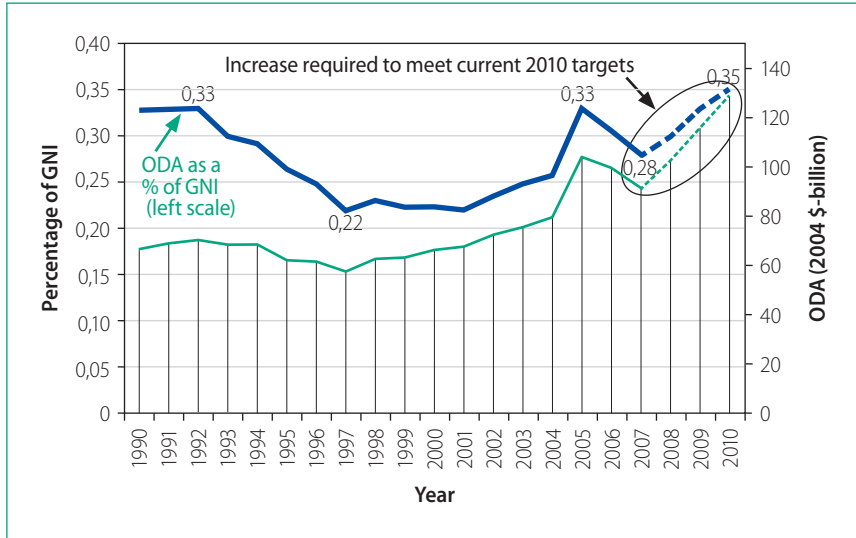
Rank	Name	Assets (US\$)	As of end of financial year
1	Bill and Melinda Gates Foundation	38 921 022 000	31/12/2007
2	The Ford Foundation	13 798 807 066	30/09/2007
3	J Paul Getty Trust	10 133 371 844	30/06/2006
4	The Robert Wood Johnson Foundation	10 094 684 000	31/12/2006
5	The William and Flora Hewlett Foundation	9 284 917 000	31/12/2007
6	W K Kellogg Foundation	8 402 996 155	31/08/2007
7	Lilly Endowment Inc	773 486 0156	31/12/2007
8	The David and Lucile Packard Foundation	6 350 664 410	31/12/2006
9	John D and Catherine T MacArthur Foundation	6 178 196 933	31/12/2006
10	The Andrew W Mellon Foundation	6 130 849 710	31/12/2006

Source foundationcenter.org/findfunders/topfunders/top100assets.html

in the Democratic Republic of Congo – an issue in which it has no experience or knowledge, taking over from Western governments who previously would undertake these services as part of their development cooperation. Elsewhere commercial companies are drafted in to administer development assistance in a process that may reduce transaction costs for donors but clearly raises the bar for smaller organisations that may wish to access support.

Aid promises

At the Millennium Summit in 2000, world leaders agreed on a set of common development targets, the Millennium Development Goals, for development efforts until 2015. In 2005 the United Nations made proposals for massive increases of aid, particularly to Africa. According to the promises made, for example at the G8 meeting at Gleneagles in 2005, the aid flow to Africa should increase rapidly during the next few years. There is also an agreement within the European Union that all donor countries that are members of the European Union will give at least 0,56 per cent of gross national income (GNI) by 2010 and 0,7 by 2015.¹³⁷

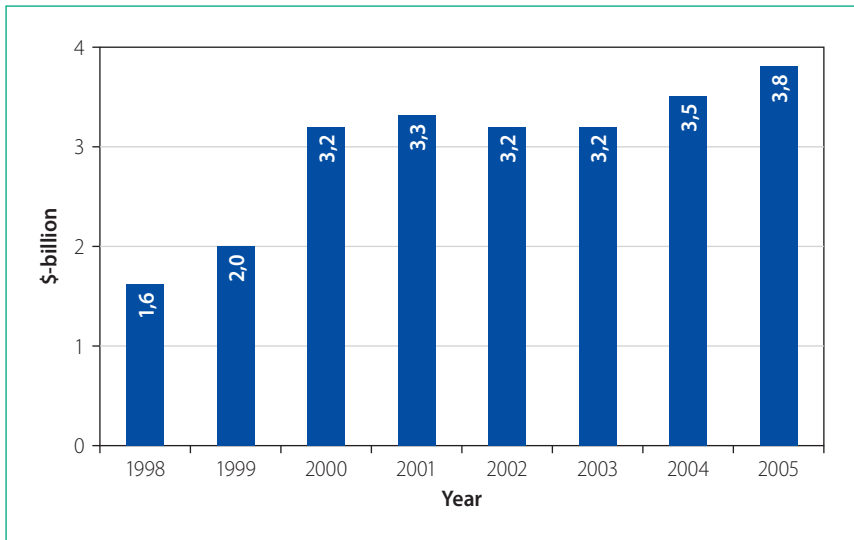
Figure 18 DAC members' net ODA 1990–2007 and DAC secretariat simulations to 2010

Source www.oecd.org/LongAbstract

Delivery on these pledges is an entirely different matter. Although the net amount of official ODA rose to a peak of \$107 billion in 2005, it has dropped thereafter and is therefore less than half of global remittances. The 22 member countries of the OECD Development Assistance Committee, consisting of the world's major donors, provided \$103,7 billion in aid in 2007. When debt relief is taken into account, this reflected a decline in ODA of 8,4 per cent in real terms due to the high levels of Paris Club debt relief that had been granted in the previous year. It follows a drop of 4,7 per cent in 2005.¹³⁸

While progress is visible on debt reduction, levels of 'programmable' aid – aid that is available for ongoing development activities – have remained largely unchanged since 2002. 'Increased aid' figures are dominated by one-off debt relief measures and humanitarian assistance for emergencies – matters of inevitable importance to Africa, but arguable neither addressing the root causes of poverty nor supporting development priorities. In addition, a substantial amount of support is provided to only two countries, Iraq and Afghanistan. In this way, Africa is paying a steep price for the 'war on terror' while the emergence of climate change as a key development consideration (itself the price of Western industrialisation) will place added pressure on current aid

Figure 19 Estimated international giving by all US foundations reached a record \$3,8 billion in 2005



Source The Foundation Center, International grantmaking update, 2006

budgets. Moreover, continued volatility and unpredictability undermine aid's overall usefulness.¹³⁹

Much has been made of the need for donor coordination and African ownership in recent years. Over the last decade or so, the institutions and systems that govern the delivery and management of aid have become more complex and fragmented. Aid is now delivered through a growing number of multilateral channels, often in the form of specially targeted initiatives such as the Global Fund for AIDS, Tuberculosis and Malaria, and the Global Alliance for Vaccines and Immunisation. Although China has signed the Paris Declaration on Aid Effectiveness, it has thus far preferred bilateral channels to international fora when it comes to the coordination of development assistance. China is often also accused of using aid as a direct commercial incentive and there is little doubt that it is economic self-interest that drives its largesse.¹⁴⁰

Even so, the potential gains that Africa can make from increased Chinese and other aid (India, Brazil, South Africa, Venezuela and Malaysia are all considered 'new aid donors', although some have been involved in development cooperation for decades) are potentially impressive. Partial records of

total official development assistance from non-DAC countries estimate an increase (in constant prices) from \$1,5 billion in 2000 to \$5,1 billion in 2006. For example, in 2006 China decided to double its aid to Africa by 2009, to form a \$5 billion fund for investments, and promised to make \$3 billion of loans available over the next three years. In February 2008, India announced a 60 per cent increase in aid to Africa over the next financial year, to \$20 million. China has also cancelled \$1,4 billion of debt for 31 African countries – although this is a tiny amount when compared to the debt relief granted by OECD members.¹⁴¹

Evidence on the ground would indicate that the quality of support has improved, although the pendulum towards budget support has probably swung too far and recipients continue to have little influence while support to civil society has been crowded out.¹⁴² The recent Third High Level Forum on Aid Effectiveness in Ghana in September 2008 again emphasised the move from imposing ideas and strategies on poor countries to empowering them to help themselves.

Conditionality and infrastructure

A key aim of donors and recipient countries alike is to improve governance and implementation capacity. This requires a shift towards governance conditionality combined with technical assistance to build up systems that can handle resources in a transparent and accountable way, as well as support to civil society and the media. Underlying the latter is a re-evaluation of an important assumption that underpins the Paris Declaration of ownership. This is that government policy can be easily arrived at through a democratic process involving popular participation from which the outcome will be widely accepted as legitimate. In reality, policy formulation and the democratic process are much more complicated in Africa than elsewhere – particularly given the institutional challenges that the continent faces.

A second priority is to take a leaf out of India's book and provide the infrastructure without which Africa cannot develop. The Golden Quadrilateral Highway project is the first part of India's most ambitious infrastructure project since the building of the railway network by the British in the 19th century. Compared to the 538 kilometres of four-lane roads that India has built in the last 50 years, the Golden Quadrilateral highway project aimed to build 5 836 kilometres of four- and six-lane highways. With much of this achieved, the

target has now been increased to 6 500 km. The highway connects the four largest cities: Delhi in the north with Kolkata (formerly Calcutta) in the east, Chennai in the south and Mumbai (formerly Bombay) in the west. Despite delays, corruption and inefficiencies, the highway gives impetus to truck transport throughout India at a time when its railways have fallen into disrepair.¹⁴³

Africa has a number of initiatives set to change the connection patterns of its current infrastructure – much of which is still to move natural resources to the coast for export. The NEPAD (New Partnership for Africa's Development) Infrastructure Project Preparation Facility at the African Development Bank, the Infrastructure Consortium for Africa, the Investment Climate Facility and the Pan African Infrastructure Development Fund have a potential collective investment of over \$10 billion. For example, the NEPAD infrastructure programme consists of a short-term action plan (STAP) to kickstart the process (originally from 2002 to 2007) and a medium- to long-term strategic framework (MLTSF) to complement the STAP and guide the systematic development of infrastructure in the continent. The STAP consists of a total of 120 initiatives made up of 18 capacity-building programmes, 52 facilitation projects, 36 investment projects and 18 studies, at a cost of \$8 billion. The MLTSF study was jointly financed by the African Development Bank, the lead agency to accelerate sub-regional and continental integration, and the Nigerian Technical Cooperation Fund. It aims to define a coherent and strategic framework to guide the development of regional infrastructure in Africa.¹⁴⁴

The African Development Bank has made over \$3,6 billion available for several NEPAD STAP projects, while commitments by OECD countries reached more than \$7,7 billion in 2006, up from about \$7 billion in 2005. The European Union, in the framework of the EU-Africa Partnership on Infrastructure, is expected to allocate over €5,6 billion over the next five years to STAP projects.¹⁴⁵

A means to an end

When all is said and done, development assistance should be a means to an end. In brutal terms, economic growth is a prerequisite for poverty reduction, and traditionally investment is a precursor to economic growth. A stronger emphasis on the private sector with its potential for job creation is vital for Africa's development while the abuse of power and weakness of the African state demands an appropriate role for civil society both as watchdog and for implementation

support. The rule of law, good governance, a value-oriented pluralistic party system, a thriving private sector and active civil society are the basic elements of an enabling environment for development. Without these framework conditions, economic growth and political stability will not be achievable or sustainable, nor will assistance to Africa be of much help. This then is a call for a return to politics as integral to the provision of development assistance – something that is increasingly evident despite the competing challenge of providing predictable long-term support.

For Africa to sustain the growth process and to achieve a real economic take-off it must become an attractive arena for private sector investment, and for that to happen it must provide an appropriate governance and regulatory environment. Ultimately the low quality of governance is still the most severe development problem in Africa.

If Africa is to be able to use its natural resources to partly trade its way out of poverty, it is going to continue to need substantial assistance from outside – traditionally from Europe – to negotiate with partners such as China, India and Indonesia to avoid yet another cycle of external exploitation. Without a clear and strong commitment to appropriate policies at the highest level it is not inconceivable that such policies could cascade to lower levels. In this context the importance of initiatives such as the Extractive Industries Transparency Initiative (EITI) is an important mechanism for improving natural resource governance through greater accountability and transparency in extractive industries. It supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Of the 23 candidate countries that have signed up to EITI codes, 16 are from Africa.¹⁴⁶

So far aid has made a positive contribution to African economic growth, even if the overall impact has been less than hoped for. Certain countries, Ghana for instance, can point to dramatic improvements. The Heavily Indebted Poor Countries (HIPC) initiative has allowed it to plough \$5 billion of debt relief back into poverty reduction programmes over a 20-year period, but with disappointing results that have actually seen infant and maternal mortality rates increase.

Today, in many countries the economic situation is more promising than it has been for a long time, and the chances of positive impacts of aid interventions are higher than before if the focus on productive sectors is actively pursued, particularly agriculture, and on infrastructure and the development of human

capital. For too long there has been too much emphasis on quick, demonstrable results (that are easy to measure) instead of long-term sustainable development where progress is difficult to assess.

Ownership and policy control

The key challenge is for Africans to assume greater control over the policy environment. This is no easy task, for in an almost comical development the much-maligned structural adjustment programmes of the 1980s have been replaced in their deleterious impact by the push towards donor coordination. The intentions with both are to help, but real African uptake (and pushback) is often found wanting. Both present African countries with less, not more, policy options, constraining the ability of poorly resourced African governments to argue alternatives when presented with common donor views on national priorities and actions. Most recently Malawi was able to dramatically reverse its food shortages and the decline of its agricultural sector only when it rejected IMF/World Bank advice and reverted to the practices of subsidising fertilizers and seed – policies deemed inappropriate in Africa yet rampant in the farm subsidies granted in Europe, North America and Asia.¹⁴⁷ In Ghana, trade liberalisation over two decades, ending subsidies on fertilizers and farm equipment and lowering tariffs on imported cereals, has led to massive rice imports from the United States and Asia and killed the local rice industry. From being a net exporter in the 1970s, Ghana's total rice import bill soared to \$450 million in 2007 and the World Bank had rejected the government's proposal to impose tariffs and protect domestic production. Similarly, under competition from cheap textiles from China its emerging textile industry has collapsed while US and European subsidies for cotton growers also pose a major challenge to West African countries.¹⁴⁸

8 African Variable Three

Democratisation and governance

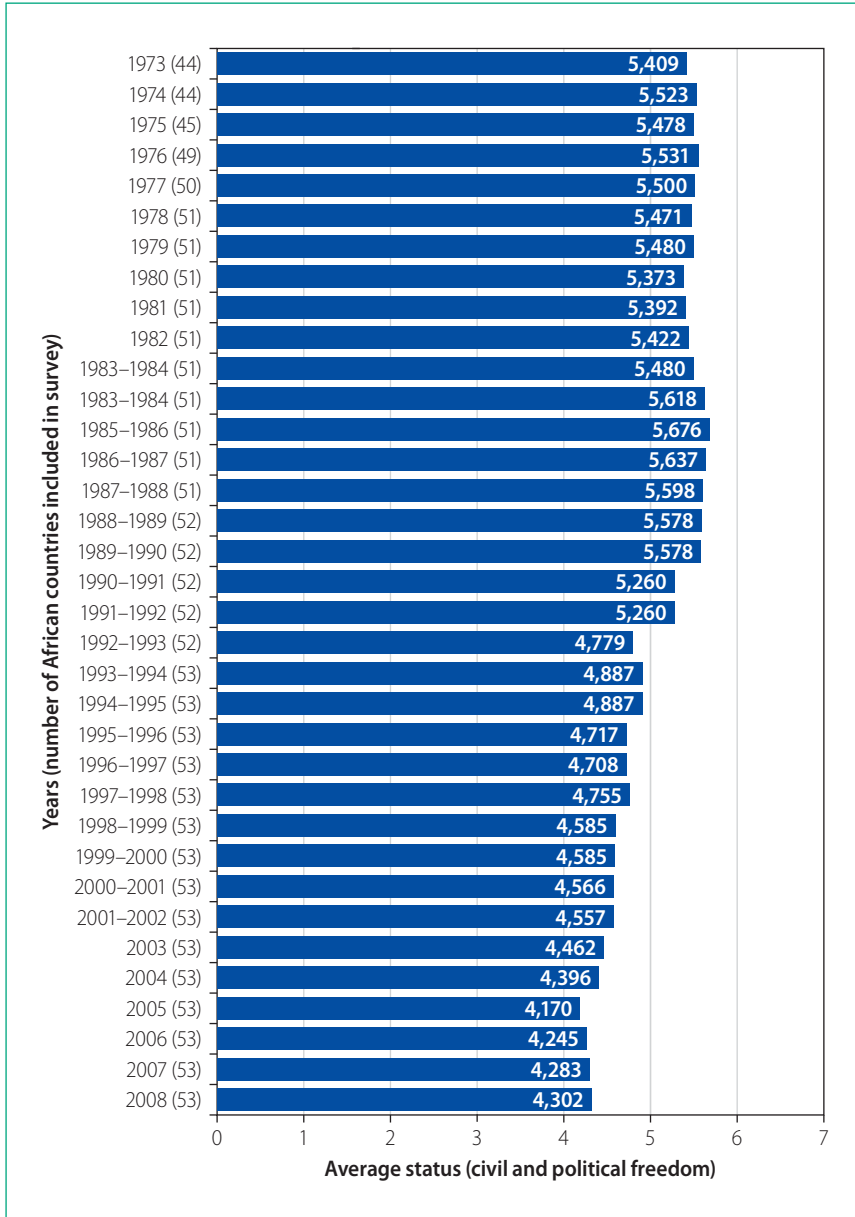
As power shifts from the Western democracies to the East, China in particular, there seems to be little immediate chance for a fourth wave of democracy. Some, such as Freedom House, state that the international trend in the last few years points towards less political freedom despite the fact that it lists 90 countries as 'free'. Restrictions on free speech and assembly are, according to Freedom House, issues of major concern. In Africa the manipulation of the constitution and/or election results have replaced military intervention as means through which elites can maintain power. This has been evident in Kenya earlier this year and again recently in Zimbabwe.

So the question is if the next two decades will see a rollback of the gains in democracy and respect for human rights in Africa.

PROGRESS OVER SEVERAL DECADES

Freedom House uses a seven-point scale where 1 is a perfect democracy with full political and civil liberties and 7 the complete absence thereof. The average rating for Africa has improved from 5,64 to 4,3 from the early 1970s to today, as reflected in figure 20. In 1972, the first year of Freedom House data, three

Figure 20 Average scores for Africa from Freedom House



Source Calculated from Freedom House www.freedomhouse.org database

countries were listed as free and 31 as not free. The remainder were 'partially free'. In 2008, by which time Freedom House evaluated 53 African countries, 11 were categorised as free and 18 as not free – a substantial improvement. Statistically the 'best' democratic year for Africa would be 2005, when the continent achieved an average score of 4,17 – a finding that has led to a swathe of reports relating to the retreat of democracy relating to the relative decline in the situation during subsequent years. The Bertelsmann Transformation Index draws a similar picture in its 2008 report, noting that the quality of political systems did not improve in the last year, despite the increase in the number of elections. But when all is said and done, the 'reported recent retreat from democracy' is a recent development and not yet an indication of any long-term trend.

The most comprehensive index to track change in developing countries is probably the Bertelsmann Transformation Index (BTI) – an international ranking of 125 developing and transition countries. It sheds light upon the changing nature of governance, politics and economic management, upon the political and economic status of each country as well as upon the political management performance by the relevant actors.¹⁴⁹ Its most recent data and assessments (for 2008) indicate that many of the world's young democracies are not living up to the expectations of their citizens. All too frequently newly elected governments exploit both their mandate and office for personal gain. They tolerate dramatic social disparities, capitulate to the demands of powerful interest groups, and fail to break free of sclerotic traditions. This failure of leadership in developing countries and young democracies enhances the attractiveness of competing models, as evidenced by the success of populist electoral campaigns in Latin America or the emboldened confidence of authoritarian and economically successful regimes in Asia and the Gulf region.

Since the first BTI in 2003, the global economy has enjoyed stable growth and thus created a favourable environment for development processes and reform agendas. BTI scores for economic performance have therefore progressively improved in most countries, but the scores for all other economic transformation criteria have essentially stagnated. This trend is worrying for two reasons. First, economic growth driven by a high demand for raw materials seems to lure several governments in Africa – by neglecting to consolidate the institutions needed for sustainable economic development. Second, broad sectors of society are not benefiting from economic growth.

Left to its own devices, reforms driven by the market benefit those that are already in positions of power. Elites embrace privatisation because they have the assets that allow them to borrow and to invest in the newly privatised entities. They promote deregulation because it gives more latitude to the business leadership and diminishes the role of governments. They welcome open markets because, as owners of large entities, they are the most likely to benefit from new capital flows and the increased trade opportunities.

DEMOCRATISATION FOR AFRICANS?

A detailed study of 232 multiparty elections in 44 African countries (itself an amazing testimony to the growth of democracy) from 1989 to 2003 points to the self-reinforcing power (and self-improvement) of elections.¹⁵⁰ Democracy is learned behaviour. While elections are not the culmination of democracy, they promote the steady liberalisation of politics, becoming better each time they are held. In Zimbabwe, Robert Mugabe continued to invite external observers even as his government attempted to manipulate the results and beat the opposition into subservience.

Statistically countries become democratically quite stable after three multiparty elections and each event further institutionalises civil and political liberties. The African Union and a number of regional bodies such as ECOWAS and SADC have each adopted various codes of good practice while initiatives such as NEPAD and its associated African Peer Review Mechanism (APRM) assume standards of election best practice that would have been unthinkable scant years ago. A longer-term view sees that a slow and steady improvement in the depth and support for democracy in Africa.

Work done by AfroBarometer on the status of democracy in a series of opinion surveys that now include 18 African countries would indicate that the drive towards democracy in Africa has become deeply rooted amongst African citizenry, although attitudes have changed over the years. Admittedly the great expectations found in the first round of AfroBarometer surveys done from 1999 have given way to greater indifference and, in some instances, declines in support for democratisation. The expectation that the growth in democracy would improve economic prospects has not been borne out. Economic expansion has not been accompanied by rising incomes or popular welfare – best illustrated in South Africa, Nigeria, Ghana and Tanzania. Data on poverty

and human development do not reflect significant improvement and Africans generally see growth without prosperity in many new democracies. The result is a mixed picture.¹⁵¹

A handful of countries – Ghana and South Africa stand out – may be on the path to successfully consolidating a viable democracy. They achieve a reasonably good balance between expressed support for democracy and satisfaction with democracy at fairly high levels for both. Several other countries – most notably Mozambique, Namibia and Tanzania – also achieve relative balance between satisfaction (one measure of supply of democracy) and support (one measure of demand for democracy) but at much lower levels ... As such, the political regimes that prevail in these places may be consolidating, but in forms that fall short of fully functioning democracies. Still other countries reveal large gaps between popular support and perceived satisfaction, suggesting that the political systems in these countries have yet to consolidate, and remain unstable. In particular, deeply dissatisfied democrats abound in Malawi, Nigeria, Zambia and Zimbabwe and they may agitate for renewed democratic reform in the years to come.

In summary, however desirable democracy may be in its own right, political liberalisation does not ensure economic regeneration or popular welfare – a belief often propagated by a well-meaning but self-serving West. Admittedly, in the course of 25 years, countries undertaking political reforms have increased their average growth, while those countries abjuring political change have experienced slowing growth. But the causal relationship is less than many had hoped for.

In sum, democracies in Africa perform at least as well as non-democratic ones in the economic domain and in some areas their performance is measurably better. On the other hand, the data from the AfroBarometer survey support the finding that the conditions for many Africans have not changed significantly in recent years, despite good economic growth. Africans in new democracies do not perceive substantial improvements in their economies and they report few advances in living conditions.

Democratisation has also not been able to replace neopatrimonialism (which has been able to reconfigure itself) and the latter is largely incompatible with

democracy and economic growth. While the empirical indicators relating to elections, civic freedoms have improved, the substance of democracy remains weakly embedded and articulated, with few exceptions. The deficits include hollow citizenship, a lack of vertical accountability and abuse of power, weak horizontal accountability and the manipulation of checks and balances, often reflected in a global obsession with the extent of corruption in Africa.

So, if African citizens are clearly disappointed by the performance of democracy, they remain fairly resilient in their general commitment to democracy as a political system.

CORRUPTION

More rationally, the extent of corruption in Africa reflects the absence of institutional systems through which society can mediate the influence peddling common to all societies, including those in the United States and Europe. Africa is no different – it is only that the nature of corruption is less obscure. It is clear for all to see and does not require a global calamity such as Enron or the recent subprime mortgage crisis in the US (that has now spurred investigations by the Federal Bureau of Investigation into Fannie Mae, Freddie Mac, Lehman Brothers or AIG) to spur acknowledgement of the extent of fraud and corruption.

Objectively one does need to ask what difference there is between the revolving door (between government and business) in Washington and political practices in Africa – apart from white-collar sophistication with the former. There is, essentially, no separation between business and government in the United States, but one elite engaged in both activities in pursuit of common profit and power – Goldman Sachs, Morgan Stanley (both now regulated by the US Federal Reserve), Halliburton, previously the Enron Corporation, ExxonMobil, General Motors – an endless list that links big business and government. The result is a legislature that is overly favourable to financial institutions and business that corrupts government.

In Italy, Silvio Berlusconi has been elected and re-elected as prime minister on three occasions. As Italy's third richest man, and in effective control of the country's media through Fininvest, it is no surprise that he was so successful. In the United Kingdom, former Prime Minister Tony Blair quashed an investigation into the pervasive corruption of British Aerospace in pursuing Saudi Arabian defence contracts in the interests of 'national security'. In Russia,

former President Vladimir Putin has used state power to reign in and establish his dominance over the most recent breed of Russian oligarchs.

One of the most serious consequences of this phenomenon has been the conflation of 'free markets' and 'democracy' in America's policy prescriptions for the world. The two ideas are often seen as one and the same and are, according to some, a mistaken belief that economic development and growth will lead to democratization. Yet there are countless examples today of countries in which markets are getting freer but democracy is suffering – China comes to mind, as does Russia, as does most of the Middle East. In each of these places, business interests are happy to ignore the political plight of locals provided that returns can be earned. Advancing free markets is good and helps promote positive changes within society, and there are certainly challenges associated with the effective promotion of democracy. But failing to adequately address these challenges results, as we have seen, in the concentration of wealth and power among a few who, in turn, act in their own interests (as markets would expect them to do) within the counterbalances good governance would require.¹⁵²

While correctly pointing to the blatant forms of corruption in Africa, the corporate West often misses the log in their own eye – as well as the relationship between (Western) business and (African) politicians. Recently the former chief executive officer of Halliburton's KBR division, Albert Stanley, pleaded guilty to breaching the US Foreign Corrupt Practices Act. Under a plea agreement at the district court in Houston, Texas, Stanley admitted to bribing Nigerian officials over a period of ten years (between 1995 and 2004) to secure engineering and construction contracts worth an estimated \$6 billion. According to Stanley's testimony, his organisation paid two consulting agencies just under \$200 million to bribe Nigerian officials in a bid to secure contracts to build liquefied natural gas facilities.¹⁵³

Some Western countries adopted a top-down, prescriptive model of democracy in their approach to Africa. In the process the term 'Washington consensus' has served as something of a lightning rod – originally a list of common policy ideas that ranged from privatisation to fiscal discipline to broad economic liberalisation for Latin America. For others, China in particular, agreement on

'low politics' is more important, a belief that human security means improving the quality of life of ordinary people – a view much closer to that of many African leaders who ignore the example of India, the worlds largest democracy, and express their concern about the disruptive impact of election contestations amidst abject poverty.

Where government institutions cannot deliver basic security or services to society, people tend to fall back on the extended family, group or tribe to secure these basic needs. In this primordially charged context, the introduction of democratic elections could admittedly serve to reinforce sectarian and ethnic cleavages and undermine social peace. Yet Africa appears to have greater growth and democratic potential than many Arab countries where there is little evidence of a genuine political paradigm shift.

Africans still need to come to terms with the distinction between democratisation and Westernisation. Autocratic African leaders, a declining club, like to argue that there is no distinction between the two and that democratisation is merely an instrument through which to perpetuate the dominance of the Washington consensus. Populist rhetoric is seldom a replacement for analysis, however, and these views are little more than an empty insult to countries with established track records of democracy, rule of law, social peace, and prosperity, countries where Africans emigrate to in search of a better life. Ultimately there seems to be little reason why democratisation will not continue to expand in Africa. Democracy is no recent blip in African history, but the results of sustained struggle by Africa's peoples, often supported by European and other partners and buoyed by technological developments such as the growth in Internet and cell phone usage.

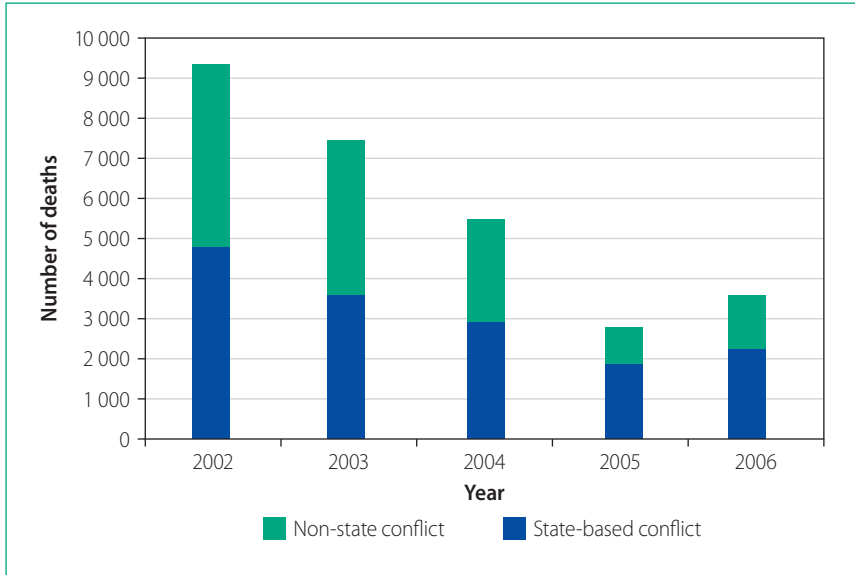
9 African Variable Four

Peace and stability

In 2005, the Human Security Centre, based at the University of British Columbia, published the first Human Security Report. This report, largely complementary to the well-known Human Development Report, contained a number of interesting findings. Amongst these it argued that: ‘Since the end of the Cold War, there has been a dramatic and sustained decline in the number of armed conflicts. And an uneven but equally dramatic decline in battle-deaths has been under way for more than half a century.’ The report tracked the post-World War II rise in the number of armed conflicts and the subsequent decline following the end of the Cold War. It found that the overwhelming majority of today’s armed conflicts (95 per cent in the last decade) are fought within, and not between, states and that the most take place in the poorest parts of the world, in particular in sub-Saharan Africa.¹⁵⁴

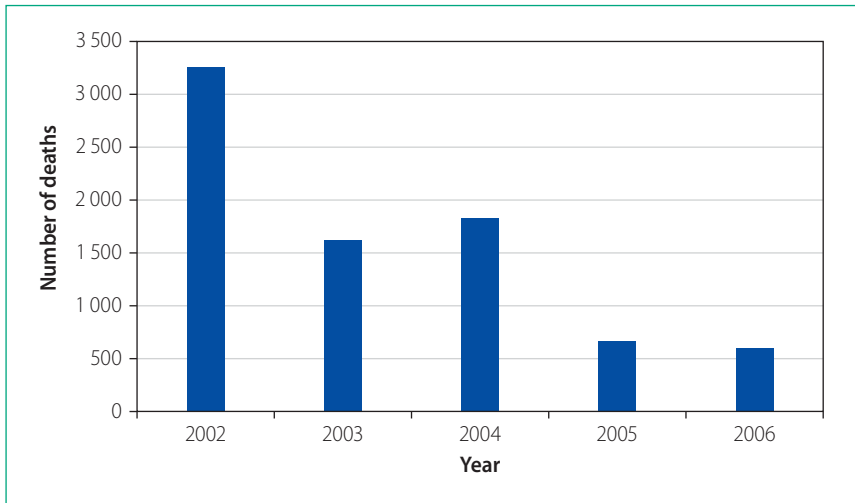
The most recent Human Security Report,¹⁵⁵ published in 2007, reinforces these trends. The 2007 report finds that between 1999 and the end of 2006, the number of state-based armed conflicts (that is, where a government is one of the warring parties) had declined by almost half (46 per cent). Conflicts have continued to break out since 2000, but at some 60 per cent of the rate of the 1990s. A similar trend was found when looking at those conflicts fought between various armed groups but not involving governments, that is, between rebel groups. Here the reduction was even greater, some 54 per cent.

Figure 21 Number of armed conflicts in sub-Saharan Africa, 2002–2006



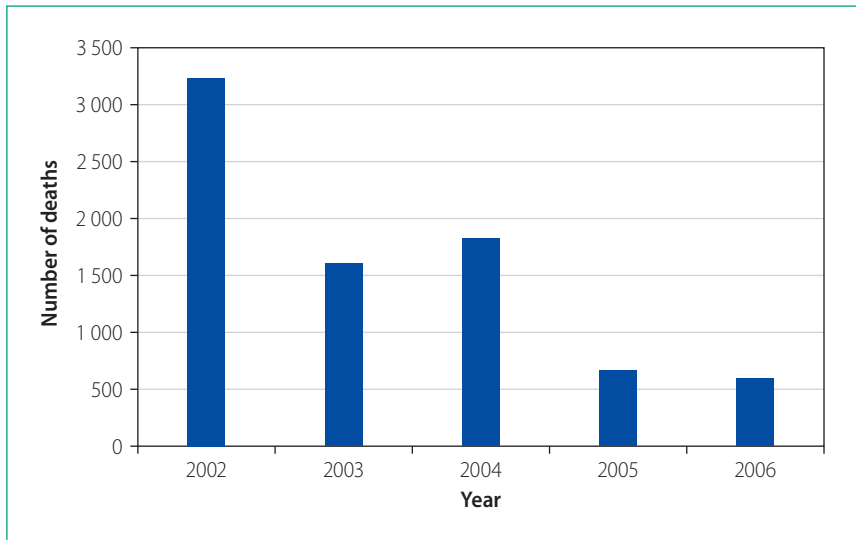
Source Human Security Report Project, Human Security Brief 2007, 24

Figure 22 Number of reported battle-deaths from armed conflict in sub-Saharan Africa, 2002–2006



Source Human Security Report Project, 24

Figure 23 Number of reported deaths from one-sided violence in sub-Saharan Africa, 2002–2006



Source Human Security Report Project, 25

The number of people being killed dropped even more steeply – by 2006 the annual battle-death toll from all types of conflict had dropped by almost two-thirds from 2002.¹⁵⁶

A final category, what the report refers to as ‘one-sided violence’, in other words the killing of civilians by both government and rebel forces, confirmed the previous trends – the death toll in 2006 was just one sixth of that in 2002.

These impressive reductions occurred from a security situation in the region during the 1990s that was extraordinary volatile with the number of conflicts that erupted after the end of the Cold War almost double that of the previous decade. The report finds that a growing number of conflicts were terminated through negotiated settlements, suggesting that peacemaking efforts were increasingly successful.

IMPACT OF DEMOCRACY AND EXTERNAL PEACEMAKING

To explain these remarkable trends, the authors advance two additional arguments. The first is the sharp reduction in the number of autocratic and semi-autocratic governments and an increase in the number of democracies – based

on the view that this increased regional security and on the statistical evidence that semi-autocratic governments are six times more likely than democracies, and two and a half times as likely as autocracies, to experience new outbreaks of war. The second is the impact of external engagement, particularly through AU and UN peacekeeping, mediation and engagement by other third parties. International activism is clearly paying off.¹⁵⁷ By mid-2008 the United Nations had almost 108 000 personnel (of which 74 000 were troops) contracted in 17 peacekeeping operations, of which the majority served in Africa, although the annual budget for the UN Department of Peacekeeping Operations (UNDKO) at \$7.1 billion is still less than what the United States spends in a single month in Iraq.¹⁵⁸

Today Africans are heavily engaged in making and keeping the peace on the continent on the initiative of the African Union, in partnership with the international community and in numerous other ways, some of which could hardly have been foreseen a few years ago. This new start permeates the African Union's Constitutive Act and key associated legal commitments such as the Protocol on the African Union's Peace and Security Council.

The rising tide that had lifted all boats is the steady growth in the number of democracies, sustained levels of economic growth, and the renewed support and engagement of the international community in African conflict management – trends that have been outlined elsewhere in this monograph.

Clearly, Africans are doing more for and by themselves. For example, after several months of sanctions and mediation made no progress a coalition of willing African countries, Tanzania, Sudan and Libya, supported the Comorian armed forces to remove self-styled 'President' Mohammed Bacar from power in Anjouan in March 2008. The African Union did so at the request of Ahmed Abdallah Sambi, the president of the Union of Comoros.¹⁵⁹ Other successes through African eyes are undoubtedly Burundi, Darfur and Somalia – not because clear solutions are in sight, but because of the leadership roles that Africans are playing in addressing some of the most intractable conflicts and the extent to which international assistance has accepted African leadership. Even in Zimbabwe a negotiated solution has now been signed.

African engagement has served as a catalyst for international support and the return of UN peacekeepers to Africa after the tragedies of Somalia and Rwanda in the early 1990s. Today Africa is the continent with the largest UN commitment on peacekeeping with eight of the seventeen active UN peace missions in

Africa. Although non-Africa countries largely fund these missions¹⁶⁰ all have a significant contribution of African troops and police as burden sharing has come to characterise the search for peace and security.

AFRICAN LEADERSHIP

At the same time the recent organisational audit on the African Union that was commissioned by Ghanaian President John Koufor in 2007, then chair of the African Union, and concluded early in 2008, shone a sharp spotlight on the challenges that confront the Union and its various organs. The audit was, in fact, a comprehensive assessment of all AU structures – a no-holds-barred organisational review that spoke candidly about the manifold problems that beset the continental organisation.

Like most enquiries of this nature, the origins of the audit is deeply political – part of the efforts generally led by Southern African states to counter the grandiose ambitions of Alpha Konare, the former chairperson of the African Union Commission, towards rapid African integration. President Konare's visions alarmed many countries, SADC members in particular, who have a more pragmatic and ultimately realistic belief that integration should commence at sub-regional level and only once substantial progress is evident here, translate into substantive steps at the continental level.

Summarising its assessment, the chairperson of the audit committee, Nigerian Professor Adebayo Adedeji, presented the challenges thus: 'Although the Commission, as the nerve center of the African Union architecture, has lifted the profile of the Union globally, it is handicapped at three levels. First, there is lack of clarity in the set up of its leadership. Second, its activities are spread too widely for it to be effective in playing the role envisaged for it; and third, the management needs to be improved.'¹⁶¹ Evident from the challenges is that the commission has an approved staffing structure of 912 available positions – yet of these only 60 per cent have been filled, with most vacancies for professional staff.

Ironically, the African Union is not short of funds. The total budget of the organisation from member state contributions has tripled in recent years to around \$100 million per annum, an amount roughly matched by donors that fund various components of the African peace and security architecture.

While most funds have gone to build the capacity of the African Standby Force, other systems such as the Continental Early Warning Mechanism have

also benefited handsomely. Indeed, the African Union cannot absorb the donor funds available to it, which possibly explains why it does not effectively ensure that African member states contribute their annual fees timely and in full.

More than any other structure, the African Union's African peace and security architecture can point to numerous achievements. The Peace and Security Council, at the heart of the system, has met 24 times in 2005 and 2006 and more than thirty times during 2007. In 2006, special PSC meetings were convened on Sudan, the Central African Republic, the Democratic Republic of Congo, Darfur, Chad, Comoros, Somalia and Côte d'Ivoire. For 2007, special PSC sessions have focused on Burundi, Comoros, Mauritania, Côte d'Ivoire and Darfur and in 2008, on Zimbabwe, Kenya and other hot spots. Hence African political engagement today is at a different level to previous years. More importantly, the African Union has moved from strict and absolute adherence to a policy of non-interference in the domestic affairs of its member states to one that its previous Commissioner for Peace and Security called one of 'non-indifference' – to contrast this new era with that of non-interference previously. In the process the continent adopted much of the language of the responsibility to protect prior to the adoption of the concept by the UN General Assembly in 2007.

Tentative at first (evident with the cautious engagement of Sudan as incoming chair of the African Union), AU engagement is increasingly robust. The military engagement in Anjouan mentioned earlier is only one recent example. The split amongst AU members on suppression in Zimbabwe is another. These unprecedented divisions point to the inevitable divorce in Africa between economic and democratic winners and autocratic losers with the former (Botswana, Ghana and others) prepared to break a post-colonial solidarity with countries that have detracted so significantly from African progress. Sadly, the largest economy on the continent, South Africa, has not covered itself in glory in this process.

Many challenges remain, of course, and it is naïve to assume that the African Union is able to engage substantively on its own with conflicts such as those in Darfur, Somalia or between Ethiopia and Eritrea – three areas that are literally in the backyard of the AU headquarters in Addis Ababa. Despite its rhetoric, the African Union remains a club of leaders rather than an assembly of its people. And although the number of democrats has increased steadily, key leaders such as those of Libya, Egypt, Zimbabwe, Nigeria, Kenya and Ethiopia have either not been elected or elected under dubious circumstances where associated

processes have been manipulated and often marred by substantial violence and abuse of power.

In this environment the decision by the European Union at the beginning of this decade to establish the Africa Peace Facility proved to be a catalyst in the ability of the Union to engage in active peacemaking. In 2003 the Union established the Africa Peace Facility, which had provided the African Union with almost €300 million for peacekeeping and related capacity-building by 2006. The instrument became operational with the first grant for the African Mission in Sudan (Darfur) I operation in July 2004. Other partners followed and eventually, also the United Nations, which today spends more time on Africa at the UN Security Council than on any other region.

Most attention (and funding) has been towards the African Standby Force (ASF).¹⁶² The ASF is intended for rapid deployment for a multiplicity of peace support operations that may include preventive deployment, peacekeeping, peacebuilding, post-conflict disarmament, demobilisation, re-integration and humanitarian assistance.

Today it is accepted that the African Union will deploy first, opening up the possibility for a UN follow-on multi-dimensional peace support operation. In this scenario ASF forces will be deployed into a situation as part of the peacemaking process at an earlier stage than UN forces would be allowed to engage. They would thereby help to create the conditions on the ground that could lead to a comprehensive peace agreement and the deployment of UN forces. This was indeed the situation in Burundi with the African Union and United Nations, and with the Economic Community of West African States (ECOWAS) and the United Nations in Liberia, Sierra Leone and Côte d'Ivoire. The exit strategy for ASF operations is therefore a transition to the UN – which could include the redesignation of substantial ASF resources as UN contingents. This trend will continue into the future with Africans increasingly serving to keep the peace in Africa, although they are only able to do so with substantial international assistance.

As a rule the African Union has sought the support of the UN Security Council for all missions, in part as this is a requirement for access to the financial resources from the African Peace Facility provided by the European Union.

In reviewing the progress with the African Standby Force, Africa has admittedly not met the ambitious milestones that it set for itself some four years ago. Nevertheless, progress has been impressive.¹⁶³

ALARMISM AND DESPONDENCY

The megatrends discussed earlier in this monograph and developments in Africa could see the intensification of resource-based conflicts and therefore increase the pressure on the African Union and the United Nations. As resource-based competition increases, the world will see countries take actions to assure their future access to energy supplies. In the worst case this could result in interstate war, if government leaders deemed assured access to energy resources essential for domestic stability. These may not be at the grand-strategic level of the US war on Iraq, generally perceived to have been an assault to assure continued US access to Middle Eastern oil resources, but there have already been a number of border conflicts and competitions that indicate this trend. Examples are the clashes between troops from Uganda and the Democratic Republic of Congo on Lake Alberta in September 2007 and the recent clashes over the decision by Nigeria to abide by a court ruling to give the Bakassi peninsula to Cameroon. In all instances the common denominator is oil – without doubt, the most dangerous mind-altering substance on earth. A third of the world's civil wars take place in oil-producing states and an oil-producing developing country is twice as likely to suffer internal unrest as a non-oil producer.¹⁶⁴

Various reports, those from the United States in particular, adopt excessively alarmist language when it comes to the threat to the West of collapsed or collapsing states as parking lots for terrorists – bandit land where anti-globalists or extremist Islamic forces can plot the destruction of global capital. Much of this is nonsense. Even Somalia, the poster case for state collapse, is not in a state of anarchy. Neither is it entirely lawless, although recent months have witnessed a sharp deterioration in that direction. It is obvious that the country has no central authority worthy of that name, except that derived from clan law and religious courts, and that central government institutions such as parliament, courts, the army and police have been destroyed. According to the International Maritime Bureau there have been 24 acts of piracy off the Somalian coast in the first half of 2008 alone. The Transitional Federal Government is generally considered to be in control of little more than several blocks in downtown Mogadishu, leaving the rest of the country ungoverned, and there is much suffering evident across much of this tragic area.

Somalia is awash with weapons and by September 2008, UN refugee officials estimated that, out of a population of nine million, there were about 457 000

Somali refugees outside Somalia with another one million internally displaced. Because most refugees are in neighbouring states, this has placed an enormous burden on the region.

But while the public sector is in tatters, with no provision of basic services such as water and electricity in rural areas, private contractors provide some services in urban areas. ‘Sectors with fewer transactional constraints, such as retail, communications and the media, which do not require much institutional security and infrastructure, have thrived ... Moreover, to overcome the lack of effective legal enforcement, institutions of other countries are used to serve as arbiters or guarantors.’¹⁶⁵ As a result checks from Saudi banks are issued in Somalia and cashed in any bank for transactions such as religious and commercial travel. Companies such as DHL, British Airways, Coca-Cola and Dole use the contract law of their country of registration. Companies are registered outside Somalia and the Somali telecommunications services use the offices of the United Nations and International Telecommunication Union in Dubai, and so on.

It has been well established that the higher the per capita income a country enjoys, the lower its risk of armed conflict. This is why most wars take place in very poor countries and why Africa is the most violent continent. The evidence for this war–poverty association is overwhelming. Also, the lower a country’s per capita income and the lower its growth rate, the greater the risk of a coup. Africa’s low growth rates (at least until the mid-1990s) and extreme poverty also made it particularly coup prone and in a sort of self-fulfilling prophecy, a history of past coups increases the risk of future coups – just as a past history of armed conflict increases the risk of future conflicts.¹⁶⁶ The discovery of oil is often fatal for democracy and sustainable development. It undermines good governance and the streams of petrodollars invariably lead to corruption wherever it is found. In Sudan, oil has been a key issue in its many internal conflicts. It has reduced the Niger Delta in Nigeria to an ecological disaster zone rife with local unrest, and ensures massive wealth for a very small elite within the Angolan government and little or nothing for its populace.

POLICING AFRICA

Certainly globalisation has introduced a range of effects that render states and societies more vulnerable. A permissive and highly liberalised international environment, underpinned by advances in technology, transportation and

communications, has spawned a number of additional transnational threats, most prominently the spread of transnational crime. For Europe this is perhaps most prominent when considering West Africa – today a major forward transshipment area for drugs from South and Central America to the lucrative European market – a development that follows more effective policing in the traditional transshipment destinations in North America. But in considering these new threats, it serves well to remember that policing has always been a displacement challenge. As law enforcement agencies successfully engage with one area, criminals migrate to another. Eventually the challenges of international crime will strengthen transnational collaboration and the hand of organisations such as Interpol. So while child slavery, vehicle theft and violent crime are rampant in West and Central Africa, the impact is no less serious than traditional cattle theft in East Africa – the single largest source of conflict and competition in that region. The only difference is that the former can capture international sympathy and links more clearly into international understandings and security concerns while the latter is perceived as a quaint traditional concern.

In this environment where the provision of security is a scarce commodity, private security contractors – and the provision of private security through commercial arrangements – have become big business in Africa. This is a trend that will expand on the back of the inability of most African governments to provide the same with service providers clustered around the commercial and high-income hubs across the continent. Already South Africa, Africa's largest economy, has its largest private security industry – numbers in employment outnumber the combined total of the South African Police Service and the South African National Defence Force. This outsourcing of security is the latest trend in the privatisation of key state functions and could in extreme situations develop into a threat to weak governments, but for the time being the benefits clearly outweigh the costs. Burden sharing between a weak state apparatus and the private sector in the provision of security for investment and commercial activities is an inevitable requirement if Africa is to attract cautious foreign investment, and provide a secure climate for local capital.¹⁶⁷

GLOBAL INSECURITY ON THE RISE?

There is no guarantee that the positive trends in improved global insecurity may not be reversed. September 11 and its aftermath of asymmetric threats

plus the rush to war in Iraq gave priority to a narrow security agenda that is hostile to many of the core tenets, norms and institutions of international relations developed since 1945. It casts aside respect for open political negotiations as well as the doctrine of deterrence and stable relations among major powers with serious implications for managing global security. Among these is a return to adversarial realist understandings of international relations, where states rightfully pursue their national interests, unencumbered by attempts to establish internationally recognised limits on their ambitions and impulses. If this freedom is appropriated by the United States, why can others such as Russia, China, India, Pakistan, North Korea, or Iran not claim the same?

The United States' unipolar position has certainly complicated the post-Cold War logic for improved security cooperation and its attributes of unrivalled power has made it easier for it to subvert the multilateral order with impunity. For all these reasons, the challenges of global security might play themselves out as a megatrend in any update of this monograph, despite a brief moment of Obamamania in the rest of the world about the prospects for a new era of US engagement that could replace unilateralism.¹⁶⁸

10 The importance of regional integration for African development

In reviewing the growth perspectives of Africa, classical growth theory focuses on the need for investment, technological change, and the diffusion of technology. New institutional economics argues that countries must have appropriate institutions in place, for example to determine, administer and adjudicate property right matters. New economic geography focuses on location and introduces distance into trade models to explain how growth spreads. According to this approach, and others, African growth should occur through regionalisation.¹⁶⁹ Economic integration in the form of regional markets for goods, services, capital and labour, including common standards and lower reciprocal customs barriers, will create larger and more interesting markets for both African and international investors and manufacturers. Deeper economic integration should also include physical and economic infrastructure and the free movement of labour.

Africa's industrial sector has not been able to expand as hoped for after independence, and it appears unlikely that the African manufacturing base will be able to develop given the strength of those of China and India, amongst others. At the same time Africa cannot develop on the back of its commodity exports alone. There is currently little inward investment and savings levels are low. The World Trade Organisation's rules for the international trading system

have heightened global competition and raised the stakes for Africa. The key question is only how such integration should be pursued.

POLITICAL SOLIDARITY VERSUS ECONOMIC REALITY

Much rhetorical attention is paid to pan-Africanism and the requirement for African unity. Largely a political concept, key leaders have pursued the economic integration of the continent in various ways, often confusing political solidarity with economic reality. The OAU Charter of 1963 and the Constitutive Act establishing the African Union of 2000 define regional integration as one of the foundations of African unity. The Lagos Plan of Action and the Abuja Treaty elaborate the specific economic, political and institutional mechanisms for attaining this idea. The adoption of the more recent New Partnership for Africa's Development (NEPAD) provides an overall development framework for the continent, which assumes regional integration as one of its core objectives. But while it may appear as if African leaders are committed to continental integration, important blocks, SADC in particular, have thwarted each effort at continental integration and the continent is sharply divided between those who favour an approach based on sub-regional integration during a first phase and those that argue in favour of a top-down, continental approach. Stripped of rhetoric, these are actually debates about economic versus political approaches to African integration.

In his famous book *The Africans: a triple heritage*¹⁷⁰ Ali Mazrui reminds us of the continent's three key cultural identities – that from the West through colonialism, its indigenous African heritage, and the influence of Islam (the largest religion in Africa). Each can be further dissected. The colonial traditions of France, Great Britain, Belgium, Germany, Italy and Spain each left their own distinct footprint that often forms a thin layer over age-old civilisations (such as those in today's Ethiopia and Cameroon/Ghana), ethno-linguistic groupings (such as the Matabele speakers of South Africa and Zimbabwe), the impact of Arab trade along the east coast as far south as Mozambique, and that of the Muslim slave traders across large swathes of the continent. Colonialism existed for a relatively brief period of time and often did not penetrate across all of the land, yet it served to disrupt and roll back indigenous state-formation, replacing an emerging African order with that of foreigners based on European considerations. Today an increased number of African countries have completed or

are undergoing a transition to democracy, whilst others languish under oppression, dictatorship and poverty. Far from the romantic image of uniformity and common ancestry, language and orientation, Africa presents a complex tapestry. Efforts to group and categorise the prospects for development, peace and security therefore often present different outcomes depending upon which way the prism is viewed.

Recent African political history has often pursued the political vision of a pan-African identity, institutionally embodied in the establishment of the Organisation of African Unity in 1963 (and today in the African Union). Continental African unity, has, however, always been more a reaction ‘against’ rather than an initiative ‘towards’. Today key regional leaders that have been central to the most recent version of this vision of a greater pan-African identity have lost interest, moved on or are in the process of doing so (such as Alpha Oumar Konare, Thabo Mbeki and Muammar Ghaddafi). Economics and not politics are driving global agenda’s in a post-Cold War world where romantic visions hold little sway if they do not translate into greater efficiencies and economic benefits. Should Africa maintain its good start into the 21st century, economic collaboration at the sub-regional rather than the continental level will inevitably trump grand, continental politics. Africans will continue to be drawn and tied to their sources of investment and growth, some of which are external to the continent.

There can be little doubt that globalisation has given particular impetus to regionalisation and Asian regionalisation will quite probably be a reality by 2025. In the absence of a global free trade regime, the development of three trade and financial clusters – North America, Europe and East Asia – will have global implications. Regional clusters could compete in the setting of trans-regional product standards for information technology, biotechnology, nanotechnology, intellectual property rights, and other aspects of the ‘new economy’. Africa will have to decide how and where it intends to pursue its future. Does it believe in regional markets and integration (to which it pays lip service) or does it wish to pursue the vision of grand, continental integration?

Individually African economies are too small and nations have to integrate with that of their neighbours, particularly in West Africa, but also elsewhere. Rhetorically the advantages of regional integration in Africa were recognised even before the creation of the OAU in 1963. The Southern African Customs Union (SACU) is the oldest customs union in the world but has relatively little

to show for its longevity. The Southern Rhodesia Customs Union was established in 1949 and the East African Community in 1967. Both failed, although a new effort is being made with the latter. But while the intentions behind these early efforts to promote regional integration may have been genuine, the impact of Africa's first regional economic communities was limited and halting at best. Once it decides, countries such as Tanzania (a member of SADC and the East African Community) would have to make a choice, as would many others. And where does the African Union fit into all of this?

Two trends are clear: the future of North Africa and the Horn are probably tied up with Europe and the Middle East. And the rest of the continent needs to focus on sub-regional integration.

NORTH AFRICA AND THE HORN

Economic growth and interdependence will propel the individual Arab-African states backed up against the giant Sahara Desert to the south along the Mediterranean towards Europe. Already EU exports to the so-called MED countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the Palestinian Authority, as well as Turkey) figured around €120 billion, or 9,7 per cent of total European Union exports, in 2007. Imports from the MED countries represented around 7,5 per cent of total EU imports, worth €107 billion, in 2007. A key factor driving this relationship is the lack of trade integration in North Africa, the region that is the least integrated regional market in the world, despite the Agadir Free Trade Agreement between Morocco, Tunisia, Jordan and Egypt that entered into force in 2006.¹⁷¹

In the Horn of Africa massive investments flow across the Gulf of Aden and the Red Sea towards Djibouti, Ethiopia and others, and the region does not have ambitions to work towards its own trade integration. Some members belong to the Common Market for Eastern and Southern Africa (COMESA), others to the EAC, while the regional economic community best placed to foster trade integration, the Intergovernmental Authority on Development (IGAD), is necessarily preoccupied with emergency response and conflict management issues. An end to the conflicts in the Horn could open up a floodgate, and release pent up liquidity into the region from oil-rich Arab states such as Saudi Arabia. Similar to North Africa, the patterns of trade, investment and growth will link many of these countries to others outside the continent.

A SUB-REGIONAL IMPERATIVE

Regionalism has become an important trend in the modern world – a trend generally following the precedent set by the six nations that established the Treaty of Rome, which became the European Economic Community in 1957 and, through the 1993 Treaty of Maastricht, the European Union. Today the European Union combines 27 countries, with others, most notably Turkey with its 70 million people, knocking on the door. The debate about European Partnership Arrangements (EPAs) is whether sustainable growth for Africa comes through exports to the world market, or by building up regional markets. Africa needs to decide which model it wishes to pursue. In effect, African political and economic unity can only be achieved at the expense of regional groupings such as ECOWAS and SADC or the other way around in the foreseeable future – the continent cannot have it both ways.

Unable to agree on what constitutes the various regions amongst its 53 member states the African Union divides the continent into five membership regions for administrative purposes; West, Central, North, South and East. Politically the AU recognises eight regional economic groupings and it is possible to count up to 14 overlapping economic communities on the continent ranging from the 19-member COMESA to the three members of the Manu River Union. Some regions, notably Southern and West Africa – now move steadily towards integration. The most promising vehicles for such integration are ECOWAS, SADC and probably the EAC given the geographical proximity of their respective members. Hence the launch of a free trade area in 2008 is an important stepping-stone towards a SADC common market envisaged by 2015 and a common currency by 2018. ECOWAS has similar ambitions.

At this sub-regional level Africa's integration is the most important response to globalisation, although progress is painfully slow and the problem of countries belonging to different regional organisations needs to be resolved. If Africa is to prosper it will have to place much greater emphasis on substantive regional integration than in the past and it has to decide that economic progress trumps political solidarity. Some countries have made these choices (Botswana and Rwanda come to mind, as do others) but in many instances the work of good governance, building solid economic practices and the pursuit of rule of law languish far behind.

11 Conclusion

Absent the impact of climate change, the long-term trend in Africa is decidedly positive with stability and democracy generally improving on the back of strong and widespread, although uneven, economic growth and declining levels of unrepresentative governance. In 2006 and 2007 more than 30 African countries grew at a rate of 4 per cent or more as part of the greatest expansion in global wealth witnessed in human history. According to the president of the African Development Bank, Donald Kaberuka: 'Africa is exhibiting a changed economic landscape that gives us a great sense of optimism for the future. Within Africa's diverse economies, a number of countries are clearly taking the lead in becoming emerging economies. Countries like Mauritius, Morocco, Nigeria, South Africa and Tunisia are clearly in the mould of emerging markets and could even become growth poles for others in the regions.'¹⁷²

It is well known that many countries have fragile democratic institutions that are admittedly often unrepresentative, even after elections. But headline-grabbing events in Zimbabwe and Darfur present the continent in the worst light possible. While freedom of the press, the rule of law and government transparency remains weak and corruption is widespread at many levels of politics and the economy, literally all indices show strong improvements over

the last decade. A large majority of African countries enjoy rising levels of prosperity, stability, and the normalisation of fragile state situations. More than 19 presidential and parliamentary elections were held in 18 African countries in 2007, although they were often marred by low turnouts, particularly in Nigeria and Egypt, and abstention (in Algeria). Most elections are peaceful. Incumbent heads of state are often re-elected by wide margins, as are new presidents. Even in Zimbabwe, amidst substantial intimidation and manipulation, the governing party maintained a charade of electoral process – a façade that fellow leaders of a decade earlier would have dispensed with at an early stage.

BAD NEWS SELLS

At the same time that we have witnessed these unprecedented positive developments in global prosperity, the world seems deeply troubled with daily reports of bombings, murder, hunger, poverty and conflict. Global news seem increasingly disconnected from economic events at a time when the world is going through its most peaceful period in recorded history. The information overload and the immediacy of images translated through our 24-hour news cycle produce constant hyperbole and a focus on bad news, crises and calamity. The result is a loss of perspective. It feels as if things are very dangerous – except that they are not. The focus on the specific detail of a horrific incident necessarily crowds out the bigger picture and context is lost. Scaremongering has become global business – except that business is trumping politics everywhere, also in Africa.

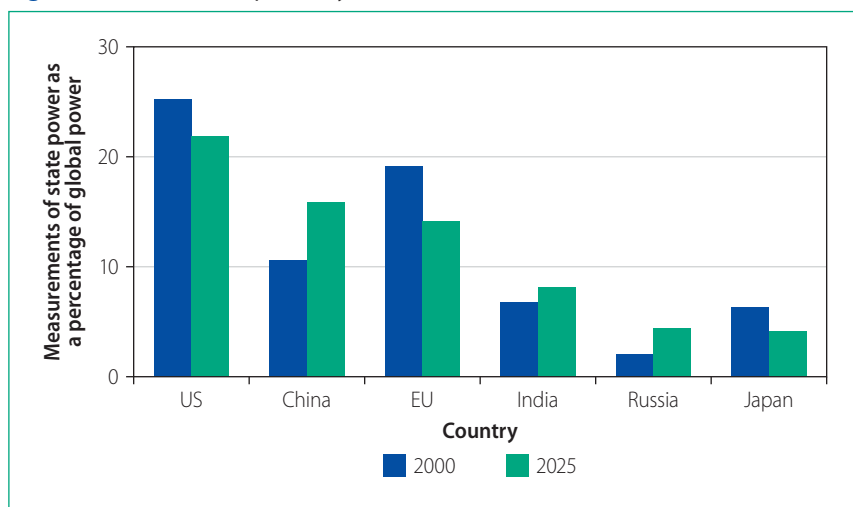
It is well documented that the African state faces many challenges. Of Africa's very youthful population, some 133 million (half of the continent's youth) are illiterate. Many young people have few or no skills and little training and vocational assistance is provided. Over 20 per cent of young people in sub-Saharan Africa are unemployed¹⁷³ at a time that labour immobility has reduced the bargaining power of organised labour.¹⁷⁴

High levels of armed violence remain endemic to many countries and regions such as Chad, Sudan, northern Uganda, the eastern Democratic Republic of Congo, Somalia, Mali and Niger – a reflection of high levels of poverty and underdevelopment. Recent years have also seen angry and violent demonstrations turn deadly in Senegal, Zambia, Burkina Faso, Cameroon and South Africa. But the extent of 'bad news' reporting on and from the continent does not present a balanced picture of trends or events.

KEY GLOBAL TRENDS

In the coming decades three economic entities will dominate the world – the United States, the European Union and China. The United States is the world’s largest consumer of oil and its economy is substantially larger than that of any other country. During this period it will remain the world’s most important economy through the admittedly declining role of the US dollar as a source and recipient of foreign investment. Partly offsetting the relative decline in global economic importance of the United States, the North American Free Trade Area (NAFTA) will gain as the Mexican and Canadian economies become more vibrant and grow at steady and improved rates. The United States will remain the undisputed military superpower, unrivalled both in the destructive power that it can unleash and indeed the extent to which it can project power across the globe, although its ability to do so without much broader political support will steadily deteriorate. In this sense there will be no multipolarity consisting of four or five players of roughly equal power. Europe cannot act militarily or politically as one while China and India are still developing. So there will be more powers, but still only one superpower. And the role of the United States will be key in setting a global future of either stability or conflict through the

Figure 24 Relative state power by 2025



Source GlobalTrends 2025

example and the choices that it makes between providing multilateral leadership versus furthering unilateral divisions.

The extent to which Europe will remain globally influential in the coming 25 years will depend upon the extent to which member states enable the European Union to act as a single unified entity. And then there is the issue of Turkey and the possible expansion of the EU ‘zone of prosperity’ across the Mediterranean Sea to include the Arab-African countries of North Africa and even some in the Middle East. These developments have the potential to play a significant role in unblocking the impasse in that troubled region, but would require a much more active and vigorous engagement towards that region than has been the case hitherto.

CHINA AND AFRICA

China will dominate its Asian neighbours for the foreseeable future and India will only rival China much later, despite the fact that by 2025, the population of India will surpass that of China and the two will then account for about 36 per cent of the world population.¹⁷⁵ The size of China’s working-age population will start to decline around 2015 on the back of decades of policies limiting childbirth and by a tradition of early retirement. China will age fast while India, by contrast, will remain demographically vibrant, although there are vast differences between the low-fertility states of South India along the commercial hubs of Mumbai, Delhi and Kolkata and the higher rates of populous states in the north.¹⁷⁶ Despite its big-power ambitions, India will remain constrained as global political actor by the robust democratic nature of its domestic politics. In the meanwhile oil, gas and rising prices will, in future, particularly benefit two countries, Russia and Iran. Both countries will develop massive foreign reserves that will substantially augment their levels of influence. While Russia will suffer continued population decline during these years, Iran’s population will grow – as will its regional influence.

In considering the relative increase in the prominence of the emerging powers such as China, it is important to recognise that the United States, the European Union and to a large degree Japan – currently three of the five largest economic powers in the world – are all part of a common value system. These countries, together with South Korea, Australia and others, will continue to set the agenda on global relations for decades to come. Much as China (and

eventually India and Brazil) may wish to revolutionise global relations in the interests of new groupings, their relative influence will remain constrained by the realities of centuries of Western dominance. The American economy remains vibrant and is growing steadily. It has maintained productivity growth, the elixir of modern economics of over 2,5 percent per annum for more than a decade. In virtually every sector American firms lead the world in productivity and profits.

China, the newest member of the top three club, currently has a smaller economy than either the United States or the European Union, but it is growing more quickly and is more deeply integrated into the world economy. A large portion of its population remains poor and significantly non-marketised, and it is currently an authoritarian state. On the back of its continued economic growth, rising incomes and participation in global trade the prospects for the continued liberalisation and possibly democratisation of China are strong.

Different to the emergence of Germany after World War II – and more recently Japan – the integration of China into a future new global rules based system will admittedly be more problematic due to its sheer size. It has not been traumatised and occupied. But the history of the world is dominantly that of co-option as new elites are bought in and co-opted by the much larger power and money of the old elites. In the same way that the technology revolution of YouTube and Google morphed from being revolutionary upstarts to be part of the establishment, China's integration into a new, changed global economy will encounter and partly succumb to the allure of the establishment. This does not imply the Westernisation of China – but the development of 'new' common global future in which China changes the world and the world changes China. The recent appointment of a Chinese, Justin Lin, as the World Bank's first non-Western chief economist reflects this trend. It is more than a symbol of China's growing influence. Lin's emphasis on quality government, rather than markets as arbiter of change, indicates that he will reinforce the bank's move away from privatisation, liberalisation and indiscriminate world-market integration. His appointment comes just after China, long a recipient of World Bank aid, agreed to become a donor.

Writing for *Development and Cooperation*, Ellen Thalman notes:

The World Bank has a particularly strong incentive to work with the Chinese in Africa. China has in recent years leveraged its financial and

political clout to seek trade and investment opportunities there, elbowing the World Bank out of one of its traditional areas of influence. At the same time, Africans are intrigued by the successes of the East Asians amid disenchantment with the World Bank's initiatives there. Certainly, Lin's argument that the quality of public institutions is the essential factor for the success of development programmes has a certain allure for Africa.¹⁷⁷

There are some references in Beijing to a new international economic order and talk (mostly by non-Chinese) of the emergence of a 'Beijing consensus' that might supplant the Washington consensus. But the proposed alternative approaches evident among the emerging economies to global economics, development, the role of the state and the pursuit of prosperity do not yet add up to a revisionist challenge to the status quo. They may, however, do so in the decades that lie ahead and this may eventually present the paradigm for a new ideological struggle – between the market fundamentalists of the declining West and developmental state believers in the emerging economies.

Whilst power balances are shifting from West to East, and, at least in the West from the state to non-state actors, the economic trend amongst emerging economies is somewhat contrary. Here we see an increased role for the state as a player – in emerging markets, through state-owned enterprises and possibly the use of sovereign wealth funds as strategic leverage. In many ways sovereign wealth funds already overshadow the international financial institutions from the Bretton Woods era as they inject more investment into emerging markets than the IMF and the World Bank combined. In time these views and developments could impact on human rights, democracy and governance.¹⁷⁸ This period will see the true test of the dictum that political liberalisation follows economic prosperity and if there is something like 'Chinese exceptionalism'.

INDIA AND THE VISION OF A DEVELOPMENTAL STATE

The wildcard in all of this is India – a chaotic, freemarket democracy that demonstrates the power of individual, private enterprise, driven by consumer demand and its burgeoning service sector, not production or high rates of saving. With few exceptions, African governments are not strong enough to act as agents or catalysts for development. Much as some African leaders may

wish to aspire to the developmental state model, top-down growth is generally not an option available to any but the most select African countries such as Ethiopia and Rwanda that have strong traditions of central state institutions and effective state control. India develops despite its government, not because of central directive planning. It is to India, not China, that observers should look when trying to paint a picture of a future, vibrant Africa that develops the only way it can – from the bottom up. Even so, key requirements will have to be put in place, most important amongst these established rights of property and contract, independent courts, the rule of law and infrastructure. And except perhaps for the ever-entrepreneurial Nigerians, Africans have a long way to go to match the innovation, enthusiasm and sheer confidence of Indians.

When considering the attraction of Beijing, adherents to the state directive model will realise that even China is changing – the country is moving from a planned economy based on self-sufficiency toward a market-based economy that increasingly relies upon the international market, most notably in its efforts to diversify its energy sources. Looking to India, with all its corruption, disparities and poverty, is the response to the current characterisation of the African state that only ‘exercises partial and intermittent domination over its society and reflects minimal internal institutional cohesion and functional effectiveness’.¹⁷⁹

Global trade reform and continued liberalisation will probably continue. Even the development of a China-centred East Asian free-trade area – a regional grouping that could challenge the European Union and NAFTA in the wake of a final collapse of global trade reform – would broaden rather than undermine the further liberalisation of global trade. Africa is a latecomer to trade integration and has benefited from preferential treatment until now. But as liberalisation continues, many African countries will have to rethink their current advantages. Global trade reform is clearly important for Africa with estimates suggesting that a full liberalisation of global merchandise trade would increase world GDP by \$287 billion per year by 2015. Of this, \$86 billion would accrue to developing countries. These estimates disregard possible gains from trade in services liberalisation, trade facilitation and productivity gains from opening up markets. Sub-Saharan Africa would experience an income increase of \$4,8 billion or 1,1 per cent of its GDP, which seems modest but still represents a relative income gain for the region that is double the world average. In the case of a complete global trade liberalisation as much as 78 per cent of the gains for sub-Saharan Africa would come from agricultural reforms. These reforms

would also have positive distributional impact in the developing countries, since it is farmers and unskilled labour that are most likely to gain from the trade liberalisation.¹⁸⁰

Admittedly not all share these views on the continued ability of free trade to serve as an engine for global growth, but no countervailing force has emerged since the end of the Cold War.

GLOBAL THREATS TO PROSPERITY

There are threats to global prosperity – most of which relate to China and the United States. The first is that China’s prosperity and its associated imbalances such as the unprecedented flow of international funds it requires could trigger a crash of the dollar and a ‘hard landing’ for the United States and possibly the global economy.¹⁸¹ Second, while the world economy is less dependent upon developments in the United States, a sharp downturn there would have global implications. Events rippling out from the subprime mortgage crisis provide ample proof of the potential impact of this scenario. Alternatively, Chinese growth may grind to a halt if mounting social pressures arising from growing income disparities, massive internal migration, poor business regulation, demand for energy, environmental devastation and inflation combine in a perfect storm, all demanding attention at the same time. So events in either of the United States or China could affect all of us. A third scenario could therefore see a structural slowdown in global growth. A dramatic slowdown in US consumer growth could trigger problems for China given Beijing’s reliance upon export-led growth and the United States’ continued ability to consume.¹⁸² Finally, there is an undoubted risk that the transition towards a multipolar system, the pressures of growing populations, competition for resources and move towards a post-hydrocarbon era could portend unparalleled instability, for by 2025 the world will be in the midst of a fundamental energy transition, partly from oil to gas, but still heavily dependent upon coal. A multipolar system, US analysts love to point out, is inherently less stable than either a unipolar or bipolar system. In this most unpredictable of developments, change itself may therefore cause more change.

When viewed within the context of the vast technological changes and shifts in economic power discussed in this monograph, the world is headed for unpredictable and more turbulent times. Already global defence expenditure is back to the levels seen during the height of the Cold War and new challenges to the

current system of global order are evident – recently exemplified by the conflict in South Ossetia. The United States is not immune to these developments and will become even less so in years to come. According to *Global Trends 2025*:

The pace of technological innovations will be key to outcomes during this period. A critical question is whether new technologies will be developed and commercialized in time to avert a significant slowdown in economic growth. A slowdown would complicate the rise of the new powers and the transfer motion of the international system and create economic repercussions for debtor countries like the USA. More seriously, a slowdown or derailment would potentially deal a serious blow to the aspirations for those countries not yet fully in the globalization game. A world in which shortages predominate would motivate a potentially different set of behaviours from one in which scarcities are overcome through technology or other means.¹⁸³

On the other hand, there is every chance that economic growth and continued economic liberalisation will democratise China – although this could also prove quite messy. A considerable amount of research indicates that all countries (except those largely dependent upon oil for the bulk of their income) which had attained GDP per capita of at least \$8 000 per year (as measured by PPP standard for the year 1995) would either measure as partly free or free in the ratings of political rights and civil liberties published annually by Freedom House. If the same rule holds for China (and there is no reason why it should not), China will move into the partly free category by 2015 and could even be categorised as free by 2025.¹⁸⁴

IMPLICATIONS FOR AFRICA

In all of these developments Africa will remain, as before, largely a bystander, an onlooker buffeted by forces over which it has little or no control. In a few sectors, such as communications, Africa has been able to use technology to leapfrog certain infrastructural hurdles such as low fixed line density, but the same will not be possible in the energy or transport sector. The continent needs massive investment in infrastructure, education and health if it is to secure the means for growth. Africa will therefore be affected but not affecting, although its relative importance, influence and voice will steadily increase in importance. It would

benefit substantially from increased levels of global assistance (if past promises made at Gleneagles and elsewhere turn into reality) – in part to help build its infrastructure, educate its working population and deal with the trade for its commodities. Eventually, the benefit that ordinary Africans receive from the exchange of African commodities for Chinese construction projects in Africa will partly depend upon how Africa uses aid from Europe and elsewhere to put in place systems to govern and manage these opportunities.

Africans may, in the short term, revel in the lack of political and governance conditionalities of Chinese assistance. But Chinese economic predation could be more damaging for Africa than the tied assistance from Europe or the United States, for its sum effect could potentially be even more systematic exploitation and not assistance. At best Beijing is operating much like other, more established powers have in the past. More likely is that the lack of democratic accountability and transparency back home will also be evident in Chinese operations in Africa. Whatever their past, Western donors are democracies that operate according to the rule of law and domestic accountability. That is not the case with China. Today the corporate sector from the United Kingdom, France and the United States compete with semi-state Chinese business interests that often enjoy full state support, are not subject to domestic environmental and disclosure regulations and are largely impervious to public opinion. Blurred as the interests between private capital and politics may be in the West, the relationship in China is seamless. In this sense Africa is understandably burdened by its history.

The historic track record of Western governments in propping up dictatorships, clandestine arms transfers and the promotion of trade interests through financial aid is every bit as bad as Beijing's current controversial policies ... Despite the prominence of regulatory frameworks such as the 'Extractive Industries Transparency Initiative' (EITI), governments and companies from Europe and North America are quite willing to ignore bad governance and human rights abuses in places such as Angola, Chad, Equatorial-Guinea and Nigeria if oil exploration rights are at stake, it would be hypocrisy to expect China (and other, less-mentioned actors such as India and Malaysia) to adhere to higher standards than their competitors.¹⁸⁵

In this scenario the extent of Chinese arms used for suppression in Darfur and the provision of 77 tons of assault rifle ammunition, mortars and grenades to

Zimbabwe in April 2008 by the Chinese freighter *An Yue Jiang* may present African civil society (if not governments) with pause for thought.

Most important is the real chance that Africa will experience a substantive change in its fortunes through the growth in the demand for its natural resources and as it becomes a destination for private investment flows. Already, funds raised for private equity in sub-Saharan Africa almost tripled in 2006 – the last year for which the OECD gives complete figures – to \$2,3 billion. That massively outstripped growth in funds focusing on the oil-rich markets of North Africa and the Middle East, which grew by 50 per cent over the same period.¹⁸⁶ If African governments become economic enablers rather than predators, if they see their role as that of greasing the wheels of economic development rather than trying to control or benefit from it, much is possible.

Clearly Africa will benefit substantially from the massive flows of private and state income that are accruing to oil- and gas-producing states. South Africa, Nigeria and Egypt will remain the largest African economies and generally Southern Africa will be the most stable region and Central Africa probably the least. Oil-producing countries could do best (if they can sort out their governance issues). At the regional level, the Horn and North Africa are growing the fastest.

In 2006 South Africa and Nigeria accounted for almost half of sub-Saharan Africa's total imports with those of South Africa worth slightly more than two-thirds of this total. In the same year, sub-Saharan exports totalled \$208,1 billion, up 17,6 per cent from the previous year. South Africa and Nigeria accounted for 50,7 per cent of total exports – slightly more than fifty billion dollars each.¹⁸⁷ According to some:

Nigeria ... stands out as having considerable growth potential, not far behind India in terms of projected annual growth, close to Turkey in terms of projected size by 2050 and overtaking Egypt ... and South Africa to become the largest African economy ... Nigeria is of course starting from a very low base in terms of GDP per capita, however, and would still be a relatively low income country even by 2050, with GDP per capita of around \$11 700 at constant 2006 prices.¹⁸⁸

Others lament the potential of Nigeria as a collapsed state that will draw neighbouring countries into a downward spiral. But with so much to gain from its oil

revenues, the potential for Nigerian state collapse (a meaningless term in this context) is remote because the potential benefits to be gained from the Nigerian oil industry will actively mitigate any efforts at dismemberment of Africa's most populous and robustious state.

THE US AND THE UN

By December 2008 the US National Intelligence Council will finalise its most recent scenario exercise. The July 2008 version of *Global Trends 2025: a transformed world* (NIC 2008–003) is a dark, Malthusian document where the future is one of war, conflict and everything that could 'go wrong'. The fact that these scenarios occur during a 'historically unprecedented age of prosperity' earns barely a footnote. The main reason for this doom and gloom, seen from the perspective of the United States, is probably more linked to the loss of US power and influence than to a clear, objective reading of the trends it seeks to describe. The future is always more challenging if it means that your relative position will change for the worse – although that is hardly the case given the retention of US wealth and privilege throughout the period in question.

The thesis underlying the NIC report is that a global system not dominated by the United States must somehow be more dangerous than the current one. This may be a perception amongst analysts in the US intelligence community, but it is doubtful if it is a view that most scholars outside the United States necessarily share. There is a danger here, however. Similar to developments in Europe, the centre of gravity of public opinion and politics in the United States is moving to the right – and global opinion against the United States. The one is in part a reaction to the other. As the influence of populism, particular US family values and a return to fundamentalist religion increases, future foreign policy orientations may continue the globally destructive paths of the current Republican administration that has contributed so significantly to the loss of US power and prestige in recent years. The selection of an inexperienced and deeply conservative governor from Alaska, Sarah Palin, to be running mate to Republican presidential candidate John McCain – potentially a heartbeat away from the US Presidency – is an acute reminder of the extent to which American conservative politics threatens global stability. Despite the United States being a democracy, it does not behave in an accountable manner in the international environment. In fact, many would probably welcome a more equitable share of

global power as a 'global good' as opposed to a 'global bad'. At the end of the day all have to confront the key question – do they prefer a US-dominated or a Chinese-dominated world – a democratic bully or a totalitarian dictatorship?

So it is not only China's continued growth that is important for Africa, but also the role of the United States in the next two decades. It is only if and when the United States continues along the lines established under the Bush administration that the future will indeed be as dark and conflictual as the *Global Trends 2025* draft document implies. It is, for example, doubtful if the obsession with the issues of yesterday (terrorism and Iran stand out) will continue to feature as strongly in two decades time as reflected in the report. Actions/leadership change things – an acknowledgement that is perhaps more germane for Africa than any other region – for it is African political leadership that must carry the greatest blame for the current situation the continent finds itself in, not colonialism or even apartheid. Should the United States, in its own interest, decide to move towards a rules-based international system where their individual preferences and policies are genuinely subject to a wider legitimacy, it will create a framework that will long outlive its current global dominance. This will be the challenge for the future – the development of a rules-based world and the dawn of an era of multipolarity that could present an unprecedented opportunity for stability, peace and democracy for all of humankind – the environment and climate change allowing.

Contemporary and future global governance is not a centralised, all-powerful world government, but the strengthening of existing networks and the development of new ones that could create a genuine global rule of law without centralised global institutions. The United Nations (or something like it) is probably central to this, but not critical. Between the two world wars the League of Nations could not deal with the rise of Germany and Japan, which is one of the reasons for its eventual failure. It will take a concerted effort to ensure that the structural changes evident in the world today do not similarly outpace and eventually destroy the United Nations. Here Africans need to realise that Africa needs the UN more than the UN needs Africa. For all its well-known corruption, institutional incoherence and ineffectiveness, the UN system, the General Assembly and Security Council in particular, must lie at the heart of any system of coordinated global governance as far as Africa is concerned. The alternative would be too fast a changing world for developing countries, including most of Africa.

At the same time reform is in the interest of these key multilateral agencies themselves. For structures such as the UN Security Council, the G8 and others

to remain relevant the core questions of ownership have to be addressed. The pecking order in international relations of the 21st century requires a flexible system that is more democratic and recast to include actors other than the great powers of a bygone era. If it is to regain legitimacy, UN Security Council decision-making must become more democratic and transparent, its resolutions more answerable to the UN General Assembly.

Should there be a restoration of the legitimacy of the United Nations (which is only possible through the active support of the United States), diplomacy will continue to grow more demanding with each passing year as it will require engagement with more actors outside of formal institutions – further outrunning the capacity of smaller countries to engage on substantive issues, in which they have an interest. In this flexible and changing world of multiple and different partners engaging on specific topics, coordination and collective action will become more, not less, difficult than in the past. Regional organisations such as the African Union will require much greater flexibility and continued reform if it is to remain relevant – although it is sub-regional rather than continental regional integration that holds future promise.

FINALLY

Recently the Commission on Growth and Development took lessons from 13 developing countries that maintained growth rates of 7 per cent or more for periods of more than 25 years. These countries have little in common and include Botswana, Brazil, China, Singapore and Oman. Some are very populous, other very small, some are rich in natural resources, other not. Nonetheless, the commission found that they shared some similarities: they fully exploited the world economy (to gain access to technology, knowledge and financial markets), maintained macroeconomic stability, mustered high rates of saving and investment (rates of investment in excess of 25 per cent of GDP), let markets allocate resources (labour in particular) and had committed, credible and capable governments. The blend of policies that they adopted for their specific needs fell into five categories:¹⁸⁹

The first is ‘accumulation’, which includes strong public investment for ‘accumulating’ infrastructure and labour skills. The next is ‘innovation and limitation’, which introduce new ways of doing things, adapting

to world market standards. 'Allocation' involves using capital and labour to let prices guide resources and resources respond to prices. 'Stabilization' helps to protect the macroeconomy against downturns and inflation. And, finally, 'inclusion' means a growth strategy should share its benefits with society, for example through public health and education policies.

In Africa, the commission recommended that industrialised countries should help finance education and promptly implement the time-bound trade preferences granted to manufactured exports from Africa to help overcome being late-starters. For small states, the commission recommends regional economic integration. In the case of resource-rich countries, the importance of good, transparent governance is emphasised.

In looking to the future, analysts have attempted to determine the relative benefits of coastal versus landlocked countries, large versus small countries, those dependent upon income from one or two commodities (such as oil or cocoa) as opposed to those countries with a more diversified export portfolio, the extent of ethnic diversity, the type and quality of governance and more. Throughout, the qualities of leadership have proven more decisive for success than location, evident in the progress made in landlocked countries such as Zambia, Malawi and Rwanda as opposed to the setbacks experienced in Kenya, Côte d'Ivoire and Uganda. The future brightly beckons Africa. The question is whether its leaders will have the best interest of Africans in mind, not only their own, and whether Africans will throw those that don't serve them out with the garbage. If, as argued in these pages, power follows culture, learns from it and sets its standards accordingly, Africa's future is going to be determined by its leadership, the choices that are made by Africa's elected and unelected Big Men – not by the size of their big ideas (of which we have many), but in the example that they set in the daily decisions about contacts, conflict of interests and democratic accountability. This, then, will ultimately determine Africa's future.

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The world is currently experiencing a massive change in the balance of power as influence and industry shift from the West to the East. Whilst African developments will not become a substantive driver and factor in global scenarios in the next two or three decades, the importance of the region will steadily increase.

This monograph looks at key shifts that will determine the future of Africa in the world. The first four 'megatrends' constitute those external developments that will impact upon Africa and over which it has little control, namely the global shift of power from West to East, the impact of climate change, globalisation, and state power and interdependence and complexity. The second set of 'African variables' reflects domestic developments: Africa's population dynamics, trade, democratisation/governance, and peace and stability. Collectively the two sets of factors provide a glimpse of the possible emerging futures for the continent.

Africa's future will be determined by its leadership and the choices that are made by Africa's elected and unelected Big Men – not by the size of their ideas, but in the example they set in the daily decisions about contacts, conflict of interest and democratic accountability.

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