Keynote Address: Africa’s Growth and Development Agenda – What role for the G20?

The G20 is arguably the most influential apex grouping of systemically significant economies. It plays an important role in setting the global agenda in finance, macroeconomics, growth, and a range of development related topics of concern to Africa. The current discourse on Africa’s economic growth and development places emphasis on how Africa is the next big opportunity especially in light of its growing economic potential. The conversation has centred mainly on how Africa can grow trade and investment in order to facilitate economic growth and development. Key to this is how to facilitate the structural transformation of African economies within the context of other issues such as the role of the state, sustainable debt levels, engagement with emerging economies, tax and capital flight, corruption as well as natural resource management etc. This address will interrogate these issues as they relate to the G20 agenda from an African perspective, incorporating some lessons for rapid economic transformation from the experience of Korea and other East Asian economies.

Speaker: Professor Danny Leipziger, George Washington University

Professor Leipziger from the George Washington University opened his address with an overview of the current economic environment. He identified sluggish growth, output gaps, slowed trade and capital flows, and weak investor confidence as features of the current global economy. He outlined the implications of this dismal outlook: the resurgence of nationalist policies, the rise of protectionism, more activist innovation policies being on the table, national monetary policies having externalities which make economic management harder, and fiscal policy facing difficult debt dynamics.

With regards to the two largest economies in Africa, Leipziger noted that both countries are facing substantial domestic challenges, and that being effective regionally requires getting their domestic houses in order. Nigeria faces major challenges in the areas of increasing poverty rates, resource governance issues, demographic challenges, and infrastructure gaps. South Africa’s challenges are in the areas of unemployment, under-employment and labour market issues, a poor distribution of income, and very high and unsustainable transfers. In addition, there are broader economic challenges facing the continent such as a lack of infrastructure, rapid urbanisation without job creation, dearth of manufacturing and youth
unemployment, wasted resources and governance issues, and a lack of regional development and intra-regional trade.

Talking to the G20’s track record to date, Leipziger argued that the G20 has been successful in coordinating stimulus packages in depth of the global recession in 2008 and 2009. However, there was a failure in the Cannes, Los Cabos, St. Petersburg, and Brisbane summits to move the global agenda forward. He argued that this is the characteristic of a dysfunctional group. Liepziger argued that South Africa and Nigeria’s challenge would be how to be effective within a weak and disjointed group, how to exert leadership with Nigeria and others inside the continent, how to relate to the BRICS bank in the context of Chinese FDI and financing. He questioned whether Nigeria should replace the EU as the 20th member of the G20, and how else Nigeria could exert its influence in the global arena.

Lieziger concluded by providing some lessons from East Asia and elsewhere. He argued that whether in manufacturing or the services sector, the skill level of the workforce is a major factor for global competitiveness. Competition drives innovation and government policies need to push firms towards the Aghion technical frontier and foster new entry. The demographic dividend is not a given and must be used wisely before population growth begins to level off.
Session 1: Nigeria and South Africa in the WTO

The WTO is at the centre of the global trading system and, notwithstanding its evident negotiation challenges, continues to shape the emerging architecture of global trade and investment rules. Both Nigeria and South Africa want to forge a diversified economy, with manufacturing playing a key role in the future. Global trade rules both constrain and enable this objective, and also apply to other key sectors of these countries’ economy, and particularly agriculture in Nigeria’s case. One area that is not sufficiently covered by the WTO is services, now at the cutting edge of Nigeria’s rapidly expanding GDP. But the WTO remains mired in the doldrums, its recent Bali success notwithstanding. As Nigeria’s economy grows and diversifies, how should it envisage its role in the WTO in the future? Can Nigeria and South Africa forge a partnership towards the same goals in the WTO?

Moderator: Memory Dube, South African Institute of International Affairs
Panellists: Dr Ebere Uneze, Centre for the Study of the Economies of Africa
          Peter Draper, South African Institute of International Affairs

Dr Uneze from the Centre for the Study of Economies in Africa opened the panel with an overview of the Nigerian economy. Nigeria is the largest economy in Africa, a major oil producer which gets approximately 90% of its export earnings from oil, and the 7th most populous country in the world and most populous in Africa with a very young and active population (63% below age of 25). The economy experienced an average of 4.8% growth from 2011-2013, high but decreasing inflation, and depleting foreign reserves due to oil price shocks. There has been structural transformation over time from agriculture to the services sector, particularly evidenced by the recent GDP rebasing.

Uneze then provided an overview of Nigeria’s sectoral performance within the WTO. With regards to Agriculture, Nigeria prioritises agricultural transformation which guides the government’s position in the WTO. Nigeria strongly opposes non-liberalisation in agriculture in the North (US, EU) and argues for the removal of subsidies and other protectionist measures. It supports granting of concessions to developing countries to ensure food security. With regards to manufacturing, Nigeria is dominated by the food and beverage sector and requires sound industrial policy, in particular improvement in supply capacity and market access. Nigeria’s WTO engagement should provide market access for this sector, but there are many constraints: tariff peaks and tariff escalation on Nigeria’s labour intensive simple manufactures, and non-tariff measures, in particular TBT and SPS in the EU and US. On the services sector, Nigeria’s booming service sector is driven by financial services and telecommunications. On GATS, Nigeria is committed to liberalisation of financial services, tourism and transportation. Nigeria supports the implementation of Article IV of the GATS for increased participation of developing countries in world service trade. However, services sector performance in Nigeria cannot be attributed to GATS since the sector was unilaterally liberalised due to privatisation.
On Nigeria and South Africa’s participation in the WTO, Uneze noted that both countries have been active participations in the WTO on an individual basis and through coalitions and groups (e.g. African group, ACP, Cairns group). However, their influence remains relatively low. Their partnership would increase influence and bargaining power through qualitative participation. This partnership should not only target individual interests but also promote the quality of collective participation. However, there are many challenges for African participation on the WTO. The primary challenge is a human capital problem: relatively low levels of technical expertise of delegates which several technical assistance and training programmes have not sufficiently helped. There is inadequate coordination between delegates in Geneva and parent institutions at home. There is little to no involvement of private sector and civil society groups in country activities. Lastly there is a high turnover of delegates, short tenures, and strict criteria for allocation of delegates.

On the scope for Nigerian and South African collaboration in the WTO, Uneze argued that there is strength in numbers and coalitions in the WTO, and that both countries need to stick to this principle and be seen to stick to it transparently. It enables the pooling of resources to compensate for individual member’s negotiation weakness. Technical support from non-multilateral sources tends to increase engagement and participation levels and the coalition could leverage this to promote more specific capacity building for member delegates. Both countries should engage in more deliberations and interactions before WTO negotiations take place.

Peter Draper from the South African Institute of International Affairs continued the discussion by elaborating on South Africa’s broad WTO strategy. Regarding agriculture, the strategy has been to push for structural adjustment in the North. Regarding industrial tariff negotiations, South Africa participates from a defensive perspective to protect industrial policy space and uses groupings such as the Southern African Customs Union (SACU) to hide behind. Regarding the services agenda, South Africa once again has a defensive agenda having made many commitments in the Uruguay round, and the services sector is therefore relatively liberalised. South Africa also does not want to see the tightening of intellectual property rights. South Africa is committed to the single undertaking concept, and that the Doha agenda should be implemented in whole and not in a piecemeal fashion. This explains South Africa’s opposition to the Trade Facilitation Agreement (TFA). This logic also extends into opposing plurilateral agreements as it believes that once these plurilaterals are released, the WTO loses its centrality in the global trading system.

Draper argued that this strategy is not viable because the Doha round is dead. Therefore, South Africa needs new approaches, lying mostly in plurilateral agreements and carving out subsets of issues and forming coalitions of the willing. In addition, if they succeed, the megaregional agreements will place a large amount of pressure on outsiders to make changes to their own trade and investment policies which will ultimately feed back into the WTO through plurilateral agreements.
Draper went on to discuss the areas of common interest for South Africa and Nigeria. Regarding agriculture and Northern reforms, there is strong alignment between South Africa and Nigeria’s agenda. Draper questioned whether this agenda is realistic. Nothing will happen through the Doha round, but it is possible that other avenues may open up autonomously. For example, in the Trans-Pacific Partnership (TPP) negotiations, the Japanese are talking about liberalising rice subsidies. There may be a case for an agriculture plurilateral in the WTO. Regarding food security, this is less of a pressing concern for South Africa than it is for Nigeria. Regarding industrial policy, there may be some industrial policy transference from South Africa to Nigeria, particularly as regards the automotive sector. It will be interesting to investigate how South Africa and Nigeria fit into Global Value Chains (GVCs) and the global division of labour. Regarding services, South Africa is largely a services economy. It went through its industrial revolution in the 1960/70s and services have taken over manufacturing as a proportion of GDP for some time. Should both countries be thinking more about how to engage with the WTO plurilateral on services, or simply oppose it on principle?

The panel concluded by opening the discussion to the floor. A number of issues were raised as part of the discussion:

- Whether a South Africa-Nigeria coalition could have a negative effect on encouraging industrial protectionism given the need for trade diversification in both countries,
- Why it is the case that no African countries have used the WTO effectively in terms of taking advantage of the Dispute Settlement Mechanism (DSM) and Trade Policy Reviews (TPR),
- Considering the potential for coalitions between African countries and other actors that are not from the continent,
- The role of domestic lobbying in determining what a country prioritises in its WTO engagement, particularly the lack of interest in international trade and WTO issues among domestic lobbyist in South Africa,
- The potential for South Africa-Nigeria cooperation in negotiating Economic Partnership Agreements (EPAs) with the EU and Bilateral Investment Treaties (BITs).
Session 2: Nigeria, South Africa, and Africa in the G20

South Africa plays an important role in two of the leading global economic governance forums, standing as the only African country with formal membership in the G20 and BRICS. The relationship between Nigeria and South Africa is therefore vital to assuring both countries’ core domestic and regional interests are advanced on the global stage. Shared interests need to be outlined and mutual collaboration possibilities and constraints explored. Furthermore, since both countries are interested in broader African development issues, to what extent could they coordinate in those forums to elevate African issues onto the global stage? Could the NEPAD spirit be rekindled, for example? This almost certainly would require an enhanced, deeper, and trust-based bilateral relationship between the two; a crucial ingredient that many observers think is currently missing.

Moderator: Dirk Willem te Velde, Overseas Development Institute
Panellists: Peter Draper, South African Institute of International Affairs
Zhenbo Hou, Overseas Development Institute
Louise Thomas, UK Department for International Development

Peter Draper from the South African Institute of International Affairs opened the panel with a discussion of the G20 trajectory. He noted that the G20 is a mixed picture of success and failure. The financial regulation agenda has enjoyed some success, for example the base erosion and profit shifting (BEPS) agenda becoming reasonably successful. Outside of the finance track, there is a patchy record. Draper questioned the future of the G20 and whether we are heading towards a G0 world? If the G20 did not exist, it would have to be invented as we need some structure to allow global powers to discuss global financial issues, and the development agenda is very important even if it has not been very successful.

With regards to Nigeria and the G20, Draper noted that as the largest economy in Africa, Nigeria now has a claim to economic leadership on the continent. Services, most notably the finance sector, has been central to this story. Economic size, and the sophistication of the financial sector, are central to the G20. Nigeria was initially included in the G20 post the Asian crisis, but was ultimately excluded, probably because of a perceived lack of institutional strength and endemic corruption. Nigeria remains fragile with concerns over security, the fiscal position, oil reliance, and the largely informal economy. Therefore, domestic challenges constrain Nigeria’s international footprint. However, Nigeria’s potential is huge. What would it take for Nigeria to step up to the plate, and what interest or positions would it advance? Would it lay claim to representing Africa? Would Nigeria play a role in resisting trade reforms, as South Africa seems to be doing? Would Nigeria resist climate change and fossil fuel issues, and the anti-corruption agenda? Overall, it is easier to determine what Nigeria may seek to defend rather than its ‘offensive’ interests.
With regards to South Africa in the G20, Draper noted that South Africa is an original member of the Group based on South Africa’s sophisticated financial sector and, at the time, its perception as the gateway to the rest of Africa. While other gateways have emerged, South Africa has mostly retained the original reasons for including it in the grouping. South Africa has, from the beginning, sought to further an ‘African agenda’. South Africa has actively participated in the Development Working Group, financial sector reforms process, pushing for International Financial Institution (IFI) reforms, resisting ‘OECD intrusions’ into the trade space, but supporting the OECD agenda on tax (BEPS). South Africa’s areas of relative neglect are macroeconomic coordination, imbalances and currency manipulation, and climate change.

Draper then turned to exploring Nigeria and South Africa’s shared interests in the G20. Some commonalities between the two countries are the ‘African agenda’, development issues (e.g. infrastructure), IFI reforms, possibly financial sector reforms, and possibly the corruption agenda. Some divergent interests relate to who would represent Africa? South Africa is also very focused on the BRICS, at least on the foreign policy front. Does Nigeria share this orientation and, if not, with whom would Nigeria ally?

Zhenbo Hou from the Overseas Development Institute continued the discussion on the G20 and the Development Working Group. Zhou argued that if the G20 can get its house in order, coordination on macroeconomic stability activities would have very positive spillover effects for developing countries. There is a focus on growth in this agenda, and with Nigeria’s very high growth rates, Nigeria could make a significant contribution by participating in the G20. Nigeria has been somewhat engaged in global governance through the appointment of Nigerian leaders to senior leadership position in international institutions.

Zhou argued that the constraints to Nigeria’s participation in global economic governance are political cohesiveness and serious political and ethnic divisions in the country, economic uncertainty with falling oil prices, and the demographic challenge of a rising population and rising unemployment. Nigeria participating more significantly in global economic governance would be beneficial to Nigeria’s development path. South Africa also struggles to establish its credibility as an African leader or representing African interest. Coordinating with Nigeria would probably help South Africa gain some credibility in this respect.

Louise Thomas from the UK Department for International Development then provided her perspective on how Africa is perceived looking out to the world. Thomas argued that the G20 agenda is crucial for Africa and that the G20 is the preeminent place for these discussions to take place. The African Partnership Forum was set up as a link for Africa, particularly NEPAD, into the G8. It has subsequently been renamed the African Global Partnership Platform being relocated from Paris to Addis and broadening the focus to the G20. EPAs also represent an opportunity for South Africa and Nigeria to coordinate.
With regards to Africa looking inwards at itself, Thomas questioned what the role of NEPAD is. The focus of NEPAD on good governance around which leaders can coalesce is good, but it is very personality driven and has suffered from that. It is also important to bear in mind that Africa is a big continent and the interests of African countries are not homogeneous. The Tripartite Free Trade Area (TFTA) is important, but there has been a lack of progress and trade facilitation may be an easy win that should be focused on.

The panel concluded by opening the discussion to the floor. A number of issues were raised as part of the discussion:

- Whether Nigeria is interested in being included in global economic governance institutions, and what Nigeria’s interest in the G20 would be as a representative of a single country,
- The role of South Africa in representing African interest in forums such as the G20, and the perception of South Africa among other African countries,
- Whether South Africa needs to establish legitimacy as the African voice on the G20, or whether its sophisticated financial markets provide enough legitimacy as a single country representative,
- The lack of capacity of the AU to take full advantage of its seat on the G20 because the AU chair rotates.
Session 3: Working Among Emerging Partners

Key to effective participation in international negotiations is alliance formation. While the G20 does not contain rigid alliances, a number of quasi blocs play varying roles within it. The G7 Finance Ministers and Central Bank Governors still meet before G20 meetings to discuss issues of common concern. Substantially in response, the BRICS has recently surfaced as an embryonic geopolitical grouping aiming to exert the influence of key emerging powers in global governance generally, and economic governance in particular. Nigeria seems a natural partner to the BRICS and other emerging economy groupings (such as MIKTA or MINTs) and could potentially use these groups as a means to leverage greater influence in global economic governance. But with a multitude of groups and actors, how can Nigeria best position itself in such a kaleidoscope?

Moderator: Peter Draper, South African Institute of International Affairs
Panellists: Dr Jerome Afeikhana, Nigeria Governor’s Forum
Dianna Games, Africa at Work

Dr Afeikhana from the Nigeria Governor’s Forum opened the panel with a discussion on the impact of the global financial crisis on global economic governance. Dr Afeikhana noted that the crisis exposed the need for global agencies which could respond to crises by rapidly allocating resources. Equally missing was the engagement of new emerging economies at the core of global economic management. The G20 was formulated in this context. After the initial “crisis committee” of the group, the level of coordination and cooperation has dramatically decreased. Good growth but a lack of structural transformation as well as a shrinking of the policy space led to a high-level committee on the common African position identifying 6 African priorities, of which structural transformation was identified as the greatest.

With regards to Nigeria-South Africa relations, Afeikhana argued that since the advent of democracy in South Africa, there has been a frosty relationship between South Africa and Nigeria. The relationship has been a mix of rivalry, cooperation, and tension. This tension reached a peak during the presidencies of Zuma and Jonathan due to their inability to reach agreement on the chairmanship of the AU Commission in 2012. However, a number of South African firms are operating in Nigeria, and Nigerian conglomerates are listed on the Johannesburg Stock Exchange. Afeikhana concluded by arguing that nothing in the two countries’ fundamentals precludes working together on global economic governance issues.

Dianna Games from Africa at Work continued the discussion. Games argued that African institutions are very weak and that NEPAD and AU have no capacity to force states to commit to agreements. Nigeria’s focus on Africa has always taken prime position in its foreign policy – whereas for South Africa its history of African engagement has been patchy. Both countries are large and dominant economies in their respective regions – which means they are equally unlike. Instead of this uniting them, they often consider this commonality as a reason for not cooperating. Nigeria does not have obvious natural allies in Africa. The same could be said for South Africa, but its commercial interests and power have allowed it to buy allies in the past.
To offset the tension between South Africa and Nigeria’s bilateral relationships, it would be helpful to have a ‘bite-sized’ grouping of African countries, similar to the BRICS or MINT. Often African grouping are externally driven and there is a need for a grouping which is driven internally among African countries. What is needed is smart partnerships (coordinating on the right issues) that are formed not at the level of the President (personality driven) but at an institutional level just below the president.

South Africa’s position in the BRICS is partly due to its perceived influence in the rest of the continent. Games questioned whether South Africa really has that influence. Nigeria has been far more focused on its African agenda in its foreign policy compared to South Africa’s patchy African foreign policy. Driving the African agenda is not about who drives it, but more about that it is driven in the first place.

The panel concluded by opening the discussion to the floor. A number of issues were discussed:

- How the voice of new emerging economies can best be strengthened in global economic governance,
- The impact of engaging in global economic governance on improving a country’s domestic economy through a constraining of domestic policy space,
- The dynamics of the commercial interest between South Africa and Nigeria