



Policy Brief

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SHANGHAI CONFERENCE ON AFRICA AND ASIA AFRICA-ASIA CONNECTIONS: BRIDGING PAST, PRESENT, AND FUTURE

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The contemporary Africa-Asia relationship offers opportunities for partnerships in economic development. The historical of movement of ideas, capital, and people between these two continents sets the stage for today’s exchanges. Moreover, it opens new modalities for enhanced integration between African and Asian countries in the future. The Shanghai Conference on Africa and Asia explored these ideas in depth and developed a series of policy recommendations that might bring the two continents closer together for their mutual benefit.

Among the longstanding factors that continue to facilitate this mutually advantageous relationship is the cultural bond the peoples of Africa and Asia share. African diasporic communities enjoy a larger presence than ever in Chinese cities like Shanghai, Hong Kong, Guangzhou, Yiwu, Macau, and Beijing. Meanwhile, Chinese families have opened small businesses across the African continent. Similarly, Indians from Gujarat have formed the backbone of the commercial community in East Africa for centuries. Cultural synergies that derive from this migration have long bridged Africa and Asia.

By the end of World War II, many African and Asian countries clamored for political independence from European colonial powers. Despite varied histories, these aspirant nation-states had in common low levels of economic development. In 1960, China’s per capita GDP was just under \$90, Kenya’s \$97, South Korea’s \$159, and Ghana’s \$183.¹ But upon their independence, citizens of the Global South brimmed with the hope that political sovereignty might bear fruits for economic development.

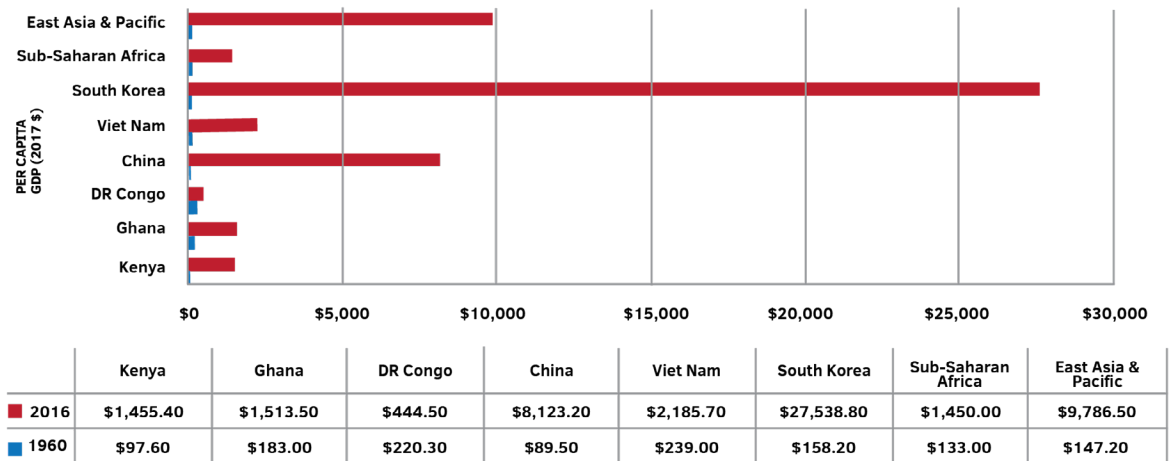
¹“GDP by Country: Statistics from the World Bank, 1960-2016.”
Knoema. <https://knoema.com/mhrzolg/gdp-by-country-statistics-from-the-world-bank-1960-2016>.



Yet Africa’s path would diverge from that of its Asian counterparts. Since WWII, foreign donors and investors have poured trillions of dollars into Africa, only to find that the continent’s challenges often outpace the scale of their contributions. Today, despite

trade, and services in a truly unprecedented fashion. They adopted policies that combined Washington Consensus liberalization with strategic protectionism, focusing on industries where they might have a comparative

**FIGURE 1.1:
 PER CAPITA GDP IN AFRICAN
 AND ASIAN COUNTRIES, 1960 VS. 2016**



a resurgent sense of optimism, dire humanitarian crises, a demographic boom, public health epidemics, and, most notably, the looming threat of climate change persist.

Where African economies generally faltered after the independence period, leading countries in Asia advanced in industry, infrastructure, technology, education,

advantage in the global economy. Several of these countries, most notably China, are now leaders in manufacturing, advanced technology, and financial services. Moreover, they have expanded access to social services at breakneck speed.

- Clearly, poverty is not destiny.



WHAT, THEN, EXPLAINS THIS DIVERGENCE IN DEVELOPMENT TRAJECTORIES? WHAT CAN ENTREPRENEURS, POLICYMAKERS, AND ACADEMICS DO TO ADDRESS IT? WHAT DO STORIES OF TRADE, AID, AND MIGRATION BETWEEN AFRICA AND ASIA AT THE MICRO LEVEL TEACH US ABOUT THE IMPLICATIONS OF POLICY DECISIONS AT THE MACRO LEVEL? SIMILARLY, WHAT EFFECTS DO INDUSTRIAL PARKS, MEGA-PROJECTS, AND AGRO-PROCESSING HAVE ON LOCAL COMMUNITIES? WHAT CAN AFRICA AND ASIA LEARN FROM EACH OTHER?

With these questions in mind, attendees at the Shanghai Conference outlined a seven-pronged policy agenda that will make prosperous the Africa-Asia relationship in the 21st century.

I. AFRICA MUST BRING A HEIGHTENED SENSE OF SELF-CONFIDENCE TO THE NEGOTIATING TABLE IF IT IS TO DEVELOP TRULY WIN-WIN PARTNERSHIPS WITH ASIA.

The first step to any actionable policy agenda is an emboldened African consciousness that combines pragmatic humility with measured assertiveness. If they are to develop win-win relationships with Asian partners, African leaders must enter these partnerships with a firmly rooted sense of self. Underpinning challenges like the dearth of infrastructure, financial institutions, and robust healthcare systems are what Célestin Monga terms “Africa’s Four Deficits,” namely:

- DEFICIT IN SELF-ESTEEM
- DEFICIT IN LEADERSHIP
- DEFICIT IN LEARNING AND KNOWLEDGE
- DEFICIT IN CONFLICT RESOLUTION CAPITAL

These deficits create social conditions that stymie economic development, so it is incumbent upon African leaders in government, civil society, and business to cultivate new modes of thinking that challenge existing orthodoxies. If it is to form partnerships with leading Asian countries, Africa must take stock of the true value its outputs offer the world.



Policy-wise, addressing these four deficits might entail:

- EMPHASIZING LOCAL AND NATIONAL HISTORY IN AFRICAN CURRICULA
- PROVIDING INCENTIVES TO SKILLED HUMAN CAPITAL TO REMAIN IN AFRICA TO AVOID THE 'BRAIN DRAIN'
- USING PARTNERSHIPS WITH ASIAN COUNTRIES TO EDUCATE A NEW GENERATION OF AFRICAN LEADERS (E.G. SCHOLARSHIPS FROM LEADING UNIVERSITIES IN ASIA; TRAINING COURSES IN MANAGEMENT, LIKE KAIZEN; TECHNICAL SKILLS-BUILDING)
- PROVIDING AFRICAN YOUTH WITH TOOLS FOR SELF-DISCOVERY AND CULTURAL SELF-CONFIDENCE

II. AFRICA MUST LEARN FROM THE TRIUMPHS AND FAILURES OF ITS ASIAN COUNTERPARTS TO CREATE THE RIGHT DEVELOPMENT MODEL FOR ITS FUTURE.

Just two generations ago, today's leading Asian economies encountered many of the same challenges their African counterparts face today. When crafting a development agenda for the 21st century, African policy-makers might look to countries like China, Japan, Singapore, and South Korea.

Among these potentially replicable successes are:

- THE LATECOMERS' ADVANTAGE THAT ALLOWED CHINA TO IMPROVE UPON ITS PREDECESSORS' WEAKNESSES WHEN ADOPTING CERTAIN TECHNOLOGIES
- STRATEGIC LIBERALIZATION OF INDUSTRIES WHERE LOCAL FIRMS CAN ATTRACT FDI
- TRANSITORY STATE SUPPORT FOR OLD INDUSTRIES (E.G. DEFENSE) THAT ALLOWED FIRMS TO COMPETE GLOBALLY
- THE 'FLYING GEESE PARADIGM' WHEREBY JAPAN'S DEVELOPMENT CREATED A REGIONAL DOMINO EFFECT THAT ALLOWED ITS NEIGHBORS TO DEVELOP IN SEQUENCE
- EFFICIENT AND PRAGMATIC GOVERNMENT INTERVENTIONS FOR DEVELOPMENT (E.G. LARGE-SCALE INFRASTRUCTURE PROJECTS AT FEDERAL AND LOCAL LEVELS; UNIVERSAL PROVISION OF SOCIAL SERVICES – SEE SINGAPORE; PROTECTIONS AND INCENTIVES FOR CERTAIN INDUSTRIES – SEE HIGH TECH AND MANUFACTURING INDUSTRIES IN SOUTH KOREA AND JAPAN)
- DENG XIAOPING'S MODEL FOR "QUICK WINS" BASED ON REASONABLY ATTAINABLE MILESTONES THAT INSPIRED SUPPORT FOR THE STATE'S DEVELOPMENT AGENDA



III. AFRICAN GOVERNMENTS MUST STRATEGICALLY IDENTIFY AND PRIORITIZE ECONOMIC SECTORS THAT ALIGN WITH THEIR COMPARATIVE ADVANTAGES.

African countries must prioritize economic sectors that reflect their comparative advantages and offer employment opportunities for a burgeoning youth population. Misidentifying strategic sectors puts countries at risk of attracting the wrong type of FDI and pouring resources into infrastructure projects of little long-term economic value. Market distortions arise from government-mandated strategic sectors that fail to reflect the intrinsic needs and strengths of a country's economy.

Policymakers in Africa might emphasize particular sectors under the following directives:

- ALLOWING THE MARKET TO INDICATE HIGH-VALUE SECTORS BEFORE MAKING TARGETED INTERVENTIONS
- EXAMINING AN ECONOMY'S FUNDAMENTAL STRENGTHS (E.G. UNFARMED ARABLE LAND, ENERGY POTENTIAL, HUMAN CAPITAL, GEOGRAPHY, ETC.) WHEN DEVELOPING A GROWTH PLAN

- CREATING AN INTER-CONTINENTAL 'FLYING GEESE PARADIGM' THAT PASSES THE BATON OF LOW-SKILL, HIGH-EMPLOYMENT INDUSTRIES FROM EAST/SOUTHEAST ASIA TO SUB-SAHARAN AFRICA, PARTICULARLY IN MANUFACTURING (E.G. USING LOW INCOME AND HIGH YOUTH POPULATION AS COMPARATIVE LABOR ADVANTAGES)
- PROTECTING THE BALANCE OF TRADE IN STRATEGIC SECTORS LIKE JAPAN AND SOUTH KOREA DID (E.G. LOWERING/ELIMINATING EXPORT DUTIES, ENTERING INTO PREFERENTIAL EXPORT AGREEMENTS WITH ASIAN COUNTRIES, INCREASING IMPORT TARIFFS ON GOODS IN STRATEGIC SECTORS, ETC.)

IV. AFRICA SHOULD MAKE USE OF SPECIAL ECONOMIC ZONES (SEZS) AS LEADING ASIAN COUNTRIES DID TO DEVELOP THEIR COMMERCE AND INFRASTRUCTURE.

When China reformed its economy in the late-1970s, it adopted special economic zones as a hallmark component of its development plan. China established the Shenzhen SEZ in 1980 and quickly turned it into a hub for commerce and manufacturing. Between 1987-1993, SEZs' GDP increased at an average annual rate of 30%, compared to the roughly 10% growth rate nationwide.² SEZs (including industrial clusters, parks, and enclaves) have the potential to attract FDI, promote exports, create jobs, and, ultimately, spur economic growth that outpaces that of the

²Wei Ge, "The Performance of Special Economic Zones" in *Special Economic Zones and the Economic Transition in China* (Singapore: World Scientific Publishing Co., Ltd., 1999), 70. <https://books.google.com/books?id=WavczgJafAOC&pg=PA67#v=onepage&q&f=false>.



national economy. Operating under liberalized regulations and enjoying high levels of political support from the central government, Chinese SEZs have helped catalyze the breakneck pace of economic growth that China has enjoyed to-date. Since then, countries like Bangladesh, India, Viet Nam, and Myanmar have launched major SEZs.

With the right combination of investors, strategically placed infrastructure projects, competitive regulatory frameworks, and political will, African nations can benefit from SEZs.

Specific policy recommendations might include:

- DESIGNING SEZS WITH ATTENTION TO GEOGRAPHIC LOCATION, STRATEGIC SECTORS, AND ALIGNMENT WITH NATIONAL DEVELOPMENT GOALS
- STRATEGICALLY LINKING SEZS' ECONOMIC ACTIVITIES WITH THOSE OF THE NATIONAL ECONOMY IN ORDER TO EXPAND THE BENEFITS OF DEVELOPMENT
- DEVELOPING EXPORT PROCESSING ZONES (EPZS), LIKE MAURITIUS DID IN THE 1970S, TO BOOST TRADE THROUGH REDUCED TARIFFS AND COMPETITIVE REGULATIONS
- ATTRACTING THE RIGHT FOREIGN INVESTORS AND CORPORATIONS TO PARTICIPATE IN AFRICAN SEZS (E.G. LONG-TERM INVESTORS IN STRATEGIC SECTORS, RELIABLE TRACK RECORDS, ETC.)

- AVOIDING LOOKING TO CHINA FOR A 'ONE-SIZE-FITS-ALL' SEZ MODEL (E.G. IDENTIFYING UNIQUE POLITICAL OBSTACLES THAT MIGHT IMPEDE IMPLEMENTATION; ACCOUNTING FOR THE ENVIRONMENTAL IMPACT OF INDUSTRIALIZATION; ALIGNING INCENTIVES BETWEEN REGIONAL, NATIONAL, AND FOREIGN STAKEHOLDERS, ETC.)
- SHARING KNOWLEDGE AND EXPERTISE BETWEEN SUCCESSFUL ASIAN SEZS AND AFRICAN ASPIRANTS (E.G. EXCHANGING DELEGATIONS, CONVENING SYMPOSIA, ETC.)

V. AFRICA-ASIA PARTNERSHIPS CAN STRENGTHEN AFRICA'S INTEGRATION INTO THE GLOBAL VALUE CHAIN AND ITS ASCENT UP THE DEVELOPMENT LADDER.

Among Africa's main development challenges are its low levels of economic complexity, its low total factor productivity, and its disadvantageous position in the global value chain. Heavily reliant on the export of raw materials, the benefits of manufacturing finished goods often elude developing countries in Africa. Instead, firms extract natural resources directly from their source in Africa and refine them into final products elsewhere.

A win-win partnership between Africa and Asia might redefine this paradigm. Using regional trade and infrastructural blocs, African countries can attract Asian FDI for refineries, processing plants, and factories.



Leading Asian countries' expertise in processing and manufacturing has catapulted them to high degrees of economic complexity: Japan, South Korea, and Singapore are among the six top countries by this account. Scaled up, industrialization opens new doors for Africa's integration into the global value chain and, ultimately, its rise up the development ladder for the benefit of its people.

Agriculture, too, figures centrally in this conversation, with Africa not yet reaching its potential for the production of finished foodstuffs. That the continent contains 30% - 60% of the world's unfarmed arable land but yet relies so heavily on imported final products remains a troubling paradox. The conversation around value-addition must include agribusiness and the potentially transformative power it has for the African continent over the coming century.

The following policies might allow Africa to reap the full benefit of its resource endowment while remaining a competitive economic partner for Asia:

- CREATING INCENTIVES FOR FDI IN PROCESSING, REFINERY, AGRIBUSINESS, AND MANUFACTURING (E.G. TAX BREAKS, PREFERENTIAL LAND AGREEMENTS, ETC.)
- EXPANDING PROCESSING CAPACITY ONLY WHERE AFRICAN ECONOMIES CAN COMPETE GLOBALLY

- MANDATING THE TRANSFER OF TECHNICAL KNOWLEDGE FROM ASIAN FIRMS TO AFRICAN PEOPLE
- STREAMLINING CUSTOMS PROCEDURES FOR THE EXPORT OF FINISHED GOODS
- ESTABLISHING PROGRAMS LIKE CHINA'S AGRO-TECHNOLOGY DEMONSTRATION CENTERS THAT ARE CURRENTLY PRESENT IN AROUND 25 AFRICAN COUNTRIES

VI. AFRICAN COUNTRIES MUST FORM REGIONAL ECONOMIC CORRIDORS IF THEY ARE TO POSITION THEMSELVES AS VIABLE PARTNERS FOR ASIA.

To attract substantive FDI from Asia and create win-win development solutions, Africa must shore up its economic potential through regional commercial and infrastructural integration. This includes the Continental Free Trade Area (CFTA) that the African Union has endorsed under its 'Agenda 2063' plan, and various regional economic blocs. The CFTA, set to be formally adopted in March 2018, will expand intra-African trade and create an attractive market for FDI. Where many African countries are too small to be competitive markets on their own, a pan-African trade network would appeal to Asian firms, particularly from countries that have a comparatively smaller footprint (e.g. Japan, India, Malaysia, Indonesia, Singapore, and Thailand).



Regional infrastructural corridors also have the ability to attract Asian capital and improve development outcomes for Africa. Regional infrastructure projects (e.g. the Addis Ababa-Djibouti Railway) scale development across borders, facilitate integrated trade networks, and lower transaction costs, making African economies globally competitive.

Successfully implementing regional integration for Africa's development agenda might involve:

- DEVELOPING REGIONAL INFRASTRUCTURE CORRIDORS THAT ACCOUNT FOR GEOGRAPHIC AND INDUSTRIAL CONGRUITY (E.G. THE JAPANESE-LED TICAD VI NAIROBI IMPLEMENTATION PLAN; INDIA'S PLAN FOR AN AFRICA-ASIA GROWTH CORRIDOR BETWEEN EAST AFRICA AND THE SUBCONTINENT)
- NEGOTIATING INFRASTRUCTURE DEALS WITH ASIAN LENDERS IN REGIONAL BLOCS IN ORDER TO STRENGTHEN AFRICAN COUNTRIES' BARGAINING POWER
- MOBILIZING RESOURCES, TECHNICAL EXPERTISE, AND TRAINING FROM ASIAN COUNTRIES TO EXPAND AFRICA'S INFRASTRUCTURE CAPACITY EFFECTIVELY
- CREATING REGIONAL TRADE AGREEMENTS THAT INCENTIVIZE PARTNERSHIPS WITH ASIAN COUNTRIES (E.G. PREFERENTIAL MARKET ACCESS, COMPETITIVE TARIFFS, LARGER MARKET SIZE, ETC.)

VII. AFRICAN AND ASIAN POLICYMAKERS MUST DEVELOP LEGAL FRAMEWORKS THAT EFFECTIVELY GOVERN THEIR MUTUAL EXCHANGES OF LAND, LABOR, AND CAPITAL.

The robust and growing scale of migration and trade between Africa and Asia makes imperative a new paradigm of regulations that govern social, financial, and labor regulations between economic actors. The preponderance of Asian labor and capital across sub-Saharan Africa, along with the growing presence of Africans in Chinese urban centers, creates opportunities and challenges for deeper interpersonal engagement. In particular, African and Asian leaders must align around a series of policies that delimit their nationals' obligations to one another and the systems of governance that apply to particular transactions. Such a policy agenda might entail:

- STRICTER ENFORCEMENT OF LABOR REGULATIONS THAT HOLD ASIAN COMPANIES TO ACCOUNT WHEN THEY VIOLATE LOCAL LAWS (E.G. CHINESE MINING FIRMS IN ZAMBIA)
- CLARIFYING AND CODIFYING LAND RIGHTS TO MORE EFFECTIVELY REGULATE THE RELATIONSHIP BETWEEN ASIAN INVESTORS OF ALL SIZES, LOCAL LANDHOLDERS, AND AFRICAN GOVERNMENTS (E.G. ETHIOPIA, GHANA, SOUTH AFRICA)



- STRENGTHENING INTERNATIONAL ARBITRATION CAPACITY TO RESOLVE DISPUTES BETWEEN ASIAN AND AFRICAN PARTNERS (E.G. THE CHINA-AFRICA JOINT ARBITRATION CENTRE)
- STREAMLINED VISA POLICIES THAT FACILITATE CROSS-BORDER MOBILITY FOR LABOR AND LEISURE
- STRENGTHENING DIPLOMATIC COOPERATION BETWEEN ASIAN AND AFRICAN COUNTRIES (E.G. INDIA'S ENHANCED ENGAGEMENT WITH ITS DIASPORA IN EAST AFRICA)
- PROVIDING BASIC HEALTH AND SOCIAL SERVICES TO AFRICAN MIGRANTS IN CHINA
- CREATING ANTI-DISCRIMINATION LEGISLATION THAT PROVIDE SAFEGUARDS TO AFRICAN AND ASIAN PARTNERS IN THEIR RESPECTIVE HOST COUNTRIES.



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