AFRICAN DEVELOPMENT BANK GROUP
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"Leading the 22nd Century: Africa's Future and China's Role in It"

Openining Keynote Speech

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By

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High-Level Event

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Introduction and Protocols

1. H.E. Dr Rania A. Al-Mashat, Minister of International Cooperation, Egypt; Dr Nkosana Moyo, Former Vice President and Chief Operating Officer of the African Development Bank (AfDB), and Founder of the Mandela Institute for Development Studies (MINDS); Jingdong Hua, Vice President and Treasurer, World Bank Pension Finance Administrator, World Bank Group; Dr Martin Kimmig, Chief Risk Officer, Asian Infrastructure Development Bank; Ruth Kagia, Deputy Chief of Staff (Policy & Strategy) in the Executive Office of the President of Kenya; Ambassador Alan Wolff, Distinguished Senior Fellow, Brookings Institute, former Deputy Director-General of the WTO; Professor Stephen Chan, OBE, Chair in World Politics, SOAS University of London; Professor Haifang Liu, Director of the Center for African Studies, Peking University; Phillip Thigo, Senior Adviser, Data, Innovation and Open Government, Office of the Deputy President of Kenya, Senior Director for Africa, Thunderbird School of Global Management; Siddharth Chatterjee, UN Resident Coordinator, China; Leslie Maasdorp, Vice President and Chief Financial Officer (CFO), the New Development Bank; Diane Sayinzoga, Head of Special Economic Zones and Export Facilitation Department, Rwanda Development Board; Hannah Ryder, Founder, Development Reimagined; Conference Chair: Professor Shirley Ze Yu, Firoz Lalji Institute for Africa, London School of Economics and Political Science (LSE); Conference host - Tim Allen, Director, Firoz Lalji Institute for Africa, LSE; Conference Moderator: Professor David Luke, Firoz Lalji Institute for Africa, LSE; distinguished delegates, Ladies and Gentlemen. Please allow me to stand on established protocols.

2. I bring you greetings from Dr. Akinwumi A. Adesina, President of the African Development Bank Group, who is not able to deliver this opening speech in person due to other pressing engagements. On his behalf, I thank the Firoz Lalji Institute for Africa and the London School of Economics and Political Science for the invitation to address this inaugural China-Africa Conference.

3. The theme of the conference and the topic you have requested me to speak on which is: "*Leading the 22nd Century: Africa's Future and China's Role in It"***,** is indeed very exciting.

4. As noted in the event website, China has really become Africa's largest investor, biggest trading partner, pre-eminent digital services provider and, increasingly, a soft power influencer. It is therefore clear that China's role in Africa's future will be both complex and enduring. And I would also add, that the role of Africa in the world's efforts to achieve inclusive growth and sustainable development by 2030 is more critical now than ever before.

5. The conference comes at a time when Africa and the world are grappling with what has been the most significant shock to the global economy in decades – the COVID-19 pandemic. The pandemic has impacted economies, including Africa's and China's in multiple ways. While the impacts of the pandemic on global health systems, economies and societies are significantly challenging, it has also triggered fundamental discussions and re-thinking of the current global systems of development cooperation. The pandemic has sufficiently demonstratied the longstanding inequities in the global development paradigms and the political economy of development cooperation, in very fundamental ways.

6. It is from this perspective that I will discuss briefly what I see as the role of Africa in the 22nd Century and the China's role it.

7. **Let me start by providing a bird's eye view of Africa's economy in the past, present and future, and the Chinese economy in the past, present and future. And then draw inferences on how both economies may work together in the 22nd century to lead inclusive growth and sustainable development, which I am very passionate about.**

8. Africa is a continent of 54 countries – "very different countries", and 1.3 billion people. This constitutes about 16% of the world's current population.

9. It is projected that over the next 30 years, more than half of the world's population increase will be in Africa[i]. By 2100, 80% of the world's population will be in Africa and Asia.

10. The continent is very richly endowed with both human and natural capital with a population 60% of which are youths that will feed the labour markets of the future, including in the 22nd century.

11. About 60% of Africans are youth below the age of 25 years. About 41% of Africa's population are currently under the age of 15 years, compared to 28% in Central America, and 24% in Asia and South America[ii]. The role of Africa in the labour market of the future can therefore not be gainsaid.

12. With regard to natural resources that feeds development in all industrial revolutions, Africa is also at the fore front.

13. According to the United States Geological Survey, (2020), Africa hosts about 30% of the world's mineral reserves and accounts for more than 20% of global annual production of five key minerals; 80% of platinum, 77% of cobalt, 51% of manganese, 46% of diamonds, 39% of chromium, and 22% of gold[iii].

14. With its rich endowment in natural and human capital, as well as other forms of capital that feed economic production, growth and development, Africa will remain the treasure trove of the world for years to come, includuing in the 22nd century.

15. In addition, as we have seen in the 21st Century, Africa offers high rates of returns on investments.

16. In many ways, one could therefore say that Africa is the next growth pole of the world, come the 22nd century.

17. **However, if we look at how Africa has performed in the current 21st century, given all these resource endowments, we see that Africa needs to do more in order to harness these resources effectively to boost its development further in the next Century.**

18. But Africa's economies have been very resilient, though different, depending on countries and region, and the stages of development in which they are.

19. Following what has been described as "the lost decades" of the 1980s and early 1990s when the average growth rates in gross domestic product (GDP) hovered around 2%, African countries enjoyed sustained economic growth rates over the past two decades, with average GDP growth rates of 4.6% between 2000-2016[iv] and 3% in 2017 and 2019[v].

20. More than half of the top ten fastest growing economies in the world during the period, were in Africa.

21. Now, even after the COVID-19 pandemic, we are seeing that Africa's GDP growth rates are bounding back. In 2020, Africa, like most countries, experienced its worst economic recession in over 50 years due to the COVID-19 pandemic. Africa's GDP contracted by 1.8%[1], pushing more than 30 million more Africans into extreme poverty and an estimated additional 39 million in 2021[vi].

22. The African development Bank Group's projections are that Africa's growth will rebound to about 3.4 percent in 2021[2] and 4.6 percent in 2022, primarily due to recovery in commodity prices, tourism, and the rollback of pandemic-induced restrictions.

23. Going by the above performance, Africa's economies have been resilient. Indeed, the economies exhibited similar resilience during the 2008/2009 global financial crisis.

24. Significant opportunities lie ahead in the 22nd century for Africa, China and the world if the right policies and partnerships are put in place to harness Africa's wealth of human and natural capital sustainably.

25. The strong economic performance during the pre- and pandemic periods can mostly be attributed to better macroeconomic management, favorable commodity prices, relative peace and social stability, improvement in investment climates, increased digital connectivity, and increased investment flows, especially from China.

26. The challenge, however, is that the growth rates were not fast enough to spur the structural transformation required to achieve incluse and sustainable economies in African countries. This is an areas that Africa could perhaps learn from China and other economies that have experienced rapid growth in GDP and poverty reduction through concerted policies for poverty alleviation and structural transformation.

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[1] In contrast, the global economy was estimated to have contracted by 3.2% in 2020, about double the GDP contraction rates seen in Africa. In addition, even during the pandemic, 13 African countries maintained positive GDP growth rates in 2020.

[2] The global economy is expected to grow by 6% percent in 2021, the highest recovery expected being the Emerging and Developing Asia region (7.5%). This is about double the average growth rates projected for Africa in 2021. This suggests that despite the resilience of African economies, the rate of growth may not be fast enough to spur the much needed structural transformations in Africa to enable it lead the 22nd century. Africa needs to do more to increase the rate of growth to achieve this goal.

a. Economic growth in Africa's largest economies has largely been driven by export of primary commodities with minimal technological inputs and value addition[3],[vii], international tourism and other revenue sources that are highly vulnerable to exogenous shocks. Existing evidence show that over the long term, on average, the real prices of most primary commodities produced by African countries (except copper and gold) have trended gently down and exports of these products have declined over time thus impacting export revenues. The benefits of technical progress and value addition to these commodities do not therefore accrue to the respective economies. The continent therefore continue to record tade deficits, including in its trade with China.

b. The shift in labor has primarily been to the informal sector which accounts for over 80-90% of non-agricultural jobs during the period. Employment creation in sectors that pay decent wages, such as modern services and manufacturing has remained very low.

c. The heavy reliaince on primary commodity price movements due to lack of capacity for value addition to export commodities and institutional capacity to diversify economies, leaves African economies vulnerable to its trade partners, including China. This has implications for export revenue mobilization, fiscal sustainability, debt vulnerability, and capacity to implement expansionary fiscal policy at the scale required to provide adequate support to citizens in times of exogenous shocks.

d. As a result, more than 40% of Africans still live in poverty.

27. There is continued need for improvements in several economic fundamentals in Africa: - managing rising

a. inflation rates[4],

b. fiscal deficit as a percent of GDP[5],

c. Curent account deficits[6],

d. total external debt as a percentage of GDP[7],

[3] While Africa is increasing its participation in global value chains (GVC) development and integration, it is mostly through upstream production which embodies production of raw materials that go on to service value chains in the importing countries.

[4] In 2020, the average rate of inflation in Africa was estimated at 10.5%. This was the highest compared to the other continents. This is projected to decline to 9.1% in 2021, which is more than double the estimated global average (3.5%). However, 33 of 54 African countries are projected to maintain inflation rates of less than 5 percent.

[5] The average fiscal deficit in Africa is estimated to reach 6.1% of GDP in 2021, a slight improvement from 8.3% in 2020.

[6] Africa's average current account deficit is estimated to reach 4.1% of GDP in 2021, a slight improvement from 5.5% in 2020.

[7] Africa's average total external debt is estimated to reach 43.7% of GDP in 2021, a slight improvement from 44.1% in 2020.

e. Associated debt service to revenue revenue ratios[8], and

f. And other key indicators on prudential macro-economic policy management in countries, most of which are trending the wrong direction in many African countries.

28. However, the level of performance with regard to these macro-economic fundamentals vary by African countries and regional economies. The Easten, Western, Northern, Central and Southern African regions are expected to growth by 3%; 2.8%; 4%; 3.3%; and 3.2%, respectivey in 2021. Inflation rates in the regions are estimated at 20.5%; 8.6%; 5.0%; 5.1%; and 9.3%, respectively, in 2021. The Southern Africa region had the largest GDP contraction due to COVID-19 (7%). These regional variations in economic funadmentals make generalisations about current and future investment opportunities in Africa as a bloc, rather very challenging. Africa is not a country and the different member states are at different stages of development and investment readiness.

29. In terms of participation in the global economy, Africa is also not doing very well.

30. Africa accounts for the least share in world trade[9]**,** foreign direct investment (FDI) inflows[10], and total share of global output compared to most regions[11]; and trade deficits continue to widen[12], especialy in Africa's trade with China.

31. On the other hand, intra-Africa trade remained below 16% of total in 2020, with intra-Africa exports and imports representing below 18% and 15% of Africa's total exports and imports to the world, respectively[13].

32. To lead the 22nd Century, all these economic fundamentals need to be carefully examined with a view to enacting and implementing clear policies to reverse the current trends for Africa to lead the 22nd Century; and expand opportunities for China and the rest of Africa's partners in other to achieve the Sustainable Development Goals (SDGs) and Africa's Agenda 2063, which we all care so much about.

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[8] Africa's average debt service to exports ratio is estimated to increase to 33.6% in 2021 from 30.6 percent in 2020.

[9] Africa's share of world trade between 1960 and 2020 averaged 3.6% and 3.7% for imports and exports, respectively compared to Europe (47% for imports and exports), Northern America (17.6% for imports and 15% for exports), and China (7.1% for imports and 7.8% for exports) over the same period. Africa's total international trade declined by 16.5% in 2020 compared to its level in 2019.

[10] Historically, African countries have consistently accounted for the lowest world share of inward and outward FDI stock and flow, with inward FDI stock averaging 3% over 1980 – 2019. This compares unfavourably to Europe (38%), Northern America (29%), and China (12%). Foreign Direct Investment (FDI) inflows to Africa amounted to USD 39.7 billion in 2020, which was a 15.6 percent decline compared to the inflows in 2019. Lead destinations for FDI inflows were Egypt (14.7%); Congo (10.1%) and South Africa (7.8%).

[11] Africa's share of global output has been flat around 3% since 1970 to date. Conversely, Europe, Northern America and China averaged 33.3%, 29.4%, and 7%, respectively, over the same period.

[12] Africa's trade deficit widened by 20.8 percent n 2020.

[13] On the other hand, the share of intra-Africa trade amounted to USD 136.9 billion in 2020 which is a slight increase to 15.7% of Africa's trade with the rest of the world. Reliance on intra-Africa trade varied from 85% in Eswatini, 65% in Lesotho, 60% in Zimbabwe, and 57% in Namibia, etc. Intra-Africa exports and imports represented 17.4% and 14.5% of Africa's total exports and imports to the world, respectively.

33. To do so, there is urgent need for African countries to strengthen, deepen and accelerate transformative partnerships within the continent (intra-regional integration in Africa), and with its peers (other continents) in the global economy. The sole objective of such partnerships must be to harness Africa's wealth (in human, social and natural capital) sustainably for the common good of the African; and also Africa's partners in the global economy. This is the Africa we want.

34. For several reasons which I cannot cover in this speech due to time limitations, it is my view that accelerating inclusive growth and sustainable development goals in Africa – is critical for global sustainability now more than ever. Without achieving inclusive growth and sustainable development in Africa, the global SDGs will not be achieved.

35. The COVID-19 pandemic, and other global challenges including climate change, insecurity and terrorism, intra-national and international migration of unskilled youths, etc., which continues to created headwinds for economies everywhere – all underscore the fact that no one country or continent can secure our world, sustainably.

36. The African "Ubuntu" culture espouses co-existence and collaboration rather than individualism. We all need to work together to tackle these global commons problems. There are no binary choices involved. Africa's increased partnerships with China should not preclude continued/increased partnerships with other regions. In fact, Africa is open to partnerships with all regions to meet the sustainable development goals in Africa and globally. Addressing global commons problems require collective action by all stakeholders in the system. Africa, China, Europe, the Americas, Asia, and all regions need to stand together and work together, to secure our common future.

37. Now, let me briefly look at China and its role in the World Economy, including Africa and why it is in the imperative that Africa should deepen its historical partnerships with China, and why the rest of the world should do the same.

38. The pace, depth, scope, and ramifications of China's economic transformation since 1979, are indeed unique in economic history. It provides a number of lessons for Africa's and other developing economies in the 22nd century:

    a. From a very low base in the 1960s, China has grown its economy to become the second largest economy in the world, consitituting 17.4 percent of the World's GDP at current market prices in 2020, following the USA which accounted for 24.8 percent.

    b. In fact, from Purchasing Power Parity (PPP) perspective, China is the number one contributor to world GDP, estimated at 18.3 percent, in 2020, followed by the USA at 15.9 percent[14].

[14] China's share in the world GDP at PPP is also estimated to grow to 18.8% in 2021.

c. Through concerted policies, the sustained high level of growth in GDP year on year for over four decades, China has lifted millions (over 700 million of her citizens) out of poverty in just one generation.

39. This is phenomenal, considering that only few decades ago, China was in the place where Africa and the rest of the developing and third world countries are now.

40. The above performance already leaves a lot of lessons for Africa. It makes the bold statement that it is possible to transform an economy within a generation. So, one could be confident in stating that Africa can lead the 22nd Century if the right policies are implemented consistently.

41. If China could do it, Africa can.

42. This begs the question: what should Africa do differently to achieve a high level of sustained GDP growth at a scale that can spur the much needed structural transformation in African economies to be able to lead the 22nd Century.

43. This, in my view, should be the focus of the China-Africa conference and my speech. What can Africa learn from the Chineses experience, the rest of the world, and vice versa – so that we can stand together to build a more inclusive and sustainable world for all of us? How can we build more resilient economies that can absorb future headwinds and shock like we have just seen in COVID-19 pandemic?

44. Let me now look briefly at a quick review of China's development strategy, which in my view, made the transformation we have seen in China to happen. I am not an expert in China's economic policies, but from my layperson's opinion, looking from afar, a number of stylized facts stand out with regard to what is going on and what could have made this happen:

    a. First, China's economic development strategy focused on export-led growth based on the country's comparative advantage in labor-intensive industries—at least at the beginning[15]. The polices were progressively scaled up to focus on high-end technology intensive production, machineries, etc., still focusing on China's comparative advantages and export orientation.

    b. Second, close attention was paid to the economy's evolving endowment in terms of the structure of the economy and China's comparative advantages. To harnese these, China carefully designed and implemented industrial policies and strategies to stimulate and upgrade its firms to produce more sophisticated export goods, at a realistic pace. Through these progressive value chain development policies, China's manufactured exports were upgraded from simple toys, textiles, and other cheap products in the 1980s and 1990s to high-value and technologically sophisticated machinery and information and communication technology products in the 2000s[16]. Today, China is competing with the

[15] In 1979 primary and processed primary goods accounted for more than 75% of China's exports.
[16] For example, in 1990, the footwear industry was the most important exports, representing 15.5% of the total exports. Sophisticated, capital intensive industries such as electrical machinery, apparatus and appliances, and machinery other

"first world" economies in many sectors of the 4th industrial revolution technologies, including 5-G technologies, Artificial Intelligence, robortics and more.

45. Like I said, I am not an expert on Chinese development policy, but my layperson's interpretation of the above is that China's economic development miracle was spured through endogenous one. The economy grew organically from a clear understanding of China's endowments and comparative advantages and clear home grown policies to harness these potentials appropriately and progressively. There were home grown and carefully implemented industrial policies.

46. Considering the above I have a very simple Layperson's recommendation for African Decisionmakers on what Africa can do to lead the 22nd Century, learning from the Chinese experience. China is an example that it is possible to transform economies within one generation. If China can do it, Africa can do it.

47. For Africa to lead the 22nd century, this simple policy stance will apply. There is a need for an organically evolving structured development policy, designed by the people, owned by the people, and gradually upscaled as the development progress happens. This appears to be the same policies that many other economies that have emerged from low-income agrarian societies to high income economies, including South Korea, Singapore, and others.

48. Africa's policy stance should not be different.

49. African countries can only be developed by Africans; with strategic and effective collaborative partnerships with friends of Africa including China, Europe, the Americas, Asia and others. There is no binary choice and/or tradeoffs involved between one partner or another.

50. What then are the expected roles of China in Africa and the World in the 22nd Century?

51. **First, a Trade Partner:** As of 2018, China's economy was larger than the entire Eurozone, two-and-a-half times larger than Japan's, and five times larger than India's, and so on.

52. By lifting itself so rapidly out of low-income status to such a large GDP, China has become a major source of global demand and an important market for its trading partners around the world, including Africa.

53. In 2019, China became the first bilateral trading partner of Africa with 16.2% of Africa's total trade in 2020, before the United States (5.6%) and India (5.4%)[17]. This remarkable progress can be a source of inspiration for Africa.

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than electric accounted for 10.8% of total exports in 1990. By 2016, they represented 7.5% and 42% of exports, respectively. The export-led strategy designed and implemented to reflect the gradually evolving endowment structure paid off handsomely, not just for China but also for the world economy.

[17] China's exports were estimated to be USD 2.6 trillion in 2020, of which USD 114 billion (4.4%) was received by Africa. China's exports to Africa slightly grew by 0.8% in 2020 compared to the preceding year. China's imports were estimated to be USD 2.0 trillion in 2020, of which USD 72.7 billion (3.6%) was from Africa. In 2020, China's imports from Africa declined by 23.4% compared to its level in 2019.

54. Africa needs to scale up its economic production capacity to have a share in the large market opportunities that China presents.

55. This is particularly important for Africa because there is urgent need for Africa to rebalance its trade with China. Currently, nearly 90% of China's exports to African countries are high technology and knowledge-driven high-value-added products such as machinery and equipment. On the other hand, about 75% of Africa's exports to China are low-value-added, low priced raw materials/primary products. Therefore the returns to technology and value addition to products goes to China. This is a fundamental source of the huge trade deficits that Africa needs to address going forward. Africa's trade deficit in relation to its trade with China widened from US$ 18.0 billion in 2019 to US$ 41.2 billion in 2020.

56. The above is a fact that derives from economic theory and the funadamental principles of international trade. It is therefore the responsibility of African givernments to address the balance of trade problem not China's[18]. Africa needs to enact and implement local content policies that will enhance value addition of its export products so that it can harness more of the market opportunities in China.

57. The Africa Continental Free Trade Agreement (AfCFTA) that Africa has launched could provide significant opportunities for Africa to better harness trading opportunities with China and the rest of the world, going forward.

58. It is necessary to note that even though Africa has become China's major trading partner over the years, the relative importance of Africa as a trading partner to China compared to the Euro zone and the United States has not changed significantly.

    a. Africa's share of China's total imports increased from 3.4% in 1960 to peak of 10.5% in 1997. But this has declined to 2.8% in 2020, compared to Africa's share of Euro Area and United States' total imports which now seats at 2.2% and 1.4%, respectively, in 2020.

    b. From a peak share of 7.3% of China's total exports in 1971, Africa accounted for just 2.6% at the end of 2020, compared to the Euro Area and United States which are estimated at 2.4% to 0.7%, respectively.

59. **Second, China will remain Major Development Finance Partner in the 22nd Century**: China has become, in some ways, the financier of choice for several major high- and low-income countries, including Africa.

    a. China holds the world's largest foreign-exchange reserves, at [$3.1] trillion in 2018, and regularly assesses its strategy for investing them[19].

[18] The same trade imbalances exists in Africa's trade with the rest of the world due to lack of capacity to add value to export products.

[19] For instance, China is the single biggest foreign holder of US government debt. China has also been purchasing large amounts of bonds from other Western countries and therefore, financing their fiscal deficits at low costs. Most of China's holdings are in "long-term securities" with maturities over one year. The US economy and the world economy benefit enormously from such massive and relatively cheap financing from China.

b. Between 2013 and 2018, 45% of China's global foreign aid or about US$ 7.5 billion went to Africa[20]

c. Over the same period, about 45% of China's global cooperation projects in human resource development targeted African countries, far above Asia (34.4%) or Latin America and the Caribbean (13.5%).

d. Since 2014, Chinese FDI flows to Africa have exceeded those from the United States. In 2019, FDI stock from China to Africa stood at US$ 44.4 billion compared to US$ 43.2 billion from the United States[21].

e. China has also become one of the main development financiers in Africa, providing sovereign and private loans, at both concessional and non-concessional terms. Since 2015, China is the top bilateral creditor to Africa (13% of total Africa's loans), followed by the United States (4%), France (2.9%), Saudi Arabia (2.5%) and the United Kingdom (2.4 %)[22]. In 2021, Africa's total debt service due to China (interest plus principal payments) amounts to US$ 6.5 billion.

f. China also plays key roles in discussions about Africa's debt relief and resolution, including the G20 Debt Service Suspension Initiative (DSSI). I am particularly delighted that China is actively participating in the G20 Debt Service Suspension Initiative (DSSI) for which it has provided over US$1.3 billion of debt relief to 23 countries worldwide, including 16 African countries. Under the Forum on China Africa Cooperation (FOCAC), China has also canceled interest-free loans due to mature at the end of 2020 for 15 African countries.

g. Over the past decade, China has increased its partnerships with Africa in several sectors: peace and security (as military assistance and programs in law and order, peacekeeping, anti-piracy and counter-terrorism); international studentships - more than 80,000 African students were in China in 2018. Between 2011 and 2017, the number of African students going to China for study grew by 258%, compared with a growth rate of just 30% for the US and declines of -2% for France and -24% for the UK.

h. Recently, China has also played a critical role in developing COVID-19 vaccines and has donated so far 12 millions of doses to Africa.

60. It is perhaps worthty to remind ourselves that China's partnership with Africa has evolved for decades. As a Third World country at the time, China expressed solidarity with African countries by building significant intra-African projects to link African countries together. One example is the Tanzania-Zambia (TAZARA) project - 1,865-kilometer railway built between 1967 and 1976 to link Zambia's Copperbelt with Tanzania. At that time, China's per capita

[20] This was followed by Asia (36.8%) and Latin America & the Caribbean (7.3%).

[21] The sectors of China's investment in Africa have also become more diversified, including construction, mining, manufacturing, financial intermediation, scientific research and technological service, leasing and commercial services.

[22] Between 2010 and 2019, China's loans to Africa increased annually by 13.4% to reach about US$ 7 billion in 2019.

income was less than a third of the average of Sub-Saharan African countries. Subsequent phases of the Sino-Africa relationship has continued to strengthen and deepen the partnerhsips in diverse sectors.

61. The above suggests that the Sino-Africa partnerships is multi-facetted, complex and enduring. This is set to continue well into the 22nd century.

62. Beyond trade and investment partnerships, China's partnerhsips with Africa, under the right circumstances, can inform valuable knowledge and experience sharing between African and China, and benefit global sustainability.

63. It is my hope that the China-Africa conferences of the China-Africa Initiative and Firoz Lalji Institute for Africa at the London School of Economics will focus on understanding the complexities, sophistication, and paradoxes of Africa today, and help to draw lessons from the complex and enduring partnerships between Africa and China to deepen the existing partnerships for the mutual benefit of both parties, and the world at large.

64. As shown earlier, Africa is a contient with enormous potentials. The 54 countries of Africa have shown diverse capacities to build and maintain high growth rates and transform their economies over the past 2 – 3 decades.

65. The Africa-China partnership that could lead to sustainable future for both parties wil be one that recognizes this heterogeneity and builds equal partnerships for sustainable futures for the citizens of both parties. This will ultimately depend on the nature and capacity of the Nation States and the political leadership in each African country and China.

66. African governments must seize the opportunities of renewed cooperation with all countries and contients of the world (including China, Europe, the Americas) to reset development vision and priorities, and implement appropriate policies, knowledge and technology transfer programs, to create a better future for the world in the 22nd century.

67. In addition to the China's major roles as a trade and infrastructure financing partner to Africa, as well as other diplomatic and influencing roles that China plays in other sectors including on security and anti-terorism, there are specific recommendations for future engagement with Africa in the 22nd Century. These include:

68. **Knowlewdge and Technology Partner:** China's experience of rapid transformation despite limited physical and human capital in the late 1970s, and virtually no natural resources—except its people—can inspire African economic development. China's concerted investment in policies that spured endogenous science, technology and innovation leadership and local content is also an area that African countries can benefit from. The main recipe for success is devote limited resources primarily to building local knowledge and local content in key sectors of comparative advantage. What I often refer to as reverse engineering model of innovation development worked in China, South Korea, and other rising Asian economies, and is also working in Africa: Mauritius, Ethiopia, Rwanda, Senegal, Kenya, Nigeria, Egypt, South Africa, Morocco, Uganda, Ghana, and many African countries are already taking steps in this

direction. For example, Mauritius set up industrial parks for textiles and garments for export in the 1970s with investments from Taiwan, Hong Kong and others, and through local content policies, the country's textile and garment industries are now more than 70% locally owned. Egypt, South Africa and Nigeria are investing is space technologies, Kenya is leading the way in mobile banking technologies, Uganda is investing in AI, and more. We are seeing a wave of social innovations across Africa led by youths and women.

69. African countries should focus on investments that build the knowledge and capacity for Africans today to participate in the sector tomorrow. Knowledge and capacity development is the soft infrastructure that supports resilient technology development in countries. Without concerted efforts to build knowledge and technological capacity in countries today, there can be no socio-technological transitions to wean the country from continued dependence on foreign investors tomorrow.

70. **Franchising Policies to Incentivise Re-location of Chinese light manufacturing industries to African Countries based on country compartive advantages**

The economic transformation history of countries in East Asia after the World War II show that global relocation of light manufacturing industries from higher income countries could provide win-win to both parties when the higher income countries begin to lose comparative advantage in light manufacturing due to increasing labour costs. As China gradually rebalances its industrial policy from low-to-high technology firms, and increasingly need to rebalance its growth model to addressing the rising domestic consumption needs in key sectors, Chinese firms in light manufacturting sectors (in agribusiness, footwear, garment, etc.,) could benefit from substantial cost-savings if they relocate their production lines to low-income developing countries, especially where preferential tariff schemes exists and labour costs are relatively low[23]. To leverage this market opportunity, African countries need to carefully-design polices that create favourable environments for the private sector and improve the general business climate, including risk mitigation strategies. Investments in infrastructure development (roads, sea ports, airports, and rail roads, electrity generation and transmission, etc.), should also be strategically located to connect industrial zones with both domestic and foreign markets, to leverage global value chains.

The High-5 stratgeies of the African Development Bank provides clear investmets programs on key sectors: to *Feed Africa, Light up and Power Africa, Industrialize Africa, Integrate Africa, and Improve the quality of life for the People of Africans*. Let me highlight just few areas of ongoing programs within the Bank Group where investments opportunities exist for China:

[23] Some authors argue that the 4th Indutrial rvolution technologies may allow industrialised countries to keep ligt manufacturing industries by deploying 4th industrial technologies – Robort, Artificial Intelligence, etc. However, while these technologies may reduce the share of labour savings that may accrue to relocation of light manufacturing industries to low income countries, the natural resource endowments in Africa will still make it a preferred destination for location of these industries. This will also help to address global inballances in infrastructure and economic development in general, which is necessary for global sustainability in the 22nd Century.

(a) ***Establishment of Special Economic Zones (SEZs) and Industrial Parks in African Countries:*** There are specific opportunities for Chinese companies to work with African public and private sectors to set up special economic zones (SEZs) and industrial parks in countries where the right levels of policy incentives exist. Focus should be paid to locating the SEZs in regions where there are the right levels of infrastructurure and capacity to facilitate cost-effectve value addition to primary African products for domestic and international markets. These include:

- **Agriculture and Agribusiness**: Specific investment opportunities exist in the food and agriculture sector. With 65% of the uncultivated arable land left in the world located in Africa, and the food and agribusiness market that will be worth $1 trillion by 2030, the potential returns on investments in the sector for companies and the development outcomes are immense. In addition to helping to stem the persietent food insecurity and hunger in Africa, hence contributing to the achievement of the SDG goals 2, 1 and 3 mong others, increasing factor productivity in African agriculture has implications for the ability of the world to feed itself in the 22nd century. The recent African Agricultural Status Report (AASR, 2021) shows that Africa achieved the highest rate of output growth in the sector compared to all other regions of the world[viii]. This gives renewed optimism that Africa can make progress in the sector if the right investments are mobilized at the required scale. To leverage this opportunity, the African Development Bank launched the *Technologies for African Agricultural Transformation* (TAAT) in 2017. This is a $1 billion initiative to take agricultural technologies to scale for millions of farmers, in partnership with the World Bank, AGRA, and the Bill and Melinda Gates Foundation. The program delivers proven agricultural technologies to farmers across agro-ecological zones to boost factor productivity. Significant investments are also being made in the youth in agriculture programs across the continent to scale youth engagement in the sector.

- **Energy and Green Growth Transitions**: Huge opportunities exist for joint investments in the energy sector as the Bank continues to drive the *Light Up and Power Africa* program to provide universal access to energy services while encouraging green energy transitions across the continent. The Bank has launched ambitious energy projects including the *Desert to Power Initiative* to develop 10,000 MW of power through solar energy technologies across the entire Sahel region. This provides excellent investment opportunities for Chinese and African businesses and also delivers on SDG 7, 13, and many others.

- ***Health Infrastructure and Phamerceutical Industries***: Achieving sustainable recovery from COVID-19 in Africa is conditional on multiple factors, inlcuidng affordable access to COVID-19 vacciness and therapeutics everywhere, roll back of COVID-restrictions everywhere, stable growth in commodity prices; effective resolution of Africa's debt sustainability challenges, investments in climate risk mitigation and climate adaptation, etc. With the COVID-19 vaccine access rate of 4% as of September 9, compared to Western Pacific (67%), the Americas (56%) and Europe (52%); and the growing impacts of climate change on the continent, the projections on Africa's economic recovery can only be held as an article of faith.

African countries have only 375 pharmaceutical companies for the population of about 1.3 billion people while China and India with a population of 1.4 billion people each has over 7,000 and about 10,500 pharmaceutical companies, respectively. African countries therefore imports about 70% of pharmaceuticals from outside the continent (costing about US $14.5 billion) and imports substantial health services. The current health financing gap before COVID-19 in Africa was over US$66 billion per annum and 22% of total health expenditure in Africa is in the form of Official Development Assistance (ODA), with some countries dependent on donor money, as high as 50%. With a nearly 25% of the world trade in biodiversity, Africa provides good investment opportunities to increase its share of the global pharmeceuticals market which is estimated to be worth USD 1.57 trillion by 2023. Africa's current share is only 2.96% only.

Africa therefore presents huge opportunities for high investment returns in health care infrastructure and pharmaceutical industries. This will also address SDG 3, among others.

(b) **Investment in Value Chain Development in all sectors:** African countries continue to lose the wealth of its nations by exporting natural resources with little value addition. For Africa to lead the future, this trend has to be reversed through technology development and innovations to add value to products across the key export commodities in Africa. This will help to reverse the ballooning trade deficits in Africa, including in its trade with China. On the other hand, China will benefit from global market expansion, product diversification, and geopolitical influence across Africa. With the expanding digitization of economies and the prevalence of the 4th Indistrail Revolution that will drive economies in the 22nd Century, including artificial intelligence and blockchains, effective trade competition will no longer be about domestic manufacturing for exports, but effective cooperation and capital investments in the global value chains across grographical boundaries and time zones to maximize access to cost effective supply of the other factors of production (labour, raw materials, and technology), maximize the social, economic and environmental additionalities of projects, and market access. Consideirng the rise in environmentalism in global policies, the huge environmental foot prints of the current model of international trade (manufacturing in country A and selling elsewhere) will increasingly constrain global trade in products with huge environmental rack sacs[24]. To

[24] By "*environmental rack sac*", I mean environmental impacts (carbon emisions and environment pollution) embedded in product lifecycles – from production to end-user. This can also be referred to as environmental footprint

maintain the environment foot print of global trade within permissible headrooms (carrying capacity of the environment), investing in value chain development in multiple countries will increasingly become a smart investment policy for countries and the dominant framework for international trade in the 22nd Century.

71. **Continued financing through bilateral and multilateral engagements with Africa:** China is a member of the African Development Fund and the African Development Bank since 1985 and over the past 36 years, the Bank and China have led many impactful joint initiatives on the continent to support economic growth and development. For instance, the Bank has signed various MOUs with the Export-Import Bank of China, China Development Bank and the Agricultural Bank of China to promote co-financing, knowledge sharing and joint analytical work in trade finance, the private sector, agribusiness and clean energy, and also promotes knowledge sharing and joint analytical work in priority areas.

    China and the Bank Group also established the *Africa Growing Together Fund*, which became operational in November 2014 with an envelope of US$ 2 billion for 10 years. This Fund is a key instrument to accompany the Bank as it implements its Ten Year Strategy and High 5s priority areas. Alongside the Bank's own resources, resources from the Fund are being used to finance eligible development projects in Africa.

    The Bank is also already discussing with China Development Bank about formulating large-scale projects, which can fit into both the China's Belt and Road Initiative and the High 5s of the African Development Bank Group.

72. The African Development Bank will continue to strengthen its long-standing partnership with China to help African countries not only to recover quickly from the pandemic but also to improve the lives and livelihoods of Africans, as we work together with China and other friends of Africa to build the Africa we want.

73. It is my belief that Africa and China should continue to work together to harness the historic relationships that have existed between Africa and China, especially by including knowledge and technology sharing to the existing trade and financing partnerships.

74. There is no binary choice here. Even though Africa is increasingly trading more and more with China, Africa has not reduced its appetite for trading with other regions. So Africa's goal in the 22nd Century is not about choosing between China, United States, the Euro zone or other regions. Africa needs all its partners to fill the huge financing gaps in infrastructure, knowledge and technology development, capacity development, and all the other sectors needed to position Africa to lead inclusive and sustainable development in the 22nd Century.

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of products. Location of industries that produce reneable energy technologies such as solar panels in countries where they will be used will reduce the carbon foot prin of the solar panels compared to producing them in China and exporting them to Africa. This will also reduce cost of production and enhance social wellbeing by creating local jobs in the production value chains.

75. And finally, it is in the interest of the global community to finance inclusive and sustainable development transitions in Africa, because, without this the global sustainable development goals will not be achived.

76. Specifically for China, there is need to scale: (a) balanced trade partnerships, (b) development finance partnerships, (c) knowledge and innovation transfer partnerhsips, (d) franchising and re-locations and/or co-location of light manufacturing industries to African countries, (e) Special economic zones and industrial parks to accelerate investments in agriculture and agribusiness, energy and green growth transitions, health infrastructure and pharmaceutical industries; (f) investments in value chain development in all sectors; and (g) continued financing through bilateral and multilateral engagements with Africa. This will be good for Africa, China and the global community.

77. This is the Africa we want; one that our children will love to call home.

78. Thank you.

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