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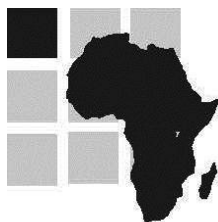
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Guest editor for this issue:  
Yaw Nyarko

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## **Africa and the Indian Ocean: Trade, Investments, Global Partnerships, and Lessons**

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### **ABSTRACT**

*The relationships between Africa and the Indian Ocean span millennia. Between nations in Africa and those on the Indian Ocean there are opportunities for greater trade, for increased investments and for enhanced geo-political cooperation. Further, an evaluation of the economic trajectories of the Africa and Indian Ocean countries provide many important lessons in economic development. These issues were discussed in a series of presentations at the "Africa and the Indian Ocean" conference hosted by New York University in Abu Dhabi in March of 2010, and published in this volume. This paper provides an introduction to the papers in this volume from the 2010 conference.*

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## INTRODUCTION

The papers in this volume are the proceedings of a conference on "Africa and the Indian Ocean," which I organized in Abu Dhabi at NYU's new campus. This is the second in a series of conferences organized there on the "Africa and ..." theme under the New York University in Abu Dhabi (NYUAD) auspices. The first had the theme "Africa and the Gulf"; those conference papers were published in this journal in 2010 (See Nyarko (2010)). The papers in this current volume therefore have expanded the area of focus from the Arab Gulf to the broader Indian Ocean. The conference participants and I are really grateful to the NYU Abu Dhabi Institute and its staff for their assistance, and their logistical and financial support.

The papers in this conference volume provide insights and analyses pertaining to the Africa and Indian Ocean relationships. These relationships of course span millennia. The conference, and this volume, begins with a discussion of that history. There are contributions on the West Africa connections to the Gulf and Indian Ocean by Akyeampong. East Africa, being on the Indian Ocean itself is critical to the story of the relationships. Aspects of the East African story are taken up in the contribution of Hopper, who focuses on trade between Africa and The Arabian peninsula. As illustrations of the complexity and depth of these historical relationships, Gomez (in this volume) discusses the New York City connection, while Alpers analyzes the roots of the current day piracy activities in Somalia and the horn of Africa.

The papers in this volume take a decidedly Africa-centric focus, connecting Indian Ocean nations and issues with the continent of Africa. Africa's trade and history with nations in the Indian Ocean rim nations - the Arabian Gulf, China and India in particular - are prominently featured. Further, in recognition of the importance of China in Africa today, the papers include a discussion of China. In contrast, little attention is paid to the commerce between the Arabian Peninsula, India and China for example.

Much more attention needs to be put on Africa's relationship with the Indian Ocean nations than before. The UN Millennium Development Goals (MDGs) have dominated a lot of the development agenda for Africa this past

decade. The MDGs are coming to an end in 2015. As the development focus in Africa transits out of the MDGs, different emphases must be placed on Africa's international relationships. MDG Goal #8 argued for increased development cooperation between the developing and developed world. In the African context this has meant, in practice, the relationship between Africa and the West. The papers in this volume argue for putting newer emphasis on the very old Indian Ocean connections.

### TRADE

Many of the authors in this volume have emphasized the trade relationships between Africa and the Indian Ocean nations. The big question is how Africa can exploit its Indian Ocean relationships to increase trade levels. Is it possible for Africa to use trade to move up the "quality ladder" in the sense of producing higher value goods say in the manufacturing sector? The contribution of Balamoune-Lutz draws lessons from two African Indian ocean island nations, Madagascar and Mauritius, and outlines the different outcomes from their development efforts. The paper then connects the case study of these countries with the larger Africa and the Indian Ocean questions. It argues for example that the United Arab Emirates (UAE) may be important as a key trade hub for African exports.

The contributions by Alden, Ancharaz and that of Giovanetti and San Filippo all focus on China. Undoubtedly, China has become a big player in trade with Africa. Ancharaz focuses on Mauritius and shows how China has shaken the dominance of India. This is of course extremely interesting as some 3/4 of Mauritius is of Indian heritage. Giovanetti and San Filippo's paper (in this volume) looks at China through the prism of its aid policy. There is suspicion of course that Chinese aid is driven by its economic interests and in particular China's desire for raw materials and commodities produced in Africa. Their paper provides some answers to that question.

Alden (in this volume) looks at the Africa China relationship and provides an in-depth analysis of China's motivations and concerns. Food security is a big concern as is access to raw materials. These have influenced greatly China's relationship with Africa and will continue to do so in the future.

### INVESTMENTS

Related to trade is also the question of investments. The past history of low levels of infrastructure investment in Africa, during both the colonial and post independence periods means that Africa has a big current need for such investments. The population boom and youthfulness of the current populations adds pressure to that need and also means the need will persist.

The Arab Gulf nations and China have, on the contrary, accumulated massive sovereign wealth funds (SWFs). There has already been investment by these nations in Africa. Akyeampong (in this volume) notes that the UAE is a big investor in Ghana, the largest in the period he studied. We mentioned earlier the huge impact of China in Africa. As Europe and America have descended into financial crisis, there have been calls by many to encourage the big Sovereign wealth funds, and those of the Arab Gulf nations and China in particular, to bailout Europe by investing in European firms and government debt. Is an investment by those sovereign wealth funds similarly an important vehicle for the rapid development and transformation of Africa? As Africa develops and many countries move into middle income status, investments today by the sovereign wealth funds in Africa could pay off handsomely in the future. Investments in infrastructure seem particularly exciting, since such investments could be structured so that the returns are guaranteed by the inevitable long run growth of the young and dynamic African economies.

Such investments could also serve as a hedge or diversification for the sovereign wealth funds. Currently large proportions of the SWF's are already invested in the West. Due to the needs of the west and the geo-political realities today, it is unlikely massive shifts away from the West will take place. The new accumulations into the SWFs are a different story and present a new opportunity.

Interestingly, Ancharaz (in this volume) notes that Mauritius may be one of the biggest foreign investors in India. As African countries develop their own sovereign wealth fund we may see increasing "reverse" investments. Ghana, following its recent oil discovery has established a "heritage" sovereign wealth fund which could conceivably be a part of these reverse investment flows. To

emphasize this point even further, it is interesting to recall the arguments of Boyce and Ndikumana (2011) who suggest that in part because of fraudulent and corrupt practices, Africa is actually a net exporter of capital. We come to this topic in the next section.

### **GLOBAL PARTNERSHIPS**

As was mentioned in the introduction, a focus on the Indian Ocean represents a new opportunity for Africa's geopolitical relationships. As illustrated with the MDGs, for too long the relationships have been dominated by discussions on aid, and focused on western nations. As African nations develop stronger institutions, a larger issue has to do with corruption and the related capital flight – and the numbers are large, as mentioned earlier in connection to the new book by Boyce and Ndikumana (2011). As African nations develop more policy space from the competition among its partners generated by the new players in the Indian Ocean, issues around capital flight now have the chance of being discussed rigorously. The MDGs emphasized aid via flows of monies from the West to Africa. It has always been my opinion that a better form of aid would be one which helps to monitor corrupt practices. After all, much of the corrupt monies flow outside of Africa. Further, as corruption causes inefficient use of domestic resources, by reducing corruption there may be enhanced incomes and larger growth rates. In a theoretical study, Ayogu and Gwatidzo (in this volume) present a model of corruption to cover some of the peculiarities of corruption in Africa. They highlight an important economic issue in Africa, and one for which its new global partnerships may be important.

### **LESSONS FOR AFRICA**

What are the lessons we can learn from comparing the experiences of African nations against those of the Indian Ocean non-African nations? After all, now that Africa is exiting from the development agenda dictated by the Millennium Development Goals (MDGs), the emphasis has to be on transforming the economies of the various nations and moving them to higher productivity and higher sophistication. In this effort, it is important to think through different models of how the transformation will take place.



## TRADE, INVESTMENTS, GLOBAL PARTNERSHIP & LESSONS

Nyarko (2011) provides some arguments for the case that one may consider the UAE as something of a success story in comparison with many African nations. Why a success? Well, first, the oil revenues of the UAE have been used to provide very visible signs of progress – the tall buildings in Dubai, the first world infrastructure of Abu Dhabi. The UAE is, more than almost all others, founded on an oil economy. The UAE has used its institutions and its old traditions to forge a peace and a social compact among its peoples which has enabled it to avoid a lot of the strife which many of the African oil economies have found themselves. China of course represents yet a different model of development. Again we could ask the question of whether the development strategy of China, which with its communist central party and heavy involvement of the state, is contrary to the prescriptions of orthodox economic doctrines on how to develop an economy and whether it provides lessons for Africa. The paper by Fofack (this volume) takes up in a growth model many of the issues just mentioned, focusing on a comparison between Africa and other regions - emerging regions in Asia in particular.

### CONCLUSION

The papers in this volume provide a wide array of papers from different disciplines on the topic of the relationship of Africa with the nations in the Indian Ocean. We hope that these papers will impact policy and will result in greater attention being put on those relationships in the new global arena.

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