

Institution: The Open University

Unit of Assessment: C24 Anthropology and Development Studies

Title of case study: The Rising Powers in Africa: the challenge for policy stakeholders

1. Summary of the impact

In the context of the changing centre of gravity of the global economy, the Rising Powers in general, and China in particular, have become major actors on the African stage. Their relatively rapid entry is a disruptive presence and poses significant challenges to established policy trajectories in the public and private sectors, in civil society organisations, and to multilateral and bilateral aid agencies. This case study shows how Open University (OU) researchers have led much of the theoretical discussion in this field and have used pioneering primary research to interact intensively with a range of policy stakeholders, achieving high levels of impact in terms of both significance and reach. In so doing, they have helped frame the policy debate, had direct impact on policy formulation in a range of settings and contributed to changes in practitioners and professional practice.

2. Underpinning research

Working as a tightly focused team on a series of externally funded projects from 2005, Professors **Kaplinsky** and **Mohan** (both OU throughout the period), Dr **Hanlin** (OU from 2007), Dr **Lampert** (from 2010) and three cohorts of PhD students (9 in total) played a pioneering analytical and data-gathering role in examining the growing presence and impact of Rising Powers in Africa.

The OU team developed a framework for assessing the impacts of the Rising Powers, identifying key vectors of interaction (aid, trade, foreign direct investment (FDI), and distinguishing between positive, negative, direct and indirect impacts **(5-10)**. This framework is widely used in the literature and formed the core structure of the African Economic Research Consortium's (AERC) Asian Driver programme. In addition to documenting the rapid and diversified entry of China onto the continent, and contrasting this with the experience of other Rising Powers and Northern economies, the research highlighted the challenge posed by China's entry to the Washington Consensus. The recognition of China's bundling of aid, trade and FDI exposed by this research programme is increasingly recognised as both a strategic challenge and an opportunity to develop policy in Africa **(5)**. A key theoretical contribution was to highlight the mechanisms whereby the indirect impacts of the Rising Powers have often been more important than direct bilateral impacts. Building on this research, OU researchers analysed the impact of China and other middle-income countries on the prices of global commodities and the terms of trade **(5)**. Working with a network of 15 predominantly African researchers in nine African countries, on the Making the Most of Commodities Research Programme (MMCP) **(1)** we have made a major theoretical contribution to rethinking the implications for industrial policies, as well as producing unique primary material **(6)**.

The enquiry was widened beyond China to a larger group of Rising Powers in work with the UN Office of Special Adviser to Africa, the Economic Commission for Africa (ECA), the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the African Development Bank (AfDB). It documented the involvement in Africa of Brazil, China, India and Korea, as well as Malaysia, Turkey and Russia and challenged the widespread tendency to view these "Rising Powers" as a homogenous group of countries **(7)**. This was followed by a Report in 2013, which focused on the participation of these Rising Powers in Africa's infrastructure and commodity sectors **(11)**.

One consequence of the global emergence of the Rising Powers is a shift in final markets from the North to the South. The result is that value chains have become less standards intensive. The reduction in standards provides more scope for small scale producers to participate in export markets, but this reduces the drive to capability-building; and, unlike Northern importers

who are happy for some of the processing to be done in Africa, Chinese buyers are more focused on the import of unprocessed commodities than Northern buyers (9). The OU study of the impact of this shift in markets was the first of its kind and is being explored by a range of researchers, including in a DFID-funded Manchester project.

Through a series of ESRC funded projects (2-4), the OU team has moved the analytical and policy debate from a crude and widely held 'impact of China on Africa' perspective to identify the role of African agents in this growing interaction between China and Africa. It also revealed the importance of non-state owned medium sized firms and small-scale Chinese firms, documented the scale of Chinese migration to Africa and evidenced the proactive role being played by Africa's private sector in deepening links with China (10). This has played a leading role in shifting the debate away from 'the impact on Africa' to 'Africa's engagement with Rising Powers'.

3. References to the research

3.1 Relevant grants

- 1.) *The Making the Most of Commodities Programme (MMCP)*, 2009-2012, \$780K. Hewlett Foundation, IDRC, Oppenheimer Fund. (Kaplinsky, Morris)
- 2.) *The politics of Chinese engagement with African 'development': Case studies of Angola and Ghana*, 2007- 2009. ESRC £361K (Mohan)
- 3.) *China as the new 'shaper' of global development*, 2010- 2011 (with Sussex University) ESRC Rising Powers Programme, £74K (Mohan)
- 4.) *The social and political impacts of South-South migration: A comparative analysis of Chinese migrant integration in West Africa*, 2010- 2012, ESRC, £366K (Mohan)

3.2 Relevant publications

- 5.) Farooki, M. Z. and R. Kaplinsky (2012) *The Impact of China on Global Commodity Prices: the disruption of the world's resource sector*, London: Routledge.
- 6.) Morris, M., R. Kaplinsky and D. Kaplan (2012) "One Thing Leads to Another" – Commodities, Linkages and Industrial Development, *Resources Policy*, 37, 408-416.
- 7.) Kaplinsky, R. and M. Z. Farooki (2010) *Africa's Cooperation with New and Emerging Development Partners: Options for Africa's Development*, Report prepared for The Office of Special Advisor on Africa (OSAA), Dept. of Economic and Social Affairs (DESA). The United Nations, New York. (*The first of two commissioned reports for OSAA which pioneered the documentation of a wide range of Rising Power involvement in Africa*).
- 8.) Kaplinsky, R. and M. Morris (2008) Do the Asian Drivers Undermine Export-Oriented Industrialisation in SSA, *World Development*, Special Issue on Asian Drivers and their Impact on Developing Countries, 36, 254-273.
- 9.) Kaplinsky, R., A. Terheggen and J. P. Tijaja (2011) China as a Final Market: The Gabon Timber and Thai Cassava Value Chains, *World Development*, 39, 1177-1190.
- 10.) Mohan, G. and B. Lampert (2013) Negotiating China: Reinserting African agency into China-Africa relations, *African Affairs*, 112 (446), 92-110.

4. Details of the impact

A distinction is made between the impact of our research on policy discourse in a variety of stakeholder settings, on clearly discernible specific impacts and on practitioner and professional practice.

Impact on policy development

1. Developing a strategic response to China's presence in Africa.

The AERC's large multi-year Asian Drivers programme (2007-2011) arose out of a direct initiative from Professor **Kaplinsky**, who was on the steering committee for the duration of the programme (12). Funding of \$2.5m was provided by Rockefeller and the International Development Research Centre (IDRC) and resulted in scoping studies in 21 countries and in-depth studies in 14 countries. Dissemination included an AfDB meeting in Dakar (May 2009) attended by 60 people, including Ministers of Finance and senior civil servants. National workshops were organised in 14 countries with senior government officials, Chinese embassy and private stakeholders. Regional dissemination workshops were held in Addis for

ambassadors and Chinese embassy (Sept 2010, 114 participants), and Accra (April 2011, 54 participants from 20 countries, the Common Market for Eastern and Southern Africa (COMESA), the Economic Commission of West African States (ECOWAS) and ECA).

The country impact played an important role in guiding relations with China. In several countries it led to the establishment of technical committees advising governments on how to engage with China. Many of the 40 African researchers involved in the AERC programme used the methodology to analyse Africa's engagement with other Rising Powers.

The MMCP (2009-2012) was a joint OU-University of Cape Town (UCT) research programme, and included collaboration with Universities of Ibadan, Ghana, Kwa-Zulu Natal, Mzumbe (Tanzania) and Wolverhampton. Funding was provided by the IDRC, the Hewlett Foundation and the Oppenheimer Fund, totalling \$780K (13). In addition to extensive publications and policy briefs, 9 stakeholders attended workshops, and research was discussed at 10 Policy Dialogue Workshops – Common Fund for Commodities (>100 policymakers); World Bank (Policy Dialogue with 150 participants); AfDB (more than 500 delegates; **Kaplinsky** plenary with Claire Short (Chair, Ethical Trading Initiative), the Director General of the United Nations Conference on Trade and Development (UNCTAD) and ex PM Sierra Leone; UNCTAD (more than 100 delegates, three times); AERC (see above); World Economic Forum; the International Council on Mining and Metals; the United Nations Industrial Development Organisation (UNIDO, including three Ministers); and Afrexim Bank.

There has been extensive referencing to OU research on Asian Drivers in UNCTAD Global Commodity Reports, World Investment Report and Trade and Development Reports (all annual), UNIDO Industrial Development Report, ECA Annual Report and OECD Development Centre Annual Reports.

In summary, OU research on the insertion of Rising Powers into Africa's infrastructure and commodity sectors highlighted the significance of the bundling of aid, trade and FDI by China, India and Brazil. It resulted in two high level Policy Dialogues in Addis, each involving more than 20 delegates from the ECA, the AU, NEPAD, Programme for Infrastructure Development in Africa (PIDA) and the ECA, as well as African universities.

2. Impact on industrial policies

China's manufacturing prowess and the China-induced commodities price boom have both had adverse effects on African and Central Asian industry. Working closely with UNIDO, OU researchers and collaborators developed a policy framework for the broadening and deepening of linkages from the commodities sectors (17). This was presented at many of the MMCP Policy Dialogues, as well as at meetings in UNCTAD and UNIDO with senior policymakers. The monograph written for UNIDO unusually went into a second edition very rapidly and has high reach globally.

The research was used to review and support the 2013 UNCTAD World Investment Report (WIR). Within the 2012 calendar year, the 2012 WIR had 120,000 downloads and 1,000 per day in the first month, with specific requests from 450 policymakers for background reports. Drawing on our analysis of China's participation in global value chains, it helped change the focus in industrial policy from a fixation with gross exports to a policy agenda designed to promote capabilities (18).

Direct and specific impact on policy

Walmart acquired South Africa's Massmart chain in 2009 as a vehicle for penetrating Africa's retail sector. The potential impact of this in diverting currently locally-sourced inputs to China-sourced inputs was addressed in a key ruling of the SA Competitions Court in July 2012. The Chief Judge of the Court referred extensively and explicitly to OU MMCP research in the Court's deliberations (14). Its ruling will have far-reaching implications, not just on competitions policy in South Africa, but on Africa's retail sector, and local and regional sourcing.

Turning to the firm level, the deepening of linkages from Africa's commodity sector requires the building of capabilities in supplying firms. Participation in the MMCP research programme assisted an East African firm to develop a local procurement system and to persuade its client, TNC Mining Company, to deepen its local sourcing beyond fresh fruit and vegetables (15). This has the potential to extend to other mines in the region, and is used to inform policy dialogues with the World Bank, UNCTAD and the World Economic Forum.

Impact on practitioners and professional practice

In the context of rising competitive pressures from Asian suppliers, two relative success stories in South Africa's recent dismal manufacturing experience have been auto components and (to a lesser extent) apparel.

Drawing explicitly on OU MMCP research and interactions with OU researchers, a South African consulting company has been heavily engaged in helping to upgrade capabilities in these sectors and has assisted the South African government in the design of industrial policy towards these and other sectors. It has specialised in the development of backward linkages (and horizontal spillovers to other sectors), significantly strengthened by local business services firms engaging in supply chain development. The largest of these firms, whose activities now extend to other African economies and to Central Europe and Asia, explicitly drew on OU research in order to develop its practical programmes of support to local industry (16). It has an internship programme and employs 30 professionals, and has been particularly successful in providing training and work experience to South Africans from historically disadvantaged communities, many of who have moved to jobs in government and the consulting sector. In addition to this impact on practitioners and professional practice, this firm is currently actively engaging with a large number of firms (more than 200 in the auto sector alone). It is widely acknowledged in the industry and in government that without the operations of this firm, South Africa's auto components sector (particularly) and apparel industry would have been even more deeply undermined by competition from the Rising Powers in Asia.

5. Sources to corroborate the impact

5.1 Examples of publications produced with policy makers

11.) Kaplinsky, R. (2013) *Infrastructure Development within the Context of Africa's Cooperation with New and Emerging Development Partners*. Report prepared for the UN Office of the Special Advisor on Africa, New York: United Nations.

5.2 Evidence from users

5.2.1 Available to be contacted by HEFCE

12.) Director of Research, African Economic Research Consortium (AERC): can speak to the impact of Professor Kaplinsky and OU colleagues' framework for assessing impacts of the Rising Powers on the AERC's Asian Driver programme.

13.) Director, Making Most of Commodities Programme (MMCP): can corroborate impacts from the MMCP research programme on users in Sub-Saharan Africa.

14.) Judge President, South African Competitions Appeals Court: can discuss the impact of Professor Kaplinsky and OU colleagues' research on the South African Competitions Court ruling on Walmart's acquisition of the South African Massmart chain.

15.) Director, Social Business Solutions Ltd.: can speak to the impact of Professor Kaplinsky and OU colleagues' Rising Powers research on the development of procurement systems in African firms.

16.) Chairman, BMA SA (Pty) Ltd.: can reflect upon the impact of Professor Kaplinsky and OU colleagues' research on upgrading of capabilities in the auto components and apparel sectors in South Africa.

5.2.2 Testimonials available upon request

17.) Director, Development Policy, Statistics and Research Branch, UNIDO.

18.) Director, Investment and Enterprises Division, UNCTAD.