Arnoldshain Seminar
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South-South Cooperation as Development Strategy

Africa and Latin America

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Objective

- To analyze SSC among countries in Latin America and Africa, and to explore its potential.
  - regions present coincidences regarding a wide range of issues, especially in their development challenges (e.g. production structure, geographic dispersion, etc.).
  - South-South integration can help reinforce and improve the overall integration among developing countries, allowing for a more inclusive growth.

Integration among countries

- Three kinds of strategies:
  1) joint defense of common interests at the multilateral level to achieve a better negotiating position (e.g. in areas such as rounds of the World Trade Organization, WTO);
  2) strengthening technical cooperation in those areas where each region/country has an expertise (e.g. agricultural technical cooperation, mining and natural resources in general);
  3) interregional production complementation schemes that enable countries to insert in activities with more value added within global and/or regional value chains (e.g. through increased production and trade specialization or upgrading).

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THE CONCEPT OF SOUTH-SOUTH COOPERATION


goals
North
place
arena
includes
UNSSC
suffer
autonomy
Generally
knowledge
dialogues
multilateral
developing
bargaining
identical
challenges
South
expertise
take
horizontal
solutions
foreign
technology
economic
framework
vulnerabilities
areas
create
skills
peripheral
dialogue
subregional
increase
acting
integration
domains
developments
Nations
bilateral
effort
voice
issues
Recent
regional
different
solve
cooperation
group
important
links
direct
technical
South-South
transfers
collaboration
United
national
towards
protecting
share
forms
multidimensional
similar
complex
environmental
sharing
stated
heterogeneous
trade
cultural
possibility
development
linked
tool
Cooperation
investment
exchanges
strategies
common
political
interest
interregional
efforts
features
resources
south-south
Office
meet
Development
decision
movements
key
social
problems
concerted
broad
agenda
volume
needs
basis
flows
power
taken

While it is clear that large trade or investment flows do not necessarily reflect a high level of cooperation, we believe that this type of analysis can serve as one of the bases for developing and implementing public policies to build cooperation platforms among our countries.

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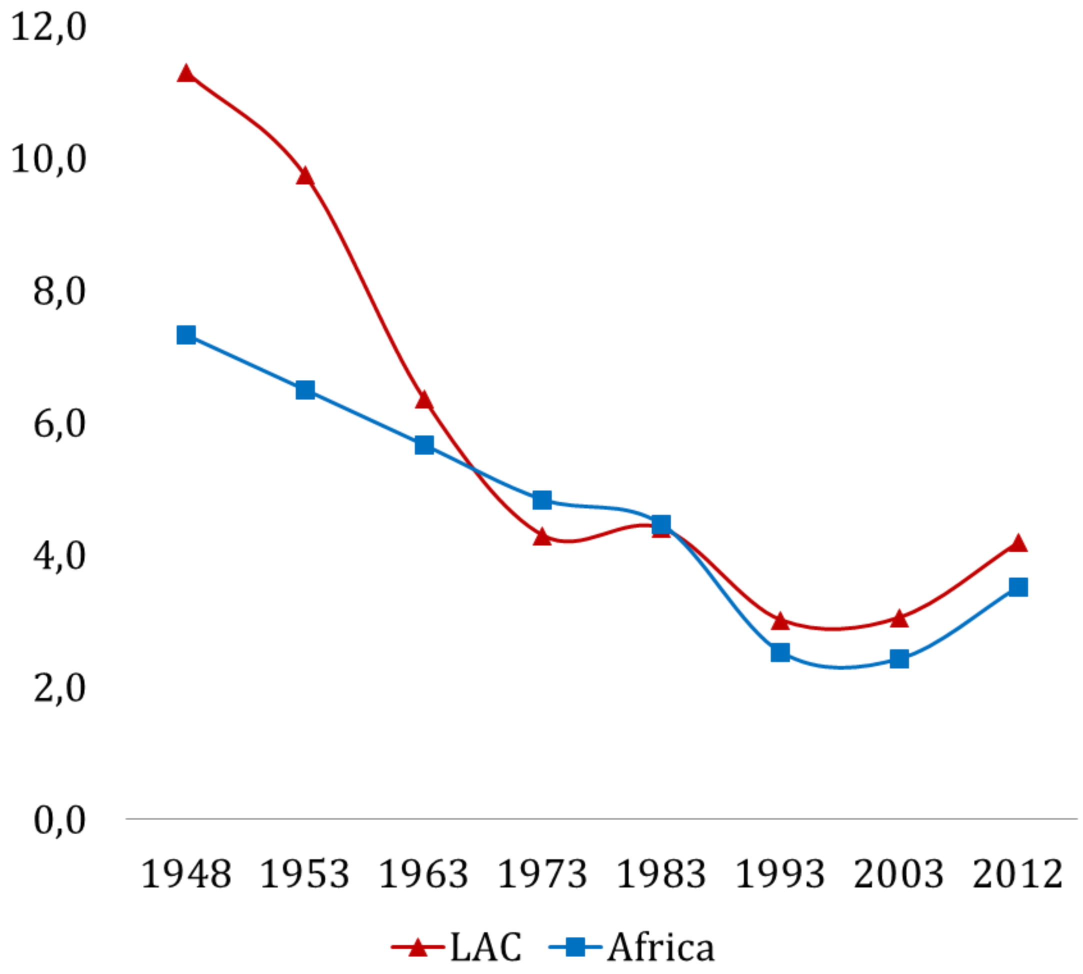
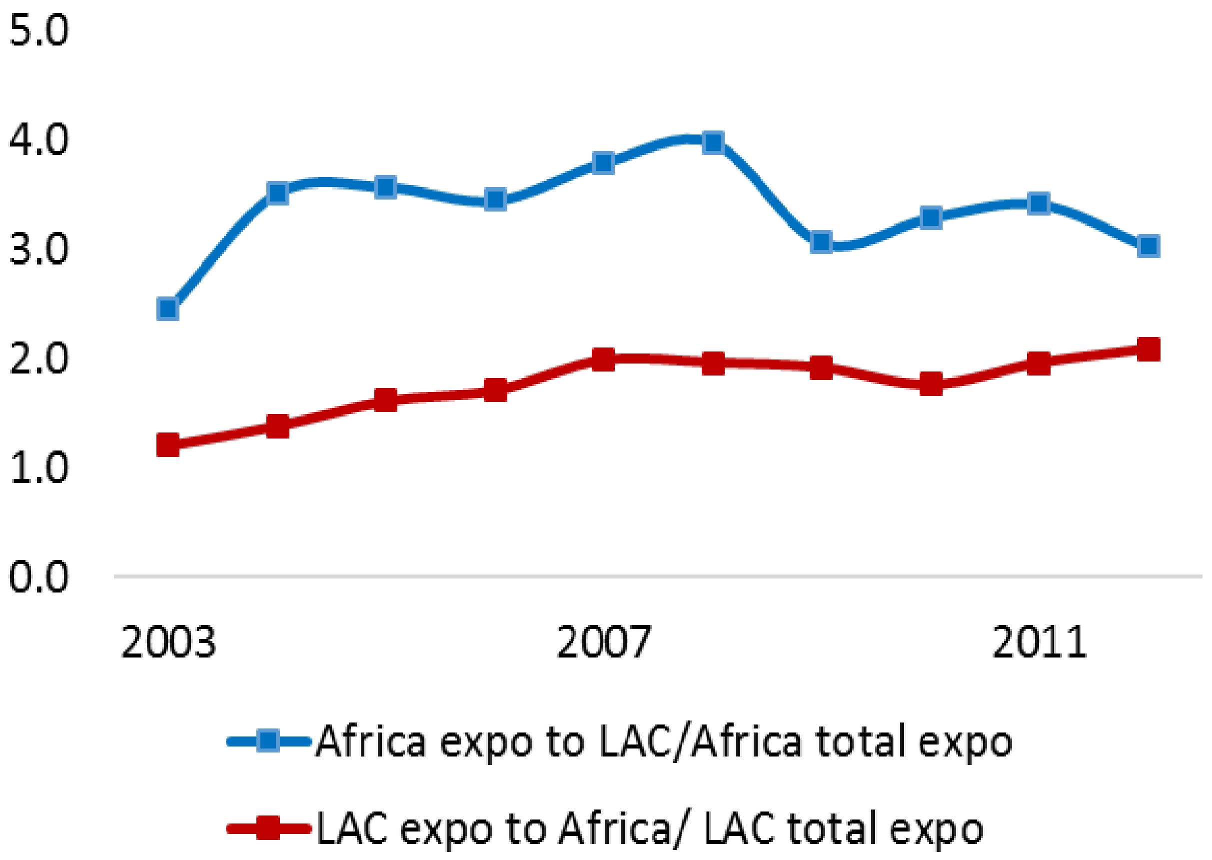
Economic interdependence and potential between Africa y LAC

Goods´ trade

Share of Africa and LAC in world exports (%)



Share of Africa (LAC) in total LAC (African) exports (%)



Source: WTO and Comtrade

9 bilateral relations = 64% total inter-regional trade

Data source: COMTRADE.

Commercial potencial

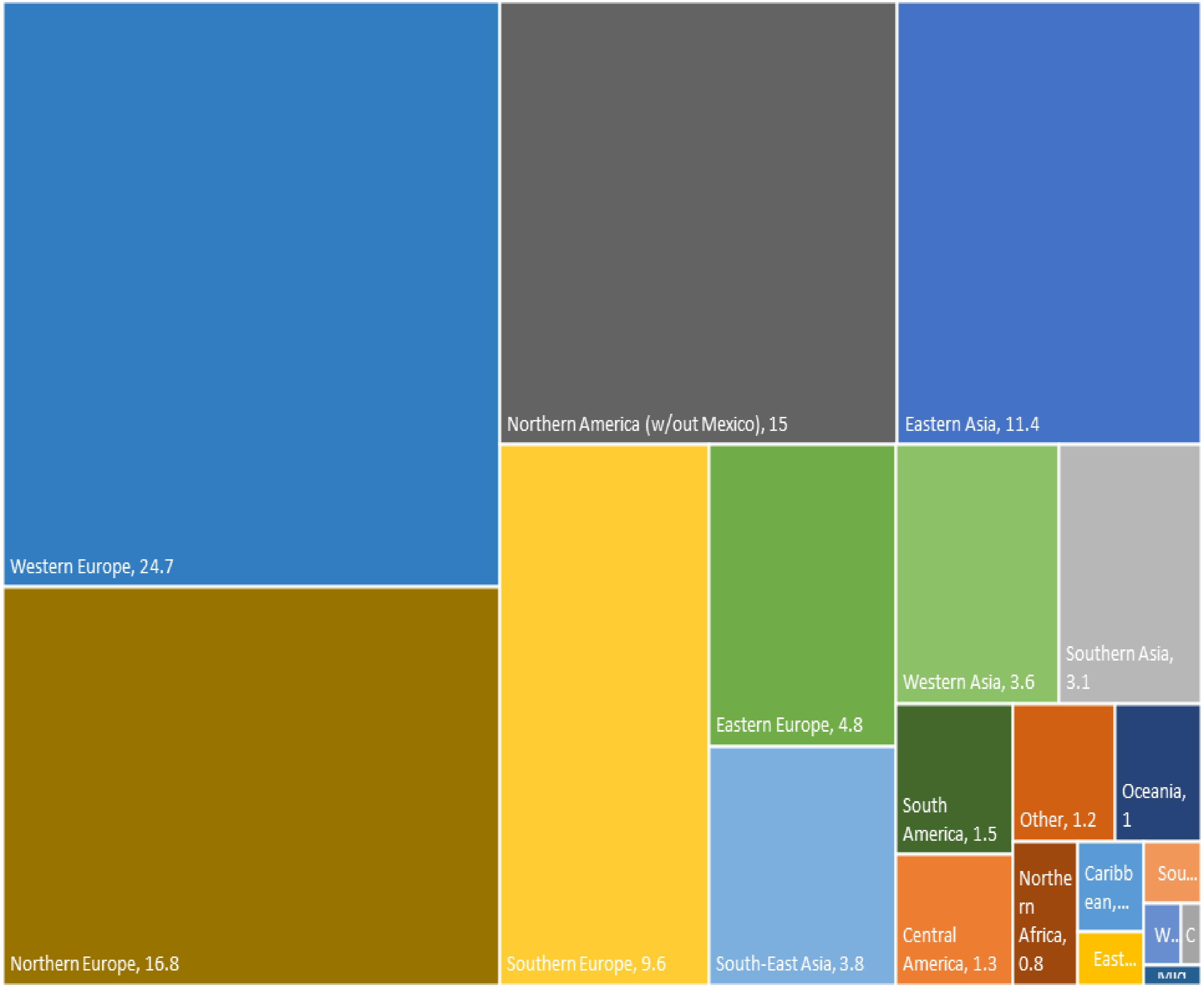
“Commercial potential"= minimum of one country´s exports - its partner´s imports and discounting the actual bilateral trade.

African potential exports to Latin America

- In addition to fuel and some machinery, Africa also has the capacity to export to Latin America (small) freight vehicles, copper, cotton.
- About 95% of these potential trade have South Africa as producer and exporter, followed by Morocco.

Latin American potential exports to Africa

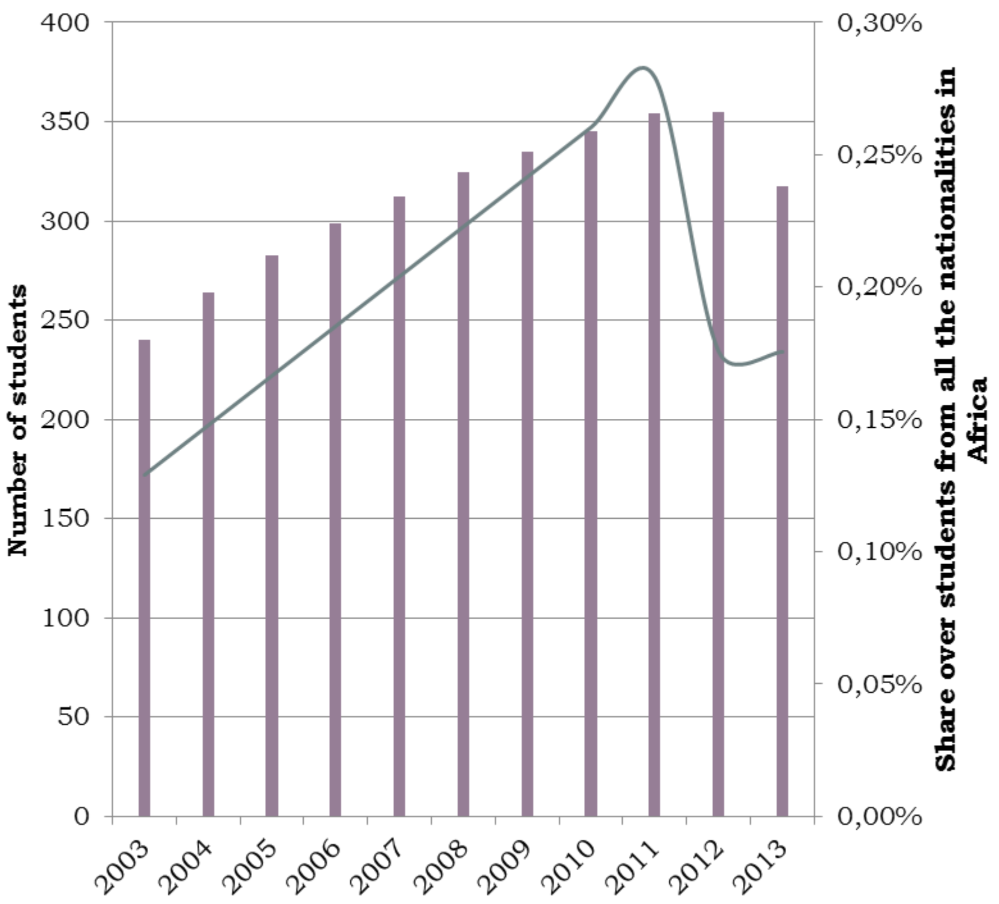
- Opportunities in automobiles and parts (specially Brazil and Mexico).
- Tractors, telephony equipment, medicines, drilling rigs, maize and gold.



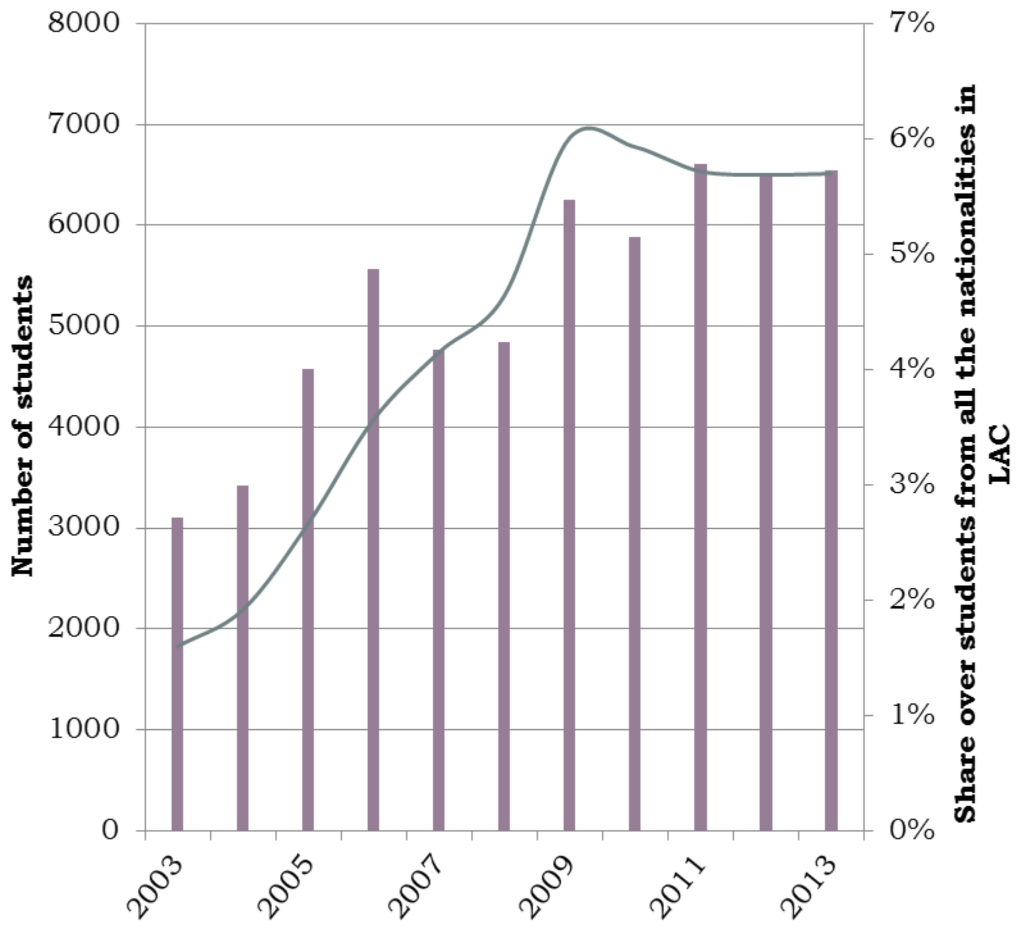
Main World services exporters (2003-2014 average)

Source: United Nations

Latin American tertiary students in Sub-Saharan Africa (number of students-bar and share-line)



African tertiary students in Latin America and the Caribbean (number of students-bar and share-line)



Source: UIS UNESCO

Commercial presence (I)

- Africa has been attracting diverse investment projects with increasing role of sectors not tied to commodities (falling key commodities´ prices): mainly services (ICT and finance sector).
- LAC: similar trend, with FDI flows shifting from commodity-centered to services sector (ICT and business services), and also in auto components.
- FT investment projects´ database ➔ announcements for ten African projects in LAC in software and ICT, nine in business services, and seven in financial services (period 2003-2014).

Commercial presence (II)

Sectoral distribution of Greenfield projects from African firms into LAC (2003-Feb2014)

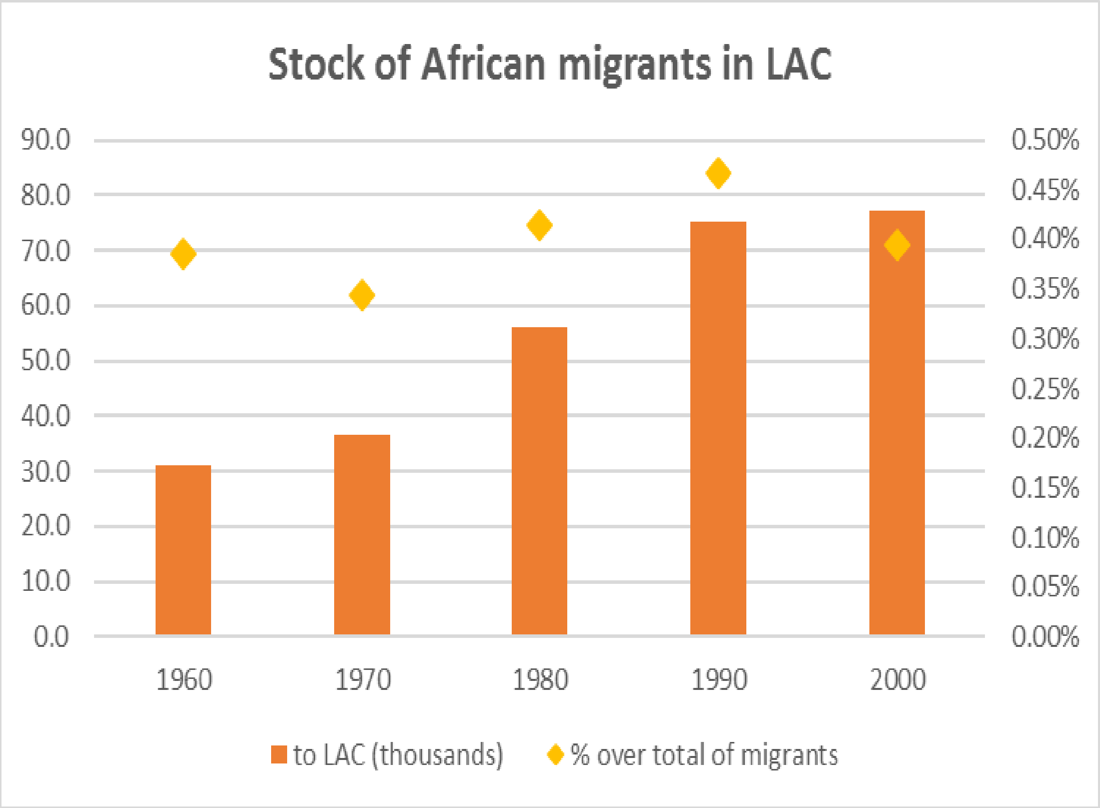
Sectors	Projects	Capex (usd)
Software & IT services	10	181
Business Services	9	26
Financial Services	7	186
Communications	5	294
Food, tobacco and beverages	2	49
Rubber and plastic product	2	36
Chemicals	3	11
Metals and its manufacture	7	1 224
Coal, Oil and Natural Gas	2	989
Other	4	251

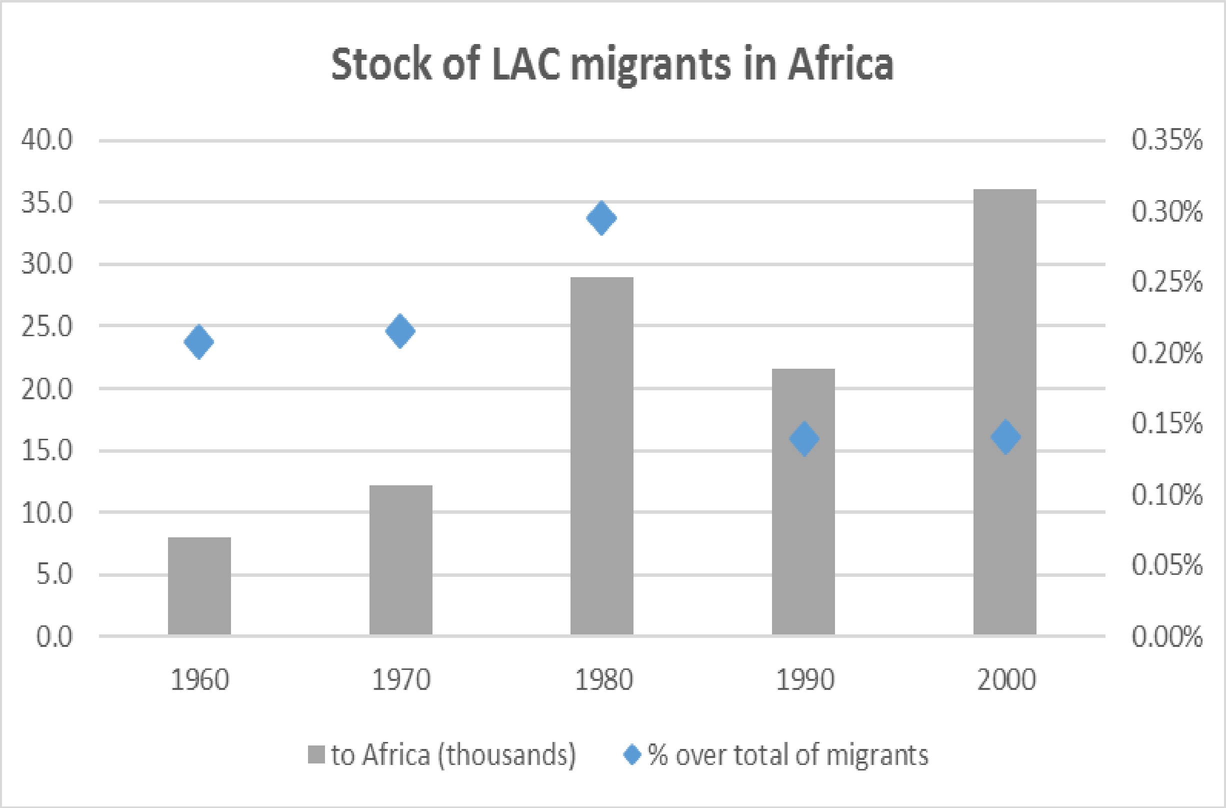
Sectoral distribution of Greenfield projects from LAC into Africa (2003-Feb2014)

Sector	Projects	Capex (usd)
Coal, Oil and Natural Gas	13	7 516
Financial Services	9	99
Metals and its manufacture	6	449
Chemicals	5	358
Automotive	6	194
Business Services	5	20
Hotels & Tourism	3	491
Building Materials	3	580
Alternative/Renewable energy	2	450
Software & IT services	4	30
Non-Automotive Transport	2	28
Food, tobacco and beverages	4	127
Other	3	17

Source: FT Intellingence

Migration flows



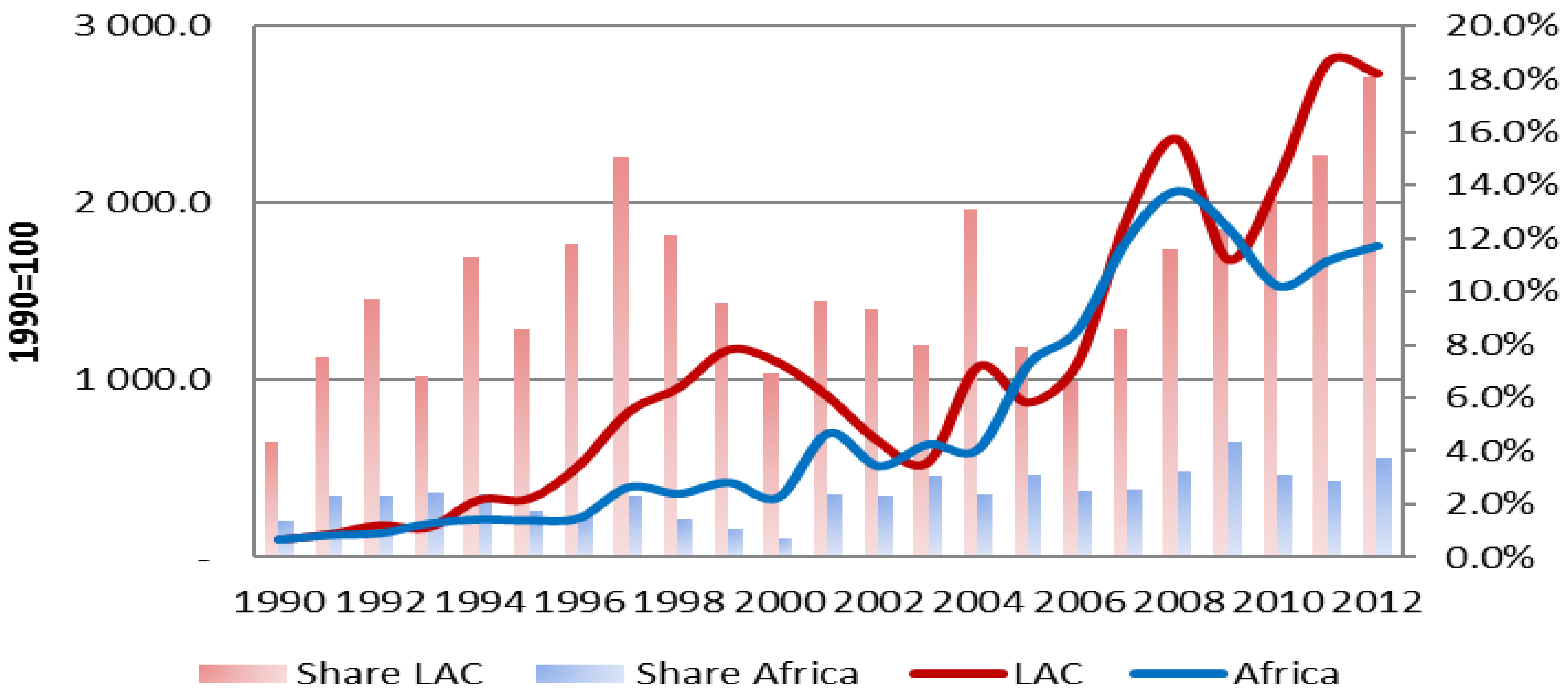


Source: Global Bilateral Migration Database from The World Bank.

World migration flows (2005-2010)

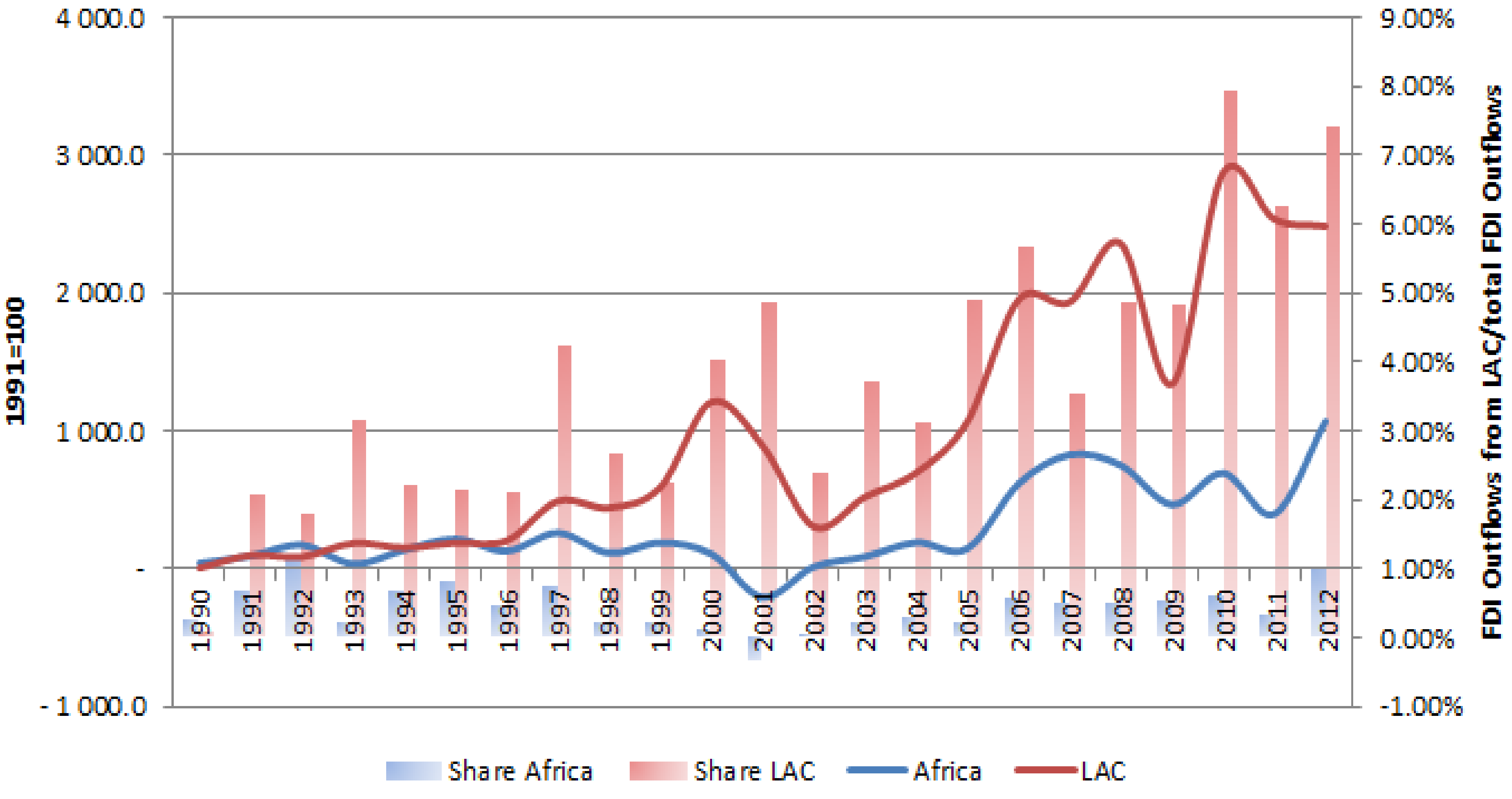
Source: Abel and Sander (2014, available at: Sander, Abel and Bauer, THE GLOBAL FLOW OF PEOPLE, http://www.global-migration.info/).

Inward FDI flows in Africa and LAC



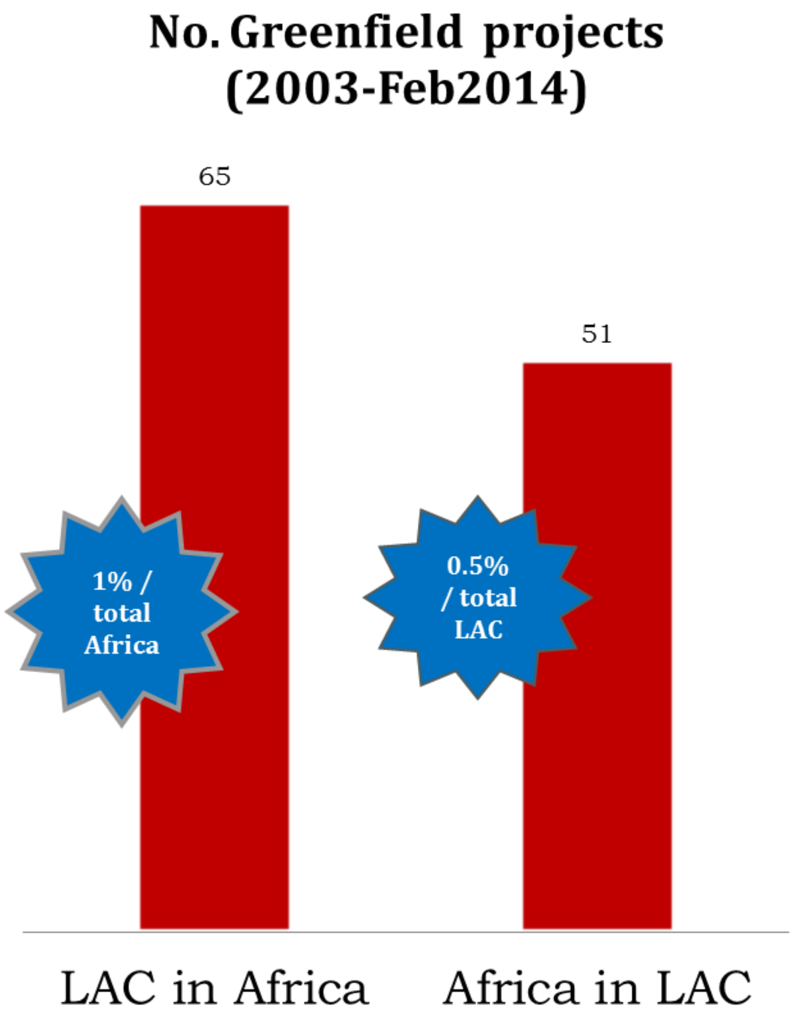
Source : UNCTAD

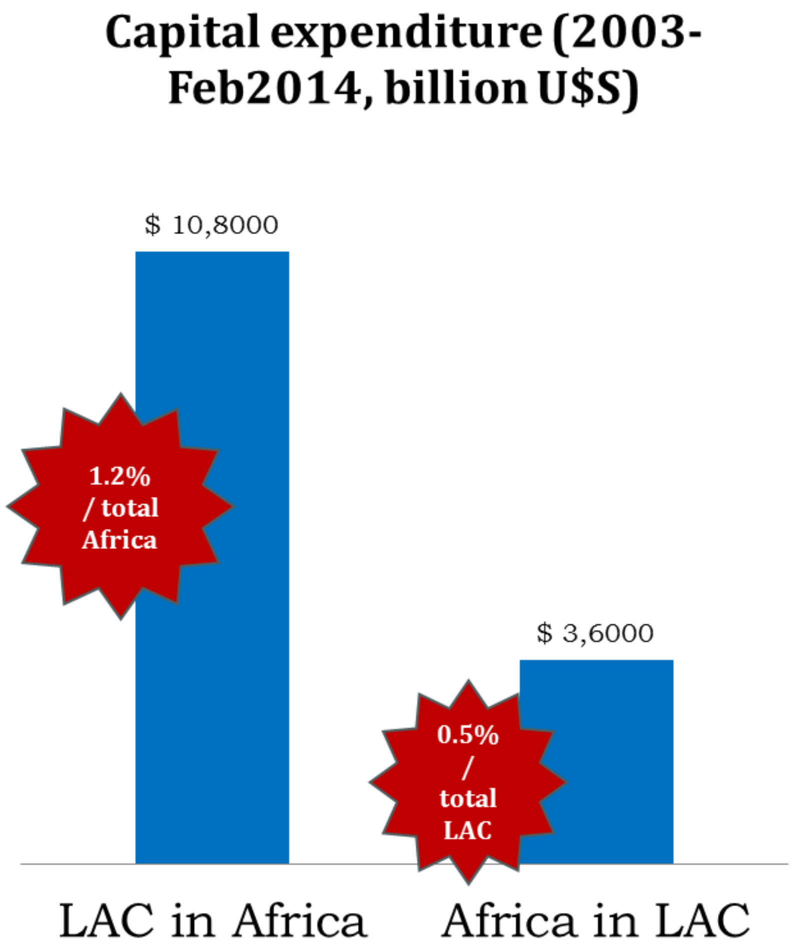
Outward FDI flows from Africa and LAC



Source: UNCTAD

Bilateral FDI flows

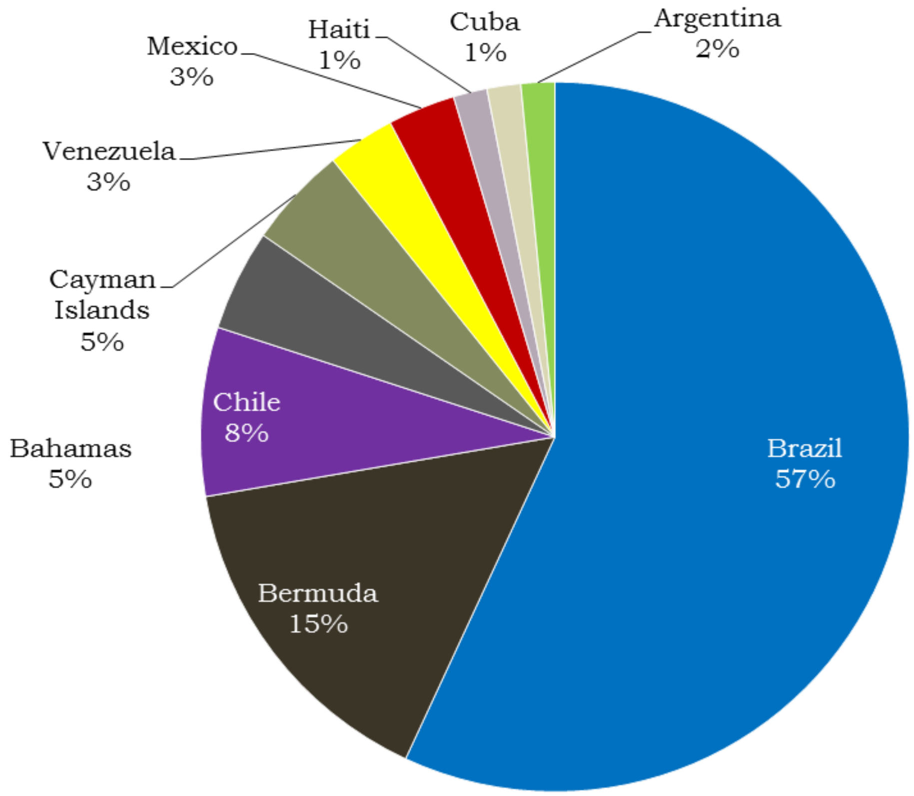




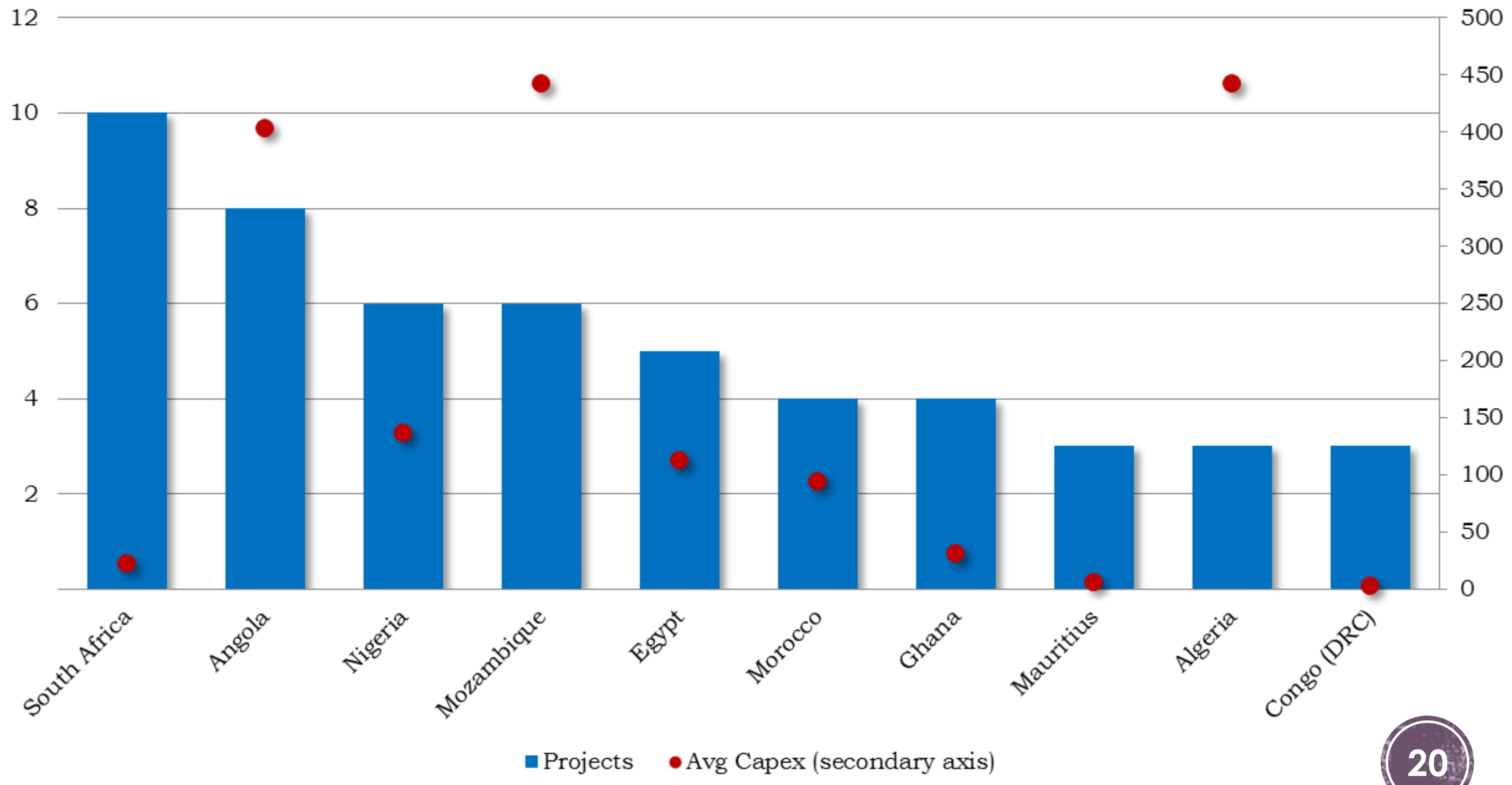
Source: Financial Times fDi Database.

LAC FDI flows to Africa

Source countries of LAC Greenfield FDI into Africa (project numbers, 2003-Feb2014)



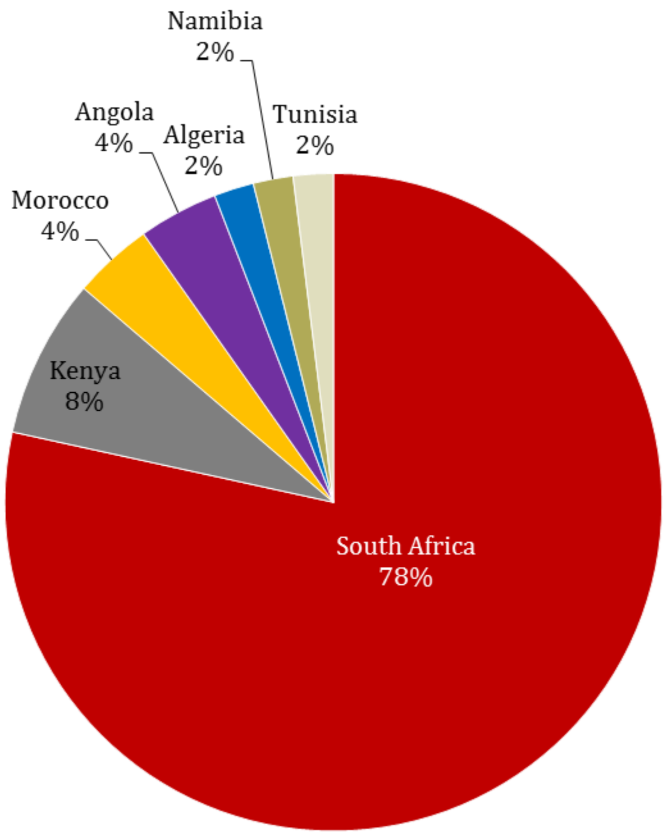
Top 10 African Greenfield investment destinations for LAC firms (project numbers and average Capex in million US$, 2003-Feb2014)



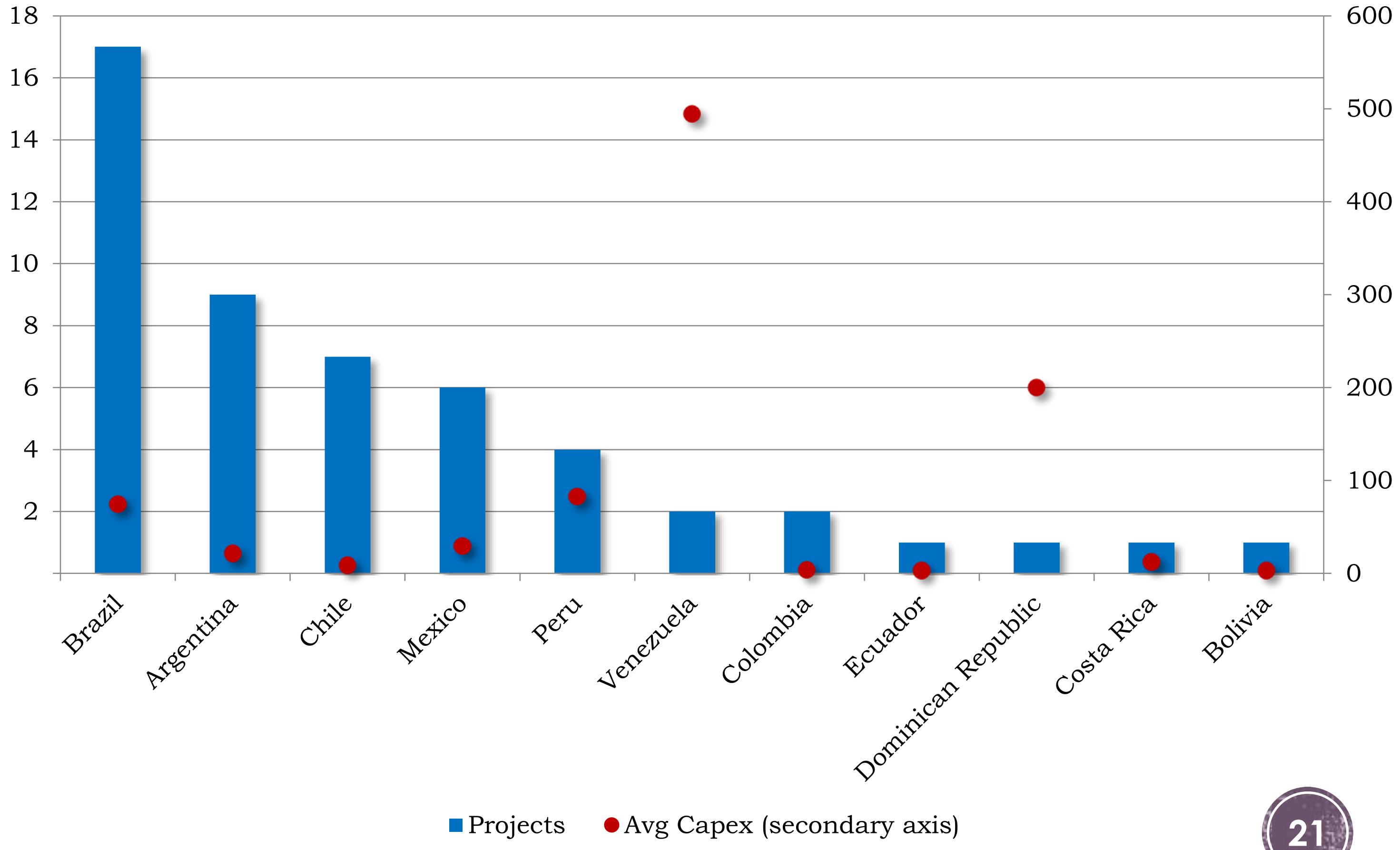
Source: Financial Times fDi Database.

African FDI flows to LAC

Source countries for African Greenfield FDI into LAC (project numbers, 2003-Feb2014)



LAC Greenfield investment destination for African firms (project numbers and Capex in million US$, 2003-Feb2014)



Source: Financial Times fDi Database.

Some final remarks (I)

- Countries with high interdependence tend to cooperate more frequently among each other than those with negligible economic relations.
- Hence, and although development cooperation goes beyond trade and investment relations, we consider this as a first and necessary step to analyze their past and current trends.

⇒Dynamic but weak and concentrated economic relation.

⇒Possible potentialities in bilateral trade and the very new and growing investment relation

- ⇒mainly explained by MNCs
- ⇒related to natural advantages
- ⇒different kind of investment flows (e.g. services).

Some Final Remarks (II)

- Data suggests that specialization of both regions obeys to static comparative advantages patterns (i.e. low value added and technology content goods), even for the main investment flows.
- Some potentialities arise from the explored relation, cross complementarities in both regions in:
  - agricultural activities (including chemical products)
  - Mining
  - automotive industry
  - financial services
- Finally, technical cooperation can show a stronger link between regions.
- Future research could:
  - analyze the impact of investment projects in terms of development.
  - explore the importance of technical cooperation as a complementary development strategy.
  - Analyze the determinants of south-south cooperation

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Thanks!

25 Annex

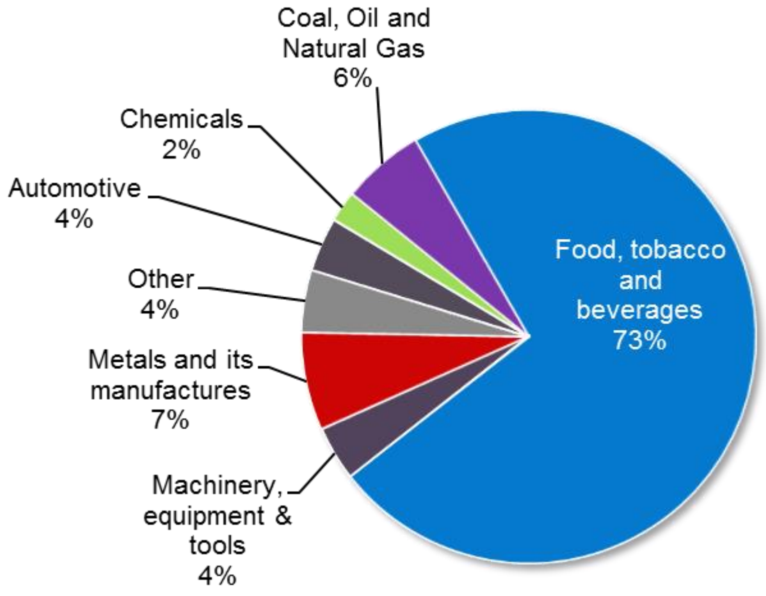
The South Background

- Bandung Conference for economic and cultural cooperation among African and Asian countries (1955)
- 60's: Non-Aligned Movement, G77, Organization of Solidarity with the People of Asia, Africa and Latin America.
- 70's: reinforced presence of the "South" as a negotiation group with the "North", but without strong progress.
- 80's and 90's: no progress
  - debt crisis (which could have been a good opportunity to coordinate actions against creditors)
  - neoliberal reforms
- 90's: chaotic reforms´ results again placed the framework of South-South cooperation to defend the interests of countries less developed.

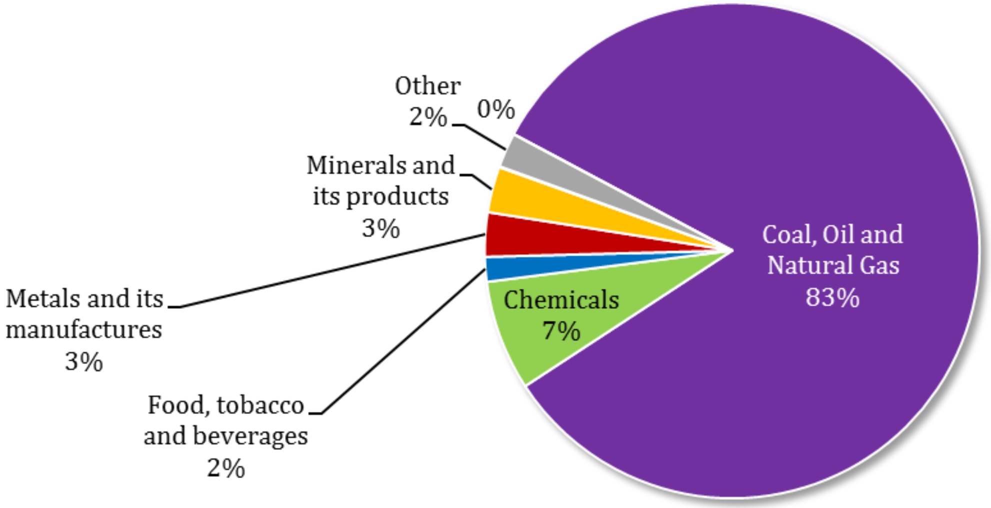
- United Nations Office for South-South Cooperation (UNOSSC, 1874)
- The Paris Declaration (2005)
- Accra Agenda for Action (AAA, 2008)
- Africa-South America Summits (ASA)
- BRICS summits
- IBSA Dialogue Trilateral Forum
- Community of Portuguese Language Speaking Countries (CPLP)
- African Union, SADC, SACU, and COMESA
- Union of South American Nations (UNASUR), Community of Latin American and Caribbean States (CELAC) and Bolivarian Alliance for the Americas (ALBA)

Export content

Exports from LAC to Africa by sector



Exports from Africa to LAC by sector



Exports (imports) of services from Africa (LAC, million USD)

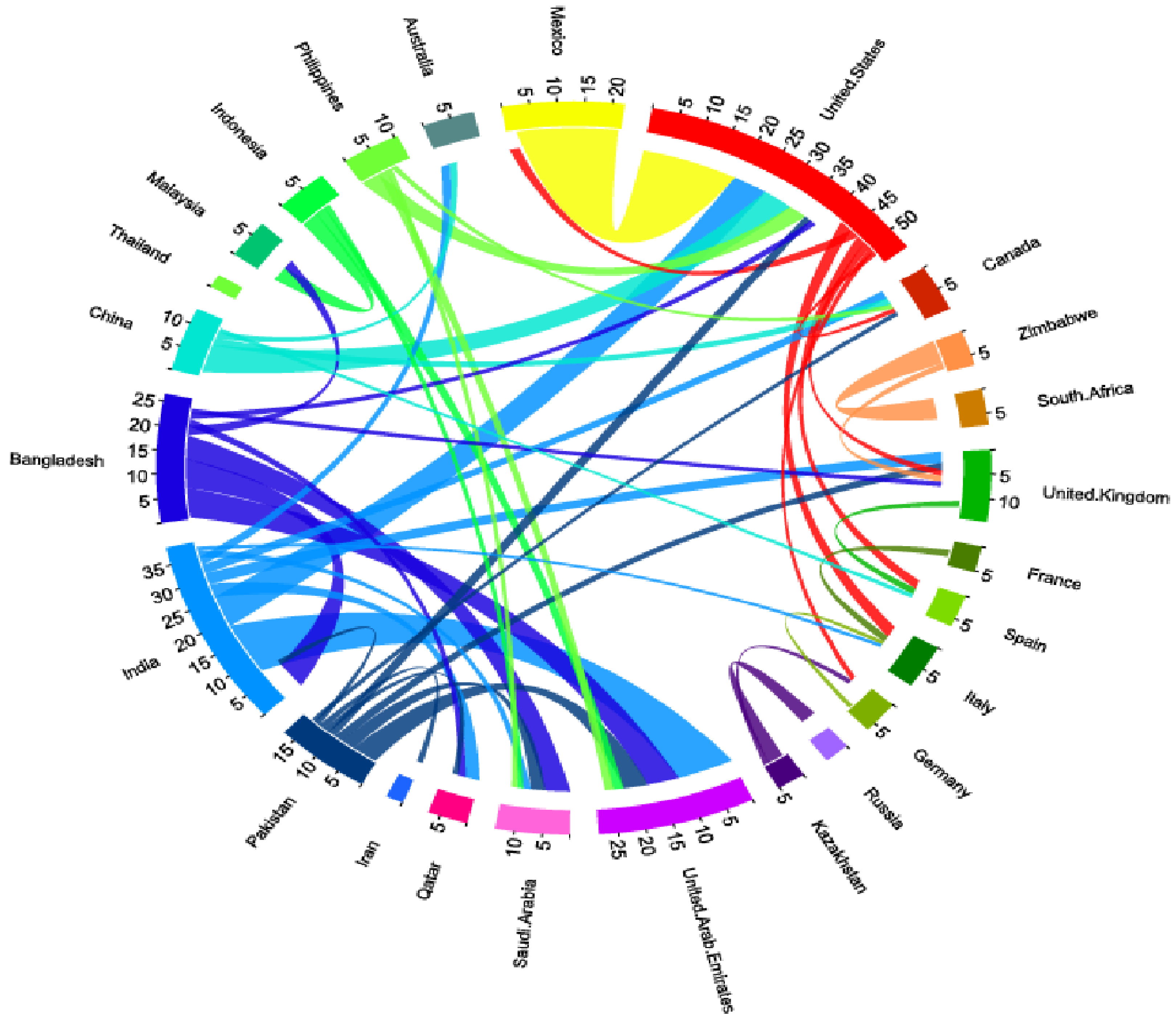
Service category	African exports			LAC imports		
	2000	2013	Average	2000	2013	Average
Total services	33,260	96,000	68,807	74,090	234,130	130,791
Transport	7,910	27,180	17,274	26,350	68,870	43,381
Travel	14,470	38,930	31,111	20,670	57,060	32,071
Other services	10,820	29,890	20,398	27,060	108,200	55,341
Communications	1,550	4,670	3,137	-	-	-
Construction	300	1,820	1,286	-	-	-
Insurance	850	1,160	926	-	-	-
Financial services	950	2,360	1,581	-	-	-
Computer and information	120	1,300	620	-	-	-
Royalties and license fees	210	310	316	-	-	-
Other business services	5,050	11,570	8,019	-	-	-
Personal, cultural and recreational services	80	450	290	-	-	-
Government services n.i.e.	1,700	6,250	4,223	3,090	9,140	5,739
Memo item: Commercial services	31,560	89,750	64,584	70,990	224,980	125,051
Memo item: Other commercial services	9,120	23,630	16,176	23,970	99,050	49,599

Source: United Nations

Total exports (imports) of services from Latin America (Africa, million USD)

Service category	LAC exports			African imports		
	2000	2013	Average	2000	2013	Average
Total services	61,760	167,820	105,621	41,670	170,750	107,006
Transport	11,090	30,640	20,326	14,700	65,380	39,631
Travel	31,640	65,310	46,611	8,280	26,100	18,527
Other services	19,030	71,870	38,681	18,500	79,270	48,779
Communications	3,220	3,730	3,407	-	-	-
Construction	320	160	167	-	-	-
Insurance	2,790	4,780	3,135	-	-	-
Financial services	980	5,230	2,405	-	-	-
Computer and information	450	5,690	2,354	-	-	-
Royalties and license fees	480	3,420	996	-	-	-
Other business services	8,380	43,560	22,519	-	-	-
Personal, cultural and recreational services	530	1,390	844	-	-	-
Government services n.i.e.	1,900	3,900	2,854	2,740	10,940	7,836
Memo item: Commercial services	59,860	163,920	102,768	38,920	159,810	99,171
Memo item: Other commercial services	17,130	67,970	35,829	15,760	68,330	40,945

Source: United Nations



Migrant flows among the main 25 destination countries

(accumulated 2005-2010, hundred of thousands migrants)