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Whitehall Report 6-06

Differentiating Africa

Report of the 2006 Tswalu Dialogue

Contributors

Paula Thornhill, Richard Cobbold, Bill Rollo, Asher Susser, Jeffrey Herbst and Michael Finley

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Differentiating Africa

Report of the 2006 Tswalu Dialogue
27 April – 30 April

Hosted by Jonathan and Jennifer Oppenheimer
& organized by The Brenthurst Foundation
in conjunction with the
Royal United Services Institute for Defence and Security Studies (RUSI), London,
African Centre for Strategic Studies (ACSS), Washington,
Institute for Defence and Strategic Studies (IDSS), Singapore, and the
Institute for Security Studies (ISS), South Africa

Supported by the Government of Denmark

www.rusi.org

First Published 2006

Whitehall Report Series

ISSN 1750-9432

Series Editor: Dr Terence McNamee

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Printed in Great Britain by Stephen Austin & Sons Ltd. for the
Royal United Services Institute, Whitehall, London, SW1A 2ET UK

RUSI is a Registered Charity (No. 210639)

Cover caption

African leaders attend official opening of Sixth Ordinary Session of Assembly of African Union in Sudan's capital of Khartoum, January 2006. Photo by REUTERS/Mohammed Nureldin.

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1. The Summary and Report

1. The Summary and Report*

The Tswalu Dialogue was established in 2002 as a premier African forum to discuss issues of concern to continental development and security.

The theme for 2006 braided together local and external concerns in identifying strategies for stability, recovery and development, and learning from past successes and failures. Many external strategies for African engagement take sweeping views of Africa, rather than the more differentiated perspectives that are demanded by the varying situations of African states. This event considered the means required to reinforce the success of those African states which have successfully pursued reforms and identifies the lessons from their recovery, examined the past record of Western policy engagement with Africa, considered some of the lessons from Asia and elsewhere within this context, and established what can be done about those African countries considered to be weak, failing or failed states. Finally, it considered strategies for successful reform.

The Dialogue focused both on *Differentiation* and *Changing Track* by recognising differences between states, on what can be done to help African states change track onto a better trajectory, and what needs to be done to avoid changing track downwards. The response, both global and regional, has generally been merely to reiterate the standard mantras of African reform which have much to offer other parts of the continent, but are of limited – if any – relevance to parts of the continent in which the basic conditions for effective statehood have not been met, and which (at least in some cases) are unlikely ever to be met. Is it not time for a hard-headed, blue-skies look at what can reasonably be expected of Africa's failed states, and at how both their own neighbours and the international community as a whole should respond to the challenge that they present? The Dialogue offered an opportunity for sharper concentration on the increasing levels of divergence in African trajectories, and the different policy responses that these now call for, both within Africa, and from the external world. Much of the policy literature continues to ignore these differences, yet we can no longer plausibly talk about 'Africa' as though it were a single lump. The Dialogue considered the following hypothesis overall: Should we not instead craft approaches geared, first, to different groups of states; and, second, to the specific circumstances of states within each group, which may vary significantly from one another.

* This report was drafted by a team comprising Dianna Games, Professor Jeffrey Herbst, Dr Terence McNamee, Dr Greg Mills, Michael Spicer and Admiral Steve Stead. Please note that the Dialogue is held according to RUSI rules: the content of the formal papers and the event itself may be cited (unless otherwise indicated), but the discussions remain strictly *non-attributable*.

The following **policy conclusions** aimed at reinforcing reform and economic development in Africa could be drawn from the 2006 Dialogue:-

Differentiation means:

- Developing sets of external engagement strategies which are cognisant of different categories in African states which can be measured best in terms of their governance and economic performance indicators.
- The need to go beyond the standard mantras of African reform – state reconstruction, democracy, sound economic management and so forth – and instead base policy on different state circumstances.
- Perceptions of African identity should not obscure – or interfere with – the need for nuanced, country-sensitive external engagement strategies (and thus perceptions of) Africa. Africans have to be willing to differentiate and, if necessary, disassociate from each other in the same way Europe has done.
- Realising, in addition, that policy options – both internal and external – will be shaped by a combination of factors, including geography and weather, natural resource base, education and skills realities and requirements, urban/rural breakdowns and the rates of urbanisation, and other factors including levels of housing provision and need.

Identifying the specific reasons why each African country has not been on the international investor radar.

An **Enabling Environment** is a necessary if insufficient component of success, meaning the need for:

- The right conditions for economic development mean creating the right conditions for the market place, including the establishment of the rule of law (which offered predictability to investors), appropriate and improving skills' bases, and the eradication of uncompetitive (and costly) monopolies.
- The need to strengthen private sector lobbies, moving away from political connections to more regular apolitical conduits.
- Building growth coalitions between government and business around clear national development strategies.
- A meritocratic performance- (and not privilege-) based culture and practices.
- Domestic financial regimes and markets.
- Recognising the political constraints on economic reform.

Specificity means:

- Distinguishing between what Africa can do itself and what the international community can do in partnership with Africa.
- Tailoring policy to move beyond sweeping policy fundamentals towards country and sector-sensitive policy prescriptions.
- Being aware that there are multiple paths to good governance, though only one set of indicators.
- Identifying country and sector skills gaps and needs.
- Paying civil servants properly according to their performance.
- Employing technology appropriate to individual country absorptive capacity including, for example, in customs clearance.

Alignment is required between:

- Continental and national priorities, on the one hand, and human and financial resource allocation to achieve this on the other.
- Diaspora needs and expectations, and engagement strategies.

- National development strategies with sectors of national and regional comparative advantage in a global economic context. Countries need to identify what they can do best in a global economy and spend money to facilitate this, whether this be on infrastructure or on the soft aspects of policy including skills.

Finally, **Policy Recommendations** include:

- **Strengthen links with the diaspora**, including the creation of the special investment vehicles.
- **Create an African Efficiency Index** including the following: the time taken to move things across borders; transport costs; container turnaround time and costs; wharfage costs; the costs of opening and closing businesses; the ease of hiring and firing; visa costs and time taken; ease of issuing work permits.
- **Mobilise domestic capital** through expanding the range of financial instruments.
- **Employ technology to reduce customs and border formalities** and costs on a case-by-case basis.
- Set a **timetable and work plan to achieve a continent-wide free trade area by 2012**.

The papers presented at the Dialogue and highlights of the discussion are detailed below.

28 APRIL 2006:
Session One: The Global Picture – A Year on from the Africa Commission
Presentations

Matthew Uttley pointed out that analysis of the impact of global trends on the African development agenda needs to be understood against differing conceptions of 'salience', 'impact', 'success' and 'failure'. He argued that differing perspectives have their roots in the dialectic between 'neo-liberal' and 'neo-realist' paradigms. Employing a SWOT framework he demonstrated the variables employed by 'neo-liberals' to illustrate inherent strengths and opportunities seized by the international community in the Africa development programme, and the policy critiques (weaknesses) and implementation threats identified by 'neo-realists'.

Richard Cobbold identified the reasons why the UK and other states have traditionally under-rated Africa issues when analysing international security and development challenges. He cautioned against the US and UK tendency to focus on 'hard' rather than 'soft' security issues and agendas, and reviewed the potential spectrum of Western military involvement. In reflecting on external influences, he identified the growing concerns emerging about China's agenda in the continent. Finally, he outlined the impact of the 'information age', the 'tyranny of real time' communications and decision-making, the media, and changing conceptions of war and conflict resolution on Western thinking about its potential role in the continent. In reviewing these developments he raised a cautionary note: if the West and African states fail to address the development and security challenges then there is a risk that weak governance will provide spaces for terrorist organisations to flourish.

Jack Spence reminded delegates that levels of external interest in African development issues are inherently influenced by non-African priorities, illustrated by the UK's relative disengagement following the July 2005 London bombings and the Western media's spasmodic publicity of African 'failure'. After reviewing the changed nature of external interest in light of the global war on terror, he developed thoughts on Africa's 'enabling environment' for development and the need to align indigenous culture with external initiatives. He observed that the African development agenda will inevitably result in winners and losers and that think-tanks have an important role to play in ensuring Africa's salience for Western policy-makers.

Asher Susser outlined fundamental issues and developments occurring in the Middle East, identifying three key trends. The first is the balance of power and influence as between Arab and non-Arab states in the region. Second, related to this, the trend is that Turkey, Israel and Iran have increasing salience compared to traditional hegemons (Egypt, Syria, Saudi Arabia). The third is the growing influence of Shia Islam at the expense of traditional Sunni dominance in light of the Iraq intervention. He evaluated the implications of the developments and the potential implications for other fragile states.

Pointers

A number of delegates speculated on the possible impact of a growth in investment from non-state actors attempting to export Islamic-based education to Africa, and the potential effects. The discussion reflected on how the Gulf states might respond and potential reactions in the context of the global war on terror. Discussion broadened to cover the importance of a range of non-state actors for African political developments.

Discussion focused on the relative balance between 'tradition' and 'modernity' when considering African development agendas. The importance of acknowledging the critical role of 'tradition' was highlighted in the Somaliland and South Africa case studies, and delegates reflected on how this model might be applied elsewhere.

A number of observations were made about how China's role and influence in Africa should be interpreted. The discussion generated two perspectives. The first is that China should be viewed as a state meeting its resource requirements adopting a similar approach to other states in the developed and developing world. The second is that China's attempts at wider influence in the region may impede multilateral co-operation. This suggests the need for more detailed assessment of China's approach, the prospects for drawing China into closer multi-lateral initiatives and whether its role in Africa should be viewed by the US/EU in zero-sum terms. The discussion broadened to address the role of other great powers in the region, notably Russia's position on resource questions.

A number of delegates questioned use of the term 'failed states' in the African context. They outlined potentially more useful concepts, including 'damaged' states (in terms of their political psychology), and advocated the need for more refined concepts and language when analysing the region.

The role and significance of United Nations' initiatives was debated. It was acknowledged that differing perspectives remain on the UN's relevance to Africa and its relative salience in relation to other multilateral forums. Discussion also focused on whether civil rights issues, 'good governance' and social reform programmes becoming less salient in US/European perspectives and policies towards Africa.

Middle East themes were considered relevant in terms of how lessons from Israel and Palestine might be applied to the African context. The key lesson identified from the Israel/Palestine case is that conflict resolution is unlikely to be effective in situations where external players want peace more than internal protagonists (who strive for a particular kind of peace). A second important, related issue was to recognise the constraints on external powers, including the United States, in influencing regional events – a key lesson for Africa's big states attempting to shape events both in their own regions and elsewhere in the continent.

Session Two: Differentiating Africa

Presentations

Jeffrey Herbst outlined a number of key correlates that explain African countries' ranking in per capita income over the past three decades. The overriding conclusion was that big countries (in population terms) generally perform badly (with the exception of South

Africa) whilst most of the countries that have performed well are small. Small states were typically more open to markets and perhaps easier to govern because they had fewer ethnic divisions and therefore leaders had to devote fewer resources to conflict management. There was therefore not likely to be a correlation between the power hierarchy of African countries and those that were economically successful. He noted that there was particular onus on South Africa, as the continent's only successful big country, to lead by example and champion good governance strategies in other African states.

Michael Finley presented an international banker's perspective on financial and economic options for Africa. He acknowledged that Africa as a whole simply does not register on Wall Street's radar screen, and consequently what Africa expertise exists in major international banks focuses on countries with tradable debt (bonds) outstanding. A major obstacle to more interest and activity in the African market is the general absence of financial trends – the result of drifting national economies – and a trend-free market is the worst kind of market to trade in. His key recommendation for Africa to reverse this situation is to develop economies to a point enabling issuance of sovereign 'benchmark' bonds. His key short-term recommendation is to catch the wave of global private equity overhanging uninvested capital, by organising private companies and projects of primary national need. Also advocated strongly were more obvious initiatives – building transparency, civil control of society, independent electoral and justice systems, sharing risks in new ventures – which should induce much greater FDI, and repeat investment.

Clarence Tshitereke argued that the economic outlook for Africa – with South Africa in the lead – is better than it has been in many years, largely as a consequence of the increase in commodity prices. He charted the dramatic increase in Chinese involvement in Africa over the past three years – in 2005, trade with China rose to US$40 billion. He cautioned, however, that the major risk to Africa's continued economic improvement was the global business cycle. Will there be a slump in America and china that will severely dampen commodity prices, and thus cause a sharp economic downturn? Tshitereke reiterated the essential and fundamental role of improved governance in attracting FDI and facilitating greater African engagement with the global economy.

Pointers

In the discussion that followed, the role of China in Africa figured prominently. (It was stressed, however, that often overlooked is the growing involvement of Russia, which in some sectors, notably minerals, is more active than China.) There were conflicting views on how Africa should respond to growing Chinese involvement, with some participants arguing that the focus on Chinese demand for raw materials is misplaced; the focus instead should be on global demand. Others highlighted the pernicious aspects of China's engagement with Africa, particularly China's willingness to extend credit lines to undesirable African leaders and regimes; its neglect of repressive and authoritarian internal policies; and its undermining of improved governance initiatives and processes being promoted by, for example, the New Partnership for Africa's Development (NEPAD) and South Africa.

The issue of African governance, especially its wide variation from country to country and the correlation between big (bad) and small (good) raised a number of key points. One point that was emphasised is the need to differentiate between economic and political governance – too often, it was argued, the distinction melds away in discussions on the subject. (China is a case of good economic governance, poor political governance.) One possible explanation for the big-small correlation was that in big states the 'national question' often remains unresolved

– that is, there are strong competing and conflicting entities (usually ethnic-based) within big states which undermine the development of good governance. It was also pointed out that even the African governance success stories, like Botswana, must be put in the context of recent global mean improvements in governance. As such, failures in African governance are even more worrying considering the overall global trend.

The central question emerging from the discussion centred around what would constitute the best enabling environment for Africa. It was suggested that Africa should be 'sector-specific' in its thinking; that is, African countries must realistically assess what they can do best. In agriculture and natural resources, African countries must devise better measures of protection, whether that comes through privatisation measures, stronger regional cooperation, or other means.

Lunch-time Address: The US Defence Review

Ryan Henry of the US Department of Defense, presented a general overview of the 2006 Quadrennial Defense Review (QDR) Report – the Pentagon's comprehensive quadrennial review of its defence strategy, force structure and budgetary implications. He stressed that the 2006 QDR marked a major turning point in US defence policy – a recognition of profound change in the nature of conflict in the 21st century. Three overall conceptual findings were stressed: First, the realisation that there would be 'operational uncertainty'; Second, that others would win the global war on terror, not the US, but that the US had to provide its allies with the capacity to win that fight; Third, that an effective military was not about numbers, but rather about capabilities and the effects that these can generate.

In this Henry highlighted the change in the nature of America's adversary from state to non-state actors, the need to develop new strategies to cope with the related challenges of conducting irregular warfare and addressing the root causes of terrorism involving encouraging moderate voices of Islam, and the strong emphasis on the humanitarian and non-military components which are anticipated to play a much greater role in America's mission planning and operations in the future, which currently are framed within the overall context of the global war on terror, now recast as the Long War. 'Africa' was not singled out for special consideration as a 'region' in the 2006 QDR, although it ties in significantly with a number of its key findings.

In the subsequent discussion, a number of questions were asked about the wisdom of continuing such enormous levels of defence spending – roughly half a trillion dollars a year – and whether other US initiatives, such as those related to Africa, suffer unnecessarily as a result. Also of interest was the relationship between QDR and US emphasis on nation-building; lessons which have emerged out of the complex insurgencies the US currently finds itself embroiled in Iraq and Afghanistan; and how successful the US's Global Peace Operations Initiative has proved.

Session Three: Strategies for Success

Presentations

Christopher Clapham assessed the performance of African states over the past 35 years, highlighting several factors which have contributed to the widening gap between the wealthiest and poorest countries. In so doing, he echoed Jeffrey Herbst's remarks about the importance of geography and population, but stressed that there were notable exceptions, like Malawi, which is resource poor and not wealthy but nevertheless comparatively stable. Africa's success stories – prominent among them South Africa, Botswana and Mauritius – have followed a similar track of pursuing political stability whilst maintaining growth coalitions. He called for the return of qualified, capable and skilled emigrants, to re-invest their knowledge. Critical to long-term African growth is greater acceptance of the principle of peaceful leadership transition – even if a successor is handpicked. This cannot be achieved where strategies are built around single people.

Patrick Mazimhaka presented strategies adopted by the African Union (AU) to address the challenges, domestic and international faced by the continent. He argued that the AU has achieved consensus in several areas, such as Human Security, Good Governance, Shared Vision and building partnerships. Integral to the question of human security is the AU security architecture hinged on the Peace Security Council, the Early Warning Mechanism, the African Standby Force and the Council of the Wise. Equally, the African Union Commission for Human and Peoples' Rights Commission and the Human Rights Court contribute to mechanisms to ensure human security. On Governance, he noted that the AU has adopted: the Lome Convention, which forbids "unconstitutional change of government"; principles governing elections, including a charter and monitoring activities; and the African Peer Review mechanism, designed to review and compose best practices among African states, which presently involves more than 30 countries. On globalisation, he stressed that Africa has embraced a common vision on the key issues of trade debt cancellation, infrastructure development, Agriculture, and UN Reform, and underlined the need for domestic and external 'resource mobilisation' to sustain this agenda.

Barry Desker posed the question: 'What characterised successful East Asian states?' Drawing on the lessons of the past, he drew attention to incorrect early predictions – such as the expectation that South Korea and Taiwan (resource poor nations) would not succeed – against the Philippines (resource rich) which would succeed. History has shown the inaccuracy of this prediction. What factors contributed to the growth of the former two countries? Key to their success is the presence of good governance, with applicable structures designed to apply to local conditions. The existence of a formal alliance of government, business and labour created the requisite environment for economic success. He cited the example of Singapore, where attention was paid to the international rankings for performance of various sectors, for example telecommunications, and then the necessary changes to improve performance were made. Attention was drawn to the dangers of protectionism in the long term, arguing that the state should not intervene in the market place as this has a tendency to lead to corruption and cronyism. In summary, this devolves to the development of best international practices and their application to local conditions.

Pointers

The discussion that followed highlighted the need to entrench private property rights for individuals and businesses, and subject any proposed nationalisation of major institutions to the most rigorous scrutiny. Also emphasised was the imperative to encourage greater return of the 'diaspora', but equally African states should not lose sight of those who are still overseas and ensure we can capitalise on their positive attitude. The AU has performed much better than the OAU, but questions were raised over whether it has set itself unrealistic expectations? With regard to the option of increasing pressure on intransigent leaders, it was noted that states do not develop from the outside and thus initiatives should be internally driven. Care should be taken not to 'push' too hard as this could have the opposite effect, and expectations beyond the capacity of the state should not be raised.

Evening Address: Journalism in Africa

In the evening talk author and journalist Michaela Wrong assessed the current state of international reporting on Africa and journalism within African states themselves. She was highly critical on a number of counts, and, even more worryingly, suggested that things are unlikely to improve. She used a number of examples to illustrate how in recent years international media interest in Africa has plummeted, partly owing to the thinning out of Western newspapers' and broadcast media presence in Africa over the past few years. This emaciation of Western journalism in Africa is illustrated by the closing of bureaus in major regional centres, like Nairobi and Lagos, and attempts to get by with a single African bureau – in South Africa – to cover the whole of Africa, which Wrong said was wholly inadequate. Drawing on her own experience as an author of books on Africa, she observes that widespread disinterest in Africa applies equally to the publishing world in Europe, America and elsewhere. She was similarly critical of media within African states, which also seem to take little notice of events beyond their borders. South Africa came in for special criticism because, unlike nearly all other African states, it has the resources to provide comprehensive coverage of events on the continent as a whole but still chooses instead to focus narrowly on domestic matters or 'Western' news stories, and rarely events 'next door'.

The discussion that followed threw up a number of challenges to this grim picture of African journalism. A number of examples were cited – from the once-weekly Africa-dedicated version of South Africa's *Business Day* to the ten-fold rise in the number of radio stations in Tanzania during the past ten years – that not only are some states' media giving prominence to regional news stories but also individual countries are beginning to develop sophisticated and dynamic domestic media environments. It was also pointed out that there has been a marked attenuation of all foreign news stories – not just African – in many countries, notably the United States. On the positive side, the internet revolution has made possible unprecedented opportunities for researchers, students and so on to access instantly the most recent output of national media in virtually all African countries, bypassing the traditional gatekeepers of this information. Lastly, it was suggested that Western media has perhaps been too reliant on their own, Western journalists to convey African news to their readerships and viewing public, and that efforts to give greater control of their African bureaus and so forth to Africans themselves ought to be undertaken.

29 APRIL 2006:
Group One: 'Promoting African Success: Strategies for Reinforcing African Reform'
Presentations

PTC Skelemani focused on the need to develop both the fundamentals for success (the rule of law, transparency, prudent and conservative and long-term fiscal policies, and a professional and apolitical civil service) but adapted for the African environment. The latter aspect includes, for example, including the need to employ traditional governance figures and structures in developing governance. He said development must be done in the interests of all domestic shareholders, not just government, and long-term plans followed to their end regardless of changes of government.

Dianna Games concentrated her presentation on the impediments for developing business in Africa. The real reward should not come from donors but from the success of economic growth. Wealth creation was not about aid, but about the steady trickle of investment and innovation. Problems in developing African business include: the weakness of the private sector lobbies; the dominance of political considerations over economic logic; a focus on short-term revenue needs over longer term planning imperatives; a focus on consumptive rather than productive investment by governments; the disconnect between governments and populations distorted by donor involvement; high transaction costs; and the variance in investor rules for locals and foreigners, with the latter often gaining preference over the latter.

Geoffrey Onegi-Obel proposed a number of strategies to reinforce African reform, focusing on dealing with the four things that represented the hopes and aspirations of Africans – jobs, housing, health and education. He said poverty alleviation was not interesting to Africans because it was not about those aspirations and yet Africa's benchmarks were set around the Millennium Development Goals. In a class of non-performers, Botswana was a star performer. What Africa needs to do is raise its benchmark to put it in line with those of emerging market benchmarks, he suggested.

Juma Kapuya asked whether Africans had lost the ability to initiate ideas and plans. Outlining Tanzania's progress from independence and the reform efforts of successive presidents, he said the fact that aid still played a large role in the economy more than 40 years after independence was a cause for concern. He said it was also a concern that the majority of the population was still marginalised from economic opportunities that resulted from those reforms. The government had not, he confessed, invested sufficiently in human resource development but had realised that this is the more important resource for the nation.

Pointers

The question and answer session dwelled on what governments could do to facilitate greater private sector growth and development – but were not doing. Issues about the significant obstacles to trade, particularly intra-African trade, were raised and the importance of regional free trade as a stimulant to economic growth was emphasised. It was suggested that African governments did not necessarily need more information about what the problems were as these were well documented, but required the political will to implement solutions. Examples of how governments could significantly ease obstacles for business were raised. The suspicion and often hostility towards the private sector was identified as a problem hindering improvements to the investment climate. The distortion of market forces by aid was highlighted, as were potential strategies to harness the wealth and skills of the diaspora. Finally, the prospect of developing an African Efficiency Index, both to identify the areas of necessary policy action and to benchmark African economies as well as to provide a focus for business lobbying, was mooted.

Group Two: Dealing with Insecurity: Terrorism, Weak States, & Bad Governance

Presentations

Bill Rollo drew on his extensive experience in UN and NATO operations in laying out a number of key principles that should guide international military interventions in Africa.

He stressed at the outset that intervention must be regarded as a beginning, not an end; regime change cannot be seen as an end-state. Seven imperatives were identified: early effect is essential, as there is an urgent requirement to shape the population's response to the intervention force, in order to set the conditions for future success; essential services must be restored as soon as possible; security was a pre-condition, but this could not be an absolute: political and economic action must take place concurrently; law, in the shape of police, judiciary and proper detention facilities, was essential to order – soldiers were not policemen, but provided the environment in which policemen could operate; disarmament and demobilisation would not work without rehabilitation; sound intelligence and thorough planning were conditions for success but not guarantors against failure; and formal, well-resourced bodies dedicated to addressing post-intervention issues, such as the UK's Post-Conflict Reconstruction Unit, need to be established.

Bob Houdek sought to dispel certain misconceptions about terrorism and insecurity in Africa. Terrorism is not a new phenomenon in Africa; it dates back to the 1970s, and there are clear links between events in the 1970s and 1980s and the infamous attacks on US embassies in Tanzania and Kenya in 1998. He argued that today's terrorists do not, as is commonly believed, find it easy to reside, even temporarily, in failing or weak states because of the serious frictions their presence creates with local populations. Indeed he suggested that the US government believes that Al Qa'ida terrorists who are currently in Somalia seeking a safe haven are seriously threatened by locals hostile to their presence. Africa itself, according to Houdek, is a poor recruiting ground for Al Qa'ida (with the possible exception of a small minority of increasingly radicalised South African muslims) because of the relative lack of education and 'worldliness' of ordinary Africans. Contemporary terrorists, as illustrated by 9/11 and the 7 July London bombers, are typically drawn from the more educated segments of society.

Amama Mbabazi reflected on terrorism as a contested concept and gave an overview of Uganda's recent experience of internal terrorism – that is, Ugandans killing other Ugandans. Terrorism is of particular concern to Uganda, owing to its membership of the Organisation of Islamic States, and its two major counter-terrorist challenges: fighting the Lord's Resistance Army (LRA) and the Allied Democratic Forces, both responsible for horrific atrocities against Ugandans in recent years. He outlined three major terrorism issues in Africa – state sponsorship of terrorism; dependence of terrorist group on weak and poorly-governed states for sanctuary; and the international linkages which sustain terrorist movements. Addressing these issues within the Ugandan context, four measures were identified to ameliorate and eventually defeat terrorism: continue consensus-building on a single international definition of terrorism; redouble governance programmes and ensure states have the capacity to maintain control over their territory; and improve international cooperation in tackling terrorism, as exemplified by Sudan's decision to allow Ugandan forces essentially free reign in the south of Sudan to root out LRA forces, whilst simultaneously building capacity of African states to deal with the problem without recourse to international assistance in the form of the UN, whose ability to deal with the re-located LRA in the Democratic Republic of Congo has been severely limited.

Pointers

The discussion that followed focused on four key themes: the relationship between good governance and the ability to fight terrorism; contrasting definitions of terrorism; enablers for successful armed interventions and peacekeeping missions; and the increasing prominence of other forms of insecurity.

In addressing these themes, some participants used the example of the Niger Delta, where poor governance has created a vacuum in which terrorists are becoming increasingly active, and where the development of a full-blown insurgency is not inconceivable. Looking more broadly at the issue of governance, participants remarked that the critical issue was that of political leadership and failure to provide good leadership was a first order problem in Africa. Without it governance cannot be improved and consequently states will be unable to address the various forms of insecurity that afflict African societies. Insecurity, others argued, was a broad problem on the continent and largely the result of poor state capacity. In short, without a functioning state system, insecurity (and terrorism) will continue to haunt Africa. In this context the rise in the number of democratic elections and adherence to term-limits provides grounds for optimism.

Terrorism as a contested concept was borne out by the discussion, but there was agreement that we need to move out of the definitional morass and accept that whether we are fighting terrorists, insurgents or 'freedom fighters' the response thus far has been inadequate. The participants agreed that the international community must come to grips with a fundamental question: can you negotiate with today's main global terrorist threat, Al Qa'ida? There was no consensus, but there were forceful arguments that there are grounds for engaging with specific elements of the Al Qa'ida movement if no more than to isolate them from the core component thereof. Others differed with this view, making the point that a distinction needs to be drawn between the aims and objectives of international terrorism and that of domestic terrorism such as seen in much of Africa. Whereas the latter was rooted in socio-economic and political conditions, the purpose of the former was in opposition to the core values of the Western value system and that engagement would achieve little purpose.

Despite the substantial emphasis on terrorism, questions were raised over its significance in relation to other forms of insecurity – such as water, health or economic insecurity. It was suggested that international terrorism (as apposed to domestic evidence of subnational terrorism) is relatively unimportant in Africa compared to these other threats and those of the proliferation of small arms and the like. One related recommendation was that we should seek to build within Africa a cooperative paradigm of security.

The efficacy of the African standby force in counter-terrorist operations was considered throughout, although also highlighted was the tendency to over-concentrate on the ASF which was only one component in a much wider portfolio of possible responses to conflict management on the continent. Its activity is restricted to the 'hot war' phase and as such is in some ways of secondary importance to the need to build domestic stability and domestic capacity in Africa. The latter, it was argued, emphasised the importance of police forces, the rule of law and other components of the criminal justice system. Finally, some participants argued that conflict prevention should be where the AU placed most emphasis, but currently finds itself unable to act effectively.

Lunch Address

Nick Stern reflected on the African Commission process 12 months on and assessed its delivery. In the discussion that followed, a number of issues were raised. Aid effectiveness was improved both by lessons learnt and better standards of governance. It was uncertain whether Africa would remain a central agenda item at the next G8 summit. It was also uncertain whether a reduction in agriculture subsidies in Europe and North America would benefit the majority of Africans.

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Summary Session: Perspectives on Reinforcing Success and Dealing with Failure

Paula Thornhill focused her reflections on approaching African security issues from the perspective of a strategist rather than a regional expert. From the perspective of the former, as Africans wrestle with the myriad issues facing their continent, she argued it might be useful to keep the following questions in mind: In any given situation, what are the questions/issues being addressed? What are the imbedded assumptions decision-makers are bringing to these issues? What is their understanding of the strategic environment in which these issues are being addressed? What is their strategy to maximize the strengths and mitigate the weaknesses in the formulation of strategies to address these issues? What is the strategic 'frame of mind' decision-makers bring to a particular issue? And, finally, how does this strategy fit into long-term visions for Africa?

Michael Spicer addressed, firstly, the differentiation argument which proceedings had settled. Whilst thinking continentally on big common issues, actions had to be locally and specifically focused. Strategy for change required political will first, then a focus on what was required to release the energies of the private sector. In this regard, Barry Desker's argument on East Asia was compelling as was the Singaporean and the Botswana experience in respect of a good governance framework. The debate on aid raged on unsettled with two broad approaches ultimately focusing on more and less aid respectively. Finally, Spicer considered some measures that business could take to promote reform both directly and indirectly, including the creation of an African Efficiency Index.

Pointers

The discussion that followed the summary session underlined the urgent need to close the communications gap which persists between the business world and the political world, and identify – with much greater precision – what external actors can realistically do to encourage pro-growth constituencies within African countries. Improving the quality of leadership was singled out as one of the continent's most pressing challenges. Also highlighted were the disastrous consequences that can result from commercial interventions in Africa if their potential trickle-down effects – especially for wider employment – are not recognised or understood beforehand. Lastly, there was a consensus on the growing value of distance learning programmes, which enable African scholars and students to exploit technology and the skills of African expatriates to develop and improve – through information exchange and teaching or via traditional collaborations – African social, business and scientific institutions.

2. Security

A Strategist's Approach to African Issues

Paula Thornhill

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This year's Tswalu Dialogue deftly highlighted the complexity and the vastness of the political, economic, and security challenges facing Africa. However, the issues raised in the Dialogue arguably look different when viewed through a strategist's prism rather than the lenses of a regional expert. Indeed, the discussions highlighted the need to think more systematically about crafting a strategic approach to African issues. The questions and ruminations that follow reflect the 2006 Tswalu Dialogue's depth and breadth, and offer some thoughts for consideration when placing key African issues into a strategic context.

The End State

The fundamental questions any strategist must first address are: 'what question(s) or issue(s) needs to be addressed?' and 'What is the end state?' In Africa's case, myriad issues were addressed in the various sessions: governance, economic growth, illegal immigration and terrorism to name a few. These are all profound issues facing the African continent. However, during the discussions, several implicit questions arose that went unaddressed. For example, are these problems solvable or only manageable? Is there a priority when it comes to their resolution? Does solving the issue of governance, for example, make it easier to combat terrorism? If no priority is assigned to address key issues, do the experts understand why? And finally, what are the interactions between the major issues? The latter can be particularly important because understanding, and effectively managing, the interactions among economic, political, and security issues frequently produces the most positive and dramatic results. From a strategist's perspective, failure to explicitly address such questions devoted to identifying an end state will likely produce flawed courses of action and the associated outcomes.

More fundamentally, this year's Dialogue skirted the most critical question: what is the desired end-state? As the sessions grappled with questions of terrorism, governance, economic growth, etc., did participants share at least a notion of a common end-state? Was it the same for the entire continent? Was it unique to specific African nation-states or regions? For strategists, analyses only gain relevance when viewed in the context of an articulated, shared end-state. Without that end state, strategists lack the necessary context to understand an issue's complexity, and hence can not propose a useful strategy to address it.

Assumptions

The strategist's work has only begun with the identification of ends. Once the strategist has tackled the fundamental challenge of describing the end state, the next step is equally essential. It focuses on explicitly articulating the embedded assumptions underpinning the desired end-state. Arguably during this year's discussions, critical assumptions affecting the issues at hand went unstated. For example, is an economic determinist's world-view relevant to solving key African issues? Is democratization crucial to Africa's future? Does the neo-liberalist approach to the world provide the best construct to solve Africa's problems?

Everyone brings implicit assumptions to critical issues. This is particularly true when dealing with individuals as well educated and talented as the Tswalu Dialogue attendees. Without understanding what these assumptions are, strategists run the risk of actually working at cross purposes. It is essential to tease out assumptions and explicitly state them in order to devise an effective strategy.

The Strategic Environment

Once assumptions are articulated, strategists focus on identifying and understanding both the major influences and the nuances of the current strategic environment. This step forces one to grapple with the viability of the desired end state, specifically given the realities of the strategic environment, is the end state achievable? Over the course of the Dialogue, the discussions have highlighted four guiding principles that are useful to keep in mind when describing a strategic environment.

First, lexicon matters *but* don't obsess about it. Two words exemplify this point, 'Africa' and 'terrorism'. During the Dialogue Africa, for example, has been implicitly defined as a continent, nation-states on the continent, sub-Saharan nation-states, an amorphous region of vast resources, an equally amorphous region that lacks resources, a regional organization (i.e., the African Union), a critical hiding place for terrorists, and a land of deep crises.

At different points all of these definitions might make sense but only if the same definitions are used at the same time. Because of its multiple meanings, 'Africa' should be stricken from the lexicon and replaced by more precise descriptions. This would force strategists and regional experts alike to articulate clearly what aspect of Africa they are considering when addressing issues impacting the continent.

On the other hand, the strategist must be careful not to be consumed, and hence paralyzed, by lexicon. The word 'terrorism' embodies this tendency towards verbal paralysis. Since 11 September 2001, countless debates have occurred revolving around questions such as: what is terrorism? Who are terrorists? And, what are the terrorists' motives? Some discussion is vital to understand arguments, craft strategies, and pursue policy recommendations. However, in these discussions the definitional debate over terrorism threatens to overshadow everything else, making it difficult to proceed to strategy and policy options. During the terrorism breakout session at this year's Tswalu Dialogue, this conundrum manifested itself yet again. A strategist would argue that if a word is so difficult to define, it is time to either settle on a working definition or find another word that communicates more precisely. Lexicon should facilitate academic and strategy discussions, not inhibit them.

The second guiding principle for describing the strategic environment is to remember that 'neighbours are neighbours forever'. Geography brings together a vast array of nation-states on the African continent that *must* co-operate with each other on matters such as illegal immigration, border disputes, allocation of scarce resources, corruption and AIDS. Regardless of the extent of the international community's involvement in African national and transnational issues, the nation-states on the continent should always care the most about addressing these issues. Moreover, those nation-states sharing common borders should always bring to African regional issues a level of nuanced understanding all others lack. If African nations defer leadership responsibility to international organizations or non-African nations, the likelihood of successful executing strategies to solve problems on the continent plummets precipitously. This point is one of the most compelling reasons to seek long-term solutions to tough problems from African leadership rather than the international community.

The third guiding principle is a corollary to the second: nation-states are Ptolemaic actors in a Copernican, international universe. During various Tswalu discussions, arguably another embedded assumption was that the broader policy and academic communities shared the same interest in African issues as the Tswalu participants. African national leaders frequently make a similar miscalculation. From their Ptolemaic perspectives, the international community must be as interested in African national and transnational issues as African leaders are. In fact, the opposite is usually more accurate. No matter how vital an issue might be to an African nation, it is likely of distant concern to the vaster, Copernican international community, unless the latter feels it is directly affected. In this Copernican community, nations and regions are always fighting for position in the international 'solar system'. Therefore solutions to most African issues, whether continental, regional or national, will have to emanate from within an African nation or region. African leaders should neither expect nor desire the international community to intervene and take the lead on resolving most tough issues.

Finally, the fourth guiding principle to remember when describing the strategic environment is that 'facts matter'. In some of the Tswalu sessions broad generalizations provided the underpinnings for arguments rather than specific, compelling facts. This was particularly true in discussions of physical security, corruption, and economic issues. Although strategists must be careful not to get bogged down in details and metrics, they must understand the facts that define a challenge. Without this understanding a strategy to address any issue will likely fail. Therefore, to understand and solve the myriad challenges facing the African continent, a general agreement on the relevant facts and how these facts shape the associated issues is essential.

The Means

Based on an understanding of the environment, how is a strategy crafted to address an issue? A strategist would identify the political, economic, military, and informational means available to achieve the end-state. This is done largely by assessing, first, available strengths and striving to maximize their impact, and then identifying weaknesses, in order to mitigate them. For African nations, for example, this would include a comprehensive assessment of political institutions, military and other security capabilities, available resources, human capital etc.

In addition, a strategist would look for best practices or lessons learned that might provide a framework to resolve an issue. This approach is based on the assumption that understanding past or ongoing initiatives (successful and unsuccessful) can help mitigate some of the risks when crafting and implementing future strategies. For example, the issue of effective governance has been discussed frequently during the Tswalu Dialogue. Do the Afghanistan Provincial Reconstruction Teams (PRTs) offer any lessons that might help address governance issues in Africa? Is there any similarity in the governance issues facing Afghanistan and some of the weaker African nation-states? What about the Reconstruction Opportunity Zone concept for the Pakistan-Afghanistan border, and the underpinning assumption that governance and economic development are intertwined? If none of these examples is relevant, do strategists understand why? That understanding alone would help planners think more precisely about possible strategies to deal with African issues. Indeed, strategists recognize that the intellectual discipline alone required for such analyses proves invaluable for honing planning skills.

Finally, when crafting a strategy it is important to understand what support is necessary from senior political, economic, and military leaders. Do they need to empower leaders at a lower level? Does it require greater intellectual capital in the public and private sectors? How reliant is the strategy on external assistance? And, does this strategy fit into the twenty-to-fifty year vision for a specific nation-state, its immediate region, and the continent overall? In short, from the leadership perspective, does the strategy effectively match up the means and the ends? A strategy must realistically address the challenges facing, and the limitations of, the national leadership or it is unlikely to succeed.

Why Strategy Matters

The deliberate, thoughtful disaggregation of complex security issues and the identification of practical steps to address them could offer a framework to reshape African nations and regions over the next several decades. Certainly crafting a strategy is a dynamic process – external influences will constantly buffet the best strategies and routinely require policymakers and strategists to make adjustments. Indeed, on a practical level, one might even ask 'so what'? One could argue that a strategy is nice to have, but assert that it has little day-to-day relevance.

In the military profession this ability to tie strategic ends to available means is critical at all levels of operation, in peace and war. US defence decision-makers, for example, draw on strategic analyses such as the US quadrennial defense review and national military strategy to shape their policies. These strategies in particular touch on everything the US military does, not only in Africa but around the globe. Indeed, based on these documents, US defence leaders made initial assessments about military-military relations with African nations on issues such as: what combined operations the US military should support; what joint training exercises are worth participating in; and how many student seats in US military education/training programmes should be allocated.

Thus, a strategist's approach to African issues at a minimum allows for more clarity on the nature and magnitude of the problems to be solved. But hopefully, it is more than that. A strategy that allows complex problems to be addressed in a manageable, realistic way builds confidence within a nation's leadership and population that challenges can be successfully addressed. This confidence and optimism, in turn, inspires others to ally and assist in associated efforts. A thoughtful, realistic strategy can, indeed, lead to very significant results. It is certainly not a guarantor of success; however, the absence of a comprehensive strategy virtually ensures continued problems in critical areas within African nation-states and throughout the continent.

The views expressed above are the author's own. They do not represent official views of either the US Department of the Air Force or the US Department of Defense

Africa and Whitehall – Communicating on Security

Richard Cobbold

Rear Admiral Richard Cobbold took up his appointment as Director of RUSI in September 1994. He is a Fellow of the Royal Aeronautical Society, and a Governor of the London Nautical School. He has been a specialist adviser to the House of Commons Defence Committee since 1997, and is senior policy adviser to the Ocean Security Institute in Washington.

Far too many otherwise distinguished people in Whitehall do not rate African issues – differentiated or not – as factors that are relevant to the United Kingdom's future security.

If I am able to look at Africa just from one level higher than the 'man on the Clapham omnibus' (rather ignorant but interested), this is due substantially to this Dialogue. My previous visit here was in 2004, when we marked the tenth anniversary of the Rwandan genocide. This was a stark example of failure by the United Nations (UN) to impose and sustain a peace, and the rather muted consequences do not inspire confidence. It was a failure by the rich countries to allot sufficiently high priority resources needed to accommodate future interests, and meet future opportunities and challenges. In the Congo, the UN forces have a new German Commander; this may be a political gesture by Chancellor Angela Merkel, but it is a gesture in the right direction. But to find out the contribution of the African Union (AU) forces, you have to drill deeper, and while it may be hopeful, it is not yet robust.

For me, the question is whether the AU has the resources to do what needs to be done across the spread of Africa, measured geographically and across the issues. From that, three questions arise: does the political will to achieve solutions exist; can the required numbers of forces be generated from an appropriate mix of countries; will those forces have the capabilities to deploy, to operate effectively and to be supported? In sum, can they do the job? The AU's involvement in Darfur is relevant and vulnerable to these questions.

The next question is whether it is better to try and not succeed, than not to try at all. In attempting to answer that question, one has to be very aware that reaching a solution will not be solely a military activity; indeed, the military activity may not be the major factor. So there may be many ways to skin the cat, with a mix of soft and hard power capabilities being the most likely, together with short- and long-term measures, and between all of them there will be friction. Equally, because hard power may be ugly, it does not mean that it may not be essential. In Darfur, NATO is providing some logistic support; this can be unobtrusive and important, but the degree of support is very different from having troops on the ground. The risks for NATO would be significant: a major operation out of area, against the wishes of the Sudanese government.

Osama bin Laden's tape broadcast on Al-Jazeera over the weekend raised the twin spectres of Christians fighting Muslims, and white intervention in a black country: oversimplified certainly, but spectres nevertheless. At least one commentator has written that a Western intervention in Sudan would play into the Jihadists' hands, uniting all factions against the West. Does this mean that Western support inside Africa is going to be progressively more difficult to effect? Very possibly, but the more substantial reason for a lack of progress may be more prosaic in that there is a deadlock in the UN Security Council (UNSC). And the reason for this is at least in part that China is on the move in Africa, and Sudan has oil. China's voracious consumer appetite, most obviously for oil, draws them into a global expeditionary strategy and they may be expected to use their veto as a permanent member of the UNSC. China and America both seem well aware of China's importance in Africa. It is no coincidence that President Hu Jintao visited Nigeria after Washington and before visiting Saudi Arabia. China's interest in the Gulf is well known and very understandable. China will have to seek an assured oil supply, and to assure it, the supply will be geographically diversified and politically safeguarded. In 2005, China accounted for 31 per cent of global growth in oil demand, and China imports 28 per cent of its oil from Africa. The link between China, oil and Africa is both evident and complex.

The spread of instability from Darfur towards and into Chad – apparently connected to Al-Qa'ida activity – may have unintended consequences in that France may be drawn in to an extent and with a timing they do not like. China's march may be seen to be facilitated by a reaction to the West's involvement in human rights. As such, China has attracted some unsavoury bedfellows. Zimbabwe is one that looks east to, amongst others, China. The Zimbabwean newspaper, *The Herald Online*, published an article on 20 April 2005 suggesting that the 'Look East' policy has checkmated neo-colonial designs. The same paper also fairly emphasizes East-West competition for resources, focusing on Africa, as not new, but growing. The final line states, 'It was high time, Asia and Africa, two continents that suffered at the hands of Western plunder, closed ranks to protect their interest.' That's one point of view, but what we must realize is that just as Africa can rarely act as single states to maximize regional stability, so must Africa also be ready to act appropriately or contribute to security in a global context. That means taking maritime security seriously, and few links are more evidently important than sea lines of communications.

If there is competition for Africa – and that is not new – it is not homogeneous. In general, the Mahgreb states are achieving positive results in their relationships with the West. The NATO-Med Dialogue is far too slow in producing results, as is the EU's Barcelona Process, but they are moving forward, not back. Even Libya, long-term international pariah, is making occasionally spectacular progress and is on the verge of doing much more. There is hesitant and sceptical reconciliation underway between both the US and Britain with Libya. That is good, and the West should reinforce success.

Terrorism may not yet be the greatest scourge of Africa, but African countries have seen enough not to sit on their hands nor deny the dangers. Countering terrorism is a function that cannot be achieved by single countries acting alone. International co-operation is essential if the right effect is to be achieved. Linkages, in a different way from differentiation, are important. Intelligence sharing, communications, mobility and the ability to bring together all the actors that have a role to play in countering terrorism, are the vital means. This is easy to say, but hard to do.

Two of these means particularly are increasing in importance.

The first is the battle for hearts and minds; an old phrase – almost a cliché – with a very up-to-date relevance. Sun Tzu was very clear that the best victories were won when you did not have to fight. The counter-insurgency campaign in Malaya in the 1950s was gradually won as the insurgents lost the will (or the means) to carry on. The US lost the will to carry on in Vietnam (though they still had the material means in abundance) and suffered a strategic defeat that left deep scars. What has changed is that now we are in the information age; the political will to carry on has changed nature and is hugely better and more instantly informed. The bad behaviour of British troops in Iraq in late Spring 2003, incidents of which keep bubbling to the surface, is deeply regrettable and damaging, but I suspect – and many agree with me – that the incidence of bad behaviour is not greater now than it was in earlier wars, only that people find out quicker and more surely. The media makes reflective moralists of us all. The use of a mobile phone camera uploading to a TV station ready for short-notice transmission imposes the tyranny of real time on the military, on governments and on popular opinion. This is, and will be, reflected in the willingness of governments from outside the region to commit forces inside.

If this development has some way to go before it is ubiquitous in Africa, it will catch up. Late starters move fast, and information-less conflicts will become less frequent. Unencumbered by bureaucracy, electoral systems or evident moral codes, insurgents and terrorists can use the technology to disproportionate advantage. The Western media, answerable as they are to circulation and viewing figures, tend to intensify interest in stressing disaster rather than reinforcing success. Governments, as we know, can spin with the best spiders – but this can not only reduce their long-term credibility, it can also reduce their stamina when the going gets tough. The information age is not just a matter of managing or mismanaging public information, it is also a matter of using information as a weapon. This is an area where the location of expertise and the rate of change of expertise are uncertain. As an unrelated example, the effort put into information warfare across the Taiwan Straits is exceptionally high. Ironically, because we may not know much about it, it does not mean it is not happening. I suspect if you want to know who is doing this sort of activity, look at the statistics over the last fifteen years on who is sending the most students to graduate in computer sciences and information technology.

Coming together is the ability of insurgents, who do not have access to large scale integrated systems, to produce results from readily available commercial equipment linked to become large scale systems, producing a remarkably effective command-and-control capability; a suitable effect to match the perceived need. Operating on a wing and a prayer, this capability can allow terrorists, insurgents and criminals to command and control their operations to good effect. I accept that conventional wisdom has it that any electronic emission can be exploited by government forces. Maybe so, but that is not necessarily the end of the story, especially when used in an appropriate context. It may be we are facing a new asymmetry here, and we shall be on the wrong side of it. If it has not reached parts of Africa yet, it probably will. And on the side of governments, there are very many different actors, which will change with time and place as well as the phases of the campaign. All these myriad actors have to be able to co-ordinate their activities, or at the very least be able to communicate about them. That is not a trivial task, but it is essential if the various elements are not to be unpicked by the terrorists or insurgents.

Perhaps Africa is like a large aircraft carrier on a dark night, with its IFF (Identification – Friend or Foe) unserviceable and its communications intermittent. Many aircraft are circling beyond the horizon, some seem to be approaching. Will they land on, or bomb? What do you do? The first requirement is to sort out the communications.

Intervention in Failed or Failing States

Bill Rollo

UK Major General Bill Rollo is General Officer Commanding Theatre Troops, Multi-National Division South East (Iraq).

Introduction

This paper highlights, in a spirit of hypothetical enquiry, the issues that need to be addressed when intervening in a failed or failing state within a broad African context. Regional experts will of course have a far better grasp of the relevance and applicability of some of the ideas put forward here. Every situation is different, and it is not a perfect world.

Issues in Intervention

Starting with intervention, the first and most obvious point – though it may not seem so at the time after a protracted process of negotiation to gain agreement on the action – is that intervention is the easy bit. To use a bumper sticker-style slogan, 'Regime change is not an endstate.' Rather, it is very much the end of the beginning, rather than the beginning of the end. I shall assume that the mandate has been set, political authority and legitimacy is clear, and that some form of arrangement for overall civil governance has been set.

The scenario is: You have arrived with your force, the opposition has, perhaps temporarily, melted away, and you are left, quite literally, holding the baby. There will, almost by definition, be no or little government, police, judiciary, transport system, fuel, food, power, water or medical aid.

What is done next, how quickly and how efficiently, will shape people's reaction, inside and outside the territory concerned, to the remainder of the mission.

Speed is important. The situation is fluid, and there lies the opportunity to set the conditions for future success, and to shape the population's reaction in a positive way. The converse is also true. If it is done incorrectly, it may be much more difficult and expensive to reverse a negative impression and get back on the right track later on. Consent to external presence is finite. People do not like outsiders, and sooner or later, they are likely to turn against them, however great the initial welcome. But the welcome will extend if it is obvious that people's lives are improving.

What and How?

So what and how is this achieved? On the first issue, the professional developers will say that security is an essential precondition for all else, and they are right, but it cannot be an absolute. Rapid progress also needs to be made in restoring or providing essential services – that is, power, water, fuel, and medical – even when security is not perfect. Whether this is done by the military or by civilians is irrelevant, provided it is done quickly and well.

Secondly, law as well as order needs to be restored. At its simplest, when someone is detained for some obvious crime, they need to be put somewhere, and a legal process needs to exist to take matters on from there. Soldiers are not policemen. They should provide a safe environment for the police to do their job. The police in turn need to support, and be supported, by a judicial and penal system. If these have collapsed, they must either be rapidly recreated, if that is possible, or the difficult process of creating a new one needs to be initiated.

Implicitly or explicitly, there will also be a requirement to disarm, demobilize, and reintegrate the combatants into society. This may be relatively straightforward, if the adversaries are disciplined, organized and subject to an agreement. It is much less so if they are not. Force is likely to be only part of the solution. Much will also depend on the longer term issues of politics and the economy, emphatically not a soldier's job, but very much his concern – if they are mishandled, his job becomes much harder. It should go without saying that there needs to be a plan for re-engaging the population in a political process, and for reconstruction, in a way which recognizes the causes of the original conflict – and that people need to know what it is – the earlier the better. There needs to be a mechanism for this, whether through existing or new media.

Perhaps the most critical point is that progress needs to occur all along the different axes concurrently in a co-ordinated way. All of this is expensive, but energy and cash spent early on will mean it runs cheaper in the long run.

The African Union Standby Force

In focusing on contemporary African issues and concerns, what does this say about the capabilities required of an African Union Standby Force and any division of labour? A quick win should be legitimacy, political authority and a clear mandate provided by the Security Council.

Early warning by the monitoring service will need to provide a force commander with essential information on personalities, politics, geography, and the economy; as well as sufficient information on the essential services for him to plan restorations in advance.

The Permanent HQ can and should be able to contingency plan as a situation in which intervention is possible develops. The very act of planning will be politically sensitive, but the quality of a mission will initially depend largely on the quality of the judgements made by this HQ on the resources and time required for the mission, and on political acceptance of them. And the reality will be a compromise with a degree of risk, which needs to be clearly understood by all concerned.

The Force HQ will need attention. The co-ordination of the different activities described above will take careful preparation and training with all the agencies involved. In the United Kingdom, the Post Conflict Reconstruction Unit has been set up to help this happen.

The standby Brigades themselves can provide the essential boots on the ground to rapidly re-impose order, but the force also needs to include the other capabilities described above – specialist engineers and medics for essential services, policemen and others to add the law to order. Numbers, as well as technology, are important to cover the ground: the greater the obvious capability of the force, the less likely there is to be an argument. Perhaps even more important than numbers will be robust Rules of Engagement and, whether in Peacekeeping or Peace Enforcement, the will to interpret them robustly to achieve the mission.

All of the above has to be within the capacities of the African Union if the African Standby Force is ever to become effective. Currently, even with advice, training and preparation, they are not quite there – yet. Nor are they easy, and nor do they guarantee success. Events ('Events, Dear Boy, Events,' as Macmillan said) have a way of entangling the best laid plans. But to get them there and to finance the political and economic actions required will depend upon political will to find the money, lift and logistic support on a scale which no single nation can afford or sustain for long, and which will need to come from elsewhere – whether provided by contract, the United Nations or Western nations.

Now – dream on, experts may say – the

real lesson from recent examples will be not to do it. But intervention, while a last resort which is infinitely less desirable than prevention, is an option which political leaders will wish to retain. And if, as Macbeth said, 'if it were done when 'tis done… then t'were well it were done quickly'.

The Changing Middle East: An Overview and some Implications for Africa

Asher Susser

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The Middle East of the last twenty years or so has undergone a series of changes of historical consequence. These are mainly the following: 1) The diminishing power of the Arab states; 2) The rise of the non-Arab regional powers; and 3) The shifting balance between Sunnis and Shias. These, in turn, have given rise to alternating perceptions of Israeli security.

The Diminishing Power of the Arab States

The Arab states, for the most part, have missed the boat of globalization as the gap between them and the advanced states of the first world continues to grow. The traditional centres of Arab power are all going through some form of political crisis, and rising oil prices will probably not change much. The price hike may provide the means for some of the old regimes to hang on, but would hardly suffice to extricate the Arabs from their predicament. Generally, in the last two decades, the Arabs have weakened considerably as former Arab regional powers have lost their hegemonic status.

Egypt no longer wields the regional clout it once enjoyed. It is a poor third-world state. The Egyptians cannot 'deliver' the Palestinians, nor do they have the capacity to rein in Sudan and bring an end to the tragic genocide in Darfur, even though Egypt once claimed Sudan as part and parcel of its own sovereign territory. Syria under Bashar Asad is but a shadow of its former self under his father, Hafiz. It has been forced out of Lebanon and is totally isolated by the United States and its local allies. Iraq has been crushed by the American invasion and Saudi Arabia, even with oil prices going through the roof, is not as wealthy as it once was, due to spiralling population growth. Moreover, the Saudis suffer the insecurity of domestic terrorism, and have had a somewhat less intimate relationship with the United States since 9/11. Jordan, never a regional hegemonic state, is presently under acute pressure. The combination of the Hamas victory in the Parliamentary elections (in January 2006) in Palestine to the West with the endless anarchy in Iraq to the East is a particularly unsavoury combination for the Jordanians.

As the states in the Arab east (*mashriq*) founder, it is the non-state actors, Osama bin Laden and his supporters, such as Abu Musab Al-Zarqawi, who become the movers and shakers in the void of leadership and failed states in the Fertile Crescent. The terror and total chaos in Iraq could spill over into Jordan as the bombings in Jordanian hotels indicated in late 2005. Worse still, Iraq faces possible disintegration. A weak Sunni state, sandwiched between the Kurds and the Shia, and denied Iraq's oil wealth, could become an insufferable menace to its neighbours, especially Jordan, to which many may emigrate and thus bring even greater pressure to bear on Jordan's economy and infrastructure, already straining under the burden of hundreds of thousands of Iraqis who have taken refuge in the Kingdom.

The Jordanians fear that if they were to be inundated with refugees from both Iraq and Palestine, the Kingdom might not be able to withstand the stress. In terms of policy, the Jordanians do not have too many options other than to try and encourage the parties in Iraq to come to terms with each other and to urge moderation on Hamas in the hope that the worst can be avoided. But unfortunately for the Jordanians it is not they, but others, who really have the wherewithal to shape the regional political environment.

The actual dismemberment of Iraq into three 'statelets' – Kurdish in the north, Sunni in the centre and Shia in the south – could have disastrous consequences not just for Jordan, but for the entire neighbourhood. The Turks are wary of the potentially subversive capacity of such a Kurdish state, because of their own large Kurdish population in eastern Turkey, adjacent to Iraqi Kurdistan. The Shia statelet in the south would be far more dependent on Iran than would a more powerful united (albeit federative and Shia dominated) Arab-Kurdish Iraqi state, and thus a far more likely candidate to serve as a subservient and subversive cat's paw of Tehran.

The disintegration of Iraq along sectarian lines would be the first of its kind in the Arab state system since its creation in the 1920s. Others could follow, like Lebanon and Syria, leading to sectarian shifts of power to the Shia in Lebanon and to fundamentalist Sunnis in Syria, bent on unseating the Alawis, who dispossessed them a generation ago. The Iranians and Hizbullah, Hamas and their Syrian counterparts in the Muslim Brotherhood would all stand to benefit from the new disorder, in which Israel, Jordan and Turkey would all be tested to cope with the negative fallout of Iraq's demise.

The Rise of Non-Arab Regional Powers

Arab weakness has resulted in the emergence of a Middle East where it is the non-Arab players who are far more influential in the setting of the regional agenda than the Arab states are. If the notion of the 'Arab world' was once synonymous in power terms with the 'Middle East', this is no longer true. External actors like the United States, or to a lesser degree the European Union, and more importantly the non-Arab states of the region – Iran, Turkey and Israel – are the key pace-setters. The regional clout of Iran is demonstratively on the rise. The Iranians are evermore emboldened by American difficulties in Iraq and they seem determined to continue their quest for a nuclear capability.

Another non-Arab power rising to the fore against the background of the Arab void is Turkey. Perched above the Arab vacuum in the Fertile Crescent, Turkey is a regional superpower stretching all the way from Greece to Iran, controlling the water sources of Syria and Iraq, with the largest and most powerful military in the region, and a population of over seventy million. Iran and Turkey have more influence over Syria and more of a say on the outcome of the war in Iraq than all the Arab states combined (and possibly more than the United States too).

Israel is the third of the non-Arab regional powers. Israel's GDP per capita, in absolute terms, is larger than the combined GDP per capita of all its immediate neighbours (Egypt, Lebanon, Syria, Jordan and Palestine), even though together they have a population of 110 million compared to Israel's more or less 6.5 million. Israel's GDP per capita is almost twice that of oil-rich Saudi Arabia. Militarily, technologically and economically, Israel is way ahead of its neighbours and the gap is constantly growing. In its immediate environment and with the Palestinians in particular, it is Israel alone that has the wherewithal to initiate strategic change.

The Shifting Balance between Sunnis and Shia

In the Arab East, where the Syrian and the Iraqi Ba'ath regimes once vied for supremacy, there is an Arab power vacuum being filled by an expanding Iran, the likes of which the region has never witnessed in modern times. Iran is presently also buoyed by an unprecedented sense of Shia ascendancy. The tone and self-assurance of Iran's President Ahmadinejad and Hizbullah's leader Nasrallah are patently clear manifestations of this new reality. After having been the dispossessed and the downtrodden in the Muslim world for centuries, ever since the advent of Islam, the Shia are now in control in Iraq, which has become the first Shia-dominated Arab state; they are on the rise in Lebanon, where they are by far the largest religious sect, having bypassed the Maronites and the Sunnis decades ago; Bahrain's Shia majority has been emboldened by developments in Iraq, as has the Shia minority concentrated in Saudi Arabia's oil-rich eastern provinces. Sunni concern is palpable. Jordan's King Abdallah was pretty much on the mark in his anxious reference in late 2004 to the emergent 'Shia crescent' of influence, emulated more recently by Egypt's President Mubarak, who remarked with similar apprehension in April 2006 that most Arab Shia were loyal to Iran rather than to the states in which they lived (thus unwittingly confirming the questionable cohesion of some of the more heterogeneous Arab states).

The old concepts of core and periphery in the Middle East should also be redefined, as the former Sunni Arab core is becoming the periphery to the new non-Arab and non-Sunni core to the east: Iran and the new Iraq. As the United States sinks deeper into the Iraqi morass so Iran treats the West with ever increasing defiance and with an obvious sense of impunity and self-assurance. Saddam's Iraq had once been the Arab bulwark in the East, and its removal has opened the floodgates for Iranian regional ascendance.

Alternating Perceptions of Israeli Security

In this new Middle East, it is no longer the armoured might of the conventional armies of the Arab east that threaten Israel. Indeed, as the recent war in Lebanon has shown Israel is now confronting the newly emerging forces in the region, Iran and its hegemonic designs, coupled with its non-state Shia proxies, such as Hizbullah. The conventional Arab threat has been largely succeeded by the sub-conventional terrorism and guerrilla warfare of non-state actors, and the potential non-conventional threat of a nuclear Iran. Territory therefore figures less prominently in Israel's security calculus. The current security challenges are primarily the following:

- Terrorism and guerrilla warfare in all its forms, the so-called weapon of the weak, employed by non-state actors, and is thus particularly difficult to pursue and defeat.
- The non-conventional capabilities of states like Iran or Syria to develop nuclear or chemical weapons of mass destruction and suitable delivery systems, as equalizers on a strategic playing field on which they assess themselves to be weaker than their potential enemies.
- Regional instability and chaos that could result from the disintegration of Iraq, the impact this could have on Jordan and on other Arab states in the *Mashriq* and their domestic cohesion.
- The population explosion of underdeveloped Middle Eastern societies poses demographic challenges to Israel, in the case of the Palestinians, and to the European continent, which could be increasingly exposed to large-scale immigration from Arab countries incapable of sustaining their populations. This is already changing the face of Western Europe and will continue to do so, with political effects which could be disturbing for Israel. European disaffection is already compounded by the continuation of the occupation of the West Bank, which is eroding Israel's international legitimacy.

All of the above cast serious doubt on the old Israeli equation of territory and security. The long-held belief that more territory provided more security is hardly relevant to the challenges of the present. With the exception of the Golan Heights and possibly parts of the Jordan Valley (as Israel looks with concern to a potentially unstable Arab east), territory provides little special advantage. Certainly in reference to the Palestinian issue, territory has largely become a liability rather than an asset. Israel, therefore, must withdraw from occupied territory, preferably by agreement with the Palestinians, and even unilaterally if such agreement is out of reach.

The intractable 'end of conflict' issues on the Israeli-Palestinian agenda make it far more realistic to think in terms of conflict management rather than conflict resolution. The resolution of this century-old conflict, for all time in no time, is a most unlikely scenario. The effort to reach 'end of conflict' prematurely at Camp David in 2000 produced not peace, but war. When the parties resort to the ultimate umpire, the United States, without prior guarantee of success, failure leaves the players with nowhere to go other than to the battlefield. The lesson to be learned is not to go broke for conflict resolution when that is not attainable. Realistic management is a lot safer. Israel's differences with the Palestinians, on refugees and Jerusalem for example, are not going to fade away because Arafat has been succeeded by Mahmoud Abbas. This is all the more so after the victory of Hamas in the recent Palestinian elections. In the meantime, however, Israel cannot allow itself to be locked into the status quo of occupation, which is chipping away at its international standing.

Israel's decision to withdraw unilaterally is therefore a reasonable and rational policy choice. It had to do so because of the political cost of occupation, and it could afford to do so because of relative Arab weakness. If agreement could be reached, it would indeed be both preferable and worth the effort. But if not, Israel should proceed with further withdrawals regardless. Nothing, absolutely nothing, should be allowed to lock Israel into the status quo of occupation, which is so detrimental to its long-term interests.

The Middle East – Implications for Africa

The social sciences of the mid-twentieth century generally assumed that nations of the Middle East and Africa would undergo processes of secularization and nationalization that would forge new identities to supersede the primordial identities of family, tribe / ethnicity and religious community that had characterized these societies for centuries or even since time immemorial. Moreover, on the basis of these new identities, regional structures would emerge in the names of Arab or African unity, both of which proved to be mirages in these zones of durable primordialism in failed or failing states. Sub-Saharan Africa at the beginning of the new millennium was beset with more conflicts than any other continent. Raging from Angola to Sudan and from Rwanda to Zimbabwe, these mostly ethnic / tribal wars had claimed the lives of seven to eight million people.

Can external or regional powers reconstruct the failed states of Africa? Experience suggests that they cannot. The engineering of other peoples' societies by external players has met with repeated failure. More recent attempts by the US and its allies in Afghanistan and Iraq only serve as further proof of this rule. There is a desperate need for recognition of the relevance of primordialism, which is not being superseded by the modern state order. The modern order must, therefore, contend with, co-opt or caress the forces of tradition that will not go away. Their validity and relevance must be recognized in reference to all issues of reform, democratization, civil society and good governance. Even the greatest of powers ignore the weight of primordialism at their peril, as

Afghanistan and Iraq show so clearly.

Coming to terms with reality also militates in favour of conflict management rather than conflict resolution. Long-standing, deeply ingrained conflicts cannot be resolved for all time in no time, certainly not by the agency of foreign powers. It would be preferable to muddle through, fully cognizant of the distinction between the soluble and the insoluble, rather than going for broke and failing in premature attempts at conflict resolution. Such failures leave the parties stranded in mid-air in total despair, with nowhere to turn except back to the battlefield.

External managers cannot do for the local protagonists what they have no intention of doing for themselves. This is as true in peace-making as it is in political reform, democratization and good governance. The greatest Middle East lesson of all is perhaps the recognition of the need to distinguish between what is presently attainable and what is not. Management is all about this distinction, and then going about the business of resolving the soluble and postponing the insoluble for later. Resorting to the ultimate external umpire, for resolution, without advance guarantees of success is courting disaster. Failure to obtain a final resolution is more dangerous than not pursuing a final resolution from the outset.

3. Economics

Economic Differentiation in Africa*

Jeffrey Herbst

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The quest for economic development inevitably defines African countries. The table below details the seven lowest and highest ranked African countries by constant per capita income over a thirty-three year period.[1] Several conclusions can be drawn

Lowest/Highest Country Rankings (Constant 2000 US Dollars Per Capita Income)

1970		1980		1990		2003	
Burundi	118	Burundi	126	Ethiopia	95	Congo, Dem. Rep.	87
Malawi	122	Guinea-Bissau	144	Malawi	146	Burundi	100
Lesotho	152	Chad	152	Burundi	148	Ethiopia	102
Burkina Faso	162	Malawi	162	Mozambique	151	Liberia	120
Guinea-Bissau	178	Mozambique	175	Uganda	177	Guinea-Bissau	135
Mali	195	Burkina Faso	181	Liberia	179	Malawi	162
Rwanda	231	Mali	233	Guinea-Bissau	183	Eritrea	163
1970		1980		1990		2003	
Congo, Rep.	702	Swaziland	980	Swaziland	1,329	Namibia	1,845
Swaziland	722	Botswana	1,247	Namibia	1,606	South Africa	3,171
Cote d'Ivoire	840	Mauritius	1,564	Botswana	2,487	Botswana	3,532
Liberia	844	Namibia	1,967	Mauritius	2,522	Equatorial Guinea	3,716
Seychelles	2,646	South Africa	3,463	South Africa	3,152	Gabon	3,865
South Africa	3,104	Seychelles	4,531	Gabon	4,097	Mauritius	4,157
Gabon	3,105	Gabon	4,698	Seychelles	5,644	Seychelles	6,792

* Portions of this paper were originally prepared as a response to a workshop on African Differentiation sponsored by the National Intelligence Council on 31 January 2006.

[1] Data from before 1970 cannot be displayed due to too many missing values. Source: World Bank, World Development Indicators Online found at: www.worldbank.org.

from the table. First, the poorest African countries have become poorer over the last thirty-three years as the average per capita income of the seven poorest countries has declined from $165 to $124. And second, the richest African countries have become substantially richer during the same period as the average per capita income for these countries more than doubled from $1,709 to $3,868.

The range of development experiences across Africa is becoming increasingly disparate. There are more failed states but also more countries that have unprecedented high incomes by continental standards. There is considerable variation in the membership of the extreme low-income category. Only three countries – Burundi, Guinea-Bissau and Malawi – are in this grouping for the entire thirty-three year period. Other countries move in and out, including Uganda. Only Liberia has managed the trick of being amongst the richest countries (in 1970) and the poorest (in 2003), although Côte d'Ivoire may soon follow that path.

There is inevitably less variation amongst the richest countries because their performance is so much above the African average due to their sustained performance, although oil-rich Equatorial Guinea is clearly an exception. The countries with high per capita incomes in 1980 are still generally among the leaders in 2003. Inevitably, there is more variation when looking over the entire thirty-three year period (1970 to 2003): Côte d'Ivoire and Liberia were among the continental leaders three decades ago.

The inevitable conclusion to be drawn is that many African countries have had varied experiences but that they largely stay within a big grouping. Occasional disaster pushes some toward the low end, but most countries still have enough resilience to escape being perennially amongst the poorest. Only a few countries have sustained economic growth over several decades.

The correlation between size and economic success is clear. Besides South Africa, home to forty-six million inhabitants, not one of the top-ranked seven countries have populations greater than two million. The six highest-income countries in Africa besides South Africa have an average population of approximately 1.1 million. Not all small countries are rich but, with the exception of South Africa, all relatively rich countries are small.

Of course, size is not the only characteristic of countries that have performed relatively well. Some countries face enormous structural obstacles to development, notably the lack of a port, which inevitably makes transportation costs much higher. In addition, there is a marked tendency on the African continent for countries that lack coastlines to have adverse conditions for agriculture. In particular, the Sahelian countries may not ever have an easily definable path to development in the near future, a problem that may only be aggravated by global warming.

Still, structural obstacles do not inevitably lead to a particular ranking amongst countries. The Democratic Republic of the Congo is not landlocked and has significant resources, as well as agricultural potential, but is still amongst the poorest countries in Africa. Interestingly, none of the Sahelian countries – despite being landlocked and possessing limited natural resources – are amongst the very poorest countries in Africa today. For most African countries, macroeconomic policies and political strategies that promote growth and peace will have a significant impact on economic policy. The governance agenda – including the rule of law and protection of property rights, low corruption and a civil service that streamlines regulations to aid businesses – does have an effect on economic growth over time. Openness to the international economy is also important because no African country will get rich simply by selling to its own impoverished population, or even to the impoverished populations of nearby countries. Indeed, embedded in the table are many stories of African countries that have changed their absolute ranking due to good economic policies (e.g., Uganda) or because peace broke out (e.g., Mozambique). There are also, as noted above, several examples of countries that fell to ruin because of bad economic policies or war.

It therefore seems likely that the economic heterogeneity of African countries will only increase in the future, even without being able to know if the continent's average income will increase or decrease. The forces that propel some countries toward collapse – including war, availability of weapons and the short-term political attraction of poor economic policies – will remain a constant. There are some countries that will remain anchored at or near the bottom due to structural conditions. At the same time, the high end of the distribution will undoubtedly become relatively richer. One of the great challenges for Africa and for Western governments will be to try to help relatively populous countries be amongst the highest economic performers in Africa. Donor policy will also have to recognize that for a significant subset of countries, due to war, poor economic policies or structural conditions, development is not on the immediate agenda; rather, economic survival will be the medium-term challenge. The Millennium Challenge Account quite rightly attempts to differentiate countries and reward those that are doing well. Developed countries still need a policy to help countries that might do well but are not doing so at the moment, especially the extremely populous nations that contain the majority of Africa's population.

Challenge and Opportunity in the Global Capital Markets

Michael Finley

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The following analysis is divided into two parts. First, the hard medicine needed to initiate, sustain or complete economic reform processes within Africa is identified. In this study, this is exclusively understood in the context of what makes Africa more attractive as an investment opportunity. Second, it will be explained how two major secular trends,[1] now established in the global capital markets, present an unprecedented opportunity for African economies to 'catch a wave' or benefit profitably. In conclusion, a strategy will be set out to exploit this situation without disrupting or halting the completion of the necessary reforms.

Identifying African State Differentiation in the Global Capital Markets

This paper is not intended to be scholarly, academic or diplomatic in its format or approach. Rather, it is the view of a former Wall Street emerging markets bond salesman. Hence, it will assess only the factors which interest investors to the African region, and the factors which make that decision to invest easier and justifiable to the portfolio manager and the others to whom he is accountable such as his investors and risk managers.

In particular, this contribution will identify how global capital markets evaluate, and hence differentiate, on a global scale between the varying character and conduct of individual state governments and their financial markets.

Investor Safeguards

Internationally and regionally, there are currently several principal co-operative mechanisms aimed at safeguarding investors from corruption, fraud and theft at both the sovereign and corporate level. Two of these, which are especially important for Africa, are the Extractive Industries Transparency Initiative (EITI), also known as 'Publish What You Pay', and the Generally Accepted Accounting Principles (GAAP). The EITI works to limit opportunities investors may have for corruption and/or the export of bad governance practices – even at the grassroots or local constituency level – by making Governments publish their accounts. By doing so, it is very clearly shown exactly how many foreign funds are received and what proportion, if any, is subsequently delivered as government services. Use and implementation of the GAAP allows investors to make apple-to-apple evaluations of investment opportunities across international borders.

As a powerful new initiative, Africa could help itself greatly in the financial markets by establishing a regional Transparency, Economic & Financial Crime Compliance Authority (TEFCCA), whose mandate and enforcement structures would create a 'com-

1 In finance, a *secular trend* is a long-term trend that may last between five and twenty years. It consists of sequential *cyclical trends* and may contain trends unrelated to the major secular trend over a similar time period. Adapted from Wikipedia http://en.wikipedia.org/wiki/Secular_trend#Secular_market_trends.

mon-market' style standardization of safeguards. These safeguards would act as benchmark compliance standards, which if met by companies and institutions, would boost investor confidence by indicating that the rule of law in that signatory country was being adhered to, thereby providing investors protection against fraud and misappropriation of investments made there. The successes of the EU set a clear example of how this system would work. Certain African states are now forming exemplary institutions. But it would be more helpful if these could be widened and standardized across regions and supported by relevant structures.

At the individual state level, a series of nationally dependent safeguards are important indicators for investors. These include, foremost, civil control of society. Few but the largest, most powerful and most aggressive strategic investors in natural resource extractive industries can take risks in a country under dictatorial or military rule. Investors are also more comfortable when civil control has durable character and conduct. That is, it is firmly entrenched, accountable (has the correct checks and balances) and has smooth and transparent electoral successions. Further, local investment opportunities are made more attractive to outside investors when a clear commitment is made in the form of regional co-operation and sustained local activity to enforce the international standards of TEFCCA, EITI, GAAP, and the other norms of the global financial and regulatory system. Also, audit institutions (auditors-general offices) need to be independent, have the right checks and balances, publicize their reports, be accountable and be linked to the criminal justice system. In addition, an independent and impartial criminal justice system with active regulation and supervision must be in place, and investigations and prosecutions must be able to be carried out and adjudicated without fear or favour. Equally, corporate governance standards must be enforced. All reform processes are not solely up to the Government. In fact, the business and private sector should be the strongest influence on good governance and this influence begins with good corporate governance.

Factors that Increase Investment Appeal in Africa

There are a number of factors currently being implemented by reform processes in Africa that are relevant to international capital markets and which boost overall investment appeal. These include sovereign credit ratings, sovereign debt benchmarks and international capital inflow inducements and flow management.

Sovereign credit ratings are important indicators for investors because the very process of attaining a Moody's/S&P/Fitch credit rating shows an appetite on the part of that country's Government for international transparency and disclosure. In fact, this process is regarded as more important than the borrowing capacity it represents since markets, in any case, have a jaundiced view, born out of costly experience, of rating agencies' ability to forecast. Also, a number of emerging market countries have issued sovereign bonds even when they did not need to borrow, to create a benchmark for more efficient pricing of bonds issued by their national companies. If a country's economic condition supports it, having a sovereign debt yield curve[2] allows for more efficient pricing of corporate debt also at different maturities.

[2] The *yield curve* is the set of an issuer's most liquid (commonly traded) bonds at or nearest standard maturities – one, two, three, five, ten and twenty years. The name is taken from the shape of the graph of the yields, or market interest rates, of these bonds. The curve defines the issuer's cost of borrowing in the bond markets at a given maturity at any specific moment in the trading day. An emerging market sovereign issuer may have only one or two standard maturity notes and bonds outstanding. When that is the case, pricing new corporate debt at an 'off-the-run' maturity is a matter of negotiation between borrower and lenders, instead of benchmarking off an existing price already set by the market. The borrower does not always come off better in these negotiations.

What is also relevant for an investment appraisal is a country's ability to attract foreign direct investment (FDI) and portfolio investment (PI) and how well this work is co-ordinated and efficiently managed. One way this is evaluated by investors is through a formerly nationalized country's privatization programmes and specifically, how well they are run. There are some important general rules of thumb. For example, privatization programmes should not be executed in a messy 'big bang' fashion as was the case in Russia. Rather a firm, clear schedule should be set and maintained. Also it should be acknowledged that some industries are perhaps best not privatized such as water, while others such as residential electric and gas may be best privatized in the form of regulated monopolies. This would avoid a 'free for all', which would put vulnerable populations at risk. However, these should be assessed on a case-by-case basis. Non-utility industries and the financial system, though, should be fully privatized and should not be granted or retain any official or unofficial anti-competitive privileges. The only financial system privatization exceptions might include a quasi-government or government sponsored enterprise (GSE) supporting housing policy with a secondary mortgage market intermediary institution, and government support to certain intolerable-risk insurance markets. FDI and PI are also more attracted to countries with liberal or unrestricted foreign ownership and control, local content preferences (not requirements), unrestricted repatriation of capital, unrestricted exit strategies and timing, and also linkages with established emerging market stock exchanges such as Johannesburg and the London AIM market.

Elements under the control of local and regional governments and financial markets include excess liquidity in the banking system. It should be re-directed by regulatory or supervisory policies to middle class family and small business lending. Also there needs to be fast-track approvals for local small business start-ups, as no other single policy can do more to unleash the productive potential of a people.[3] Moreover, there needs to be free title to real estate and small business ownership. Where the law makes it difficult or impossible to perfect title, the asset cannot be used to finance business cycle management needs such as seasonal revenue fluctuations or growth.

External Opportunities for African Differentiation in the Global Capital Markets

The second part of this paper is designed specifically for African countries, who have attained a certain level of the reform process, and who are now ready for immediate action in the exploitation of opportunities in the global capital markets. It is also designed to support and inspire the rest, who as yet have not. The questions it attempts to answer are: why is now a good time to sell Africa to Wall Street? And how can African states, companies and entrepreneurs make the most of it?

The answer to the former lies in two secular trends which are currently presenting an historic opportunity for African countries to exploit the markets' appetite for new risk. The first of these trends is the now extreme liquidity in the global private equity market. Global cumulative investments versus funds committed between 1998-2004 show a $237.52 billion overhang, with another $89 billion raised during the first half of 2005 not factored in.[4] A combination of factors, beyond the scope of this paper, has driven capital commitments to private equity (PE) funds far beyond the capacity of OECD mar-

[3] David Blair, *The $125 Trillion Question* (Industrial College of the Armed Forces, 2003 Economic Notes, pp. 183-190) http://www.ndu.edu/icaf/ICAF_OLD/departments/econ/semester1/16/ECONNOTESFINALThe%20125%20Trillion%20Dollar%20Question%20August%202003.doc

[4] Global Private Equity Report 2005, PricewaterhouseCoopers International Limited

kets to absorb them into creditworthy deals. The overhang of committed capital versus invested funds has grown so great that private equity fund investors are now clamouring for return of their uninvested funds and cancellation of unfunded commitments. Some PE funds are even transforming themselves into hedge funds, investing in public markets rather than disgorging investors' funds and fees (the degree of pressure is seen in the perversity that PE funds have always marketed themselves to investors on the basis of the advantages of the long-term investment view exploiting the trade-off of volatility risk in the public markets against the liquidity risk in the private market). This overhang is a powerful incentive leading more PE sponsors to consider other asset classes, including emerging markets. In fact, the dedicated emerging markets PE funds raised $21.2 billion in 2005, 245 per cent above the 2004 level of $6.1 billion.[5] The underlying statistic which should motivate Africans is that of the four statistical emerging market regions – 'Africa/Middle East' was the only one below $1 billion for 2005 fundraising. Africa did not get the lion's share of that.

The second trend is that of diminishing returns in emerging markets debt. Emerging market sovereign debt has been among the best performing of all major asset classes, and not only for bond investors. Because of its equity-like returns and non-correlation to equity market performance, portfolio strategists have recommended that equity investors have been better off investing a part of their portfolio in emerging market debt to significantly decrease overall risk and enhance portfolio return.[6] The problem for investors and fund managers is that so many of the sector countries have become investment-grade credits, and those who have not have been bid up as if they had. Emerging market sovereign debt is a $2 trillion ($2,000 billion) market.[7] A sizable amount of capital which was dedicated to higher risk /higher return assets is now stuck to lower risk /lower return and overpriced high risk assets. This represents a large unfilled appetite for better-priced risk.

Exploiting the Opportunity – Now Instead of the 'Perfect' Future

The latter part of the aforementioned question of how African nations can make the most of these opportunities can be answered by appreciating that Africa is differentiated. The view from Wall Street is that African states are more than just their MDG rankings and credit ratings. In fact, the Street looks to African countries' principals and agents themselves to find the value of each prospect which will afford them more interest from investors. Botswana may have recently achieved an investment grade credit rating, but, well before that, it was still the only sub-Saharan post-colonial state in the 1960s to immediately adopt, and then keep, good government. What other special country stories are there?

States, companies and entrepreneurs can immediately exploit the historical market trends identified above by implementing a 'Panoramic Benefit, Panoramic Risk' (PBPR) strategy. The following table introduces a discussion of a specific and widely applicable method of creating companies and projects, which execute strategic national development components without either disruption to, or early completion of, the necessary

[5] *Are Emerging Markets Striking Back*, or Out? The View from Investors, Knowledge@Wharton, 22 June 2006 http://knowledge.wharton.upenn.edu/article.cfm?articleid=1503

[6] Christian Kopf, *Putting on a spread: Emerging markets bonds*, Financial Times Business Professional Wealth Management, 5 May 2003 http://www.pwmnet.com/news/fullstory.php/aid/332/Putting_on_a_spread.html

[7] *Global Financial Stability Report: Market Developments and Issues*, International Monetary Fund (Chapter III, Structural Changes in Emerging Sovereign Debt and Implications for Financial Stability), April 2006 http://www.imf.org/external/pubs/ft/GFSR/2006/01/pdf/chp3.pdf

"Panoramic Benefits – Panoramic Risk"

A model for doing business in the years it takes to do complete reform

Sector participants ——— Manage different risks

1. Indigenous entrepreneurs and investors – local political risk.
2. International strategic partners/investors – technology, completion, and operating risk.
3. Regional and international official lenders (when needed) – credit and currency risk.
4. Local, regional and international policy and other official guidance – international political risk.
5. Local and international insurers and reinsurers – freely compete for other risks.
6. *Not all risk can be taken out*. Sharing risk panoramically underwrites broader benefits sharing.

reforms. Put another way: how do you live in a house while building it around you?

1. Indigenous entrepreneurs and investors have an understanding of local political risk not easily accessible to external investors. This hard-to-gain local knowledge has produced the historical and current widespread use of unaffiliated but 'connected' agents, who have vested interests in a transaction but not in the long term success of the enterprise. The abuse of agencies corrupted into rent-seeking behaviours can, and has, damaged states' business reputations in multigenerational periods.
   However, when local principals and investors act, their interests are clear and declared for all to see. Trust is fostered in the local business and political community and in the international investor community. There is a place here for highly-educated young lions, the old hands who have seen the hard times and Diaspora returnees with world-class experience to tip their countries into the virtuous cycle of economic and social development, or accelerate it.
2. International financial investors without local experience are more comfortable with 'bankable' names managing the technology, completion (Engineering, Procurement, & Construction – EPC), and operating risks of their undertakings. Even in G7 countries, completion risk is considered so great that many institutional investors are prohibited from doing any greenfield investing or lending; and completion risk insurance premiums are steep. So it is no shame for a country which may not even have a sovereign credit rating to purchase 'cheap completion risk insurance' by encouraging local entrepreneurs to collaborate with world-class strategic partners. And local benefits accrue when technology transfer is achieved by bringing in world best-in-class technologies and methods.
3. International financial institutions (IFIs) may not be needed for the basics of enterprise capital structure, especially in a country whose banking system and private equity base have capacity. Even in countries where they are not necessary to capital structure, credit and currency risk may make IFIs valuable to profitability, and to the sales pitch to investors, by creating a 'due diligence' buzz. Once local and international entrepreneurs and investors have identified a good risk and have committed to it, they should consult from the start with IFIs who may be able to help.
4. International political risk is something no investor likes to think about. While there is no evidence of the successful central planning of economies, there is, on the other hand, evidence that local,

regional, and international policy as well as other official guidance have proven beneficial when derived from genuine indigenous needs and shared risks. Examples of existing local, regional, and international policy aligned at all tiers but not translated into institutions, structures, and operations range from maritime security to combating money laundering to telecommunications standards, among others. Nettles need to be grasped and fates mingled if robust and benign legacies are to be created.

5. Insurers and reinsurers are important components of nascent and mature capital markets alike. Sometimes they even make the formation of, or entry to, new markets possible. The most intelligent of them also advise you when your risks are best laid off, managed in another market, or even better kept to yourself. Alliances with local insurers as agents for international insurers can affect both technology transfer of another kind and access to insurance capacity unavailable in local and regional markets.
6. Local and international entrepreneurs and investors, if they are savvy enough for you to want to be associated with them, recognize that *not all risk can be taken out*. Sharing risk panoramically underwrites broader benefit sharing. Good things are possible with a structuring and management team of varied and deep enough expertise and experience to manage risk.

Conclusion

African nations who have wisely chosen to lead reform and progress on the Continent are building a solid foundation for a bright future. We are now witnessing their economies establishing elements of the necessary character and conduct by governments and the private sector to better attract investment, as discussed in the first part of this analysis. For them, and for the nations lagging in reform but committed to the high road, creating institutions to execute in all these elements needs to be done in a comprehensive package approach. This is essential for long-term sustainable success in these reforms.

For African countries ready to 'catch the wave' and ride the huge unfilled demand in the global capital markets for risk, this is an opportune time. Africa has risk to burn. Exploiting this opportunity requires simultaneous execution in the required elements, but if time priority exists for the big task areas, it is:

a. Forever: Transparency, economic & financial crime international compliance regime;
b. Now: PBPR infrastructure/energy/power/agriculture/real estate development programs; and
c. Should have been done yesterday: Regional security cooperation.

Appendix

Differentiating Africa

The Fifth Tswalu Dialogue, 27 April – 30 April 2006

Hosted by Jonathan and Jennifer Oppenheimer
& organized by The Brenthurst Foundation
in conjunction with the
Royal United Services Institute for Defence and Security Studies (RUSI), London,
African Centre for Strategic Studies (ACSS), Washington,
Institute for Defence and Strategic Studies (IDSS), Singapore, and the
Institute for Security Studies (ISS), South Africa

Supported by the Government of Denmark

Participants

Amama Mbabazi (Hon Mr), Secretary-General NRM, Minister of Defence, Uganda
Antonio Rosario (Mr), Head: Africa, Intelligence Service, Mozambique
Asher Susser (Professor), Director: Dayan Centre, University of Tel Aviv, Israel
Barry Desker (Professor), Institute for Defence and Strategic Studies, Singapore
Basildon Peta (Mr), *Independent Newspaper Group*, Zimbabwe
Bill Rollo (Major General), British Army, UK
Bob Houdek (Ambassador), US National Intelligence Council
Carlton Fulford (General), ACSS, US
Christopher Clapham (Professor), Cambridge University, UK
Clarence Tshitereke (Dr.), Director: International Relations and Trade, Presidency, SA
David Rattray (Mr), Fugitive's Drift, South Africa
David Williams (Mr), Associate Deputy Editor: *Financial Mail*, South Africa
Dianna Games (Ms), Africa@Work, South Africa
Francis Mbilizi (Mr), Chair: National Lottery, Malawi
Geoffrey Onegi-Obel (Dr), Senior Presidential Adviser, Uganda
Greg Mills (Dr), The Brenthurst Foundation, South Africa
Iqbal Jhazbay (Mr), UNISA, South Africa
Jack Spence (Professor), King's College London, UK
Jakkie Cilliers (Dr), Executive Director: Institute for Security Studies, SA
Jeffrey Herbst (Professor and Provost), Miami University, US
Jonathan Oppenheimer (Mr), De Beers Chairman's Office, South Africa
Juma Kapuya (Hon. Professor), Minister of Defence and National Service, Tanzania
Leila Jack (Ms), The Brenthurst Foundation, South Africa
Lucio de Amorim (Ambassador), Brazilian Ambassador to South Africa
Lynda Chalker (Baroness), Africa Matters, UK
Matthew Uttley (Professor), King's College, London
Michael Finley (Mr), private economic consultant, US
Michael Spicer (Mr), CEO: Business Leadership SA, South Africa
Michela Wrong (Ms), Author, UK
Nick Stern (Prof. Sir), Treasury, UK
PTC Skelemani (Hon Mr), Min. for Presidential Affairs & Public Admin., Botswana
Patrick Mazimhaka (HE Mr), Deputy Chairman, African Union
Patricia Lawrence (Ms), Head: UNISA Foundation, South Africa
Paul Moorcraft (Dr), Centre for Foreign Policy Analysis, London
Paula Thornhill (Brigadier-General), Pentagon, US
Philibert Magere (Colonel), Tanzania
Richard Cobbold (Admiral), Director: RUSI, UK
Ryan Henry (Hon Mr), Department of Defence, US
Steve Stead (Rear-Admiral), SANDF, South Africa
Suresh Goel (Mr), Consul-General of India in Johannesburg, India,
Terence McNamee (Dr), Director: Publications, RUSI, UK/Canada
Thabo Leshilo (Mr), Editor: *The Sowetan*, South Africa
Torben Brylle (Ambassador), Ambassador of Denmark to South Africa
Victor Bernardo (Hon Mr), Deputy Minister of Planning and Development, Mozambique
Werner Boehler (Dr), Konrad Adenauer Stiftung, Germany
Witney Schneidman (Dr), Sullivan Foundation, US
Yusuf Gabobe (Mr), Editor: *The Somaliland Times*, Somaliland

PROGRAMME

Thursday 27 April 2006

Arrival; settling in
17h30-18h30 Drinks
18h30-20h00 Introduction, Greg Mills; Welcome, Jonathan Oppenheimer
20h00: After-Dinner Talk: David Rattray, 'The Battles of Isandlwana and Rorke's Drift: Turning Points in African History?' (Chair: Jonathan Oppenheimer)

Friday 28 April Motse

07h00-onwards Breakfast
09h00 ***Session One: The Global Picture – A Year on from the Africa Commission*** (Chair: Lynda Chalker)

This session should provide an overview of key global political, economic and security developments over the past 12 months, and how they have related to Africa.

Presenters: Matthew Uttley, Richard Cobbold, Jack Spence, Asher Susser

10h45 Tea

11h00 ***Session Two: Differentiating Africa*** (Chair: Barry Desker)

Presenters: Jeffrey Herbst, Michael Finley, Clarence Tshitereke

Questions:
This session looks at the following:

1. Is it possible to categorise African states? If so, what are the categories?
2. What are the lessons from those states which have been among a reformers/performers group?
3. What are the lessons from those countries which have not only failed to develop, but have slipped further behind?
4. What challenges does this pose for the external community as it seeks to not only defend against the export of 'bads' from Africa (terrorism, migrants/refugees, health issues), but instead to promote the 'goods' (economic growth, trade, counter-terrorism)?

13h15 Group Photo; Lunch; Talk – Ryan Henry, 'The US Quadrennial Defence Review'.

14h30 ***Session Three: Strategies for Success*** (Chair: Carlton Fulford)

Presenters: Christopher Clapham, Barry Desker, Patrick Mazimhaka

Questions:

1. What is the record of 25 years of externally driven policy prescription, initially in the form of Structural Adjustment Programmes, and carrying through into the post-Cold War governance/democracy agenda? Where has it made a positive difference, where has it not, and why?
2. What are the resources – human, technical, policy, financial – that are required to engage successfully with the contemporary era of globalisation?
3. What are the lessons of those countries which have developed through industrialisation – notably in Asia – and is this likely in Africa?
4. Are there countries which have enjoyed sustained economic growth without large-scale export manufacturing and industrialisation, such as through agricultural improvements?
5. What role for aid and other external means for development?
6. What can be done to get countries to change track onto a better trajectory, and what needs to be done to avoid changing track downwards?

20h00 After-Dinner Talk (Chaired by Thabo Leshilo): Michela Wrong: 'Reflections on journalism in Africa'.

Saturday 29 April Motse
07h00-onwards Breakfast

Break-away into two groups: Session to run from 08h30-13h00 (with 10h30-11h00 tea-break)

Motse Group One: Chaired by Barry Desker (Boma)
Topic: 'Promoting African Success: Strategies for Reinforcing African Reform'

Presenters: PTC Skelemani, Geoffrey Onegi-Obel, Juma Kapuya, Dianna Games

Questions:
1. Is it possible to develop strategies to reward African performers?
2. How might such categories be devised and applied?
3. What can be done by Africa to put the conditions in place for business to prosper? Indeed, if Africa is to grow employment through growing its manufacturing and services sectors, what interventions do African states – and the international community – need to make in encouraging this process; and how might Africa compete against other emerging competitors including China, Brazil and India in this regard?
4. Is there a role for aid in growing African business?

Motse Group Two: Chaired by Jakkie Cilliers (Motse Hall)
Topic: 'Dealing with Insecurity: Terrorism, Weak States, & Bad Governance'

Presenters: Bob Houdek, William Rollo, Amama Mbabazi

Questions:
1. What are the 'insecurities' facing Africa?
2. Where do these interests intersect with those of the West?
3. What have we learnt from recent history (Iraq/Afghanistan) in trying to deal with terrorism; and in trying to remedy weak/failed states?
4. Is there a link between failed states, terrorism and governance? If so, what is it?
5. What is the division of labour between what the external world can do for Africa and what Africa must do for itself in terms of providing security?

13h30 Lunch
14h00 Keynote Lunchtime Talk: Nick Stern: '12 Months On: Reflecting on the Africa Commission' (Chair: Lynda Chalker)

Afternoon Free/Game Drives/ Walk or Drive to Dune for Supper
20h30 Talk on Stars by Tswalu Staff
Retire to Motse for After-Dinner Drinks

Sunday 30 April Lekhaba
07h00-onwards Breakfast
08h15 Depart for Lekhaba (Chair: Nick Stern)
09h30 ***Summary Session: Perspectives on Reinforcing Success and Dealing with Failure***

Presenters: Michael Spicer, Iqbal Jhazbay, Paula Thornhill

Questions:
1. What can Africa learn from the success of other states and of its own in dealing with the opportunities posed by globalisation?
2. What can Africa learn from its failures; and the West of its failure to deal with African collapse and stagnation?
3. What role is there for international partnership in resolving shares security concerns of governance, terrorism and state-failure?
4. What role is there for business in improving African economic performance and socio-economic stability?

11h00 Conclusion
11h30 Brunch at Waterhole
13h00/14h00 Depart