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STRENGTHENING TRANSATLANTIC COOPERATION

ATLANTIC CURRENTS

AN ANNUAL REPORT ON WIDER ATLANTIC PERSPECTIVES AND PATTERNS

DECEMBER 2016

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The Wider Atlantic program is a research and convening partnership of GMF and Morocco's OCP Policy Center. The program explores the north-south and south-south dimensions of transatlantic relations, including the role of Africa and Latin America, and issues affecting the Atlantic Basin as a whole.

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The German Marshall Fund of the United States (GMF) strengthens transatlantic cooperation on regional, national, and global challenges and opportunities in the spirit of the Marshall Plan. GMF does this by supporting individuals and institutions working in the transatlantic sphere, by convening leaders and members of the policy and business communities, by contributing research and analysis on transatlantic topics, and by providing exchange opportunities to foster renewed commitment to the transatlantic relationship. In addition, GMF supports a number of initiatives to strengthen democracies. Founded in 1972 as a non-partisan, non-profit organization through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has offices in Berlin, Paris, Brussels, Belgrade, Ankara, Bucharest, and Warsaw. GMF also has smaller representations in Bratislava, Turin, and Stockholm.

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On the cover: Untitled (1988). © Fouad Bellamine

ATLANTIC CURRENTS

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December 2016

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Foreword

We are delighted to present this third edition of *Atlantic Currents*, an annual report charting wider Atlantic patterns and perspectives. The report is the result of a close collaboration between The German Marshall Fund of the United States (GMF) and OCP Policy Center, and is a companion to the Atlantic Dialogues, our annual forum in Marrakesh. Both activities are part of a multi-year partnership to promote dialogue and analysis on issues affecting the wider Atlantic — Africa, the Caribbean, Europe, Latin America, and the United States — as well as global stakeholders in Atlantic affairs.

GMF and the OCP Policy Center are proud of the role we have played in extending the transatlantic debate to embrace the Atlantic Basin, north and south, and in stimulating new thinking about "Atlanticism" for the 21st century — breaking down the often self-imposed barriers to robust dialogue among societies with a deep shared history, and a shared stake in cooperation. The rapid changes on all sides of the Atlantic over the past year only underscore the importance of this Atlantic conversation on issues and ideas.

This year, we have paid special attention to strategic, forward-looking analyses that seek to encourage creative thinking about where we may be headed and how we might get there. We wish to thank all the authors who have contributed to this edition of *Atlantic Currents* as well as the dedicated staff at GMF and OCP Policy Center who made it possible. Comments on *Atlantic Currents* are most welcome, and may be addressed to the editors at GMF and OCP Policy Center.

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Acronyms

2DS	2°C Scenario
ACP	Africa-Caribbean-Pacific Group of States
AfDB	African Development Bank
AIM Strategy	2050 Africa's Integrated Maritime Strategy
AMD	Africa's Maritime Domain
AMU	Arab Maghreb Union
APRM	African Peer Review Mechanism
APSA	African Peace and Security Architecture
ASF	African Standby Forces
AU	African Union
AUC	African Union Commission
BRICS	Brazil, Russia, India, China, and South Africa
CCS	Carbon Capture and Storage
CEMAC	Central African Economic and Monetary Community
CEMZA	Combined Exclusive Maritime Zone of Africa
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
COP21	21st Conference of the Parties
CSDP	EU Common Security and Defense Policy
DDPP	Deep Decarbonization Pathways Project
DRC	Democratic Republic of the Congo
EAC	East African Community
EASBRICOM	East Africa Standby Brigade Coordination Mechanism
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EEAS	European External Action Service
EPA	Economic Partnership Agreement
ESS	European Security Strategy
EUGS	EU Global Strategy
FDI	Foreign direct investment
GDP	Gross domestic product
GGC	Gulf of Guinea Commission
GHG	Greenhouse gas
GVC	Global value chain
IDB	Inter-American Development Bank
IEA	International Energy Agency
IGAD	Intergovernmental Authority on Development

IMF	International Monetary Fund
INDCs	Intended Nationally Determined Contributions
IRENA	International Renewable Energy Agency
JAES	Joint Africa-EU Strategy
LCCR	Low carbon, climate resilient
LDCs	Least Developed Countries
LEDS	Low emission development strategies
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NATO	North Atlantic Treaty Organization
NDA	Niger Delta Avengers
NDCs	Nationally Determined Contributions
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PPAs	Power purchase agreements
REC	Regional Economic Community
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SDSN	Sustainable Development Solutions Network
SE4All	Sustainable Energy for All Initiative
UNCLOS	UN Convention on the Law of the Sea
UNCOMTRADE	UN Commodity Trade Statistics Database
UNCTAD	UN Conference on Trade and Development
UNECA	UN Economic Commission for Africa
UNFCCC	UN Framework Convention on Climate Change
UNGA	UN General Assembly
UNODC	UN Office on Drugs and Crime
WACC	Weighted Average Cost of Capital
WAEMU	West African Economic and Monetary Union
ZOPACAS	Zone of Peace and Cooperation of the South Atlantic

Wider Atlantic Perspectives

1 Atlantic Africa's Role in the Continental Architecture: Is an Atlantic African Community Possible?

El Mostafa Rezrazi

Introduction

Broadly speaking, the Atlantic space is a maritime area bordered by four continents, giving it significant geostrategic weight. It is an area with a variety of developed, emerging, and underdeveloped economies, as well as a demographic heft that is projected to grow in the future, especially along the coastline of Atlantic Africa. The Atlantic Basin and the countries bordering it are also notable for their substantial energy reserves, placing it as a strategic area for natural resources, mining, and agriculture. Furthermore, for centuries this area has experienced a mixture of the cultural and ethnic components of both the North and South Atlantic, which reflect reflect the richness of human diversity, but might also block the potential construction of a common identity.

Regardless of the shift of a greater portion of the world's economic growth from the Atlantic to the Pacific, a transatlantic framework for regional regrouping and identification remains promising for the African region because it presents opportunities for new geostrategic partnerships. Nonetheless, transatlantic cooperation has not yet captured the hearts and minds of African elites, largely stifling the emergence of a platform that combines the strategies of policymakers and the concerns of grassroots communities.

This chapter examines the opportunities for and obstacles to generating common African agendas, with a focus on the Atlantic countries of the continent. Despite ambitious long-term visions for Africa put forward by the African Union (AU), challenges related to historic memory, security, and institutional organization present obstacles to the emergence of a cohesive Atlantic African community that is oriented toward cooperation with the societies of other Atlantic continents. If such a community were to emerge, it could result from some combination of the existing regional organizations, particularly the Economic Community of West African States (ECOWAS), Community of Sahel-Saharan States (CEN-SAD), the Arab Maghreb Union (AMU), and the Gulf of Guinea Commission (GGC). It is too soon to tell, however, if these notions will gain traction among policymakers and other influential players.

African Perceptions of the Atlantic Basin

In common African perceptions of the Atlantic, there are at least two burdensome, if not traumatic, memories. One is deeply rooted in the historical legacies of the Atlantic slave trade.[1] The other associates the Atlantic Ocean with an effective pathway of European colonial attacks against African coasts.[2]

The African Union dedicated its 2050 Africa's Integrated Maritime Strategy (2050 AIM Strategy) "to the memory of those who died at sea trying to earn a better quality of life, and of those who passed away on the oceans in the course of the slave trade, colonialism,

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[1] David Eltis, David Richardson, David W. Blight, and David Brion Davis, *Atlas of the Transatlantic Slave Trade* (New Haven, CT: Yale University Press, 2010).

[2] Kristin Mann, "Shifting Paradigms in the Study of the African Diaspora and of Atlantic History and Culture," *Slavery & Abolition*, vol. 22, no. 1 (2001): 1-2.

and the fight for Africa's self-determination and independence."[3] Similarly, the AU's Agenda 2063 strategic framework demonstrates that the history of slavery still has an effect on the construction of African political awareness. Indeed, Goal 5.1 of Agenda 2063 focuses on an "African cultural renaissance" and seeks to "facilitate the ratification by member states the protocols on the amendments to the Constitutive Act to enable the Diaspora to participate in the building of the African Union," and to "facilitate the implementation by member states the UN General Assembly resolutions on Permanent Memorial to and remembrance of the victims of slavery and the transatlantic slave trade."[4]

This discourse indicates that the "transatlantic scheme" is still vulnerable to the power of historic memory, which requires a profound reconciliation between northern of Atlantic initiatives and southern crafting of the future of the African Atlantic zone.

When drawing a physical map that illustrates where Atlantic Africa starts and ends, we face some political commitments that may limit Atlantic Africa within a narrow geographical projection of coastal countries that are members of the Gulf of Guinea Commission.[5] There are also some who think of a broader Atlantic Africa as including the entire western coast of the African continent, limited in the north by Morocco and in the south by South Africa. These differing understandings of the Atlantic coastline and the historic memory of slavery linked to the ocean still influence perceptions of Africans today.

African Strategic Visions for the Maritime Domain

Africa's ocean and coastal resources cover more than 26,000 nautical miles of coastline along the Atlantic and Indian Oceans, and the Mediterranean and Red Seas. Problems of pollution and the growing phenomena of insecurity, piracy, robbery, oil smuggling, and drugs and arms trafficking are all challenges that diminish the strategic positioning of the African Atlantic coasts. The effects of climate change, most notably rising ocean temperatures, sea level rise, and ocean acidification, intensify the risks facing the coasts. At the same time, border dispute tensions among a number of countries hinder joint cooperation against those challenges. In response, the AU developed the 2050 AIM Strategy and Agenda 2063 to help tackle the above problems in a strategic, coordinated, and sustainable manner.

The African Union's Agenda 2063

Agenda 2063's classification of the "blue economy" refers to "a sustainable and equitable economic growth driven by oceans, seas, lakes, rivers, and floodplains."[6] As sources of livelihoods, these resources provide water, food, power generation, and transportation.

[3] The African Union Commission, *2050 Africa's Integrated Maritime Strategy* (Addis Ababa, Ethiopia: African Union, 2012), 6, http://pages.au.int/sites/default/files/2050%20AIM%20Strategy%20%28Eng%29_0.pdf.

[4] The African Union Commission, *Agenda 2063: Framework Document* (Addis Ababa, Ethiopia: African Union, September 2015), 176, http://agenda2063.au.int/en/sites/default/files/Final%20Draft%20Agenda%202063%20Framework%20-Formatted%20TOC-1.pdf.

[5] The Gulf of Guinea Commission (GGC) was established by the treaty signed in Libreville, Gabon, on July 3, 2001, by Angola, Congo, Gabon, Nigeria, and São Tomé and Príncipe. In 2008, Cameroon and the Democratic Republic of Congo joined the GGC.

[6] *Agenda 2063,* 51, n. 43.

They employ 7.1 million fishers, produce jobs and revenues from coastal tourism, and are a source of wealth in terms of minerals, oil, and gas.[7] Agenda 2063 is betting on the year 2063 to reach a point where:

> Africa's biodiversity, including its forests, wildlife, wetlands (lakes and rivers), genetic resources, as well as aquatic life, most notably fish stocks and coastal and marine ecosystems, including trans-boundary natural resources, will be fully conserved and used sustainably. Forest and vegetation cover would be restored to 1963 levels; while national parks and protected areas (both terrestrial and marine) will be well managed and threats to them significantly reduced.[8]

Despite the collective character of Agenda 2063, it praises the role of individual states, and provides an overarching framework that requires "country specific actions." This assertion aims to ease the gap between:

> Coastal versus landlocked countries… least developed versus middle-income countries; natural resource and mineral rich versus natural resource and mineral poor countries; countries with outstanding and good agricultural endowments and those less well endowed; countries emerging from conflict with fragile institutions and low productive capacities, infrastructure deficit, and unstable macroeconomic environment and those that are already experiencing the benefits of the absence of conflict and consistent investment in their economies; and Small Islands Developing States (SIDS), which are challenged by similar issues as other developing/emerging market countries, but have to contend with the acuteness of combined risks such as rising seas related to climate change, isolation from contiguous land neighbors and markets, high populations density in comparison to countries on the continent, which can come together to manage risks.[9]

Regarding port operations, Agenda 2063's objectives under the blue economy header include efforts to:

- Implement the African Integrated Maritime Strategy
- Develop/implement policies for the growth of port operations and marine transport
- Build capacities for the growth of the port operations and marine transport
- Conduct research and development in support of the growth of marine transport businesses[10]

Agenda 2063 has not addressed outstanding issues of maritime delimitation, but it seeks to build "mechanisms for conflict resolution, conflict de-escalation, and threat minimization." The agenda emphasizes "the norms of alternative dispute resolution mechanisms for

[7] Ibid., 51.

[8] Ibid., 9.

[9] Ibid., 91.

[10] Ibid., 143-144.

inter/intra and cross border conflict arbitration/negotiation schemes," hoping to put them in place by 2020.[11] Much of Agenda 2063 is ambitious in scope, and it remains to be seen what aspects will be implemented by the predicted deadlines.

2050 AIM Strategy

The 2050 AIM Strategy was approved first by the AU Council of Ministers in 2012 and then adopted by the Assembly of AU Heads of State and Government held in January 2015. It is intended as a means "to address Africa's maritime challenges for sustainable development and competitiveness"[12] and as a response to maritime vulnerabilities. The strategy adopts the concept of Africa's Maritime Domain (AMD), expansively defining it as

> "all areas and resources of, on, under, relating to, adjacent to, or bordering on an African sea, ocean, or African lakes, intra-coastal and inland navigable waterways, including all African maritime-related activities, infrastructure, cargo, vessels and other means of conveyance. It also includes the air above the African seas, oceans, lakes, intra-coastal and inland navigable waterways and to the oceans' electromagnetic spectrum as well."[13]

This broad definition is in stark contrast with customary maritime practice and associated legal systems worldwide, including the United Nations Convention on the Law of the Sea (UNCLOS). Within this framework, the 2050 AIM Strategy is intended to overcome a deficient legal framework, calling on the AU Border Program "to peacefully solve existing maritime boundary issues between member states including within bays, estuaries, and inland waters (lakes and rivers)."[14]

If we consider that the 2050 AIM Strategy is the first concrete African initiative to move a continent-wide maritime security agenda beyond the international counter-piracy agenda,[15] then it can be associated with the doctrine of AU regional integration. However, some small entities like the Gulf of Guinea Commission (GGC) were ignored, because they are considered commissions or mechanism but not Regional Economic Communities (RECs).

The 2050 AIM Strategy offers a comprehensive view on different issues related to the African maritime space, with emphases mainly in two areas. The first is the socio-economic, deriving from the African Union's Constitutive Act of 2000,[16] and is initiated "to foster more wealth creation from Africa's oceans, seas, and inland water ways by developing a thriving maritime economy and realizing the full potential of sea-based activities

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[11] Ibid., 14.

[12] *2050 Africa's Integrated Maritime Strategy*

[13] *2050 Africa's Integrated Maritime Strategy*, Annex B: Definitions, 1, http://pages.au.int/sites/default/files/Annex%20B%2C%20Definitions%20%28Eng%29.pdf.

[14] Ibid., 22.

[15] Christian Bueger, "Communities of Security Practice at Work? The Emerging African Maritime Security Regime," *African Security*, vol. 6, no. 3-4 (December 2013): 300.

[16] *Constitutive Act of the African Union*, Articles 3 & 4 (2000), 5-7, http://www.au.int/en/sites/default/files/ConstitutiveAct_EN.pdf.

in an environmentally sustainable manner."[17] The second relates to maritime security governance in a broad sense, including transnational organized crime (such as piracy, smuggling, crude oil theft, and human trafficking); illegal, unreported, and unregulated fishing; natural disasters; environmental degradation and climate change; threats to strategic communication systems; vulnerable legal frameworks; and a lack of and/or poorly maintained aids to navigation (e.g. nautical charts and maritime safety information).[18]

Among other specifics, the 2050 AIM Strategy foresees the conception of a Combined Exclusive Maritime Zone of Africa (CEMZA) to enhance awareness on maritime issues, to strengthen maritime capacities and capabilities, to ensure maritime safety and security, to minimize environmental damages, and to prevent criminal and hostile acts at sea.

If we examine the timetable considered for the implementation of the 2050 AIM Strategy, we find that the strategy divides its action plan (projections) into three phases: short term, medium term, and long term. However, even in the short term (2013-2018) program related to "Maritime Governance Development," under the objective to "ensure security and safety of maritime transport systems,"[19] most mechanisms and actions are not yet implemented.

In short, while the 2050 AIM Strategy lays out an ambitious and detailed vision, how well it is actually implemented will be the key test of its success. Africa's shared coastal stretch might help generate real cooperation among African coastal countries to address common maritime economic, environmental, and security challenges, and become a driving force for more African regional mechanisms.

The 2050 AIM Strategy, Agenda 2063, and other emerging African projects may hold promise for the preservation of the African maritime domain, but there are obstacles still to be considered, such as efforts to settle delimitation and demarcation of maritime borders, which appear to be slowing or are stalled. The fragmentation of African national maritime policies leads to policies that are not coordinated as envisioned by continental strategy documents, with some individual countries even moving in the opposite direction. Moreover, these scenarios do not take into account the balance of geopolitics of African sub-regions, and equity in the distribution of power between large and small countries. Therefore, what is required today is to strengthen dialogue between collective African policymaking mechanisms and the sovereign mechanisms of individual member states. In addition to all this, the existing security environment is deteriorating while Africa's patchwork of entities and initiatives is unable to keep up.

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[17] *2050 Africa's Integrated Maritime Strategy*, 10.

[18] Ibid., 11.

[19] *2050 Africa's Integrated Maritime Strategy*, Annex C: Plan of Action for Operationalization, 4-5, http://pages.au.int/sites/default/files/Annex%20C%2C%20PoA%20%28Eng%29.pdf.

Security Challenges to the Emergence of an Atlantic African Community: Maritime Border Disputes, Piracy, and Terrorism

Maritime Border Disputes

There is an urgent need for collective initiatives to alleviate the growing security threats and to implement legal mechanisms to resolve maritime borders within coastal African states. External mediation is likely necessary since the location of oil fields and natural resource deposits can lead to significant complications, especially if a country unilaterally attempts to divide disputed areas or even to annex them into its own sovereign territories,[20] since in spite of the strict lines defining exploration blocks, oil fields often cross existing national maritime borders.[21]

African states are generally quite protective of their sovereignty, but growing regional security threats may be partly changing their priorities. However, there is still a risk that border disputes may lead to lax security cooperation in the face of terrorist and piracy threats. This situation inevitably requires Atlantic players to act together with full respect for African ownership and leadership in its maritime domain.

Maritime Disputes Between Countries in the Gulf of Guinea

Existing maritime disputes over the African Atlantic coast may generate more international political and security risks while reducing the capacity to maintain cooperation against non-state threats such as terrorism, piracy, robbery, etc. Nevertheless, they may also paralyze economic activities, such as oil and mineral exploration or fishing. Moreover, they may also inadvertently lead to a decline in investment in vibrant economic sectors, and by extension, may negatively affect the geostrategic positioning of the whole region.[22]

Intra-state conflicts in West Africa have both created and affected humanitarian crises. For decades, conflicts, civil wars, and pervasive violence have paralyzed political, economic, and social activities in Liberia, Sierra Leone, Côte d'Ivoire, and Guinea-Bissau.[23] While violent conflicts are declining in the sub-region, recent insurgencies in the Sahel region have affected West African countries, particularly Nigeria, Mali, and Niger, and have contributed to troubles within countries such as Ghana and Côte d'Ivoire, sending alarming signals of reemerging domestic and regional violent conflicts.

Experts do not hide their concern regarding security worsening over the next ten years. Such concerns focus mainly on the mobility of in-land hostilities to maritime domains. Chief among these are the capacity of alliances formed recently between pirates, organized crime organizations, and jihadists to link in-land targets to maritime targets and take advantage of existing tensions over disputed maritime borders to achieve their objectives of carrying supplies, weapons, and fighters from land to sea and vice versa.

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[20] Ricardo Soares de Oliveira, *Oil and Politics in the Gulf of Guinea* (London, UK: Hurst, 2008).

[21] Kamal-Deen Ali and Martin Tsamenyi, "Fault Lines in Maritime Security: Analysis of Maritime Boundary Uncertainties in the Gulf of Guinea," *African Security Review*, vol. 22, no. 3 (2013): 95-110.

[22] Ibid., 2.

[23] Nancy Annan, "Violent Conflicts and Civil Strife in West Africa: Causes, Challenges and Prospects," *Stability: International Journal of Security and Development*, vol. 3, no. 1 (2014): 1-16.

Deteriorating Security Environment

At a time when threats of piracy and maritime criminal acts saw a significant drop on the east coast of Africa, the situation in Atlantic Africa appears to be worsening, with significant increases in piracy and armed robbery as well as illegal, unreported, and unregulated fishing. In 2015, the Gulf of Guinea was classified the most dangerous maritime zone in the world.

Incidents have recently occurred as far south as Angola and as far north as Sierra Leone. These attacks have become increasingly violent, often involving firearms; kidnappings for ransom have likewise become more common. In just the first two and half months of 2016, a total of 32 seafarers were kidnapped in six incidents in the region, compared with 15 taken in four incidents in all of 2015.[24]

Some recent military intelligence reports illustrated a significant number of Nigerians among pirate groups that are involved in operations in West African waters. Moreover, most incidents recorded in recent months were within Nigeria. What gives the impression of a significantly rising number of criminal operations in the maritime space might be an extension of the deteriorating security situation in Nigeria, particularly the revival of violence in the unstable oil-producing Niger Delta after years of relative calm. Significant adjustments in the operations of Boko Haram have also been observed after the group's expansion from northeast Nigeria to neighboring countries, and its conversion to an ally of the self-proclaimed Islamic State group.[25]

The escalation of turmoil in the southern coastal area of Nigeria is likely to have an increasing influence over the entire region, especially since terrorist groups have been able to look past their minor disagreements in favor of strengthening their coordination against the Western presence and supporting countries from Africa.

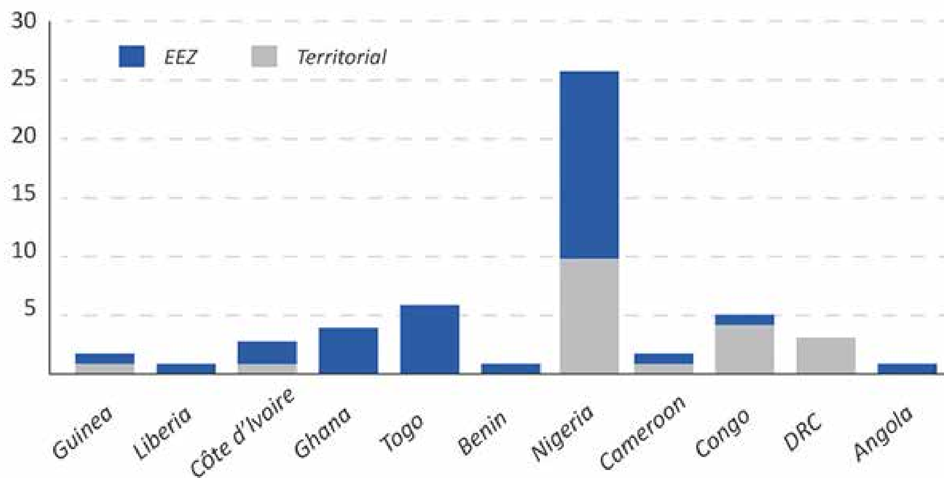
Another emerging threat on the Nigerian security scene is the capacity of the separatist military group, Niger Delta Avengers, to severely affect Nigerian oil production. Since the beginning of 2016, the Niger Delta Avengers (NDA) have conducted many attacks on oil and natural gas infrastructure throughout the region. "The NDA's attacks have resulted in immediate and severe disruptions in crude oil production, as some of the attacks have targeted key oil-gathering and export infrastructure. Nigeria's oil production averaged 1.9 million bpd in 2015. By May 2016, Nigerian oil production had fallen to 1.4 million bpd, nearly a 30-year low."[26]

[24] "Piracy Resurgence in West Africa," *Economist Intelligence Unit*, May 19, 2016, http://country.eiu.com/article.aspx?articleid=1154235899&Country=Equatorial%20Guinea&topic=Politi_9.

[25] Matthew Fiorelli, "Piracy in Africa: The Case of the Gulf of Guinea," *Kofi Annan International Peacekeeping Training Center Occasional Paper No. 37* (August 2014): 7, http://www.kaiptc.org/Publications/Occasional-Papers/Documents/Fiorelli-KAIPTC-Occasional-Paper-2014.aspx; "A Guide to Militant, ex-Militant, and Activist Groups in the Niger Delta," *Risk Intelligence Report (Denmark)*, June 8, 2016, https://www.norclub.no/assets/ArticleFiles/08-June-2016-Guide-to-Niger-Delta-Groups-2016.pdf.

[26] Melanie Berkey, "Crude Oil Disruptions in Nigeria Increase as a Result of Militant Attacks," U.S. Energy Information Administration, August 18, 2016, http://www.eia.gov/todayinenergy/detail.php?id=27572.

Figure 1: Reported cases of Piracy in Gulf of Guinea in 2015



EEZ signifies 200-mile exclusive economic zone.
Source: Oceans Beyond Piracy, The State of Maritime Piracy 2015 Report

Until 2015, Nigeria was classified as the biggest African oil producer; Angola's oil production surpassed Nigeria's earlier this year. The crude oil production disruptions in Nigeria reached 750,000 barrels per day in May 2016, the highest level since January 2009.[27]

Regrettably, the insecurity environment in the Gulf of Guinea is not only correlated to the escalation of threats, but also to the ambiguous relationship between the AU and the GGC. In September 2015, Ambassador Florentina Adenike Ukonga, executive secretary of the GGC, met with Ambassador Febe Potgieter-Gqubule, deputy chief of staff of the African Union Commission (AUC), with the objective of "formalizing the relations between GGC and AUC."[28] Surprisingly, the AUC had not yet acknowledged the GGC structure. Ambassador Ukonga even felt she needed to bring a copy of the GGC treaty to the AUC, which illustrates the ongoing organizational challenges among African institutions.

Organizational Challenges to the Emergence of an Atlantic African Community

Overlapping in Security and Defense

These growing non-state threats in a deteriorating security environment have forced the AU to formulate mechanisms to prevent and counter such menaces effectively. The AU's doctrine of "ownership/leadership" in addressing these challenges has led to the development of the African Peace and Security Architecture (APSA) and the African Peer Review Mechanism (APRM). This is a start but African security capacity building also requires a

[27] Ibid.

[28] "The Relationship between the AUC and the Gulf of Guinea Commission are Intensifying," African Union Press Release, September 15, 2015, http://www.au.int/en/pressreleases/25109/relationship-between-auc-and-gulf-guinea-commission-are-intensifying.

corresponding strong commitment to correct unsuccessful management resulting from the lack of good governance. Overlapping security structures further complicate efforts at harmonization.

For example, development of the African Standby Forces (ASF) was laid out in the 2003 Policy Framework that established it, which afterward served as a roadmap for the development of the ASF under APSA. Theoretically, the ASF are structured into five regional brigades aligned to RECs,[29] but regional overlaps have a negative impact on the ASF's performance in the fields of early warning and intelligence sharing. Moreover, the ASF's operational timetable has not been met. Four major obstacles appear to be obstructing the ASF's performance:

- Conflicting interests at the state level or in the balance between state members within each REC;
- The lack of cooperation, coordination, and communication between continental, regional, and national levels;
- High dependency on external funding, in contradiction to the principle of African ownership/leadership; and
- Regional disparity on the integration process of RECs and other regional mechanisms. West and Southern Africa, for example, both have relatively strong RECs with established security mechanisms while North and East Africa lack adequate structures.

Moreover, RECs have different positions on whether the AU or the UN should mandate the deployment of the ASF. For instance, SADC and ECOWAS tend to prefer UN Security Council authorization to AU authority. This disagreement on the mandating authority makes it hard for the ASF to deploy effectively on missions.[30]

The East African Standby Forces (EASF) are handicapped by a lack of regional cohesion; competition over regional supremacy between Ethiopia and Kenya; Ethiopia's dominance in the Intergovernmental Authority for Development (IGAD), which utilizes its role in the organization as a tool for preserving the country's national security project under the cover of regional security; and the absence of one single REC aligned to the EASF (the countries of the region are members of different organizations, most notably IGAD and EAC). For the latter reason, governments decided to create a new structure, the East Africa Standby Brigade Coordination Mechanism (EASBRICOM), but it is understaffed, underfinanced, and poorly connected with the AU and RECs. Moreover, some states, such as Tanzania, are ambivalent about the EASF. In fact, Eastern Africa's stalemate on EASF has not been limited to the conflict of interest between member states, but more tragically also includes the ongoing violence between members. Notable cases include hostilities between Sudan and South Sudan; Ethiopia and Eritrea; Djibouti and Eritrea; and South

[29] Observatoire de l'Afrique, "The African Standby Force: Confronting African Security Challenges?" Conference Report Paris 26 & 27 April 2011 (Institut de Recherché Strategique de l'École Militaire), 5.

[30] Festus Aboagye, "A Stitch in Time Would Have Saved Nine: Operationalising the African Standby Force," *Institute for Security Studies Policy Brief No. 34* (September 2012).

Sudan, Ethiopia, and Uganda. Most significantly, conflicts in Somalia and Sudan have delayed the development of the EASF. Despite the emergence of the EASF as a regional peace and security architecture, IGAD and EAC continue with their own peace and security activities, so there are now effectively three regional security organizations in Eastern Africa, each of which have been independently seeking external funding.[31]

As one can imagine, the overlapping memberships among these security organizations has complicated the smooth management of security issues. A further complication is the withdrawal of Tanzania, Madagascar, and Mauritius from the EASF, each of which then became active in the Southern Africa brigade.[32] Meanwhile Eritrea has curtailed its activity in EASF due to its unfriendly relations with some member states, mainly Ethiopia.

The most delicate impasse is that the EASF has not yet been permitted to be used as a peacekeeping tool in the fight against the Lord's Resistance Army in Uganda, the war in Somalia, and the conflict in eastern DRC, for example.[33] This is just one case in which standby forces struggle because the mix of state and regional interests as well as the incomplete institutionalization process make it hard to operate as an effective force.

Regional Integration Initiatives

According to the AU definition, Regional Economic Communities are regional groupings of African states with the purpose of facilitating regional economic integration between members and through the wider African Economic Community (AEC), which was established under the Abuja Treaty in 1991.

Technically, RECs are integrated with the AU's organogram and operate as its structural blocks. The relationship between the AU and the RECs is mandated by the Abuja Treaty and the AU Constitutive Act, guided by the 2008 Protocol on Relations between the RECs and the AU, and by the Memorandum of Understanding on Cooperation in the Area of Peace and Security between the AU, RECs, and the Coordinating Mechanisms of the Regional Standby Brigades of Eastern and Northern Africa.

The African continent is characterized by multiple integration blocs, and most African states are members of several overlapping communities. These communities do not always share the same institutional trajectory, the same economic goals, or the same legal and political coherence. Despite efforts to harmonize REC policies, progress is still weak and the pace of such progress is not uniform. Moreover, there are variations in terms of levels of commitment among different RECs.

Assuming the AU, as the central continental institution, benefits from this overlap by preserving the capacity to maintain its central position in the architecture of the Pan-African discourse (based on the slogan "One United and Integrated Africa"), such maneu-

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[31] Endalcachew Bayeh, "The Eastern Africa Standby Force: Roles, Challenges and Prospects," *International Journal of Political Science and Development*, vol. 2, no. 9 (October 2014): 197-204.

[32] Jakkie Cilliers, "The African Standby Force: An Update on Progress," *Institute for Security Studies Paper No. 160* (March 2008), https://issafrica.s3.amazonaws.com/site/uploads/Paper160.pdf.

[33] Aboagye.

vers can only impede African integration. Because some of the major African countries dominate the management of African decision-making mechanisms within the AU Commission, African political integration has never gained steam.

Nevertheless, it is still possible to adapt an Atlantic African paradigm to include African concerns and generate common ground for a joint framework to rethink those difficulties afflicting African regional communities. In fact, the regional approach to conflict and crisis management remains far superior to both international involvement and bilateral negotiations. Furthermore, despite their challenges, African regional organizations are better qualified to detect the early warning signs of potential conflicts and crises. They benefit from greater proximity to African public opinion in conflict zones[34] than international mediators and peacekeepers, and have the local knowledge required to carry out practical conflict resolutions.

Accordingly, there is a fear among AU member states that external assistance may deepen the gap within APSA and its unbalanced components, including the Continental Early Warning System and the five regional African Standby Forces. According to a 2006 study conducted by United Nations Economic Commission for Africa (UNECA), titled "Assessing Regional Integration in Africa II," "overlapping mandates and objectives, duplicated integration policies, and the multiple memberships by African countries appear to be slowing integration, reducing the regional economic communities' effectiveness, and stretching thin limited financial resources."[35]

Overlaps in Trade Standards

Almost all African states are engaged in multilateral trade negotiations at the World Trade Organization (WTO). They are subject to standard rules of the WTO and have been engaged in multiform commitments on liberalization of trade in goods, services, and related areas. In particular, many African WTO member states have consolidated some of their international trade tariffs at relatively low levels, while others fully consolidated their tariffs.

These commitments have a direct impact on states' capacities to implement economic and developmental policies. Nevertheless, by opting for a large opening through low tariffs and a large consolidation, these countries find themselves obligated to reduce their policy space and their ability to implement certain limitations imposed by the RECs to which they belong.

Despite obstacles to the implementation of the integration agenda, the commitment of African leaders to complete the construction of the continental market continues. The AU Summit held in July 2012 in Addis Ababa took a major decision by adopting a roadmap

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[34] Alfonso Peter Castro and Kreg Ettenger, "Indigenous Knowledge and Conflict Management: Exploring Local Perspectives and Mechanisms for Dealing with Community Forestry Disputes," paper prepared for the United Nations Food and Agriculture Organization, Community Forestry Unit, for the Global Electronic Conference on "Addressing Natural Resource Conflicts Through Community Forestry," January-April 1996, http://www.fao.org/docrep/005/ac696e/ac696e09.htm.

[35] UN Economic Commission for Africa and African Union, *Assessing Regional Integration in Africa II: Rationalizing Regional Economic Communities* (Addis Ababa, Ethiopia: UNECA, 2006), xv-xvi, http://foresightfordevelopment.org/sobipro/55/148-assessing-regional-integration-in-africa-ii-rationalizing-regional-economic-communities.

leading to the African Economic Community. This roadmap was divided into three stages: 1) creation of a free trade area on a continental scale by 2017; 2) establishment of an African common market by 2023; and finally 3) completing the African Economic Community.

Some RECs are strongly committed to achieving a continental free trade area. This is the case for the Common Market for Eastern and Southern Africa (COMESA), EAC, and SADC, which since the first tripartite summit in Kampala, Uganda in October 2008, decided to launch negotiations for the establishment of a free trade agreement between those three regions. These three RECs have taken concrete actions to settle the project, by adopting (during the second tripartite summit held in South Africa in 2011) the regional integration plan of the free trade agreement under three pillars: 1) industrial development; 2) market integration; and 3) infrastructure development. In June 2015, these three RECs agreed to the Tripartite Free Trade Area (TFTA). It was first signed in Sharm-el-Sheikh, Egypt, by representatives of most of the 26 countries comprising these RECs; then the project was introduced by South Africa at the 25th AU Summit in Johannesburg, with the hope of creating an African Continental Free Trade Area (CFTA) by 2017.

In addition to conventional areas of cooperation that cover regional trade arrangements (tariff liberalization, rules of origin, customs procedures, non-tariff barriers, anti-trade practices, technical barriers to trade, sanitary measures and plant health, free movement of persons, dispute resolution, etc.), other areas of cooperation are already being considered by members. To the extent that the TFTA has sparked enthusiasm among countries looking for geopolitical positioning, others have expressed reservations on the agreement that might interrupt their trade performances and generate higher tariffs that could result in trade diversion effects, reducing or swallowing any benefits arising from trade creation.[36] TFTA is a controversial project because despite its potential benefits, it is also seen as deepening disparities in development levels within the regions and consequently intensifying competition among member states.

Moreover, in the tax and business dimensions of cross-border trade and logistics, TFTA might raise conflicts of interest and contradictions because of the affiliation of a number of signatory states to more than one REC.[37] Nevertheless, what is promising is the potential capacity for different African countries to improve their trade performance with the rest of the world.

Therefore, regardless of such challenges, one can suppose that such regional design in the western part of Africa could be attempted practically to test whether an Atlantic African environment is able to embrace a second TFTA-type grouping (perhaps named "TFTA II") designated for the enhancement of economic and trade ties between African coastal states and neighboring landlocked countries. The most discussed expansion scenario

[36] John Humphreys and Andrew Stoeckel, *'Free' Trade Agreements: Making them Better*, RIRDC Publication No. 05/035 (Canberra, Australia: Rural Industries Research and Development Corporation, 2005).

[37] Ernest Aniche, "Problematizing Neofunctionalism in the Search for a New Theory of African Integration: The Case of the Proposed Tripartite Free Trade Area (TFTA) in Africa," *Developing Country Studies*, vol. 4, no. 20 (2014): 128-142.

today is to consider two big regional groupings. One would join IGAD with COMESA, EAC, and SADC. The second grouping requires determination to overcome REC disparities to strengthen coordination and to speed up convergences between ECOWAS, the Economic Community of Central African States (ECCAS), CEN-SAD, and AMU to turn into a strong economic and trade entity.

An Atlantic spirit could find a suitable breeding ground within this second group for the building of an Atlantic African identity, and then initiate pillars for cooperation of the African Atlantic with the Northern and Latin American Atlantic poles. If a new TFTA II were devised, it could strengthen two cross-cutting goals of the AU. The first is related to "the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes,"[38] while the second is commensurate with the approach implemented by the AU under the pretext that the TFTA will ultimately serve in the accomplishment of CTFA.

It is useful to imagine that construction of an Atlantic African initiative can play the role of regulator of such a new TFTA II for the large western part of Africa, gathering most of the member states of the three RECs (ECOWAS, CEN-SAD, and AMU) in addition to the GGC.

Conclusion

The African Atlantic maritime domain is expected to drive other political, economic, and social trends in the wider Atlantic Basin with new views and innovative strategies to recognize and harness potential patterns related to food security, energy, security, or trade.

Despite all the inherited obstructions — the challenges of different state interests, organizational overlap, and ongoing disputes — the need to strengthen complementarity and solidarity among African Atlantic coastal countries is increasing in several areas of cooperation, between businesses, and among governments. Efforts required for fixing deficiencies in the African Atlantic maritime domain may start with security but not end there. If a cohesive Atlantic African community emerged, whether through a possible TFTA II plus the GGC or some other mechanism(s), it could play a significant overall role in the continental architecture. It could also serve as a main counterpart for other players from the three other Atlantic continents, especially in the area of coordinating efforts against transnational organized crime, terrorism, and piracy. Above all, today's priority is to assure Africans of their own security and safety as individuals, states, and regions, seeking to reach Ubuntu, "I am what I am because of who we all are."

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[38] African Union, "Continental Free Trade Area (CFTA): Objective," http://pages.au.int/cfta/pages/objective.

2 The European Union's New Global Strategy: Implications for Africa

Rosa Balfour and Madeleine Goerg

Introduction

Largely unnoticed in Africa, over the past 18 months the European Union's foreign policy strategists have been engaged in drafting a new "Global Strategy for the European Union's Foreign and Security Policy," the result of which was made public in June 2016.

Post-colonial relations between Europe and Africa have meant that the EU has developed, over the years, a multitude of initiatives toward Africa that reflect a broad range of forms of engagement. Does the new strategy, titled "Shared Vision, Common Action: A Stronger Europe,"[1] alter the framework for Euro-African relations? Should African states and societies take it seriously? What role is the new strategy likely to play in the layered history of the relationship and with respect to emerging themes and challenges, from migration to economic growth?

Whether and how the EU Global Strategy (EUGS) affects EU-Africa relations is the subject of this chapter. The core logic behind the process that led to the EU Global Strategy stems largely from the domestic political consequences of insecurity in Europe's neighborhood. In this respect, Africa is one step removed from Europe's core understanding of its security, but there are efforts to bring that a step closer. Elements in the vision could innovate aspects of the EU-Africa relationship, with respect to security cooperation, conflict prevention, and different ways of interpreting the notion of global responsibility and "partnering" between countries and regional organizations. African states and societies could choose to interpret the document in a way to meet expectations and needs as seen from the south, and use it as a springboard to propose ideas to upgrade the relationship at the next major EU-Africa summit in 2017.

The risk, however, is that these innovations may become merely academic thinking in the face of emerging realities. Europe is increasingly viewing Africa through security and migration lenses and is devising policies to contain the spill-over of African developments into Europe. This would run against the longer-term ambition of the EUGS to address "root causes" of instability. Politics inside Africa could also move governments on the continent further away from Europe. The recent decision of South Africa, Burundi, and The Gambia to leave the International Criminal Court, and the debate within the African Union (AU) around this[2] reflects choices that are far from the "pragmatic idealism" put forward by the EUGS.

This chapter explains the logic behind the preparation of the EUGS, tying it to the current political context inside Europe. It draws out where and how Africa is treated in the EUGS, and explains the meaning of "global" and its relevance for EU-African relations. The chapter briefly outlines the major trajectories of African developments and synthesizes the state of play in EU-African relations. It also places the EUGS in the context of contempo-

[1] European Union, *Shared Vision, Common Action: A Stronger Europe | A Global Strategy for the European Union's Foreign and Security Policy* (Brussels: June 2016), https://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf.

[2] Srinivas Burra, "The ICC Must Dispense Justice More Equitably or Face an Exodus of African Countries," *The Wire*, October 31, 2016, http://thewire.in/76952/the-icc-must-dispense-justice-more-equitably-or-face-an-exodus-of-african-countries/.

rary challenges and opportunities in EU-Africa relations, identifying the threads of the EUGS that could be of interest to African audiences to the extent that they shed light on European priorities, expectations, and policies. Finally, the chapter tries to derive some general recommendations on how the EUGS can be used to improve EU-Africa relations.

Why the EU Global Strategy?

A step back in time is needed to understand where the debate on European strategy comes from. In 2003, driven primarily by the need to mend the deep rifts in Europe caused by the military intervention in Iraq, the European Council asked the then High Representative for Common Foreign and Security Policy Javier Solana to pen a vision of the world and of the European Union's role therein around which its member states could coalesce. The result, the European Security Strategy (ESS), was probably the best written and most read document the EU has ever produced. During the following decade, the debate continued in the community of European foreign policy experts about updating the ESS or designing a new one to reflect the changing global context and EU institutional set-up.[3] Indeed, in 2009, the Lisbon Treaty created Europe's new diplomatic body, the European External Action Service (EEAS), and upgraded the high representative for foreign affairs and security policy, who now is also vice president of the European Commission.[4]

In 2013, the EU's heads of state and government had requested a report on the state of Europe's security and defense cooperation. This reflected the need for an assessment of the defense situation in Europe following cuts to national defense budgets due to the impact of the financial crisis, and NATO's push toward increasing defense spending in Europe. When the new HR/VP, Federica Mogherini, entered office in November 2014, she decided to interpret this narrow political mandate more broadly and used the opportunity to initiate a wide debate and consultation process leading toward a new strategy for foreign and security policy, which could provide regeneration for the EU's international engagement.[5] The debate within the foreign policy community around the renewal of the ESS, following major international shocks that had a direct impact on Europe's security (the annexation of Crimea, the war in Syria, and the rise of the self-proclaimed Islamic State group, to mention just the most dramatic ones), and the deep political crises into which Europe was progressively plunging since the impact of the 2008 financial crisis all provided fertile ground for such an exercise. Furthermore, through the crises, European solidarity was tested in ways that may prove of greater consequence than the divisions of

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[3] For instance, in 2012 a small group of foreign ministers drove the drafting of a European Global Strategy, published in time to mark the 10th anniversary of the ESS. See www.globalstrategy.eu.

[4] For an overview of the changes introduced to EU foreign policy structures with the Lisbon Treaty, which entered into force in 2009, see Michael Emerson et. al., "Upgrading the EU's Role as Global Actor: Institutions, Law and the Restructuring of European Diplomacy," *Centre for European Political Studies*, January 25, 2011, https://www.ceps.eu/publications/upgrading-eus-role-global-actor-institutions-law-and-restructuring-european-diplomacy.

[5] Rosa Balfour, "Renewal through International Action? Options for EU Foreign Policy," in László Andor et. al., "Challenges and New Beginnings: Priorities for the EU's New Leadership," *Challenge Europe Issue 22* (Brussels: European Policy Centre, September 2014), 56-64, http://www.epc.eu/documents/uploads/pub_4951_balfour.pdf.

2003. Donald Trump's victory in the 2016 U.S. presidential race may provide another push toward stronger European wherewithal in international relations.

Following a detailed assessment of the state of Europe and the world presented in June 2015,[6] the team drafting the new strategy spent a year consulting the European foreign policy community of experts and policymakers (as well a few non-European partners). They presented the EU Global Strategy just a day after the British vote to leave the EU.

The EUGS does not revolutionize the EU's way of engaging internationally, but it links the complex internal political logic and dynamics to a comprehensive vision of a changing and more dangerous world. It poses the ambition for "strategic autonomy" when dealing with global issues. It connects Europe's normative inheritance of trying to shape the world through rules and institutionalized relations with the challenges of dealing with contemporary global turmoil inside and between countries through what it defines as "pragmatic idealism." Even if it arguably falls short of filling the requisites of qualifying as a proper strategy,[7] with clear and circumscribed goals and roadmaps for their operationalization, it does offer a vision of the world, European interests and aspirations, and clues on how to proceed with follow-up and implementation. Among the notions of how the EU will go about this vision are the need for unity within Europe (a hard enough objective in itself), the need to engage with the world rather than stand isolated, and to work through partnerships with other countries and regions.

What the EUGS refrained from pursuing was a "Christmas Tree" approach listing all the areas of EU engagement and a way forward for each of them. "Global" is to be intended not so much as its geographical scope, but as its method of engagement that aspires to use the wide range of EU tools to pursue the aims of building up state and societal resilience, pursue stabilization, and promote prosperity, peace, security, and a rules-based world order, which are the overall objectives of the EUGS.[8] Among the EU tools are development aid, conflict prevention, human rights support, trade agreements, security sector reform, visa policy, and judicial cooperation, just to cite a few.

Proposals to develop more integrated approaches to conflict, the central role given to supporting cooperative regional orders and to "partnering" with other regional actors, and the reaffirmation of the need to promote global governance are all of relevance to Africa. The notion of resilience, and the extent to which it is tied to the Sustainable Develop-

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[6] European Council, *European Council meeting (25 and 26 June 2015) – Conclusions*, June 26, 2015, https://europa.eu/globalstrategy/en/european-council-conclusions-june-2015.

[7] See, for example, Stefan Lehne, "The EU Global Strategy, a Triumph of Hope Over Experience," *Carnegie Europe blog*, July 4, 2016, http://carnegieeurope.eu/strategiceurope/?fa=64003; Hanns W. Maull, "Sadly, the EUGS Reads More like a Symptom of the Problem than Part of a Solution for Europe's Deep Crisis," *The International Spectator*, vol. 51, no. 3 (October 2016), http://www.tandfonline.com/doi/full/10.1080/03932729.2016.1217071; and Elizabeth Sidiropoulos, "The EU Global Strategy: More Modest, Equally Challenging," *The International Spectator,* vol. 51, no. 3 (October 2016), http://www.tandfonline.com/doi/full/10.1080/03932729.2016.1218681.

[8] The more specific priorities are: the security of the EU, state and societal resilience to Europe's east and south, an integrated approach to conflicts, cooperative regional orders, and a renewed global governance.

ment Goals (SDGs), is also of relevance to sub-Saharan Africa, even if the EUGS's focus is mostly toward Europe's immediate south and east.

The EU Global Strategy is more of an articulated and comprehensive vision of the world and Europe's role and ambition therein than a proper strategy. Its strategic value will become clearer once the areas for follow up are put into practice. The importance of the follow-up is explicitly stated by the drafters; this means that the true change the EUGS may induce will be defined against the areas identified for its operationalization. The priorities identified so far are internal security and defense and building resilience in Europe's neighborhood, thus only indirectly affecting Africa. The longer term and the historic past, as the next section shows, do mean that Africa counts for Europe's future.

State of Play of EU-Africa Relations

Africa is Europe's largest aid recipient, a continent in which significant military engagement is taking place, an important trade partner and destination of investments, and a source of immigration. Europe is Africa's largest donor, an important investor that is increasingly outpaced by other non-European players, a modest security provider, often seen as foreign meddler, a supporter of African regional integration, an important source of remittances, and the host of a significant diaspora community. In short, the two continents are deeply interconnected.

Trajectories of African Developments

Africa's recent story of growth is not a linear upward trend. Most importantly, its economic growth has not been matched by a satisfactory creation of jobs, with consequences on African mobility. Weighing heavily on African economies is the tightening of global financial conditions. Africa's growth forecasts are being revised downwards due to the contraction of the continent's two dominant economic powers, Nigeria and South Africa.[9] With African GDP growth sliding toward a 17-year low, there have been warnings of a potential (re)marginalization of Africa.[10] But Africa's growth is also expected to strengthen again and the continent will retain its position as the second fastest-growing economic region in the world, with countries like Rwanda and Tanzania forecasted to grow between 6 and 10 percent for 2016-17. Furthermore, despite a high dependence on global commodity prices, Africa's terms of trade have been improving markedly since 2000 with a peak in 2012, rising over 80 percent from its level in 2000.[11]

The UN projects a population growth to almost 1.7 billion in 2030 and 2.5 billion in 2050. The combination of jobless economic growth and the demographic bulge require robust public policy intervention. Without reform, Africa's surging population could become a disruptive factor to economic stability if unemployment and underemployment become

[9] World Bank, "Global Economic Prospects: Sub-Saharan Africa, Divergences and Risks," June 2016, http://pubdocs.worldbank.org/en/677771463685566104/Global-Economic-Prospects-June-2016-Regional-Overview-SSA.pdf.

[10] Jakkie Cilliers, "The (re)marginalisation of Africa?" *Institute for Security Studies*, Februrary 9, 2016, https://issafrica.org/iss-today/the-remarginalisation-of-africa.

[11] African Development Bank Group et. al., "Africa's Macroeconomic Prospects," in *African Economic Outlook* (AfDB, OECD, and UNDP, 2016), 29, http://www.africaneconomicoutlook.org/en/outlook/africa-s-macoreconomic-prospect.

the leading trends. This would add to a climate of renewed political violence in Africa, which has led experts to forecast that 1 billion people could be living in "more fragile" countries by 2050 if no improvements toward greater resilience materialize.[12] Internal institutional weaknesses and governance challenges remain major pitfalls to sustained growth and stability. According to the Armed Conflict Location and Event Data Project (ACLED), political unrest (riots and protests) have been the dominant political expression in African countries since 2013.[13]

Tightly interwoven with patterns of population growth, employment, and climate change, urbanization is symptomatic of structural transformation within African societies. Africa is urbanizing twice as fast as Europe. The share of urban residents is forecast to reach 50 percent by 2030 before stabilizing at 56 percent in 2050.[14] Urban planning is a major challenge, with almost half of Africa's urban population living in slums,[15] an unstable environment where crime and violence are fed by unemployment. A large portion of the urban labor force is trapped in low-productivity informal jobs, and youth unemployment in Africa is six times higher in urban areas than in rural areas.[16]

African cities are also affected by migration. It is estimated that 31.3 million Africans live abroad. More than half – 18.6 million – live in African countries other than their own. Contrary to common perceptions, South-South migration is thus larger than South-North migration.[17] Conflicts have produced huge numbers of refugees – 3.7 million live in sub-Saharan Africa, which is more than one-quarter of the global refugee population.[18] Despite the structural challenges it brings about, migration is also a windfall for Africa. Remittances are expected to increase by 3.7 percent in 2017 and 2018,[19] and regional migration is a driver of development and poverty reduction, as well as regional integration.

These positive effects of migration can be highlighted within the ECOWAS region, where many Africans migrate for work. In Côte d'Ivoire, Ghana, and Nigeria – major "host"

[12] "African Futures Project Assesses Prospects for Africa's Fragile Countries," *Institute for Security Studies Press Release*, November 4, 2013, https://www.issafrica.org/about-us/press-releases/african-futures-project-assesses-prospects-for-africas-fragile-countries.

[13] State fragility, human rights abuses, and jobless growth are among the key determinants of migration. See Aderanti Adepoju, "Migration within and from Africa: Shared Policy Challenges for Africa and Europe," *Delmi Research Overview 016:5*, August 2016, http://www.delmi.se/en/publications-seminars#!/en/migration-from-africa-1. For more information on the Armed Conflict Location & Event Data Project (ACLED), see http://www.acleddata.com/.

[14] African Development Bank Group et. al., "The Implications of Africa's Urbanisation for Structural Transformation," in *African Economic Outlook* (AfDB, OECD, and UNDP, 2016), 146, http://www.africaneconomicoutlook.org/en/theme/sustainable-cities-and-structural-transformation.

[15] Mo Ibrahim Foundation, "African Urban Dynamics: Facts & Figures 2015," November 2015, 45, http://static.moibrahimfoundation.org/u/2015/11/19115202/2015-Facts-Figures-African-Urban-Dynamics.pdf.

[16] Ibid., 42.

[17] Adepoju.

[18] Mo Ibrahim Foundation, 47.

[19] World Bank, "World Bank Forecasts a Slowdown in Migrant Remittances in 2015," *World Bank Press Release*, October 22, 2015, http://www.worldbank.org/en/news/press-release/2015/10/22/world-bank-forecasts-a-slowdown-in-migrant-remittances-in-2015.

countries in West Africa – governments have shown a growing interest in handling challenges linked to migration and reaping the dividend of massive population movements. Indeed, 84 percent of migration movements in West Africa are regional, which is seven times higher than migration to other parts of the world.[20]

In sum, uneven economic jobless growth, the protraction of conflict and state fragility, and evolving migration patterns are among the key trends of the continent, which could be exacerbated by the impact of climate change, to which Africa is particularly exposed. Emerging patterns of regional integration in Africa and their governance are providing some ways to address these challenges. How has the EU developed its policies toward the continent?

Institutionalizing EU-Africa Relations

There is a discrepancy between the intense degree of institutionalization of relations between Africa and Europe and the low prioritization de facto accorded to Africa in political practice. Relations between the two continents count among the most codified and sophisticated relationships that each bloc has with another and span political, economic, and development cooperation, but diplomatic interaction and bilateral talks are few and far between, prompting many African leaders to complain about being marginalized and to welcome diversified relationships with non-European actors.

EU-Africa relations fall under two main, and overlapping, policy frameworks: the Cotonou Agreement (2000) and the Joint Africa-EU Strategy (JAES) of 2007. Africa-EU cooperation is increasingly framed in terms of common interests, a shift from the previous more altruistic and post-colonial rhetoric. Efforts have also been made to move beyond a partnership between institutions to encourage the participation of civil society organizations and the private sector. Both sides have attempted to redefine the relationship away from the donor-recipient links toward a more balanced relationship over the past decade, but with limited success.[21]

The Cotonou Agreement is a unique framework in North-South cooperation. Signed in 2000, it builds on the 25 years of cooperation under the successive Lomé Conventions (1975-2000) and sets the basis for relations with 79 countries[22] from the Africa-Caribbean-Pacific Group of States (ACP). The agreement, which is valid until 2020, includes built-in mechanisms for revision every five years, is legally binding, and has created a set of implementing joint institutions.[23] Aiming to eradicate poverty by helping to integrate the ACP countries into the world economy, the agreement rests on the dual pillars of trade

[20] Alexandre Devillard, Alessia Bacchi, and Marion Noack, *A Survey on Migration Policies in West Africa* (Vienna, Austria and Dakar, Senegal: International Centre for Migration Policy Development and International Organization for Migration, March 2015), 23, https://publications.iom.int/system/files/pdf/survey_west_africa_en.pdf.

[21] See Thierry Tardy, "The EU and Africa: A Changing Security Partnership," *EUISS Brief no. 5*, February 17, 2016, http://www.iss.europa.eu/publications/detail/article/the-eu-and-africa-a-changing-security-partnership/.

[22] The ACP Group includes 48 countries from sub-Saharan Africa, 16 countries from the Caribbean, and 15 countries from the Pacific region.

[23] They include a Council of Ministers, a Committee of Ambassadors, and a Joint Parliamentary Assembly.

and aid. The former underwent significant change in the mid-2000s with the signing of Economic Partnership Agreements (EPAs) between Europe and various regional groupings whereby important policy competencies were moved from the ACP level to the level of Regional Economic Communities (RECs).

A full regional EPA was also concluded in 2014 with the East African Community and the Southern Africa Development Community. Regional negotiations with Central African states have been delayed due to the situation in the Central African Republic. Cameroon is currently the only Central African country to have signed and approved the interim EPA. Four East and Southern African countries – Mauritius, Seychelles, Zimbabwe, and Madagascar – signed an interim EPA in 2009. The EPAs have been presented as development tools rather than traditional free trade agreements but remain highly contested. Provisions are also made in the JAES Roadmap 2014-2017 for cooperation on investment and economic governance as well as on agriculture and food security, which remain crucial for the African continent.

The second policy framework governing Africa-EU relations is the Joint Africa-EU Strategy. The first 2005 EU Strategy for Africa was highly criticized by African countries as a unilateral policy framework rather than the outline of a partnership among equals. The JAES, which followed two years later, was intended "to take the partnership between the two continents to a new strategic level, based on a Euro-African consensus on values, interests, and strategic objectives."[24] The JAES also emphasized the political nature of the Africa-EU relationship and moved beyond strictly African matters, to include global challenges such as migration, climate change, and peace and security. Seven years later, against the backdrop of limited progress in implementing the JAES and criticism that it was too cumbersome and bureaucratic, African and European heads of state and government adopted the JAES Roadmap 2014-2017, consolidating the eight thematic partnerships of the JAES into five priority areas: 1) peace and security; 2) democracy, good governance, and human rights; 3) human development; 4) sustainable and inclusive development and growth, and continental integration; and 5) global and emerging issues. Unlike the Cotonou agreement, the JAES and subsequent policy documents include both North and sub-Saharan Africa.

Similar trajectories of regional integration and institutional make-up have enabled the EU and the African Union to create standing mechanisms for dialogue and cooperation. Indeed, the EU-Africa partnership plays out through a number of formal channels. These include the EU-Africa summits of heads of state and government, which take place every three years alternating between Africa and Europe, the next one due in 2017. Between summits, ministerial meetings to assess the progress made are organized on an ad hoc

[24] Tardy, 1.

basis.[25] Ongoing dialogue is further facilitated through the AU permanent mission to the EU in Brussels and the EU Delegation to the African Union in Addis Ababa.[26] These mechanisms bolster political exchange on crisis management and on the AU's and the EU's respective agendas. This level of institutionalization and inter-institutional cooperation is unique to the Africa-EU relationship and is complemented by forums involving other stakeholders such as the EU-Africa Business Forums, the Africa-EU Civil Society Forum, and the Africa-Europe Youth Leaders' Summits.

Peace and Security

Peace and security is a key area for Africa-EU cooperation, primarily to support the African Peace and Security Architecture (APSA) and ensure predictable funding for African-led peace operations. The EU, along with its member states, is the largest contributor to the African Union and supports more than 80 percent of the African Union Commission's budget, including financing AU Commission staff salaries.[27] The EU has intervened in Africa through its Common Security and Defense Policy (CSDP) missions, mostly to curb terrorism, piracy, and other security threats that could spillover into Europe. Ten of the EU's 17 completed CSDP missions have taken place on the African continent and 9 of the EU's 16 ongoing CSDP missions are deployed there.[28] In 2015, the first joint AU-EU field mission to Mali was another opportunity to deepen inter-institutional cooperation.[29] These interventions have demonstrated a European commitment toward supporting African-led security and security governance, which is also reflected in the EUGS, but the limited operationalization of APSA and uneven capacity at the regional level have fueled concerns about the mid-term operational and financial capacities of African partners.[30]

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[25] The European Commission (EC) and the African Union Commission (AUC) convene on an annual basis for college-to-college meetings and provide much of the political and operational moment for the relationship. In addition, the Joint Annual Forum, formerly known as the "Joint Task Force" meetings, brings together sectorial experts from the member states, the institutions, and civil society organizations to monitor the implementation of the JAES. Regular high-level dialogues and meetings focusing on the implementation of the JAES Roadmap 2014-2017 complement these forums. On the European side, while the European Commission and the European External Action Service (EEAS) take the lead in the EU-Africa, the European Parliament has become increasingly present with standing inter-parliamentary delegations for relations with African institutions and countries, such as the ACP-EU Joint Parliamentary Assembly and the Delegation for relations with the Pan-African Parliament.

[26] See the Africa-EU Partnership, "How It Works?" http://www.africa-eu-partnership.org/en/about-us/how-it-works.

[27] The main funding mechanism for peace and security cooperation is the African Peace Facility (APF) to which the EU has contributed over €1.6 billion since its creation in 2004. These contributions include around €1.3 billion in support of African-led Peace Support Operations (PSO) such as the operations in Sudan/Darfur (AMIS), Somalia (AMISOM), the Central African Republic (MICOPAX/MISCA), and Mali (AFISMA). The APF also supports the operationalization of APSA through capacity-building programs for the AU, the RECs, and training centers. See the Africa-EU Partnership, "Financing the Partnership," http://www.africa-eu-partnership.org/en/about-us/financing-partnership.

[28] European External Action Service, "Military and Civilian Missions and Operations," May 3, 2016, https://eeas.europa.eu/topics/common-security-and-defence-policy-csdp/430/military-and-civilian-missions-and-operations_en.

[29] "Joint Mission to Mali an Opportunity to Deepen Cooperation with the EU," *ISS Africa*, March 9, 2015, https://issafrica.org/pscreport/addis-insights/joint-mission-to-mali-an-opportunity-to-deepen-cooperation-with-the-eu.

[30] Tardy, 3.

Democracy and Human Rights

Support for democratic governance and human rights is the second priority area of the JAES Roadmap 2014-2017 and includes the support for economic, social, cultural, civil, and political rights of citizens in Europe and Africa. The EU regularly deploys election observation missions and aims to keep an open dialogue with its African counterparts on issues of human rights through the annual EU-AU Human Rights Dialogue. The EU has used development aid as a lever on human rights issues, including suspending aid to countries like Burundi due to its negative trajectory in this area.[31] However, current developments in many African countries will surely test the resilience and impact of cooperation in this area.

Development Aid

The EU and its member states remain Africa's largest aid donor, and sub-Saharan Africa is the largest recipient of EU aid, taking up 35 percent of the EU's external budget alone.[32] The European Development Fund is the main financing tool and has a budget of €29.1 billion for the period 2014-20, which has been kept separate from the common EU budget. These funds cover all sub-Saharan African countries party to the Cotonou Agreement except South Africa, whose cooperation funds come from the EU's Development Cooperation Instrument (DCI), part of the common EU budget.

Migration

The EU is also an important donor with regards to migration and development. More than €1 billion were allocated to projects on migration between 2004 and 2014, more than half of which were in support of African countries. Migration was primarily addressed in a separate declaration, the 2014 "EU-Africa Declaration on Migration and Mobility" and Action Plan 2014-2017, which stress the need to step up efforts to fight human trafficking and irregular migration; strengthen international protection, in particular with regards to the protection of refugees, asylum seekers, and internally displaced persons; and better organize legal migration and strengthen the migration-development nexus.[33] Migration also falls under the "Human Development" bucket within the JAES Roadmap 2014-2017 with a greater focus on the economic dimension of migration and is coupled with EU-Africa cooperation on higher education, research, technology, and innovation.

In the wake of the refugee influx to Europe, however, migration is once again viewed through a security lens. The Valletta conference held in November 2015 further emphasized the shared responsibility of source, transit, and destination countries.[34] For African

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[31] "Burundi: EU Closes Consultations under Article 96 of the Contonou Agreement," *European Council Press Release 115/16*, March 14, 2016, http://www.consilium.europa.eu/press-releases-pdf/2016/3/40802209785_en.pdf.

[32] More specifically, the DCI represents 35 percent of the Union's external assistance budget. Conversely, the European Neighbourhood Initiative for Eastern Europe, South Caucasus, North Africa, and the Middle East took up 28 percent of the total budget for external policy. Author calculation based on European Commission, "Multiannunal Financial Framework," June 30, 2014, http://ec.europa.eu/budget/mff/programmes/index_en.cfm.

[33] See Fourth EU-Africa Summit, "EU-Africa Declaration on Migration and Mobility," April 2-3, 2014.

[34] See European Council, "Valletta Summit on Migration," November 11-12, 2015, http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/11-12/.

states, it represented a rare occasion in which European diplomacy has been mobilized en masse to meet African counterparts. The outcomes were welcomed in terms of political commitment and need to address migration-related issues comprehensively, though it was recognized that implementation of the agreements reached in Valletta would be crucial.[35] These included a mix of positive incentives, such as economic investment in key countries, and negative incentives, such as tying EU aid and trade to stemming the flow of refugees and migrants. Follow-up during 2016 has focused even more on tying development aid to the compliance of African states toward migration control, reflecting the EU's political prioritization of curbing the numbers of migrants reaching the shores of Europe. In December 2016, new "partnership frameworks" and "migration compacts" will be presented with five African states (Nigeria, Niger, Senegal, Mali, and Ethiopia). These will put migration at the heart of the relationship, with a strong focus on reaching agreements on returning migrants to the country of origin, supporting technical and infrastructure development of the partner country, and exploring options for legal migration.[36]

The EU Global Strategy and Africa: New Departure or More of the Same?

The EU's relationship with African countries and institutions is thus highly sophisticated and covers a wide range of policy areas, making the EU one of Africa's most important political, economic, and security partners. The EUGS is agnostic on the complex legacy of Euro-African relations and is unlikely to push forward any major changes at that level. But it does present opportunities to those who may want to drive an improvement within the context of existing Euro-African relations, structures, and policies. The EU has been amply criticized for remaining "a payer rather than becoming a genuine political player with interests that it intends to defend,"[37] and such role has been weakened by the growing interest and involvement of other non-European actors in the continent. The EUGS puts forward a number of thematic areas for engagement that aspire to reorient the many policies and budget lines developed in the years of EU-African relations, including some new narratives around those themes, such as "resilience" and an "integrated approach to conflicts and crises."[38] Through these, it spells out how traditional policies, such as human rights support and development aid, may be somewhat redirected.

Resilience

The EUGS builds much of its thematic approach to foreign policy around the concept of resilience, inside European states as much as elsewhere, especially in the countries

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[35] Nikolaj Nielsen, "EU Wants Actions, Deadlines from Valletta Summit," *EuObserver*, November 5, 2015, https://euobserver.com/migration/130985.

[36] See European Commission, *First Progress Report on the Partnership Framework with Third Countries under the European Agenda on Migration*, October 18, 2016, https://eeas.europa.eu/sites/eeas/files/com_2016_700_f1_communication_from_commission_to_inst_en_v8_p1_english.pdf; and European Commission, *Communication on Establishing a New Partnership Framework with Third Countries under the European Agenda on Migration*, June 7, 2016, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/proposal-implementation-package/docs/20160607/communication_external_aspects_eam_toward_new_migration_ompact_en.pdf.

[37] Tardy, 3-4.

[38] European Union, *Shared Vision, Common Action: A Stronger Europe*, 23-32.

surrounding the European Union, which remain the main geographical prioritization of the strategy. The concept can be controversial, insofar as its meaning can be stretched in many directions. In the EUGS, it is used to refer both to state and societal resilience: "a resilient state is a secure state, and security is key for prosperity and democracy." It then draws parallels with the Sustainable Development Goals, whereby a "resilient society featuring democracy, trust in institutions, and sustainable development lies at the heart of a resilient state."[39]

Whether policy will tilt more toward state or societal resilience remains to be seen in practice. So far, with respect to Africa, security and the state's ability to address security threats seems to be the priority through cooperation on counter-terrorism and migration management. As far as civil society is concerned, the EUGS mentions reaching out to "cultural organisations, religious communities, social partners and human rights defenders and speak out against the shrinking space for civil society." This can give legitimacy to African organizations to use the EUGS to demand this kind of engagement from Europe. But "positive change can only be home-grown, and may take years to materialise," as the EUGS humbly recognizes.[40]

Integrated Approach to Conflicts and Crises

The EUGS proposes a revision of the EU's conflict prevention and management policies based on the human security concept. The new approach would be multi-dimensional (from gender to economic governance), multi-phased to address all phases of the crisis cycle, and multi-lateral, involving different levels of cooperation with local, national, international, government, and non-governmental actors. It would work toward "pre-emptive peace," building security and "stabilization," conflict settlement, and a "political economy of peace." This approach builds upon what the EU calls its "comprehensive approach" and could potentially be of interest to African peace actors, if the EU moves toward developing it. The policy tools to back up the aim of building pre-emptive peace would involve more and improved early warning systems, to include monitoring of human rights abuses, the impact of climate change, and access to resources. The notion of stabilization represents a departure from the previous EU stated aim of maintaining "stability," which was widely criticized in the wake of the Arab uprisings as it meant supporting stable governments that were not necessarily democratic. Stabilization, by contrast, can include transformation and reform. Conflict settlement involves an EU role in mediation and in helping legitimate local institutions work toward building sustainable peace. And a political economy of peace entails ensuring equal access to humanitarian aid, but also working with traditional tools, such as trade, to break the political economy of war.

Regionalism, Partnering, and Global Governance

The EU's institutional set-up and history of regional integration make it a natural counterpart for the African Union and the RECs. Indeed, the EUGS refers to "cooperative regional orders" and to supporting cooperation across sub-regions, for example between

[39] European Union, *Shared Vision, Common Action: A Stronger Europe*, 23-24.

[40] European Union, *Shared Vision, Common Action: A Stronger Europe*, 27.

North Africa and sub-Saharan Africa. The EU's investment in African peace and development involves cooperating with African regional organizations and providing support to their efforts in conflict prevention, counter-terrorism and organized crime, and migration and border management.

This would mean building upon existing cooperation with a view toward African states and organizations taking more responsibility for security in Africa. It also has implications for the way the EU engages with partners at the international level. While "leading by example" on implementing commitments made on climate change and the Sustainable Development Goals, the EU pledges not to impose its model of regional integration abroad but to work "as an agenda shaper, a connector, coordinator, and facilitator within a networked web of players."[41]

Conclusion

The EUGS could in principle represent a push toward a more coherent vision, especially if it were to bring national foreign policies of individual EU member states closer to a shared approach. That said, none of the areas of relevance to Africa have been selected for the implementation follow-up, which conversely reflects the stronger focus on internal European security and stability. Hence, any change is not likely to materialize soon.

Also, parallel agendas may not find synergy with the ideas proposed in the EUGS. Europe's efforts to stem the flows of migration include new partnership proposals with select African countries. How these will match or contrast EUGS ambitions is to be seen; what is clear is the prioritization attributed to this dossier above many others, and this is likely to affect other policy areas such as trade and development aid.

Seen from a different angle, however, the EUGS can also be an opportunity for actors from civil society, governments, and international institutions who are interested in improving Euro-African relations to devise ideas and ways to do so, with the EUGS representing one source of political commitment on which to press leaders to deliver. Another could be the upcoming 2017 EU-Africa summit. Finally, with the 2020 deadline fast approaching, the future of the ACP has become highly debated, and it could go through the substance of what the EUGS is proposing, filtered and re-interpreted by ACP actors.

The ACP remains the largest group of states with which the EU has a formal partnership, and the Cotonou agreement is the most sophisticated framework for North-South cooperation. But the huge diversity in economic, political, and social development patterns between middle income countries that are experiencing growth and becoming migration hubs, and the least developed and fragile states is weakening cohesion within the group. It is further argued that the ACP framework is a product of the 20th century, based on aid transfers, which struggles to find its place in a post-2015 context seeking to move away from a donor-recipient and North-South paradigm to a more universal approach to global

[41] European Union, *Shared Vision, Common Action: A Stronger Europe*, 43.

challenges.[42] The EU's new Global Strategy also points in the direction of moving away from the asymmetrical relationship toward greater partnership – or "partnering," in the EUGS language – that reflects a desire for more flexible relationships focused on pursuing common goals.

Whether politics will bring Europe and Africa closer and more able to cooperate on common challenges or push them further apart, however, remains the most important question. Europe's prioritization of migration control and security, African disenchantment with Europe's overall commitment, and the rise in importance of other actors that de facto compete against Europe's influence could well prove to be more significant than any global strategy.

Yet ultimately, it is Europe that has historically shown the most consistent interest in Africa. Global instability, likely to be exacerbated by Trump's rise to U.S. president, could drive Europe and Africa to put aside their differences and pay attention to a common agenda of mutual interest. The EUGS lays down some ideas to start that process.

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[42] Geert Laporte, "Post Cotonou 2020: Improving or Fundamentally Rethinking ACP-EU Relations?" *European Centre for Development Policy Management*, April 14, 2015, 3, http://ecdpm.org/wp-content/uploads/2015-ECDPM-Presentation-Post-Cotonou-2020-Improving-fundamentally-rethinking-ACP-EU-relations.pdf.

3 Economic Integration in Africa: A Work in Progress

Vera Songwe

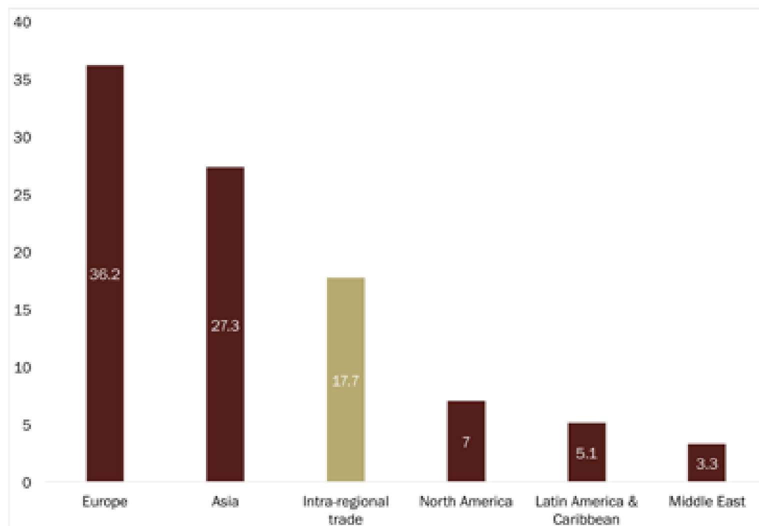
Introduction

Regional economic integration across the world accelerates growth and development by bringing a wide array of benefits associated with enhanced political cooperation, increased intra-regional trade, and job creation. Regions that are more integrated have proven to grow faster and have shown greater resilience in times of global economic downturns. As the world economy struggles to return to the high growth levels of a decade ago, stimulating internal and regional growth has become the main policy solution for many countries and regions. China is increasingly forging ties with its neighbors, India is doing the same, and even in the EU intra-regional trade is returning to its pre-financial crisis levels. In Africa, Morocco and South Africa are also aggressively adopting regional trade strategies. While Europe remains Africa's main export market, Africa's trade with the Atlantic nations of Europe is decreasing as Africa looks to trade more with itself. However, as Africa integrates into global value chains, trade with Europe can be expected to continue to increase while competition with Africa's other Atlantic neighbors south of the United States is likely to increase.

Improving Africa's Intra-Regional Trade and Business Climate

Regional integration is a key priority in Africa's development strategy, with free trade among members featured as an important cornerstone of the African Union's recently completed Agenda 2063 strategy. Intra-regional trade is expected to produce considerable productivity gains for the continent. In the African context, such gains will improve overall food security by bringing food and agriculture products from surplus areas to deficit areas at reduced cost. Emerging opportunities also exist for cross-border trade in

Figure 1: Destination share of Africa's exports, 2014



Source: WTO, International Trade Statistics, 2015

basic manufacturing such as metal and plastic products that are costly to import from the global marketplace. In a period of climate-sensitive energy production, regional integration of energy markets could substantially reduce the costs, reduce emissions, and improve access.

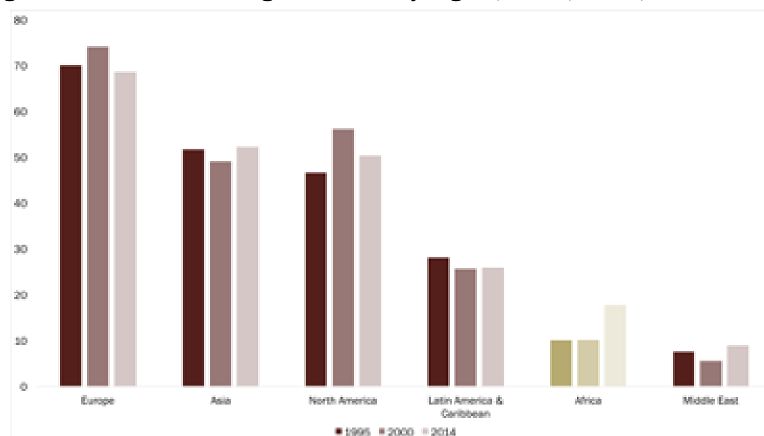
The role of the private sector in all markets where regional integration has taken hold and accelerated has been essential. Africa will be no exception. The private sector is essential for mobilizing private investment in tradeable goods, which will be critical to continued productivity growth, increased exports, and higher export sophistication, leading to more and better job creation. Regional integration also allows for the African private sector to innovate, grow, and transfer knowledge more rapidly while helping to improve its competitiveness globally. The potential for regional production value chains to participate in global value chains, similarly to those in East Asia, needs to be further exploited. Resource-rich economies on the continent can similarly develop regional value chains around commodities such as iron ore and gold. Inter-regional trade in services presents untapped potential for productivity improvements through private sector development and exports of professional services. Similarly, services exports offer an opportunity to improve critical public services for citizens such as in health care and education. The top exporters of services in the world are the EU, the United States, China, Japan, and India. Among the least developed countries, The Gambia and Cambodia had the highest ratios of commercial services exports to GDP in 2014.[1]

The small size of many countries and markets on the continent also calls for greater economic integration. More than half of the countries on the continent have a population of less than 10 million people. In order to benefit from economies of scale, regional trade is a must. The economic importance of cross-border trade in low income as well as fragile and conflict-affected states is particularly significant. Analysis on poverty suggests that small-scale cross-border trade has a strong impact on poverty reduction in countries. In addition, a sizable share of cross-border trade between African countries occurs in the form of small-scale transactions, which are not captured in official trade statistics, such as between Ghana and Liberia and Sierra Leone; Nigeria and Benin; or the Democratic Republic of Congo (DRC) and Rwanda, for example. Facilitating the transition of these traders – many of which are women – from the shadow economy to the formal economy would boost private sector participation, entrepreneurship, and trade.

Despite trade's significant role in boosting economic growth and poverty reduction, while improving food and energy security in Africa, the continent continues to trade little with itself (see Figure 2). Intra-regional trade in Africa is the second lowest among world regions, pointing to an important source of growth that remains unexploited. This is largely a result of a mix of trade policies that have been heavily focused on gaining access to developed economies and regional integration efforts that were not well designed or fully implemented. It is worth noting, however, that intra-regional trade has been rising

[1] *International Trade Statistics* (Geneva: World Trade Organization, 2015), 24, https://www.wto.org/english/res_e/statis_e/its2015_e/its2015_e.pdf.

Figure 2: Share of intra-regional trade by region, 1995, 2000, and 2014



Source: WTO, 2015

since the 2000s, backed by revamped internal efforts and unprecedented growth rates exhibited by African economies over the past decade.

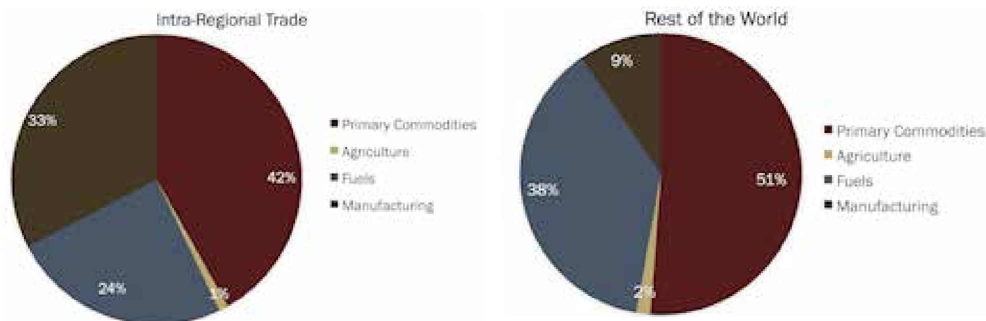
Starting from a very low base, Africa is the continent that has accelerated intra-regional trade the most since the early 2000s. For African countries, trade within Africa has reached 17.7 percent of the region's total exports in 2014, compared with only 10 percent in 1995 and 2000. However, the continent is still far behind the world leaders in intra-regional trade. Intra-regional trade accounts for a significant proportion of exports for Europen, Asian, and North American nations. In Europe, trade within the region has accounted for more than 70 percent of the region's total merchandise exports on average over the last 20 years. In Asia, 52 percent of its total exports were sold within Asia. North America's share of intra-regional trade was slightly lower, with 50 percent of its total exports being sold within the region. For the Middle East, trade within the region plays a minor role compared with its overall trade activity. In 2014, only $113 billion of exports were sold within the region out of total exports of $1.29 billion, representing 9 percent of the total.[2]

Intra-regional trade in Africa has been on the rise since 2008. However, the overall share of Africa's exports to the rest of the world represent a mere 3 percent of world exports. By contrast, Asia's contribution to world exports has greatly increased its importance as a trading region. In 2014, world merchandise exports to Asia amounted to $5.465 billion, almost one-third of the total world merchandise trade.[3] And despite efforts to diversify the export base, African exports remain highly concentrated in commodities, accounting for over half of the continent's exports, compared to just about 10 percent for Asia and advanced economies. The share of manufacturing in Africa's intra-regional trade has

[2] *International Trade Statistics*, 24.

[3] Ibid.

Figure 3: Africa's merchandise trade composition, 2014



Source: UNCTAD, 2014

always been higher than its share in Africa's extra-regional trade (see Figure 3). This signals the importance of manufacturing in strengthening regional integration in Africa through further boosting intra-African manufactures trade. Regional private sector champions in sectors such as cement and beverages account for this growth in intra-regional trade in manufacturing.

Europe has been the leading destination of global exports over the past 20 years. Nearly 37 percent of the world's merchandise trade begins or ends up in Europe. Two-thirds of this trade is among European economies, making its regional trade the biggest in the world. This, however, has not come at the cost of global trade relations. Europe also has strong trade ties with every other part of the world, importing more manufactured goods from Asia and Africa than the United States, and trading more with the developing world than any other region. Some of the significant aspects that have made European integration a success is the continued commitment to free trade. European economic integration has been an ongoing process since the early days of the European Coal and Steel Community after WWII and an exercise in creating greater economic and political cooperation through enhanced regional cooperation. The EU has also offered an anchor to structural reforms and comprehensive institutional harmonization through a series of treaties, laws, and regulations that govern the economic union.[4] For Africa to create laws and regulations that promote free trade between its countries, key trading blocs like the East African Community (EAC), Southern African Development Community (SADC), Economic Community of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA), and others will have to come together and constructively collaborate to review and revise existing tariffs and non-tariff barriers to trade, as well as establish new rules and regulations encouraging increased intra-African trade.

Improving the overall business climate is equally important for Africa. Countries are increasingly doing more collectively and individually to improve the business environment. A notable development on this front is the introduction of the African passport,

[4] Indermit S. Gill and Martin Raiser, *Golden Growth: Restoring the Lustre of the European Economic Model* (Washington, DC: The World Bank Group, April 2011), http://dx.doi.org/10.1596/978-0-8213-8965-2.

which is given to regional corporate heads and other institutional investors to facilitate travel on the continent. In addition to this, sub-Saharan Africa implemented a record of 80 World Bank Doing Business reforms in 37 of the region's 48 countries over the past year. This number is about one-third of the reforms recorded globally (283), and is 14 percent more than the number of reforms recorded last year (69). As a result, sub-Saharan Africa was once again the region with the highest number of reforms globally.[5]

Over the past year, Niger implemented the highest number of reforms (six), followed by Kenya with five reforms, while Rwanda, Cote d'Ivoire, Senegal, Mauritania, and Togo implemented four reforms each. Burkina Faso, Madagascar, Mali, Uganda, and Zimbabwe each implemented three reforms. Compared to other regions using the World Bank's Doing Business measurements, Africa's Distance to Frontier metric moved up at a pace of improvement three times that of OECD high-income economies.[6] Regional economic communities are increasing the collective pace of reform. For example, the Organization for the Harmonization of Business Law in Africa (OHADA) marks 2016 as a successful year, with all 18 member countries implementing a reform in the area of the World Bank's Resolving Insolvency metric, accounting for 18 out of 24 reforms recorded in this area globally.

Global Value Chains and Regional Supply Chains

According to the WTO, in 2011, 49 percent of world trade in goods and services took place within global value chains (GVCs), up from 36 percent in 1995. Africa captures a small but growing share of GVC trade. Africa's share in global trade in value added grew from 1.4 percent in 1995 to 2.2 percent in 2011. This represents an increase of almost 60 percent, whereas the established GVC regions in the United States, Asia, and Europe saw a relative decline in their shares. Africa's growth was also higher than that of Latin America and the Middle East, which play small roles in global value chains, but lower than South Asia's.

For Africa, the potential gains from increased regional integration could be further increased through integration in global value chains. Africa's progress in connecting to GVCs can further deepen the process of economic integration. GVCs offer many opportunities to transform Africa's economies by opening up new competitive activities and improving sector performance in manufacturing, agriculture, and services, while increasing diversification and technological sophistication of exports. Regional value chains can also play a significant role in offering opportunities for local producers – including small and medium-sized enterprises (SMEs) – to access fast-growing and more easily accessible markets across Africa.

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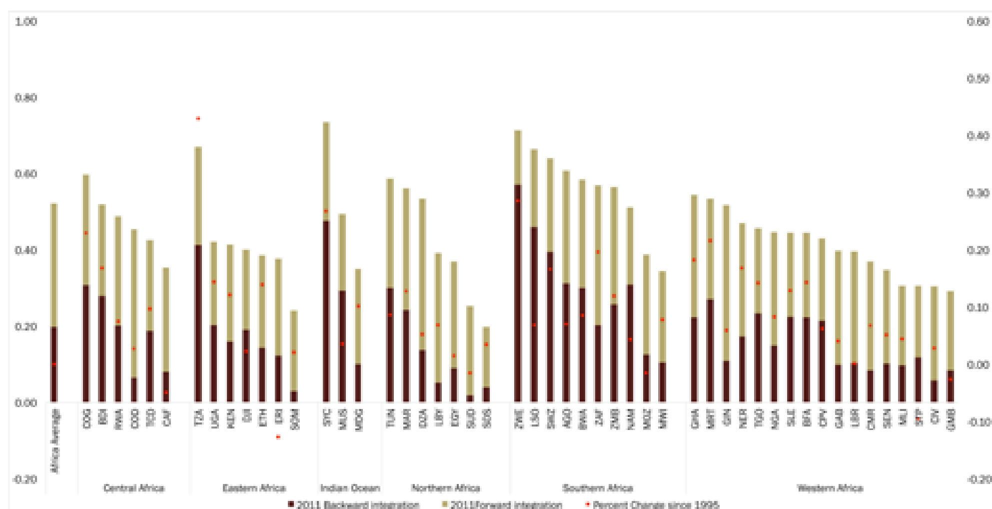
[5] *Doing Business 2017: Equal Opportunity for All* (Washington, DC: The World Bank Group, October 2016), http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf.

[6] The Distance to Frontier score helps assess the absolute level of regulatory performance over time. It measures the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. For more information, see http://www.doingbusiness.org/data/distance-to-frontier.

Figure 4: GVC participation of African countries in 2011



Source: AfDB, African Economic Outlook 2014

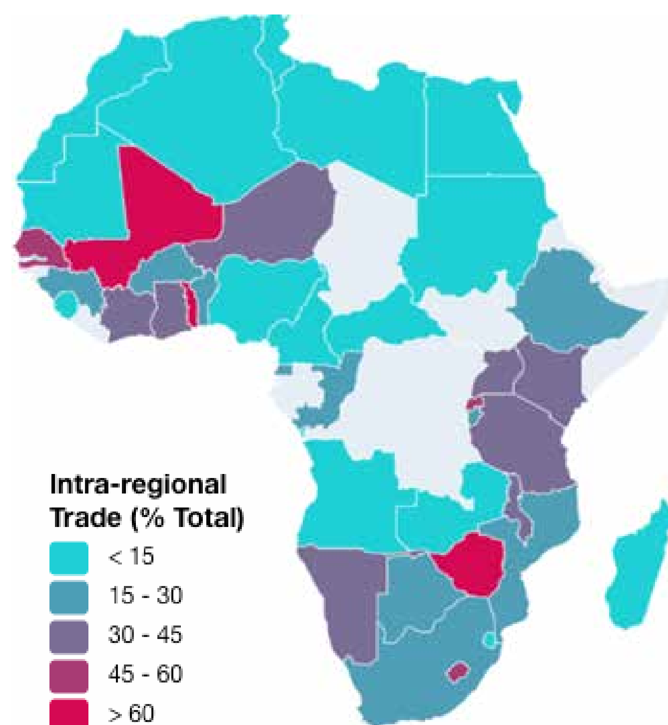
The Asian success story holds important lessons for Africa. The rapid advances of regional integration experienced in Asia have been the result of swift improvements in cross-border trade. By fostering regional integration, Asia has been able to create regional value chains and become more efficient, thereby enabling the region to become a key player in GVCs, which today increasingly characterize world trade. In 2011, close to half of world trade was undertaken through cross-border value chains. Some East Asian economies, including China, South Korea, and Thailand, have benefited from investments in infra-structure and resources, which made them known as "Factory Asia." A positive example of how quickly integration into regional supply chains can materialize is Cambodia, which despite being classified as a least-developed country, was able to increase its vertical specialization by an impressive 24 percent between 1995 and 2011.[7]

The process of GVC integration has consistently been associated with higher levels of activity and income growth over time, as demonstrated by the examples of South and East Asia as well as Eastern Europe. Africa's regional participation in GVCs is driven by Southern and Northern Africa, which account for the largest share of GVC trade, followed by West Africa, Eastern Africa, and Central Africa. Southern Africa and North Africa both account for the continent's largest share of both forward and backward value chain integration (see Figure 4). The continent exhibits large variations in total participation rates, as well as between forward and backward integration rates. The top five countries with the highest participation rates are Lesotho, the Seychelles, Swaziland, Tanzania, and

[7] *International Trade Statistics*, 18.

Zimbabwe. The bottom five countries are South Sudan, Somalia, Sudan, Benin, and The Gambia. The highest growth in total participation rate between 1995 and 2011 was marked by Tanzania, Seychelles, Zimbabwe, Republic of Congo, and Mauritania.[8]

Figure 5: Intra-regional exports as a share of total exports, 2014



Source: Author calculations based on UN Comtrade data as of 2014 or latest available year; Gray areas indicate missing data

What Does Regional Trade in Africa Look Like?

To measure trade integration of African countries, the ratios of intra-regional exports to total exports are examined as primary indicators of trade integration. As mentioned earlier, intra-regional trade is low in Africa relative to that of other regions. A high level of intra-African exports and imports indicates that a country has taken important steps to keep trade barriers with other African countries low (see Figure 5). Otherwise, the cost of trading would tend to render a country's products uncompetitive in other African markets and to reduce the proportion of a country's income spent on imports from the rest of Africa.[9]

West, Southern, and Eastern African countries appear to be the front-runners in terms of intra-regional trade. The trend in intra-regional trade has been shaped – in part – by the formation of economic communities. There are eight African Union-recognized regional economic communities: EAC, COMESA, Arab Maghreb Union (AMU), Community of Sahel-Saharan States (CEN-SAD), Economic

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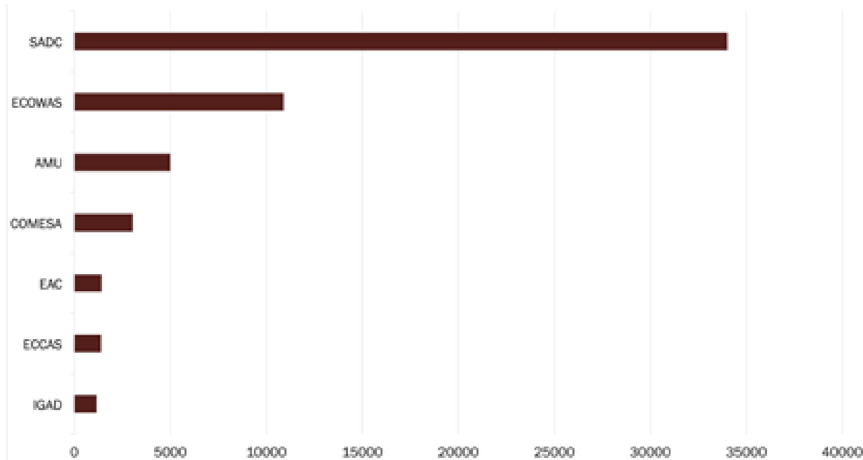
[8] African Development Bank, Organization for Economic Co-operation and Development, and United Nations Development Programme, *African Economic Outlook 2014: Global Value Chains and Africa's Industrialization* (Paris, France: OECD Publishing, 2014), http://www.afdb.org/en/knowledge/publications/african-economic-outlook/african-economic-outlook-2014/.

[9] UN Economic Commission for Africa, African Union, and African Development Bank Group, *Assessing Regional Integration in Africa VII: Innovation, Competitiveness and Regional Integration* (Addis Ababa, Ethiopia: ECA Printing and Publishing Unit, 2016), http://www.uneca.org/sites/default/files/PublicationFiles/aria7_eng_rev_30march.pdf.

Figure 6: Economic community trade, $ millions in 2014*



Source: UN Comtrade, 2014
Note: Unrecorded flows across borders within Africa are likely to be larger than elsewhere in the world, and the reported numbers may not be fully accurate

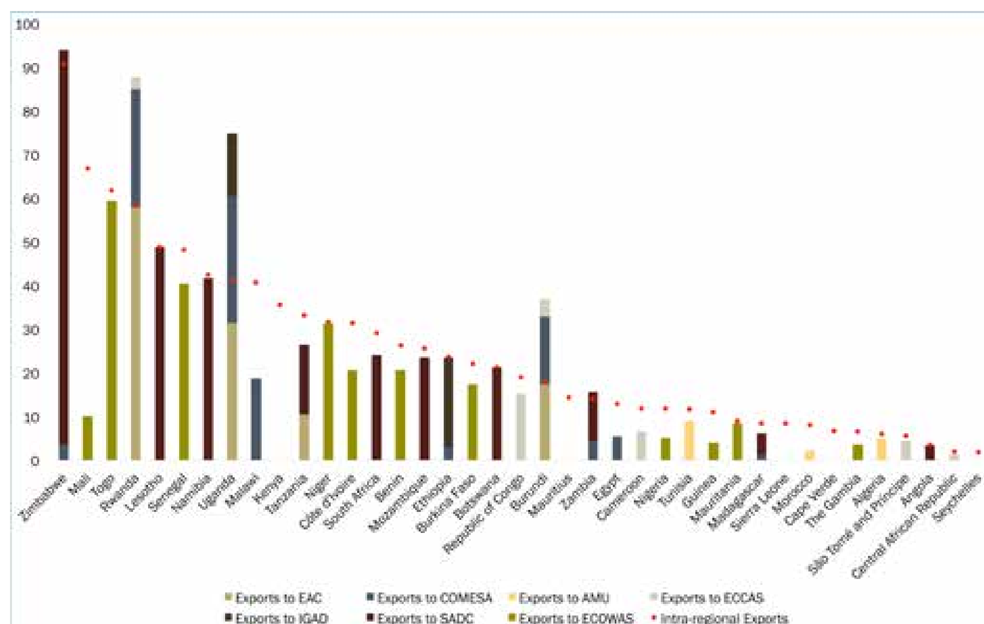
Community of Central African States (ECCAS), Intergovernmental Authority on Development (IGAD), SADC, and ECOWAS.

It is noteworthy that African regional trade exhibits large gaps among the different economic communities. Despite the existence of numerous intra-regional trade agreements, some economic unions lag behind in achieving greater trade integration among members – possibly because their overlapping country groupings greatly reduce their effectiveness. This is the case with IGAD, ECCAS, and COMESA.

SADC has the fifth-highest intra-regional trade ratio worldwide among 32 regional trading blocs. Some of Africa's regional economic communities, however, perform strongly against other regional integration blocs in Africa and worldwide. In particular, SADC is not only the best-performing economic community in Africa, but also among the best performers in the world. The UN Economic Commission for Africa (UNECA) reports that it enjoys an intra-regional trade of 6.6 percent to GDP. Countries in Southern Africa appear to have the highest volume of intra-regional trade. Many of the African states with the highest shares of intra-regional exports to total exports are members of SADC. The intensity of intra-regional trade in those countries is partly due to their proximity to the regional powerhouse that is South Africa as well as their membership in SADC.

For SADC countries such as Lesotho and Zimbabwe, South Africa is indeed the main trading partner. Most SADC countries' exports are directed to South Africa. However, for some of the other SADC members with similarly high shares on this metric, such as Namibia and Tanzania, this is not the case. This suggests that trade between SADC coun-

Figure 7: Intra-regional economic community trade



Source: UN Comtrade, 2014

tries and South Africa only partly explains the strong performance of SADC countries in intra-African exports.

ECOWAS is the second best in this breakdown in terms of trade volume. Despite strides toward increased economic integration, the share of regional trade in ECOWAS has remained more or less constant, and significantly below the 40 percent target that the bloc aspires to reach by 2030. However, this aggregate figure is very much dominated by Nigeria's weight in the region's total exports. These consist mainly of petroleum and commodity exports, which are largely directed toward the global market. The other ECOWAS commodity exporters – The Gambia and Guinea – join Nigeria with single digit numbers of intra-regional export shares (see Figure 7). As for the rest of ECOWAS member countries, regional trade plays a much more important role, with ratios as high as 59 percent in Togo, 41 percent in Senegal, and 31 percent in Niger.

Regarding trade composition, the export mix of goods to ECOWAS partners and to the rest of the world varies significantly among members. Thus, there does not seem to be a clear-cut pattern across countries in terms of what is exported regionally and what is exported globally. The main exception here is Nigeria, whose exports to all regions are strongly dominated by crude oil.

Development of regional value chains has been strongest in SADC and ECOWAS, measured as the imports and exports of intermediate and capital goods of each country

with the rest of Africa as a share of GDP. This implies that these two regional economic communities may have stronger production networks than elsewhere in Africa.[10]

What Can Be Done to Improve Regional Integration and Trade?

Africa has not been able to fully benefit from the rapid expansion of global trade, and labor productivity has not risen as much as in other regions, contributing to a trade gap and low integration into GVCs – a key determinant in adding value to trade and supporting sustainable job creation. Further, where Africa registered some progress was in the areas of manufacturing, agriculture and agro-business, tourism, and transport, the last of which also showed the largest potential for deeper integration. To leverage this potential, findings emphasize the need to close the infrastructure gap, lower tariffs and non-tariff barriers, and improve the business climate and access to credit.[11]

Africa is expected to experience significant population growth in the coming years. But in order for the continent to be able to harness this demographic dividend, Africa has to be able to provide jobs for the people projected to enter the workforce.

Regional Integration and Energy

For Africa to increase trade with itself or the rest of the world, African countries need to do more to improve trade logistics, reduce travel times across borders, industrialize more rapidly, and reduce costs of outputs. A key component of this will be reducing the cost of energy and increasing generation capacity substantially.

The whole of sub-Saharan Africa, with a population of around 1 billion people, consumes only 145 terawatt hours of electricity a year – less than the consumption of one small U.S. state. This is roughly equivalent to one incandescent light bulb per person for three hours a day. Today, over 600 million are without electricity on the continent. In many countries, more than 75 percent of the population lacks access to affordable and reliable energy, including 70 million people in Ethiopia and 60 million people in DRC.[12]

Africa has abundant low-carbon, low-cost energy resources like wind, hydro, and solar. Yet, most countries continue to rely on high-cost thermal energy. However, in the absence of well-developed energy-generation projects, sufficiently large markets and longer tenor financing will substantially address these problems. Ultimately, what will make energy generation in Africa profitable is access by the private sector to larger markets through regional integration.

Most African power systems are too small to generate power efficiently. Currently, 21 out of 54 countries have under 200MW of installed capacity. As a result of these small sizes,

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[10] Ibid.

[11] Carlos Conde, Philipp Heinrigs, and Anthony O'Sullivan, "Tapping the Potential of Global Value Chains for Africa," in World Economic Forum, *The Africa Competitiveness Report 2015* (Geneva, Switzerland: World Economic Forum, 2015), http://reports.weforum.org/africa-competitiveness-report-2015/.

[12] International Energy Agency: *Africa Energy Outlook: A Focus on Energy Prospects in Sub-Saharan Africa* (Paris, France: OECD/IEA, 2014), https://www.iea.org/publications/freepublications/publication/WEO2014_AfricaEnergyOutlook.pdf.

the cost of generating power remains high on average, in some cases is over $0.25/kWh compared to less than $0.10 in other parts of the world.

Private sector investment in energy in Africa is a mere 1 percent of all such investments in other developing regions (compared to 34 percent for South Asia, 26 percent for Latin America and the Caribbean, or 25 percent for Europe and Central Asia). Six sub-Saharan African countries concentrate 80 percent of these investments (Nigeria, Uganda, Cameroon, Ghana, Kenya, and Tanzania), with many of these investments not regional in nature.

Regional trade in energy will be the big game-changer for Africa's clean energy future through the development of regional power pools. The establishment of regional power pools – where many countries within sub-regions pool together energy assets and trade amongst each other – has begun across the continent with the construction of cross-border transmission lines and the creation and strengthening of inter-governmental institutions such as the Senegal River Valley Authority, which manages energy generation projects for Senegal, Mali, Mauritania, and Guinea.

African regional power pools can substantially reduce the cost of electricity, connect markets with resources, improve balance of payments of energy exporting countries as they trade in foreign currency, and improve reliability of supply. For example, the Eastern Electricity Highway Project (connecting Ethiopia and Kenya) is a 500 kV high voltage direct current transmission line 1,000 km long, which is expected to reduce electricity prices by over 20 percent once completed, from $0.17/kWh to $0.14/kWh. By developing hydro and gas resources, the continent can also ensure it moves from a heavy fossil fuels-based energy generation model to a more diversified grid with substantially reduced carbon intensity.

Specific Policy Actions

Expanding Horizons Through Trade Liberalization

Higher trade openness would aid job creation to absorb the growing working age population, and allow Africa to benefit from technology transfers and integration into global value chains. Expanding intra-regional trade and regional markets could boost incentives for domestic production, especially in labor-intensive manufacturing sectors, and attract higher investment.

Continuing to work toward lowering tariffs in the region would further support the development of both global and regional trade. Bringing tariffs to the average global level could yield about 14 percent additional trade.[13] One consideration, however, is that taxes on trade still represent a substantial source of revenues for many countries in the region, and policies to lower tariffs need to go hand-in-hand with continued efforts to increase revenue mobilization from other sources. In addition, countries and the region must address issues of non-tariff barriers to trade, high costs of logistics, weak supply chain

[13] International Monetary Fund, *Regional Economic Outlook: Sub-Saharan Africa* (Washington, DC: IMF, April 2016), https://www.imf.org/external/pubs/ft/reo/2016/afr/eng/pdf/sreo0416.pdf.

management, and warehousing and refrigeration. Harmonizing quality standards remains important if there is to be venture capital integration in agro-processing, for example, which is the main sector for Western Africa.

Deepening Regional Economic Cooperation

At the regional level, deepening existing customs unions with further economic integration would help, as the SADC, EAC, and West African Economic and Monetary Union (WAEMU) have done. But having a single currency by itself is not enough, as evidenced by the Economic and Monetary Community of Central Africa (CEMAC), where intra-currency-union trade flows are not found to be significantly higher than regional flows outside the currency union. The creation of monetary unions must be complemented by mutually beneficial trade agreements, investments in institutions to regulate and facilitate trade, and improvement in skills.

Increasing Agricultural Productivity and Diversifying into Labor-intensive Activities Outside Agriculture

Agricultural productivity can be improved by increasing access to irrigation, increasing use of high-yield varieties, and improving market access. In addition, economic diversification would require reducing administrative burdens, simplifying regulations, promoting competition, and investing in human and physical capital.

Promoting Private Sector Development

This would allow the private sector to engage in new areas of economic activity. Private sector development could be facilitated by reforms that support a more business-friendly environment.

Improving Access to Credit

Access to credit for the private sector plays a paramount role for the region's trade. The IMF predicts that if Africa furthers financial deepening to the level observed elsewhere in the world, this would support an expansion of trade by as much as 29 percent. Such expansion would need, however, to be accompanied by adequate macro-economic management frameworks to carefully manage the corresponding risks.

Meeting Infrastructure Needs

Filling the infrastructure gaps in transport, telecommunications, and energy will be critical to expanding manufacturing and services, as well as reducing the cost of doing business. Landlocked countries with few natural resources remain more closed economies – with exports at only about 10 percent of GDP – and still struggle to increase trade integration, handicapped by poor transportation infrastructure and limited interest from emerging markets.

Conclusion

Overall, regional integration remains important for Africa. Regional trade and cooperation agreements have supported this agenda and should be deepened. In addition, while progress has been made in some regions, others continue to lag behind and the next step in the regional integration agenda will also have to focus on the inter-regional trade issues.

Regional integration is most advanced in the manufacturing sector. This is a significant dimension of the regional integration agenda as it means that countries can create regional value chains as they develop and move up the production value chain. To support this development, more work is needed to better understand the regional manufacturing value chains and have governments adopt policies that allow and support their development. Policies could include the adoption of specific regulations to facilitate these trade patterns and joint support with the private sector for technical and professional education in these value chains. While the continent is accelerating its pace of integration, it needs to do more to catch up to other regions.

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4 Cooperation Against Transnational Crime: The Case of the Zone of Peace and Cooperation of the South Atlantic

Mustapha Mouzouni

Introduction

Cooperation against transnational crime in the North Atlantic region is highly institutionalized in the framework of regional organizations that are reinforced by ancestral identities. Europol and the U.S. Joint Interagency Task Force-South are exemplary in this regard.

The South Atlantic region, however, is less institutionalized, making the study of such cooperation a difficult exercise. With the exception of some actions initiated by specialized international organizations, there is little tangible cooperation at the regional level against transnational crime.

Yet the idea of establishing South-South security cooperation between Africa and Latin America is not new. In the 1980s, at the initiative of Brazil, the UN General Assembly passed a resolution establishing a Zone of Peace and Cooperation of the South Atlantic (ZOPACAS), with the aim of promoting mutual assistance, peace, and security in the region.[1]

ZOPACAS consists of 24 countries, including Argentina, Brazil, and Uruguay from the Latin American side, and all countries on the West African coast, except for Morocco and Mauritania. Having been conceived in the Cold War context, it was the realist security paradigm of self-help by states in asymmetric power relationships that originally led to the creation of this zone, in particular hostility toward any foreign military presence in the region. This organization could have taken advantage of the shift in threat perception after the fall of the Berlin Wall to refocus on unconventional threats, particularly transnational organized crime and terrorism. However, although cooperation projects have been developed for this purpose through ZOPACAS, their implementation has not been successful for several reasons related to the absence of a common threat perception and lack of institutionalization. This chapter discusses these two phenomena and their consequences.

The Absence of a Common Threat Perception

ZOPACAS can be considered the result of the Cold War threats posed to security in the region and the 1982 Falklands War. The latter created mistrust of the United States since it sided with its NATO ally, the United Kingdom, during that conflict, which discredited security arrangements related to the United States, including the famous Inter-American Treaty of Reciprocal Assistance signed in 1947.

Nevertheless, the unipolar world that emerged after the Cold War has made these interstate military considerations less relevant in strategic planning, thereby reducing their capacity to mobilize politically. It is therefore understandable that since the 1990s interest in ZOPACAS turned gradually toward the new unconventional threats, especially those represented by non-state actors.

[1] "Declaration of a Zone of Peace and Co-operation in the South Atlantic," UN General Assembly Resolution A/RES/41/11, October 27, 1986, http://www.un.org/documents/ga/res/41/a41r011.htm.

In the field of crime prevention, attention was focused on drug trafficking, illicit trade in small arms and light weapons, maritime piracy, and phenomena related to transnational organized crime such as money laundering. During the zone's sixth ministerial meeting in Luanda in 2007, for the first time in the history of the organization, member states began speaking of cooperation against these phenomena not in generic terms, but in specific terms with clear and well-defined actions, namely training and institutional capacity building.

However, in this specific area of combatting transnational crime, although political meetings have the merit of shining light on common problems, they are not on their own sufficient for building effective cooperation in the matter. This is especially true for ZOPACAS, since despite the convergence of the member states' views on the rhetorical level, it is clear that in practice transnational organized crime gives rise to different perceptions both on strategic and tactical levels, and does not necessarily galvanize collective action.

Strategic and Tactical Interests

With regard to transnational crime, the views of different ZOPACAS member states cannot be dissociated from their geographic location and what they think about this maritime space. According to Rachid El Houdaigui,[2] this space is viewed through two closely interrelated lenses: economic and geo-strategic. The first reflects a reliance on the sea for the production of national wealth, which justifies the second that sees that ocean as a space in which coastal states can (or even must) strengthen their national power.

Indeed, analysis of ZOPACAS activities shows that transnational crime has never been dealt with as an independent threat, but always in light of its possible impacts on economic and strategic interests of certain dominant countries in the region, such as Brazil. This vision has become further rooted both in the strategic mindset and state practices for at least two reasons. One is economic, dating back to 2006 and the discovery of large oil reserves within and beyond Brazil's continental shelf. The other is related to speculation in recent years that NATO would expand its operational presence and partnerships in the South Atlantic.

On the other side of the Atlantic, the African coast contains considerable natural resources such as oil and fishing resources. Their protection inspires the same sense of strategic imperatives – if not in all African member states of ZOPACAS, at least in those that gravitate toward Brazilian politics, such as Portuguese-speaking countries and the two main regional powers, South Africa and Nigeria.

Although this organization, through Brazil, has provided assistance to some African countries in the area of combatting transnational crime, it appears that the geostrategic military objectives of the predominant state powers in this maritime space drive policy more than does a clear commitment to address this threat. This is supported by at least three observations:

[2] Rachid El Houdaigui "A Wider Atlantic, Revival of a Regional Power," *OCP Policy Center Policy Brief 15/11*, March 2015, http://www.ocppc.ma/sites/default/files/OCPPC-PB-1511Env2.pdf.

- Between 1998 and 2007, a period characterized by the decline of military threats in the region and an increase in threats from non-state actors, especially cocaine trafficking and terrorism, ZOPACAS was largely absent from the scene.
- The revitalization of ZOPACAS occurred just after the United States organized military exercises off the Cape Verde coasts in 2006, followed by the reactivation in 2008 of the Fourth U.S. Fleet in the South Atlantic region.
- Major cooperation projects for the purpose of combatting transnational crime have been undertaken in areas requiring the exclusive use of naval military means, such as the fight against maritime piracy or drug trafficking by sea. This is in spite of cheaper and more useful activities available for cooperation against transnational organized crime in certain areas, such as information exchange, crime analysis, drug profiling, or criminal justice.

It is in this changing context that Brazilian leaders made an effort to revitalize ZOPACAS in order to benefit their broader national policy. This was evidenced by statements from Brazilian officials themselves, such as the head of the United Nations Division at the Brazilian Foreign Ministry, Marcelo Viegas, who said in an interview in June 2013:

> "There was an adjustment of foreign policy in the transition for the Lula government, a greater focus on South-South relations and to Africa in particular. And in the context of construction and rediscovery of mechanisms of cooperation with African countries, ZOPACAS emerged as something that already existed and that was worth investing in and developing further."[3]

In addition to these economic and geo-strategic considerations, policies regarding transnational crime also depend on factors related to how ZOPACAS member states view a threat. Thus, it is appropriate to review the perceptions they have about three of the most important non-state threats to the region: maritime piracy, drug trafficking, and terrorism.

Maritime Piracy

For Africa, besides constituting an economic threat to states, the risks in terms of security that maritime piracy represents are continually growing. Unlike other piracy hotspots in the world such as the Malacca Strait, Gulf of Aden, and the region off the Somali coast, which have recently seen a fall in incidences of piracy, the Gulf of Guinea has witnessed an increase. In the latest report of the International Maritime Bureau, in the first quarter of 2016, 10 attacks were committed and 44 hostages taken just in the zone off the Nigerian coast.[4] According to the bureau, the pirates' activities are characterized by:

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[3] Pedro Nuno Alves Vidal de Seabra, *From Geopolitical Spill-over to Tacit Bargaining: Brazilian-African Defence Cooperation in the South Atlantic (2003-2014)* (Lisbon: University of Lisbon, 2016), 110, http://repositorio.ul.pt/bitstream/10451/22855/1/ulsd072338_td_Pedro_Seabra.pdf.

[4] "La Piraterie Toujours en Baisse Sauf au Nigéria [Piracy is Still Down Except in Nigeria]," *Le Figaro/AFP*, April 27, 2016, http://www.lefigaro.fr/flash-actu/2016/04/27/97001-20160427FILWWW00194-la-piraterie-toujours-en-baisse-sauf-au-nigeria.php.

- The expansion to areas increasingly remote compared to the territorial waters of their respective countries;
- The use of war weapons such as rockets, which they fire before colliding with vessels and boarding them;
- The intensive use of violence given that in most cases the pirates act under the influence of drugs, including psychotropics; and
- Hostage taking so crew members or other passengers can be ransomed.

In contrast, Latin American countries, including Brazil, do not face a similar threat from maritime piracy off their coasts. It presents less of a threat to their national security than other forms of transnational crime, but it is placed at the crossroads of the military and police axis, with a clear predominance of the first over the second. Combatting maritime piracy as a non-state security threat allows them to enroll it in two objectives: a declared objective of repressing piracy under the guise of military assistance, and a dissimulated objective of deterrence against any claim by other foreign powers to assert themselves as security actors in the region.

Indeed, Brazil has signed nine military cooperation agreements with nine countries on the West African coast designed to counter piracy in the Gulf of Guinea. These agreements, the majority of which were signed in the framework of ZOPACAS, are focused on capacity building, training, military doctrine, and maritime exercises.[5]

Guided by military considerations, ZOPACAS' approach (led by Brazil) in this area has the disadvantage of not being comprehensive. Indeed, many other aspects of this struggle were neglected, including land operations of piracy, regional cooperation, information exchange, and training of other security agencies such as police, gendarmerie, and customs.

France, by contrast, has a constant military presence in the region, but it has complemented it with other significant activities. For example, to encourage greater local ownership, France provided for the creation of a training center called College de l'Action de l'Etat de Mer [School of State Action at Sea]. The school will promote an inter-ministerial approach and practice through training for both military and civil servants belonging to the departments of justice, transport, customs, and even civil protection.[6]

Drug Trafficking

The increased volume and changing transshipment routes of cocaine trafficking and its consequences on Africa have been the subject of several studies.[7] Importantly, cocaine trafficking is associated with urban violence linked to its consumption. One of the most

[5] UN Security Council, 7675th meeting, SC/12336, April 25, 2016, http://www.un.org/press/en/2016/sc12336.doc.htm.

[6] "L'Approche Française en Matière de Sécurité et de Sûreté Maritime [The French Approach to Maritime Security and Safety]," comments by Ambassador Véronique Roger-Lacan at international conference on the Gulf of Guinea, *French Embassy in Cameroon Press Release*, September 8, 2014, http://www.ambafrance-cm.org/L-approche-francaise-en-matiere-de.

[7] See, for example, UNODC, *Transnational Organized Crime in West Africa: A Threat Assessment* (Vienna: UN Office on Drugs and Crime, February 2013), https://www.unodc.org/documents/data-and-analysis/tocta/West_Africa_TOCTA_2013_EN.pdf.

disturbing manifestations of this is the appearance of dangerous juvenile criminality such as that of criminal gangs referred to as "microbes" in Côte d'Ivoire (which might be better understood to mean parasites in colloquial English to denote their detrimental effects on society).

Although serious violence cannot be linked in a mechanical way to the proliferation of transnational organized crime, one cannot deny that some causes of violence are rooted in drug use and the economic and security issues linked to major criminal markets. Empirical and even theoretical studies in this field reveal that growth in organized crime appears linked to increases in at least in some categories of serious crimes, including murders, abductions, kidnappings, and arson.

Latin American countries certainly show advances in understanding how organized crime affects society since many are major drug producing or transit countries. Socialization effects through films and other mass media may help understanding, and even shape perceptions, of how these types of organized crime that have long been present in Latin America will play out in Africa.[8] The risk that increased drug trafficking in Africa will lead to similar effects as seen in some Latin American communities is especially true since many parts of the continent have all the conditions for the spread of violence, including:

- The emergence of a new criminal market in cocaine trafficking, and therefore the rise in some major African cities of an illegal economy linked to this market;
- The existence in these countries of a disposition to violence especially among ex-combatants and former child soldiers;
- The presence of a large number of poor people whose marginalization and exclusion create incentives to turn to crime or even opt for the logic of violence;
- The presence of local organized crime groups whose desire to protect their interests encourages more violence; and
- The availability of small arms and light weapons, inherited from civil wars in countries such as Côte d'Ivoire, Liberia, and Sierra Leone, which ended up in the hands of transnational organized crime groups.

In contrast, for the Latin American countries members of ZOPACAS, drug trafficking in general and the consumption and violence associated with it is not a new issue. It has long existed, including in Brazil, which has become the main transshipment country to West Africa. This traffic has experienced a considerable increase from the second half of the 2000s, in particular by sea and through the use of private flights, but not enough to represent a higher security threat than normal.

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[8] For example, the phenomenon of "microbes" draws inspiration from the Brazilian film "City of God," which depicts attacks by gangs made up of children in Brazilian slums. See Winnie Athangba, "Phénomène des Microbes à Abidjan: Déconfiture Sociale d'Unegénération de Gangs [Phenomenon of Microbes in Abidjan: Social Collapse from a Generation of Gangs]," *High Profile News*, November 8, 2014, http://www.highprofilesnews.com/phenomene-des-microbes-a-abidjan-deconfiture-sociale-dune-nouvelle-generation-de-gangs/.

In the African context, the increase in volume and changing transshipment routes gives rise to at least three interpretations:

- Some consider this new trafficking as merely a cyclical trend linked to a temporary displacement of trafficking routes, and not a structural problem that requires a significant redeployment of resources.
- Some see threats posed by new African routes as being the same in nature to those already represented by long-standing routes of drug transshipment directly to the United States and Europe. Thus, the replacement of one route by another, or their combination or higher volumes of drugs shipped, produce similar results in terms of threats posed to this region already known as a transit point.
- A third perception is related to a cultural datum in some popular circles in Latin America, which considers cocaine production and trafficking as a form of struggle against U.S. imperialism. Drug traffickers are considered national heroes, and the cocaine in which they trade is seen not as a drug, but as a weapon to corrupt and weaken the imperialist enemy.

Combined, these three perceptions seem to unconsciously give rise to paradoxical attitudes in Latin America with regard to the fight against cocaine trafficking through African routes. These include both a show of support and solidarity with African countries suffering from this scourge, and an attitude of lax enforcement, or even non-enforcement, insofar as it involves an expensive commitment that will ultimately serve the interests of final destination countries of cocaine, including the United States and European countries.

Finally, combatting drug trafficking will only make sense if the international community maintains the prohibition regime on which it has, so far, built its policy on the matter. However, several indications suggest that this regime is tending toward more flexibility, or worse still toward a shift in how this threat is viewed at the international level.

Indeed, this shift has begun among certain official circles in Europe and the United States, which are considered the most important actors in global governance. Europe's policy in this area has, for some time already, started to consider drug use as more of a public health problem than a public safety problem. For the United States, a certain convergence of views is emerging among many there and in Latin America about some crucial issues, including those related to a greater focus on demand reduction, legalization of marijuana, and reducing crop eradication efforts by aerial chemical spraying due to concerns about their carcinogenic effects.[9]

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[9] Tim Ridout and Madeleine Goerg, "Institutions, Interaction and Idea Flow in the Atlantic Space," in Jordi Bacaria and Laia Tarragona (eds.), *Atlantic Future: Shaping a New Hemisphere for the 21st Century – Africa, Europe and the Americas* (Barcelona: Barcelona Center for International Affairs [CIDOB], April 2016), 59-68, http://www.atlanticfuture.eu/files/1898-Atlantic%20Future%20shaping%20a%20new%20hemisphere%20for%20the%2021st%20century.%20Africa,%20Europe%20and%20the%20Americas.pdf.

Unlike the Maghreb countries, which, in the framework of the Mediterranean Dialogue 5 + 5, set themselves up as a bulwark against illegal trafficking to Europe, it seems that Latin American member states of ZOPACAS do not perceive the threat represented by African routes in the same way. The dominant trend is one that considers cocaine trafficking through Africa as a problem for final destination countries more than transit countries.

Terrorism

The scope of this chapter does not allow for much detail on the sources and causes of the spread of terrorism in Africa, which have been extensively researched and reported. The analysis by Abdelhak Bassou,[10] for example, demonstrates the existence of two corridors of vulnerability to terrorist networks that bring threats nearer not only the African continent, but also the Mediterranean Sea and the South Atlantic.

The first one, which is the oldest, begins in Algeria before passing through Mali and Burkina Faso until reaching Côte d'Ivoire. It appears that terrorist groups affiliated to Al Qaeda in the Islamic Maghreb (AQIM) who scattered during the French Operation SERVAL in Mali in 2013-2014, are reorganizing again, as evidenced by recent terrorist attacks in southern Mali, Ouagadougou, and most recently in Abidjan in March 2016.

The second corridor, which corresponds to the area of the self-proclaimed Islamic State group and Boko Haram activities, begins in Libya on the Mediterranean Sea and runs to Nigeria and Cameroon on the Atlantic Ocean, passing through Niger and Chad in the Sahel region.

Moreover, the possibility of links between piracy in the Gulf of Guinea and financing of terrorist activities in the region has been noted as recently as April 2016 at the UN Security Council by Senegalese representative Gorgui Ciss.[11]

On the Latin American side of ZOPACAS, terrorism of the kind that exists in Nigeria and the Sahel region is regarded as a distant threat. Several factors contribute to this view, including a majority-Christian population, their remoteness from points of tension in the world, the lack of significant ethnic ties with countries known as providers of foreign fighters, the absence of successful terrorist attacks in recent years, and their position of not participating in military operations against terrorism in Afghanistan, Iraq, Syria, Mali, or elsewhere in the world.[12]

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[10] Abdelhak Bassou, "From the Mediterranean to the Atlantic: A Corridor Vulnerable to Terrorism," *OCP Policy Center Policy Brief 16/08*, February 2016, http://www.ocppc.ma/sites/default/files/OCPPC-PB1608vEn_1.pdf.

[11] UN Security Council, 7675th meeting, SC/12336, April 25, 2016, http://www.un.org/press/en/2016/sc12336.doc.htm.

[12] Jean-François Deluchey, "Architecture de la Sécurité Intérieure en Amérique Latine: Entre Héritage et Nouvelle Donne [Internal Security Architecture in Latin America: Between Heritage and New Deal]," *CEPAL Special Edition*, June 2005: 219-230, http://www.cepal.org/publicaciones/xml/5/22195/G2263Deluchey.pdf.

The Consequences for Relations with the United Nations and Other Regional Security Actors

These differing perceptions of tactical and strategic threat have influenced relations between ZOPACAS and the United Nations, as well as with the other actors involved in security issues in the South Atlantic region.

Consequences for Relations with the United Nations

The dilemma experienced by some ZOPACAS member states in their relationship with the United Nations is that they find themselves balancing between their political commitments to counter certain types of transnational crime and their parallel duty to ensure that this commitment does not conflict with the regional security architecture.[13]

While these states accept cooperation projects initiated through the United Nations, they also seize the opportunity during UN debates to showcase the leadership of ZOPACAS, and remind others of the central role that member states of the zone must play in the region. For example, Brazilian Ambassador to the United Nations Antônio Aguiar de Patriota emphasized at the UN Security Council meeting in April 2016 that countries in the region should take the lead in addressing piracy in the Gulf of Guinea, and that any initiative must be undertaken in harmony with the objectives and principles of ZOPACAS, namely the maintenance of this region as a zone of peace and security, as well as the respect for the territorial integrity, sovereignty, and political independence of states in the region.[14]

The discomfort with cooperation projects initiated in the framework of the United Nations is certainly motivated by political considerations, but also by legal considerations related to the fact that the most visible aspects of transnational organized crime in the zone occur in the maritime space. The latter means that different legal provisions apply, deriving from international instruments including the 1982 UN Convention on the Law of the Sea (UNCLOS), the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and the 2000 UN Protocol Against the Smuggling of Migrants by Land, Sea, and Air. UNCLOS guarantees the sovereignty of states over their 12-mile territorial waters and gives them specific powers over adjacent regions, especially in the fields of police and customs, as well as economic rights in the 200-mile Exclusive Economic Zone (EEZ). The two other instruments provide for certain derogations of these rights when it comes to combatting certain forms of transnational organized crime.

When considering the cases of maritime piracy, drug trafficking, and smuggling of migrants by sea, UNCLOS reveals the absence of clear partitions between security in its inter-state sense, and security in its criminal dimension. Indeed, the possibility given to crews of warships to board vessels suspected of involvement in criminal activities under certain conditions, in accordance with the relevant international conventions, could give

[13] For more details, see Alcides Costa Vaz, "Agenda de Sécurité et Processus Décisionnel dans la Politique Étrangère Brésilienne [Security Agenda and Decision-making Process in Brazilian Foreign Policy]," *Fondation Pour la Recherche Stratégique Note 6 /2014*, April 2, 2014, https://www.files.ethz.ch/isn/181091/201406.pdf.

[14] UN Security Council, 7675th meeting, SC/12336, April 25, 2016, http://www.un.org/press/en/2016/sc12336.doc.htm.

pretext to foreign powers to justify their presence in the South Atlantic region (considered by some coastal states such Brazil as a natural extension of their national sovereignties).

To avoid such risks, ZOPACAS, reflecting Brazilian preferences, opts for a policy based on its founding UNGA Resolution 41/11. Paragraph 3 of the resolution:

> "Calls upon all States of all other regions, in particular the militarily significant States, scrupulously to respect the region of the South Atlantic as a zone of peace and co-operation, especially through the reduction and eventual elimination of their military presence there, the non-introduction of nuclear weapons or other weapons of mass destruction and the non-extension into the region of rivalries and conflicts that are foreign to it."[15]

The goal is to counter any attempt by foreign powers to use organized crime as an excuse, and the United Nations as instrument, for military intervention in the region or to violate national sovereignty.

Consequences on Relations with Other Security Actors in the Region

A significant example of this policy in action is Brazil's approach to the South Atlantic Initiative, proposed in June 2009 by Spain, with the support of France and the United States. According to some observers at an informal meeting to discuss the initiative in Lanzarote, in the Canary Islands, Brazil's position with regard to this initiative was already known in advance. It attended the meeting to reject the initiative, but also to strengthen its position and assert its leadership in a zone where it believes it has responsibilities stemming from its own geopolitical reality.[16]

The Brazilian position regarding the Spanish initiative is not due to opposition to cooperation itself, but rather that the cooperation should take a form that furthers its strategic interests. Brazilian leaders want to shape cooperation according to their nation's vision so as to advance its foreign policy, particularly its objective of power redistribution at the international governance level. This thinking was especially present in the late 2000s when it seemed Brazil was on a trajectory to become a more prominent global player due to its robust economic growth and domestic stability.

This same sentiment was behind Brazil's rejection in 2008 of the United States' decision to deploy their Fourth Fleet in the South Atlantic to combat terrorism, drug trafficking, and piracy. Although these declared goals align with the objective of combatting transnational crime, Brazilian officials were not convinced. The reactivation of this fleet after being disestablished in 1950 elicited their suspicion about the real intentions of United States, as explained by Pedro Seabra.[17]

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[15] "Declaration of a Zone of Peace and Co-operation in the South Atlantic," UN General Assembly Resolution A/RES/41/11, October 27, 1986, http://www.un.org/documents/ga/res/41/a41r011.htm.

[16] Declaration of the former Portuguese Minister of Foreign Affairs Luis Amado. See Seabra, 100.

[17] Seabra, 95-96.

We can then say that the phenomenon of transnational crime in the South Atlantic gives rise to two interrelated sets of perceptions and calculations of interest within ZOPACAS member states:

- A perception from the African side that considers this crime a threat in itself because of the negative consequences it generates at the political, economic, and social levels. This means it is in the interest of these states to combat it.
- Another perception from the Latin American side is that the threatening nature of this crime lies less in the direct consequences it could have on national security than in the risk that it could be used by foreign powers as an excuse to interfere in the affairs of the South Atlantic region. This means that, although those countries are also interested in combatting crime, they are more interested in the institutional means through which it is combatted.

ZOPACAS' Lack of Institutionalization

In police doctrine, constructing effective cooperation in the fight against transnational organized crime is understood as being the concrete transition from informal to formal cooperation, from ad hoc cooperation to long-term cooperation inscribed in an institutional structure. It is therefore the result not only of its "political recognition" (as is the case for ZOPACAS), but also of the existence of two essential building blocks, namely the legal and institutional frameworks.[18]

The Legal Framework

Unlike other regional organizations, ZOPACAS was not created under a treaty duly negotiated between member states, but by a simple UNGA resolution. Although UNGA may theoretically, at the request of some concerned states, declare this or that region of the world a zone of peace and cooperation, this act remains a simple declaration, and cannot constitute an instrument of any kind of organization, especially a regional organization involving multiple sovereign states.

With that said, in its 30 years of existence, ZOPACAS took few if any concrete initiatives that provide evidence of its progress towards the creation of a legal framework to regulate its functioning at the political level, and even less to manage any cooperation on the ground in any field whatsoever. Even after the emergence of non-state threats in the 1990s, the same rhetoric is often repeated in ZOPACAS' ministerial declarations about the objectives of the zone, the importance of cooperation to achieve these goals and the so-called action plans, as well as the need for support from the UN specialized agencies.

The impression that ZOPACAS gives is that it has neither the capacity nor the will to conceive of solutions other than those already imagined by the international system. Through lack of resources or creative ideas, or by political choice, ZOPACAS member

[18] Magali Sabatier, *La Coopération Policière Internationale Européenne [European International Police Cooperation]* (Paris: Editions l'Harmattan, 2001), 264.

states seem to be satisfied with the minimum, even if this minimum does not meet the goals they outline in their plans or address the security issues they face.

This, among other things, explains the fact that during the 1998 session of the UNGA, the representative of Brazil, Henrique Valle, presented the conclusion of bilateral agreements between certain ZOPACAS member states as a success indicator,[19] while in fact such agreements provide no added value compared to what the United Nations has already done in the area of combatting transnational organized crime. The UN not only encourages member states to conclude bilateral agreements, but it provides them with the necessary assistance through its experts, and model treaties put at their disposal.

Aside from not being an innovative solution, this approach is more limited from an operational viewpoint given that basing interstate relations on mere bilateral agreements is the lowest level of integration in any security cooperation project. Although such agreements may have some utility – in extradition, for example – they cannot in themselves, in the absence of a framework for multilateral coordination, help to deal with a phenomenon as itinerant and ever-changing as transnational organized crime.

The assistance of some specialized international bodies such as the United Nations Office on Drugs and Crime (UNODC) and INTERPOL could help moving things forward. For example, UNODC participated in the institutionalization of the G5 Sahel[20] by drafting texts for the creation of a police cooperation platform between states members of the group.[21] UNODC has also participated with the World Customs Organization (WCO) and INTERPOL in the design and execution of a program, the Airport Communication Programme (AIRCOP), which aims to strengthen detection and investigative capacities against drug trafficking in participating airports of 24 countries in Africa, Latin America, and the Caribbean.

However, ZOPACAS has long complained about the lack of support and funding granted by the international community. In a statement to the UNGA in 1998, Brazil's representative mentioned that it is "essential that the international community, the United Nations system and the international financial institutions continue to assist the zone states in proceeding with objectives."[22]

The Institutional Framework

The institutionalization problem within ZOPACAS relates to the overlap between its original mandate, as a political organization contributing to peace and security at the

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[19] Statement of Mr. Henrique Valle, representative of Brazil, to the 1998 session of the UN General Assembly. See, *UNGA Press Release GA/9515*, November 25, 1998, http://www.un.org/press/en/1998/19981125.ga9515.html.

[20] The G5 Sahel is a regional organization created by five states of the Sahel Region: Burkina Faso, Mali, Mauritania, Niger, and Chad.

[21] "L'ONUDC Participe au Renforcement de la Coopération en Matière de Sécurité entre les États du G5 Sahel [The UNODC Participates in Reinforcing Security Cooperation between the G5 Sahel States]," *UNODC Press Release*, October 2015, https://www.unodc.org/westandcentralafrica/fr/g5-security-cooperation---mali-workshop-oct-2015.html.

[22] Statement of Mr. Henrique Valle, representative of Brazil, to the 1998 session of the UN General Assembly. See, *UNGA Press Release GA/9515*, November 25, 1998, http://www.un.org/press/en/1998/19981125.ga9515.html.

inter-state level, which falls within the area of prevention, and its new mandate as an institution that has to promote combatting transnational organized crime, which falls within the area of repression.

In this context, it is very interesting to note that by declaring the South Atlantic region a Zone of Peace and Cooperation, the United Nations General Assembly resolution 41/11 did not rule on a new international security problem, but just confirmed, among other things, the existing principle of nuclear-free zones under international treaties, negotiated even before the birth of ZOPACAS.

Thus, it was not an act of defense led by the resolution initiators against a specific enemy (although they had in mind the potential threat from North Atlantic countries), but was instead a simple mechanism of international guarantees, formalized by a general statement addressed to all states to consider the South Atlantic region a peace and cooperation zone.

Conversely, cooperation in combatting transnational organized crime focuses on a real threat and a known set of enemies, even as specific criminals are as yet unidentified. The struggle against this enemy is realized not through policy statements or other action plans, but through concrete activities preceded by work at the institutional level for the purpose of establishing a professional network of police and justice officials in member states.

Even though in both cases the two terms are identical insofar as they refer to security, what they actually cover in terms of commitment is not the same. The maintenance of peace and security under UNGA resolution 41/11 is just a general obligation for states outside of ZOPACAS to abstain from intervention. By contrast, the fight against transnational organized crime is an obligation of action, with all that this action requires in terms of multilateral agreements between the states parties, harmonization of laws, and use of international mechanisms of police and judicial cooperation, as enshrined in the relevant international instruments in this field.

This confusion between the political and security mandates has meant that the logic for responding to threats represented by transnational crime has been inverted. Thus, the first step was not to start thinking about these threats in order to identify their contours, and imagine architectures that match their nature, but to use the existing structure of ZOPACAS and broaden its competences so that it can handle both political-military affairs and transnational organized crime issues. What happened, therefore, was merely a theoretical extension of the prevailing inter-state security concept at the time of ZOPACAS' creation in order to cover the new human security issues, without asking how this extension would affect ZOPACAS in terms of organization and functionality.

The Consequences

These questions about the nature of ZOPACAS are crucial, to the extent that the confusion surrounding them negatively affects the organization in terms of visibility within the international system, effectiveness as a tool for international cooperation, and credibility as a global security actor.

Visibility Within the International System

ZOPACAS' lack of visibility within the international system is best illustrated in the reports sent by various UN bodies to the UN secretary general on the assistance measures they bring to ZOPACAS in the achievement of its objectives under the provisions of UNGA Resolution 41/11. These bodies rarely explicitly mention ZOPACAS as having an organizational structure itself with specific institutional bodies and mechanisms, but always refer to implementing activities initiated within a global framework or in the framework of other regional organizations, and as being undertaken within a framework of assistance not to ZOPACAS but to specific member states of the zone.

Effectiveness as a Tool for International Cooperation

Lack of institutionalization leads to the dilution of the anti-crime strategies in military concepts. This dilution leads to three consequences, each worse than the preceding, for the effectiveness of cooperation within ZOPACAS, or even the future of this entity as an international actor.

- The first consequence is of a *strategic nature* given that, on both the African and Latin American sides, it is the military who monopolize the powers of conception and decision within ZOPACAS. However, the militarization of the police is far from being the right solution for the fight against crime in general, let alone transnational crime.
- The second consequence is of a *tactical nature*, given that in the matter of international cooperation, the diffusion of responsibilities will lead to a multiplicity of decision centers, and can lead to two or more institutions dealing operationally with the same cases with different methods of investigation, or even conflicting objectives.[23]
- The third is of an *ethical nature* given that the rivalry between the police and military bodies occurs in a domain where the risk of corruption is ever present.

The case of Guinea Bissau illustrates the latter situation. In this country, the corrupt army has improperly appropriated the jurisdiction to exercise judicial police functions in defiance of all laws, including procedures of arrest, seizure, and confiscation. Drugs seized by police have been confiscated by the army and then reintroduced into the illegal market in collaboration with transnational organized crime groups. The extent of the rivalry between the different services is such that drug trafficking has affected not only the services responsible for law enforcement, but also the highest levels of the state as reflected in the assassination in March 2009 of President Joao Bernardo Vieira.[24]

Credibility as a Global Security Actor

Pursuant to UNGA Resolution 41/11, one of the objectives for which ZOPACAS was created is to contribute to the strengthening of peace and international security, and to

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[23] This is usually the case when state security services dependent on the army intervene in these kinds of cases.

[24] Pierre Lepidi, "Impasse Politique en Guinée-Bissau, Gangrenée par le Trafic de Cocaïne [Political Impasse in Guinea-Bissau, Plagued by Cocaine Traffic]," *Le Monde*, May 25, 2016, http://www.lemonde.fr/afrique/article/2016/05/23/impasse-politique-en-guinee-bissau-gangrenee-par-le-trafic-de-cocaine_4924473_3212.html.

serve the principles and objectives of the United Nations. Thus, as formulated, this resolution contains a double obligation:

- For ZOPACAS to engage in a more comprehensive security approach to meet its responsibility in this regard; and
- For other states and regional organizations with similar objectives to recognize ZOPACAS as an integral component of the international security architecture.

These objectives have never been achieved due to the lack of recognition of this organization by some major international powers,[25] and, mostly, because of its institutional deficits. ZOPACAS presents, in fact, the paradox of being recognized by the United Nations at the General Assembly level as an entity with a security purpose, while simultaneously being ignored by this same organization at the Security Council level as part of the international security architecture.

Thus, in the case of the European Union Maritime Security Strategy, the EU recognizes the United Nations, NATO, the African Union, and even the Association of Southeast Asian Nations as credible partners for the achievement of its maritime multilateralism goal, but makes no reference to ZOPACAS, which is nevertheless the only existing organization for security cooperation in the South Atlantic region.[26]

Even within ZOPACAS itself, some member states among the African countries merely give shows of interest in this organization as a reliable international security actor. There is a lack of clarity about its policies, which fuels a kind of distrust. It is considered more a tool in the communication strategy of certain leading countries in the region than a real mechanism of cooperation. This lack of interest is reflected in the following two indicators:

- The number of member states that replied to the UN Secretary General's verbal note to solicit their views on issues concerning the region. In 2015, for example, no African country has answered this note, although its content was in relation to concrete cooperation actions, namely the implementation of the action plan adopted in 2013 following the ministerial meeting of Montevideo; and[27]
- The relevance of cooperation actions that African countries are undertaking with North Atlantic countries, in comparison with those undertaken in the framework of ZOPACAS. The French navy, for example, is omnipresent off the West African coasts, where it operates in the fight against piracy and drug trafficking by sea.

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[25] ZOPACAS was never officially recognized by the United States, France, the United Kingdom, and other influential countries such as Japan given its political objectives and its geographical limits.

[26] Mario Telò, Louise Fawcett, and Frederik Ponjaert, *Interregionalism and the European Union: A Post-Revisionist Approach to Europe's Place in a Changing World* (London: Routledge, 2015), 335.

[27] See UNGA document A/69/973, July 7, 2015, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N15/210/93/PDF/N1521093.pdf?OpenElement.

Conclusion

Following the terrorist attacks of September 11, 2001, a shift has occurred in which people began to ask that transnational organized crime be treated on an equal footing with other phenomena that are recognized as threats to international peace and security. As Jean-Michel Dasque argued, there is no difference in nature that justifies a difference in treatment because "the action of gangs and mafias in one country can threaten the security and tranquility of a neighboring country'"[28] or even an entire region.

In fact, this is precisely the case in South Atlantic region, particularly in Africa, where transnational crime is such that it can manifest itself in forms that pose the greatest threats to international peace and security, including:

- Maritime piracy and armed robberies off the coasts of West and Central Africa;
- Drug trafficking and related phenomena such money laundering; and
- Terrorism in certain African countries such as Mali, Burkina Faso, and even Côte d'Ivoire.[29]

Cooperation against transnational organized crime within ZOPACAS therefore shows two deficits:

- The existence of a gap between the international community's perception about the criminal phenomena that plague the region, namely maritime piracy, drug trafficking, and terrorism on one hand, and the means that ZOPACAS implements to face them on the other; and
- The defect of wanting to build itself in the same political framework as was intended at its origin, even while knowing that experience has shown that these means of achieving political goals not only do not match the needs of member states, but may contradict the doctrine and effectiveness of police cooperation against the real threat of transnational organized crime.

The absence of common threat perception and differing understandings of tactical and strategic interests among ZOPACAS members together with ZOPACAS' lack of institutionalization, make it an ineffective means of combating transnational organized crime or terrorism.

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[28] Jean-Michel Dasque, *Géopolitique du Crime International* [Geopolitics of International Crime] (Paris: Editions Ellipses, 2008), 217.

[29] UN Security Council Resolution 1373/2001, September 28, 2001, https://documents-dds-ny.un.org/doc/UNDOC/GEN/N01/557/43/PDF/N0155743.pdf?OpenElement.

5 Geo-Finance in the South Atlantic: The Role of Banks and Sovereign Wealth Funds in Some Emerging Countries

Bouchra Rahmouni Benhida

Introduction

Anyone examining the global landscape in which South Atlantic emerging economies operate is bound to note a great deal of changes that have taken place due to globalization. The global crisis (2008-09) that rocked financial markets across the world has dramatically changed the world financial system. This significant transformation can be felt tangibly in the shift of economic and financial power from the West and the North to the South and East,[1] precisely when the G20 superseded the G7 and assumed its pivotal role of international economic management.

Currently, however, the relationship between the "West and the rest" is now reversing in its demographic and economic aspects. For instance, the five major emerging powers (Brazil, Russia, India, China, and South Africa – BRICS) account for 40 percent of the world population and more than 25 percent of the world GDP, and this figure is set to rise to 40 percent by the year 2025.[2] Within this international frame, South Atlantic countries – particularly emerging economies – are undergoing substantial financial changes. It is worth noting here that the countries that have sought access to the global economy have adopted certain reforms that will enable them to assume the role of key financial players in their respective sub-regions and be in a position to compete with more established international players. This new role has brought about the issue of financial geopolitics in the South Atlantic.

According to a common conception of geopolitics, geo-finance involves actors that adopt strategies based on cooperation or competition in order to extend their weight to financial areas and, thus, control financial flows. The concept of geo-finance was first coined in 1986 by Charles Goldfinger,[3] who held that finance may be considered a breeding ground for rivalry between nations, and this rivalry may be conducive to a geo-strategy through which financial actors hope to attain power. Economic emergence is crucial to the strategy, and it is also the foundation of the geopolitical power of nations. It can reinforce the legitimacy of a country on the regional scene and enable it to influence the geopolitical and geo-economic regional order.

In a world where the services sector fulfils a key role, the financial sector (as a part of the services sector) strives to reap enormous benefit margins. From this standpoint, the financial sphere is, therefore, the perfect target for capital holders seeking to inflate their assets within a short time at low costs. Nevertheless, countries of the North that have already enjoyed a period of dominance will set the tone for countries of the South that constitute a driving force behind growth, and this will likely prompt the convergence of economies.

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[1] For the purposes of this chapter, South and East includes the countries of South America, Africa, East Asia, and the Middle East, which are for the most part developing countries and some of which are considered emerging. The West and North includes the developed countries of the United States, Canada, and Western Europe.

[2] Dominic Wilson, Kamakshya Trivedi, Stacy Carlson, and José Ursúa, "The BRICS 10 Years On: Halfway Through the Great Transformation," *Goldman Sachs Global Economics Paper No: 208*, December 2011.

[3] Charles Goldfinger, *La Geofinance: Pour Comprendre la Mutation Financière* [Geofinance: Understanding Financial Change] (Paris: Éditions du Seuil, 1986).

Financial actors in the South are positioning themselves to be the main sources of finance in their own sub-regions[4] or perhaps even outside their borders. Their aim is to earn some market share and be key players both in Africa and Latin America, which offer many opportunities for investors given their economic potential. Leaders of certain countries, such as Argentina, Brazil, Mexico, Morocco, Nigeria, and South Africa, have already started to position themselves in the region.

This chapter explores how financial actors and their governments position themselves in certain areas[5] of finance in their region by examining the motives behind such positioning. It also looks at the leaders of each region according to the financial area in which they operate.

The Banking Industry Actors

By the early 2000s, almost half of Africa's financial system was dominated by foreign-owned financial institutions; this was a period when the transition from international to regional banks was at its height. However, competition, new technologies, and new products – such as the B-web Internet Banking software package provide by Bank of Africa BMCE Bank, Mobile banking in Kenya, and CBA Internet banking – have for the last 10 or 15 years been introduced to multiple domestic markets by regional banks, such as those in Morocco, Nigeria, and South Africa. It is important to note that these countries not only have a much more sophisticated banking industry but also exhibit a diversified financial system and advanced institutional capacity.

In Africa, the banking industry has undergone a major expansion as a result of not only economic growth but also of strong emerging African actors within the banking sector who offer expedient services that respond to African needs and work cultures. Contrary to French banks, which were unable to adapt as their market share dwindled in Africa, the Moroccan, Nigerian, and South African banks have gained control and dominance in their continent. These banks are considered leaders of the financial sector in one or several sub-regions within sub-Saharan Africa.

In Francophone West Africa, Moroccan banks are reportedly[6] the most prominent, establishing themselves as strong actors with a broad presence. Nigerian banks, through their presence in West and Central Anglophone Africa,[7] have set a new record in terms of the number of subsidiaries opened and the amount of assets held. As for South African banks,

[4] In referring to regions and sub-regions, this article uses the United Nations geoscheme classification system, which divides Africa into Eastern Africa, Middle Africa, Northern Africa, Southern Africa, and West Africa. For the Americas, it divides them into South America, the Caribbean, Central America, and North America.

[5] Including financial services that encompass a broad range of organizations that manage money: banks, credit unions, credit card companies, insurers, stock brokerages, and investment funds.

[6] See, for example, "BMCE: A Leading Moroccan Bank with African Ambitions," *The European*, May 20, 2013, http://www.the-european.eu/story-3182/bmce-a-leading-moroccan-bank-with-african-ambitions.html; and "Finance: Découvrez qui Sont les 200 Plus Grandes Banques du Continent Africain [Finance: Discover Which Are the 200 Largest Banks of the African Continent]," *Jeune Afrique*, October 17, 2016, http://www.jeuneafrique.com/366145/economie/standard-bank-attijariwafa-boa-bgfi-decouvrez-200-plus-grandes-banques-continent/.

[7] The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone.

they dominate the African Southern and Eastern regions[8] and are already achieving unparalleled progress.

In the case of Morocco, the banking leaders – Attijariwafa Bank, BMCE Bank, and Banque Populaire – are among the well-established bank groups in Africa. These banks constitute the driving force behind the growth of Moroccan investments in the continent. They serve as privileged partners with Moroccan investors by helping those investors get established in countries where they operate.

The presence of Moroccan banks allows the expansion of Moroccan firms in Africa through foreign direct investment more than through trade. It is within this frame that a large number of Moroccan firms are currently established throughout Africa, including Maroc Télécom, Managem, Addoha, Ynna Holding, IB Maroc, and Stroc. To ease the process of getting established in African countries for these firms, Moroccan authorities took the initiative in 2010 to raise the investible amount from 30 million dirhams (MAD) to 100 million, without recourse to the Moroccan Exchange Office.[9] The Moroccan government also created a trade and promotion fund in 2011 of MAD 200 million dedicated to promoting trade and investment between Morocco and its African partners.

These initiatives have already yielded results: Morocco is the largest African investor in West Africa and the second-largest across the continent thanks to these banks,[10] which serve as a medium of investment. This scenario will eventually give the Kingdom more influence and raise its visibility on the continent. Furthermore, this influence will allow Moroccan banks to reap more profit. From this standpoint, Moroccan banks play a significant role in the dynamics of Moroccan firms' investments in African countries, enhancing trade flows between Morocco and those countries. This strong presence in Western and Central Africa also provides an opportunity for Moroccan companies to trade with sub-Saharan Africa. As a result, this trade flow rocketed from MAD 6 billion to 15.8 billion between 2004 and 2014, an increase of 163 percent.[11]

The massive increase in the profits of African subsidiaries of Moroccan banks may be explained by several factors. To begin with, business models and management processes are transplanted, which have brought local success to the subsidiaries thanks to good practices such as applying technological solutions to banking services, training sales

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[8] Angola, Botswana, Burundi, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Rwanda, Somalia, South Africa, South Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

[9] In early 2010, a new circular (No. 1732) from the Moroccan Exchange Office raised the amount of investment that could be made abroad from 30 million dirhams (MAD) by a legal person to 50 million dirhams per year. Those investors interested in Africa were authorized by the circular to transfer up to 100 million dirhams. See, for example, Salah Agueniou, "Les Investissements du Maroc à l'Étranger Totalisent 23 Milliards de DH [Moroccan Foreign Investments Total 23 Billion Dirhams]," *La Vie Éco*, July 23, 2012, http://lavieeco.com/news/economie/les-investissements-du-maroc-a-letranger-totalisent-23-milliards-de-dh-22854.html.

[10] Larbi Arbaoui, "Morocco Second Largest Investor in Africa: Minister," *Morocco World News*, October 26, 2015, https://www.moroccoworldnews.com/2015/10/171189/morocco-second-largest-investor-in-africa-minister/.

[11] *Relations Maroc-Afrique: l'Ambition d'une "Nouvelle Frontière"* [Morocco-Africa Relations: Ambition for a "New Frontier"] (Rabat: Moroccan Ministry of Finance and Privatization, Directorate of Financial Studies and Forecasts, July 2015), 12, https://www.finances.gov.ma/depf/SitePages/publications/en_catalogue/etudes/2015/Relations_Maroc_Afrique.pdf.

managers, using transmission management tools, monitoring indicators of performance, implementing management systems, and employing express services and advanced logistics. Next, expanded zones and networks in new countries offer a larger customer base. This expansion is carried out through the creation of subsidiaries: Senegalese Bank of West Africa (CBAO) acting as a leading agent for Attijari Wafa Bank (AWB), Bank of Africa (BOA) for Banque Marocaine du Commerce Exterieur (BMCE), and Atlantic Banque International (ABI) for la Banque Populaire.

Nevertheless, it is important to note that capital transfer, skills training, and other factors concerning the creation of subsidiaries in African countries contribute not only to increasing the profits of these banks but also to improving the conditions of access to local financial institutions in the host country. Moreover, setting up new subsidiaries also contributes to the development of the host country.

To start with, the financial development of the region and improvement of the banking rate of sub-Saharan economies have increased. It is also important to underline that setting up Moroccan banks serves a prominent role in Moroccan soft power, since they constitute a factor in substantiating and implementing the Royal Vision of South-South Cooperation, which is based on a triangle of co-development, co-emergence, and co-creation. This form of cooperation with sub-Saharan Africa is based on fraternal mutual benefit, rather than the more opportunistic and self-interested relations to which African countries became accustomed with Western countries and new emerging countries. Morocco's South-South cooperation policy focuses on sustainable development, tailored to the specific problems of the continent.

Morocco can play a major role in building the new Africa, and it does not desire hegemony, but rather strong and sustainable cooperation between the countries of the continent. This was expressed by King Mohammed VI in Abidjan during the opening ceremony of the Moroccan-Ivorian Economic Forum in February 2014:

> As for credibility, it requires that the continent's wealth should benefit African peoples in the first place. This means South/South cooperation should be at the heart of inter-African economic partnerships. A continent committed to openness, Africa will continue to develop fruitful relations with the countries with which it has the deepest historical ties as well as the greatest affinity. Although they are definitely an asset, these links are not in themselves sufficient. Nowadays, they should be accompanied by credible action and unwavering commitment. There are no longer any conquered lands or exclusive preserves. To believe otherwise would be an illusion.[12]

It is within this framework that Morocco has recently signed several financial agreements with some African states, namely Côte d'Ivoire and Senegal. In fact, during King

[12] "HM the King chairs in Abidjan Opening Ceremony of Moroccan-Ivorian Economic Forum and Gives Speech on the Occasion," Maghreb Press Agency, February 24, 2014, http://www.mapnews.ma/en/activites-royales/hm-king-chairs-abidjan-opening-ceremony-moroccan-ivorian-economic-forum-and-gives-.

Mohammed VI's recent tour of Africa in 2015, he visited Senegal, Côte d'Ivoire and Guinea Bissau. More than 50 bilateral public-private and private-private partnerships were signed with Côte d'Ivoire, and Senegal, in addition to other agreements with these two countries. All these agreements are financed by the three leading banks: AWB, BOA, and Banque Populaire. This financing also extends to the social sphere. In Senegal, for instance, financing is going toward the construction of a university and affordable housing. In Côte d'Ivoire, agreements concern financing small and medium-sized enterprises (SMEs), providing schools for young girls in Korhogo, expanding leasing programs designed for agricultural cooperatives that provide commodities such as coffee and cacao, transferring Ivorian government shares in la Société Ivoirienne de Banque (SIB) to AWB group, and other agreements that reinforce cooperation and further strengthen Morocco's image of strong commitment to co-development.

Morocco also acts as a financial recipient for the continent from outside investors through its banks. For example, AWB and the Emirati firm Invest AD signed an agreement in November 2012 designed for the creation of investment funds for Africa.[13] Within this context, investment mechanisms by the banks are proliferating. In particular, the Japan Bank for International Cooperation (JBIC) and AWB signed a memorandum of understanding in August 2016 during the 6th Tokyo International Conference on African Development.[14] The aim of the memorandum is to consolidate trade flows and Japanese investments in Africa, particularly in countries where AWB subsidiaries have been set up. AWB also concluded an important agreement with the Bank of China[15] designed to exchange their expertise in order to facilitate investment between China and French-speaking African countries.

Similarly, the United Bank for Africa (UBA), a growing Nigerian bank with 7 million clients in 750 agencies distributed over 19 African countries, signed an agreement with la Banque Européenne d'Investissement (BEI) in 2012 to provide support to small enterprises in Africa.[16] This significant partnership will benefit small enterprises seeking development and will contribute to consolidating the financial sector in 16 African countries. According to UBA's director general, Phillips Oduoza, this partnership with BEI will

[13] Invest AD is held by Abu Dhabi Investment Council (ADIC), which is an entity distinct from Abu Dhabi Investment Authority (ADIA). See "Morocco's Attijariwafa Bank and Abu Dhabi's Invest AD Plan Joint Africa Equities Fund," Invest AD Press Release, November 14, 2012, http://www.investad.com/ar/news-and-views/press-releases/moroccos-attijariwafa-bank-and-abu-dhabis-invest-ad-plan-joint-africa-equities-fund/.

[14] "JBIC Signs MOU with Attijariwafa Bank, the Largest Bank in Morocco," JBIC Press Release, August 30, 2016, https://www.jbic.go.jp/en/information/press/press-2016/0830-50254.

[15] The two groups hope to share their expertise in order to assist businesses and investors between China and Francophone Africa. Beyond the agreement involving the Chinese currency Renminbi to obtain a quotation and to utilize this currency in business transactions between the two countries, another important and strategic agreement was signed with China Development Bank. This agreement seeks to assist Chinese businesses in investing in Morocco and in Africa. Furthermore, a financial package worth $100 million has been allotted to finance imports in countries where the AWB is present. See "Des Partenariats Stratégiques dans le Secteur Bancaire [Strategic Partnerships in the Banking Sector]," Embassy of China in Morocco Press Release, June 30, 2014, http://ma.china-embassy.org/fra/zt/sinoafricain/t1169908.htm.

[16] "La Banque Européenne d'Investissement et UBA Vont Apporter leur Soutien à des Petites Entreprises en Afrique [The European Investment Bank and UBA Will Support Small Businesses in Africa]," European Commission Press Release, November 7, 2012, http://europa.eu/rapid/press-release_BEI-12-152_fr.htm.

provide additional sources of financing in the long- and medium-term and will reinforce financial intermediation in the agricultural, industrial, infrastructure, transportation, energy, health, education, and other sectors that require long-term financing. This agreement was initially accompanied by a financial package of €50 million.[17] It will multiply these agreements with the African states and certain non-African financial institutions in order to extend UBA's weight on the continent.

La Diamond Bank, in turn, signed an agreement with the African Guarantee Fund (AGF) whereby the two parties are collaborating to stimulate the growth potential of small and medium enterprises (SMEs) in West Africa. In accordance with the terms and conditions of the agreement, the AGF is vested with the authority to grant a credit line of $25 million to the subsidiaries of La Diamond Bank in five countries (Côte d'Ivoire, Senegal, Benin, Togo, and Nigeria) to boost the volume of credit for SMEs in the region.

Like the Moroccan and Nigerian banks, South African financial institutions form part of the geo-financial competition on the continent. These institutions seek to benefit from the development of African finance to expand their reach in the continent and thus be well positioned in a zone as large as possible by building up an extensive network. While Moroccan and Nigerian banks have a strong presence in West Africa and in a good part of Central Africa, the South African banks dominate the southern and the eastern parts of the continent. In this zone alone, the South African banks' presence is very strong.

Ranking among the 25 finest banks in Africa, the giant South African banks have always safeguarded their leading place in the continent in terms of capitalization and brand value. With Standard Bank ranking first, followed by Firstrand Bank and NedBank, South Africa intends to reinforce first its leading position on the continent in banking and investment. The New Development Bank (NDB),[18] which the BRICS countries (Brazil, Russia, India, China, and South Africa) agreed to establish in 2014, will further extend South Africa's weight on the continent via investments. It is important to underline in this context that the NDB has signed a strategic partnership agreement with Standard Bank to promote investment in the South African economy. Moreover, this South African bank, which possesses a massive network on the continent, will be the ideal partner for BRICS countries' investment through its subsidiaries. Thus, it may be said that South Africa, along with Standard bank and NDB, will be a financing conduit providing swift access to a continent which is still dominated by South Africa in the areas of banking and investment.

Africa, a continent seen as a new frontier of growth, has become a space of rivalry for gaining control over a large part of African trade flows. South Africa, Nigeria, and Morocco have multiplied their agreements with African states as well as African and international financial institutions to increase investment, profit, and recognition, by extension boosting their influence. Regardless of profit, it should be borne in mind that these actors

[17] Ibid.

[18] The New Development Bank, formerly known as the BRICS Development Bank, was created as an alternative to the World Bank and the International Monetary Fund. The goal is to "overcome the conditionalities" imposed by the IMF and the World Bank, perceived as an affront to their sovereignty.

contribute to improving the livelihoods of the poor, as noted above. The race for profit is reinforced by the search for hearts and minds through benevolent acts.

The banking landscape in Latin America is significantly different since among the top three in the economic ranking, only Brazil stands out for its banking supremacy. Brazil is the ninth-largest world economy by Gross Domestic Product (GDP) according to the latest World Bank data, and the largest in Latin America.[19] It alone represents 34.48 percent[20] of the South American GDP and possesses a highly developed financial system, which makes it the strongest in the region. It also has powerful and well-established banking groups, large capitalizations, and considerable client portfolios which are well-placed at the domestic level and which have been expanding within South America.

The four largest Brazilian banks are two private banks, Itaú Unibanco and Banco Bradesco, and two state banks, Banco do Brasil and Caixa Econômica Federal. Assisted by the growth of their country during Brazil's boom years until roughly 2011, Brazilian banks have a strong international presence, especially in Latin America, which allows them to secure more market share in the region and beyond. They have established themselves in several countries because of their financial strength. For example, Itaú Unibanco is present in 19 countries across the globe; Bradesco is present in 13 countries; and Banco do Brasil is active in 24 countries.

Mexico is the second-largest economy in Latin America, with a GDP of $1.144 trillion.[21] Although its economy is smaller than Brazil's, it remains one of the most dynamic Latin American economies. The Mexican banking sector is marked by the presence of significant foreign capital that considers Mexican banks as subsidiaries. This means that these banks cannot have an expansionist vision to build market share within Latin America because they have already been acquired as subsidiaries by foreign groups. Moreover, this reflects on the assets, which are substantially smaller than those of the Brazilian banks.

Argentina is far behind Mexico and Brazil. Its GDP, which stands at $583 billion,[22] is relatively low compared to others, yet it is the third-largest economy in the Latin American region. With an economy less internationally interconnected than the first two and with only a handful of subsidiaries of Banco de la Nación abroad, Argentina's financial sector is less influential. Argentina is therefore behind Mexico and Brazil in terms of banking, meaning that Argentina is currently not well positioned to utilize geo-finance as part of its national strategy. To remedy this situation, President Mauricio Macri, elected in late 2015, began to conduct an offensive at the international level in January 2016 to raise Argentina's profile among the international financial community. He went to the World Economic Forum in Davos, an international conference that Argentine presidents had avoided for

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[19] World Bank, "Gross Domestic Product 2015," October 11, 2016, http://databank.worldbank.org/data/download/GDP.pdf.

[20] According to the World Bank, Latin America as a whole encompasses a GDP equal to $5.148 trillion and Brazil has a GDP equal to $1.775 trillion. This indicates a share of 34.48 percent.

[21] World Bank, "Gross Domestic Product 2015," October 11, 2016, http://databank.worldbank.org/data/download/GDP.pdf.

[22] Ibid.

the previous ten years. He then began appointing a team appreciated by the international financial community, made up of former finance men, such as Alfonso Prat-Gay, a former JP Morgan investment banker and president of the Central Bank of Argentina between 2002 and 2004, as minister of finance; Luis Caputo, also a former JP Morgan banker, as finance secretary; and Pedro Lacoste, who worked at Deutsche Bank and was vice-president of the Central Bank of Argentina, as vice-minister of finance.

It is common to assume that the economically strongest countries are teeming with financial services and are active in the financial sector, with large banks, major capitalizations, and significant market shares. Nevertheless, this does not hold true for Latin America. Mexico, for instance, cannot stimulate its local banks to expand regionally as a means of enhancing its soft power and promoting its geo-economic interests. In addition to a strong economy, both economic diplomacy and political engagement are vital to enable banks and other financial actors to consolidate their positions at the national and international levels.

Sovereign Wealth Funds: Another Method of Investment

Another financial mechanism through which a country may extend its area of influence is sovereign wealth funds. These are long-term public investment funds that may partially be invested in foreign assets. In clearer terms, this is a state-owned investment fund that mainly aims to relocate the funds earned from national trade balance surpluses and the difference in the price of crude oil or raw materials in the market and the price set out in the budget. The first sovereign fund, Kuwait Investment Authority, dates to the 1950s. The objectives of sovereign funds may be numerous, but they are usually focused on extending a country's influence, boosting the investors' profit, or favoring economic development. However, the fund may also serve the purpose of stabilizing the domestic economy or even reducing the opportunity cost of holding excessive foreign exchange reserves. Generally, the objectives pursued have always been diverse but not always explicitly identified for each fund, and this makes it a daunting task to classify these funds based only on their objectives.

Since the early 2000s, the idea of utilizing sovereign funds solely for profitability or strategic financial status has been taking root. The funds' strategic ambitions often threaten another country's economic security as well as its industrial and technological sovereignty when seeking to acquire critical industries such as the defense sector or ports. The origin of the term is traced back to the appetite of the U.S. sovereign funds like The Carlyle Group or In-Q-Tel toward European arms industries. In a report produced in 2005 on the participation of foreign capital in the European arms industries, this attitude was referred to as "a form of encirclement of the European land industries."[23] In keeping pace with the most developed countries in the world, countries like China, Russia, Venezuela, or Nigeria shifted the geo-financial equilibrium through their investment funds supplied in petrodollars. In addition, some resources have also been used for purchasing Treasury bills and

[23] French National Assembly, *Rapport d'Information sur la Participation de Capitaux Étrangers aux Industries Européennes d'Armement* [Report on the Participation of Foreign Capital in European Arms Industries], March 23, 2005, 25, http://www.assemblee-nationale.fr/12/pdf/rap-info/i2202.pdf.

bond securities for the sake of participating in European or U.S. "national champions" like EADS, Barclays, or Blackstone.

After years of missing out on this trend, which characterized developed and emerging countries' economies, African countries have begun to express their interest in sovereign wealth funds. According to the African Development Bank (AfDB), Africa today possesses more than 22 sovereign wealth funds.[24] Generally, the sovereign wealth funds were created by the country of origin in the hope of attaining certain objectives. For example, in seeking to extend its influence, Angola launched a sovereign wealth fund, Fundo Soberano de Angola (FSDEA), in 2012 with $5 billion designed for funding infrastructure and hotel industries.[25] Within this frame, 50 hotel industry projects were announced by FSDEA President José Filomeno dos Santos (son of Angolan President José Eduardo dos Santos), and the move also included other sectors, namely ports, airports, electric plants, agriculture, and mines.

The Nigerian Sovereign Investment Authority (NSIA), founded in 2011, is considered fiscally sound thanks to its diversified investments, and its importance is now widely accepted. In the words of NSIA CEO Uche Orji, "It took time to convince people. I still recall how at the beginning in certain states of Nigeria, which is still a federal country, some authorities did not even want to hear from us. Today, however, we do not need to convince them, since they have come to understand the issue."[26] In 2015, its assets increased by 20 percent to $1.7 billion.[27] The NSIA is comprised of three sub-funds and aims to both protect the national savings for future generations via the Nigeria Infrastructure Fund, and to provide a financial buffer to compensate for drops in oil prices through the Stabilization Fund.

In Latin America, Brazil has recently benefited from its sovereign wealth fund, Fundo Soberano do Brasil (FSB). The government withdrew approximately 855 million reals ($216 million) from FSB at the end of 2015 to overcome cashflow problems.[28] The country's investment fund was created at the end of 2008 from budget surpluses earned from the country's revenues during a boom in commodities prices. In 2011, it ranked 26th on the world's fund list. In September 2011, it was Brazil that brought up the idea of assisting Europe,[29] and

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[24] Réjane Reibaud, "La Face Cachée des Fonds Souverains Africains," *Les Echo*, September 10, 2013, http://www.lesechos.fr/10/09/2013/LesEchos/21518-144-ECH_la-face-cachee-des-fonds-souverains-africains.htm.

[25] Romuald Yonga, *Guide des Fonds Souverains Africains* [Guide to African Sovereign Wealth Funds] (African Markets, September 2014), 6, http://www.african-markets.com/pdf/fr/Guide_des_Fonds_Souverains_Africains_FR.pdf.

[26] "Fonds Souverains Africains: Un Potentiel Encore Sous-exploité [African Sovereign Wealth Funds: A Still Under-Exploited Potential]," *Challenge*, April 22, 2016, http://www.challenge.ma/fonds-souverains-africains-un-potentiel-encore-sous-exploite-67440/.

[27] Slim Dali, "Nigéria Première Puissance Economie du Continent: Aux Ambitions et Contraintes [Nigeria Primary Economic Power on the Continent: Ambitions and Constraints]," *Macroéconomie et Développement no. 19*, May 2015, http://www.afd.fr/jahia/webdav/site/afd/shared/PUBLICATIONS/RECHERCHE/Scientifiques/Macrodev/19-Macrodev.pdf

[28] Walter Brandimarte and Francisco Marcelino, "Brazil Dips Into Sovereign Wealth Fund as Finances Deteriorate," *Bloomberg*, December 23, 2015, http://www.bloomberg.com/news/articles/2015-12-23/brazil-dips-into-sovereign-wealth-fund-as-finances-deteriorate.

[29] Paul R. La Monica, "Can China Save Europe," *CNN*, September 14, 2011, http://money.cnn.com/2011/09/14/markets/thebuzz/.

China and Russia responded positively. For Brazil, this move was to diversify its investments but also to maintain the value of the euro as well as maintain its currency at relatively low levels to preserve the price competitiveness of its exports.

Though Morocco does not have petrodollars, it supports the Africa50 Infrastructure Fund through the government-created Casablanca Finance City. Considered an innovative financing mechanism, Africa50 will enable Africa to increase the mobilization of high-level resources and attract private financing in order to address the infrastructure deficit on the African continent. According to Moroccan Minister of Economy and Finance Mohamed Boussaid:

> Morocco intends, beyond the hosting aspect, to serve a significant role to ensure a sound start and a successful operationalization of the Africa50 Fund…The major challenge facing the fund is to urge the international, rather than the regional, institutions to raise the necessary amount for the initial target capitalization of the fund to $3 billion and, in the long term, to $10 billion.[30]

This fund fits with the Moroccan vision of co-development in Africa. In this vein, the country recently converted its Moroccan Fund for Tourism Development (FMDT) to a sovereign wealth fund known as Ithmar al-Mawarid. It seeks to expand its investment focus to diverse economic areas, namely industry and renewable energy sectors. In these sectors, Morocco is nurturing strong ambitions for re-industrialization in order to take up a leading position in industry as well as to strengthen its African leadership in electricity production. During the Finance Summit held on the sidelines of COP22, Ithmar al-Mawarid, in partnership with the World Bank, has launched a private equity fund: Green Growth Infrastructure Facility for Africa (GGIF Africa). GGIF Africa will work as a catalyst for Africa's transition into a green economy by supporting low carbon infrastructure such as clean energy, low carbon transportation, and the efficient utilization of water resources. Its objective is to attract private investors with interest in Morocco or Africa who are looking for responsible and green investment opportunities. This will reinforce the image of Morocco as a leader of green growth in Africa.[31]

These examples of Nigerian, Brazilian, Moroccan, and Angolan sovereign wealth funds indicate that the weight and objectives of these global financial actors are modest and should not be perceived as instruments of significant geopolitical competition. Serving such a role would require possessing one or several funds with significant capital to compete vis-à-vis the Chinese, Norwegian, U.S., or the Gulf sovereign wealth funds. The sovereign wealth funds that have emerged in the South Atlantic are focused more on economic development and expansion of influence.

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[30] "Le Fonds Afrique 50 se Met en Place au Maroc [The Africa50 Fund Set up in Morocco]," *Financial Afrik*, September 2, 2014, http://www.financialafrik.com/2014/09/02/le-fonds-afrique-50-se-met-en-place-au-maroc/#.WB-eCk3A7IU.

[31] "World Bank and Ithmar Capital Establish Green Growth Infrastructure Facility for Africa," Sovereign Wealth Fund Institute, November 17, 2016, http://www.swfinstitute.org/swf-article/world-bank-and-ithmar-capital-establish-green-growth-infrastructure-facility-for-africa/.

Conclusion

Of the seven South Atlantic countries discussed, four are already at the heart of geo-finance in their respective regions: South Africa, Nigeria, Morocco, and Brazil. What is surprising here is the rapid pace at which the large emerging powers have in recent years imposed themselves. The financial actors of these countries have today made it onto ranking lists and continue to advance with impressive regularity despite widespread economic downturn in many parts of the world.

The banks follow similar strategic approaches. First, they reinforce their base in their countries of origin by increasing their capitalization and partnering with larger financial institutions. Next, they look for ways to expand into neighboring countries. Afterwards, they invest in locations other than their sub-regions, and finally, manage to increase their profit and that of their countries. In sum, leaders of the continent seek to conquer financial markets by setting up partnerships with private institutions of developed countries, emerging powers, or even international organizations. It is important to note that the financial players, mostly banks and sovereign wealth funds, can strengthen the relationship between power in the field of finance and the influence of a country, and ease business investment over the whole of a region or even a continent.

Within the frame of their expansionist ambitions, certain countries utilize banks for the acquisition of economic power and regional influence that will assist them in legitimizing their role as main actors in continental order. Other countries, however, have sought co-development and regional development since they are aware that wealth creation is difficult when the neighboring countries are poor. This approach will undoubtedly invite more interest and thus establish reputation.

With respect to sovereign wealth funds, in their countries of origin, many of them tend to behave as institutions for financing development and serve the purpose of speeding up the diversification of the economy or building robust "national champions." For their foreign investment, these funds tend to act in accordance with the traditional strategies of investment funds oriented toward generating solid returns. Skeptics of sovereign wealth funds criticize them for their objectives, which are not purely financial. In other words, their ambitions may be strategic, and their participation in different significant foreign enterprises may constitute a potential threat for the economic security of the country where they invest.

Apart from seeking profitability, the financial actors' acquisition of interests in the national or international financial space is an effective strategy of expanding influence, which calls for the actor in question to develop its own expertise without competing with the state functions of passing legislation or engaging in economic diplomacy. In order to succeed within a geo-financial context where the struggle is getting fiercer and fiercer, ingenuity and adaptability are essential.

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6 The Silence of Diplomacy about Religion

Jack Miles

How is religion's current eruption within the public space changing the mental map of international diplomacy? The question is of such importance that we can scarcely avoid it, but of such delicacy that we often fear to speak of it. In the discussion that follows, I shall attempt to address just one aspect of it.

I submit for your consideration that silence on the subject of religion may no longer always provide the help to diplomacy in a global context that it so crucially provided to intra-European and intra-American diplomacy in their shared past within their once much more limited geographical sphere. To that end, I shall first indicate a current instance in which such silence is arguably unhelpful. Second, I shall try to explain why the same silence that was once so very helpful first in Western Europe and then in North America lingers to this day as a deep and unexamined habit of mind in international diplomacy wherever assumptions rooted in European history have become international assumptions. Third, I shall evoke a quite different history that may point toward a way to break the silence.

As I turn to the mentioned current situation of concern, let me underscore that diplomatic silence about it is a studied silence, the kind of silence that is maintained when one could speak but chooses not to speak because the subject at hand is one about which one has decided in advance to express no opinion. The usual silence, the default silence, of diplomacy about religion is that kind of silence. It is a silence that rests on a prior, standing decision to refrain from comment on a given range of topics.

Thus, Western European and U.S. diplomacy pointedly refrained from comment when in the aftermath of the catastrophic loss of life that occurred during the 2015 hajj, Iran's supreme leader, Ali Khamenei, excoriated Saudi Arabia's rulers as "'puny Satans' who have reduced hajj to a 'religious tourist trip'" and when he went on to say "The world of Islam must fundamentally reconsider the management of the two holy places and the issue of hajj." Euro-U.S. diplomats declined to speculate about what the Iranian leader might have implied by the pregnant phrase "the issue of hajj." Did he envision some revision of one of the traditional five pillars of Islam? The diplomats similarly rendered no opinion on the question of whether Saudi Arabia's rulers are "puny Satans" or not.

But lest there should seem to be in these abstentions some tilt toward Shia Islam, I note that by the same habitual abstention, the same large corps of diplomats and policymakers predictably passed over in silence the reply to Ali Khamenei from Saudi Arabia's top cleric, Abdul Aziz al Sheik: "We must understand those people are not Muslims. They are sons of the magi, and their hostility to the Muslims is an ancient affair, and especially to the [Sunnis]."[1] In their diplomacy, the European Union and the United States neither affirm nor deny the assertion that Saudi Arabia's Iranian critics "are not Muslims," nor do they venture an opinion about whether the Iranians are "sons of the magi." Such matters,

[1] Nabih Bulos, "Iranian leaders criticize Saudi Arabia over last year's deadly hajj crush and stampede," *The New York Times,* September 7, 2016.

by long-established consensus, are not the proper subject of international diplomacy and, accordingly, are to be passed over in diplomatic silence.

Here, very clearly, is an example of a religion – namely, Islam in its two principal forms – engaging in open verbal combat in that part of the public space where religion lives, while diplomats representing countries powerfully, if indirectly, affected by this combat decline to enter that space. I offer this example of abstention from engagement with religion because it so well illustrates the very familiarity and plausibility of such abstention. It seems familiar, plausible, and eminently defensible because it is part of the common sense of diplomacy. There is a long agreed upon mental map, in other words, and on that map there are certain regions that are not to be entered under any circumstances. This Saudi-Iranian hajj controversy is located well within that forbidden region.

I thus concede at the outset the great difficulty that Western European or U.S. diplomacy would encounter if and when it saw fit to violate this common-sense abstention. How warmly would the Islamic Republic of Iran and the Kingdom of Saudi Arabia welcome an offer from Germany, for instance, to mediate their dispute over the loss of Iranian life during the 2015 hajj? That question may seem to answer itself loudly and clearly, and yet, difficult as it is to address the inflamed religious dispute between Sunni and Shia Islam, can Western European or U.S. diplomacy pass over it in silence when it feeds a proxy war in Syria in which one side is backed by Shia Iran and the other by Sunni Saudi Arabia, and the prolongation of the war is having so powerful an affect on Western Europe and the United States? Is it not self-defeating to decide in advance that no effort at Sunni-Shia reconciliation will ever be welcomed when, in fact, there were several significant intra-Islamic attempts at reconciliation in the 20th century?[2] Those efforts failed, but it is not beyond imagining that a Western power might propose that they be revived in the interest of halting the ongoing slaughter to which this religious rivalry is so powerful a contributing factor. One of the most horrific, most traumatic episodes in World War II was the terror-bombing of Dresden. On September 23, 2016, a headline in *The New York Times* spoke of "'Dresden-esque' scenes"[3] in Aleppo under the ruthless terror-bombing of Sunni rebels by the Syrian air force of Bashar al-Assad with its Russian allies. Meanwhile, quieter headlines in the same newspaper on the same day described major casualties from air attacks by the U.S.-armed Saudi air force on Shia rebels in Yemen.[4]

International conflict must, of course, be addressed under many headings simultaneously. Religion is not to be regarded as somehow the root of all strife. Moreover, while it is true that Iran and Saudi Arabia both engage in international missionary activity promoting, respectively, Shia or Sunni Islam as the normative form of the religion, conflict between

[2] See Sabrina Mervin, "On Sunnite-Shiite Doctrinal and Contemporary Geopolitical Tensions" in Brigitte Maréchal and Sami Zemni, eds., *The Dynamics of Sunni-Shia Relationships, Doctrine, Transnationalism, Intellectuals and the Media* (London: Hurst and Company, 2013).

[3] Ben Hubbard, "'Doomsday Today in Aleppo': Assad and Russian Forces Bombard City," *The New York Times*, September 23, 2016, http://www.nytimes.com/2016/09/24/world/middleeast/aleppo-syria-airstrikes.html.

[4] Nick Cumming-Bruce, "Rising Toll on Civilians in Yemen Raises Alarm," *The New York Times*, September 23, 2016, http://www.nytimes.com/2016/09/24/world/middleeast/over-300-civilians-have-been-killed-in-yemen-since-august-un-says.html?_r=1.

the two does not rise to the level of civil war outside the Middle East, where demographically the two contenders are roughly equal in population. What is *casus belli* (or, a reason for war) in one Muslim-majority region may indeed be relatively inconsequential in another, and ethnic, environmental, and economic factors are always simultaneously operative. In planning the 2016 Atlantic Dialogues, The German Marshall Fund of the United States and OCP Policy Center listed a dozen potential discussion topics, of which "Religion in the Public Space" was only one. This was as it should be, but I do draw your attention to a revealing detail of phrasing on that list. When mentioning "Energy and Climate Diplomacy," for example, the organizers did not find it necessary to say "Energy and Climate Diplomacy in the Public Space." Energy and climate diplomacy already have acknowledged admission to the public space that religion generally lacks. If religion is to win admission, or readmission, to the public space, the case for its admission evidently needs to be argued, and a part of any argument for its admission must be attentive to the historical roots of its default exclusion.

Pope Francis's second encyclical, "*Laudato Si*': On Care for Our Common Home,"[5] was an effort to claim a role for Roman Catholicism, and by extension for all religion, in the world effort to address the climate change crisis. Some welcomed this effort. Some even claim that it contributed to the measured success of the 2015 COP 21 United Nations Climate Change Conference. Others, however, quietly dismissed the encyclical as superfluous at best. So it is, I would maintain, on every corner of diplomacy's mental map: the initial assumption is that religion should have no role in diplomacy and diplomacy none in religion. If some such engagement is proposed – if, for example, it is proposed that organized religion should be involved in mitigating global warming – the kind of case that must be made for its involvement is the kind of case that is made for an exception to the rule. The rule itself is massively in place.

If you will entertain, for the sake of the argument, my thesis that systematic, ongoing, *a priori* diplomatic abstention from engagement with the religious dimension of the Sunni-Shia conflict may not be serving world peace, then we may proceed to a brief review of the history and past utility of religious abstention as a way of explaining why, to this day, abstention remains diplomacy's default position wherever the legacy of this history has shaped the mental map of diplomacy.

The story begins in Germany, specifically in Westphalia, where in 1648 the Peace of Westphalia brought an end to the Thirty Years War that had torn Christian Western Europe apart just as violently as warfare is tearing the Muslim Middle East apart today. Until that epoch-making treaty was concluded, it had been an open question whether all of Western Europe might return to Roman Catholicism or whether, instead, it might all convert to Protestantism. But after the two sides had fought each other to a bloody and exhausting draw, the two concluded that neither could win and that peace could only be restored by

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[5] *Encyclical Letter* Laudato Si' *of the Holy Father Francis on Care for our Common Home* (Rome, The Vatican: Vatican Press, May 24, 2015), http://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si_en.pdf.

allowing the government of each state to determine what its state religion would be. This solution was epitomized in the famous principle stated in Latin, *Cuius regio, eius religio*, or in English, "Whose the government, his the religion." The sovereign power ruling any state would determine the religion of that state but, crucially, only of that state.

The Peace of Westphalia thus did not by any means introduce *individual* religious freedom. The signatory states were all free to impose state religions upon their subjects or citizens, and all did so. What the signatory states were no longer free to do or, more accurately, what they collectively agreed to *abstain* from doing was imposing their state religion upon any other state. There would be no single pan-European religion. That dream, the dream of a religiously seamless European Christendom, was over.

I hasten to add that the signatories to the Peace of Westphalia did not agree to abstain from war for other-than-religious reasons. They did not agree to abstain from police action within their borders against whoever might attempt to practice another religion than the state religion. But they did agree to abstain from inter-state warfare for religious reasons and, remarkably enough, that one species of war did almost entirely disappear from Western Europe after the middle of the 17th century, paying an enormous dividend perhaps above all to Germany, the birthplace of the Protestant Reformation, which had lost one third of its population during the previous 30 years.

It is a commonly understood that the 17th-century wars conventionally referred to as the European Wars of Religion, including the Thirty Years War, were not about religion alone. Nascent national identity, rampant monarchical ambition, emergent forms of wealth-creation – these and others often all but eclipsed Protestant-Catholic conflict as the wars raged on. Nonetheless, the conventional designation is not a misnomer, for religion was undeniably among the factors feeding the conflict, and peace would not have been restored had the religious factor not been effectively addressed.

More than most Americans realize, the U.S. Constitution is profoundly influenced by the Peace of Westphalia. The 13 English colonies in North America all came into existence during the 17th century. All of the colonists were marked by the fresh memory of the 17th-century religious civil war that tore Britain and Ireland apart – ironically in the years immediately following the Peace of Westphalia – with casualties that proportionately exceeded British World War I casualties. Though a few of the American colonies, notably Rhode Island and Pennsylvania, practiced religious tolerance, most had state religions on the Westphalian model, imposing them rigorously within their borders, refraining only from attempting to export or impose them beyond their borders.

Late in the 18th century, the Constitution that the 13 erstwhile English colonies adopted to bring the United States of America into existence as a federal state preserved the right for each constituent state within the federation to impose a state religion within its borders, while the Constitution made no provision for a federal religion and stipulated that there would be no religious test for federal office-holders. The United States as a whole, in other words, corresponding to Europe as a whole in the Peace of Westphalia, would have

no single national religion, for indeed, had the attempt been made to impose one, the result would have been religious civil war of just the sort that the Peace of Westphalia was designed to prevent.

Although the initial and central effect of the Peace of Westphalia was the establishment of state control over European religious life, its impact would eventually be felt in every aspect of European life. In a 1975 discussion titled "The Logic of Westphalia" within his massive *A Study of Future Worlds*, Richard Falk wrote:

> The basic coordinates of the present world order system are contained in the Peace of Westphalia which brought the Thirty Years War to an end in 1648. According to Westphalia logic, the world order system is constituted *exclusively* by the governments of sovereign states. These governments have complete discretion to rule *national space* (or territory), and can also enter into voluntary arrangements (e.g., treaties) to regulate external relations and interconnections of various sorts. But these governments are *sovereign* and *equal* by juridical fiat, rather than by virtue of some higher authority within the world order system. No one government is entitled to greater formal status than another by reasons of wealth or power or size. In such circumstances, "law and order" rests upon the volition of governments and upon their perception of common interests.[6]

It is thanks to that "complete discretion to rule *national space*" to which Falk refers that the nation-states of Europe developed such crucial cultural components of national identity as a national language, a nationally administered education system teaching an established version of national history, a national calendar with holidays established by the government rather than by the church, and so forth.

As national identity strengthened, religious identity weakened. Until the mid-17th century, it had been a common assumption that religious unanimity was required for domestic tranquility and basic national security. Starting then, a few thinkers, among whom John Locke was notable, began to argue the very opposite—namely, that domestic tranquility and national security might be better guaranteed if a large degree of religious variance and theological disagreement were benignly tolerated. Thomas Jefferson and James Madison were among the American Founders who read Locke, and the newborn United States proved a hospitable social environment for the slow but steady expansion of religious tolerance as one by one the constituent U.S. states disestablished their state religions and allowed religion to be a matter of individual choice. In effect, having already agreed to abstain from interference in the religious affairs of other states, the states now agreed to abstain from interference in the religious affairs even of their own citizens. In Europe, the states that together had created what we still call the Westphalian System proceeded more slowly, each in its own distinct way, on a path toward a destination that would render Jews, Muslims, Christians, and all others equal in the religiously indifferent eyes of the law.

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[6] Richard Falk, *A Study of Future Worlds* (New York: The Free Press, 1975), 59.

As this happened, something else of a more spiritual character happened as well. Patriotism, devotion to one's nation, arose to claim some or much of the spiritual space that piety, devotion to one's church or one's God, had claimed in earlier centuries. With the wars of religion left behind, religious martyrdom, dying for one's faith, became increasingly a thing of the past. The new martyrdom was patriotic martyrdom, dying for one's country. Patriots who loved their country more than they loved life itself progressively turned nationalism into Europe's new religion and the United States' as well. The new religion, reaching a kind of pinnacle in the French Revolution, rarely sought directly to suppress the old, but by degrees, as patriotic songs like the *Marseillaise* began to crowd out religious hymns, nationalism began to crowd out religion. Through the French Revolution and the spread of its influence to Spain through the Peninsular War, the Westphalian System spread to Central and South America in the 19th century as it had spread to North America in the late 18th. Roman Catholicism remained dominant in the erstwhile Iberian colonies, as Protestantism did in North America, but nationalism arose there as well, sometimes abetted by the anti-clericalism of the French Enlightenment. Nationalism, anti-clerical or not, was a public, collective commitment, while precisely because individual discretion was increasingly allowed to determine religious preference, religion itself, religion in any form, came increasingly to seem a private, individual matter.

And yet, over time and climaxing in the 20th century, this very transference to the individual of sacred responsibilities once regarded as of supreme national and even cosmic importance had the effect of elevating the importance of the individual as such over the importance of the state. As the individual's responsibilities were now so enlarged, so also by a gradual inference were the individual's rights. Thus was set in motion a new Euro-U.S. quasi-religion, as the "Church of Patriotism" was supplanted for millions of post-patriotic political liberals by what we might loosely call the "Church of Human Rights." As is characteristic of religions in their youth and at their strongest, popular devotion to the Church of Human Rights, especially among the young, is both all but universal in much of Europe and the United States and all but entirely unexamined. As the Church of Human Rights has waxed, the traditional Christian churches of the United States and Europe have further waned alongside the waning of the Church of Patriotism.

But something else has happened at the same time. The social space occupied by private life in all forms has grown, greatly abetted over the past two generations by the rise of the Internet. But because ubiquitous social media now so powerfully enable the like-minded to huddle together, what really faces us, rather than a map of sealed one-person citizen-states, is a map of divergent, self-reinforcing, online quasi-states as fervent in their ideology, and as loosely bound by empirical reality, as any religion. A website is a site: it is a place situated in cyberspace, to use the usual term. But where is this site located relative to the once all-encompassing national space?

I do not mean to belittle the progressively more complete government abstention from religious engagement that in general has fostered peace, harmony, and prosperity in the West for nearly 400 years. On the contrary, I mean to concede this generally beneficial

effect as the reason why it is only to be expected that in dealing with other-than-Western cultures, Western diplomacy will expect its own habitual religious abstention to be received as a kind of deference or respect rather than merely with skepticism or baffled bemusement. If we are to move past this impasse, what we need to recall is that the West did not come at all quickly to its beneficent agreement-to-disagree. Reaching that point required protracted discussion of and active engagement with religion. Accordingly, if some such agreement-to-disagree is in any way a possible or desirable outcome outside the West – whether defined geographically, culturally, or philosophically – it is an outcome that can only follow a comparably protracted discussion of and engagement with religion, particularly now that religion has begun in some of its manifestations so strikingly and effectively to escape or transcend national space.

Statistically, the world has no majority religion. Christianity and Islam, the world's two largest religions, are both minority religions when reckoned against the world's entire population. But each of these two is a part large enough that violent disruption within it can violently disrupt the whole. If Islam, with its spiritual center in the Middle East, is now torn apart by a religious civil war in that region, the quest for world peace must somehow entail not just talking about the religious roots of the war, to the extent that they are religious, but also talking to the warriors themselves through whatever degree of mediation is necessary. In practical terms, this would seem to entail enlarging the diplomatic conversation to include now marginal religious leaders, actors who would have been thought best avoided even in the quite recent past.

More exactly, what is called for is a departure from Westphalian diplomatic protocol. That protocol would generally require the chief executive of any one state to engage the religious leadership of any other state only through that state's chief executive. What Westphalian logic rules out is not interfaith discussion among willing religious leaders across political borders but only asymmetrical engagement by political leadership on one side with religious leadership on the other side. For example, it would be a violation of this protocol for U.S. diplomacy to seek to go around Prime Minister Haider al-Abadi of Iraq to consult Grand Ayatollah Ali al-Sistani regarding the conduct of Shia militias fighting to re-take Mosul from the self-proclaimed Islamic State group (ISIS).

The Westphalian System, by the set of abstentions that I have tried briefly to indicate, generally has little or no room in its diplomatic space for such an asymmetrical religious overture. Its very brilliance in its day consisted precisely of ruling out such asymmetrical engagement as potentially malicious meddling. The question is whether we can recognize the extent to which the statist Westphalian mental map of the world no longer describes the world in which we are actually living. This is a question that includes but actually is broader than the question of whether and how religion might be accommodated in the public space. The already quoted Richard Falk – a scholar who would later achieve notoriety as an American Jew seeking justice for the Palestinians and arguing for U.S. openness to revolutionary Iran – wrote presciently of the various ways in which the actual world map had evolved away from the mental map presumed by the Westphalian System. In the

following quote from his *A Study of Future Worlds*, Falk does not mention religion, but I have inserted in italics words of my own to indicate the changing place of religion in the world order.

> New nongovernmental actors – transnational corporations evolving from the organizational tendencies of international business operations, and supranational agencies formed to cope with some of the effects of technological change, *as well as non-governmental religious syndicates like al-Qa'eda and ISIS* – are transforming the present system of world order by evolving new types of nonstatist diplomacy, such as *Internet recruitment, education, and organization*, during a period marked by the simultaneous erosion of traditional national boundaries which had formerly delimited subject matter. In particular, the basic boundary between internal and external, *secular and religious* (or domestic and international) politics seems much less sufficient for descriptive and explanatory purposes than it did in an earlier world of less complex and pervasive interactions and perceptions. Indeed, the rise of these new actors is closely connected with the inability of governments to operate effectively themselves within many relevant fields of action, *the religious field of action certainly included*.[7]

Falk was writing before the rise of the Internet, before the smart phone, email, and even the personal computer. If he were writing that paragraph today, he certainly would include among emergent non-statist forms of diplomacy the online networking that knits together militant and would-be militant Salafis all around the world. As for "the inability of governments to operate effectively" within the religious field of action, is it not the case that Western governments virtually never address young Muslim men and women as Muslims, although for these young people Islam may be the single most important component of their identity and their dignity? The occasionally poignant awkwardness of this silence in domestic relations is paralleled only too evidently by a comparable awkwardness in foreign relations.

Allow me to illustrate with another U.S. example. After Al-Qaeda attacked the United States on September 11, 2001, U.S. commentators repeatedly compared the attack to the Japanese attack on Pearl Harbor, Hawaii 60 years earlier on December 7, 1941. But Japan was a state attacking another state. When then-U.S. President Franklin Roosevelt declared war on Japan, he was declaring war on a state. The War in the Pacific was a war squarely within the statist Westphalian System. After the 9/11/01 attack, the overwhelming U.S. impulse was to find the state that had launched the attack so as then to launch a massive counter-attack. But there was no such state. Although the Afghan government of the time permitted Al-Qaeda to operate out of its territory, Afghanistan had not attacked the United States in 2001 as Japan had done in 1941. This war had erupted awkwardly outside the Westphalian System, and to this day most Americans cannot fathom why their military is still bogged down in Afghanistan while subsequent, more threatening acts of terrorism are erupting all over the world. Surely at least a part of the problem is that the

[7] Ibid., 58.

space where these acts originate is simply not a territorial state at all. It does not show up on a map of the world drawn with only state borders.

It is a painful but revealing irony that by frequently declaring their implacable opposition to terrorism while less frequently addressing the Islam that the terrorists invoke as loudly and as publicly as they can, Western leaders seem to have persuaded much of the Muslim world that their true target is Islam rather than terrorism. Neither side sees the other as the other sees itself, and in this misperception we encounter the limitation of the Westphalian System. For the West, the Peace of Westphalia was initially a way to contain intra-Christian violence. Over time, as the Westphalian System evolved, it began to leave Christian identity substantially behind and substitute national identity in its place. Premodern Europe is dotted with shrines to heroic martyrs for the faith. Modern Europe is dotted with war memorials, shrines to martyrs for the state. In their own eyes, Europeans who once confronted Muslims as Christians now confront them as secular citizens of Germany, France, Britain, and so forth. But many of the Muslims they confront, having never so massively substituted national for confessional identity, still see the Europeans as so many Christians, however lapsed.

I offer by way of further anecdotal confirmation the foiled and now forgotten but still revealing Bojinka Plot. This was a three-phase terrorist attack planned a generation ago by Ramzi Yousef and Khalid Sheikh Muhammad and only accidentally foiled. The original plan was to assassinate Pope John Paul II, then blow up 11 airplanes en route from different parts of Asia to the United States, killing thousands and shutting down world air travel, and finally to crash a hijacked plane into CIA headquarters outside Washington, DC. Apparently, for these two educated, talented, well-funded, and murderously angry Muslims, Pope John Paul II and CIA headquarters were one and the same enemy, the one as insidious as the other, the one as Christian as the other, and the two understood to be in league against Islam. Clearly, on the mental map in the minds of these two plotters, religion does not disappear; religion is easy to locate; it is everywhere. What disappears from this map is the post-religious, secular nationalism that defined the spiritual as well as the mental map of the Westphalian System as it existed at the turn of the 20th century. Just how greatly the incompatibility of these maps can still matter may finally become clear if a plot to assassinate Pope Francis succeeds, or a car bomb like one of those lately intercepted in Paris explodes at the entrance to the Cathedral of Notre Dame.

Can these two mental maps be brought by some kind of gradual arbitrage into a global accommodation with each other? A way must be found, for neither map has any chance at all of simply replacing the other, and the status quo is becoming literally, physically unendurable. I readily concede the strength of the objection that may already be forming in some minds that religious leaders in a given theater of conflict may turn out to be even more implacably and immovably hostile to one another than are political leaders in the same theater. So it may be, but let this conclusion not be reached before political mediators seeking to resolve the conflict have made a serious effort to involve religious as well as political leadership in the resolution. Call this, if you will, a counsel of desperation.

As the situation in the Middle East theater of conflict from Turkey to Iran is now indeed desperate, even such counsel ought to be seriously entertained, the more seriously as neo-fascist, anti-Muslim, anti-immigrant elements in Europe and the United States threaten to make religion causa belli in their home regions for the first time since the 17th century. There is no guarantee that engaging religious leadership and speaking more openly and willingly of religion can help to resolve the conflict. In the very best case, a measure of help is indeed the most that can be hoped in a conflict with many causes and many overlapping motives. Diplomacy, finally, is all talk, but as diplomacy would not exclude military leadership because military conflict is not the whole story, or business leadership because business is not the whole story, so diplomacy should not exclude religious leadership on the grounds that religion is not the whole story.

Within the Sunni-Shia world conflict, if no accommodation is reached, then, we should anticipate only a progressive worsening as each side solicits narrowly military or political assistance from the West in the hope of attaining a final victory over its religious opponent. Thus, Mohammad Javad Zarif, Iran's foreign minister, exhorted in an opinion piece featured prominently in the September 13, 2016, *The New York Times*, "Let Us Rid the World of Wahhabism."[8] And thus in 2008, much more aggressively, then-King Abdullah of Saudi Arabia urged then-U.S. General David Petraeus to attack Iran and put a violent end to its nuclear program, according to diplomatic cables leaked by WikiLeaks in 2010. "'He told you [Americans] to cut off the head of the snake,' the Saudi ambassador to Washington, Adel al-Jubeir said, according to a report on Abdullah's 2008 meeting."[9]

The United States, by overthrowing the de facto Sunni regime of Saddam Hussein in Iraq and replacing it with the de facto Shia regime currently headed by Haider al-Abbadi, established Shia authority over a major population of Sunni Arabs for the first time since the Fatimid caliphate ended in the 12th century. This enlargement of the political foundation for Shia Islam in the Middle East came about by blundering accident rather than by geopolitical or theo-political intent, but all the same the result has been an exacerbation of Sunni-Shia tension almost as great as that occasioned by the Islamic Revolution of 1979 or even the ensuing Iran-Iraq, Sunni-Shia proxy war of 1980-88. U.S. President Barack Obama, by concluding a major treaty with Iran and by refraining from military action against the Bashar al-Assad Shia-allied, Alawite regime in Syria, has further consolidated a

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[8] Mohammad Javad Zarif, "Let Us Rid the World of Wahhabism," *The New York Times*, September 13, 2016, http://www.nytimes.com/2016/09/14/opinion/mohammad-javad-zarif-let-us-rid-the-world-of-wahhabism.html.

[9] Ian Black and Simon Tisdall, "Saudi Arabia Urges U.S. Attack on Iran to Stop Nuclear Programme," *The Guardian,* November 28, 2010, https://www.theguardian.com/world/2010/nov/28/us-embassy-cables-saudis-iran.

net shift of power in the region from Sunni to Shia, notwithstanding a recent major arms sale to Saudi Arabia.[10]

Although the two presidents certainly pursued significantly different military policies during their respective eight-year tenures, their diplomatic policies have had in common that each in his own way abstained from explicit engagement with the raging religious differences within the region. Their only common religious commitment has been to the tacit promotion abroad of the same neutrality in religion, the same Westphalian abstention, that the U.S. federal government practices at home. And yet each president, in his turn, has had an exacerbating effect upon religiously fueled conflict in the region – a conflict whose intensification has now begun to engulf Europe, the Maghreb, and Atlantic Africa as far south as Nigeria. Against this background, we certainly have the right to ask whether prior, conscious engagement with religious difference might have served international diplomacy and world peace better than such studied silence about it amidst actions that have so intensified it. The question that this contention then obviously invites is: what would such prior, conscious engagement with religious difference look like at the governmental level?

In his recently published *Holy Lands: Reviving Pluralism in the Middle East*,[11] Nicolas Pelham, currently Jerusalem correspondent for *The Economist*, suggests that it might look something like the "milletocracy" of the Ottoman Empire. Milletocracy is Pelham's term for the Ottoman way of relating to subject people within the empire not as individuals but as members of relatively self-governing ethnic and/or religious groups (millets, in Turkish). What most impresses Pelham about milletocracy is that it very clearly fostered the extensive and generally peaceful mingling of religiously and ethnically different populations. Milletocracy fostered this mingling, above all, because it did not entail drawing a territorial border around those of a given ethnicity or a given religion. One could be a

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[10] Syrian Sunnis, having seen the United States overthrow Iraq's Sunni dictator, Saddam Hussein, are frustrated that the Americans now decline to overthrow Syria's Alawite (derivatively Shia and Iran-backed) dictator, Bashar al-Assad. In a leaked conversation evidently including Syrian rebels whom the United States has sought to enlist in its campaign against ISIS, U.S. Secretary of State John Kerry was candid to admit why his country has no comparable campaign against Hezbollah. As *The New York Times* reported the conversation,

The United States wants the rebels to help it fight the Islamic State and Al Qaeda because, as he put it, "both have basically declared war on us." But Washington will not join the same rebels in fighting Hezbollah, the Lebanese Shiite militia allied with Mr. Assad, even though the United States lists Hezbollah as a terrorist group like the others.

"Hezbollah," Mr. Kerry explained, "is not plotting against us."

Earlier in the same report, the *Times* quoted a disillusioned, clearly Sunni rebel who "said Mr. Kerry had effectively told the Syrian opposition,

'You have to fight for us, but we will not fight for you.'

'How can this be accepted by anyone?' Mr. [Mustafa] Alsyofi asked. 'It's unbelievable.'"

The U.S. invasion and occupation of Iraq and the ensuing Iraq War have been all but universally excoriated in the Middle East, but Mr. Alsyofi and some, at least, of the Syrians in conversation with Secretary Kerry barely stop short of calling for a comparable U.S. intervention in Syria. Such are the dimensions of the religious conflict that the West declines to address as religious. See, Anne Barnard, "Audio Reveals What John Kerry Told Syrians Behind Closed Doors," *The New York Times*, September 30, 2016, http://www.nytimes.com/interactive/2016/09/30/world/middleeast/john-kerry-syria-audio.html?_r=0.

[11] Nicholas Pelham, *Holy Lands: Reviving Pluralism in the Middle East* (New York: Columbia Global Reports, 2016). Pelham, who has also written for the BBC, the *New York Review of Books*, and the *Financial Times,* is the author as well of *A New Muslim Order* (2008) and co-author of *A History of the Middle East* (2010).

Greek Catholic, governed as such, in Damascus and a Muslim Turk, governed as such, in Belgrade.

What has happened since the demise of the Ottoman Empire and the establishment in erstwhile Ottoman territory of European colonies that then became independent states on the European model, Pelham argues, has been the replacement of milletocracy by a Middle Eastern semblance of the Westphalian system. In the latter system, the cultural ideal is the maximum possible fusion of ethnicity, religion, and territory. Thus, the ideal or "real" Frenchman is the white, ancestrally Roman Catholic Frenchman, the "real" Englishman, the white, ancestrally Anglican Englishman, and the "real" German, the white, ancestrally Lutheran German, each a fervently patriotic nationalist within his or her own sacred territory. The same ideal of a religious/national/territorial fusion took hold in the post-colonial Middle East, Pelham claims. But this ideal, he laments, never a perfect fit even in Europe, has been a disastrously bad fit in the Middle East.

Under the Ottoman system, millet status, for those subject peoples or subordinate religions that enjoyed it, conferred a legitimacy, a right "to be here and be who we are," that in turn enabled a pluralism and cosmopolitanism that seem enviable in retrospect. I would underscore, going a step beyond Pelham, that to the extent that a religious community was allowed to be self-governing, its leadership enjoyed a distinct legitimacy of its own – a form of voice and agency scarcely to be found among religious or ethnic minorities in the contemporary Middle East.

Over time, the Christian states that had contained their most violent differences through the 17th century Peace of Westphalia would find, each in its own way, a measure of pluralism and cosmopolitanism, but in many ways homogeneity remained the European ideal until quite recently, and it has scarcely disappeared. As recently as 1951, it was illegal in Sweden for a Roman Catholic to be employed as a doctor, a nurse, or a teacher.[12] It is easy to accept the religious or ethnic other as both other and elsewhere. The challenge is to accept him or her as both other and here. The Westphalian System, by and large, created an acceptance of the other as elsewhere, and only by painful degrees and over centuries of time has accommodated the other as also here.

As there is no reviving the Ottoman Empire, so there is no reviving milletocracy quite as it existed under the sultans. Yet if the genius of milletocracy, so to call it, was its grant of voice and agency to religious leadership within a structure of regional governance, then Nicolas Pelham does well to recall it to our minds. He notes only in passing, however, the fact – very telling in my opinion – that milletocracy recognized no millet for Shia Islam. In today's Iraq, if there were a millet-equivalent for Iraq's Shia, would Grand Ayatollah Ali al-Sistani not be its leader? Under Ottoman rule, there was no millet for Sunni Islam either, for Sunni Islam was the host religion in a system within which Christians, Jews, Serbs, and so forth – but not Shia – were relatively empowered guests. In contemporary

[12] Christina Anderson, "Pope Francis, in Sweden, Urges Catholic-Lutheran Reconciliation," *The New York Times,* October 31, 2016.

Middle Eastern Muslim-majority countries where Sunni Islam occupies a comparable host-position, is millet-status for the Shia – not to speak of other religious or ethnic groups – politically imaginable as a culturally and historically compatible path toward peace and regional recovery?

Let me underscore how great a change this would be. The Westphalian System is concerned at all points to prevent the unwarranted intrusion of religious authority on national sovereignty. Milletocracy, by contrast, actually warrants just such intrusion, incorporating it into a very different system of distributed sovereignty. Arbitrage between these two mental maps of diplomacy, as already noted, is no simple matter, and I certainly do not attempt it here. My only claim is the far more modest one that we cannot achieve religious peace – including intra-Islamic peace – by systematically avoiding the topic of religion.

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7 The Implications of 2015 for the Coming "Green Energy Revolution": Low-Carbon, Climate-Resilient Development

Ian Cochran, Mariana Deheza, and Benoît Leguet

Introduction

A number of international milestones marked 2015 as a seminal year with long-term implications for countries bordering the Atlantic and around the globe. From the adoption of the 2030 Development Agenda that comprises 17 Sustainable Development Goals to the Paris Climate Agreement, a clear signal has been issued by the international community on the transversal nature and important complementarity of the climate and development agendas. If concrete actions match announced ambitions, this portends far-reaching, transformational implications for energy production and consumption.

For the first time, both developing and developed countries have been called by the international community to take climate change into consideration as the world focuses on achieving the ambitious goal of "zero-net" emissions by the end of the century. As such, each country has committed to putting forward its contributions to this global goal, taking into consideration its particular circumstances. In all countries, achieving these shared objectives will require transforming the energy system, in many instances taking the form of a "revolution" to replace the current dependency on carbon-intensive sources. This requires both direct incentives to foster investment, but also the creation of a regulatory and investment environment within which low-carbon, climate-resilient projects become competitive and provide financial returns. Furthermore, it is increasingly recognized that financing the massive investment necessary worldwide requires increasing international public climate finance as well as redirecting in-country public and private flows.

This chapter examines the issues at stake for the energy revolution and discusses what current research indicates it might look like. It looks at what appears necessary to achieve these objectives not only in terms of financial resources, but also the broader policy frameworks that countries will need to implement to put low-carbon, climate-resilient development on equal if not better footing than traditional fossil fuel-intensive growth. Importantly, these efforts require linking policy frameworks so climate considerations are incorporated holistically across economies.

After Addis Ababa and Paris: A Global Mandate for Linking Climate and Development

Two important events occurred in 2015 that have broadened – and linked – the climate and sustainable development agendas for all countries worldwide irrespective of level of development.

The 2030 Development Agenda adopted in Addis Ababa in July 2015 comprises 17 Sustainable Development Goals (SDGs) and builds upon the Millennium Development Goals. These new SDGs have a broader scope, covering all countries – both developed and developing – and identify climate action and sustainability as a central piece of advancing long-term development objectives.

In December 2015, at the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), 195 countries adopted the Paris

Agreement and reaffirmed the internationally accepted intention of placing all countries on a pathway to limiting the rise in global average temperature to well below 2°C. Article 2 of the Paris Agreement lays out three objectives to strengthen the "global response to the threat of climate change" and the achievement of what is increasingly seen as a low carbon, climate resilient (LCCR) development model. The agreement seeks to:

- Contain the rise of global mean temperatures "well below 2°C above pre-industrial levels, and to pursue efforts" to limit the warming to 1.5°C;
- Increase "the ability to adapt to the adverse impacts of climate change… in a manner that does not threaten food production" by promoting resilience and low greenhouse gas emission development; and
- Make financial flows consistent with low greenhouse gas emission development.

This commitment translates into a need to achieve "net-zero" emission levels worldwide by the end of the century. Achieving zero aggregate emissions implies both substantial reductions as well as increasing carbon sinks to remove greenhouse gas (GHG) concentrations. The agreement makes it clear that these objectives cannot be fulfilled outside of sustainable development and poverty eradication efforts in all countries.

Furthermore, a paradigm shift has occurred as the Sustainable Development Goals and the Paris Agreement both abandon a distinction between "North" and "South" and move to a collaborative approach of nations, all contributing at the scale of their capacities and/or responsibilities to tackling these universal global challenges.

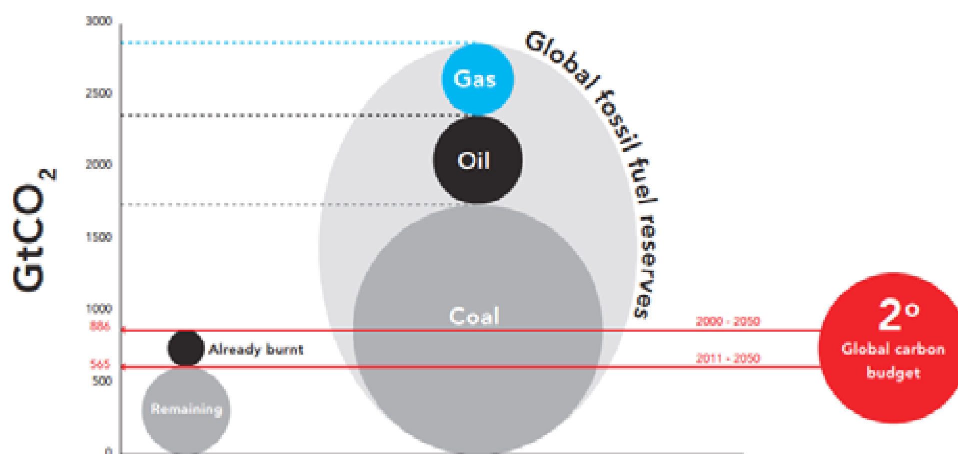
This shared ambition – and commitment to contribute – creates a new opportunity to work cooperatively and share approaches to achieve objectives. As such, the countries surrounding the Atlantic are now increasingly called to learn from one another and work together to conceptualize, finance, and implement the necessary changes in their socio-economic systems.

The Shared Challenge of Achieving "Net-Zero Emissions Development"

Countries around the world are now faced with the shared challenge to reduce their greenhouse gas emissions, increase the resilience of their social-, economic-, and eco-systems to unavoidable changes in climate, and promote sustainable and inclusive economic growth. This poses many challenges without clear and easy solutions. Above all, in the medium and long-run a "net-zero emission development" implies a significant reduction of the use of fossil fuels – and the enhancement of carbon sinks (whether man-made or natural). Nevertheless, it is increasingly accepted by countries both around the Atlantic and worldwide that a key part of achieving commonly held climate and development objectives will require the decarbonization of the energy system, although the speed at which this must happen for a given country may vary depending on its national circumstances, including its level of development.

The fossil fuel industry has been an undeniable catalyst for growth and an important source of revenue for countries, companies, and the broader financial system. Convincing

Figure 1: Comparison of the global 2 °C carbon budget with fossil fuel reserves CO_2 emissions potential



Source: *Unburnable Carbon - Are the World's Financial Markets Carrying a Carbon Bubble?* (Carbon Tracker Initiative, 2014), https://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf.

the broad range of political, economic, and other actors involved in this sector of the need to decarbonize the economy poses significant challenges. This is particularly relevant given that known and potentially exploitable fossil fuel reserves continue to grow and are far from being fully exploited. As shown in Figure 1, the potential CO2 emissions linked to exploiting these known reserves far exceeds the emissions remaining in the "global carbon budget" that the world can allow itself to maintain any hope of remaining below the 2°C target. Furthermore, given that scalable carbon capture and storage (CCS) technologies that would allow the use of an increased portion of these reserves remain beyond reach with limited long-run benefits,[1] it is increasingly clear that a deliberate choice must be made by both political and economic actors to wean themselves from fossil fuels and spark a green energy revolution.

Envisioning a Green Energy Revolution: The Decarbonization of the Global Energy Mix

While there is a general consensus that the decarbonization of the global energy system will be necessary to achieve both climate and development-related objectives, there is not necessarily a consensus on what this will look like. A number of studies such as the International Energy Agency's (IEA) World Energy Outlook and Energy Technology Perspectives have laid out scenarios of the policies and technological developments necessary to achieve the transition to a low-carbon economy. For example, the IEA's 2°C Scenario

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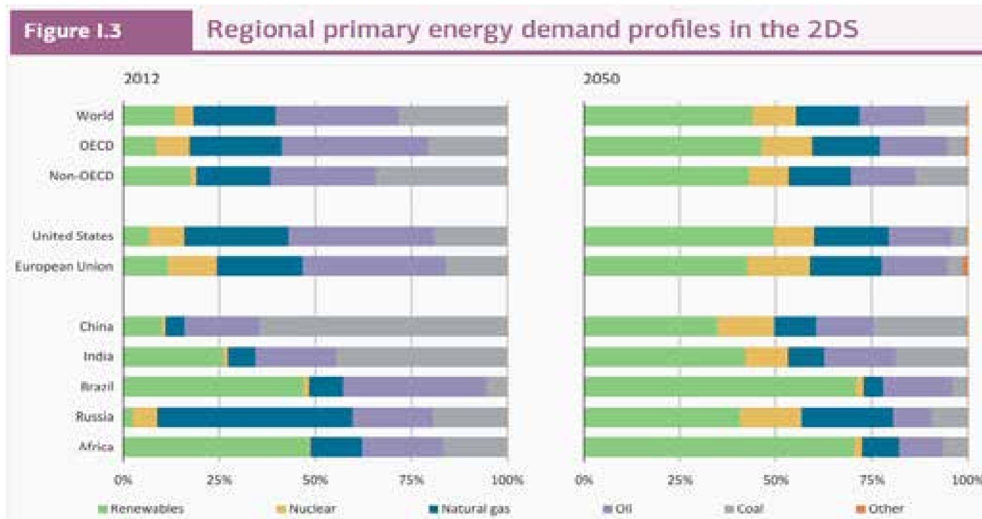
[1] Even if CCS is deployed in line with an idealized scenario by 2050, this would only extend fossil fuel carbon budgets by 125 gigatons of carbon dioxide (GtCO2), or approximately an additional 20 percent of the remaining carbon budget. CTI, *Unburnable Carbon 2013: Wasted Capital and Stranded Assets* (Carbon Tracker Initiative, 2013), http://www.carbontracker.org/report/wasted-capital-and-stranded-assets/.

Figure 2: Regional primary energy demand profiles in IEA's 2DS Scenario



Source: IEA, *World Energy Outlook 2015* (International Energy Agency, 2015).

(2DS) presents an energy system and an emissions trajectory consistent with at least a 50 percent chance of limiting the average global temperature increase to 2°C.[2] Across the board, this scenario calls for a substantial increase in renewable energy and decrease in fossil fuel consumption, extensive energy efficiency improvement, and is often paired with relatively optimistic predictions in terms of the deployment of carbon capture and storage.

From Global Predictions to Actionable National Pathways

While these predictions and estimates of energy and technology pathways are well known at the global level, less information is often available at the country or regional level. Understanding what the decarbonization of economic development could look like is particularly important. For example, in a number of countries in Africa, Latin America, and Asia, access to energy and other regional development challenges are seen as more urgent priorities. Rather than decarbonization, discussions focus on ensuring access to modern energy services as a critical means for developing countries to increase their productivity and competitiveness.

In many instances today, there is no clear vision of what a LCCR future compatible with both development needs and climate objectives would look like. As such, it is difficult to understand the "transition potential" or "transition impact" of the policy options and investments necessary to achieve domestic and international objectives.

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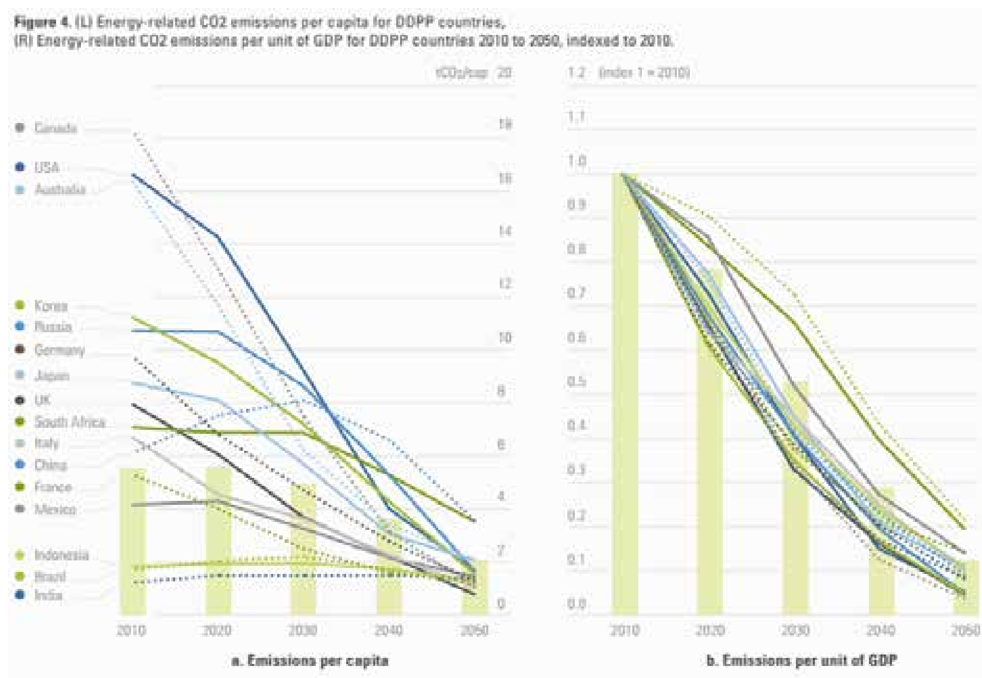
[2] The 2DS scenario limits total remaining cumulative energy-related CO2 emissions between 2015 and 2100 to 1,000 GtCO2. The 2DS reduces CO2 emissions (including emissions from fuel combustion and process and feedstock emissions in industry) by almost 60 percent by 2050 (compared with 2013), with carbon emissions being projected to decline after 2050 until carbon neutrality is reached. IEA, *Energy Technology Perspectives 2015 - Mobilising Innovation to Accelerate Climate Action* (International Energy Agency, 2015).

Figure 3: Energy-related CO_2 emissions reductions required to limit global warming to 2 °C by 2050, per capita (left) and per unit of GDP (right), indexed to 2010



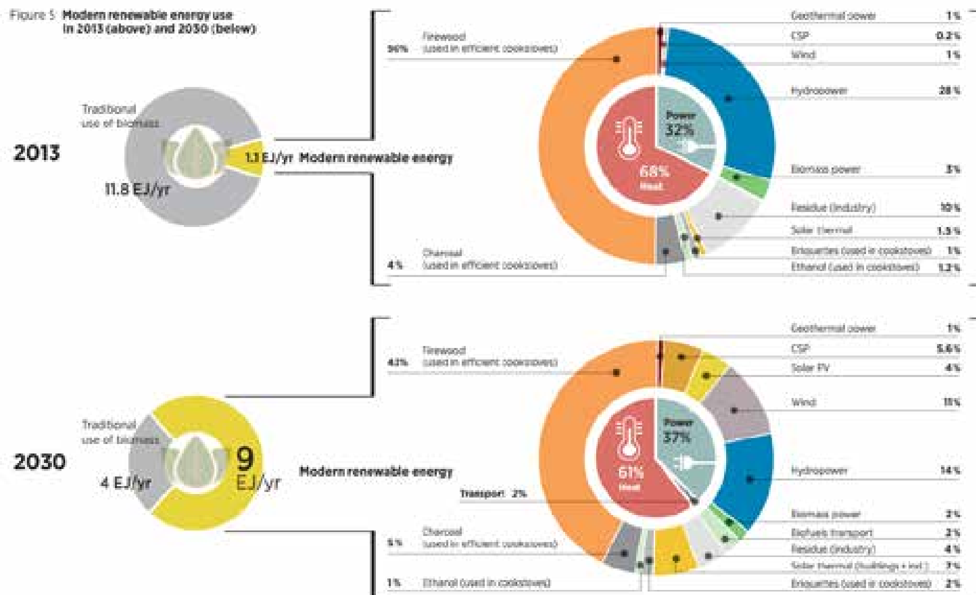
Source: DDPP, *Pathways to Deep Decarbonization* (Deep Decarbonziation Pathways Project, 2015).

This information gap is increasingly being filled by initiatives such as the Low Emission Development Strategies (LEDS) process launched at the COP16 in Cancún in November 2010, and the United Nations' Deep Decarbonization Pathways Project (DDPP).[3] The elaboration of these potential development pathways could be used as baselines or counterfactuals in assessing policy and investment decisions. This process will need to occur country by country, or at the very least on a regional scale, in partnership with government and international stakeholders.

This initial set of reports developed by the DDPP in collaboration with national stakeholders indicates that the "energy revolution" or "transition" will take different forms – and advance at different rates – across countries around the world. Most countries will nevertheless by 2050 need to arrive at similar points in terms of the composition of their energy mixes, emissions per capita, and emission intensity of GDP. However, as seen in Figure 3, the predicted trajectories that countries take will vary between 2010 and 2050,

[3] The Sustainable Development Solutions Network (SDSN) established under the auspices of the United Nations qualifies this steep decline in carbon intensity across all sectors of the economy as a "deep decarbonization" transition (SDSN and IDDRI 2014). Based on a back-casting methodology where the starting point is the objective to limit the rise in temperature to a maximum of 2 °C, the SDSN developed country-level "Deep Decarbonisation Pathways" that put forward the economic and technological transformations needed to meet the overall climate target.

Figure 4: IRENA scenarios for modern renewable energy use in 2013 (above) and 2030 (below) in Africa



Source: IRENA, *Africa 2030: Roadmap for a Renewable Energy Future* (International Renewable Energy Agency, 2015), http://www.irena.org/DocumentDownloads/Publications/IRENA_Africa_2030_REmap_2015_low-res.pdf.

with increased emissions peaking around 2030 for the case of China, and declining rapidly across the board by 2050.

The Case of Africa

Africa – particularly sub-Saharan Africa – poses both opportunities and challenges in providing increased energy access for both heat and power directly generated by "modern" renewable energy sources. In a context where a large portion of energy needs are currently fulfilled by traditional uses of biomass (firewood and other combustibles), and where both large and small scale investments are yet to be made, an opportunity exists to "leapfrog" directly to the use of renewable energy sources with only a limited use of fossil fuels.

As shown in Figure 4, the International Renewable Energy Agency (IRENA) has established a roadmap for the continent to build on the amply available sources of renewable energy across the continent. Combining both centralized and decentralized models, this in many ways corresponds to the reality of challenges of improving access to energy in both rural and urban areas across the continent.

Achieving this plan in practice, however, poses a number of challenges – particularly in terms of the estimated $681 billion in investments necessary between 2015 and 2030.[4]

[4] IRENA, *Africa 2030: Roadmap for a Renewable Energy Future* (International Renewable Energy Agency, 2015), http://www.irena.org/DocumentDownloads/Publications/IRENA_Africa_2030_REmap_2015_low-res.pdf.

As discussed later, introducing an appropriate mix of policy frameworks and financial incentives to shift both public and private investment and finance towards a low-carbon energy model is essential. For instance, the most recent scorecard of the Sierra Club and Oil Change International highlights that while ensuring access to modern energy services is critical for developing countries, recent analysis suggests that development finance is not yet targeting key outcomes such as decentralized energy access.[5] Three energy-related goals – on renewable energy, energy efficiency, and clean energy access – are embodied in SDG 7, "ensure access to affordable, reliable, sustainable and modern energy for all," and are championed in the UN Secretary-General's Sustainable Energy For All initiative (SE4All).

The Stakes of Weaning Atlantic Countries from Fossil Fuels

Seeing the Green Revolution through the Lens of Fossil Fuel Dependency

The implications of moving away from fossil fuels vary relative to a country's dependency on fossil fuels – whether for production or consumption. In both cases, national governments will need to take early action to ensure that the transition from one energy model to another can be managed efficiently, effectively, and inclusively. This section examines the issues surrounding the challenges and opportunities countries may face as they attempt to encourage the systemic transition away from fossil fuels.

Implications for Fossil Fuel Production and Export Dependent Countries

Multiple countries on the continents around the Atlantic are today important producers and exporters of fossil fuels. This is particularly true, for example, for the member countries of the Organization of the Petroleum Exporting Countries (OPEC). As presented in Table 1, revenues make up approximately 95 percent of Venezuela's export revenues – with total exports equivalent to approximately 16 percent of GDP in 2015. This, as currently seen in the economic and financial turmoil there, can create a strong dependency of this country's economy on high fossil fuel prices and a need for high volumes of exports to support investments and to cover public expenditure. In many countries, if current oil and fossil fuel revenues are not managed wisely to prepare the transition to a low-carbon economy – both domestically and in terms of imports – this may block or at the least make such a transition difficult, with negative economic and social consequences. Using these proceeds to invest in expanding the national economy into other sectors – such as supporting education, innovation, and the deployment of low-carbon and renewable energy infrastructure – appears to be essential to avoiding the systemic risks to these types of economies posed by decarbonization and reduced fossil fuel prices and demand.

For other economies around the Atlantic, even if the fossil fuel industry's share of GDP and total employment is relatively small, this sector can represent the promise of rapid, short-term economic growth that can make reductions in production and consumption challenging. For example, in the United States, the fossil fuel industry represented close to

[5] Sierra Club and OCI, *Still Failing to Solve Energy Poverty: International Public Finance for Distributed Clean Energy Access Gest Another 'F'* (Sierra Club & Oil Change International, 2016), https://www.sierraclub.org/sites/www.sierraclub.org/files/uploads-wysiwig/1281%20Energy%20Scorecard_06_web.pdf.

Table 1: Value of Oil Exports of OPEC countries compared to GDP (million $, data from 2015)

	GDP at market prices (million $)	Value of exports (million $)	Exports compared to GDP (%)	Value of petroleum exports (million $)	Petroleum exports compared to all exports (%)
Angola	102,979	32,637	32	31,696	97
Algeria	181,828	37,787	21	21,751	58
Ecuador	99,068	18,366	19	6,660	36
Libya	38,300	10,861	28	4,975	46
Nigeria	484,635	45,365	9	41,818	92
Venezuela	239,572	38,010	16	35,802	94

Source: Authors' compilation after OPEC, "Member Countries," 2016, http://www.opec.org/opec_web/.

4.3 percent of GDP in 1981 – declining to 0.6 percent in 1999. However, the shale boom and growth in this sector after the 2007-09 recession led to a sector growth rate of approximately ten times the rest of the U.S. economy between 2010 and 2012.[6] While this boom has since peaked, the ability of the fossil fuel industry to provide short-term economic growth, return on investment, and employment continues to make it seen as a key sector in ensuring further economic growth. This is particularly important for many developed and diversified economies with large reserves and traditional oil, gas, and coal industries, whether in Europe (Germany, Scotland, and Poland); North America (Canada, the United States, and Mexico); South America (Venezuela, Colombia, Brazil, and Ecuador); or Africa (Nigeria, South Africa, Libya, and Algeria).

However, this continued dependency on fossil fuels poses a broad number of risks. As highlighted in a recent Inter-American Development Bank (IDB) report, rough estimates suggest that 60 to 80 percent of publicly listed fossil fuel reserves must be considered "unburnable" or "stranded" to avoid significant climate change impacts. This has an estimated cost of $28 trillion in revenues over the next 20 years for the fossil fuel industry.[7] Furthermore, "stranded assets" can occur in other sectors where long-term investments can be impaired by structural economy-wide changes linked to the low-carbon transition. Thus, buildings, utilities, and transport infrastructures are also concerned if carbon-intensive or energy inefficient characteristics are locked-in in the form of sunk costs in legacy

[6] CFR, "The Shale Gas and Tight Oil Boom: U.S. States' Economic Gains and Vulnerabilities," *Council on Foreign Relations* (2013), http://www.cfr.org/united-states/shale-gas-tight-oil-boom-us-states-economic-gains-vulnerabilities/p31568.

[7] Ben Caldecott et. al., *Stranded Assets: A Climate Risk Challenge* (Inter-American Development Bank, 2016), http://publications.iadb.org/handle/11319/7851.

designs.[8] This shift in investments and the risks that it may imply for the financial sector – and asset owners – are at the heart of "stranded assets" discussions.[9]

Stranding these fossil fuel-related assets could result in significant economic losses and financial instability. However, not transitioning away from fossil fuels and burning these reserves would, in turn, result in potentially catastrophic medium- to long-term impacts on the very same economies.

Implications for All Countries Related to Fossil Fuel Consumption

While varying around the world, fossil fuels continue to make up a sizable majority of the fuel mix for domestic consumption. Whether imported or domestically produced, the energy systems of countries worldwide are primarily designed for the use of fossil fuels. Furthermore, new investment in fossil fuel production and dependent infrastructure continues to lock-in consumption patterns that will ensure continued dominance for decades to come if used to the end of their economic lifespan, particularly in emerging, developing, and least developed economies.[10] In short, continued investment in fossil fuel consumption makes the transition within the internationally mandated timeframe increasingly difficult and expensive.[11]

A green energy revolution nevertheless poses a number of opportunities for countries – particularly in terms of consumption. For countries with limited fossil fuel reserves, fossil fuel imports make up a significant portion of their imports with a negative impact on trade balance. Expanding renewables could help reduce this imbalance. Many countries also spend a significant amount on fossil fuel subsidies. Though often done with laudable social objectives, it can lead to both high budgetary and opportunity costs – as well as creating negative incentives for households and other economic actors to switch to other sources of energy. International Monetary Fund researchers have estimated that in 2015 the economic cost of after-tax fossil fuel subsidies – including the negative environmental and social externalities (climate change, air pollution, etc.) – totaled $5.3 trillion. This translated to approximately $10 million per minute or 6.5 percent of global GDP. This includes a direct budget cost of about $500 billion for national governments

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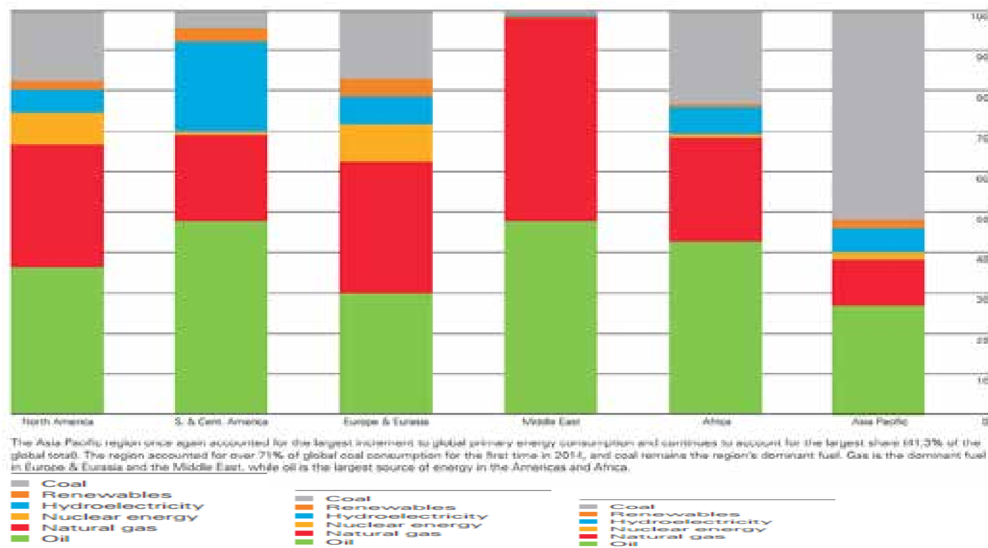
[8] CTI, *Unburnable Carbon - Are the World's Financial Market Carrying a Carbon Bubble?*; CTI, *Unburnable Carbon 2013: Wasted Capital and Stranded Assets*.

[9] Elizabeth Bast et. al., *The Fossil Fuel Bailout: G20 Subsidies for Oil, Gas and Coal Exploration* (Overseas Development Institute, 2014), http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9234.pdf; Nick Robins, *Integrating Environmental Risks into Asset Valuations: The Potential for Stranded Assets and the Implications for Long-Term Investors* (International Institute for Sustainable Development, 2014), http://www.iisd.org/publications/integrating-environmental-risks-asset-valuations-potential-stranded-assets; Dirk Schoenmaker, Rens van Tilburg, and Herman Wijffels, *What Role for Financial Supervisors in Addressing Systemic Environmental Risks?* (Duisenberg School of Finance, 2015), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2594671.

[10] OECD, *Aligning Policies for a Transition* (Organization for Economic Cooperation and Development, 2015); IEA, *Energy Technology Perspectives 2015 - Mobilising Innovation to Accelerate Climate Action*.

[11] The OECD estimates that in the case of delayed or moderate energy mitigation action until 2020, the pace and scale of efforts needed after 2020 would be significantly higher and the related costs could surge by up to 50 percent by 2050 OECD, *Environmental Outlook to 2050* (Organization for Economic Cooperation and Development, 2011).

Figure 5: Regional consumption patterns of energy sources in 2014 (percentage)



Source: BP, *BP Statistical Review of World Energy June 2015* (British Petroleum, 2015), https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf

compared to the estimated $100 billion per year for renewable energy subsidies.[12] In many instances, reducing these subsidies in both an intelligent and equitable fashion could free up resources that could be used to support a socially just, low-carbon, resilient economic model. While, as seen in Figure 6, this is principally an issue for Asian and Middle Eastern countries, choices made today in Africa and other countries around the Atlantic are nevertheless important to ensure that direct and indirect subsidies do not, in turn, support increased dependence on fossil fuels.

Are Countries on the Right Track Post-Paris and Addis?

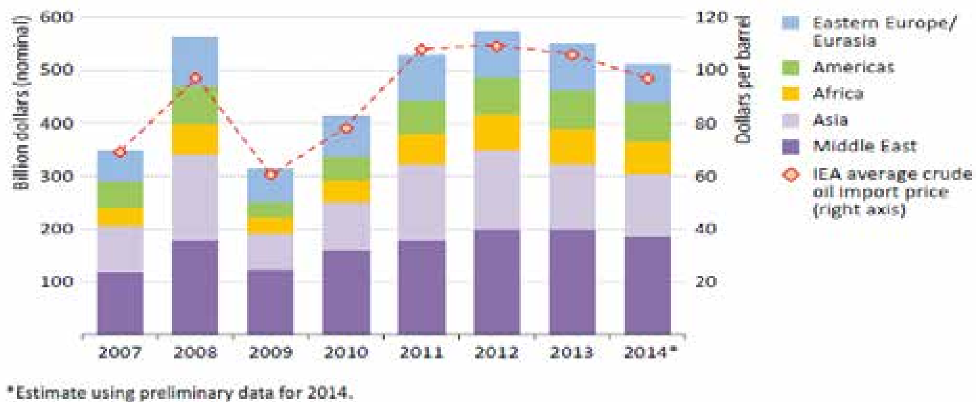
The Sustainable Development Goals and the Paris Agreement firmly place national action for all countries at the heart of cooperative global action. This evolution solidifies the linkage between promoting economic and social development in all countries, and the need for this to occur in a manner that rapidly reduces greenhouse gas emissions and increases resiliency to future climate change.

Learning from the First Round of NDCs: Steps Forward, but Insufficient to Reach a Net-Zero World

The Paris Agreement confirmed and institutionalized this process, creating Nationally Determined Contributions (NDCs). These documents lay out how each country plans to address climate change domestically and to contribute to achieving international objectives. To date, 189 states parties have submitted Intended Nationally Determined Contri-

[12] David Coady et. al., *How Large Are Global Energy Subsidies?*, IMF Working Paper (International Monetary Fund, 2015), http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf.

Figure 6: Economic value of global fossil fuel consumption subsidies by region



Source: IEA, *World Energy Outlook 2015 - Special Report on Energy and Climate Change* (International Energy Agency, 2015)

butions (INDCs).[13] By 2020, all countries are to communicate NDCs containing a strategy for up to 2030; thereafter, at least every five years, a new and more ambitious NDC has to be communicated. This aims to create a "ratcheting up" architecture to link national ambition, priorities, and policies to overarching international goals.

The objective behind this process is to have countries successively communicate their NDCs in a coordinated manner around the five-year review milestones. This would create momentum and encourage countries to enhance their ambition – although to date the only compliance mechanism is based on "name and shame" given the lack of formal, binding sanctions. To increase long-term visibility, the Paris Agreement also invited countries willing to do so to establish mid-century long-term NDCs.[14] The fact that all countries parties to the UNFCCC are expected to produce and update NDCs every five years represents a significant opportunity to link the achievement of international climate objectives with national policy frameworks and objectives.

However, "containing the increase in average global temperature well below 2°C" as laid out in the Paris Agreement presents a challenge that remains unmatched by the aggregation of current national ambitions. This is clearly seen in the analysis performed by the UNFCCC secretariat of the INDCs submitted before COP21. Schematically, the "well below 2°C objective" and ideally below 1.5°C implies an emissions trajectory that peaks around 2030, followed by a decrease of emissions that must be increasingly faster. Aggregate emissions from countries most likely must reach before the end of the 21st century a state of "zero net emissions," or a world where the minimal levels of GHG emissions

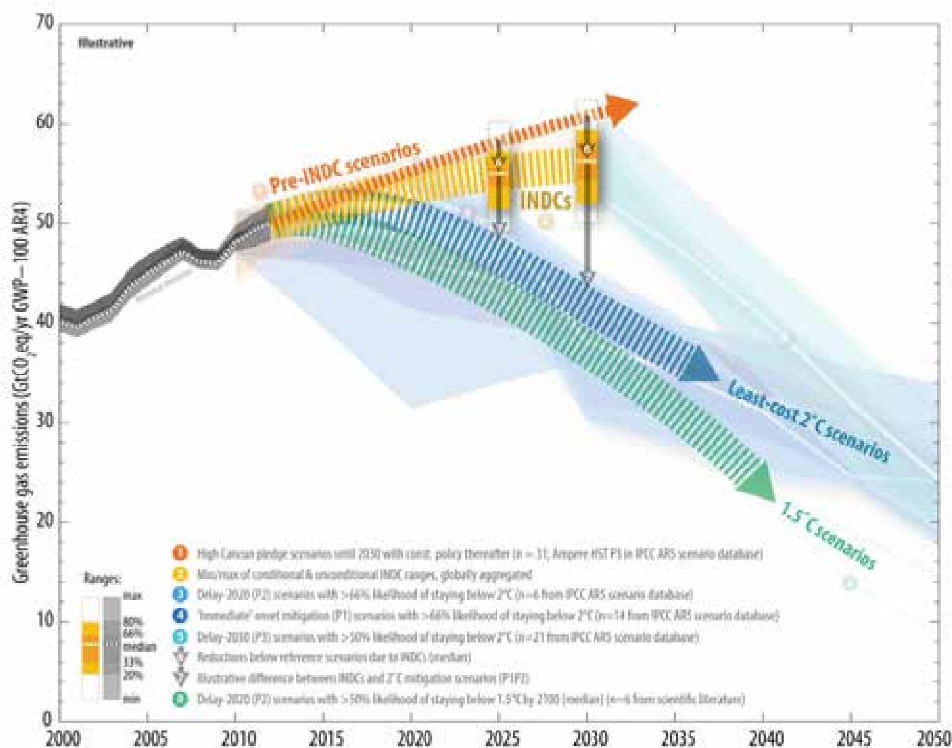
[13] Intended NDCs will have to be converted into "confirmed" NDCs at the moment each country presents its ratification instrument to the UNFCCC.

[14] Clément Bultheel et. al., *COP21: Success at "the End of the Beginning,"* Climate Brief (I4CE - Institute for Climate Economics, December 18, 2015).

of human origin are compensated by an equivalent absorption in different natural and artificial sinks.

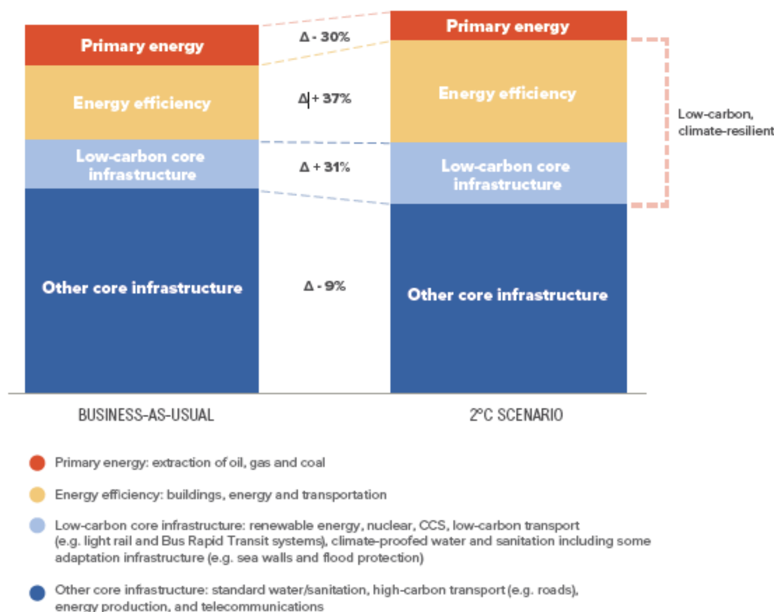
As seen in Figure 7, current estimates of emissions trajectories laid out in NDCs are insufficient compared to required trajectories to achieve 1°5 or 2°C scenarios. It is thus crucial that national climate strategies or individual policies and actions must be increased in the aggregate and must fit into national and subnational policy and regulatory frameworks. There is increasing consensus that this cannot be achieved through marginal climate-specific actions, but rather requires the transformation of development models in both the developed and developing world. Achieving this "transition" to a low-carbon, resilient development model implies a number of significant changes in the types of investments that occur, as well as the national and policy frameworks.

Figure 7: INDC emissions pathways compared to GHG mitigation scenarios



Source: UNFCCC, *Aggregate Effect of the Intended Nationally Determined Contributions: An Update: Synthesis Report by the Secretariat* (United Nations Framework Convention on Climate Change, 2016), http://unfccc.int/resource/docs/2016/cop22/eng/02.pdf.

Figure 8: Change in infrastructure spending required for a 2°C scenario (percentage change in expenditure over 2015-2030 compared to business-as-usual)



Note: Δ is the mathematical symbol for change.
Source: Bhattacharya et al., 2016; Global Commission on the Economy and Climate, 2014

Source: NCE, *The Sustainable Infrastructure Imperative: Financing for Better Growth and Development* (The Global Commission on the Economy and Climate, 2016).

Facing the Challenges of Increasing Ambition and Investing in a Low-carbon Energy System

The 2014 report for the Global Commission on the New Climate Economy suggests that between 2015 and 2030, approximately $93 trillion in financing is necessary to meet infrastructure and development needs without jeopardizing global emission-reduction objectives. This amount represents a net incremental cost of $4 trillion dollars, a 5 percent increase, in upfront investment between 2015-30 compared to the required investment of $89 trillion to maintain or strengthen economic growth over the same period.[15] Furthermore, if operating costs (i.e. reduced cost of fossil fuels) are taken into consideration, these savings may outweigh the additional capital investment needs by as much as $1 trillion per year. Other estimates, such as by the IEA, suggest that $2 trillion per year by 2035 are estimated to be necessary to meet energy infrastructure needs without jeopardizing global emission-reduction objectives. Although this amount represents an additional need of

[15] NCE, *Better Growth Better Climate* (The Global Commission on the Economy and Climate, 2014).

only $400 billion per year compared with business-as-usual scenarios,[16] the shift of investments it will require is significant. However, as the Global Commission on the Economy and Climate has reiterated in its 2016 New Climate Economy report, "money alone won't do the job."[17] Rather, country by country and region by region, the policy and investment frameworks to support this "energy transformation" will need to be identified and put into place.

Overcoming the Barriers to Low-carbon Investment

Achieving this objective will require not only increasing flows to low-carbon projects, but also capping – and reducing – investments in carbon-intensive activities. This will require overcoming a number of barriers to low-carbon investment. This section outlines some of these barriers and points to steps that could be taken to create the policy frameworks and investment environments needed.

Investing in the low-carbon transition poses a number of recognized risks and challenges that often reduces the willingness of both public and private sector actors to take action (Box 1). One of the most often-cited barriers to this investment in the power generation sector is the fact that investment in renewable energy sources requires large upfront investments. Although these investments may require much lower operating costs, the high upfront volume of capital needed can limit project development. For example, the investment costs of wind energy projects are close to 80 percent of the total costs, compared to the investment costs for gas power representing about 15 percent.[18] In many instances, when combined with other risks this may limit the interest of many investors in renewable energy projects – particularly using technologies or in geographic areas where clear returns on investment have not yet been demonstrated.[19]

Even within European countries, studies have demonstrated how the Weighted Average Cost of Capital (WACC) can vary significantly – between, for example, 3.5 percent in Germany and 12 percent in Greece for onshore wind projects in 2014.[20] According to investors, this can be linked to a number of factors such as general country risk, the specific renewable investment risks, and competition (or lack thereof) between debtors. Prohibitively high costs can be further exacerbated in country contexts where non-climate related risks such as currency risks, policy and political uncertainty, and the underdevelopment of financial markets limit both domestic and foreign direct investment (FDI).

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[16] IEA, *World Energy Outlook 2015*

[17] NCE, *The Sustainable Infrastructure Imperative: Financing for Better Growth and Development* (The Global Commission on the Economy and Climate, 2016).

[18] Oliver Waissbein et. al., *Derisking Renewable Energy Investment. A Framework to Support Policymakers in Selecting Public Instruments to Promote Renewable Energy Investment in Developing Countries* (United Nations Development Programme (UNDP), New York, NY (United States), 2013), http://www.osti.gov/scitech/biblio/22090458.

[19] FTF, *Shifting Private Finance towards Climate-Friendly Investments*, A Report for EU DG Clima (Financing the Future, 2015), http://ec.europa.eu/clima/policies/finance/docs/climate-friendly_investments_en.pdf; FTF; Paul Noothout et. al., *The Impact of Risks in Renewable Energy Investments and the Role of Smart Policies* (DiaCore, 2016), http://climateobserver.org/wp-content/uploads/2016/02/diacore-2016-impact-of-risk-in-res-investments.pdf.

[20] Noothout et. al.

Box 1: Barriers to Private Sector Involvement in Low-Carbon Investment

Private investment in low-carbon infrastructure projects is confronted with constraints that further limit involvement today. A range of barriers can have an impact on the risk-return profile of green infrastructure and can determine whether the financial asset class is attractive or accessible to long-term investors at all. These barriers include:

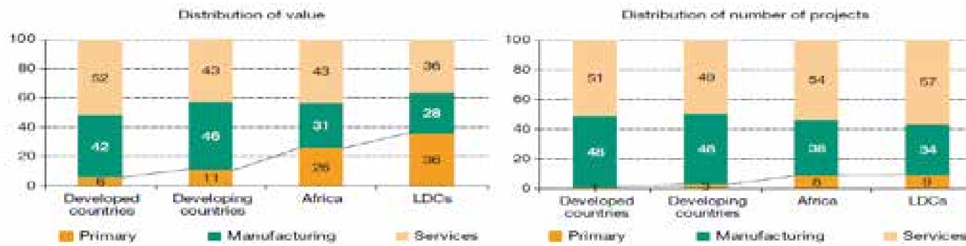
1. Higher up-front costs: Most climate-related investments involve higher up-front costs. This is true for projects that help abate carbon as well as projects that raise adaptive capacity. Even where an analysis of life-cycle costing shows that the costs are similar to, or less than, the costs associated with current alternatives over the life of a project, commercial interest is often dampened due to the longer pay-back periods and therefore the lower immediate return.
2. Greater technological risks, especially under local conditions: Most climate-related technologies have not penetrated local developing country markets. The technological risks in private investment can therefore be high.
3. Limited relevant expertise/capacity among the actors involved in delivering climate actions: A lack of capacity and expertise can be seen in every element of the value chain of investments designed to address climate change, and extends to relevant financing, regulatory, and governance institutions.
4. Nascent stage of climate-related technologies: The supply chain for most climate-related technologies is in an emerging state and thus underdeveloped in most countries. The lack of scale and of a mature ecosystem of players along all relevant segments of the value chain of climate-related investments increases transaction costs and dents the confidence of potential private investors. This is aggravated by an absence of transparency as evidenced by the lack of strong regional aggregators along the value chain.
5. Lack of awareness: Industry – especially micro-, small-, and medium-enterprises – and consumers and communities are often unaware of options for addressing climate change. This lack of awareness also extends to municipal and local bodies, financial and regulatory bodies, and local governance institutions.
6. Limited capital market instruments: Due to underdeveloped capital markets, financial instruments that correctly price risk are either unavailable or unaffordable.
7. Third party risks: Many local and foreign investors perceive foreign exchange availability, regulatory uncertainty, and the risk of default by local institutions (such as energy and water utilities) in honoring their obligations as major impediments to private investment in general and costlier climate investments in particular.
8. Absence of adequate local institutional capacity: In many developing countries, local institutions that can lead the fight against climate change are either absent or, when present, lack the required technical and financial capacity to make a difference.

Source: GCF, Business Model Framework: Pr*ivate Sector Facility* (Green Climate Fund, 2013).

Low-Carbon Investment Challenges in the Developing World are Exacerbated by Broader Barriers to Private Finance and Investment

Key to redirecting financial flows at the necessary scale is the involvement of the private sector – both within countries as well as internationally. When the general patterns of private-sector inflow into developing countries over the last decades are analyzed,

Figure 9: Sectoral distribution of announced greenfield FDI projects, by group economies, cumulative 2004-2013 (percent)



Source: UNCTAD, *World Investment Report* (United Nations Conference on Trade and Development, 2014), http://unctad.org/en/publicationslibrary/wir2014_en.pdf.

however, it becomes clear that there are a number of challenges stemming from stark difference between regions and countries, sectors, and between new and existing assets.[21] Fostering low-carbon and climate investment flows thus will need to overcome a number of barriers both related to the international patterns of private capital provision as well as to the international public sector flows used to leverage the private sector.

For example, there are large disparities between countries and regions in terms of FDI and public financial flows. Among developing economies, East and Southeast Asia and Latin America have benefited the most from FDI flows,[22] including those investing in infrastructure.[23] However, in 2015, developed economies received 55 percent of FDI, with developing and former Soviet economies receiving the remainder.[24]

FDI in poorer countries – and particularly in Africa – has historically been concentrated in resource-rich economies and focused on natural resource extraction and export.[25] As shown in Figure 5, in Africa and in least developed countries (LDCs), new construction FDI is more focused on primary industry sectors, particularly oil and mineral extraction,

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[21] Kaori Miyamoto and Kim Biousse, *Official Support for Private Sector Participation in Developing Country Infrastructure*, OECD Development Co-Operation Working Papers (Organization for Economic Cooperation and Development, 2014), http://www.oecd-ilibrary.org/development/official-support-for-private-sector-participation-in-developing-country-infrastructure; Shally Venugopal et. al., *Public Financing Instruments to Leverage Private Capital for Climate-Relevant Investment: Focus on Multilateral Agencies* (World Resources Institute, 2012), http://pdf.wri.org/public_financing_instruments_leverage_private_capital_climate_relevant_investment_focus_multilateral_agencies.pdf; Aaron Atteridge, *Will Private Finance Support Climate Change Adaptation in Developing Countries? Historical Investment Patterns as a Window on Future Private Climate Finance* (Stockholm Environment Institute, 2011), http://www.sei-international.org/mediamanager/documents/Publications/SEI-WorkingPaper-Atteridge-WillPrivateFinanceSupportClimateChangeAdaptationInDevelopingCountries-2011.pdf; UNCTAD, *World Investment Report* (United Nations Conference on Trade and Development, 2016), http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf.

[22] UNCTAD, *World Investment Report*.

[23] Atteridge.

[24] UNCTAD, *World Investment Report*.

[25] Atteridge.

Table 2: Differences between local financial sectors in developing countries

	Level of financial sector development		
	Low	Medium	High
Country income level in EAP region	Low-income countries (for example, Lao PDR)	Middle-income countries (for example, Thailand)	Upper-middle-income countries (for example, Malaysia)
Banking services	Basic banks	Full range banks	Universal banks
Non-bank financial services	None	• Government bonds • Equity	• Government and corporate bonds • Equity • Alternatives (private equity, venture capital)
Interest rate	Administratively set	Largely market based	Fully market based
Access to finance for SMEs	Limited	Partial	Readily available
Availability of long-term funding	Limited (up to 1 year)	Partial (up to 7 years)	Full (up to 15 years)
Risk management	Weak	Adequate	Robust
Clean energy financing instruments	• Lines of credit (liquidity support) • Concessional financing • Dedicated debt funds	• Lines of credit (demonstration) • Partial risk guarantees	• Lines of credit (demonstration) • Partial risk guarantees • Equity funds • Consumer financing

Source: World Bank, *Maximizing Leverage of Public Funds to Unlock Commercial Financing for Clean Energy in East Asia* (World Bank Group, 2012)

than in other regions. Nevertheless, over the last 10 years, the portion of FDI in the service sector has been increasing across all economies.[26]

These trends can be partly explained by differences between developing countries in terms of the level of financial sector development (Table 2), which has a large impact on the ability for project developers – whether public or private – to access debt and equity capital.

Low levels of financial sector development are exacerbated by poor infrastructure and regulatory environments that do not foster private sector investment. For example, Muzenda notes that for energy sector investment in Africa, barriers "involve the lack of independent or impartial regulators in some countries; lack of competition or open access to transmission and distribution networks; one-off power purchase agreements (PPAs); weak procurement laws; inefficient or non-transparent tendering processes that result in cancelled, postponed, or disputed tenders; poor contract laws; and tariffs that are set by

[26] UNCTAD, *World Investment Report* (United Nations Conference on Trade and Development, 2014), http://unctad.org/en/publicationslibrary/wir2014_en.pdf.

the government with no provision for inflation or changes in cost."[27] Given such weak regulatory systems, the integration of environmental performance criteria to begin to shift private sector finance toward climate-aligned investments is likely to be ineffective without broader reforms.[28]

Overcoming Challenges to Infrastructure Investment While "Greening" the System

As such, the limitations to leveraging financing in order to support low-carbon investment in both developed and developing countries reveal the broader difficulties that all infrastructure projects in these countries face. Resolving the imbalances between existing private finance flows between countries and encouraging the private sector to increase its participation through domestic investment, FDI, and lending requires several changes in national policy frameworks. It is critical to recognize that private sector participation in investment and finance is linked to perceptions and expectations concerning a broad number of issues including economy, business environment, risk, existing infrastructure, and financial environment.[29] Taking steps to resolve these issues is in the hands of national governments, including the improvement of domestic investment environments (including regarding ownership, transparency, and disclosure) and the development and reinforcement of domestic capital markets.

Furthermore, the targeted provision of tools, products, and instruments building on existing programs – such as the World Bank's MIGA Agency[30] – can also assist in the mitigation of risks and foster an increase of private sector flows. It is, however, essential that the reforms, tools, products, and instruments (Box 2) are appropriately calibrated to support investment and development strategies consistent with long-term GHG mitigation and adaptation objectives. If not, actions may serve only to reinforce existing fossil-fuel based models of development and growth.

Moving Toward Action: The Need to Broaden the Financial Discussion

At the COP16 in Cancún in 2010, the international community recognized the importance of addressing the specific mitigation and adaptation needs of developing countries, and established a goal of jointly mobilizing a total $100 billion per year by 2020 toward developing countries. This is a key piece of the international political negotiations because it focuses on providing financing and hence building trust between developed and developing countries. However, today the term "climate finance" is often solely linked

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[27] Dambudzo Muzenda, *Increasing Private Investment in African Energy Infrastructure* (Background paper for the Ministerial and Expert Roundtable of the NEPAD-OECD Africa Investment Initiative on Infrastructure, 2009), https://search.oecd.org/development/investmentfordevelopment/43966848.pdf.

[28] Jan Corfee-Morlot et. al., *Towards a Green Investment Policy Framework: The Case of Low-Carbon, Climate-Resilient Infrastructure* (Organization for Economic Cooperation and Development, 2012).

[29] UNCTAD, *World Investment Report*; ARCADIS, *Second Global Infrastructure Investment Index 2014* (ARCADIS, 2014), http://www.arcadis.com/Content/ArcadisGlobal/Docs/publications/Research/Arcadis_global_Infrastructure_Investment_Index_2014.pdf.

[30] The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group, which offers political risk insurance and credit enhancement guarantees protecting foreign direct investments against political and non-commercial risks in developing countries.

Box 2: Actions to Create Productive Infrastructure Investment Environments

- Stable policies within a set of governance and contractual arrangements that can be relied on to provide fair treatment of investors over time
- Instruments to help mitigate non-market risks (e.g., state-directed changes in utility pricing). These instruments can include forms of insurance and co-investment by development banks (which help to comfort private investors)
- Blending finance approaches to infrastructure investments in developing countries in a way that makes the overall project more affordable, making it easier to integrate sustainability/ climate criteria into the investment and improving counterparty creditworthiness
- Capital market regulations that encourage these forms of investment, through 1) making it easier for investors to hold illiquid (and cross-border) assets; 2) enabling the development of more liquid, infrastructure asset classes including "green bonds," of which an estimated $36 billion was issued in 2014;[1] and 3) potentially adapting Basel 3/Solvency II rules to ensure that infrastructure investment is not penalized in capital risk-weighting formulas
- Stronger regulatory oversight and transparency with regard to exposure to climate, carbon, and other environmental (e.g. water) risks embedded (but largely latent) in investors' portfolios
- In middle-income countries, further actions to develop local capital markets and longer-tenure, local currency bond instruments

Source: Bhattacharya, Oppenheim and Stern, Driving *Better Growth Through Better Infrastructure: Key Elements of a Transformation Programme*, 2015

[1] Boule, Kidney and Oliver (2014): State of the Climate Bonds Market: Climate Bonds Initiative

to this political commitment. For almost the past decade, international climate finance has focused on classifying public (and increasingly private) financial transfers between developed and developing countries as supporting "climate-specific" or "climate-related" projects and objectives.[31] It appears now more relevant to address the issue of "climate finance" at the domestic level to focus on how to redirect, align, and scale up the required financial flows to achieve national climate ambitions.

Risk-Return Profile of Investments: A Need for Policies to Spur Investment

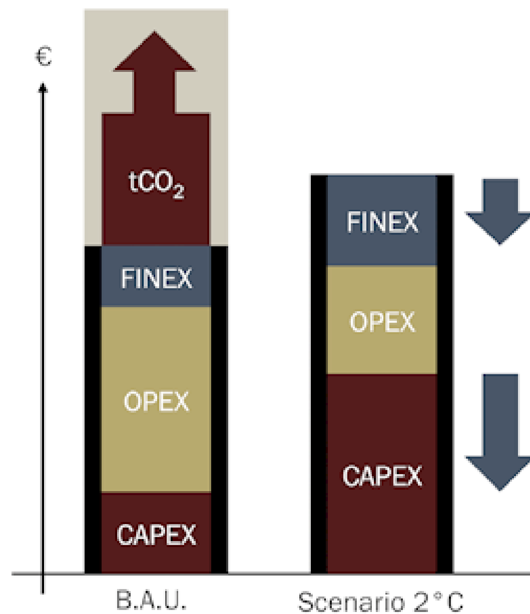
The key to reorienting and scaling up climate-aligned investment flows is creating an investment environment within which the risk-return profiles of projects are economically and financially competitive and offer returns to investors. For example, as seen in Figure 10, in many instances this requires the introduction of policies to internalize the often unpriced cost of greenhouse gas emissions. When no carbon pricing mechanism

[31] Angela Falconer and Martin Stadelmann, *What Is Climate Finance? Definitions to Improve Tracking and Scale up Climate Finance*, A CPI Brief (Venice: Climate Policy Initiative, 2014), http://climatepolicyinitiative.org/wp-content/uploads/2014/09/Climate-Finance-Brief-Definitions-to-Improve-Tracking-and-Scale-Up.pdf; Falconer and Stadelmann; Jan Corfee-Morlot, Bruno Guay and Kate M. Larsen, *Financing Climate Change Mitigation: Towards a Framework for Measurement, Reporting and Verification* (Organization for Economic Cooperation and Development, 2009); OECD and CPI, *Climate Finance in 2013-14 and the USD 100 Billion Goal* (A report by the Organisation for Economic Cooperation and Development in collaboration with Climate Policy Initiative, 2015), http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf.

– whether direct or indirect[32] – is in place, projects based on fossil fuels are not required to the pay the cost of climate-related negative externalities. In many instances, this would serve to make the often more-capital intensive investment needs of low-carbon development relatively more competitive.

Secondly, it is important to see what type of policies could be used to influence capital investment (CAPEX), operational (OPEX), and finance-related (FINEX) costs. While CAPEX- and OPEX-related costs often receive significant attention, it is important to take into consideration the costs projects face in securing financing – particularly outside of OECD countries. The perception of project-related risks by the financial sector – and their capacity to estimate future cash flows and returns on investment without sufficient historical evidence – can have a definitive impact on the cost of capital and the feasibility of investments.[33] It is thus essential for policies and support mechanisms to make financial resources directly available (for example through subsidies and feed in tariffs), but also to focus on improving the financial sector's capacity to recognize and assess the risks and opportunities of renewable energy, energy efficiency, and low-carbon transport projects.

Figure 10: Creating economically viable project models to redirect investments



Source: Authors

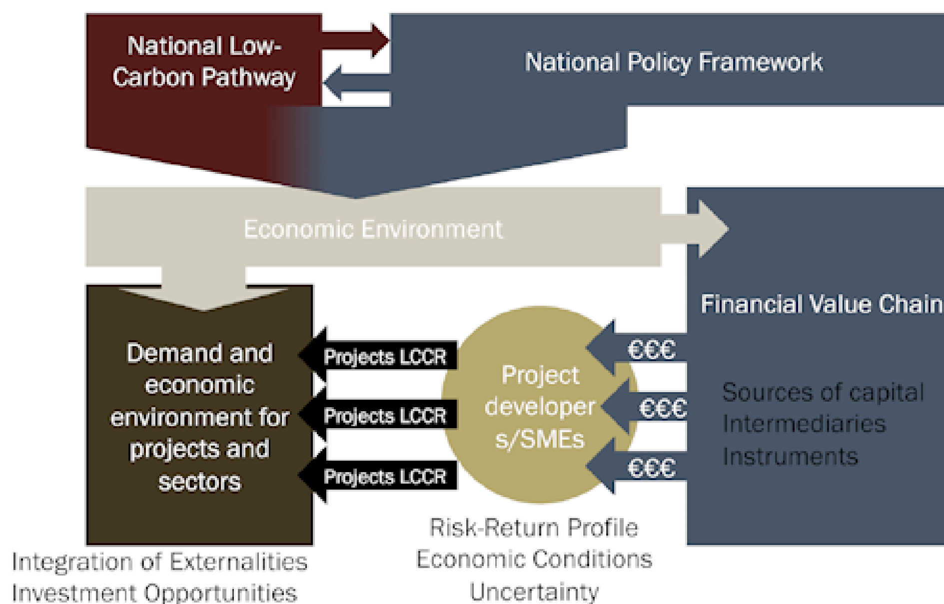
Linking National Policy Frameworks and the Financial Value Chain to Reorient Investments for the Transition

Financing a low-carbon, resilient economic model requires reorienting or shifting financial flows to investments that are able to fulfill development objectives in all countries in a manner "consistent" or "aligned" with climate-related objectives. If climate change is addressed as a separate, siloed consideration, flows or asset classes will not be sufficient to reach the scale of investment needed. As such, it appears necessary that climate change and the transition to the low-carbon, climate-resilient economy that will allow an achievement of long-term objectives be seen as linked to broader national policy frameworks and the financial value chain. To do so, climate-related issues need to be addressed in discus-

[32] See OECD, *Effective Carbon Prices* (Paris: Organization for Economic Cooperation and Development, 2013), http://www.oecd.org/env/tools-evaluation/effective-carbon-prices-9789264196964-en.htm, for a discussion of different forms of direct (carbon taxes, emission trading systems) and indirect (regulations) carbon pricing in place worldwide.

[33] Noothout et. al.; OECD, *Aligning Policies for a Transition*; FTF.

Figure 11: Economic and investment environment and the financial value chain



Source: Authors

sions of financial instruments and direct and indirect support mechanisms – as well as the broader policy framework influencing the risk-return profiles of individual investments.

As represented schematically in Figure 11 and detailed in Table 3, a key piece of fostering the shift of financial flows and investment to support the transition to a LCCR economic model is ensuring that the overarching national policy frameworks make this model financially viable. This, in turn, can create an economic environment that creates demand for low-carbon projects and growth in relevant sectors – and a pipeline of projects for the financial value chain. This framework should also encourage the involvement of project developers to invest due to economic conditions that reduce uncertainty and ensure acceptable risk-return profiles for investors. Finally, this can foster the involvement of the entire financial value chain – including different sources of capital, intermediaries, and instruments.

Developing a comprehensive approach across sectors – often going beyond the traditional realm of climate-related areas – is essential to reorient private investment and financial flows. Addressing each of these different areas within national contexts will be necessary to move away from support for individual or isolated projects toward supporting the reorientation of the entire economy of a given country.

Table 3: Supporting the climate consistency of the economic and investment environment and the financial value chain

Goal	Specific Actions
Economic environment creating demand for low-carbon projects	Internalize externalities and other general market barriers (i.e. carbon pricing, etc.) Regulatory and sectoral support frameworks: Performance standards & regulations Subsidies to compensate for non-internalized externalities and other market failures and to foster development of new markets Long-term price guarantee (feed in tariff, etc.)
Incentives to project developers to build capacity and develop projects in this area	Reduce costs as project developers increase knowledge on the financial models and prove investment bankability Create the network of connections and specialized market players needed to catalyze shift in economy at the scale needed
Foster the involvement of the entire financial value chain	Government signaling of technological and investment priorities Ensuring the proper functioning and "greening" of the financial value chain by supporting the real economy, long-term investment, and leveraging of different capital sources Targeted programs by project type that: Improve capacity and knowledge of financial actors relating to specific project and investment types Reduce real and/or perceived risks to facilitate private-sector mobilization Overcome sector- or project-specific barriers to accessing the needed form of capital (volume, tenor, overly risk-adverse risk premium pricing, etc.)

Source: Authors

Conclusion

While many Atlantic countries are often those with the least available resources to overcome the important upfront capital investment needs often posed by low-carbon investment, many – particularly in Africa and Latin America – are also at a crossroads to change directions. Countries are in a position to avoid following the same fossil fuel-intensive development path, which can already be seen in examples of technological leapfrogging in Africa in sectors such as telecommunications and agriculture. Countries that have not locked in fossil fuel-focused centralized infrastructure could follow a different economic model that would prioritize investment and deployment in decentralized energy production and consumption systems.[34]

Ensuring that this occurs requires that a systematic approach is taken with several key structural choices that will need to be made:

[34] "The Leapfrog Continent," *The Economist*, June 2015, http://www.economist.com/news/middle-east-and-africa/21653618-falling-cost-renewable-energy-may-allow-africa-bypass.

- Governments need to clearly demonstrate and mandate their commitment and movement toward a low-carbon energy future;
- The risks posed by this transition – to both individuals and corporate actors – must be identified and managed to reduce exposure and foster changes in management practice and economic focus; and
- This will require policies, regulations, and incentives to identify the opportunities to develop new economic sectors and areas for growth – while simultaneously reducing counterproductive subsidies regulations.

Supporting the energy revolution around the Atlantic – and more broadly around the world – will require linking policy frameworks, overcoming existing investment challenges, and co-constructing and implementing nationally appropriate strategies for low-carbon development. While this will not look the same for each country, there are nevertheless a wealth of opportunities for countries to learn from each other as they face the shared challenge of weaning themselves from fossil fuels.

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Wider Atlantic Patterns

8 Selected Indicators for Integration Process Assessment within the Atlantic Space

Tayeb Ghazi

The geographical sample of the Atlantic space

Africa sub-region

- Angola
- Benin
- Cameroon
- Cape Verde
- Democratic Republic of the Congo
- Republic of Congo
- Côte d'Ivoire
- Equatorial Guinea
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Liberia
- Mauritania
- Morocco
- Namibia
- Nigeria
- São Tomé and Principe
- Senegal
- Sierra Leone
- South Africa
- Togo

Latin America & Caribbean sub-region

- Antigua and Barbuda
- Argentina
- Bahamas
- Barbados
- Belize
- Bermuda
- Brazil
- Chile
- Colombia
- Costa Rica
- Cuba
- Dominica
- Dominican Republic
- French Guiana
- Grenada
- Guatemala
- Guyana
- Haiti
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Panama
- St. Kitts and Nevis
- St. Lucia
- St. Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- Uruguay
- Venezuela

USA & Canada

- Canada
- United States

Europe sub-region

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Greenland
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

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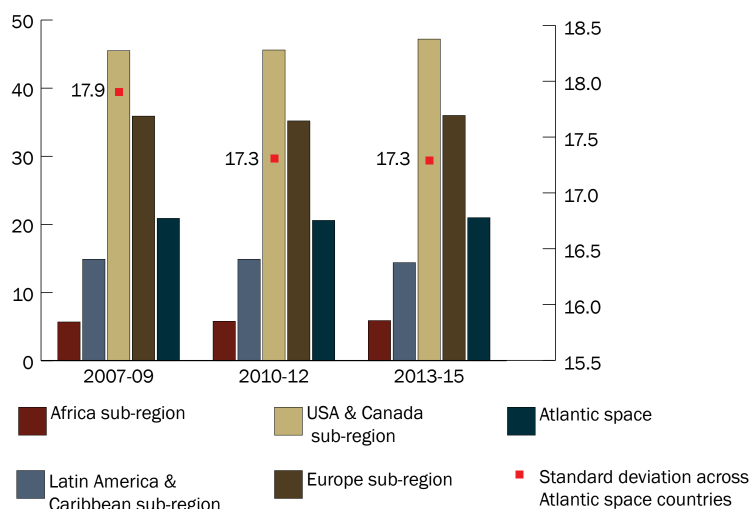
Figure 1: GDP per capita ppp by sub-region in Atlantic space (constant 2011 $ thousands)

Average by sub-region	2007-09	2010-12	2013-15
Africa	5.7	5.8	5.9
Latin America & Caribbean	14.9	14.9	14.4
USA & Canada	45.5	45.6	47.2
Europe	35.9	35.2	36.0
Atlantic space	20.9	20.6	21.0
Standard deviation across Atlantic countries	17.9	17.3	17.3

Source: author calculation based on World Development Indicators Database, World Bank

Figure 2: GDP per capita ppp by sub-region in Atlantic space (constant 2011 $ thousands)



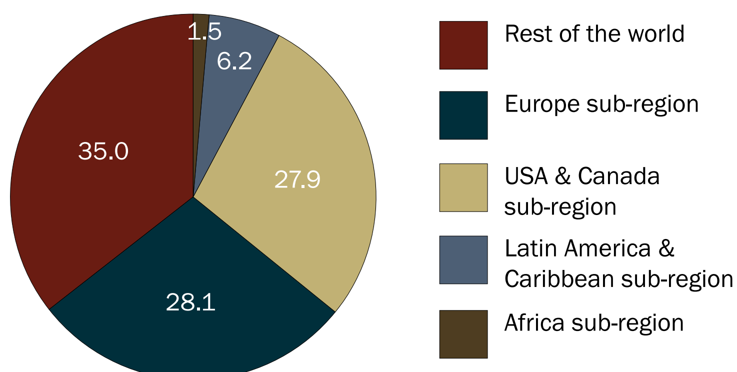
Source: author calculation based on World Development Indicators Database, World Bank

Figure 3: Real GDP by sub-region in Atlantic space (in constant 2005 $ millions)

Atlantic sub-region	Average 2012-14	Share in total Atlantic GDP 2012-14	Share of total world GDP 2012-14
Africa	808,162.67	2.3%	1.5%
Latin America & Caribbean	3,417,046.03	9.5%	6.2%
USA & Canada	15,428,873.88	43.0%	27.9%
Europe	15,540,248.82	43.3%	28.1%
Total Atlantic space	35,908,688.37	100.0%	65.0%

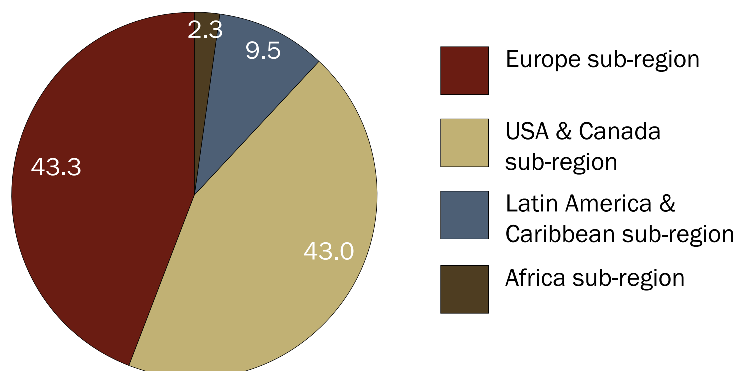
Source: author calculation based on World Development Indicators Database, World Bank

Figure 4: Share of Atlantic sub-regions real GDP in percent of world real GDP (2012-14 average)



Source: author calculation based on World Development Indicators Database, World Bank

Figure 5: Share of Atlantic sub-regions real GDP in percent of total Atlantic space real GDP (2012-14 average)



Source: author calculation based on World Development Indicators Database, World Bank

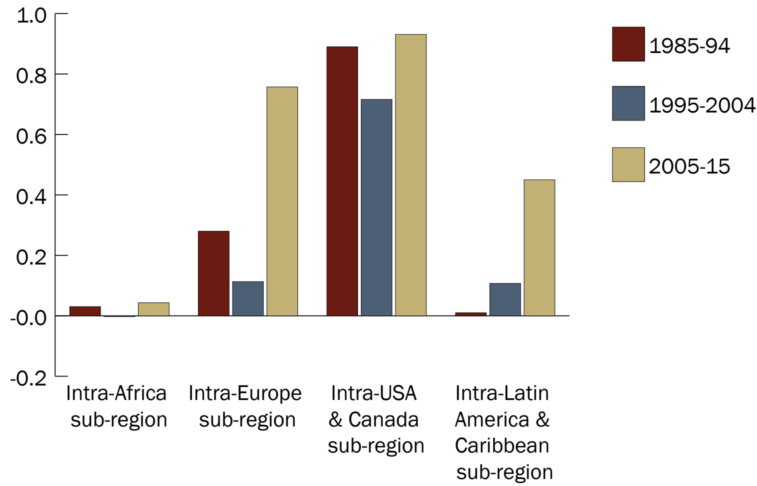
Figure 6: Real GDP growth rates synchronization in the Atlantic space[1]

	1985-94	1995-2004	2005-14
Mean of bilateral correlations within sub-regions of the Atlantic space			
Intra-African sub-region	0.03	0.00	0.04
Intra-European sub-region	0.28	0.11	0.76
Intra-USA & Canada sub-region	0.89	0.72	0.93
Intra-Latin American & Caribbean sub-region	0.01	0.11	0.45
Mean of bilateral correlations between sub-regions of the Atlantic space			
Africa / Europe	0.09	-0.03	0.17
Africa / USA & Canada	0.18	-0.07	0.21
Africa / Latin America & Caribbean	-0.03	0.02	0.15
Europe / USA & Canada	0.30	0.29	0.69
Europe / Latin America & Caribbean	0.01	0.08	0.57
USA & Canada / Latin America & Caribbean	0.04	0.18	0.52
Mean of bilateral correlations between all countries in the Atlantic space	**0.05**	**0.05**	**0.38**

Source: author calculation based on World Development Indicators Database, World Bank

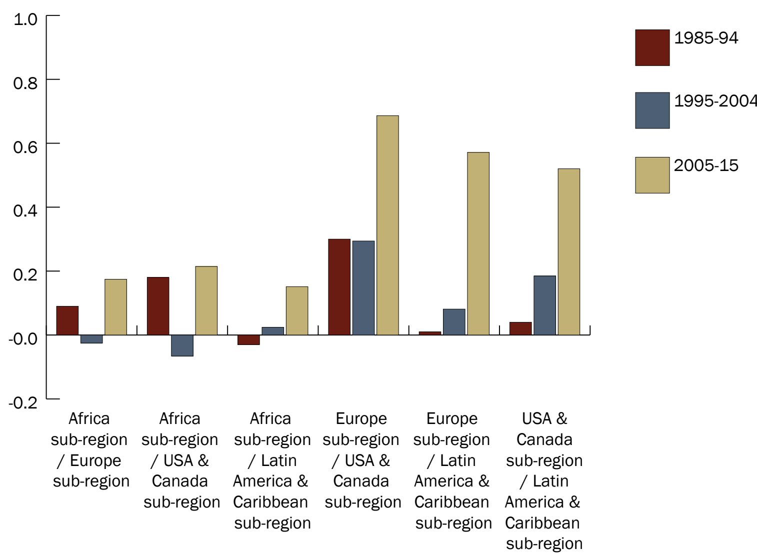
[1] A positive coefficient of correlation could be interpreted as a synchronization effect. The higher the positive coefficient of correlation, the higher the synchronization between countries.

Figure 7: GDP Correlations within sub-regions in the Atlantic space



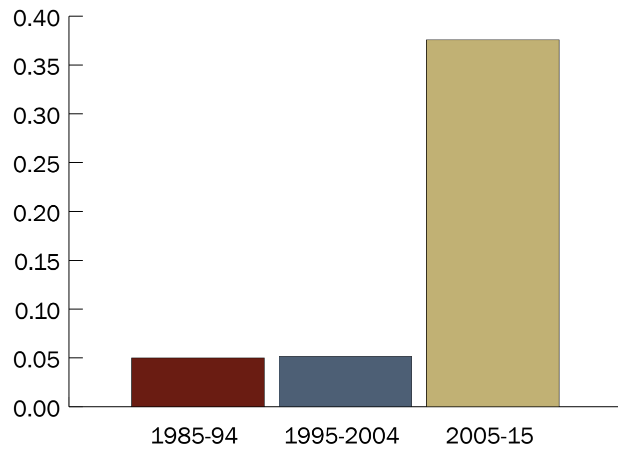
Source: author calculation based on World Development Indicators Database, World Bank

Figure 8: GDP Correlations between sub-regions in the Atlantic space



Source: author calculation based on World Development Indicators Database, World Bank

Figure 9: GDP Correlation among Atlantic countries



Source: author calculation based on World Development Indicators Database, World Bank

Figure 10: Real GDP growth in percent (period average)

Country	1990-99	2000-09	2010-15	Country	1990-99	2000-09	2010-15
Africa sub-region				Latin America & Caribbean			
Angola	1.42	11.46	4.50	Antigua and Barbuda	3.36	2.82	-0.07
Benin	4.94	4.15	4.65	Argentina	4.28	3.05	3.73
Cape Verde	6.15	6.06	1.94	The Bahamas	2.70	1.00	1.13
Cameroon	0.42	3.40	4.68	Barbados	0.47	1.14	0.29
Democratic Republic of the Congo	-5.47	3.31	7.85	Belize	5.93	5.02	2.59
Republic of Congo	0.83	4.57	4.38	Brazil	1.72	3.36	2.19
Côte d'Ivoire	3.76	0.45	5.45	Chile	6.34	3.97	4.24
Equatorial Guinea	34.31	18.13	-1.88	Colombia	2.89	3.99	4.43
Gabon	2.47	0.51	5.49	Costa Rica	5.42	4.08	4.10
The Gambia	4.28	3.79	2.85	Dominica	2.63	3.08	0.44
Ghana	4.42	5.55	7.49	Dominican Republic	4.49	4.67	5.22
Guinea	4.22	2.63	2.06	Grenada	4.13	2.62	1.08
Guinea-Bissau	1.19	2.83	3.13	Guatemala	3.74	3.32	3.58
Liberia	n/a	2.29	5.30	Guyana	4.79	1.85	4.49
Mauritania	2.96	4.47	5.23	Haiti	0.37	0.77	2.07
Morocco	2.79	4.74	3.91	Honduras	2.76	4.36	3.51
Namibia	3.89	4.45	5.25	Jamaica	1.30	0.87	0.22
Nigeria	4.97	8.54	5.80	Mexico	3.47	1.84	3.17
São Tomé and Príncipe	1.25	4.51	4.54	Nicaragua	3.17	2.95	4.57
Senegal	2.72	4.01	3.72	Panama	6.09	5.91	8.26
Sierra Leone	-7.38	8.96	4.79	St. Kitts and Nevis	4.33	3.02	1.54
South Africa	1.39	3.60	2.27	St. Lucia	3.63	1.76	0.31
Togo	1.90	1.70	5.13	St. Vincent and the Grenadines	3.58	3.13	0.76

Country	1990-99	2000-09	2010-15	Country	1990-99	2000-09	2010-15
Africa (average)	**3.52**	**4.96**	**4.28**	Suriname	0.58	4.49	3.80
USA & Canada				Trinidad and Tobago	3.94	6.52	0.85
Canada	2.39	2.09	2.27	Uruguay	3.22	2.16	4.94
United States	3.23	1.82	2.29	Venezuela	2.46	3.97	-0.72
USA & Canada (average)	**2.81**	**1.96**	**4.28**	**Latin America & Caribbean (average)**	**3.40**	**3.18**	**2.62**
Europe							
Austria	2.72	1.67	1.19	Latvia	1.21	5.15	2.62
Belgium	2.22	1.62	1.15	Lithuania	5.00	4.89	3.25
Bulgaria	-5.27	4.57	1.27	Luxembourg	4.76	3.05	2.81
Croatia	2.49	3.13	-0.78	Malta	n/a	1.90	3.00
Cyprus	4.80	3.38	-1.32	Netherlands	3.12	1.71	0.52
Czech Republic	1.18	3.43	1.45	Norway	3.56	1.83	1.36
Denmark	2.45	0.93	0.70	Poland	2.69	3.91	3.12
Estonia	4.06	4.39	3.52	Portugal	3.42	0.94	-0.52
Finland	1.65	2.03	0.52	Romania	-2.28	4.81	1.76
France	2.01	1.42	1.03	Slovak Republic	4.88	4.55	2.69
Germany	2.19	0.84	1.92	Slovenia	4.21	3.02	0.53
Greece	2.09	2.79	-4.38	Spain	2.79	2.75	0.09
Hungary	-0.27	2.41	1.55	Sweden	1.97	2.02	2.42
Iceland	2.29	3.59	1.70	Switzerland	1.17	1.99	1.80
Ireland	6.93	3.53	2.00	United Kingdom	2.08	1.94	1.83
Italy	1.43	0.54	-0.30	**Europe (average)**	**2.38**	**2.73**	**1.24**
Atlantic space (average)	**3.03**	**3.48**	**2.56**				

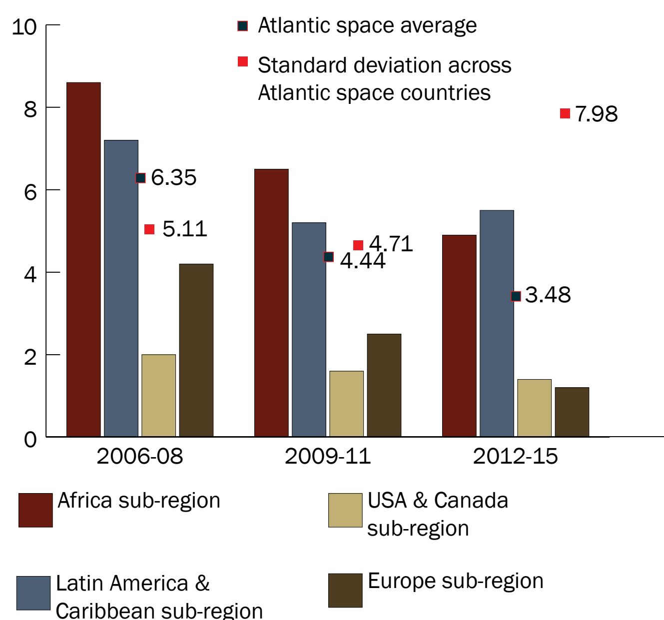
Source: author calculation based on World Economic Outlook Database, July 2015

Figure 11: Inflation rates in Atlantic space sub-regions, consumer prices (percent)

Average by sub-region	2006-2008	2009-2011	2012-2015
Africa	8.58	6.46	4.94
Latin America & Caribbean	7.25	5.25	5.51
USA & Canada	2.74	1.57	1.35
Europe	4.25	2.46	1.21
Atlantic space	6.35	4.44	3.48
Standard deviation across Atlantic countries	5.11	4.71	7.98

Source: author calculation based on World Economic Outlook Database, July 2015

Figure 12: Inflation convergence between Atlantic space countries (percent)



Source: author calculation based on World Development Indicators Database, World Bank

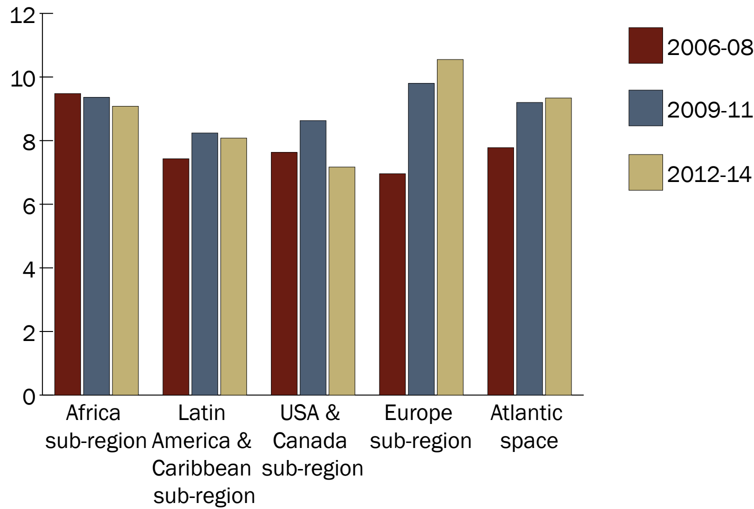
Figure 13: Inflation rates in the Atlantic space (three-year average, in percent)

Country	2009-11	2012-15	Country	2009-11	2012-15
Africa sub-region			Latin America & Caribbean		
Angola	13.89	9.16	Antigua and Barbuda	2.09	1.80
Benin	2.39	1.74	Argentina	8.87	10.35
Cameroon	2.42	2.52	The Bahamas	2.20	1.18
Cape Verde	2.51	0.99	Barbados	6.30	3.17
Republic of Congo	3.87	4.93	Belize	0.28	0.98
Democratic Republic of the Congo	8.41	5.68	Brazil	5.52	6.74
Côte d'Ivoire	2.54	1.39	Chile	2.38	3.39
Equatorial Guinea	6.48	6.25	Colombia	3.30	3.27
Gabon	1.54	1.57	Costa Rica	6.13	3.76
Ghana	12.90	13.35	Cuba	2.36	5.6
The Gambia	4.80	5.30	Dominica	1.88	0.19
Guinea	13.83	13.56	Dominican Republic	5.41	3.09
Guinea-Bissau	1.97	0.81	Grenada	2.05	0.33
Liberia	7.74	7.20	Guatemala	3.98	3.48
Morocco	0.97	1.29	Guyana	3.33	2.11
Namibia	6.44	5.27	Haiti	4.70	6.43
Nigeria	12.03	9.44	Honduras	5.65	4.91
São Tomé and Príncipe	13.64	7.31	Jamaica	9.90	7.05
Senegal	1.20	0.30	Mexico	4.29	3.66
Sierra Leone	14.03	9.61	Nicaragua	5.74	6.09
South Africa	7.44	3.92	Panama	3.93	3.12
Togo	2.91	1.55	St. Kitts and Nevis	3.20	-0.06
Mauritania	4.72	4.53	St. Lucia	1.45	1.55
Africa (average)	**6.46**	**5.12**	St. Vincent and the Grenadines	1.70	0.56
USA & Canada			Suriname	8.16	4.30
Canada	1.66	1.37	Trinidad and Tobago	7.54	6.38
United States	1.48	1.32	Uruguay	7.29	8.55

Country	2009-11	2012-15	Country	2009-11	2012-15
USA & Canada (average)	**1.57**	**1.35**	Venezuela	27.12	61.15
Europe			**Latin America & Caribbean (average)**	**5.21**	**5.58**
Austria	1.86	1.75	Latvia	2.28	0.76
Belgium	1.89	1.21	Lithuania	3.30	0.84
Bulgaria	3.14	0.58	Luxembourg	2.02	1.38
Croatia	1.89	1.24	Malta	2.11	1.30
Cyprus	2.01	-0.37	Netherlands	1.60	1.64
Czech Republic	1.46	1.35	Norway	1.96	1.76
Denmark	2.13	1.05	Poland	3.60	0.93
Estonia	2.62	1.53	Portugal	1.41	0.81
Finland	1.54	1.28	Romania	5.82	1.95
France	1.25	0.84	Slovak Republic	2.16	1.15
Germany	1.16	1.16	Slovenia	1.50	1.01
Greece	3.08	-0.62	Spain	1.57	0.80
Hungary	4.35	1.78	Sweden	1.21	0.15
Iceland	7.13	3.19	Swaziland	6.02	4.47
Ireland	-0.95	0.52	United Kingdom	3.31	1.72
Italy	1.68	1.14	**Europe (average)**	**2.46**	**1.24**
Atlantic space (average)	**4.44**	**3.47**			

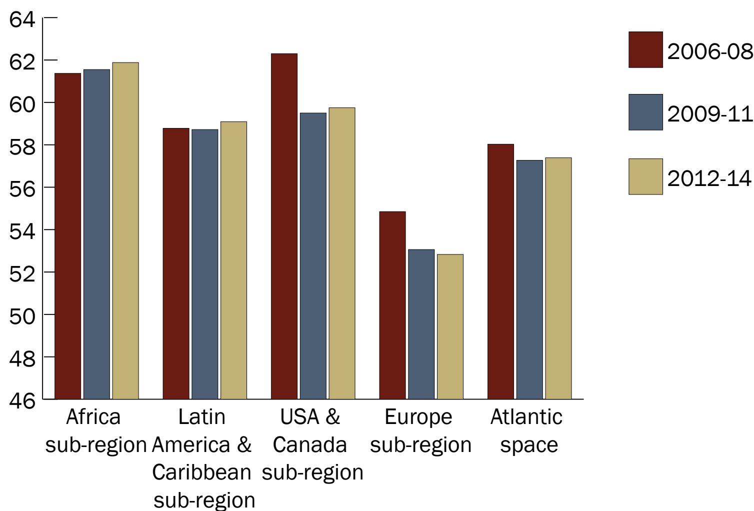
Source: author calculation based on World Development Indicators Database, World Bank

Figure 14: Unemployment rate by sub-region in the Atlantic space (percent of total labor force)



Source: author calculation based on World Development Indicators Database, World Bank (ILO estimates)

Figure 15: Employment ratio by Atlantic space sub-region (percent share in 15+ aged population)



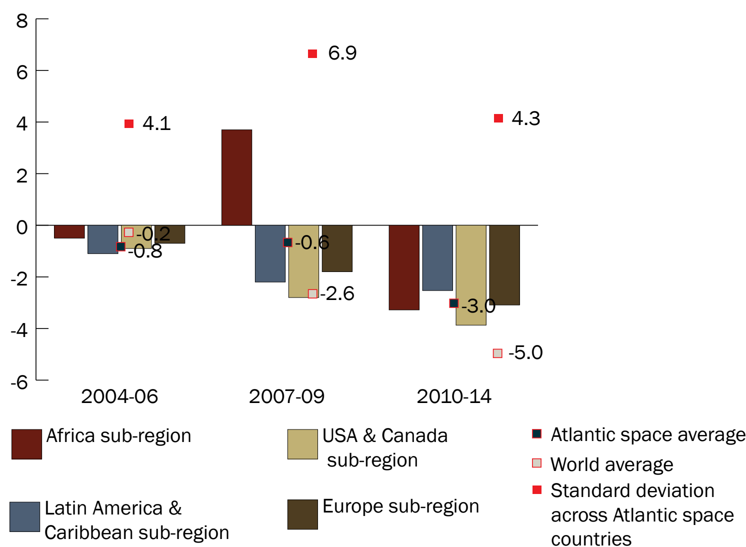
Source: author calculation based on World Development Indicators Database, World Bank (ILO estimates)

Figure 16: Budget deficit/surplus (percent of GDP)

Average by sub-region	2004-06	2007-09	2010-14
Africa	-0.50	3.71	-3.28
Latin America & Caribbean	-1.13	-2.14	-2.53
USA & Canada	-0.85	-2.84	-3.87
Europe	-0.72	-1.79	-3.09
Atlantic space	-0.79	-0.61	-3.01
World average	-0.20	-2.60	-4.98
Standard deviation across Atlantic countries	4.10	6.90	4.34

Source: author calculation based on World Development Indicators Database, World Bank

Figure 17: Budget balance convergence between Atlantic space countries (percent of GDP)



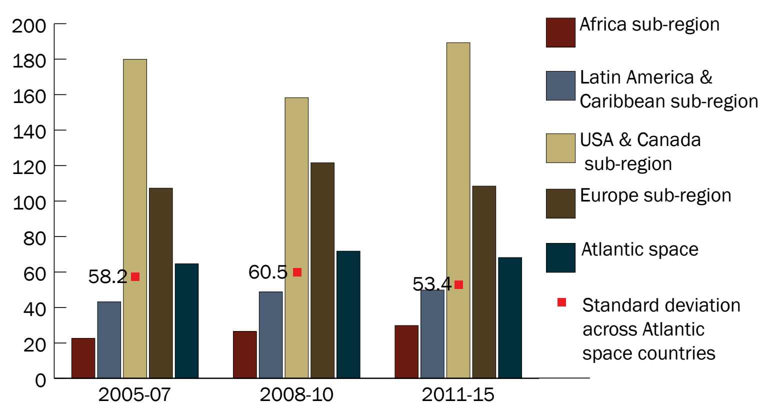
Source: author calculation based on World Development Indicators Database, World Bank

Figure 18: Credit to private sector (percent of GDP)

Average by sub-region	2005-07	2008-10	2011-15
Africa	22.57	26.49	29.87
Latin America & Caribbean	43.23	48.38	49.87
USA & Canada	179.88	175.05	189.29
Europe	107.55	123.31	108.46
Atlantic space	64.65	71.58	68.19
Standard deviation across Atlantic countries	58.22	60.55	53.41

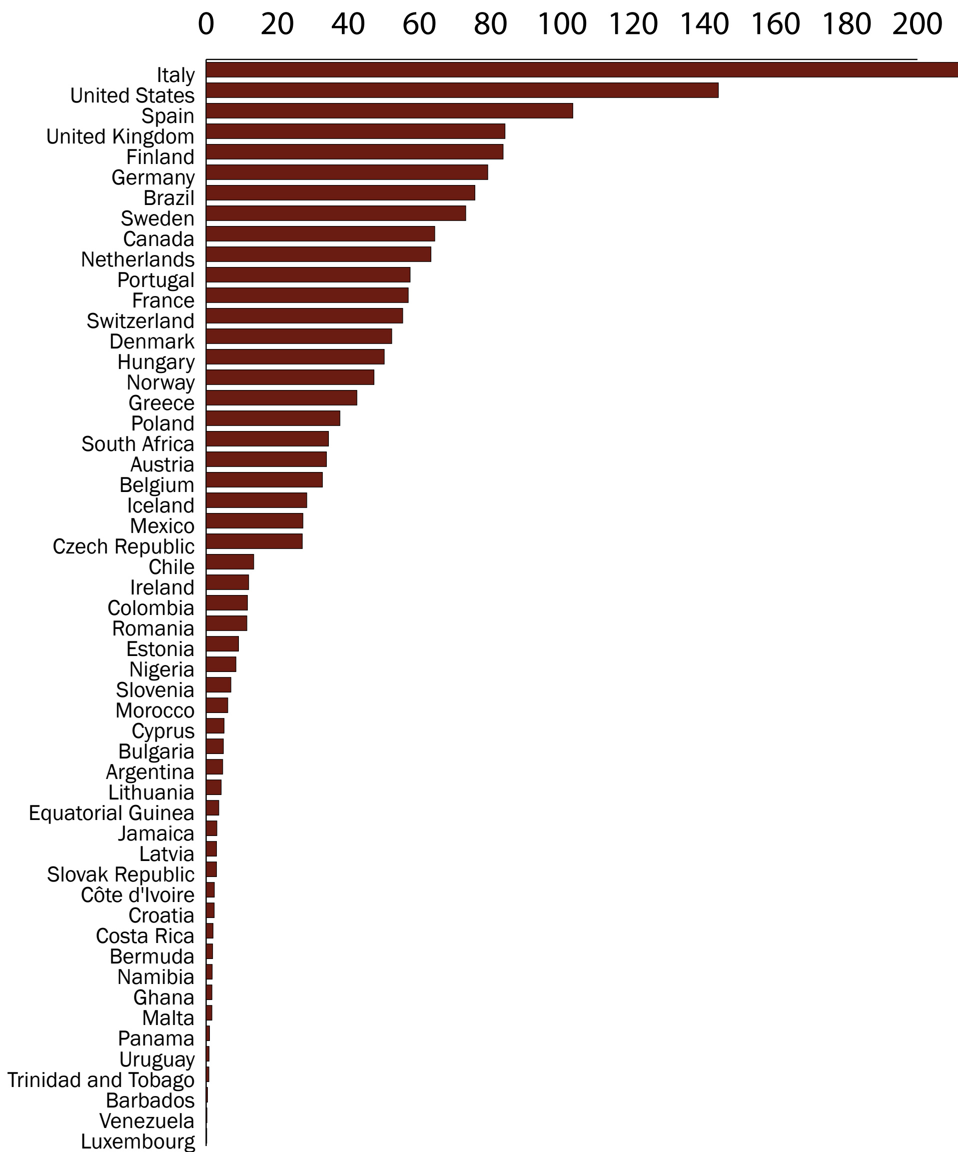
Source: author calculation based on World Development Indicators Database, World Bank

Figure 19: Credit to private sector by sub-region in the Atlantic space (percent of GDP)



Source: author calculation based on World Development Indicators Database, World Bank

Figure 20: Average turnover ratios 2012-2015 (percent)[2]



Source: author calculation based on World Development Indicators Database, World Bank

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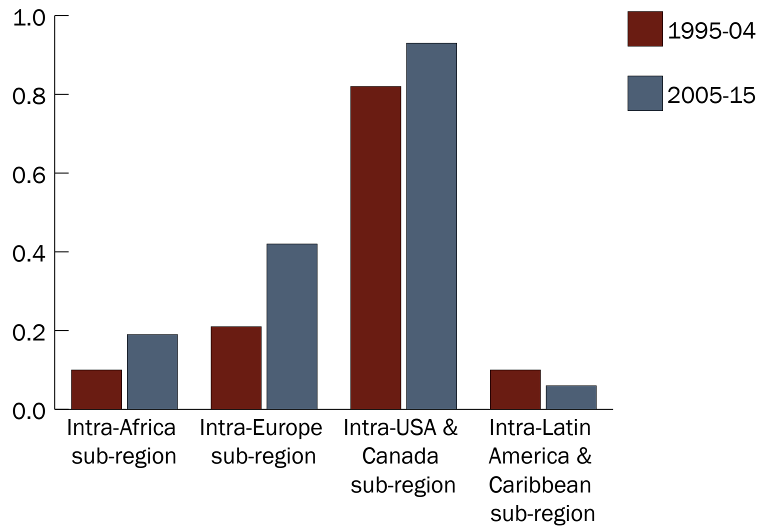
[2] Turnover ratio is the total value of shares traded during the period divided by the average market capitalization for the period. Average market capitalization is calculated as the average of the end-of-period values for the current period and the previous period.

Figure 21: Stock exchange turnover ratios synchronization in the Atlantic space

	1993-2002	2005-15
Mean of bilateral correlations within sub-regions of the Atlantic space		
Intra-African sub-region	0.1	0.19
Intra-European sub-region	0.21	0.42
Intra-USA & Canada sub-region	0.82	0.93
Intra-Latin American & Caribbean sub-region	0.1	0.06
Mean of bilateral correlations between sub-regions of the Atlantic space		
Africa / Europe	0.02	0.29
Africa / USA & Canada	0.23	0.45
Africa / Latin American & Caribbean	0.06	0.09
Europe / USA & Canada	0.27	0.62
Europe / Latin America & Caribbean	0.16	0.24
USA & Canada / Latin America & Caribbean	0.19	0.32
Mean of bilateral correlations between all countries in the Atlantic space	**0.16**	**0.3**

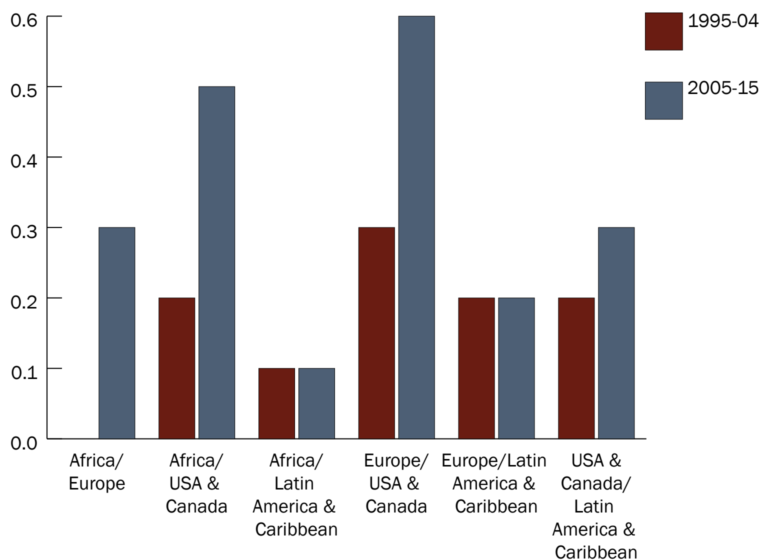
Source: author calculation based on World Development Indicators Database, World Bank

Figure 22: Correlations within sub-regions in the Atlantic space[3]



Source: author calculation based on World Development Indicators Database, World Bank

Figure 23: Correlations between sub-regions in the Atlantic space



Source: author calculation based on World Development Indicators Database, World Bank

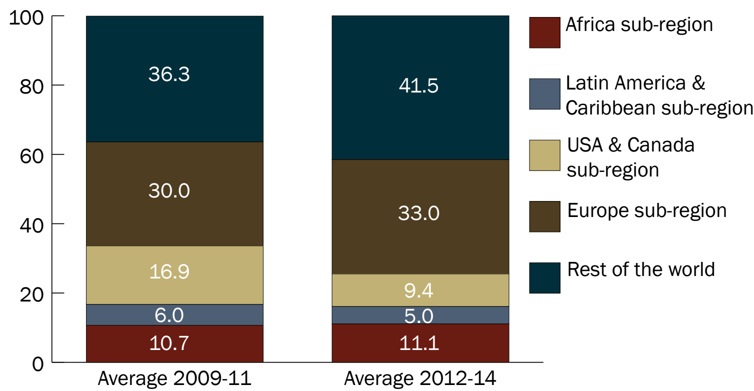
[3] A positive coefficient of correlation could be interpreted as a synchronization effect. The higher the positive coefficient of correlation, the higher the synchronization between countries.

Figure 24: Geographical breakdown of exports: intra-regional and toward the rest of the world (three-year average share in total exportation, in percent)

Toward	From	Africa sub-region	Latin America & Caribbean sub-region	USA & Canada sub-region	Europe sub-region	Total Atlantic space
Africa sub-region						
2009-11		10.7	1.1	1.1	1.7	
2012-14		11.1	1.0	1.2	1.8	
Latin America & Caribbean sub-region						
2009-11		6.0	15.0	17.6	2.2	
2012-14		5.0	13.6	19.4	2.4	
USA & Canada sub-region						
2009-11		16.9	39.7	32.0	6.9	
2012-14		9.4	42.2	31.8	7.4	
Europe sub-region						
2009-11		30.0	12.7	18.4	68.2	
2012-14		33.0	11.9	16.5	65.7	
Atlantic space						
2009-11		63.7	68.5	69.3	79.0	**74.9**
2012-14		58.5	68.7	68.9	77.3	**74.2**
Rest of the world						
2009-11		36.3	31.5	30.7	21.0	**25.1**
2012-14		41.5	31.3	31.1	22.7	**25.8**

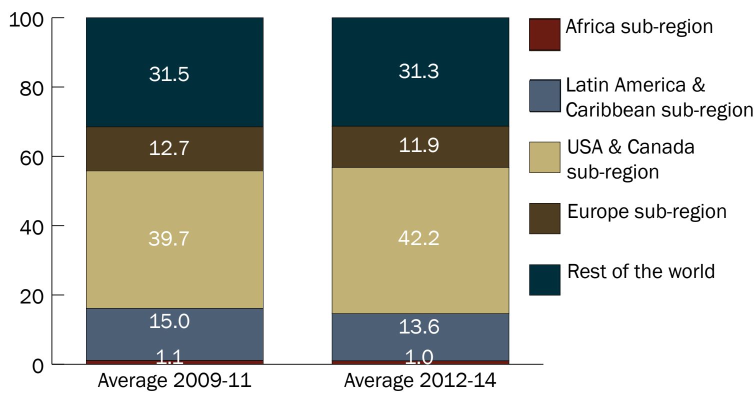
Source: author calculation based on International Trade Centre Database

Figure 25: Distribution of the African sub-region's exports (share of total exports of African sub-region)



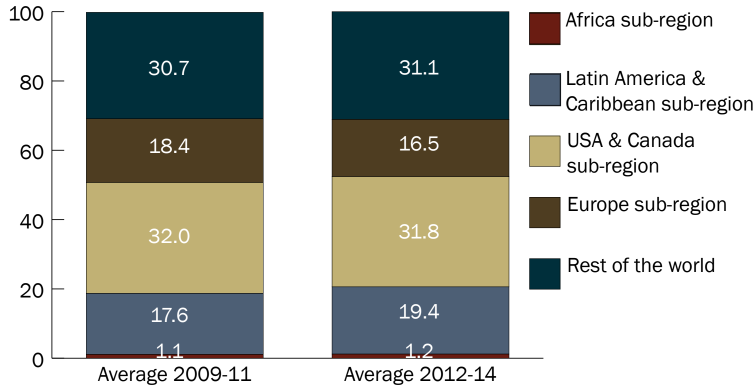
Source: author calculation based on International Trade Centre Database

Figure 26: Distribution of the Latin America & Caribbean sub-region's exports (share of total exports of Latin America & Caribbean sub-region)



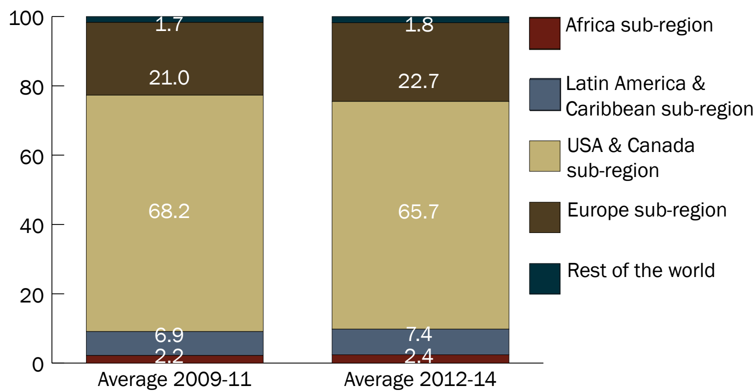
Source: author calculation based on International Trade Centre Database

Figure 27: Distribution of the USA & Canada sub-region's exports (share of total exports of USA & Canada sub-region)



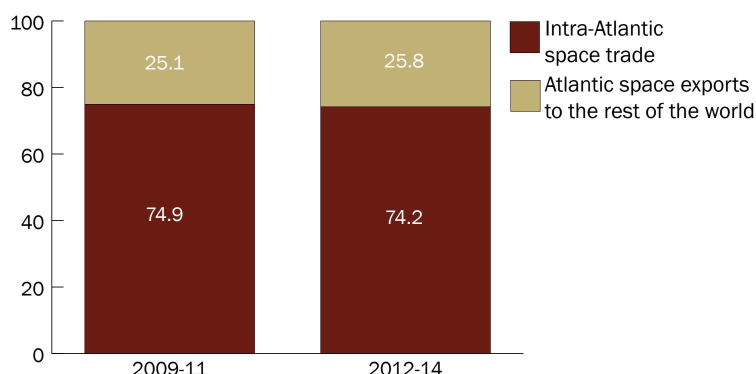
Source: author calculation based on International Trade Centre Database

Figure 28: Distribution of the European sub-region's exports (share of total exports of European sub-region)



Source: author calculation based on International Trade Centre Database

Figure 29: Intra-regional share of Atlantic space exports in total exports



Source: author calculation based on International Trade Centre Database

Figure 30: Foreign direct investment inflows by destination (in million US$)

Average by sub-region	2008-10	2011-15
Africa	27,842	22,809
Latin America & Caribbean	109,143	186,467
USA & Canada	253,557	320,802
Europe	468,560	619,535
Atlantic space	864,769	1,158,751
World	1,487,034	2,030,421
Shares in Atlantic space inflows (by destination in percent)		
Africa	3	2
Latin America & Caribbean	13	16
USA & Canada	29	28
Europe	54	53
Atlantic space	100	100
Shares in world inflows (by destination in percent)		
Africa	2	1
Latin America & Caribbean	7	9
USA & Canada	17	16
Europe	32	31
Atlantic space	**58**	**57**
Rest of the world	**42**	**43**

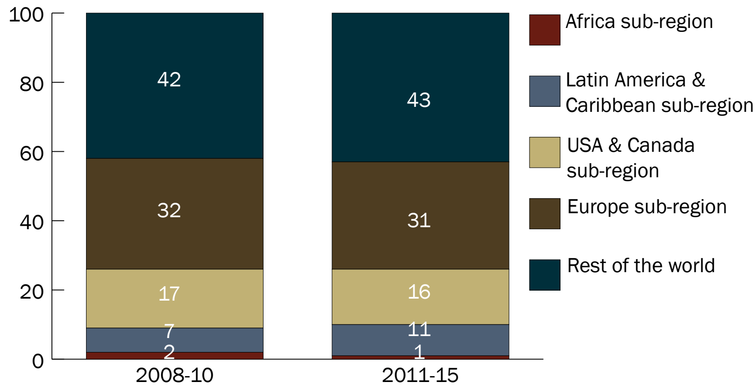
Source: author calculation based on World Investment Report 2016, UNCTAD

Figure 31: Foreign direct investment outflows by origin (in million US$)

Average by sub-region	2008-10	2011-15
Africa	484	8,706
Latin America & Caribbean	32,439	54,521
USA & Canada	342,526	445,724
Europe	689,296	654,541
Atlantic space	1,064,745	1,163,493
World	1,546,049	1,773,492
Shares in Atlantic space outflows (by destination in percent)		
Africa	0	1
Latin America & Caribbean	3	5
USA & Canada	32	38
Europe	65	56
Atlantic space	100	100
Shares in world outflows (by destination in percent)		
Africa	0	0
Latin America & Caribbean	2	3
USA & Canada	22	25
Europe	45	37
Atlantic space	**69**	**66**
Rest of the world	**31**	**34**

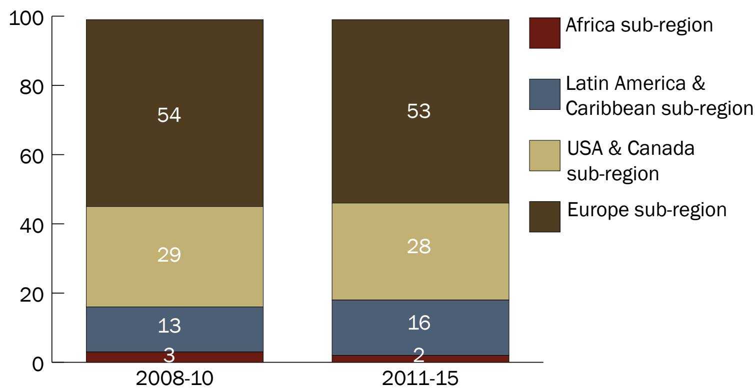
Source: author calculation based on World Investment Report 2016, UNCTAD

Figure 32: Atlantic space sub-regions received FDI (percent share in world inflows)



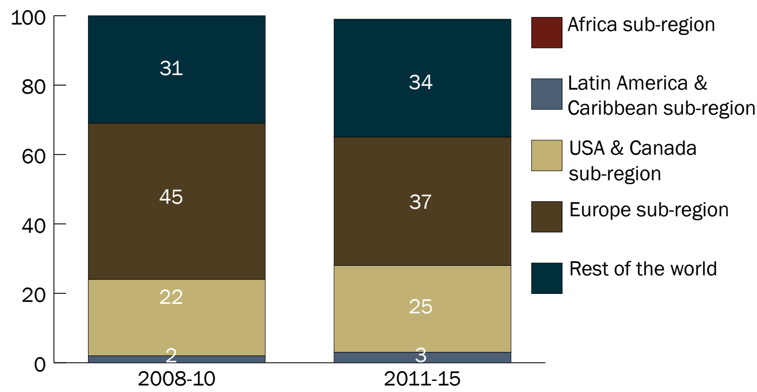
Source: author calculation based on World Development Indicators Database, World Bank

Figure 33: Atlantic space sub-regions received FDI (percent share in Atlantic space inflows)



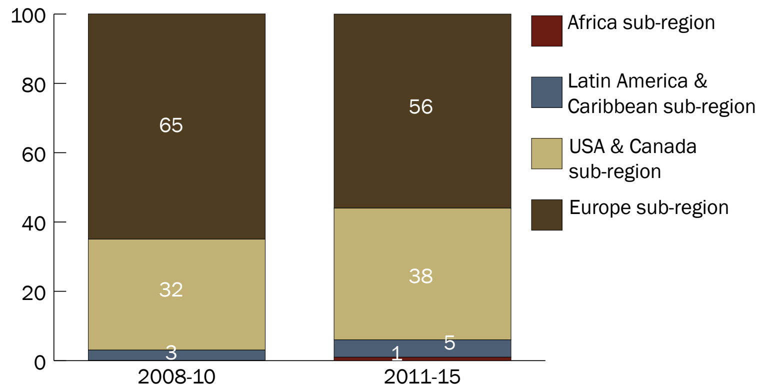
Source: author calculation based on World Development Indicators Database, World Bank

Figure 34: Atlantic space sub-regions FDI outflows (percent share in world inflows)



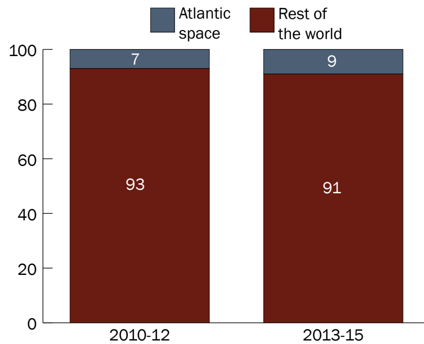
Source: author calculation based on World Development Indicators Database, World Bank

Figure 35: Atlantic space sub-regions FDI outflows (percent share in Atlantic space inflows)



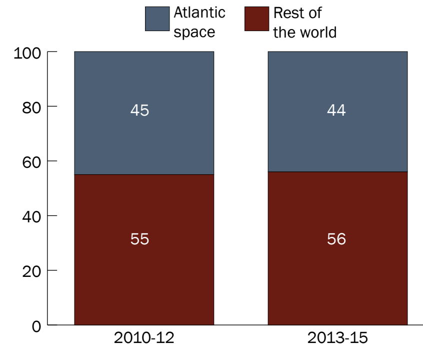
Source: author calculation based on World Development Indicators Database, World Bank

Figure 36: Portfolio investments received by the African sub-region by origin (three-year average, percent share)



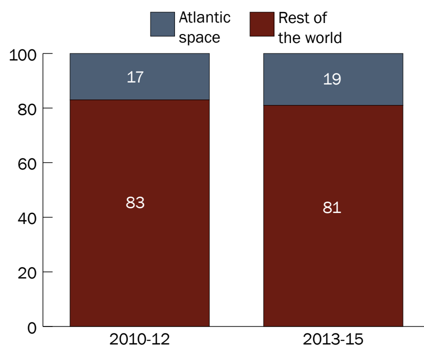
Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

Figure 38: Portfolio investments received by USA & Canada sub-region by origin (three-year average, percent share)



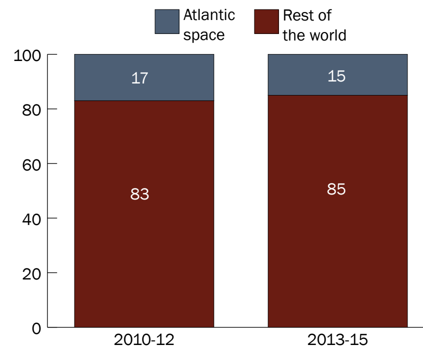
Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

Figure 37: Portfolio investments received by Latin American & Caribbean sub-region by origin (three-year average, percent share)



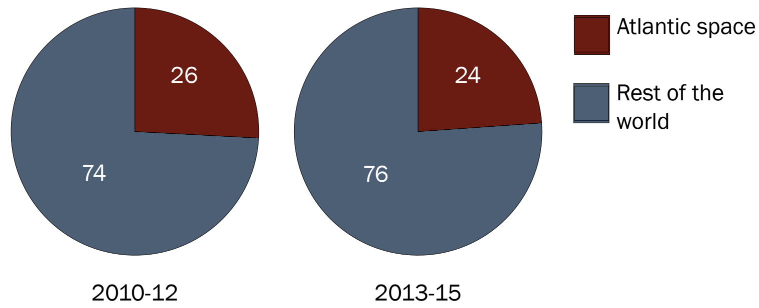
Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

Figure 39: Portfolio investments received by the European sub-region by origin (three-year average, percent share)



Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

Figure 40: Portfolio investments received by all countries included in the Atlantic space by origin (three-year average, percent share)



Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

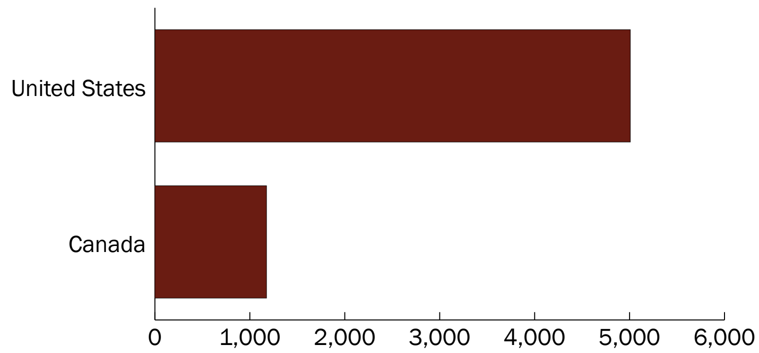
Figure 41: Geographical breakdown of received portfolio investment (percent share in total portfolio investment received by each sub-region, three-year average)

Toward	From	Africa sub-region	Latin America & Caribbean sub-region	USA & Canada sub-region	Europe sub-region	Total Atlantic space
Africa sub-region						
2010-12		0.39	1.02	0.21	0.48	
2013-15		0.42	0.68	0.24	0.47	
Latin America & Caribbean sub-region						
2010-12		1.00	2.77	4.82	1.15	
2013-15		0.51	2.30	4.24	0.79	
USA & Canada sub-region						
2010-12		44.66	46.33	12.21	15.99	
2013-15		46.42	47.05	13.14	19.76	
Europe sub-region						
2010-12		47.03	33.00	38.09	65.33	
2013-15		44.06	31.46	38.77	47.28	
Atlantic space						
2010-12		92.90	82.75	55.24	82.78	**74.29**
2013-15		91.28	81.24	56.31	84.63	**75.55**
Rest of the world						
2010-12		7.10	17.25	44.76	17.22	**25.71**
2013-15		8.72	18.76	43.69	15.37	**24.45**

Source: author calculation based on Coordinated Portfolio Investment Survey (CPIS) database, IMF

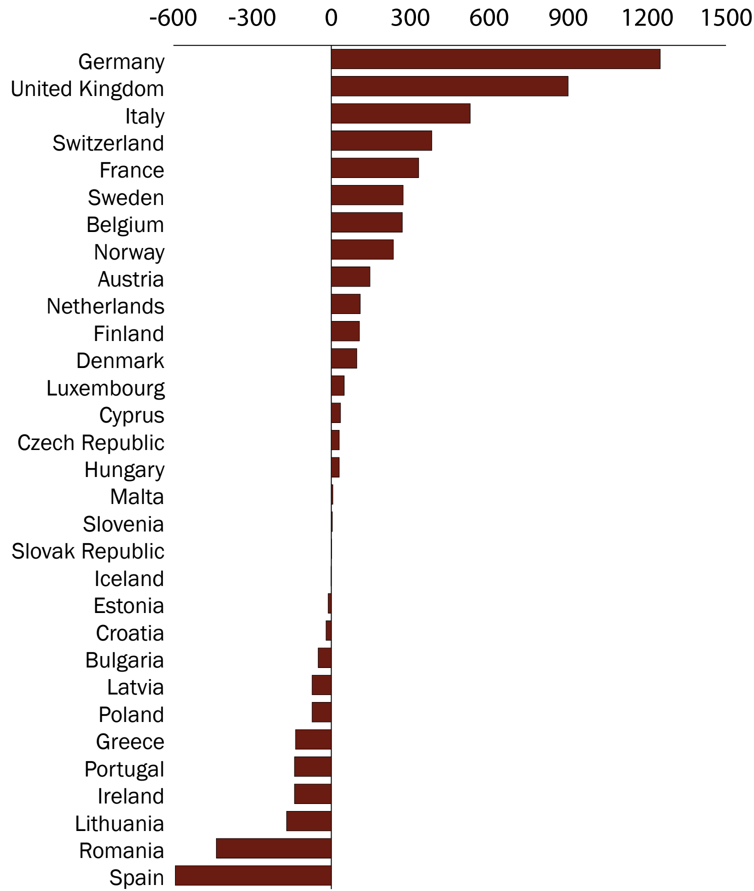
Figure 42: Net flow of migrants during five-year period

USA & Canada: 2008-12



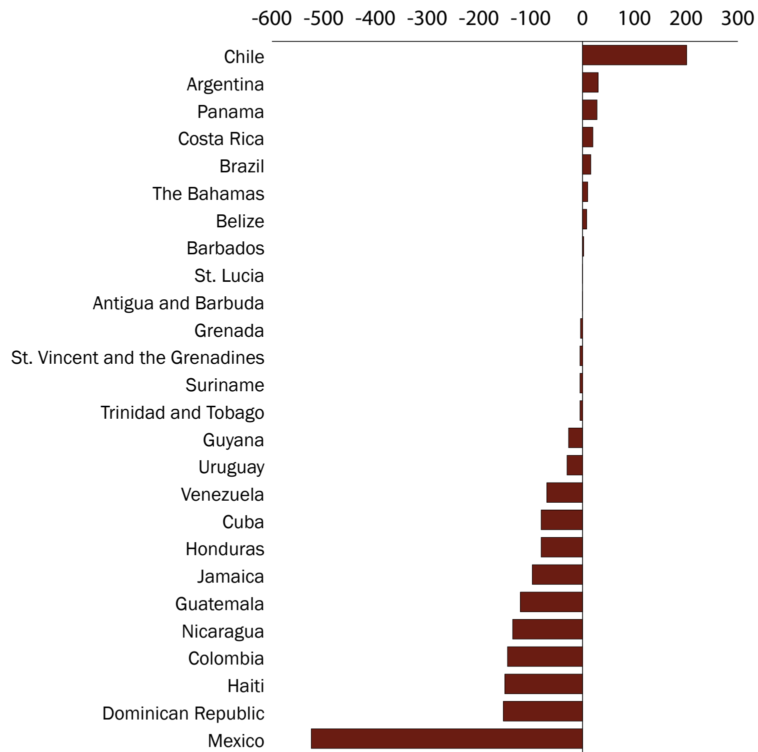
Source: author calculation based on World Development Indicators Database, World Bank

Europe: 2008-12



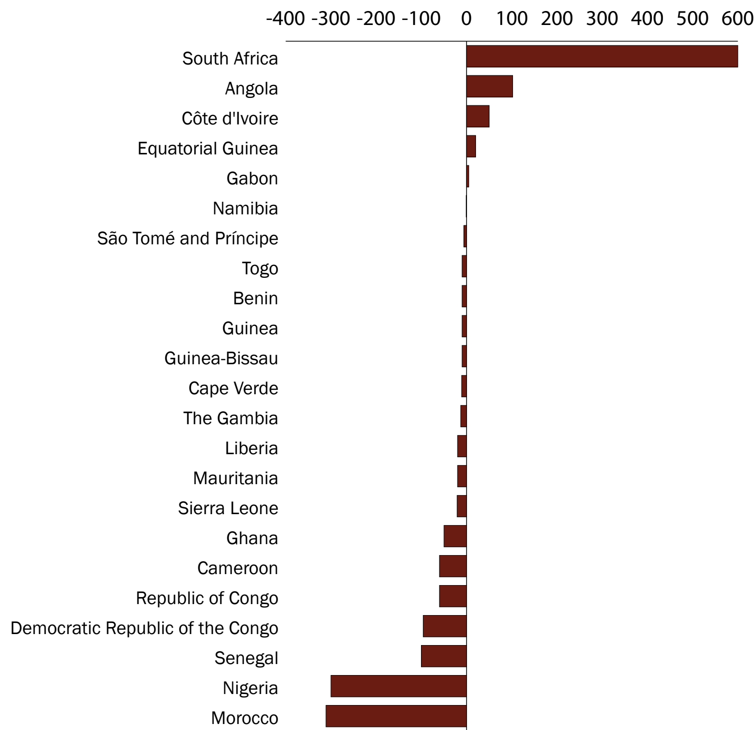
Source: author calculation based on World Development Indicators Database, World Bank

Latin America & Caribbean: 2008-12



Source: author calculation based on World Development Indicators Database, World Bank

Africa: 2008-12



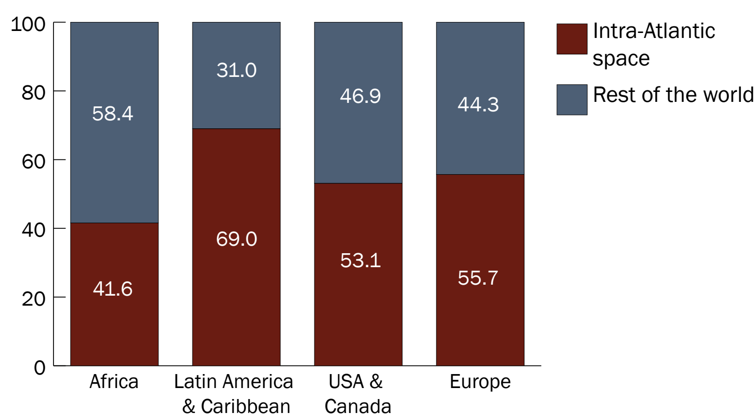
Source: author calculation based on World Development Indicators Database, World Bank

Figure 43: Total migrant population at mid-year by origin and destination in the Atlantic space, 2015 (millions)

Origin	Africa	Latin America & Caribbean	USA & Canada	Europe	Atlantic space	Rest of the world
Africa	3.60	0.01	0.04	0.67	4.32	6.07
Latin America & Caribbean	0.04	3.10	1.10	1.06	5.31	2.39
USA & Canada	1.09	20.46	1.19	6.18	28.91	25.55
Europe	4.99	3.33	0.99	22.57	31.89	25.40
Total Atlantic space					**70.43**	**59.41**

Source: author calculation based on Trends in Migrants Stock, United Nations database-2013

Figure 44: Share of intra-regional migrant population in the Atlantic space, 2015 (percent in total migrant population in the Atlantic space)



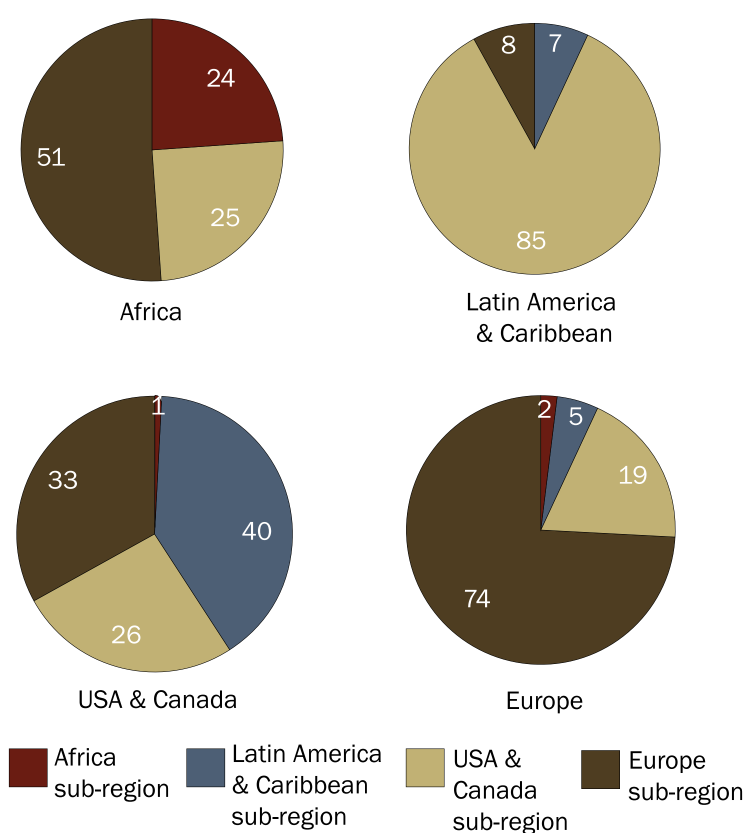
Source: author calculation based on Trends in Migrants Stock, United Nations database-2013

Figure 45: Remittances inflow toward Atlantic space sub-region (2015)

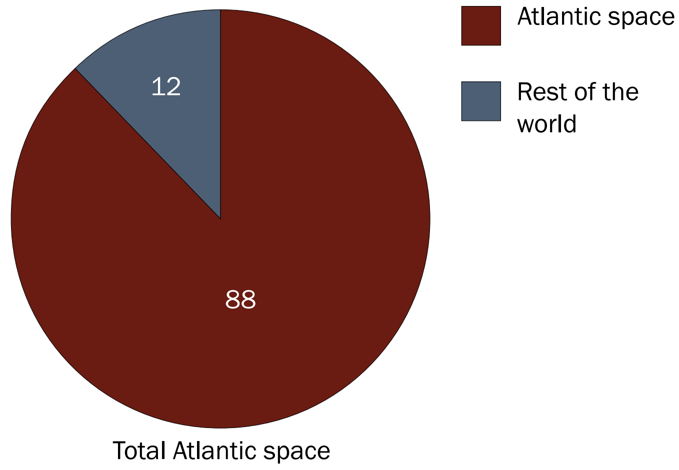
From / Toward	Africa	Latin America & Caribbean	USA & Canada	Europe	Atlantic space	Rest of the world
Africa	7,641	59	7,704	15,781	31,186	3,076
Latin America & Caribbean	16	4,161	47,215	4,406	55,798	2,252
USA & Canada	59	2,370	1,507	1,918	5,855	2,452
Europe	2,118	4,708	19,600	74,637	101,062	18,463
Total Atlantic space					**193,901**	**26,242**

Source: author calculation based on World Bank Database

Figure 46: Remittances inflow toward Atlantic space sub-region (percent share in total received remittances - 2015)



Source: author calculation based on World Bank Database



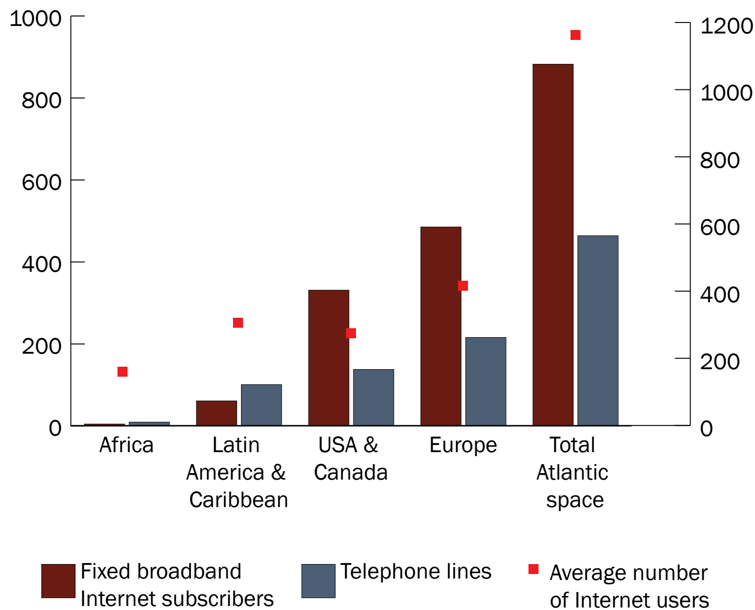
Source: author calculation based on World Bank Database

Figure 47: Population with access to communication infrastructure (2015)

	Fixed broadband Internet subscribers	Average number of Internet users	Telephone lines
Africa	4,661,190	165,009,618	9,398,225
Latin America & Caribbean	61,209,830	312,049,573	101,024,371
USA & Canada	331,253,449	271,335,795	137,893,000
Europe	485,360,640	419,276,463	215,777,934
Total Atlantic space	**882,485,109**	**1,167,671,448**	**464,093,530**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 48: Population with access to communication infrastructure (in millions, 2015)



Source: author calculation based on World Development Indicators Database, World Bank

Figure 49: Improved sanitation facilities, urban (percent with access in 2015)

Country	Percent	Country	Percent
Chile	100.0	Trinidad and Tobago	91.5
Canada	100.0	Latvia	90.8
United States	100.0	Ireland	89.1
Austria	100.0	Angola	88.6
Cyprus	100.0	Suriname	88.4
Greenland	100.0	Brazil	88.0
Malta	100.0	Mexico	88.0
Switzerland	99.9	Guyana	87.9
Spain	99.8	Bulgaria	86.8
Denmark	99.6	Honduras	86.7
Portugal	99.6	Dominican Republic	86.2
Belgium	99.5	Colombia	85.2
Italy	99.5	St. Lucia	84.7
Finland	99.4	Morocco	84.1
Slovak Republic	99.4	Panama	83.5
Germany	99.3	Cape Verde	81.6
Sweden	99.3	Equatorial Guinea	79.9
Greece	99.2	Jamaica	79.9
Czech Republic	99.1	Guatemala	77.5
Slovenia	99.1	Nicaragua	76.5
United Kingdom	99.1	South Africa	69.6
Iceland	98.7	Senegal	65.4
France	98.6	Cameroon	61.8
Norway	98.0	The Gambia	61.5
Croatia	97.8	Mauritania	57.5
Hungary	97.8	Namibia	54.5
Grenada	97.5	Gabon	43.4
Venezuela	97.5	São Tomé and Príncipe	40.8
Estonia	97.5	Benin	35.6
Luxembourg	97.5	Guinea	34.1
Netherlands	97.5	Haiti	33.6
Poland	97.5	Guinea-Bissau	33.5
Lithuania	97.2	Côte d'Ivoire	32.8
Uruguay	96.6	Nigeria	32.8
Argentina	96.2	Democratic Republic of Congo	28.5
Barbados	96.2	Liberia	28.0
Costa Rica	95.2	Togo	24.7
Cuba	94.4	Sierra Leone	22.8
Belize	93.5	Ghana	20.2
Romania	92.2	Republic of Congo	20.0
The Bahamas	92.0		

Source: author calculation based on World Development Indicators Database, World Bank

Figure 50: Improved water, rural (percent with access in 2015)

Country	Percent	Country	Percent
Argentina	100.0	St. Vincent and the Grenadines	95.1
Belize	100.0	Trinidad and Tobago	95.1
Austria	100.0	Uruguay	93.9
Belgium	100.0	São Tomé and Príncipe	93.6
Cyprus	100.0	Chile	93.3
Czech Republic	100.0	Mexico	92.1
Denmark	100.0	Costa Rica	91.9
Finland	100.0	Lithuania	90.4
France	100.0	Cuba	89.8
Germany	100.0	Jamaica	89.4
Greece	100.0	Panama	88.6
Greenland	100.0	Suriname	88.4
Hungary	100.0	Cape Verde	87.3
Iceland	100.0	Brazil	87.0
Italy	100.0	Guatemala	86.8
Luxembourg	100.0	World	84.6
Malta	100.0	Namibia	84.6
Netherlands	100.0	The Gambia	84.4
Norway	100.0	Ghana	84.0
Portugal	100.0	Honduras	83.8
Romania	100.0	Dominican Republic	81.9
Slovak Republic	100.0	South Africa	81.4
Spain	100.0	Venezuela	77.9
Sweden	100.0	Colombia	73.8
Switzerland	100.0	Benin	72.1
United Kingdom	100.0	Nicaragua	69.4
Barbados	99.7	Côte d'Ivoire	68.8
Croatia	99.7	Guinea	67.4
Slovenia	99.4	Senegal	67.3
Canada	99.0	Gabon	66.7
Bulgaria	99.0	Morocco	65.3
Estonia	99.0	Liberia	62.6
The Bahamas	98.4	Guinea-Bissau	60.3
Guyana	98.3	Nigeria	57.3
St. Kitts and Nevis	98.3	Mauritania	57.1
Latvia	98.3	Cameroon	52.7
United States	98.2	Sierra Leone	47.8
Antigua and Barbuda	97.9	Haiti	47.6
Ireland	97.8	Togo	44.2
Poland	96.9	Republic of Congo	40.0
St. Lucia	95.6	Equatorial Guinea	31.5

Country	Percent	Country	Percent
Grenada	95.3	Democratic Republic of Congo	31.2
		Angola	28.2

Source: author calculation based on World Development Indicators Database, World Bank

Figure 51: Improved water, urban (percent of urban with access in 2015)

Country	Percent	Country	Percent
Brazil	100.0	São Tomé and Príncipe	98.9
Uruguay	100.0	Belize	98.9
Canada	100.0	Guinea-Bissau	98.8
Austria	100.0	Morocco	98.7
Belgium	100.0	The Bahamas	98.4
Cyprus	100.0	Guatemala	98.4
Czech Republic	100.0	St. Kitts and Nevis	98.3
Denmark	100.0	Namibia	98.2
Estonia	100.0	Guyana	98.2
Finland	100.0	Suriname	98.1
France	100.0	Antigua and Barbuda	97.9
Germany	100.0	Ireland	97.9
Greece	100.0	Panama	97.7
Greenland	100.0	Jamaica	97.5
Hungary	100.0	Honduras	97.4
Iceland	100.0	Gabon	97.2
Italy	100.0	Mexico	97.2
Luxembourg	100.0	Colombia	96.8
Malta	100.0	World	96.5
Netherlands	100.0	Cuba	96.4
Norway	100.0	Republic of Congo	95.8
Portugal	100.0	Dominica	95.7
Romania	100.0	St. Vincent and the Grenadines	95.1
Slovak Republic	100.0	Trinidad and Tobago	95.1
Spain	100.0	Venezuela	95.0
Sweden	100.0	Cameroon	94.8
Switzerland	100.0	The Gambia	94.2
United Kingdom	100.0	Cape Verde	94.0
Latvia	99.8	Côte d'Ivoire	93.1
Barbados	99.7	Senegal	92.9
Chile	99.7	Guinea	92.7
Lithuania	99.7	Ghana	92.6
Slovenia	99.7	Togo	91.4
South Africa	99.6	Liberia	88.6
Costa Rica	99.6	Dominican Republic	85.4

Country	Percent	Country	Percent
Bulgaria	99.6	Benin	85.2
Croatia	99.6	Sierra Leone	84.9
St. Lucia	99.5	Democratic Republic of Congo	81.1
United States	99.4	Nigeria	80.8
Nicaragua	99.3	Angola	75.4
Poland	99.3	Equatorial Guinea	72.5
Argentina	99.0	Haiti	64.9
Grenada	99.0	Mauritania	58.4

Source: author calculation based on World Development Indicators Database, World Bank

Figure 52: Maritime connectivity: Average of liner shipping connectivity index[4] by sub-region in the Atlantic space (base maximum[5] value in 2004 = 100)

	2008	2012	2015
Africa	11.04	13.64	17.09
Latin America & Caribbean	12.66	16.36	16.92
USA & Canada	58.37	65.00	69.81
Europe	31.00	37.65	41.04
Atlantic space	**19.30**	**23.72**	**26.13**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 53: Domestic and international departure of air carriers registered by sub-region in the Atlantic space

	2006-08	2009-12	2013-15
Africa	280,755	361,867	433,145
Latin America & Caribbean	1,617,497	1,993,708	2,479,111
USA & Canada	10,680,124	11,004,660	3,605,721
Europe	6,049,775	6,014,589	5,821,390
Atlantic space	**18,628,151**	**19,374,824**	**19,620,738**

Source: author calculation based on World Development Indicators Database, World Bank

[4] The liner shipping connectivity index (LSCI) indicates a country's integration level into global liner shipping networks. The index base year is 2004, and the base value is on a country showing a maximum figure for 2004. LSCI is generated from five components: 1) the number of ships; 2) the total container-carrying capacity of those ships; 3) the maximum vessel size; 4) the number of services; and 5) the number of companies that deploy container ships on services from and to a country's ports. The data are derived from Containerization International Online and Lloyds List Intelligence.

[5] China's indice was 100 in 2004.

Figure 54: Overall logistics performance index (1=low to 5=high)[6]

	2010	2012	2014
Africa	2.5	2.5	2.5
Latin America & Caribbean	2.8	2.7	2.8
USA & Canada	3.9	3.9	3.9
Europe	3.5	3.5	3.6
Atlantic space	**3.1**	**3.0**	**3.1**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 55: Population in Atlantic space by sub-region (2015)

	Population size	Share in Atlantic space population (percent)	Share in world population (percent)
Africa	522,422,872	27	7
Latin America & Caribbean	558,009,945	28	8
USA & Canada	357,270,594	18	5
Europe	523,538,195	27	7
Atlantic space	**1,961,241,606**	**100**	**28**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 56: Urban and rural populations in Atlantic space (2015)

	Population size		Share in Atlantic space population (percent)	
	Urban	Rural	Urban	Rural
Africa	261,841,066	260,581,806	50	50
Latin America & Caribbean	451,622,250	246,582,012	65	35
USA & Canada	291,669,188	240,553,857	55	45
Europe	391,896,834	243,955,868	62	38
Atlantic space	**1,397,029,337**	**233,372,939**	**86**	**14**

Source: author calculation based on World Development Indicators Database, World Bank

[6] Logistics Performance Index overall score reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5, with a higher score representing better performance. Data are from Logistics Performance Index surveys conducted by the World Bank in partnership with academic and international institutions and private companies and individuals engaged in international logistics. The 2009 round of surveys covered more than 5,000 country assessments by nearly 1,000 international freight forwarders. Respondents evaluate eight markets on six core dimensions on a scale from 1 (worst) to 5 (best).

Figure 57: Atlantic space population by gender (2015)

	Population size		Share in Atlantic space population (percent)	
	Male	Female	Male	Female
Africa	261,969,902	260,452,970	50.2	49.9
Latin America & Caribbean	275,697,085	282,312,860	49.4	50.6
USA & Canada	177,100,447	180,170,147	49.6	50.4
Europe	255,986,673	267,551,522	48.9	51.1
Atlantic space	**970,754,107**	**990,487,499**	**49.5**	**50.5**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 58: Average value of food production (international $ per capita)

	2008-2010	2011-2013
Africa	164.9	167.2
Latin America & Caribbean	320.5	336.5
USA & Canada	712.5	707.0
Europe	438.8	433.5
Atlantic space	**334.5**	**338.0**
World	**300.0**	**311.0**
Standard deviation across Atlantic space countries	**233.5**	**240.1**

Source: author calculation based on FAO Database

Figure 59: Domestic food price volatility index[7] (three-year average)

	2009-2011	2012-2014
Africa	12.7	9.3
Latin America & Caribbean	8.5	7.1
Europe & Canada*	8.0	7.2
Atlantic space	**9.4**	**7.7**

Source: author calculation based on FAO Database
*Data for the United-States are not available in the FAO database.

[7] The Domestic Food Price Volatility is a measure of variation of the Domestic Food Price Level Index. It has been computed as the standard deviation (SD) of the deviations from the trend over the previous five years.

Figure 60: Prevalence of undernourishment in developing countries in the Atlantic space (three-year average in percent)[8]

Africa sub-region			Latin America & Caribbean sub-region		
	2011-13	2014-16		2011-13	2014-16
Angola	17.5	14.2	Argentina	<5	<5
Benin	10.8	7.5	Barbados	<5	<5
Cape Verde	11.4	9.4	Belize	5.9	6.2
Cameroon	10.8	9.9	Brazil	<5	<5
Congo	28.3	30.5	Chile	<5	<5
Côte d'Ivoire	14.1	13.3	Colombia	11.1	8.8
Democratic Republic of the Congo	<5	<5	Costa Rica	5.4	<5
Equatorial Guinea	<5	<5	Cuba	<5	<5
Gabon	<5	<5	Dominica	<5	<5
Gambia	6.1	5.3	Dominican Republic	14	12.3
Ghana	<5	<5	Guatemala	14.8	15.6
Guinea	17.5	16.4	Guyana	11.6	10.6
Guinea-Bissau	22.4	20.7	Haiti	49.3	53.4
Liberia	34.2	31.9	Honduras	13.7	12.2
Mauritania	7.1	5.6	Jamaica	8.5	8.1
Morocco	<5	<5	Mexico	<5	<5
Namibia	40.2	42.3	Nicaragua	18.5	16.6
Nigeria	6.3	7	Panama	12	9.5
São Tomé and Príncipe	5.9	6.6	Saint Vincent and the Grenadines	6.3	6.2
Senegal	16.6	24.6	Suriname	8.3	8
Sierra Leone	25	22.3	Trinidad and Tobago	9.3	7.4
South Africa	<5	<5	Uruguay	<5	<5
Togo	17.1	11.4	Venezuela	<5	<5

Source: author calculation based on FAO Database

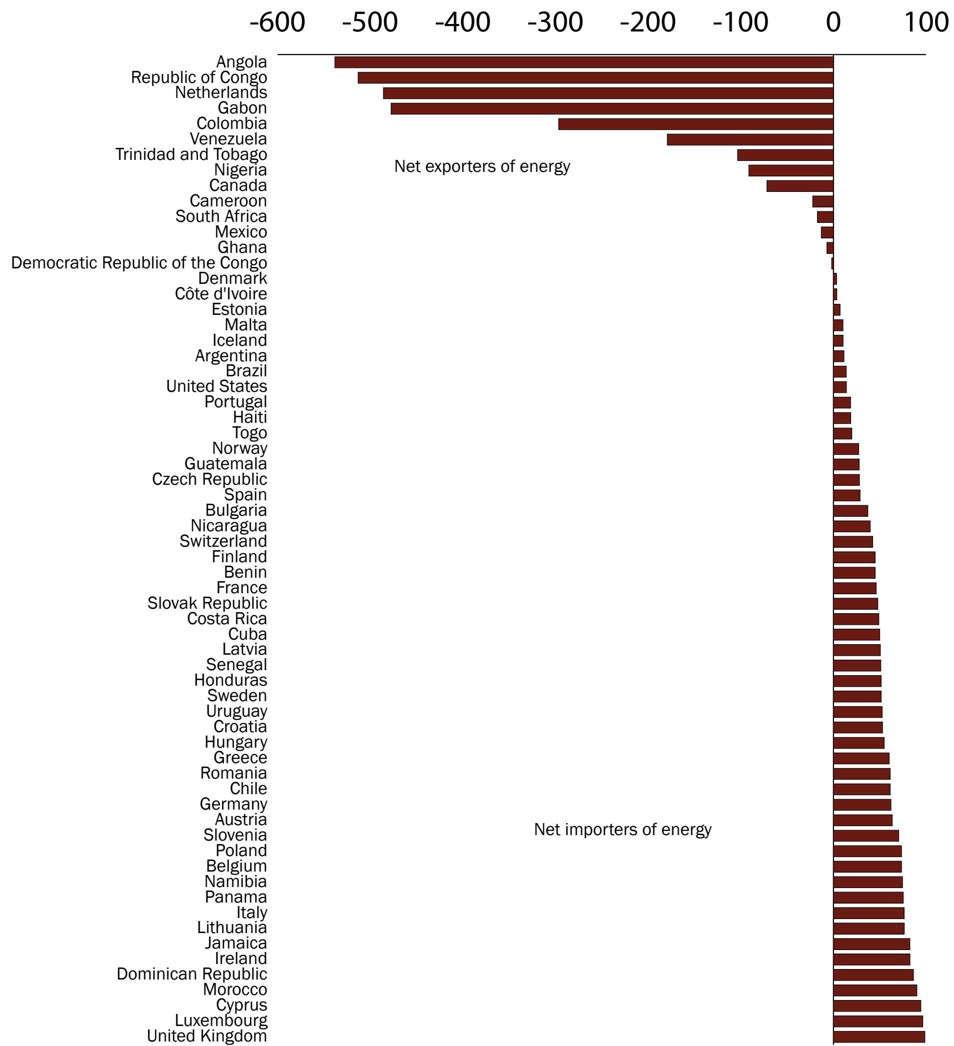
[8] The Prevalence of Undernourishment expresses the probability that a randomly selected individual from the population consumes an amount of calories that is insufficient to cover her/his energy requirement for an active and healthy life.

Figure 61: Value of food imports over total merchandise imports (three-year average, in percent)

	2009-11	2012-14
Africa	20.3	20.1
Latin America & Caribbean	14.0	14.4
USA & Canada	6.4	6.5
Europe	10.2	10.5
Atlantic space	**13.4**	**13.5**

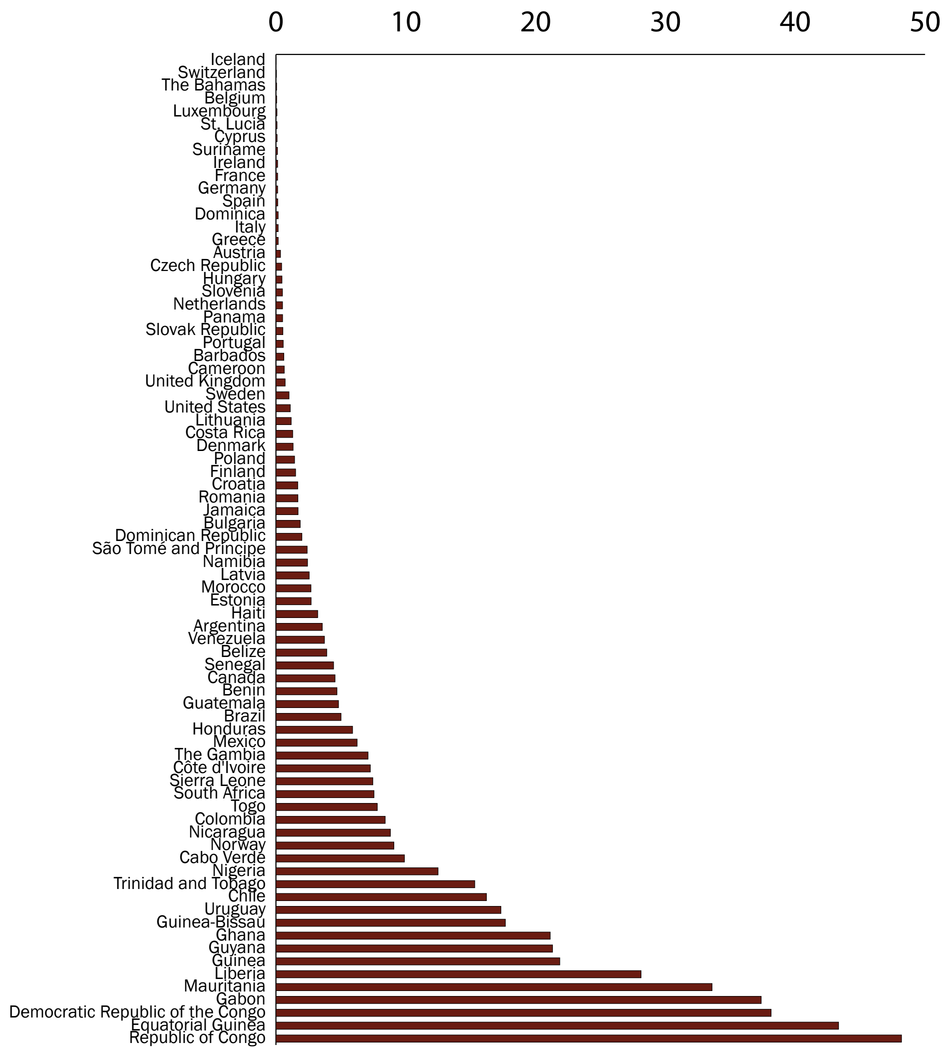
Source: author calculation based on World Development Indicators Database, World Bank
*Counties for which data are unavailable in the WDI database are not included

Figure 62: Energy imports, net (percent of energy use in 2013)



Source: author calculation based on World Development Indicators Database, World Bank

Figure 63: Natural resources rent by country in the Atlantic space (2014, percent of GDP)[9]



Source: author calculation based on World Development Indicators Database, World Bank

[9] Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents. Oil rents are the difference between the value of crude oil production at world prices and total costs of production.

Figure 64: Total natural resources rent by sub-region in the Atlantic space (percent of GDP, three-year average)

Average by sub-region	Oil rents		Total natural resources rents	
	2009-11	2012-14	2009-11	2012-14
Africa	10.7	13.0	21.5	19.6
Latin America & Caribbean	2.7	3.7	6.4	6.0
USA & Canada	0.1	0.1	3.1	3.1
Europe	0.5	0.6	1.2	1.1
Atlantic space	**4.0**	**5.0**	**8.4**	**7.8**

Source: author calculation based on World Development Indicators Database, World Bank

Figure 65: Energy imports by sub-region, net (percent of energy use, three-year average)

	2008-10	2011-13
Africa	-156.0	-115.5
Latin America & Caribbean	5.5	-0.4
USA & Canada	-16.1	38.0
Europe	31.8	30.8
Atlantic space	**-17.7**	**-9.7**

Source: author calculation based on World Development Indicators Database, World Bank
*Counties for which data are unavailable in the WDI database are not included

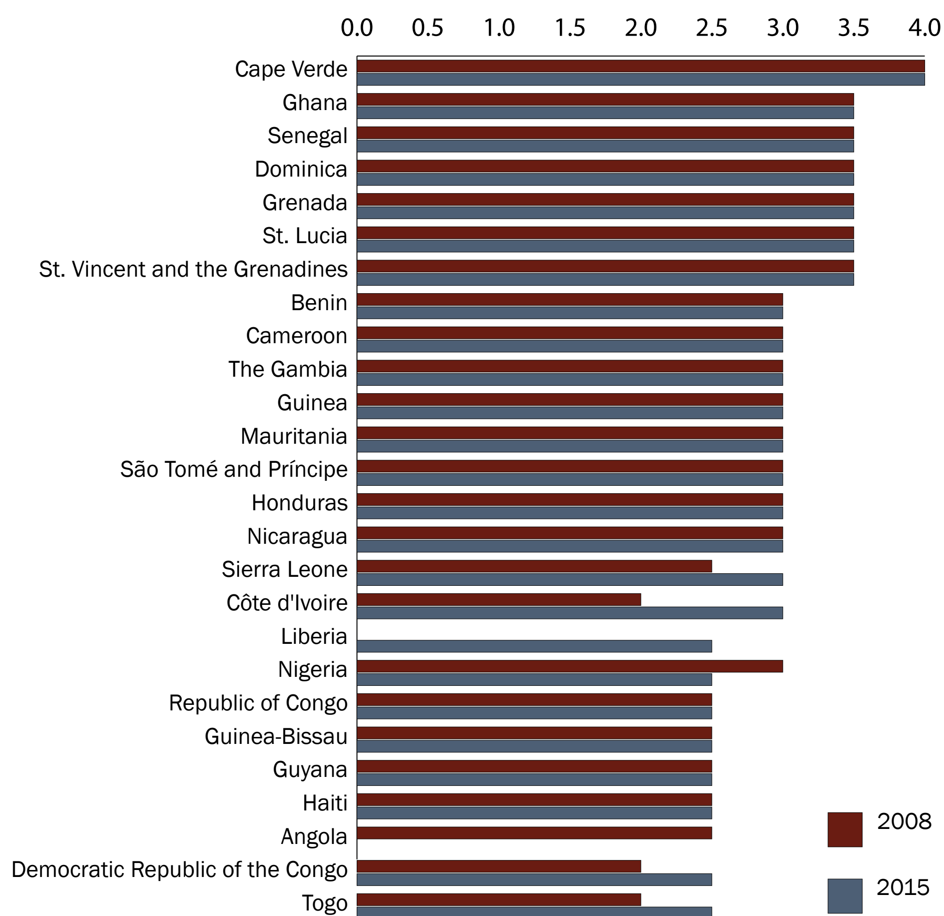
Figure 66: Corruption perception ranking by sub-region (Percentile Rank, 2014)

Country	Rank	Country	Rank
Latin America & Caribbean		Europe	
Venezuela	5	Bulgaria	49
Haiti	8	Greece	51
Nicaragua	19	Romania	53
Dominican Republic	23	Italy	55
Honduras	24	Slovak Republic	60
Mexico	26	Hungary	61
Guyana	27	Croatia	62
Guatemala	28	Czech Republic	65
Suriname	31	Latvia	66
Argentina	33	Lithuania	69

Country	Rank	Country	Rank
Trinidad and Tobago	34	Spain	70
Colombia	43	Poland	71
Jamaica	44	Slovenia	75
Brazil	44	Portugal	79
Panama	46	Cyprus	82
Belize	52	Greenland	84
Cuba	59	Estonia	88
Grenada	64	France	88
St. Kitts and Nevis	64	Austria	90
St. Lucia	67	Belgium	91
Dominica	73	Ireland	92
St. Vincent and the Grenadines	73	United Kingdom	93
Antigua and Barbuda	74	Iceland	94
Costa Rica	75	Germany	95
Barbados	82	Netherlands	96
Bermuda	87	Luxembourg	97
The Bahamas	89	Sweden	98
Uruguay	90	Finland	98
Chile	91	Switzerland	99
USA & Canada		Norway	99
United States	89	Denmark	100
Canada	94		
Africa			
Guinea-Bissau	3	Liberia	25
Angola	3	The Gambia	29
Democratic Republic of Congo	7	Gabon	30
Nigeria	7	Côte d'Ivoire	42
Republic of Congo	9	Morocco	50
Cameroon	10	Ghana	51
Guinea	13	São Tomé and Príncipe	53
Sierra Leone	16	South Africa	54
Togo	17	Senegal	58
Mauritania	18	Namibia	63
Benin	24	Cape Verde	80

Source: author calculation based on World Governance indicators Database, World Bank

Figure 67: CPIA[10] quality of public administration rating (1=low to 6=high)



Source: author calculation based on World Development Indicators Database, World Bank

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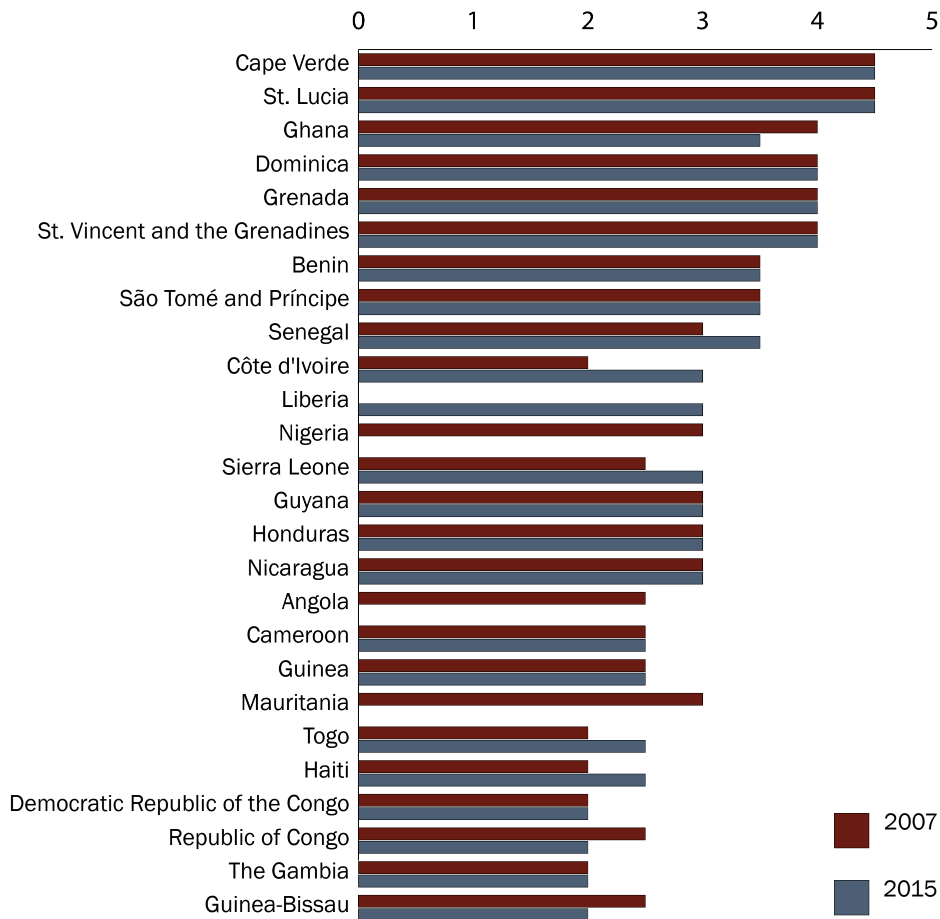
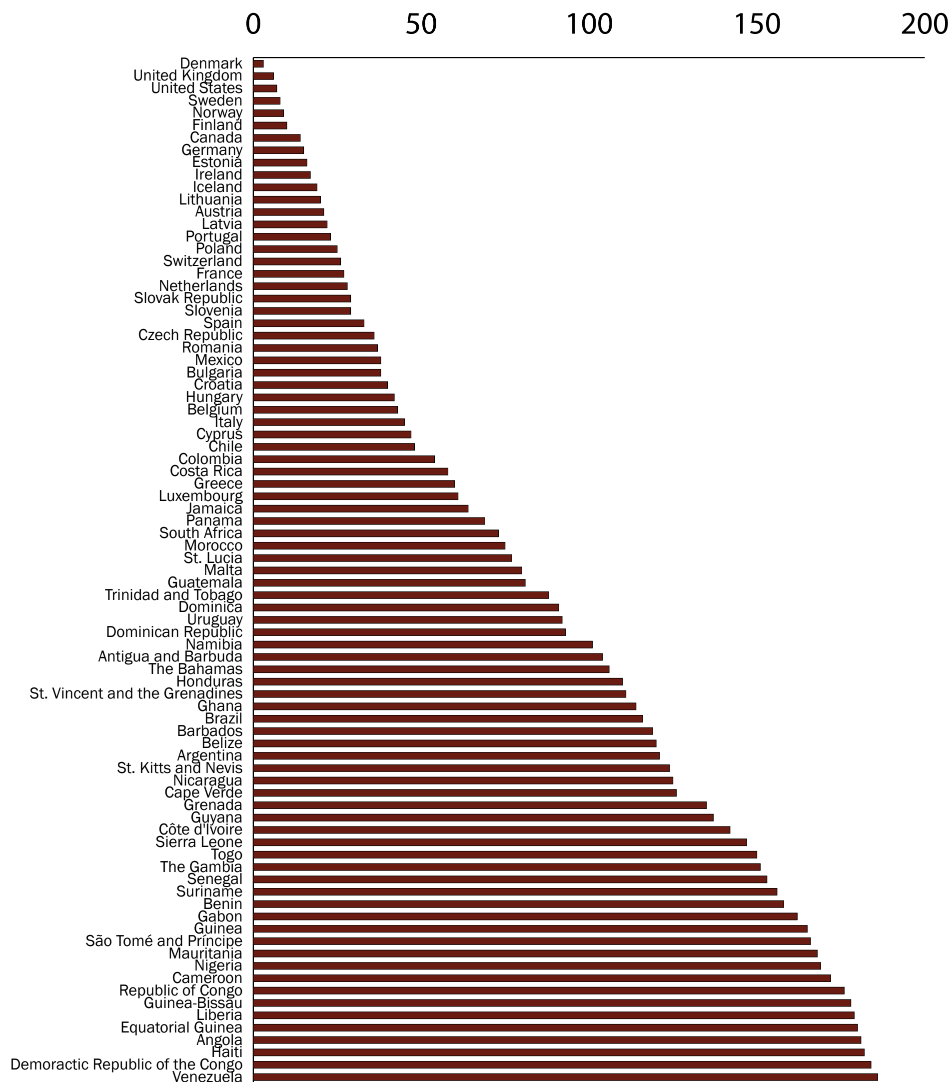
[10] The Country Policy and Institutional Assessment is a project of the World Bank that rates countries against a set of 16 criteria grouped in four clusters: 1) economic management; 2) structural policies; 3) policies for social inclusion and equity; and 4) public sector management and institutions. These two metrics are only available for a limited number of countries.

Figure 68: CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high)



Source: author calculation based on World Development Indicators Database, World Bank

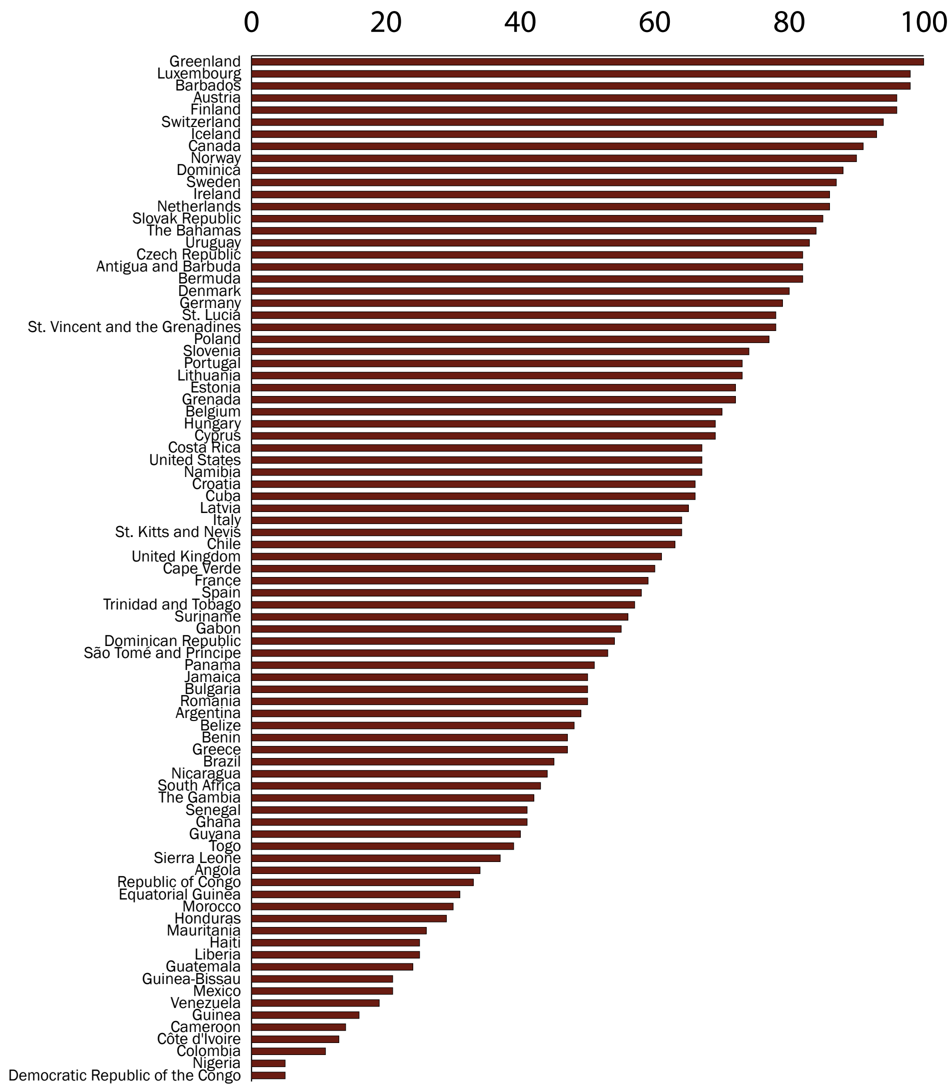
Figure 69: Atlantic space countries ranking according to The Doing Business Project (2015)[11]



Source: author calculation based on World Development Indicators Database, World Bank

[11] Ease of doing business ranks economies from 1 to 189, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on ten topics covered in the World Bank's Doing Business Project. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

Figure 70: Political stability and absence of violence/terrorism (percentile rank, 2014)[12]



Source: author calculation based on World Development Indicators Database, World Bank

[12] Political stability and absence of violence/terrorism captures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better political stability and absence of violence scores.

Figure 71: Military expenditure (percent of central government expenditure)[13]

Country	2007-09	2010-12	Country	2007-09	2010-12
Africa sub-region			Europe		
Angola	16.5	14.1	Austria	2.3	2.1
Benin	6.9	7.5	Belgium	2.8	2.4
Cape Verde	2.4	2.4	Bulgaria	7.1	5.2
Democratic Republic of the Congo	7.3	10.2	Croatia	5.1	4.7
Republic of the Congo	6.7	-	Cyprus	3.4	4.9
Côte d'Ivoire	10.8	10.2	Czech Republic	4.1	3.3
Equatorial Guinea	44.5	-	Denmark	3.6	.3.
The Gambia	4.4	-	Estonia	6.9	5.4
Ghana	2.4	1.6	Finland	3.7	3.6
Liberia	2.7	3.5	France	5.2	4.7
Morocco	11.3	10.6	Germany	4.5	4.5
Namibia	11.7	11.1	Greece	6.3	4.9
Nigeria	8.5	9.5	Hungary	2.7	2.1
Senegal	9.8	9.9	Iceland	0.5	0.4
Sierra Leone	7.6	4.0	Ireland	1.5	1.2
South Africa	3.9	3.5	Italy	4.3	4.1
Togo	13.0	11.3	Latvia	5.4	3.2
Africa (Average)	**10.0**	**7.8**	Lithuania	4.2	3.0
Latin America & Caribbean			Luxembourg	1.5	1.6
Belize	5.1	4.3	Malta	1.3	1.5
Brazil	5.7	5.7	Norway	4.6	4.2
Chile	12.6	10.5	Portugal	4.8	4.5
Colombia	15.5	13.4	Romania	4.4	3.6
Dominican Republic	4.5	4.5	Slovak Republic	4.5	3.3
Guatemala	3.3	3.3	Slovenia	4.0	3.2
Honduras	4.1	4.7	Spain	4.3	3.1
Jamaica	2.3	2.5	Sweden	4.0	3.8

[13] The table includes only Atlantic space countries for which data are available in the World Development Indicators Database.

Country	2007-09	2010-12	Country	2007-09	2010-12
Nicaragua	3.4	3.7	Switzerland	4.6	4.3
Trinidad and Tobago	2.7	-	United Kingdom	5.8	5.6
Uruguay	7.2	6.4	**Europe (Average)**	**4.1**	**3.5**
Latin America & Caribbean	**6.0**	**5.9**	**Atlantic space**	**6.4**	**5.4**
USA & Canada					
Canada	7.2	7.1			
United States	18.5	17.9			
USA & Canada (Average)	**12.8**	**12.5**			

Source: author calculation based on World Development Indicators Database, World Bank

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