



TEXAS MODEL UNITED NATIONS 2019-20



Chair Report

United Nations Economic & Social Council

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<https://www.un.org/ecosoc/en/>

REPORT: Economic Stimulus in Africa

Introduction

Economic stimulus is a plan to boost the economy and achieve positive effects like increased job creation, jumpstart frozen credit markets, restore consumer spending etc. using fiscal policy like government spending and tax measures. Most African economies stagnated during the 19th-20th centuries, ending in ruins partly due to lop-sided trade with the rest of the world. During this time Africa also experienced major governance deficiencies, mismanagement and corruption. Africa's economy only began to take off in the early 2000's as the political situation improved, national governments began to crack down on corruption and patronage, macroeconomic growth plans aimed at improving living conditions began to be implemented, and millions of Africans continued to flock to the cities in search of jobs and other amenities. For African countries the structural transformation of the individual economies of each nation would best be achieved by the development of home-grown policies and strategies that spur growth of production in various sectors.

General Overview

Africa is the world's second largest continent and it has the second largest population after Asia. The African continent covers an area of 30.2 million square km which is equivalent to almost 20.4% of the total land area. Africa is surrounded by Mediterranean Sea, Suez Canal and the Red Sea, Indian Ocean, Atlantic Ocean and Sinai Peninsula. The Africa economy is as diverse as the region. The southern parts are prosperous whereas the other parts struggle for stability. The African economy has huge growth potential due to the availability of natural resources and a young population.

Africa's per capita GDP is extremely low and that is why it is the poorest continent. The weakest economies in Africa are Somalia and Malawi with as low as \$600 and \$596 per capita GDP. The richest countries of Africa are South Africa and Egypt. The Africa economy requires an industrial impetus to bring it out of poverty as it is the store of some of the rarest metals and precious stones. Africa has almost 90% of the world's cobalt, 50% of gold 90% of platinum, 70% of tantalite, 98% of chromium, 64% of manganese and 33% of uranium.

The foreign aid arena in Africa has traditionally been dominated by the Organization of Economic Co-operation and Development (OECD) countries. Recently, the African Continental Free Trade Area is a landmark



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achievement, in the context of the continent's long and rich history, in fostering regional integration to unify the continent. The African Continental Free Trade Area will lead to the creation of a single continental market of more than 1.3 billion people, with a combined annual output of \$2.2 trillion. Realizing the full potential gains from the African Continental Free Trade Area will require a broad range of complementary policies, to address multiple challenges, designed to enhance an emerging trade–industrialization nexus on the continent: from business and trade facilitation to infrastructure, from productive capacities to entrepreneurship policies. The African Continental Free Trade Area is Africa's renewed opportunity to steer its economic relations away from a reliance on external donors, foreign creditors and excessive commodity dependence, ushering in instead a new economic and political era focused on self-reliant cooperation, deeper integration and higher levels of intra- African trade. The African Continental Free Trade Area could boost African economies by harmonizing trade liberalization at the continental level, promote economic diversification and intra-African trade, and foster a more competitive manufacturing sector.

Over the last three decades non-traditional donors such as China, have emerged. In the 1960s Africa provided China with an opportunity to increase its political and diplomatic reach. Chinese interest in the continent came about in part as a result of political tensions between China and the Soviet Union as well as increased American and Japanese competition in Asia. In addition to political motives, Africa presented China with economic opportunities.

Although the benefits of Chinese aid in Africa are clear in health and infrastructure projects, including the provision of medicine, the training of health workers as well as the construction of transport infrastructure, there are some drawbacks to the aid. This suggests that there is a need to re-assess the type of Chinese aid sub-Saharan countries accept and to make sure that the aid ties in with these countries' development agendas.

Major Parties Involved

1) *African Continental Free Trade Area*

The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia in January 2012, adopted a decision to establish a Continental Free Trade Area (CFTA) by an indicative date of 2017. The Summit also endorsed the Action Plan on Boosting Intra-Africa Trade (BIAT) which identifies seven clusters: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration. The CFTA brought together fifty-four African countries with a combined population of more than one billion people and a combined gross domestic product of more than US \$3.4 trillion. It also expanded intra-African trade through better harmonization and coordination of trade liberalization and facilitation and instruments across Africa in general. The CFTA is also enhanced competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources. The establishment of the CFTA and the implementation of the Action Plan on Boosting Intra-African Trade (BIAT) provide a comprehensive framework to pursue a developmental regionalism strategy.



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2) Organization of Economic Co-operation and Development (OECD) countries

OECD stands for Organization for Economic Co-operation and Development (OECD). It is an organization for developed countries that accept the principles of representative democracy and a free market economy.

3) China

Throughout the African continent, Chinese investment are largely concentrated in transport and energy. China has largely invested in Nigeria's railway. The country is also involved in building railways in Kenya, Ethiopia, and Zambia, among others. For instance, the Chinese Export-Import Bank provided 85 percent of the funding for the \$475 million Addis Ababa Light Rail, which serves 4 million of the city's residents. The investments in energy—though mainly made up of oil and gas investments—also comprised investment in clean energy such as hydropower. Chinese investment in Africa has noticeably increased over the past decade, investments toward Africa sharply increased after the 2015 FOCAC summit, where China committed \$60 billion to the continent. Investments have been geographically concentrated in oil rich countries, like Nigeria and Angola, and in the transport and energy sectors.

1) Sub-Saharan countries in Africa

The largest Sub-Saharan economies in Africa are:

South Africa – \$566 Billion

Nigeria – \$168 Billion

Sudan – \$86 Billion

Ethiopia – \$72 Billion

Ghana – \$65 Billion

Congo – \$46 Billion

Angola – \$46 Billion

Uganda – \$4 Billion

Kenya – \$42 Billion

Cameron – \$38 Billion

These countries have the most investments from China and other nations.

Timeline of Key Events

1958: - ECA was established by the Economic and Social Council of the United Nations in 1958 as one of the five regional commissions of the United Nations that, together with partners and member States, consecutively



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work towards sustainable development in Africa. ECA focuses on providing technical assistance by undertaking research and policy analysis to strengthen the capacity of institutions driving the regional integration agenda, including the African Union, regional economic communities and member States.

1963: - The AfDB Group, as a financial institution, was created as a response to a need for deeper cooperation in investments of public and private capital in projects that are likely to contribute to the economic and social development of the African continent. The main objectives of the Group have been to mobilize and allocate resources for investments in member States and provide policy advice and technical assistance that supports the development efforts on the continent.

1980: - The Lagos Plan of Action - The Lagos Plan of Action was borne out of the necessity for continental and national self-sufficiency and the creation of a self-reliant continental economy.

1991: - Abuja Treaty - The Abuja Treaty is arguably the most important agreement as regards economic, social and political collaboration, coordination and convergence in Africa as it lays out the future of the continent with the establishment of an African Economic Community. The integration process is set to cover a period of 34 years from 1994 to 2028.

2002: - New Partnership for Africa's Development (NEPAD) - New Partnership for Africa's Development (NEPAD) was ratified by the African Union in 2002 in Durban, to deal with Africa's development problems in a new paradigm. A practical example is the program for Infrastructure Development in Africa, which is an initiative that comprises several cross-border infrastructure projects in the sectors of: transport, energy, water, and information and communications technology.

2009: - MINP – The fourth Conference of African Ministers of Integration adopted the Minimum Integration Program on 9 May 2009. The program contains an action plan to accelerate coordination, convergence and collaboration among the regional economic communities to achieve the ultimate objective of the African Economic Community.

Past Attempts at Resolving This Issue

African countries have embraced regional integration as an important component of their development strategies primarily driven by the economic rational of overcoming the constraint of small and fractioned economies working in isolation.

Investing in Africa Forum (IAF): - IAF was established in 2015 as platform for multilateral cooperation to promote Chinese investments in Africa. The Forum consists of a partnership between the World Bank Group and the China Development Bank (CDB), with the strong support of the Chinese Ministry of Finance. The IAF is intended to be an annual multi-stakeholder gathering, bringing together representatives of the public and private sectors from China and African countries, international and continental institutions, development partners and think tanks to deepen policy dialogue, share experience and discuss business opportunities to promote investment activities in Africa.



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Suggested Websites

- The World Bank Group is strengthening its partnership with China in support of development in Africa
<https://www.worldbank.org/en/news/press-release/2016/09/08/world-bank-and-china-scale-up-support-for-africa>
- Africa Faces Some Risks with China's Investments
<https://learningenglish.voanews.com/a/african-countries-face-some-risks-with-china-s-investments-/4482082.html>
- African Economy Outlook
<http://www.oecd.org/dev/africaneconomicoutlook2011.htm>
- Africa Economy
https://www.economywatch.com/world_economy/africa/
- United Nations Conference on trade and development
<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2463>