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HARARE INTERNATIONAL SCHOOL

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ZIMUN XI

The Cost of Innovation:

Navigating the Ethical Responsibilities of Technological Advancements and Societal Change for Inclusive, Sustainable Development in a Globalised World

African Union

Evaluating the ethical implications of foreign investment in African technology, amidst rising debt.

Committee: African Union

Issue: Evaluating the ethical implications of foreign investment in African technology, amidst rising debt

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Position: Co-chair

INTRODUCTION

The change in revolution of the upcoming technologies has gained a notable recognition across Africa. Africa has observed increased innovation and emerging technology outputs for socio-economic development. This includes the utilisation of drone technology, artificial intelligence enabled drones for disaster management, digitisation of transport management systems, biotechnology and bioengineering of crops, vegetables, produce and animals. Nanotechnology for water treatment and drug delivery. Emerging technologies are allowing for better social economic solutions.And alternatives to Africa's developmental challenges. However, this innovation is accompanied by ethical concerns peculiarly with reference to the rising national debt, economic dependence and potential exploitation of local resources.

DEFINITION OF KEY TERMS

- **Innovation**: the implementation of new ideas, methods, or products to create value
- **Venture capitalists:** investors
- **Debt distress:** when a country is unable to pay its debts
- **Reimbursing:** repay the debts
- **Repose:** laid of their debt burden
- **Apprehension**: concern
- **Exacerbating**: make (a problem, bad situation, or negative situation) worse.

BACKGROUND ON THE ISSUE

The medical concern surrounding foreign investment in African technology, especially in relation to the rising debt, can be dated back to the post colonial era, whereby many African nations searched for global partnerships to evolve their economy and infrastructure. At first, their investments were solemnly concentrated on agriculture and resource extraction until in the 21st century, their digital economy began rising and foreign capitalists were attracted by Africa's growing technologies sector given the opportunities it came with.

Between the 1980s and 1990s, the issues of debt built up became outstanding given that many african countries loaned out huge , amounts of money from western nations and international institutions such as the International Monetary Fund (IMF) and the world bank

The past two decades , foreign investment in African technology has escalated , which is influenced by mobile money systems and the number of people that now use the internet. countries like China , USA and European nations have expanded their shares in African technology firms through development loans , venture capitals and public or private partnerships.

To a greater extent, the issue has escalated. considering the debt levels skyrocketing. Some African nations are facing difficulties with reimbursing loans, leading to renegotiations and bailouts. Some countries have faced debt distress, which further made them doubt their economy’s strength and how vulnerable it is, examples are Zambia, Ghana and Ethiopia. The COVID-19 pandemic exacerbated the economy and made debt payment most strenuous. However, on the other hand efforts have been made to tackle the the challenges the G20’s Debt Service Suspension Initiative (DSSI) has given a short-term repose for some African nations.These African nations have also become more strategic by coming to terms with better deals.The African nations have also established Plan African initiatives that target to strengthen intra-African investments and implement the reduction of dependency on foreign capital

African Governments are affected in such a way that they are struggling to balance the economic growth and the ability to pay off the debt Thus their sovereignty has been lowered. Local businesses and start ups face unfair competition, loss of ownership and a possibility of exploitation of their local resources Despite them benefiting from the investments. Citizens and workers can experience both job creation and economic hardships If implausible debt leads to economic deflation. foreign investors and government acquire economic and strategic favourable circumstances , but may experience reputational risks if their buying of shares is considered or seen as exploitative

The issue is significant and critical to the global economy because in the context of economic stability the rising debt in Africa has an impact on global financing markets and trade inflows. Ethically unfair investments and unsustainable debts can lead to economic crisis, Social unrest like demonstrations and poverty. Given that majority of Africa's digital infrastructure is controlled and managed by foreign organisations it highlights the apprehension of data privacy cyber security and digital colonisation

CURRENT CONTEXT

China has increased its involvement in the innovation of technology in Africa. in September 2024 during the forum on China, Africa cooperation summit about almost 51 billion dollars. Was solemnly promised by President Xi Jinping to financially aid African nations in a span of 3 years. This dedication includes projects and a target to generate at least one million jobs across Africa's continent.

Mentioned in an article Africa's external debt was $1.152 trillion by the end of 2023 in 2024, Africa faced a substantial debt servicing requirement of $163 billion dollars, a significant increase from 61 billion dollars in 2010. The exacerbating debt burden has expressed worries about the sustainability of foreign investments and their long-term effect on Africa.

Venture capital in African technology 2024 Africa's venture capital market stabilised with $32 billion equity and debt funding across 532 deals, a 7% decrease from 2023. This balance follows a notable 46% drop in funding between 2022 and 2023

Economic growth projections

Sub saharan Africa's growth is seen to rise from 3.4% in 2023 to 3.8% in 2024 reckoning to reach 4% in 2025. Despite this, the region still struggles with high debt levels and financing difficulties

MAJOR COUNTRIES AND ORGANIZATION INVOLVED

The AU promotes fair investment policies and regional economic integration through initiatives like the African continental free trade area (AfCFTA) The African nations benefit from the foreign investments but have to face the difficulties that come with it like debt sustainability and economic strength. The AU has urged for debt relief programs and better investment terms that are in favour of the African nations

The International Monetary Fund (IMF) and the world bank assist with finance and policy guidance to African countries.Their loans have substantially played a role in Africa's debt burden, they have implemented debt relief program like the AU advocated for a reduction in debt or a renegotiation of the debts

China As stated, this significantly increased its involvement with African nations Thus the investments may have raised concerns about the debt levels increasing with some critics looking at this situation as a "debt-trap diplomacy". in reaction to this, China has restricted some debts and further highlights mutual development and corporation

European union

The EU seeks to unify with Africa through incentives that focus on sustainable infrastructure and digital transformation. In context of Chinese investments the EU offers an alternative to their investments however the projects are more strict therefore slowing down implementation

USA

They have been engaged with African nations through ambitions like Prosper Africa and investments by the US International Development Finance Corporation.These attempts were to encourage and support African development but have been compared to Chinese investments and said to have been less impactful. The USA responded by advocating substitute funding mechanisms and highlighted the significance of transparent sustainable investments.

TIMELINE OF KEY EVENTS

2000: - The forum on China-africa cooperation (FOCAC) marking the beginning of structured economic and political relations between China and African nations

2007-2020: - 21 African countries access international debt markets Many for the first mostly through eurobonds , leading to increased external debt exposure

2015: - At the FOCAC Summit in Johannesburg, China announces a $60 million package that consists of subsidising lending and state backed investment to support african development

2020: - The Covid-19 pandemic lead to a significant reduction in Chinese loan to African Nations

2023: - Chinese landing to africa increases to $4.615 billion marking the first rise since 2016 with significant loans for infrastructure projects in Nigeria and in Egypt

September 2024: - FOCAC Summit in Beijing, President Xi Jinping pledged nearly 51 billion dollars in the form of financial support that will cover over three years for the African nations.

RELEVANT UN RESOLUTIONS, TREATIES, & EVENTS

United Nations General Assembly Resolution 69/319 (2015)

UN adopts landmark debt resolution on principles for sovereign debt restructuring

PREVIOUS ATTEMPT TO SOLVE THE ISSUE

Heavily in debt poor countries (HIPC) initiative (1996)

Launched by the international monetary fund and world bank, it aimed to deduct the debt burdens on the poorest countries in the world. To date, 37 countries, 31 of which are in Africa have been given over $100 billion in debt relief through this initiative

Debt service suspension initiative (DSSI) 2020

It was a response to the economic impact caused by the COVID-19 pandemic. The 620 introduced the DSSI to suspend the debt payments for the poorest countries only for a short time, allowing them to focus their resources on fighting the pandemic. This initiative provided immediate liquidity relief but it didn't not lessen the overall debt burden.

POSSIBLE SOLUTIONS

- Encouraging technology investments
- Transparent and accountable governance
- Strengthen African financial dependence

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