Australian Government
Department of Foreign Affairs and Trade

INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIPS WITH THE COUNTRIES OF AFRICA

October 2017

INTRODUCTION

The Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade) have prepared a joint submission for the Senate Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's trade and investment relationships with the countries of Africa. This also draws on input provided by Australian diplomatic missions in Africa.

This submission covers the fifty-four countries of Africa (see Map at Annex A), and provides country overviews of the key constraints and opportunities to increasing trade and investment with a number of our trading partners (Annex B). Africa is a large continent comprising many nations at very different stages of economic development and stability. Assessments of the opportunities for Australian companies need to balance growth projections against the reality of conflict, commercial risk and weak political and economic governance in many African countries.

The overall assessment is positive for increasing engagement by Australian companies in Africa in the coming decades, however for significant increases to occur, sustained improvements in the business-operating environment will be required.

A number of the findings of the 2011 Joint Standing Committee on the Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with countries of Africa remain relevant today:

"*Africa is a diverse continent of increasing importance to the world. In geopolitical terms, African countries have increasing influence on international organisations; in resource terms, Africa has vast reserves; in trading terms, Africa's underutilised arable lands represent great opportunities to feed the world. Africa also continues to face significant challenges, particularly in health, governance and economic development*"[1]

Economic Growth Forecasts

While economic growth in a number of African countries has slowed in recent years, forecasts are for Gross Domestic Product (GDP) growth rates of around 2.6 per cent for sub-Saharan Africa in 2017.[2] The global economic outlook is improving and there are expectations that the flow on to Africa will be positive with growth forecasts of 3.2% in 2018 and 3.5% in 2019[3]. Due to their larger economic size, sustained growth in the economies of Nigeria, South Africa and Angola will be important for growth outcomes across the continent.

[1] Inquiry into Australia's relationship with the Countries of Africa, Joint Standing Committee on Foreign Affairs, Defence and Trade, 2011, page ix.

[2] http://www.worldbank.org/en/region/afr/overview

[3] http://www.worldbank.org/en/news/press-release/2017/04/19/economic-growth-in-africa-is-on-the-upswing-following-a-sharp-slowdown

However, increases in growth cannot be taken for granted. Many economies such as Angola and Nigeria are primarily single-commodity exporters (petroleum), with growth largely driven by global demand and price fluctuations. Conflict, political instability, unfavorable changes in the business environment, uncertainty in global commodity prices and weak economic governance could all act to limit growth in individual countries.

Trade and Investment Flows

Australian companies' commercial interests in Africa are mainly in the extractives sector but are increasingly in services, education and agriculture. Australia's trade (goods and services) with Africa has fluctuated over the past decade from $6.1 billion in 2004 to a high of $10.3 billion in 2014.[4]

Total trade (goods and services) with Africa was valued at $7.6 billion in 2016, comprising two-way merchandise trade of $5.3 billion and two-way services trade valued at $2.3 billion. Aluminium ore, wheat, vegetables, coal, machinery and parts dominate Australian exports to Africa. Petroleum and, to a lesser extent, motor vehicles are Australia's largest imports from Africa. Services trade was dominated for both exports and imports by personal travel services, with education-related travel making up almost 50 per cent of the value of services exports.[5]

By comparison, total goods and services trade with ASEAN in 2016 was $38 billion representing 13.8 per cent of Australia's total trade that year. In the same period trade with Africa was approximately 1 per cent of all trade flows.[6]

For North Africa, the reduction in stability, growth and trade post-Arab spring has significantly affected the region. In 2016, two-way trade between Australia and North Africa totalled $909 million. Australian exports to the region mostly comprised beef, dairy, machinery parts, fruit and vegetables and wool. Imports to Australia from North Africa mostly comprised petroleum, fertilizers and textiles.

With the exception of South Africa, investment flows outside of the resources sector are still limited. A DFAT stock-take in 2015 estimated that investment flows in the extractives sector by Australian companies were significant and geographically diverse with projects underway in 35 countries. Australian companies are most active in the resources sector in South Africa, Namibia, Tanzania, Zambia and Burkina Faso[7].

[4] Data provided by DFAT Country and Commodity Pivot Table 2006-2016 http://dfat.gov.au/about-us/publications/Pages/trade-statistical-pivot-tables.aspx

[5] http://dfat.gov.au/about-us/publications/Documents/trace-in-servces-australia-2016.pdf page 102

[6] .http://dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-and-services/Pages/australias-trade-in-goods-and-services-2016.aspx

[7] Australia and Africa, Assessing the scale and potential of Australian engagement in Africa, Australia-Africa Minerals Energy Group, February 2017

Opportunities for Australian Companies

Africa currently has a population of 1.1 billion which is forecast to reach 2.5 billion by 2050 bringing with it a tripling of the workforce to 1.5 billion. [8] The twin drivers of population increases coupled with a growing urban middle-class are expected to result not only in higher economic growth but also in increases in consumer demand over the coming decades. These changes could lead to new opportunities for Australian companies with an appetite to increase their engagement in specific markets.

However, population growth and associated demographic changes alone will not be sufficient to increase significantly Australian trade and investment flows with Africa. Improvements in the overall business-operating environment in Africa are critical to reducing commercial risk and uncertainty, and will be a key factor in generating increased Australian business interest and engagement in the continent.

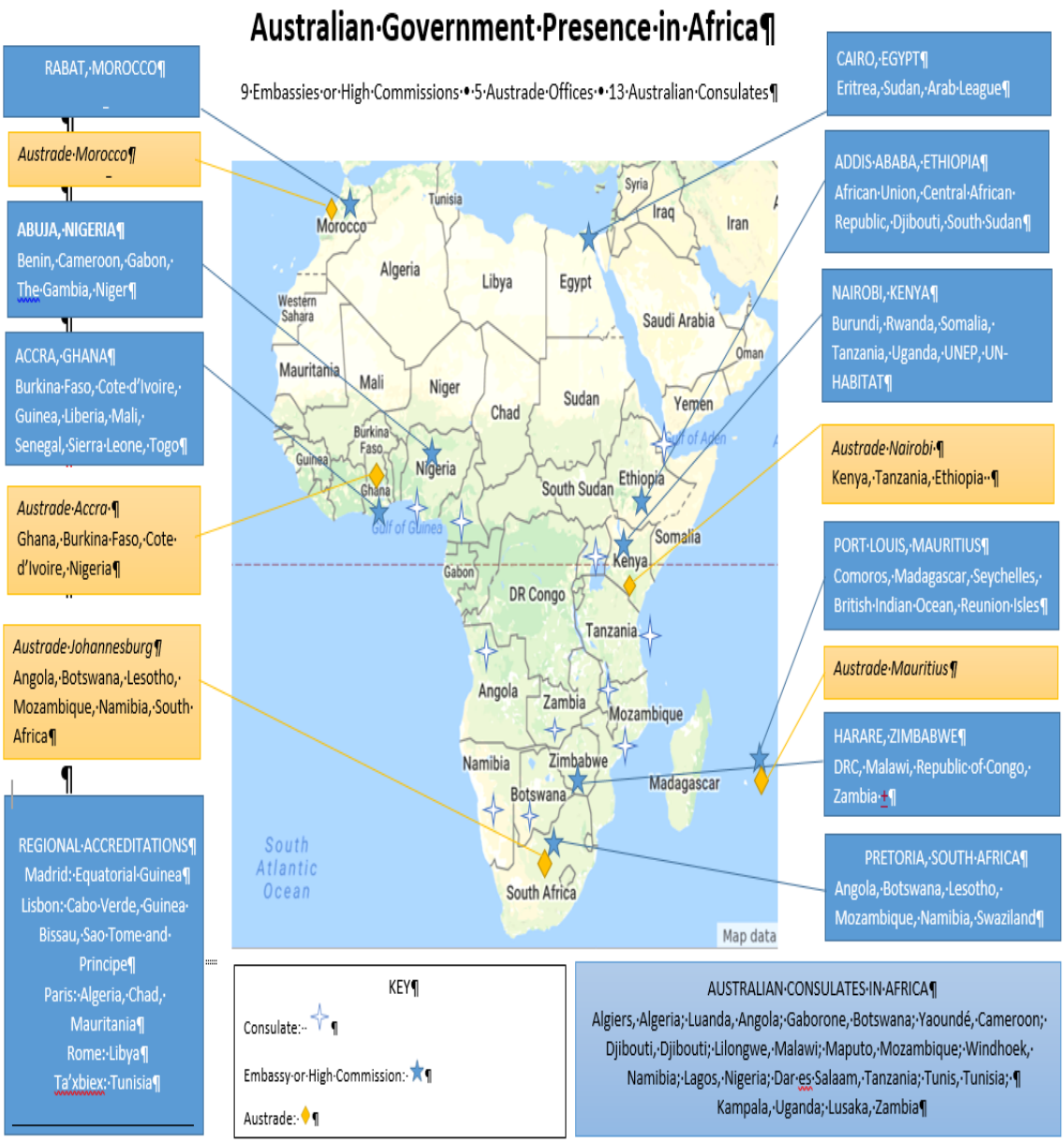
Recent DFAT and Austrade analysis is that the most realistic and immediate commercial opportunities for Australian companies in Africa are in mining and related equipment, technology and services; education; agribusiness and food and infrastructure (see Austrade Marketplan for 2017-18 page 37).

Australian government engagement with Africa

The Australian government leads the economic diplomacy agenda with Africa. Austrade, DFAT and state governments all have a role to play in identifying and promoting business opportunities and advocating for a predictable market-oriented operating environment in Africa.

Australia currently has diplomatic missions in nine of the 54 countries of Africa and Austrade has offices in five countries. We also have honorary consuls in an additional 13 countries. Australia recently opened an Embassy in Rabat, Morocco (July 2017). This addition to our diplomatic footprint will enhance Australia's influence in Morocco, and more broadly throughout North Africa and Francophone Africa.

[8] https://www.devex.com/news/the-challenging-opportunity-of-africa-s-rising-workforce-84628



Existing economic diplomacy efforts, on and off-continent, are important in raising the profile of Australian companies in Africa. Diplomatic missions already do a great deal to identify and promote business opportunities in their respective countries of accreditation and to assist Australian businesses operating in Africa. High-level bilateral meetings between Australian and African Ministers strengthen our engagement. Australian Ministers and senior officials have attended annual African Union Summits as well as the annual Mining Indaba in South Africa and the Africa Down Under (ADU) conference in Perth. After its launch in 2016, the annual Australia-Africa Week to be held in Perth in September 2017 alongside Africa Down Under is a key platform to showcase and promote broader business, educational, academic and cultural links between Australia and Africa.

Bilateral engagement with individual countries is also a feature of our economic diplomacy efforts. As part of the growing relationship with South Africa, DFAT will be holding inaugural trade and investment consultations with the South African Department of Trade and Industry, focusing on increasing two-way trade and investment as well as cooperation to strengthen collaboration in multilateral trade forums such as the World Trade Organisation.

In addition, we leverage opportunities for engagement through regional fora such as the Indian Ocean Rim Association (IORA), the African Union and the Common Market for Eastern and Southern Africa (COMESA).

The Australian development cooperation program, notably Australia Awards, while limited can play a constructive role in helping to build public sector and regulatory capacity in countries and sectors of commercial relevance to Australia, such as mining governance. There are also opportunities for collaborating with the private sector, including Australian companies, to promote and advance the achievement of the Sustainable Development Goals.

Recommendations

The submission makes four recommendations to enhance trade and investment with the countries of Africa:

- Strengthening government-to-government engagement
- Expanding economic diplomacy
- Fostering stronger private sector linkages
- Addressing business risk factors in Africa

In order to advance and protect our economic interests in Africa and our ability to influence and shape outcomes for Australian business, the submission recommends strengthening Ministerial and parliamentary contact and links with African counterparts. We should expand economic diplomacy to raise awareness of commercial opportunities and promote Australian capabilities. There is also scope to develop greater business and private sector linkages. Finally, the submission recommends enhanced use of Australia Awards to influence policy thinking in Africa and targeting aid programs to support good governance and an improved regulatory environment.

DFAT's Role

Economic diplomacy is at the core of the Australian Government's international engagement. DFAT leads the Government's economic diplomacy agenda, bringing together Australia's foreign affairs, trade, development and other international economic activities to deliver greater prosperity for Australia, our region and the world.

Australia is accredited to a number of regional African organisations including the African Union, the Economic Community of West African States, the Southern African Development Community, the East African Community, the Intergovernmental Authority on Development, the International Conference for the Great Lakes Region, and the Common Market for Eastern and Southern Africa.

Australia has also signed memorandums of understanding on cooperation in various areas with the African Union Commission, the League of Arab States, Algeria, Botswana, Comoros, Egypt, Ethiopia, The Gambia, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, and Tunisia.

DFAT is represented in Africa by diplomatic missions in nine locations: **Accra** (covering Ghana, Burkina Faso, Côte d'Ivoire, Guinea, Liberia, Mali, Senegal, Sierra Leone, Togo); **Abuja** (covering Nigeria, Benin, Cameroon, Gabon, The Gambia, Niger); **Addis Ababa** (covering Ethiopia, Central African Republic, Djibouti, South Sudan); **Rabat** (covering Morocco); **Cairo** (covering Egypt, Eritrea, Sudan); **Nairobi** (covering Kenya, Burundi, Rwanda, Somalia, Tanzania, Uganda); **Harare** (covering Zimbabwe, Democratic Republic of the Congo, Malawi, Zambia, Republic of Congo); **Port Louis** (covering Mauritius, Comoros, Madagascar, Seychelles); and **Pretoria** (covering Angola, Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland).

In addition, reflecting historical ties and language requirements, several Australian missions in Europe cover African countries. The Australian Embassy in Paris is accredited to Algeria, Chad and Mauritania; Rome has responsibility for Libya; Malta for Tunisia; Lisbon for Cape Verde, Guinea-Bissau, and São Tomé and Principe; and Madrid for Equatorial Guinea.

Heads of Mission work closely with Austrade to coordinate an active whole-of-Government strategy for economic engagement in Africa. This approach has rigorously prioritised Australia's business and investment interests, focussing on resources and energy; education; and agribusiness and food as priority markets in the region. DFAT with Austrade also actively monitors emerging commercial opportunities in a number of African countries and supports Australian businesses through visits and Australian Government advocacy on specific opportunities and issues.

Australia is a small but long-standing and strategic development cooperation partner to Africa, providing both bilateral aid and humanitarian assistance as well as support through non-government organisations and to multilateral bodies including the United Nations and the World Bank. A key feature of our development cooperation assistance is support for students to

undertake short courses and tertiary study in Australia through the Australia Awards Program. There are now approximately 6000 alumni of Australia Awards in Africa. In 2017, DFAT will provide around 480 professional training opportunities (scholarships, short courses, and fellowships) under the program. Development cooperation has also been directed to improving governance in the extractives sector with the objective of promoting foreign investment, including by Australian companies. Other development cooperation programs supporting the Sustainable Development Goals include support for Australian volunteer placements, programs delivered by non-government organisations and local level engagement through the Direct Aid Program (DAP).

Through our diplomatic missions in Africa, DFAT supports the Government of Western Australia to share its mining knowledge through capacity-building workshops to improve the regulatory environment in African nations and help build a successful and sustainable mining sector.

Partnerships with the private sector are also a feature of DFAT's development cooperation program. For example, the Business Partnerships Platform is supporting Base Titanium and Cotton On in Kenya to foster the ethical production of cotton and in so doing is assisting with the growth of small business and a more conducive investment environment.

DFAT supports the Advisory Group on Australia-Africa Relations (AGAAR) to provide the Australian Government with advice on advancing and diversifying Australia's growing relationship with sub-Saharan Africa. DFAT also funds the Council for Australia-Arab Relations (CAAR) to deliver programs that broaden and strengthen the relationship between Australia and the Arab world in Morocco, Algeria, Tunisia, Libya, Egypt and Sudan. DFAT and Austrade are both represented on the Johannesburg-based Australian Business Chamber of Commerce (Southern Africa) (ABCSA) committee, which promotes improved business relations between Australia and the countries of Southern Africa.

DFAT engages with a range of multilateral fora to advance Australia's interests in Africa. Support from Africa was crucial for Australia's United Nations Security Council and Human Rights Council bids. Australia is the 2017 Chair of the Kimberley Process, a body that promotes the legitimate, transparent and conflict-free trade of rough diamonds.

Austrade's Role

The Australian Trade and Investment Commission (Austrade) is the Australian Government's agency charged with export promotion, investment attraction, promotion of international education, and strengthening Australia's tourism industry. Through a global network of offices, Austrade assists Australian enterprises to develop international business, attracts foreign direct investment into Australia, promotes Australia's international education and training sector, and develops policy to support Australia's tourism sector.

Austrade works closely with DFAT, other Australian government agencies, state representatives, industry marketing bodies, and business chambers to promote Australia's trade, investment and education interests in Africa.

Austrade's operations in Africa are divided between sub-Saharan Africa and North Africa. Austrade has two A-based staff in Africa (in Johannesburg and Accra) and manages its engagement in sub-Saharan Africa through small offices in South Africa, Ghana, Mauritius and Kenya. In North Africa, Austrade's key markets are Egypt (which Austrade covers from its office in Saudi Arabia) and Morocco (where Austrade has a limited presence reporting to its Dubai office).

Austrade's footprint in Africa is concentrated in markets where the prospects for Australian commercial engagement are highest. Whilst an expanded Austrade presence in Africa would allow for greater engagement, to achieve this would require a redirection of resources from other higher priority international markets.

A. Existing Trade and Investment Relationships

Summaries of commercial opportunities with Australia's major trading partners in Africa can be found at Annex B. Details of exports and imports by commodity for the period 2013-14 to 2015-16 are at Annex C.

Trade in Goods

Australia's two-way merchandise trade with Africa reached $5.3 billion in 2016. Much of Australia's trade activity is currently in the extractives sector, with ores, machinery and parts dominating Australia's exports. Trade with some countries has been uneven or has declined in recent years.

The top five export destinations for Australian goods to Africa in 2016 were[9]:

1. South Africa: Aluminum ores; coal; machinery and parts
2. Egypt: vegetables; wheat; wool.
3. Mozambique: aluminum ores; wheat.
4. Nigeria: wheat; edible products.
5. Ghana: civil engineering equipment and parts; machinery and parts.

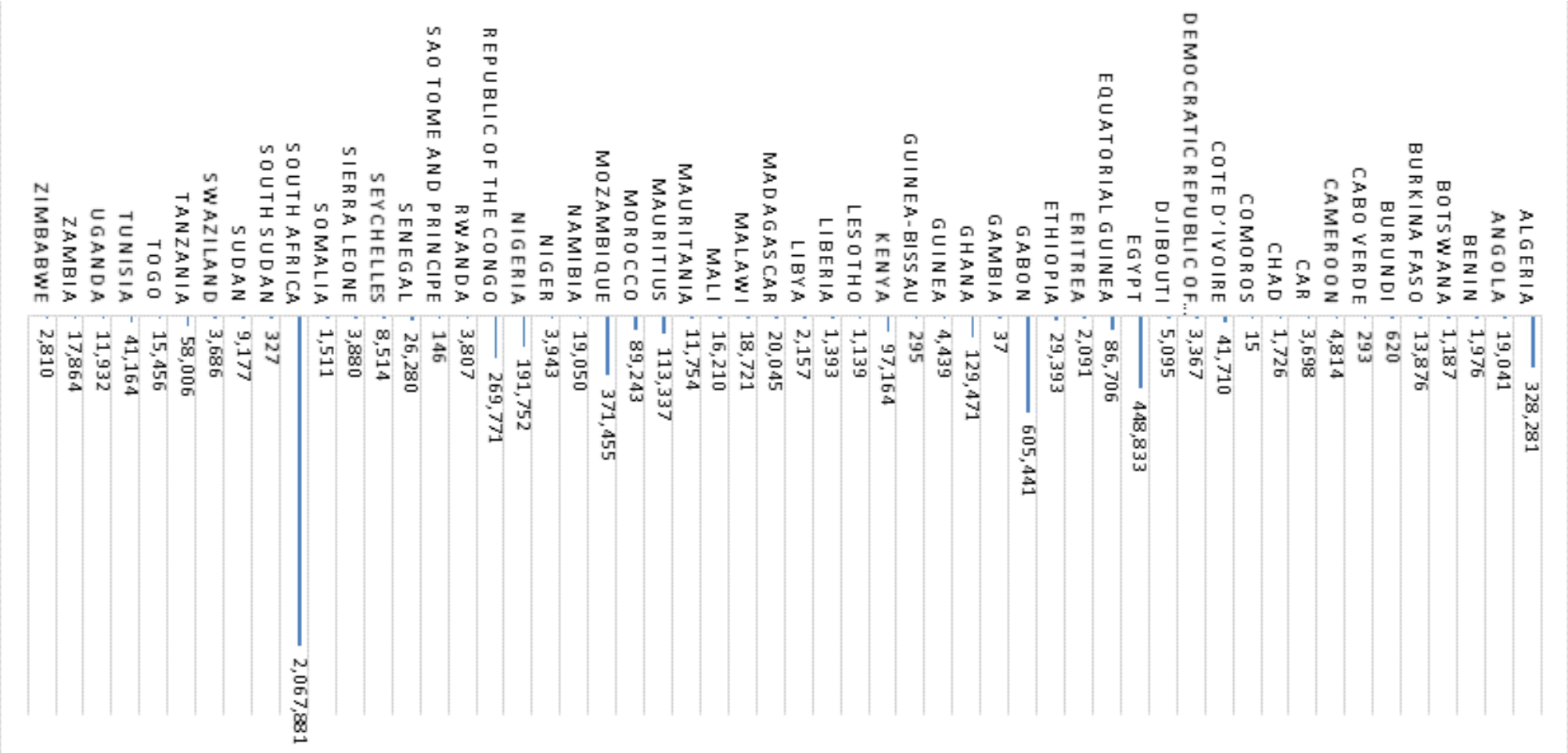
The top five goods import sources from Africa in 2016 were[10]:

1. South Africa: passenger motor vehicles, ores and concentrates
2. Gabon: crude petroleum
3. Algeria: crude petroleum
4. Republic of the Congo: crude petroleum.
5. Equatorial Guinea: Liquefied propane & butane

[9] https://dfat.gov.au/trade/resources/Documents/safr.pdf

[10] http://dfat.gov.au/trade/resources/Documents/ghan.pdf

Australia's Goods trade With Africa – Individual Countries 2016 (A$000) [11i]



[11] Data from DFAT: 'Composition of merchandise trade reports' A-Z of countries updated May 2017. Based on ABS trade data on DFAT STARS database (ABS catalogue 5368.0, Mar-2017) and unpublished ABS data. http://dfatintranet.titan.satin.lo/reading-resources/trade-statistics/Pages/trade-statistics.aspx#3 Calculations for total trade by AFB for this paper.

Australia's Goods Trade with Africa 2016 – By Individual Country							
Country[12]	**Total goods trade 2016 (A$000)**	**Goods exports**	**YOY % change most recent year**	**YOY change last five years**	**Goods imports**	**YOY % change most recent year**	**YOY change last five years**
Algeria	328,281	8,360	-37.5	2.7	319,921	--	-6.7
Angola	19,041	5,975	0.0	-3.2	13,066	-49.0	128.9
Benin	1,976	1,968	32.9	4.5	8	--	--
Botswana	1,187	1,109	-87.7	-23.8	1,078	--	-0.9
Burkina Faso	13,876	13,853	-25.1	3.9	23	-52.9	--
Burundi	620	120	-85.7	42.3	500	-29.6	74.0
Cabo Verde	293	177	--	--	116	-55.1	-30.0
Cameroon	4,814	4,051	-23.3	12.3	763	-13.3	-20.5
CAR	3,698	3,694	103.6	194.7	4	-98.8	--
Chad	1,726	1,701	72.2	20.8	25	-79.3	--
Comoros	15	0	-100.0	--	15	-72.2	--
Cote d'Ivoire	41,710	21,192	29.3	16.1	20,518	-25.7	0.6
Democratic Republic of the Congo	3,367	3,129	-55.5	-4.6	238	-11.3	-18.1
Djibouti	5,095	3,936	98.3	-6.8	1,159	1.5	26.7
Egypt	448,833	414,538	-23.2	-3.8	34,295	1.0	-8.3
Equatorial Guinea	86,706	64	-98.9	-12.3	86,642	83.9	664.3
Eritrea	2,091	2,059	-76.0	8.4	32	-85.1	--
Ethiopia	29,393	5,084	146.7	9.2	24,309	-9.9	16.2
Gabon	60,5441	1,803	-61.3	-2.0	603,638	1.9	-10.3
Gambia	37	28	-77.7	--	9	258.1	-32.2
Ghana	129,471	119,269	96.7	-16.6	10,101	11.8	17.5
Guinea	4,439	4,334	-6.8	-32.8	105	-58.5	-29.3
Guinea-Bissau	295	295	--	--	0	-100.0	--
Kenya	97,164	66,870	-11.2	5.8	30,294	-29.9	24.4

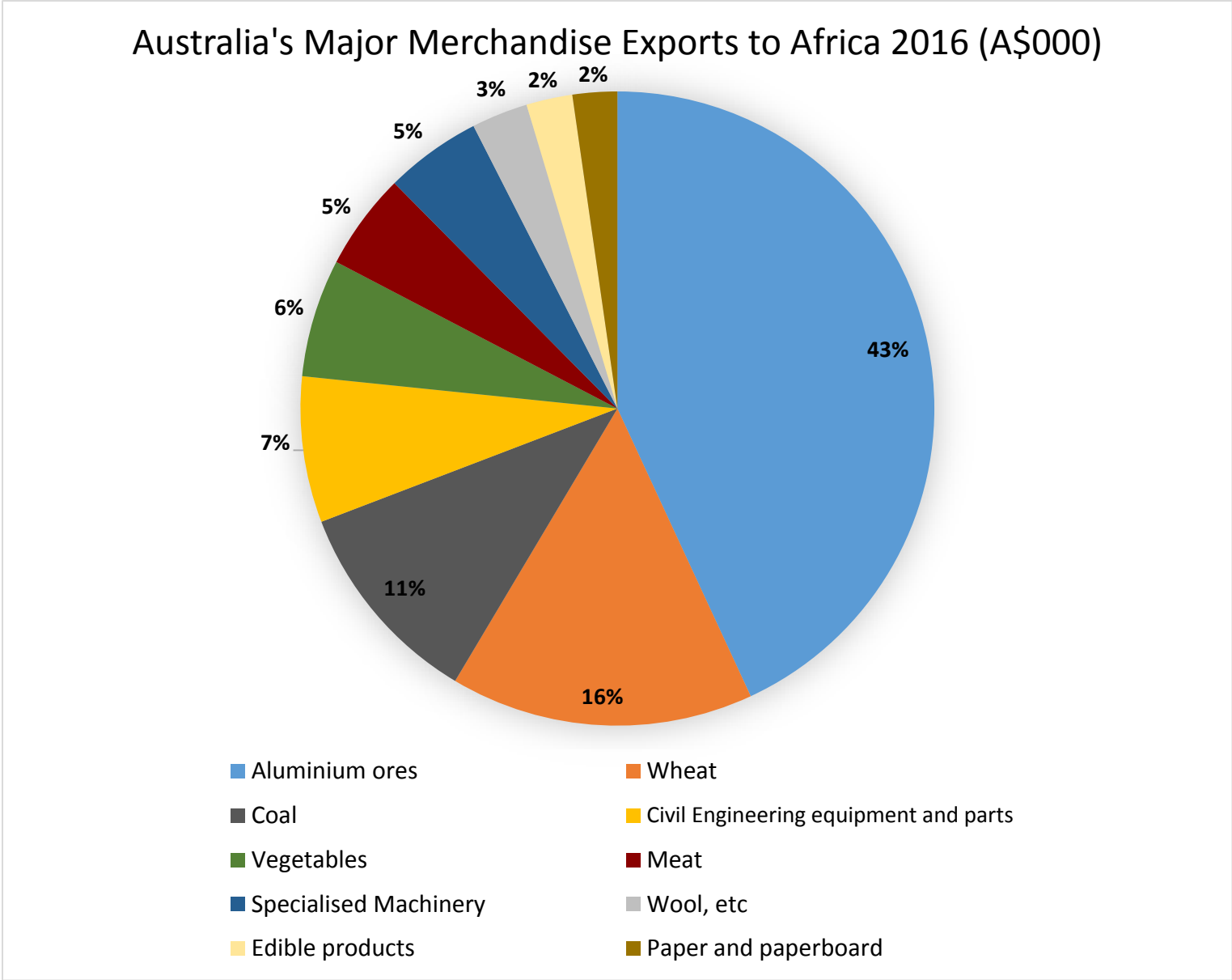
[12] Data from DFAT: 'Composition of merchandise trade reports' A-Z of countries updated May 2017. Based on ABS trade data on DFAT STARS database (ABS catalogue 5368.0, Mar-2017) and unpublished ABS data. http://dfatintranet.titan.satin.lo/reading-resources/trade-statistics/Pages/trade-statistics.aspx#3 Calculations for total trade by AFB for this paper.

Lesotho	1,139	32	28.2	--	1,107	-51.8	-7.6
Liberia	1,393	1,339	-44.4	-9.0	54	125.5	-6.1
Libya	2,157	2,154	-60.5	-28.4	3	165.7	-95.3
Madagascar	20,045	9,962	9.7	-10.3	10,083	41.3	51.3
Malawi	18,721	18,681	7.0	35.1	40	-92.0	-35.4
Mali	16,210	11,878	-21.0	-14.0	4,332	-22.8	32.2
Mauritania	11,754	11,543	96.0	-26.2	211	178.6	27.4
Mauritius	113,337	86,754	-14.5	-1.9	26,583	22.4	17.5
Morocco	89,243	23,223	72.9	2.0	66,020	60.2	-1.8
Mozambique	371,455	370,334	-19.2	1.4	1,121	-16.7	-41.2
Namibia	19,050	9,023	-10.6	-0.1	10,027	-8.4	13.4
Niger	3,943	2,302	633.8	28.7	1,641	-1.3	-10.6
Nigeria	191,752	190,542	-22.5	37.1	1,210	95.0	-83.2
Republic of the Congo	269,771	1,211	-74.7	-22.4	268,560	107.9	-26.1
Rwanda	3,807	2,278	-15.3	-6.5	1,527	13.7	28.0
Sao Tome and Principe	146	0	--	--	146	-19.1	32.6
Senegal	26,280	23,945	-0.5	-19.7	2,335	382.8	23.9
Seychelles	8,514	6,498	-38.1	-1.2	2,016	-27.4	-5.2
Sierra Leone	3,880	1,495	-71.9	-35.0	2,385	1.5	-23.3
Somalia	1,511	1,030	184.1	18.0	481	--	36.2
South Africa	2,067,881	1,008,263	-20.4	-8.5	1,059,618	-11.0	6.2
South Sudan	327	282	-17.0	--	45	--	--
Sudan	9,177	8,443	-88.6	--	734	-20.3	--
Swaziland	3,686	125	-69.8	-4.1	3,561	88.7	-29.1
Tanzania	58,006	52,397	-54.6	-7.7	5,609	-20.1	4.8
Togo	15,456	4,674	10.2	-4.9	10,782	-14.8	335.8
Tunisia	41,164	9,361	18.5	23.6	31,803	9.3	15.9
Uganda	11,932	8,343	-17.6	24.5	3,589	71.5	-8.9
Zambia	17,864	17,281	-9.3	-5.3	583	-82.8	17.4
Zimbabwe	2,810	1,976	26.9	-14.0	834	-19.5	-24.0

[13]

1. South Africa – 1,008,000
2. Egypt – 519,000
3. Mozambique – 370,354
4. Nigeria – 190,542
5. Ghana – 119,269
6. Mauritius – 86,754
7. Kenya – 66,870
8. Tanzania – 52,397
9. Senegal – 23,945
10. Morocco – 23,22

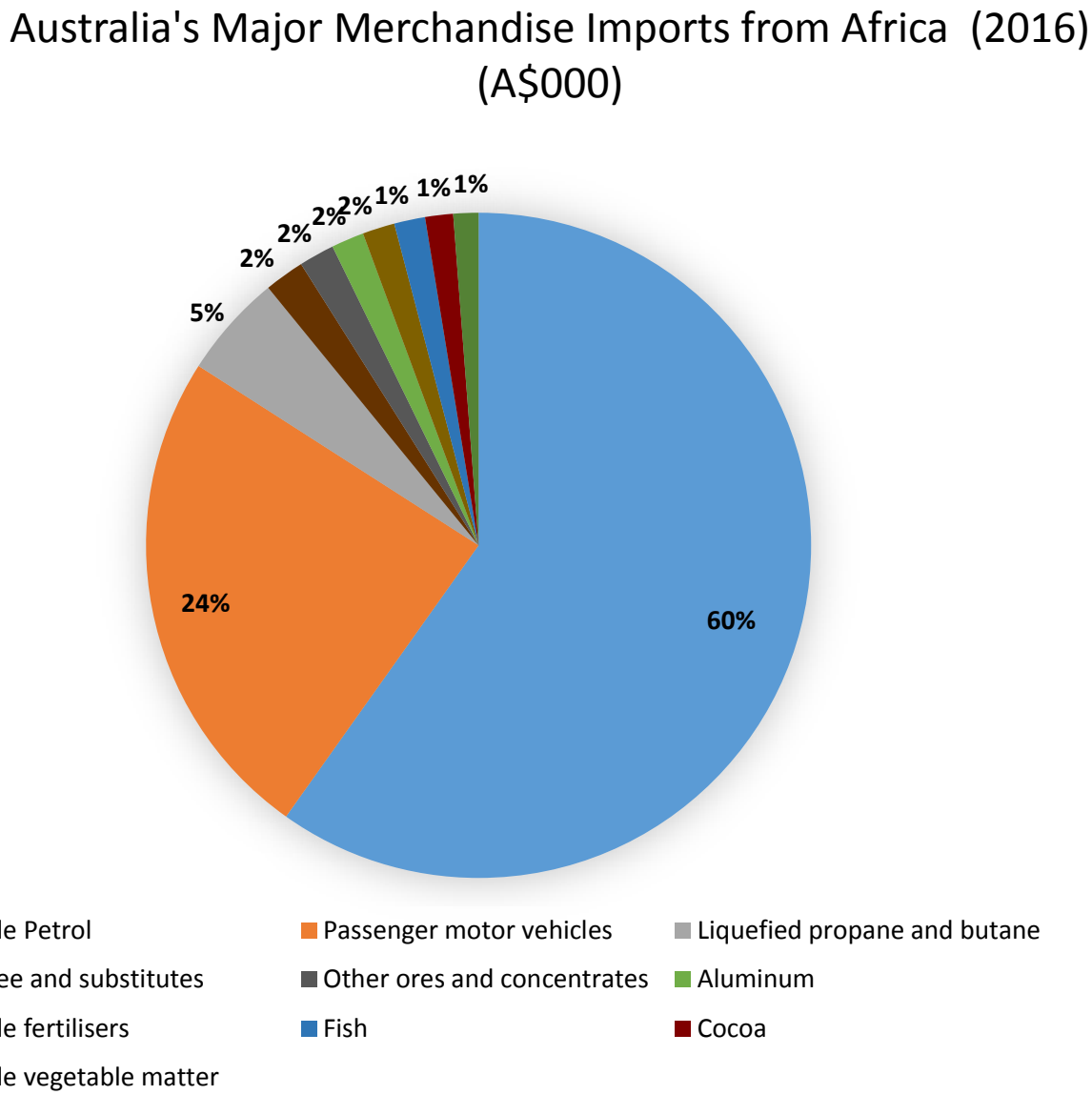
[13] Table created for this report using data from DFAT: 'Composition of merchandise trade reports' A-Z of countries updated May 2017. Based on ABS trade data on DFAT STARS database (ABS catalogue 5368.0, Mar-2017) and unpublished ABS data.



[14]

1) Aluminium ores and conc (incl. Alumina) – 695,510
2) Wheat – 249,641
3) Coal – 171, 641
4) Civil engineering equipment and parts – 120, 122
5) Vegetables - 97,140
6) Meat (excl beef) – 79, 663
7) Specialised machinery and parts – 76, 360
8) Wool and other animal hair incl. tops – 46, 362
9) edible products and preparations - 37,961
10) paper and paperboard – 36,740 .

[14] Table created for this report using data from DFAT: 'Composition of merchandise trade reports' A-Z of countries updated May 2017. Based on ABS trade data on DFAT STARS database (ABS catalogue 5368.0, Mar-2017) and unpublished ABS data.



[15]

1) crude petrol – 1,188,733
2) passenger motor vehicles – 481,702
3) liquefied propane and butane – 99,906
4) coffee and substitutes – 38,539
5) other ores and concentrates – 34,258
6) aluminium – 31,547
7) crude fertilisers – 31,148
8) fish – 29,925
9) cocoa 26,958
10) crude vegetable matter - 24,236

[15] Table created for this report using data from DFAT: 'Composition of merchandise trade reports' A-Z of countries updated May 2017. Based on ABS trade data on DFAT STARS database (ABS catalogue 5368.0, Mar-2017) and unpublished ABS data

Trade in services

Much of Australia's activity in the export of services is currently in the extractives sector, including mining and engineering services. Other growth areas include education and financial services.

Africa-Australia services trade is dominated for both exports and imports by personal travel services, with education-related travel making up almost 50% of the value of services exports. Exports of services trade to South Africa makes up around a third of total Africa services exports, with South Africa making up more than half of services imports.

During the peak December-January travel period, both Qantas and South African Airways offer daily direct services on their respective Sydney and Perth to Johannesburg services (Qantas reduces to six services per week during the remainder of the year). Johannesburg remains the only city on the African continent with direct air services to Australia, and is a hub for transit to other African cities. This hub-status is being challenged with passengers increasingly travelling over the Middle East to Australian and African destinations. Air Mauritius also offers services to Australia.

Tourism

In 2016, 145,000 Australian residents listed Africa as their primary destination for outbound travel from Australia, with South Africa comprising 58 per cent or 84,000 residents. This was six per cent higher than the previous year. In 2016, 57,000 South Africans visited Australia, making South Africa the 21st largest source country for overseas tourism to Australia.[16]

Education

Australia is an increasingly important destination for African students, with almost 13,000 student enrolments in 2016. The destination for students travelling to obtain an Australian education is also diversifying, with institutions such as Monash University (Victoria) and Curtin University (Western Australia) attracting students to their regional campuses in South Africa and the UAE respectively. There are also growing opportunities to deliver technical and vocational education and training especially in relation to mining and infrastructure.

The table below shows the cumulative growth in students from Africa with the top three markets being Kenya, Nigeria and Mauritius.

[16] https://www.tra.gov.au/research/australians-travelling-overseas/outbound-tourism-statistics/outbound-tourism-statistics and http://www.tourism.australia.com/content/dam/assets/document/1/6/x/l/5/2003081.pdf

Australia's Top Education Markets in Africa[17]

Market	2013	2014	2015	2016	Market position (2016)
Kenya	1,783	2,127	2,461	3,156	28
Nigeria	810	1,372	1,822	2,617	32
Mauritius	2,019	2,051	2,165	2,369	34
Zimbabwe	831	901	1,077	1,326	47
Ghana	177	261	375	510	68
Zambia	538	542	510	507	69
Egypt	583	494	433	438	72
Uganda	110	149	170	193	81
Tanzania	164	166	173	171	84
Other	*2,101*	*1,735*	*1,593*	*1,663*	-
Total	**9,116**	**9,798**	**10,779**	**12,950**	**-**

Investment flows from Africa to Australia

Apart from South Africa, investment flows from Africa to Australia are negligible. There has been strong growth in South Africa investment into Australia in recent years, valued at almost $7 billion in 2016, reflecting that our transparent foreign investment regime; sound institutions; strong financial sector; economic growth and common interests across the resource, agriculture and retail and financial sectors, all make Australia an attractive option for outward South African investment. While these flows are currently a small component of inward investment to Australia (approximately 0.2 per cent of total foreign investment and 0.4 per cent of FDI), there is potential to attract more investment from South Africa.

For 2016, South African foreign direct investment (FDI) in Australia was almost three times that of Australian FDI in South Africa (AUD 3.5 billion compared to AUD 1.3 billion). The bilateral FDI flows grew 17 per cent on 2015, due to strong growth of 21 per cent of South African FDI into Australia.[18]

[17] Department of Education & Training international student statistics - student enrolments at December each year.

[18] http://dfat.gov.au/about-us/publications/Documents/trade-in-services-australia-2016.pdf

Investment flows from Australia to Africa

It is very difficult to get a clear sense of Australian investment in Africa partly because recorded data is uncertain, some flows are commercial-in-confidence and a number of countries are unreliable in their statistical reporting.

The total value of mining projects in Africa in which Australian companies had a stake was estimated to be in the order of tens of billions of dollars in 2015.[19] Australia's total investment flows to African countries (predominantly South Africa) was estimated in 2016 at $5.876 billion, of which $1.46 billion was Foreign Direct Investment. This compares with Australia's total investment in South America in 2016 of $14 billion, of which $6.6 billion was FDI. [20]

The Australia Africa Minerals and Energy Group (AAMEG) estimate that approximately 170 Australian resource companies are currently operating in 35 countries in Africa. Of these, approximately 150 are publicly listed while the balance are private.

For the purposes of this submission, an 'Australian company' is defined as falling under one or more of the following criteria:

- A primary listing on the Australian Stock Exchange (ASX)
- Head office based in Australia with executive employees present
- Most of the revenue accruing to Australia or Australian shareholders.

While the majority of companies relevant to this submission are listed on the ASX, there are several exceptions. For example, Sarama Resources and First Quantum are based in Western Australia and for all intents and purposes identify as "Australian" companies and are seen as such in Africa, but are listed on the Toronto Stock Exchange. MMG, which mines copper in the DRC, is listed on the Hong Kong Stock Exchange but is based in Australia.

Traditionally, Anglophone Africa has been the preferred destination of Australian investment; however, in recent years, other regions, particularly West Africa, have seen increasing attention.

The majority of Australian resource projects are in the exploration or pre-exploration stages, with a smaller number of projects in production or near-production. Operating projects comprise approximately only 5 per cent of all Australian projects in Africa. This demonstrates the potential for growth available in the future if exploration leads to production. Gold, coal, copper and uranium have traditionally been the minerals with the highest number of Australian companies. Recently there has been diversification in the minerals mined to include commodities such as graphite and lithium.

[19] http://foreignminister.gov.au/speeches/Pages/2015/jb_sp_150904.aspx?w=tb1CaGpkPX%2FlS0K%2Bg9ZKEg%3D%3D

[20] ABS investment statistics,

Apart from investment in the mining sector, there is limited engagement by Australian companies in countries other than South Africa. Notwithstanding the investment risks and challenges, South Africa can still be viewed as a relatively attractive destination for investment. It is the most developed economy on the continent, and the continental and regional hub for many African and international businesses. As an illustration of the size, sophistication and relative affluence of the South African market, Australia's Commonwealth Bank is continuing with its investment strategy to roll out self-service kiosks and Cotton On continues to expand its operations and now has almost 200 stores.

B. Emerging and Possible Future Trends

Africa's growing strategic importance

Africa is of increasing global strategic importance in terms of security, resources, commercial opportunities and geopolitical importance.

Africa represents 54 out of 192 votes in the United Nations General Assembly and a similar proportion in other multilateral forums. The ability of African nations to operate as a bloc provides significant influence in international meetings.

Africa is home to several home grown terrorist groups like Boko Haram (Nigerian) al-Shabaab (Somalia) and Al Qaeda and ISIL affiliated groups are active in North Africa. Locally, these groups impact on security, and act as a disincentive for investment, including for companies seeking to raise capital. In 2016, an al-Qaeda affiliated group kidnapped two Australians from northern Burkina Faso. Similarly, pirates have launched attacks in the Gulf of Aden from Somalia. These attacks affected global trade using the Suez Canal, the major shipping route from Asia to Europe. Djibouti, with its strategic location next to the Mandeb Strait and the Suez-Aden canal, through which pass a significant amount of the world's oil and commercial exports, hosts foreign military bases of the United States, France, Italy, Spain, Japan and, most recently, China.

The governments of a number of countries are actively increasing their engagement and financial investment in Africa in order to facilitate commercial opportunities. Traditional global players like the United States, the United Kingdom and France have well established mechanisms to engage African nations.

Links between France and Africa are particularly strong. There are 25 French-speaking former colonies in Africa, an estimated 100,000 French citizens in Africa and four million sub-Saharan Africans in France, including 110,000 students. Since the independence of African states, France has intervened militarily in the continent more than 30 times, with military assistance spread across five bases in Senegal, Gabon, Djibouti, Côte d'Ivoire and La Reunion (technically part of France). The 150 French companies that are members of the French Council for Investment in Africa turn over €60 billion annually and directly employ 400,000 in Africa including 5,000 expatriates. Two-way trade was worth €54 billion in 2013, split equally between imports and exports. The Agence Française de Développement provides 40% (some €8billion) of its annual budget to Africa.[21]

To renew efforts for sustainable economic development in Africa, Germany in its role as G20 President has launched the G20 Africa Partnership to support private investment, sustainable infrastructure and employment in African countries as well as contribute to the African Union's Agenda 2063. A key pillar of the Africa Partnership is the Compact with Africa, an initiative within the G20 Finance Track to promote private investment and investment in infrastructure. African countries can partner with International Financial Institutions and bilateral partners to prepare comprehensive, coordinated and country-specific Investment

[21] https://www.dailymaverick.co.za/article/2015-10-29-frances-changing-relationship-with-africa-backyard-backstop-or-backdoor/

Compacts to promote private investment. To date, seven African countries are entering into country-specific compacts: Côte d'Ivoire, Morocco, Rwanda, Senegal, Tunisia, Ghana and Ethiopia.[22]

Japan launched the Tokyo International Conference on African Development (TICAD) in 1993 to refocus international attention on African development issues as well as to promote high-level policy dialogue between African leaders and development partners. TICAD is a Summit meeting on African development co-organized by: the Government of Japan, the United Nations Office of the Special Advisor on Africa (UN-OSAA), the United Nations Development Programme (UNDP), African Union Commission (AUC) and the World Bank. Stakeholders include all African countries and development partners. TICAD has evolved into a major global framework to facilitate the implementation of initiatives for promoting African development under the dual principle of African "ownership" and international "partnership". A central feature of this framework is the cooperation between Asia and Africa in promoting Africa's development.[23]

China engages Africa through the Forum on China Africa cooperation (FOCAC) which includes triennial Ministerial Conferences. The Sixth Ministerial Conference was held in Johannesburg in 2015. Already Africa's largest trading partner, China is leveraging infrastructure programs to gain market access and investing heavily in the continent as well as providing financing. China has consistently doubled its financing commitment to Africa during the past three FOCAC meetings from USD$5 billion in 2006 to USD$10 billion in 2009 and USD$20 billion in 2012. Chinese officials have stated these loans will be repaid with commodities or through the franchise of Chinese companies seeking to operate in Africa.[24] This process cements China into Africa's resources development.[25] In addition, China is supporting people-to-people links – there are an estimated 3,000 Chinese enterprises and one million Chinese migrants in Africa.

The India-Africa Forum Summit (IAFS) was established in 2008, with subsequent meetings in 2011 and 2015. The Summit in 2015 brought together representatives from all 54 African countries, including 40 Heads of States. Since the first India Africa Forum Summit in 2008, India has committed USD$7.4 billion in concessional credit for nearly 140 projects in 40 African countries and provided USD$1.2 billion in grants to African countries. In 2015, India offered an additional USD$10 billion in concessional credit over the next five years and grant assistance of USD$600 million.[26]

Turkey and Brazil have concerted diplomatic and commercial strategies for Africa. Turkey has opened 27 new embassies since 2008 to support commercial and

[22] https://www.compactwithafrica.org/content/compactwithafrica/home.html

[23] https://ticad6.net/index.php/ticad-vi/about-the-conference

[24] foresight africa: top priorities for the continent in 2015; The Brookings Institution

[25] The Economist , July 20th 2017

[26] http://www.idsa.in/africatrends/third-india-africa-forum-summit_rberi_1215

diplomatic interests. Brazil has doubled its diplomatic presence to 37 embassies in the same period and is looking to foster a market for its goods.

Population and economic growth surge

In 2017, GDP in sub-Saharan Africa is forecast to grow by 2.6 per cent, second only to Asia . In the last decade, the gross domestic product of the 11 largest countries in sub-Saharan Africa increased by 51% - more than twice the world average of 23%[27]. Morocco, Ethiopia, Tanzania, Kenya, Cote D'Ivoire and Rwanda have all delivered high and stable growth over a decade.

Africa's growing population will consume additional goods and services. The ability of companies to position themselves to access these future markets will be an important factor in future growth Currently the top five countries by population are Nigeria (192 million), Ethiopia (104 million), Egypt (93 million, Democratic Republic of Congo (82 million) and Tanzania (56 million). The continent is expected to grow from its current 15 per cent of the world's population (1.1 billion) to a predicted 25 per cent by 2050 (2.5 billion).[28] Nigeria is on course to pass the United States as the world's third most populous country by 2050, with a population of 398 million, and will become Africa's mega-state.

The obvious downside to population growth is the potential contribution to instability. The challenge for all of these countries between now and 2050 will be to facilitate new enterprises in order to absorb the growing number of workers into productive work. The degree to which countries are able to manage this well and maintain a stable political environment will impact on the opportunities for Australian companies.

By 2030, most Africans will live in cities, rising to 56 per cent by 2020.[29] Africa's combined consumer spending was USD 680 billion in 2008 and is projected to be $US 2.2 trillion by 2030. Africa has the fastest growing middle class population in the world. The rise in Africa's middle class has led to increased African consumption that could translate to larger returns for firms investing in Africa.[30]

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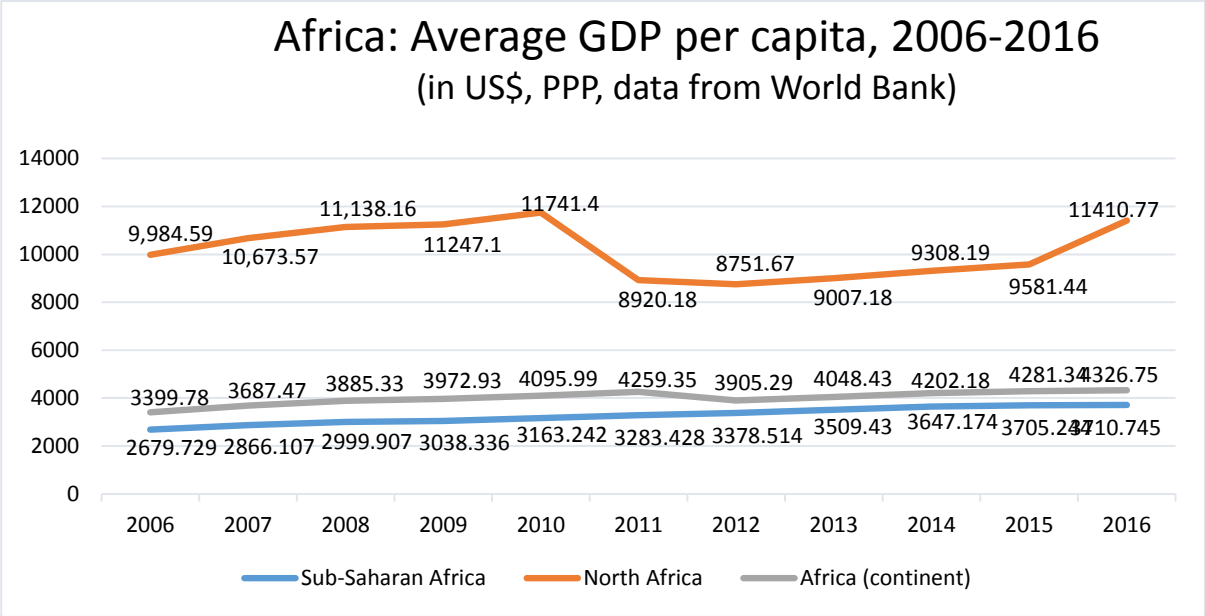
[27] Regional economic outlook. Sub-Saharan Africa. — Washington, D.C.: International Monetary Fund, 2015– (World economic and financial surveys, 0258-7440)

[28] Htt[://www.un.org/sustainabledevelopment/blog/2017/06/world-population-projected-to-reach-9-8-billion-in-2050and-11-12-billion-in-2100-says-un

[29] Aus-Africa Dialogue 2015, *Cooperating to build peace, security and prosperity,* ASPI 2016 p5

[30] https://www.pwc.com/gx/en/issues/high-growth-markets/africa/african-megatrends.html



[31]

Resources and Infrastructure

Due in part to a lack of infrastructure, many of Africa's resources are yet to be exploited. Realising these reserves will help drive global economic growth. Africa is also a major producer of oil and an important source of crude oil for Australia. In 2017, African-sourced oil was 17.4 per cent of Australia's overall crude oil imports.[32]

Africa is estimated to have the world's largest cobalt, diamond, platinum and uranium reserves and an estimated 10 and 8 per cent respectively of global reserves of oil and gas; 40 per cent of gold; and 80-90 per cent of chromium/platinum group metals as well as the world's largest cobalt, diamond, platinum and uranium reserves.[33]

Investment in infrastructure will contribute to the production and distribution of these untapped resources and in so doing could lead to increases in economic growth. In the coming decade, the twin forces of sustained population growth and rapid urbanisation could transform African economies, providing openings for international companies to build and power growing cities and provide the goods and services urban populations demand.

Inadequate existing infrastructure in Africa will require project financing, construction, consulting and management services. Public-private partnerships

[31] Graph created by DFAT for this paper using calculations based on data from World Bank 'GDP per capita (current US$) Sub Saharan Africa' http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ZG and select data from 'GDP per capita (current US$) Middle East and North Africa' http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ZQ World Bank national accounts data, and OECD National Accounts data file and select data from World Bank national accounts data, and OECD National Accounts data files. The World Bank, Open Licence

[32] ABS Trade data on DFAT STARS database

[33] http://www.un.org/en/development/desa/policy/wesp/index.shtml

in Sub-Saharan Africa remain a very small market, with projects concentrated in only a few countries: South Africa, Nigeria, Kenya and Uganda.[34]

Australian companies with experience in the resources, energy and transport sectors are well placed to provide advice, technology, goods and services to enable integrated 'pit to port' capability covering heavy haul rail, intermodal logistics and port management systems.

Technological Change

Technological change is creating an emerging digital economy in Africa. Telecommunications network operators are now providing mobile money transfer applications for smartphones, eliminating the requirement for a bank account. Sub-Saharan Africa has some of the fastest uptake rates of digital financing in emerging markets, largely based on person-to-person transactions but with more sophisticated applications starting to emerge around point-of-sale payments, international remittances, bank-to-bank transfers, mobile payroll and even microloans. Over the longer term, digital financing could enable further developments in e-commerce and on-demand services, as well as health service delivery and vocational training. Kenya's Safaricom Mpesa platform, for example, is seeing annual digital transactions of 4.2 trillion shillings, equivalent to 42 per cent of the national GDP. Forecasts suggest that digital finance has the potential to add significantly to the GDP of countries like Nigeria and Ethiopia.

Regional African economic integration

A number of initiatives are underway in Africa that seek to enhance regional economic integration. The countries of the Southern African Customs Union (SACU), the world's oldest customs union, (Botswana, Lesotho, Namibia, South Africa, Swaziland) have common tariffs and generally enable the free movement of goods within the union. The Tripartite Free Trade Agreement (TFTA) is being negotiated between the Southern African Development Community (SADC), the East Africa Community (EAC) and Common Market for Eastern and Southern Africa (COMESA). Members of the African Union have agreed to establish a Continental Free Trade Area (CFTA) and to complete negotiations by the end of 2017 for a single continental market for goods and services.

Enhanced African economic integration with a common set of rules and procedures would assist Australian business that generally operate across borders and various African countries. The European Union signed an Economic Partnership Agreement (EPA) in 2016 with some countries of SADC, improving market access opportunities for all members.

[34] http://www.worldbank.org/en/region/afr/publication/why-we-need-to-close-the-infrastructure-gap

Blue Economy

African countries (Comoros, Kenya, Madagascar, Mauritius, Mozambique, Seychelles, Somalia, South Africa, and Tanzania) make up almost half of the twenty-one member Indian Ocean Rim Association (IORA), of which Australia is also a member. South Africa will host IORA from 2017 to 2019. A major pillar of IORA is to develop the blue or oceans economy focused on the Indian Ocean. The blue economy was recognised as a priority for IORA at the 14th IORA Ministerial Meeting in Perth 2014.

Australia recognises the value of the blue economy – the sustainable use of marine resources - as a common source of growth, innovation and job creation. Australia is pursuing greater blue economy cooperation with African countries through key regional forums, including IORA.

Australian companies are already well placed to realise growing blue economy opportunities in the Indian Ocean region. For example, two Australian fisheries companies currently operate out of Mauritius.

C. Barriers and Impediments to Trade and Investment

There are a number of barriers to trade and investment that are commonly faced by Australian companies wanting to undertake business in Africa. These include the following:

The 'African context'

Local conditions, including traditional leadership structures, land ownership, expectations around remuneration and the broader social responsibility of companies can be difficult to navigate without a good local partner or consultant. Land ownership in particular can be difficult to consolidate due to competing levels of government (national, state and local), traditional ownership claims, particularly where sites intersect lands of different groups, often with different ownership structures (patrilineal, matrilineal, collective and/or individual) all of which add complexity to large-scale mining, infrastructure and agriculture projects. As is the practice in other developing countries, local landowners may expect mining companies to build roads and schools as part of the company's Corporate Social Responsibility, in addition to royalties and other land fees being paid to government.

Many of the governments of Africa could be best described as taking a state centric, command economy approach to economic development. This can be seen as deriving both from a colonial heritage that utilised resources to enrich foreign elites and the Marxist ideologies of liberation movements with centralised social and economic planning approaches. Unlike the reforms of the last century which have seen a decreasing role for government in markets for liberal democracies, for most African nations the role of government remains central to economic development.

The Arab Spring

In North Africa, several countries face ongoing challenges following the political upheaval that accompanied the Arab Spring. Tunisia's uneven transition towards democracy and concerns over security continue to hamper foreign investment. The Egyptian economy continues to experience pressures as a result of the turmoil over the period 2011 to 2013, with political and security concerns presenting the greatest challenge to Australian trade opportunities in recent years. Libya is subject to a UN Security Council arms embargo and targeted UN and Australian sanctions, following the fall of the Qaddafi regime. Aside from legal limitations on business with Libya, the volatile political and security environment is a major challenge for Australian businesses.

Weak governance and uncertain regulation

Uncertainty around regulatory regimes can have a chilling effect on potential Australian investment across all sectors. Opaque and unfamiliar tendering practices can also deter Australian bidders to government contracts and advantage competitors. The South African government's decision to amend the mining charter without consulting mining companies has resulted in numerous court challenges and created confusion around investment requirements. South Africa joins several countries that have revised, or are in the process of revising,

their mining codes. In part, this is due to falling revenue from lower commodity prices, and the reality that it is easier to tax foreign investors than the local population. As noted by the Brookings institute, African governments consider local content regulation and taxation as key instruments to reach sustainable and inclusive growth.[35]

The total value of Australian exports and imports has fluctuated in recent years, reflecting in part, sensitivity to instability and unpredictability in relation to government decision making. The recent actions by the government of Tanzania in making changes to mining laws without consultation demonstrates the uncertainty of the operating environment in certain countries and the negative impact on investment flows.

Corruption

Governance and corruption remain an economic challenge, including as a result of uncertain regulatory environments, weak rule of law, "slippage on reforms" and political uncertainty ahead of elections.[36] Transparency International's corruption Perceptions Index shows the majority of African countries falling on the bottom-half of the scale.[37]

A culture of corruption, gift giving and facilitation payments deters Australian companies and can be a deal breaker. The G20's Business 20 Survey in late 2016 found corruption was the primary constraint to investment.[38] Unlike some other companies, Australian companies are bound by extraterritorial anti-bribery laws in their home jurisdictions. Corruption is uneven across Africa: while corruption forms a major obstacle to commercial engagement in many countries, others (including some in Francophone Africa) have managed to improve this culture in recent years.

Sovereign risk

Some African governments are liable to impose excessive tariffs, enact protectionist policies and discriminate in favour of state or politically-connected companies. In some cases, Australian companies have suffered or been threatened with the theft of property and legal rights by host governments and leaders. National policies, such as foreign currency restrictions in Nigeria, significantly affect the viability of investments and exports, can appear arbitrary to businesses, and are subject to sudden change. Zimbabwe's policy of indigenisation requires that companies are under majority control by black Zimbabweans. Foreign companies are required to transfer 51 per cent of their shares to local entities or individuals. This is in addition to the Zimbabwe government historic policy of seizing farms with a devastating impact on production.

[35] https://www.brookings.edu/events/doing-business-in-africa-a-risks-trends-and-opportunities-roundtable-2/

[36] http://www.worldbank.org.en/region/afr/overview#1 April 2017

[37] https://www.transparency.org/news/feature/africa_corruption_is_a_big_issue_in_2016_african_elections

[38] Boosting Investment in Africa: Towards Inclusive G20 Compacts with Africa: B20 Policy Recommendations 2017

Reputational Risk

Australian companies, individuals and governments share a common branding and reputation in Africa. Australia has the opportunity to position itself as an honest partner in Africa. However, recent allegations of impropriety against Australian companies have highlighted the possible brand damage to Australia if companies do not meet their obligations.

Non-payment

Non-payment or delayed payment for services and goods, by government and commercial partners, is a real risk in some countries. The South African National Treasury reported in 2012 that 3,470 invoices, amounting to R73 million (A$7.3 million), had not been paid to service providers.[39]

Immigration and border processing issues

African and Australian businesses have raised concerns about visa access for their employees to enter Australia. Businesses are frustrated with the length of time required to obtain visas (can be more than thirty days); with business advising that Australia is not competitive with its peers such as the UK and Canada. Industry notes that they expect Australia has missed out on business opportunities due to the time delays and complexities in obtaining visas to undertake business in Australia. Business also advises that the requirement to apply annually for a business visa is not competitive with other countries that allow long-term visas for 2-5 years. Business also advises that it is difficult to contact Australian Immigration authorities to seek an update on progress of issuance of their visa and to understand visa requirements.

The issuance of business visas for Australian passport holders to access some African countries can also be time consuming, with unclear and changing visa requirements.

Conflict, insecurity and instability

The 2017 Global Peace Index reported that Africa had become less peaceful overall due to factors such as ethnic tensions and election-related stability, increases in political terror, internal conflict, and political instability.[40] Six of the ten least peaceful countries in the world are in Africa, and the World Bank considers that 18 sub-Saharan countries are fragile and conflict-affected states.[41]

Security is clearly a concern for companies operating across Africa, with the cost on business varying depending on the operating environment. In more volatile locations, the threat of terrorism (and of direct attack on facilities or employees) is a significant deterrent, especially for smaller companies. Australian companies operating across Africa face the risk of staff being kidnapped. MacMahon Holdings had several staff kidnapped from a vehicle convoy in the Niger Delta region of Nigeria. Disease outbreaks can also cause significant interruptions to company operations. Staff working in Ebola-effected countries in West Africa had

[39] https://www.iol.co.za/news/politics/non-payment-killing-small-businesses-psc-1851300

[40] Global Peace Index 2017 Report, June 2017 http//economics and peace.org/reports/

[41] http://worldbank.org/en/region/afr/overview#1 April 2017

their travel options severely curtailed due to flight cancellations and travel restrictions imposed by countries hosting major travel hubs.

Inadequate infrastructure

Inadequate infrastructure adds to the cost of doing business in Africa, and has led to the failure of major mining projects in the past. Poor road and transport networks, intermittent power and inefficient ports are common challenges across Africa. Technical barriers to trade and underdeveloped logistics networks, such as onerous customs procedures and inefficient ports act much in the same way as poor transport in adding to costs.

Education and Training

A paucity of appropriately skilled staff requires companies to employ expatriates at higher costs, and run training courses to develop the skills required. The Brookings Institute notes African Governments are increasingly seeking to build local capacity and ensure a transfer of skills and technology from global firms to local firms, especially when domestic capacity is limited.[42] Senior geologists have complained that there are insufficient numbers of trained and experienced local geologists to meet local content requirements for staff. Often staff trained to an appropriate level seek work outside of Africa where their families benefit from higher standards of living and education. A mining services company in the Western Region of Ghana has been training plumbers and engineers to undertake maintenance at mine sites.

Beneficiation

Many African governments are keen to see beneficiation or 'value adding' applied to their raw materials as a means to create employment. In the past, some governments have sought to make beneficiation a condition of investment. Of itself, this can be a reasonable objective aimed at developing in-country production and value addition. However, low skill levels and poor or absent infrastructure often make beneficiation projects economically unviable. In these cases, companies need to factor in the additional costs, which often may make the overall investment unviable. In Zambia, a copper mining company was refused permission to export ore, with the government insisting the ore be processed in country, and Tanzania has taken a similar approach with gold ore. Complying with these directives requires the companies to establish the infrastructure and train staff to carry out the processing.

[42] https://www.brookings.edu/events/doing-business-in-africa-a-risks-trends-and-opportunities-roundtable-2/

D. Opportunities to expand trade and investment

Despite barriers, the overall economic outlook and associated opportunities to increase trade and investment flows between Australia and the countries of Africa is positive. While Africa presents significant opportunities with growth sectors related to Australian capabilities, these opportunities do need to be tempered by a realistic understanding of the challenges and risks associated with doing business in the region

Although Africa has some of the world's lowest per-capita income economies, it is home to concentrations of significant individual and corporate wealth. Africa has more than 400 companies with an annual turnover greater than US$1 billion and around 30 of the world's billionaires. Identifying trade and investment opportunities requires a forensic approach, concentrating on specific development corridors, regions, cities, corporations and high net-worth individuals rather than a standard country approach.

Australia's trade, investment and community engagement with Africa has been enhanced by our strong reputation and the presence of more than 170 Australian companies in the region. The increase in African communities living in Australia will also provide opportunities to expand trade and investment. Australia is home to an increasingly influential African diaspora with more than 330,000 Australians born in sub-Saharan Africa and another 51,450 from North Africa.[43] The diaspora's continuing engagement with Africa including through significant remittances; participation in peace building and reconciliation processes; and investment in economic and human development has made this group a key element in building the relationship between Africa and Australia. Egypt, Ghana, Zimbabwe, Mauritius and South Africa are important partners for Australia by virtue of their large diasporas and related commercial links.

This is a good base to grow from in future years. However, for a number of reasons including perceptions of risk and lack of familiarity, Africa has not captured the attention of Australian business in the same way as Asia. Australian commercial engagement with Africa is below what might be expected from a G20 economy with global interests. Africa presents a significant opportunity, with growth sectors related to Australian capabilities, similar to South East Asia thirty years ago.

The recent expansion of our diplomatic presence in Africa will increase Australia's ability to harness opportunities in the region. Morocco is a stable and significant African country and has positioned itself as a gateway to North and West Africa and as an economic bridge between Africa and Europe. The Moroccan government is open to supporting a broader economic relationship with Australia and the opening of an Australian Embassy in Rabat will support efforts to enhance trade and investment relationships in the region.

Post Arab Spring recovery throughout North Africa also presents opportunities for Australia. Libya is resource rich and has strong underlying economic potential. As the political and security environment stabilises at a future point in time,

[43] 2011 Australian Census data. New data not available until October 2017.

Australian companies could look for opportunities as Libya rebuilds in post-conflict environment. In Egypt, political stability and economic reform is showing positive signs towards an improvement in the economic situation. For example, the implementation of a 2016 IMF package is leading to improvements in trade and building investor confidence. The lifting of United States sanctions on Sudan could potentially open up new market opportunities for Australian agriculture and mining interests.

Traditionally, most Australian investment in Africa has centred on the mining, oil and gas industries. More recently, we have seen investment in the infrastructure and construction industries, as well as telecommunications, agriculture and retail, financial and banking sectors. Expanded trade and investment links are expected for Australian companies operating out of Morocco, servicing North Africa in food and agriculture; infrastructure planning and sustainable development; mining, oil and gas; and health services.

Despite different regional economic contexts, and with the particular exception of South Africa, Australian missions in Africa report commercial opportunities along similar themes. Across Africa the most realistic and immediate commercial opportunities for Australian companies are in mining and METS, education, agriculture, renewable energy and infrastructure.

The South African economy is different to most other African economies, having world class financial and banking institutions including the Johannesburg Stock Exchange (JSE). This enables a broader range of opportunities beyond the mining and resources sectors, with an existing and growing consumer class. The Australian retailer Cotton On is taking advantage of this trend, as is the Commonwealth Bank with plans for expansion into the established market of South Africa. While middle classes in African countries may not reach comparable standards of living to Australia for some time, they will increasingly seek products and services that Australian companies could provide.

Mining and METS

Focus countries: Egypt, Ethiopia, Ghana, Kenya, Morocco, Mozambique, Nigeria, South Africa, Tanzania, Zambia

Engagement by Australian mining companies in Africa is significant. Around 40 per cent of Australian overseas mining projects are in Africa and Africa is a significant market for Australian mining, equipment, technology and services (METS). The ten countries with the highest number of Australian projects are Tanzania, South Africa, Burkina Faso, Mali, Namibia, Ghana, Zambia, Botswana, Cote d'Ivoire and Mozambique[44].

As many African countries look to diversify their economies, including into mining, we can expect Australia's investment and services to be in high demand. Mining companies and mining equipment, technology and services (METS) providers have historically been the most active Australian companies in Africa, in part due to the frontier nature of the sector. Australia enjoys a good reputation

[44] AAMEG report

for technical expertise and mining governance, and coordinated advocacy at events such as African Mining Indaba, Africa Down Under and IMARC help to market Australia to investors and governments. The large presence of Australian miners in Africa has helped as others expand: Ausdrill (which now sources 70 per cent of its revenue from Africa) initially entered Africa by leveraging its Australian business relationships.

Mining is reliant on the right policy environment and adequate infrastructure. As countries enact necessary reforms, more opportunities will emerge for Australian miners. Possibilities also exist during downturns for Australian METS providers as mining companies seek productivity improvements to protect their profit margins.

However, recent regulatory changes in some key markets (e.g. Tanzania and South Africa) have increased uncertainty and commercial risk for Australian companies.

The oil and gas sector has struggled in recent years as oil prices have declined, but it is still a significant part of the African economy. New deep water reserves off Nigeria and Senegal are attracting interest, and East Africa is emerging as the biggest upstream success story. Substantial deposits of LNG have been discovered in Mozambique and Tanzania as well as oil deposits in Uganda and East Africa could potentially emerge as a gas region of global significance.

Education

Focus countries: Egypt, Ghana, Kenya, Mauritius, Nigeria, South Africa, Tanzania, Zimbabwe.

Education and training is central to economic development and personal opportunity across Africa. Forecasts of population growth in Africa means that there will be increasing demand on providers of education and training into the foreseeable future.

There were just under 13,000 African students enrolled in courses in Australian educational institutions in 2016, with Nigeria, Kenya and Mauritius being the main sources. International students from Africa make up five per cent of the total international student population in Australia.

Africa has the potential to be a long term growth source for students wishing to study in Australia, which would both diversify the mix of international students in Australia, and enhance the future pool of African alumni with links to and knowledge of Australia.

A growing urban middle class with the ability to afford an international education, and a scarcity of quality institutions in Africa, will ensure the demand for international education continues to grow. Australian education providers have already proven themselves willing to pursue the African education market, through delegations to Africa There are also opportunities to deliver technical and vocational education and training (TVET) especially in relation to mining and infrastructure. New digital technologies are providing foreign providers with new

opportunities to deliver education and training content online and via mobile platforms.

Australia Awards scholarships (which have existed in some form since the 1960s) have proved valuable in forging links with Australia. Scholarships benefit Australian and African interests, and should receive more focus as a result. In addition to African students funded by Australian Government scholarships (around 48 students will commence study in 2017) there has also been modest growth in the number of privately funded students from Africa studying in Australia with 9,234 African nationals arriving in Australia on student visas between January and March 2017.

Alumni networks, and strong advocacy from Austrade and diplomatic posts assist Australian education providers in Africa. However, demand is price sensitive, and based on incomes as measured in foreign currency: fluctuations in exchange rates can hit hard. Australian institutions are also at a disadvantage compared to UK competitors due to the higher cost and difficulty in travelling to Australia.

Another area of growth will be educational services. We can expect to see growth in the provision of online education services delivered in Africa in coming years.

Agriculture and Agribusiness

Focus countries: Egypt, Kenya, Morocco, Nigeria, Tanzania, Zambia

Food security is a key priority for a number of African countries and will provide opportunities for Australian companies. Agriculture makes large contributions to national GDPs, employs a large proportion of the labour force, and remains a significant point of access to improve the welfare of rural poor. Low productivity, poor access to capital, environmental pressures, land tenure issues, inefficient farm to market infrastructure, underdeveloped markets and limited value adding activity are common challenges, and provide opportunities for Australian solutions on a commercial basis.

Opportunities exist for Australian companies in agricultural exports and selling agricultural services and technology (particularly in dryland farming and water management), although a challenge will be finding viable models for commercialisation. Some Australian agribusinesses, such as Costa Group, have also invested in production of agricultural products in Africa.

The sector has stable growth prospects, as demand will grow with population and incomes. Some countries have access to European markets via trade agreements, which Australian companies are using. There are also Australian diasporas who would be keen to return to farming in Africa if local conditions incentivised investment (e.g. Zimbabwe).

Many of the challenges in African agriculture involve responses to environmental factors (droughts, storms), changing climatic conditions, water management, and crop storage and logistics – all areas where Australian companies have world class capabilities and a high degree of complementarity. Australian agribusiness advisers are well placed in the region and business opportunities are emerging

across irrigation products (pumps, tanks and storage), seed supply, cattle improvement and general farm management.

For Australian food and beverage suppliers looking to enter the growing regional markets of east and west Africa, many local buyers already source products from the UAE and attend major regional trade events such as Gulf Food. To capitalise on this trend, Austrade's teams in Dubai and Africa are working cooperatively to identify and promote business opportunities in Africa for Australian food and beverage companies that are already operating in Dubai or that are looking to set-up in Dubai as a logistics base for expansion into regional markets.

Opportunities across the marine environment (the 'Blue Economy') are also emerging in Mauritius and East African coastal regions, including in aquaculture, fisheries management and environmental management.

Renewable energy

Focus countries: Kenya, Morocco, South Africa, Tanzania

Low levels of electrification and inadequate or non-existent transmission networks mean that the commercial viability of renewable energy is different in Africa to elsewhere. Some countries have recognised the possibility of leapfrogging large-scale generation and transmission systems with micro-grid and off-grid technologies and have begun to enact regulatory and financial incentives for renewables.

A small number of Australian companies are engaging in consulting and construction of wind farms in Eastern and Southern Africa, and opportunities will grow as development banks and bilateral partners turn to renewables as a driver of development. The Moroccan government's commitment to having 52% of its energy coming from renewable sources by 2030 offers significant opportunities for Australian companies, whose know how and expertise in solar is valued in the region.

Infrastructure

Focus countries: Kenya, Nigeria, South Africa, Tanzania

Inadequate existing infrastructure and growing populations will require a large investment in new infrastructure, whether from governments, the private sector, international funding institutions or donors. Australian companies such as Worley Parsons have been involved in energy, water, transport, logistics and urban development projects, pursuing opportunities in the financing, construction, associated consulting and operation of infrastructure projects in Africa, and there is scope for this to expand.

Australian companies do not have access to the financing terms offered by some countries, making winning construction contracts outright less likely. However, opportunities do exist in other aspects of the infrastructure life cycle, and there is scope for Australia to assist countries to improve public sector governance so that procurement and Public Private Partnerships become more accessible to Australian companies. The Global Infrastructure Hub, located in Sydney, has shown an interest in Africa as part of its mandate to grow private sector

opportunities in infrastructure, and any activities encouraging better practice in infrastructure procurement should be encouraged.

Development Corridors

A number of African countries have established development corridors to support economic integration and increase opportunities for trade and investment. Typically, these corridors consist of a major port at one end and a significant hinterland or mining project at the other end, with goods ferried back and forth by rail or pipelines. These corridors present infrastructure and service opportunities in themselves but also promote development opportunities along the way.

Australian companies with experience in the resources, energy and transport sectors are well placed to provide advice, technology, goods and services to enable integrated "pit to port" capability covering heavy haul rail, intermodal logistics and port management systems.

Regional business hubbing

African businesses may be interested in using Australia as a base to utilise Australia's extensive network of FTAs through Asia particularly for China, Japan, Korea, New Zealand and ASEAN. There may also be additional opportunities to promote Australia as a stepping-stone to Asia once the Regional Comprehensive Economic Partnership (RCEP) is negotiated. Likewise, Australian business may be interested in basing their operations in South Africa (for example) to utilise its network of trade agreements, including the customs union of SACU, and access into other African countries.

Reflecting the above trends and opportunities, **Austrade's Market Plan for the African region in 2017-18** focuses on the following priority sectors in specific markets that offer the greatest potential in the short to medium term:

Sector	**Markets**	**Key activities**
Mining equipment, technology & services (METS)	South Africa; Ghana; Kenya; Morocco; Egypt	Focus on mining industry supply chains, through a greater understanding of multinational mining companies' strategies and procurement channels in Africa, and developing pathways for Australian METS suppliers
Oil & gas	Nigeria; Ghana; Mozambique; Tanzania	Develop a greater understanding of the strategies, supply chains and procurement channels for key international and national oil and gas companies
International education and training	South Africa; Ghana; Kenya; Mauritius; Nigeria; Egypt	Student recruitment – continue to build student numbers in key markets such as Nigeria, Kenya and Mauritius Borderless education and edu-tech – alignment with the Australian International Education 2025 objectives
Agribusiness and food	South Africa; Ghana; Nigeria; Mauritius; Kenya; Ethiopia; Tanzania	Food security – identify opportunities in agri-tech, especially around irrigation, dry land farm management, crops and seeds, and environment Premium Australia – market opportunities for premium Australian food and wine, building on Australian supplier beachheads in the Middle East
Infrastructure	Ethiopia, Tanzania, Kenya, Mozambique, Morocco	Heavy haul rail opportunities associated with integrated development corridors and major mine sites, leveraging Australian pit-to-port capabilities (East Africa); water resource management (Morocco)
Future cities	South Africa Nigeria	Identify and assess realistic opportunities around urban development in Africa, particularly energy efficiency and building design.

E. The Role of Government in Identifying Opportunities and Assisting Australian Companies to Access Existing and New Markets

The Australian Government has a role to play in identifying and promoting business opportunities; improving market access and advocating for a predictable market-oriented operating environment. Existing economic diplomacy efforts, on and off-continent, are important in raising the profile of Australian companies in Africa. Diplomatic missions already do a great deal to identify and promote business opportunities in their respective countries, and to assist Australian businesses operating in Africa.

Greater political engagement on the commercial relationship would give a significant boost to promotion efforts. There have been no ministerial-level business delegations to Africa in recent years, although former Minister for Trade, Mr Robb used a visit to Nairobi in December 2015 to engage Australian business leaders in Kenya. Similarly, Minister for Trade and Investment, Mr Ciobo launched the Australia-Morocco Business Council in Marrakesh in October 2017. A business delegation led by a Minister or Assistant Minister to priority countries and with participation from priority sectors, would boost the profile of Australian businesses, and would be well received in Africa. It would also help to promote greater private sector linkages across sectors. A good practice would be for a Minister or Assistant Minister to lead the Australian delegation to African Mining Indaba, the world's largest mining investment conference attended by African Ministers which is held in Cape Town in February each year. The Government is conscious that forward travel programs for Ministers are heavily committed and to the extent possible would look to continue to leverage off Ministerial travel to the region, for other international meetings, such as participation in IORA or WTO meetings as appropriate.

The Australian Government supports the visits of African Ministers and officials to Australia. For example, members of South Africa's Parliamentary Committee on Mineral Resources visited Western Australia during July-August 2017, and we are expecting a delegation from South Africa's health and mining sectors to visit Australia during October to study Australia's approach to mining-related health and compensation issues. DFAT also operates a Special Visits Program (SVP) funding the visit of nominated special visitors to Australia.

Australian businesses operating in Africa can also be partners or allies for new market entrants, particularly those operating in other sectors: industry groups and professionals with Africa experience are inclined to assist other Australians who are not direct competitors. These networks also form an important constituency in Australia. People with Australia-Africa literacy, such as Australia Awards alumni, and diasporas are also important in this regard. Government can play a useful role in facilitating contact between these groups, for example at the annual Australia Africa Week.

Government can also support regional chambers of commerce such as the Johannesburg-based Australian Business Chamber of Commerce (Southern Africa) (ABCSA), which promotes improved business relations between Australia and the countries of Southern Africa.

In key markets and focus sectors, DFAT can help Australian commercial interests by identifying the most important tariff and non-tariff barriers to market entry for Australian goods and services and developing advocacy strategies to address these issues.

The Australian government through DFAT continues to promote international standards for business such as the OECD Guidelines for Multinational Enterprises to ensure foreign investment contributes to development. DFAT also continues to encourage countries in Africa to:

- progress the ease of doing business to increase investment levels;
- further commit to open market policies that contributed to the high economic growth rates of the last decade; and
- implement laws to ensure regulatory certainty and transparency to attract high quality investors.

Role of development cooperation

Details of Australia's development cooperation program in Africa are set out at Annex D.

Where major aid projects are funded by donors or development banks, DFAT can advocate for fair access to contracts for Australian companies. Development finance institutions such as the African Development Bank drive a substantial amount of investment and require more regular and systematic engagement from DFAT in order to maximise opportunities for Australian companies.

There is a role for the Australian Government in building public sector capacity and improving the regulatory environment in Africa, with a focus on countries and sectors of commercial relevance to Australia, notably mining governance and infrastructure operation. Australia Awards scholarships are an effective tool in this regard.

In addition, through the Australian development cooperation program, Australia is supporting improved extractives governance internationally, including in Africa.

- Australia is a partner to the Extractives Industries Transparency Initiative (EITI) both as a supporting country and as a new implementing country.
- Australia is the largest donor to the Extractives Global Programmatic Support multi-donor trust fund (EGPS) managed by the World Bank which supports resource-rich developing nations to use their oil, gas and mineral resources sustainably and transparently for poverty alleviation, shared prosperity, economic diversification, and sustainable economic growth.

- DFAT and the BHP Billiton Foundation are jointly funding Transparency International's project on regulation of mining-related permits, licences and contracts which will map corruption risks in the processes for awarding and negotiating mining approvals.
- As Chair of the Kimberley Process in 2017, Australia is working closely with African governments, the diamond industry and civil society to further address conflict diamonds and ensure the integrity of the Process. Australia's focus as Chair is to strengthen the implementation of the Kimberley Process, including ways to enhance the security of rough diamond shipments and certificates. Strong African participation is critical to the effectiveness of the Kimberley Process.
- DFAT is also developing further programs that will help resource rich developing countries transform their oil, mining and gas resources into long term economic and social development gains bringing Australian resources and expertise from Industry, alongside NGOs, Academia, Commonwealth and state agencies.

Aid for Trade

Through aid for trade, Australia assists African and other developing countries to integrate into the global trading system by creating a business-enabling environment for all players. Examples include:

- the Economic Empowerment of Women in Indian Ocean Rim Countries project which has supported 44 women-owned businesses in Kenya to export.
- the Enhanced Integrated Framework which is supporting 27 African countries to identify constraints to trade, implement capacity-building activities and integrate trade into national policy processes
- the World Bank Investment Climate Program which supports African countries to build their capacity to attract and retain investment
- the Global Alliance for Trade Facilitation, managed by the World Economic Forum, the International Chamber of Commerce and the Centre for Private Enterprise which aim to bring national governments, business and industry bodies together to provide alternate means to assist developing countries implement the WTO Trade Facilitation Agreement. Two projects are currently underway in Ghana and Kenya.

African countries should continue to be included in aid for trade engagement, particularly where there is opportunity to improve the regulatory environment and enhance trade facilitation across the continent.

Multilateral trade engagement

Australia relies on a strong and open global trading environment and is strongly committed to the World Trade Organization (WTO) and its framework of rules. Most countries in Africa are members of the WTO, with the Africa Group of 43 countries making up more than a quarter of the total WTO membership of 164 countries. This makes Africa an increasingly significant grouping in the WTO for the negotiation of new trade rules and the operation of existing ones. Australia is a strong supporter of the WTO Agreement on Trade Facilitation, with

implementation of the Agreement expected to improve customs procedures and lower costs for traders operating in Africa, especially across the many land-locked borders in Africa. South Africa was a founding member with Australia, of the 19 member Cairns Group of agricultural exporting countries lobbying for global agricultural trade liberalisation.

While there are no African members of the OECD, South Africa become one of five Key Partners to the OECD, along with Brazil, China, India and Indonesia, in 2007. South Africa is also the only G20 country in Africa.

The World Economic Forum (WEF) holds an annual conference in Africa (2017 conference held in South Africa) which provides a platform for regional and global government and business leaders to focus on the growth and development prospects for Africa.

The Australian Government engages with African countries in multilateral fora, particularly the World Trade Organization (WTO) and through the WTO's various operational committees and negotiating groups. The WTO meets as a ministerial council biennially, with the tenth ministerial council meeting having being held in Nairobi, Kenya in 2015. Government has a role to play to promote the benefits of trade liberalisation and to advocate for implementation of existing agreements such as the Agreement on Trade Facilitation. Government also has a role to play in encouraging non-WTO African members such as Ethiopia to accede to the WTO Agreements and would need to agree to the terms of such accession.

The Australian Government meets with African countries in plurilateral groups such as with South Africa in the G20, and Indian Ocean countries in IORA. Such fora provide additional avenues to promote trade liberalisation in areas of interest to these more targeted groupings.

Preferential tariff provisions

Australia operates a system of tariff preferences for imports from the worlds least developed and developing countries. The intent of the Australian System of Tariff Preferences (ASTP) is to support the integration of developing countries into the global trading system as a means to promote their economic growth. The ASTP offers complete duty-free quota-free market access to all goods originating from Least Developed Countries in Africa and preferential tariff treatment for all goods originating in developing countries in Africa. This reduces tariffs on exports from Africa and ensures there is a level playing field with Australia's other FTA partners.

Other developed countries operate different schemes of tariff preference arrangements. The United States for example operates the African Growth and Opportunity Act (AGOA), which enhances market access to the United States for qualifying Sub-Saharan African countries. Qualification for AGOA preferences is based on a set of conditions contained in the AGOA legislation.

F. The role of Australian Based Companies in Sustainable Development Outcomes and in Promoting the Achievement of Sustainable Development Goals

The Australian Government's desire to support the growing alignment between business and development is based on the recognition that the private sector will play an essential role in meeting the social and economic development challenges in our region and in Africa.

The Sustainable Development Goals (SDGs) are important because they will determine the future direction of development work over the next 15 years. They include 17 goals with 169 targets covering a broad range of sustainable development issues, from ending poverty and hunger to improving health and education, reducing inequality, and combating climate change. The SDGs are intended to be universal, applying to all countries rather than just the developing world.

The Australian Government's engagement with the private sector is built around the concept of 'shared value' meaning that businesses can deliver sustainable social impact in developing countries while achieving commercial returns.

Australia's Business Partnerships Platform (launched in November 2015) brings together DFAT and private sector funding to advance Australia's development objectives and the social impact of business.

The BPP enables business and their partners (including not for profits, NGOs, and academia) to apply for co-funding of initiatives through funding rounds, that will create new business opportunities whilst also directly addressing specific aid objectives of the Australian Government

In its first two rounds, the BPP attracted many applications from business. One of the nine successful partnerships was between Base Titanium, Cotton On Group and Business for Development outlined in the following case study:

Case Study 1: Business Partnerships Platform Ethical Cotton Production

Kenya's Kwale County is an area prone to violent extremism and instability. It is also where Australian resources company, Base Titanium Limited, operates its Kwale Mineral Sands Operation, the first major foreign direct investment in Kenya's mining sector and the largest mining operation in the country, worth around $400 million. The operation currently employs over 900 people; 63 per cent are from Kwale County and 96 per cent are Kenyan. The project also supports an additional 2,800 jobs through indirect and induced activity.

Although the Mine has created significant opportunities for local economic development, Base Titanium is also focusing on responsible and sustainable development to ensure the future sustainability of Kwale County.

With the support of Base Titanium, Australian global fashion retailer Cotton On and DFAT's Business Partnerships Platform, the Ethical Cotton Production program being delivered in Kwale County is reducing poverty and promoting growth to build peace and stability and counter terrorism. The long-term goal of the program is to support a sustainable and ethical cotton industry in Kwale County, where household incomes have been less than US$2 per day.

Under the program, local farmers are being mentored in the production of commercial quality cotton and provided with the means to establish their farms. Base Titanium is providing the majority of the private sector financing for the project, in line with its commitment to enhance the post-mine agricultural economy of the region. Using the 'seed to shelf' model, Cotton On is purchasing the cotton produced and exporting it into its global supply chain.

To date, more than 300 farmers have joined the project, adding to the small business opportunities available in the region. Women are being encouraged to access the program, as landowners or by assuming responsibility for their family's smallholding. The aim is to have 10,000 smallholder cotton farmers in the County by 2020, substantially improving livelihoods and demonstrating the multiplying development impact that quality investment can bring. It is also hoped that Kwale County, through increased prosperity of its population, will become a more stable region in Kenya, able to attract further investment.

Case Study 2: Aspen Medical Ebola response – Sierra Leone and Liberia

Founded in 2003 by Glenn Keys and Dr Andrew Walker, Aspen Medical is an Australian-owned, global provider of healthcare services and operates across Australia, the Pacific, Africa, the Gulf region, the UK and USA employing more than 2,500 staff.

The 2014-15 Ebola outbreak in West Africa was a health emergency unprecedented in scope and scale in modern times. At the time, the number of new Ebola infections was doubling every three weeks. Australia was a significant contributor to this global Ebola response, making a substantial contribution to help combat the epidemic.

Australia provided more than $37 million towards the international Ebola response. This response involved commissioning and managing an Ebola Treatment Centre (ETC), constructed by the UK Government at Hastings Airfield in Sierra Leone. The Department of Foreign Affairs and Trade contracted Aspen Medical to manage the Ebola Treatment Centre.

Aspen selected and trained 73 Australian and New Zealand nationals for deployment to Sierra Leone. In total, the ETC admitted and treated 216 patients. The Australian Government response to the Ebola outbreak in Sierra Leone concluded on 30 April 2015.

For Aspen Medical the operational success of the Ebola Response project on behalf of the Australian Government led to a further contract with the UK Government, which commenced on 30 June 2015. Following an external procurement process by the UK Government's Department for International Development (DFID), Aspen Medical was contracted to take over the running of the Kerry Town Treatment Unit (KTTU).

In addition to their work in Sierra Leone, Aspen Medical operated a private clinic in Liberia's capital Monrovia from early 2014, which provided support to the Monrovian public healthcare system as Ebola took hold across West Africa.

The company was subsequently contracted by USAID to provide clinical management services to four Ebola Treatment Units (ETUs) in Liberia located at Barclayville, Bopolu, Gbediah Town and Zorzor.

Recommendations

1. Strengthening government-to-government engagement

- Increase the number of Australian ministerial and parliamentary visits undertaken each year to Africa.
- Encourage African Ministerial and parliamentary visits to Australia.

2. Expanding economic diplomacy

- Continue to raise awareness of opportunities for business, including at the next Mining Indaba to be held in Cape Town, South Africa in February 2018. A business delegation to Africa led by a Minister would be valuable in advancing Australia's economic engagement with key partners in Africa.
- At the annual Australia Africa week in Perth in September, expand the focus of engagement from mining to other potential growth sectors such as education services, agriculture and renewable energy.
- Continued support for and high-level engagement by DFAT and the West Australian government in the expanded Australia Africa Week, including Africa Down Under.

3. Fostering stronger private sector linkages

- Promote business linkages between relevant Chambers of Commerce.
- Encourage Australia Awards alumni and diaspora community in Australia to develop and strengthen private sector linkages.
- Support Advisory Group on Australia Africa Relations (AGAAR) and Council on Australia Arab Relations (CAAR) to develop a stronger private sector focus to their engagement.

4. Addressing business risk factors in Africa

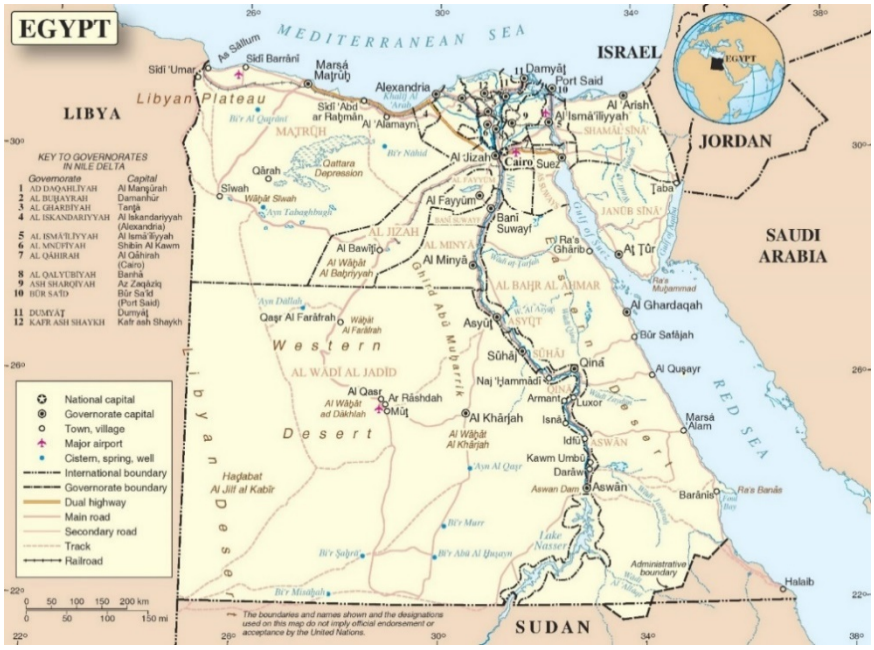
- Enhance use of Australia Awards to influence policy thinking in Africa.
- Target aid programs and leverage aid for trade initiatives to support good governance, improve the regulatory environment and enhance trade facilitation across the African continent.

Annex A Map of Africa

Annex B Overview of major trading partners

Egypt
Ethiopia
Ghana
Kenya
South Africa
Mauritius
Morocco
Nigeria
Senegal
Tanzania
Zambia
Zimbabwe

EGYPT



Commercial Relations Overview

Egypt is the second-largest economy (in terms of GDP) on the African continent. Despite having suffered from political upheaval over 2011 to 2013, the Egyptian economy remains a significant African market with opportunities for Australia due to its large population (93 million people, growing by around 2 million a year) and access to markets across the Middle East and Europe. Egypt also remains an important political actor in the Middle East, and a gateway for the movement of people and goods north from sub-Saharan Africa into neighbouring regions.

The period of instability that characterised the Arab Spring in Egypt continues to impact on Egypt's economic outlook in the short term. In recent years, Egypt's economy has relied heavily on large-scale financing from the Gulf States and regional development funds. However, recent political stability and the implementation of a 2016 IMF package may improve economic growth in the medium- to long-term. Egypt and China also agreed to a $2.6 billion currency swap in December 2016 to increase foreign reserves. Macroeconomic reforms have seen some improvements in trade balances and investor confidence. The tourism industry has been slowly recovering but is highly dependent on the security situation.

Two-way merchandise trade totalled $449 million in 2016, of which Australian exports were valued at $415 million, mostly in vegetables, wheat, wool and other animal hair. Imports from Egypt were valued at $34 million, including floor coverings, clothing and road motor vehicles. A small number of Australian companies are active in Egypt, including the resources companies Centamin and Gippsland. Live animal trade resumed in March 2014 but has remained dormant since 2016. The Egyptian market is currently not considered a priority for the Australian livestock industry.

Egypt is the only African country with which Australia has concluded an Investment Promotion and Protection Agreement. The Agreement entered into force in 2002.

Challenges and Opportunities

Political instability and security concerns following the Arab Spring has presented the greatest challenge to Australian trade opportunities in recent years. Egypt has taken a range of steps to address these issues, but some continue to impact on trade. Most significantly, due to security concerns the Australian Government has imposed prohibitions since December 2015 on the carriage of air cargo that has originated from or transited through Egypt, with the exception of letter products and small items of cargo. Egypt has reported that this has impacted on Egyptian exports and has made representations seeking to have the ban lifted.

The Egyptian economy is also experiencing some immediate pressures as it adjusts to new government measures and the reforms that accompany the IMF package. For example, since floating the Egyptian Pound and lifting some subsidies inflation has increased to 30.9 per cent in June 2017.

Some longstanding structural issues also continue to impede trade. Some Australian companies have faced difficulties in securing regulatory approval from the Egyptian authorities and Egypt's tariffs generally remain high. Egypt ranked 127 of 189 nations on the World Bank's Ease of Doing Business index in 2016. The military has also expanded its economic activities into new sectors, potentially diminishing the scope for private investment.

Opportunities for Australian business are largely centred around the agri-business, education and mining sectors. Egypt has large reserves of mineral resources with untapped potential. Previously a driver of economic growth, the sector has been underperforming since 2011 with many investors blaming the cumbersome production sharing arrangements preferred by the government. Despite this Australia's Resolute Mining Limited has recently been successful in a tender for a gold concession. Recent moves to deregulate the Egyptian gas market may offer opportunities for Australian companies.

ETHIOPIA

Commercial Relations Overview

Total merchandise trade between Australia and Ethiopia was AU$29.4 million in 2016. This was up 1.2 percent on 2015. Australian exports to Ethiopia were worth AU$5 million. The remainder (AU$24.4 million) was imports, the bulk of this being coffee and substitutes (AU$23 million). A small number of Australian companies are active in Ethiopia, particularly in the mining sector. UK company Kefi Minerals announced in July 2017 that it has secured international funding to build a gold mine in Ethiopia's Oromia region, with selected Australian project contractors, Ausdrill for mining and Lycopodium for processing. Several other Australian companies are contemplating investments in gold and lithium.

Beyond mining, Australia's commercial relationship with Ethiopia remains underdeveloped and there is potential for expansion. Ethiopia is Africa's second most populous country (104 million) and its young population (70 percent under age 30) is expected to double by 2050. Ethiopia's average annual GDP growth rate for the last decade was 10.8 percent (World Bank). This momentum is expected to continue, albeit at a slower pace (BMI Research estimates that growth in 2017/18 will be between 6 and 6.5 percent). While the middle class is currently small (in 2014 *The Economist* estimated that only 2 percent of the population earn more than 10 USD per day), if high levels of growth continue it will grow substantially.

Agriculture remains the backbone of the economy, contributing 42.7 percent of GDP and about 80 percent of employment. Ethiopia will pursue its goal to be middle income 'green' economy by 2025 through growth in the infrastructure; construction; manufacturing; agro-processing; livestock; textiles; energy; and mining sectors.

Challenges and Opportunities

Politically motivated violence and demonstrations remain a medium term concern for investors in Ethiopia. 2016 witnessed widespread violence in the regions of Oromia and Amhara. In some locations, this involved the direct targeting of foreign investor properties and factories. A state of emergency adopted in October 2016 brought most violence to an end by early 2017.

Restrictive trade and economic policies, excessive red tape and corruption make Ethiopia challenging for business. In 2016, Ethiopia ranked 108th on Transparency International's corruption index (178 countries) and 159th in the World Bank's 2017 *Ease of Doing Business Report* (190 countries). Foreign companies also have difficulty securing access to foreign currency as a result of a tightly controlled financial sector and competition for those funds from Government-led infrastructure investments.

Key areas of potential growth in trade with Australia are mining and mining services; agriculture, in particular meat and livestock; renewable energy; and vocational and technical education.

GHANA

Commercial Relations Overview

Australia maintains a modest trade relationship with Ghana, with total merchandise trade worth AU$129,370 million in 2016. Australian exports to Ghana mostly comprise civil engineering equipment, specialised machinery and parts, while notable imports include cocoa, gold and animal oils. Australia's priority sectors in Ghana are mining and education. Post has identified agriculture/agribusiness and renewable energy as potential opportunities for Australian trade and investment. Infrastructure is another potential area for investment given Ghana's substantial need in this area, although this has more risk attached. Post assesses that there is significant potential for investment in agriculture/agribusiness, (particularly in poultry and livestock production), although there are significant challenges, such as unclear land tenure; import duties; market access; and corruption. While many of Ghana's regions are reliant on agricultural production, there is limited manufacturing or value-adding activity, owing in part to lack of access to finance and entrepreneurial skills. Inadequate electricity supply and high energy costs have driven up interest in renewable energy across the West African region, including Ghana. The tendency for sole-sourced contracting arrangements is a significant shift from the Australian business practices.

Challenges and Opportunities

Ghana has a relatively benign security environment. The challenge of weak institutions remains a significant impediment to trade and investment in Ghana. West Africa is home to some of the world's least business-friendly regulatory regimes. Ghana, the region's best performer, was ranked 108 out of 190 nations in the 2017 *Doing Business* report (while the region's worst performer, Liberia, placed 174). Despite these risks, a number of Australian mining and mining services companies have been very successful in Ghana and the broader region, demonstrating that with good local knowledge and experience, real opportunities exist for dynamic and robust investors. But the marketplace is becoming crowded, with potential Australian investors facing intense competition from Chinese, American, British, Canadian, French and Lebanese firms.

KENYA

Commercial Relations Overview

Two-way merchandise trade with Kenya totalled AU$97 million in 2016, a decline of 18 per cent from the previous year. Of this, Australian exports represented approximately AU$66 million, the majority in engineering parts and motor vehicles. Imports from Kenya totalled AU$30 million, a fall of nearly 30 per cent since 2015. These comprised mainly vegetable matter, coffee, and tea. Australian provision of services to Kenya (including education and tourism) increased by close to 28 per cent in 2016. Australian companies active in Kenya span energy, extractives, agriculture and infrastructure sectors, and include Base Titanium, which operates the country's largest mine.

Kenya is the largest and most diversified economy in East Africa, characterised by a free market economy, enforceable property rights, high quality human capital, a strong culture of innovation, and significant entrepreneurial spirit. The East African Community (EAC) regional bloc, of which Kenya is a member state, has among the highest levels of economic integration on the continent, as measured by intra-regional trade, giving investors access to a market of some 150 million people.

Given the country's consistent economic growth (projected to rise between 5.5 and 6 per cent from 2016) and growing middle class, Kenya offers significant commercial opportunities. It is positioning as a regional business hub, including through a newly-consolidated national trade policy. It has an extensive slate of infrastructure projects underway which provide opportunities for Australian companies. The newly commissioned Single Gauge Railway, its largest ever infrastructure project, together with improvements at Mombasa port, should improve freight efficiency across Kenya, as well as the hinterland economies of Ethiopia, Uganda and Rwanda.

Challenges and Opportunities

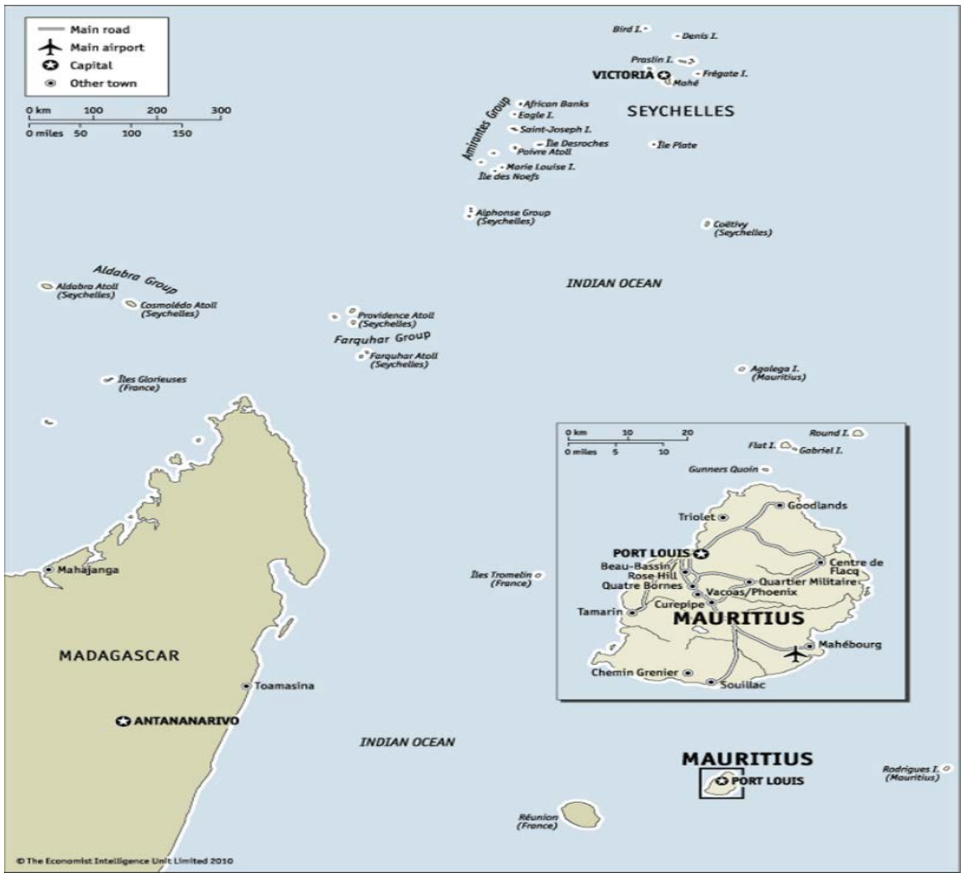
Exploration of Kenya's resources continues and, although questions remain over local capacity, security and infrastructure (including pipeline development), there are likely to be opportunities for Australian companies. Potential areas of input include drilling, geological services and mine design as well as providing equipment, technology and training. Kenya's government says commercial oil production is expected by 2020, however industry commentators suggest 2025 is more realistic.

Kenya's renewables sector is growing. A large wind power project at Lake Turkana is managed by Australia's Worley Parsons, and Canberra-based Windlab has been engaged to identify and develop wind farm sites. Opportunities exist for Australian business in hardware development and engineering solutions, including in geothermal and solar. Aside from energy and extractives, Australian companies are active in agriculture (especially in horticultural production, water management and related technologies). Kenya is Africa's largest source of students to Australia, with the market for education services growing rapidly.

Governance issues remain a deterrent for investors, despite efforts toward transparency and to improve the ease of doing business (Kenya ranked as the third most reformed country in 2016). Security is also a concern, though a sizeable risk management industry offers coverage at a cost. Infrastructure is lacking, with unreliable power supply a key obstacle. Recent policies, such as the introduction of local content requirements and a cap on bank interest rates, have been at odds with Kenya's traditional pro-market policy stance.

Overall, however, Kenya's combination of growth, entrepreneurship and innovation presents many opportunities for Australian companies willing to engage with the risks. Australia's expertise in the extractives, energy, education, and agriculture sectors matches Kenya's needs well.

MAURITIUS



Commercial Relations Overview

Total merchandise trade between Australia and Mauritius was AU$113.3 million in 2016. This was down 8.0 percent from 2015 due largely to a reduction in wheat sales. Australian merchandise exports to Mauritius were worth AU$86.7 million, the bulk of which was primary produce like meat, dairy products, other food items and wheat. The remainder (AU$26.5 million) was imports including clothing, animal fats and oils. Australia's trade in services with Mauritius included exports of AU$140 million and imports of AU$112 million, being primarily education and tourism services. Australian companies are active in the education, energy and agriculture sectors.

Mauritius has undergone significant economic reform, leveraging its innovative thinking to move into higher value addition, carving a niche in the global business landscape. Despite its small size (approximately 1.3 million people), Mauritius has diversified its economy from a traditional focus on agriculture (predominately sugar cane) into a stable global financial services hub. It is one of the most prosperous countries in Africa with a GDP of US$12.2 billion and a GDP per capita of US$9,619. It was the top-ranked African country in the 2016 World Bank Ease of Doing Business Report. It was also ranked as Africa's most competitive economy in the World Economic Forum's report for 2015-16, having risen over twenty places in seven years. GDP growth is relatively stable averaging 3.4% over the past five years.

Challenges and Opportunities

With well-developed legal and commercial infrastructure and a tradition of entrepreneurship and representative government, Mauritius offers significant opportunities. The country's growing network of double taxation avoidance agreements (DTAAs) and Investment Promotion and Protection Agreements (IPPAs) with selected African states, is positioning Mauritius as a secure and tax efficient offshore jurisdiction for structuring investments. A number of multinational corporations use Mauritius to route their investments into growth regions such as India, China and other parts of Africa. Mauritius also offers opportunities to set up businesses that benefit from preferential trading agreements with the US (AGOA) and the EU (EPAs).

Mauritius is also transforming itself into a regional hub for information and communication technology and education. A number of foreign universities have formalised partnerships with Mauritian institutions, some of which are delivering courses in Mauritius at their own campuses, in collaboration with local partners. This includes Australian institutions like Curtin University, which is extending its reach in the region by delivering courses via a private local partner. A large number of Australian universities and other training providers are also developing partnerships and linkages.

In the Blue Economy sphere the **Mauritius Government Program 2015** aims to transform Mauritius into an ocean state, with the ocean economy as one of the main pillars of development (a Ministry of Ocean Economy, Marine Resources, Fisheries, Shipping and Outer Islands, dedicated to ocean-related activities was created following the 2014 General Elections). Potential exists in fisheries, seafood processing and aquaculture, deep ocean water application (DOWA), marine services, seaport-related activities and marine renewable energies.

MOROCCO

Commercial Relations Overview

The opening of an Australian Embassy in Rabat (2017-18) will enhance Australia's influence in Morocco, North Africa, and Francophone Africa.

Morocco is a stable and significant African country that has positioned itself as a gateway to North and West Africa, and an economic bridge between Africa and Europe. Morocco ranked 68 on the World Bank's Ease of Doing Business index in 2016, the highest business ranking of any North African country.

Morocco's economy is relatively open, industrialising rapidly and integrating with Europe as an off-shore manufacturing centre. It has significant mineral and agricultural resources. Its infrastructure and tourism development plans are extensive. It is a regional leader in clean energy, and is increasing its agricultural competitiveness. Morocco is one of the most significant investors in Africa and has invested in key regional infrastructure projects, such as the Tanger Med port which is now connected to 170 ports worldwide.

In 2016, two-way merchandise trade between Morocco and Australia totalled $89 million, of which Australian exports were valued at $23 million, mostly in meat, dairy, paints, and sugars. Imports from Morocco were valued at $66 million, including fertilizers, clothing and vegetables.

Challenges and Opportunities

Morocco welcomed the announcement that Australia would open an Australian Embassy in Rabat in 2017-18. Opportunities exist across multiple sectors including food and agriculture, infrastructure planning and sustainable development, mining, oil and gas and health. Australian firms are already active in many of these, and there is increasing interest from Australian business. The Australian Embassy in Rabat is already recruiting members to form our first Australia-Moroccan Business Council, which will provide the corporate and government links to help launch Australian business activity in Morocco.

Morocco benefits from its well-developed manufacturing sector, mining industry, agricultural output, proximity to Europe, sizeable diaspora community, low carbon costs, and market-oriented public policy. Its economy is well diversified, particularly relative to many countries in the Middle East/North Africa region. Tourism and agriculture are both substantial contributors to the Moroccan economy – with agriculture accounting for between 15-20% of GDP and employing 40% of the population. Manufacturing industries include textiles, and high-value products such as automotive and aeronautics. Recent years have also seen the expansion of the ICT sector – particularly outsourcing.

Investment in ports, transportation, and industrial infrastructure; combined with the establishment of a trade zone, have boosted Morocco's competitiveness and left the country well-positioned to act as a transport hub, and business brokers across many African markets. Thanks to its Free Trade Agreements (FTAs) with the European Union, Morocco can also be seen as a natural springboard for Australian companies looking to export to the European market.

However, some longstanding structural issues continue to impede trade. Australian meat exporters face a 200% tariff on their product. The development of trade in live animals is hampered by the absence of an agreement on the acceptance and handling on live animals. Deeper structural problems, such as public sector corruption, relatively weak performance indicators on ease of doing business, and a lack of skilled labour, still deter international investment, though much progress is being made in these areas. As Morocco seeks to triple resource sector revenue by 2025, there are likely to be increasing opportunities for Australian companies within the mining and extractive sectors. Potential areas of output include exploitation drilling and geological services (including procuring equipment, technology, and training).

Aside from energy and extractives, Australian companies are active in agriculture, particularly in horticultural production, water management, and related technologies.

MOZAMBIQUE

Commercial Relations Overview

Two-way merchandise trade with Mozambique totalled AU$371 million in 2016, a decline of 20 per cent from the previous year. Of this, over 90 per cent of the total is represented by the export of aluminium ores for processing at South32's Mozambican aluminium smelter, Mozal, and subsequently exported as aluminium. Backed by a US$2 billion investment in 1998, Mozal was the largest private investment in the country and remains the largest industrial employer in Mozambique. Imports from Mozambique are minimal and mostly comprise $900,000 worth of crustaceans.

Australian companies active in Mozambique are focused almost exclusively in the extractives sector, particularly graphite which is dominated by Australians Syrah Resources, Triton Resources and Mustang Resources which is also mining rubies. Mozambique is estimated to contain up to 40 per cent of the world's rubies.

Mozambique is one of the poorest countries in the world with a largely subsistence agricultural-based economy. However, with discoveries of oil and gas, it has the potential to be the third largest exporter of LNG in the world. Beyond these resources, Mozambique is a significant global producer of ilmenite, tantalum and zircon, and has production potential for gold, copper, iron ore, vanadium and other minerals. Mozambique's main trading partners are

South Africa, China, India, Belgium, UAE and Mauritius. The Portuguese also maintain strong links with their former colony with investment totalling US$1.7 billion, notably the Cahora Bassa hydroelectricity dam.

Challenges and Opportunities

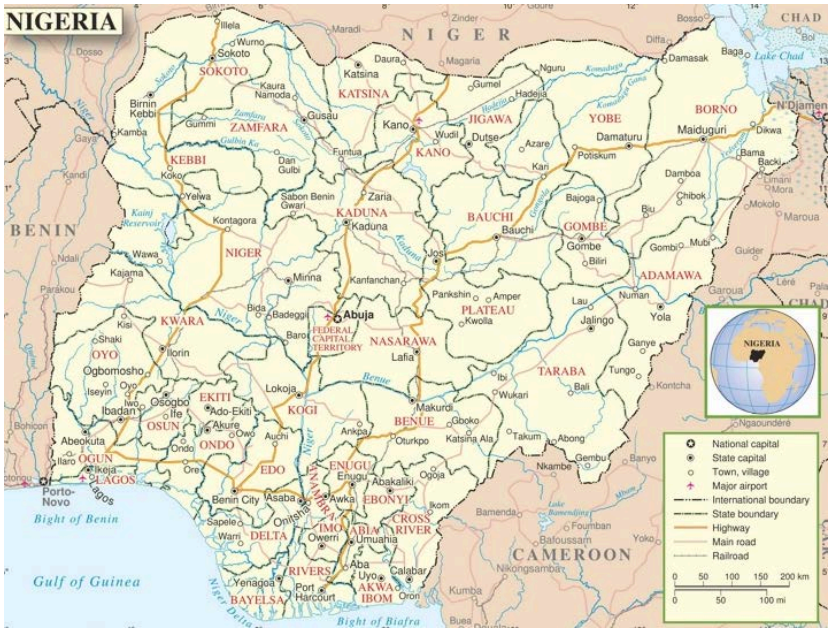
Although the Mozambican government's stated goal is to attract investment, this is not reflected in Mozambique's ranking at 137 of 190 in the World Bank's Ease of Doing Business scale and 142 out of 176 in Transparency International's Corruption Perception Index. These statistics reflect the difficult reality of doing business in Mozambique with opaque laws, weak judiciary, poor infrastructure and widespread corruption at all levels of the public sector. The Basel Institute of Governance lists Mozambique as seventh of the top ten countries at high risk of money laundering. The depressed commodity prices and an ongoing economic crisis, largely of the Government's making, mean Mozambique's economy remains fragile and dependent on the future promise of extractives.

Beyond infrastructure difficulties, one of the key uncertainties for mining companies is security of land as foreigners cannot own land and government owns all mineral resources. Under the mining law, mining concessions are granted for the life of mine up to a maximum of 25 years. Exploration licenses are issued for five years with an option to renew for a further three years during which time investors are insulated from tax hikes.

Last year, the government passed legislation requiring ten per cent of the investment in minerals to be offset to agriculture in recognition of the importance of agriculture to the local economy. It's unclear whether this requirement is being implemented. Mozambique has also established more stringent local content regulations obliging foreign suppliers to work with a Mozambican entity and to give preference to local suppliers as much as possible.

Nevertheless, there are many opportunities for Australian METS companies to support mining operations around Mozambique and some are already there. The RBR Group Ltd has successfully set up subsidiary companies in Mozambique to provide staff training, health and housing support services for extractives companies.

NIGERIA



Commercial Relations Overview

Australia's total merchandise trade for 2016 totalled AU$191.75 million. Exports to Nigeria were worth AU$190.54 million. Major Australian exports included wheat, edible products and preparations, passenger motor vehicles and vehicle parts and accessories. Australia's trade in services to Nigeria in 2016 was worth AU$102 million and services from Nigeria totalled AU$15 million. Australian investment in Nigeria in 2016 was AU$120 million.

Nigeria is Africa's most populous nation with a population of approximately 183.6 million. Expected population growth will result in Nigeria becoming the third most populous nation in the world by 2050 (behind China and India). There is the potential for a significant consumer class if Nigeria can address the poverty rate of approximately 60% and successfully translate the current demographic dividend into sustained economic growth. Nigeria ranked 169 out of 190 countries in the World Bank's 2017 Ease of Doing Business index.

Challenges and opportunities

The Nigerian government is trying to diversify the economy beyond its current oil dependency. Investment opportunities exist for Australian firms in agro-processing; mining; mining related services; and engineering services.

There are around twelve Australian junior miners with interests in Nigeria in iron ore, lead, zinc, nickel and gold projects. Quarrying and limestone extraction are the most significant formal mining activities in Nigeria. Australian companies investing in the sector include Kogi Iron; Macmahon; Symbol Mining; Comet Minerals; and Benue Minerals.

Nigeria wants to build its competitive advantage in agriculture, presenting real opportunities for Australian investment. Approximately 40 per cent of Nigeria's 84 million hectares of arable land remains under-cultivated. Nigeria has a high

need for agricultural equipment given the low level of mechanisation in the sector. Australian firms would be well placed to bring innovative solutions to the sector, including options for cool storage and modern transportation methods.

The growth potential in the infrastructure sector over the next few decades is vast. If Nigeria's economy recovers from its recent recession there should be progress on the dozens of Public-Private Partnerships being developed to meet the estimated US$70 billion per year required in infrastructure development. Australian firms Aurecon, Worley Parsons and SMEC are active in the sector.

While it is the government of Nigeria's stated goal to attract investment, investors generally find Nigeria a difficult place to do business. The main challenges to investment are trade restrictive measures including restricted forex availability; inadequate power and transport infrastructure; pervasive corruption; and the security environment.

SENEGAL

Commercial Relations Overview

Australia's trade relationship with Senegal is modest. Two-way merchandise trade totalled AU$26.28 million in 2016, an increase of 7.1 per cent from the previous year. Of this, Australian exports accounted for $23.95 million, a decline of 0.5 per cent from 2015. Exports primarily consisted of specialised machinery, mechanical handling equipment, civil engineering and parts. Australian imports accounted for just AU$2.34 million, although this represented a significant increase of over 380 per cent from 2015. Australian imports included cutlery, ore and organo-inorganic compounds. A small number of Australian companies are active in Senegal in the oil and gas, mineral sands, phosphate and gold sectors, notably Woodside Energy Limited and FAR Limited.

Challenges and Opportunities

Senegal is the second fastest growing economy in West Africa behind Côte d'Ivoire and the fourth fastest in Sub-Saharan Africa. Senegal has identified agriculture/agribusiness as a sector of potential interest for Australian trade and investment, and has expressed interest in welcoming trade delegations from Australia. Recent discoveries of oil and gas offshore present an opportunity for Australian companies, and the government's capacity to manage this sector will be bolstered by technical support from the World Bank. Senegal has a relatively benign security environment, although insecurity in neighbouring countries remains of concern. Progression in key infrastructure projects saw credit agency Moody upgrade Senegal's rating from B1 to Ba3 this year. Senegal was ranked 147 out of 190 nations in the 2017 *Doing Business* report, down one from 2016.

SOUTH AFRICA

Commercial relations overview

South Africa is Australia's leading economic partner in Africa, with total two-way trade in goods and services of more than AU$3 billion in 2016, representing almost a third of Australia's total trade with Africa. Australia exports resources (aluminium, coal), and imports passenger motor vehicles and personal travel. South Africa is also an important source and destination of investment, with two-way investment totalling AU$12 billion in 2016, an increase of 21% on the previous year. South African Foreign Direct Investment (FDI) into Australia makes up a significant component of this investment (AU$3.5 billion), largely in the retail and financial services sectors.

Africa is a major market for Australian Mining Equipment, Technology and Services (METS) companies outside of Australia, with many mining companies active in South Africa, including Rio Tinto and South32. South Africa hosts the annual 'Investing in African Mining Indaba' in Cape Town, Africa's premier mining industry conference. The Indaba brings together African governments, investors, mining companies, METS providers and financiers to engage on industry innovations in financing, regulation and sustainability.

The bilateral commercial relationship is diversifying beyond mining and resources, with increased business activity in the retail and financial services sectors. Retailers especially find advantages in common Southern Hemisphere seasonality and lifestyle similarity. Australia's Commonwealth Bank, Macquarie Bank, the Cotton On Group and Flight Centre are active in the South African market. South Africa's The Foschini Group recently purchased Australia's menswear Retail Apparel Group (RAG); Steinhoff International Holdings

purchased Fantastic Holdings, Growthpoint has significant property investments in Australia; and OUTsurance operates as Youi insurance in Australia. The cross-fertilisation of brands resulting from the 2014 purchase by South African Woolworths Holdings Limited of David Jones gives the David Jones and Country Road network of brands prominence in more than 400 Woolworths stores across Africa.

Within Africa, South Africa is Australia's largest tourism destination and source, with 84,000 Australians visiting South Africa and 57,000 South Africans visiting Australia in 2016. South Africa also has the largest number of African nationals permanently residing in Australia, with 180,000 in 2016, and the 8th largest nationality in Australia.

Challenges and Opportunities

Commentators note that political uncertainty in the lead up to the national election in 2019 is a significant deterrent to economic growth and foreign investment. South Africa entered a technical recession in June, with GDP growth of only 0.5 per cent forecast for 2017. The major ratings risk agencies have downgraded South Africa, with Fitch and Standard & Poor's rating South Africa as sub-investment grade, and all agencies rating South Africa as negative or stable outlook at best.

Government policy is policies to promote black economic empowerment (BEE) and "radical economic transformation" to lift millions of black South Africans out of poverty, and provide them with jobs (official unemployment is currently at a 14 year high of 27.7%). Recent proposed changes to the regulatory environment in the mining; agriculture; investment; security; and property sectors could damage business confidence, and increase investor uncertainty.

Notwithstanding these challenges, South Africa is a locus of economic activity across the African continent, with many African and global businesses making their headquarters in Johannesburg. South Africa remains Africa's most sophisticated and diversified economy, with a world-class financial and banking sector, including the world class Johannesburg Stock Exchange (JSE). As a commodity-based economy, and with improvements in commodity prices, there is opportunity for improved exports to South Africa, and a more competitive economy with the depreciation of the Rand.

South Africa is a member of BRICS, and has a natural affiliation with its counterpart major emerging economies. It is also hosting IORA (Indian Ocean Rim Association) in 2017-19 which will enable deeper engagement on blue economy initiatives. Australia is seeking to hold bilateral senior officials talks, and bilateral trade and investment consultations in 2017, to discuss avenues for greater cooperation and collaboration.

TANZANIA

Commercial Relations Overview

Two-way merchandise trade with Tanzania totalled AU$58 million in 2016, 90 per cent of which was Australian exports. Two-way merchandise trade declined 54.6 per cent from the previous year, explained largely by a drop in Australian wheat exports to Tanzania.

Major Australian exports to Tanzania in 2016 included specialised machinery and parts; civil engineering equipment and parts; and aircraft and parts. Imports from Tanzania comprised mainly of coffee and fish.

Tanzania has significant mineral reserves and mining currently contributes 3-4 per cent GDP per annum to Tanzania's economy. Approximately 20 Australian mining companies are active in Tanzania including Kibaran Resources, Magnis, Intraenergy, Indiana Resources, and Blackrock resources. METS and drilling companies are also active in Tanzania. Australian companies Barminco and Ausdrill have formed a joint venture (African Underground Mining Services) to manage a large contract at the Geita Gold Mine in Tanzania.

Tanzania has two active onshore gas projects and has fast-tracked exploitation of its offshore natural gas fields which have attracted some heavyweight petroleum

companies. Australian company Bounty Oil and Gas has a stake in a gas project in Kiliwani North that began production in 2016. Other Australian petroleum companies have shown interest in the region.

Challenges and Opportunities

Australian experience in mining and METS matches well with opportunities in Tanzania. However, legislation passed in July 2017 has caused significant concern for foreign investors in the natural resource sector, including Australian companies. Changes include giving the government 16 per cent free carried interest in mining companies (with the option to acquire up to 50 per cent equity in companies that have received tax incentives), giving government the authority to renegotiate previously agreed contracts, and banning international arbitration.

The new laws significantly alter the legal and regulatory regime that had attracted FDI to Tanzania's resource sector, and were passed without any meaningful consultation with industry. This is the latest in a series of government acts towards the private sector which brings into question Tanzania's attractiveness as a destination for foreign investment.

Depending how these recent challenges play out, there may be future opportunities in the country's nascent petroleum sector, including offshore from Zanzibar. Zanzibar's nascent regulatory framework, and public service capacity, will present challenges for interested investors.

Tanzania requires significant infrastructure development and the government has ambitious plans including road connectivity, port and airport expansions, and the Uganda-Tanzania oil pipeline. These infrastructure projects may present opportunities for Australian companies with expertise in engineering, social and environmental impact assessments, as well as construction (although it can be difficult to compete with Chinese and other bidders).

Modernisation of Tanzania's agriculture sector is critical for sustained growth and development. Less than one per cent of the potential irrigable farm land in Tanzania is under irrigation farming and demand for quality seed stock and livestock genetics is high. There may be opportunities for Australian companies in horticultural production and export, production of inputs such as fertilisers, herbicides and pesticides, and technologies for innovations in the sector. There is also significant potential in fisheries management, aquaculture, and related services.

ZAMBIA

Commercial Relations Overview

The business relationship between Zambia and Australia is modest. Two-way trade between the countries was just shy of AU$18 million in 2016, with Zambia's mining sector a particular focus for Australian companies. There are no trade agreements between the two countries.

Challenges and Opportunities

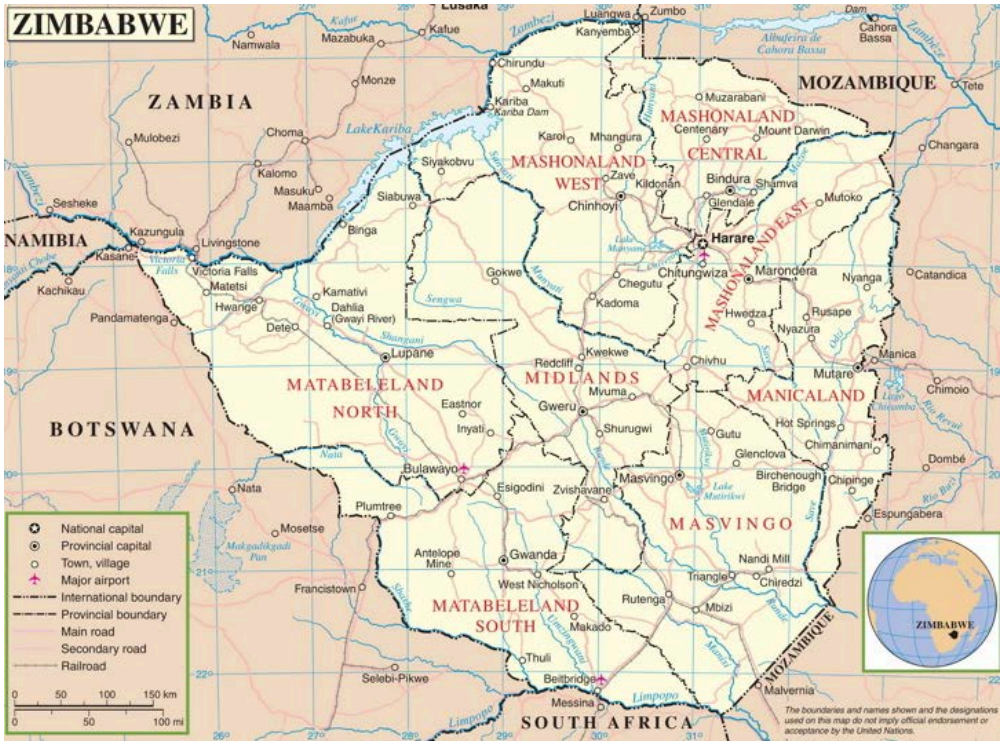
In addition to mining and METS, potential sectors for investment include food processing and agricultural value addition such as food storage and irrigation; the construction industry; and the banking sector. The economy is currently heavily dependent on the mining sector for exports and foreign exchange, and the government's commitment to diversifying it has yet to be realised. Implementing more cost reflective tariffs for fuel and electricity is a work in progress. Adequacy of energy supply remains an issue, particularly for energy-intensive industries, though the Government is seeking to address this through enhanced hydroelectricity output. There have been a number of changes to the mining taxation regime since 2014 to encourage increased private investment in this sector.

The early promise of fiscal reform messaged in the Lungu Government's 2017 budget appears to have stalled with a narrowing of the political space necessary for policy reform. Zambia has been in discussion with the IMF on a possible US$1.6 billion loan package to assist it in managing a budget deficit running at around seven per cent (as of June 2017). While the IMF has noted an improvement in Zambia's near-term economic outlook, it has also highlighted weaknesses in the management of public finances and public investment as

significant risks to the 2017 budget objectives. Nevertheless, an IMF loan deal may revive the Government's fiscal reform ambitions.

In recent months, political and social tensions have increased as the government, post 2016-elections, progressively clamps down on key political opponents and outlets for criticism, particularly the media. This could intensify challenges to peace and stability in the country, and affect the country's generally positive near-medium term investment climate.

ZIMBABWE



Commercial Relations Overview

The business relationship between Zimbabwe and Australia is subdued. Two-way trade between the countries totalled less than AU$3 million in 2016. There was previously significant Australian investment in the mining sector but due to a difficult operating environment and depressed commodity prices all large Australian companies have since pulled out, with Rio Tinto exiting Zimbabwe in 2015. Education is now the biggest bilateral economic link between the countries, due to the high priority that Zimbabweans place on quality education, and a strong Australian brand. Australian investment into Zimbabwe is mostly at the small to medium size business level, either from Australians who have settled in Zimbabwe or Zimbabweans who studied or worked in Australia and have now returned. There are no trade agreements between the two countries.

Zimbabwe's economy is expected to grow at 2.8 per cent in 2017, up from 0.6 per cent in 2016 (Zimbabwe Economic Update, World Bank 2017). Internationally, Zimbabwe is ranked 161 on the Ease of Doing Business scale.

Challenges and Opportunities

Potential sectors for investment include mining (Zimbabwe has a diverse range of mineral wealth), agriculture, tourism, infrastructure and manufacturing. Many companies and individuals currently investing in Zimbabwe are doing so on the expectation of short-term losses in exchange for longer-term payoffs. Their business models reflect the difficult business enabling environment in Zimbabwe. Current challenges include a highly proscriptive and expensive regulatory environment; government policy not geared to attracting foreign investment;

corruption; liquidity; financing and trade constraints; and deteriorating infrastructure, including electricity access.

Political decisions, most visibly the forcible redistribution of agricultural land without full compensation over the past 15 years, have also significantly damaged investor confidence in terms of property rights and respect for the rule of law. The well-publicised hyperinflation and ultimate demise of the Zimbabwe dollar in 2009 has also led to a lack of confidence in the government's economic management abilities.

Despite all these challenges, the Zimbabwean economy has the potential to grow exponentially should the correct policy settings be put in place. Zimbabweans are well educated and possess a wide range of skills. There is a large Zimbabwean diaspora population who could inject money and skills into the economy. Zimbabwe's biggest natural assets – land and mining – are not at full productive capacity and there is scope for growth. The retail sector is also underdeveloped, with those who have disposable income choosing to spend it in South Africa. Tourism continues to be a drawcard for foreign exchange and if Zimbabwe can improve its international reputation this sector will also grow.

Annex C Exports and Imports by Commodity

Australia's Merchandise Trade with Africa 2015-16 – export by commodity (A$000) [45]

Rank	Commodity	2013-14	2014-15	2015-16	% growth: recent year	% growth: 5 year trend
	Total merchandise exports	**3,317,566**	**3,207,958**	**2,801,877**	**-12.7**	**-5.1**
1	285 Aluminium ores & conc (incl alumina)	np	np	557,989	..	..
2	041 Wheat	819,193	582,273	327,451	-43.8	-8.1
3	054 Vegetables, f.c.f.	149,370	128,512	121,477	-5.5	4.3
4	321 Coal	119,254	131,099	119,537	-8.8	-16.9
5	723 Civil engineering equipment & parts	78,805	99,762	113,023	13.3	-4.3
6	012 Meat (excl beef), f.c.f.	103,439	129,215	100,430	-22.3	7.1
7	728 Specialised machinery & parts	124,369	88,166	68,130	-22.7	-5.2
8	268 Wool & other animal hair (incl tops)	36,313	37,868	46,078	21.7	41.2
9	641 Paper & paperboard	37,295	48,702	39,164	-19.6	-5.5
10	011 Beef, f.c.f.	40,075	40,261	34,997	-13.1	-4.2
11	874 Measuring & analysing instruments	30,447	28,699	29,403	2.5	-7.2
12	001 Live animals (excl seafood)	20,480	37,937	28,321	-25.3	2.2
13	098 Edible products & preparations, nes	5,531	5,687	24,494	330.7	31.2
14	778 Electrical machinery & parts, nes	27,840	24,895	23,414	-5.9	6.7
15	772 Electrical circuits equipment	19,522	26,599	23,076	-13.2	-5.0
16	411 Animal oils & fats	1,162	19,265	21,382	11.0	13.7
17	744 Mechanical handling equip & parts	21,613	16,137	21,228	31.5	-10.1
18	024 Cheese & curd	19,041	18,410	21,005	14.1	-4.8
19	784 Vehicle parts & accessories	23,643	20,943	19,098	-8.8	-6.5

[45] Data provided by DFAT Country and Commodity Pivot Table 2006-2016 http://dfat.gov.au/about-us/publications/Pages/trade-statistical-pivot-tables.aspx Last updated: May 2017 using ABS catalogue 5368.0 (March 2017 data)

20	781 Passenger motor vehicles	6,803	9,671	19,010	96.6	13.6

Imports						
Total merchandise imports		**5,737,155**	**3,307,331**	**2,292,562**	**-30.7**	**-14.7**
1	333 Crude petroleum	4,534,462	1,699,744	726,248	-57.3	-27.2
2	781 Passenger motor vehicles	249,887	472,496	524,774	11.1	18.1
3	342 Liquefied propane & butane	36,747	57,316	70,181	22.4	..
4	971 Gold	15,333	209,613	52,075	-75.2	104.7
5	071 Coffee & substitutes	29,223	34,799	42,324	21.6	15.8
6	272 Crude fertilisers	11,914	27,380	34,133	24.7	-9.5
7	072 Cocoa	12,708	27,068	33,943	25.4	14.3
8	034 Fish, f.c.f.	28,315	29,759	31,148	4.7	0.7
9	292 Crude vegetable matter, nes	28,485	33,250	30,446	-8.4	35.3
10	684 Aluminium	2,747	10,100	23,091	128.6	16.8
11	728 Specialised machinery & parts	26,646	25,049	22,835	-8.8	-11.5
12	842 Women's clothing (excl knitted)	10,619	14,554	22,378	53.8	23.9
13	562 Fertilisers (excl crude)	61,034	1,112	20,338	..	-20.7
14	841 Men's clothing (excl knitted)	12,121	16,047	18,931	18.0	14.4
15	553 Perfumery & cosmetics (excl soap)	15,628	18,511	16,693	-9.8	8.5
16	845 Other textile clothing	12,332	10,683	16,153	51.2	17.5
17	659 Floor coverings	10,057	12,008	15,392	28.2	6.3
18	784 Vehicle parts & accessories	14,578	14,749	14,797	0.3	-18.6
19	741 Heating & cooling equipment & parts	6,473	7,797	14,482	85.7	9.0
20	523 Salts of inorganic acids & metals	15,461	11,797	14,093	19.5	48.1

(a) Rank based on 2015-16. (b) May exclude selected confidential export and import commodities. Refer to the DFAT website

Annex D Australia's development cooperation program to Sub-Saharan Africa

- 2016-17 Total Australian ODA Estimated Outcome: $136.6 million
- 2017-18 Bilateral Budget Estimate: $31.8 million
- 2017-18 Total Australian ODA Estimate: $108.2 million

The Australian Government will provide an estimated $108.2 million in total Official Development Assistance to Sub-Saharan Africa in 2017-18. This will include an estimated $31.8 million in bilateral funding to the Africa Program managed by DFAT.

Australia's aid contribution to Sub-Saharan Africa is targeted at sectors where Australian experience and knowledge visibly adds value, concentrating our efforts in countries where we can also deepen our engagement.

Our changing aid program in Sub-Saharan Africa reflects the priorities of the Australian Government and our African partner countries. Following the release of the 2015-16 aid budget and consultations with program partners, DFAT consolidated investments to focus on four main areas – leadership and human capacity development; agricultural productivity; humanitarian assistance; and women's empowerment and gender equality. We continue to work predominantly in East and Southern Africa where we have historical program ties and presence, long-term Australian NGO experience, economic and security interests and diaspora links. This is also consistent with the Indo-Pacific focus of the aid program.

DFAT has transitioned out of major bilateral and sub-regional investments in food security, agriculture, and water, sanitation and hygiene programs. Australia's support for these sectors will continue through global programs.

While DFAT will not be investing in major new agricultural productivity programs, a range of our fully funded agriculture investments will continue implementation over the coming years. Enhanced agricultural productivity remains an important component of Australia's aid investment in Sub-Saharan Africa. Australia is providing diversified support to the agriculture sector through bilateral programs including the Africa Enterprise Challenge Fund (AECF), a private sector financing mechanism that provides grants and interest free loans to innovative and financially viable companies predominantly in agribusiness. Our global agricultural program AgResults, is also focusing on developing innovative solutions to food security by incentivising the private sector to overcome market barriers. Support is also being provided to build capacity in the agriculture sector through Australia Awards. Other Government agencies such as ACIAR, the Australian Government's specialist agricultural research for development agency, are supporting twenty major projects in Eastern and Southern Africa valued at approximately $12 million in 2016-17. ACIAR is working closely with a range of international institutions and pan-African associations, national agricultural research institutes and NGOs through research partnerships in four focus areas

including sustainable intensification; livestock and fisheries; natural resources and agroforestry; nutrition and gender policy.

Australia's recent contribution of $774.5 million made us the 12th largest donor to the World Bank's US$75 billion International Development Association (IDA18) fund (2017-20). Strongly aligned with Australia's aid program priorities, IDA18 will promote public sector development, boosting women's economic empowerment, effective governance, supporting fragile states and tackling climate change. Sixty per cent of IDA financing is expected to go to sub-Saharan Africa.

Bilateral funds – Australia Awards Africa

Australia's bilateral aid investment in Sub-Saharan Africa is a substantial, targeted Australia Awards Scholarship program. Australia Awards Africa is contributing to African leadership and human capacity development in the key sectors of extractives, agriculture and public policy – fields in which Australia has extensive experience, expertise and comparative advantage.

African alumni return from their studies in Australia with new skills that help them contribute to their country's development. Australia is recognised and valued by African nations as a strong and reliable partner and source of expertise, and the program forms relationships between Australian and African people and organisations, strengthening ties and cooperation.

The program offers Masters Scholarships and Short Course Awards to high-calibre applicants from the public, private and community sectors. Masters-level awards are undertaken at Australian universities for periods of up to two years. Short courses are tailored post-graduate courses delivered through Australian-registered training organisations, in partnership with African institutions to promote relevance, and provide awardees with a broader set of skills and appreciation for gender equity, inclusive development, good governance, ethics and transparency.

In 2017, DFAT also began a two-year pilot Post-Doctoral Fellowships program for African researchers through the Australia Africa Universities Network (AAUN). The program is developing on-going educational, research and professional links between individuals and universities in Australia and Africa; and contributing to the research capacity of African tertiary institutions and Australia's reputation as a leader in research and innovation. Fields of research must be aligned to science and technology, agricultural productivity and/or health. Nine research fellows from South African universities have begun the program and 10 more from Kenya and Ghana will join the program in 2018.

In addition to the bilateral program, DFAT offers Australia Awards Fellowships to Africans under its global Fellowships program. Fellowships offer Australian organisations, from all sectors, the opportunity to deepen and broaden their links with leaders and professionals in developing countries by providing opportunities for Fellows to undertake short-term study and professional development in Australia.

Fellowships target current and future leaders and mid-career professionals who will be in a position to advance priority foreign affairs and development issues on

their return home. They are aimed at providing high-quality training, exchange of expertise, skills and knowledge, and opportunities to enhance networks on issues of shared interest.

Private sector engagement is strongly represented by our engagement with the Australian higher education sector in the delivery of the Australia Awards Africa program. Australian universities and institutions delivering Masters, Short Courses and Fellowships training, as well as being funded by the program, are actively encouraged to build links with other private sector entities in the delivery of their Awards, particularly in the extractives and agricultural fields. In 2017, DFAT funded 140 Masters, 225 short course awards, 91 Fellowships and nine post-doctoral research awards at 28 universities around Australia.

There are now almost 6,000 Australia Awards Alumni in Africa, who have been contributing to development and prosperity, since the program first began in the 1960s.

Civil society engagement

Australia is engaging with non-government organisations (NGOs) to provide community based interventions to poor and marginalised people in Sub-Saharan Africa. NGOs are key development partners, offering a unique depth of experience, skills and community awareness to the development sector. Support to civil society in Africa is primarily delivered through the Australian NGO Cooperation Program (ANCP), the Direct Aid Program (DAP), and Australian Volunteers for International Development (AVID).

The Australian-NGO Cooperation Program (ANCP) supports community-level economic development, facilitating access to markets, improving livelihoods for women and working to strengthen links between communities, government and the private sector. In 2016-17, the ANCP provided an estimated $22.55 million to Australian NGOs to deliver 96 projects across Sub-Saharan Africa.

The Direct Aid Program (DAP) supports community-level projects that reduce poverty and achieve sustainable development consistent with Australia's national interest. In 2016-17, the allocation to African countries was $6.4 million, which comprises over 30 per cent of the global total DAP budget.

The Australian Volunteers for International Development (AVID) program is achieving tangible results, helping to increase knowledge of Australia, build personal ties between communities, promote cross-cultural understanding and contribute to public diplomacy. Volunteer placements are focused in East and Southern Africa and compliment Australia's aid investments contributing to poverty alleviation and economic growth. In 2016-17, 45 volunteers were placed in South Africa, Lesotho, Swaziland and Tanzania.

The Civil Society Water, Sanitation and Hygiene (WASH) fund supports civil society organisations to deliver WASH projects across Africa, Asia and the Pacific. In 2016-17, the allocation for activities in Africa was $5.7 million.

Promoting gender equality

Gender equality is an important right and a powerful tool for development, economic growth, and stability. The Australian aid program focuses on enhancing women's economic participation and voices in decision making, particularly in the agriculture and extractive sectors. We aim for gender equality in access to our Africa Australia Awards program and our Women in Leadership Network continues to provide ongoing professional development support to female awardees and alumni.

The Gender Equality Fund (GEF) is accelerating support for gender equality in the Indo-Pacific region. In 2016-17, Africa received funding for three initiatives totaling $1.9 million.

Australia provided $1 million to the African Union for its Gender Observatory to collect data on the progress of gender equality across the region, in January 2017. This funding will assist the AU to monitor and report on the Agenda 2063 gender component of the implementation plan. Our funding will also support the redesign of the Fund for African Women that promotes women's economic empowerment.

Response and resilience activities in humanitarian crises

Working with effective partners, Australia assists communities in Africa affected by humanitarian crises. We continue to focus our humanitarian assistance on responding to urgent humanitarian needs, including protection, food security and nutrition. The disproportionate impact of conflict and disasters on women and girls is of utmost concern and Australia is advocating for better monitoring of gender and protection issues.

In 2016-17, Australia provided $94.3 million in humanitarian funding to crises in Africa with a focus on the Horn of Africa:

- $27 million for South Sudan [excluding core funding to the World Food Program (WFP)]
- $17 million for Somalia
- $5 million for Nigeria
- $10 million for the southern Africa drought response
- $5 million for the crisis in the Lake Chad Basin
- $2.48 million for Kenya [excluding WFP core funding]
- $1.9 million for Ethiopia [excluding WFP core funding]

An additional $25.92 million was provided to nine African countries from World Food Program core funding [DRC, Ethiopia, Kenya, Lesotho, Malawi, Mali, Mozambique, Nigeria Regional, and South Sudan].