

PRESENTATION BY THE AFRICAN HEADS OF MISSION ACCREDITED TO AUSTRALIA TO THE SENATE
COMMITTEE ON THE INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIP WITH
THE AFRICAN CONTINENT

Date: 11 May 2018
Time: 11h45
Presented by: Dean of the African Group Heads of Mission
H.E. Mr Nabil Lakhali

1. Executive summary

African countries are pursuing economic diversification programmes to grow their economies, provide jobs for their teeming populations and to add value to their vast raw materials.

There is a need for Australian companies to be encouraged to invest in industries other than Africa's extractives sector. Achieving this requires involvement by the Australian Government in supporting the promotion of the African continent as an investment destination.

The Australian Government and Australian companies are advised to look at Africa's regional markets as a strategy for investing in the continent. For example, a factory set up in one of the countries in West Africa could produce for the larger ECOWAS regional market, a market which consists of 381,980,688 people.

It is important to note that African regions have populations that present lucrative markets. East Africa has a population of 433,643,132; North Africa has a population of 237,784,677; Central Africa has a population of 168,538,203; and Southern Africa has a population of 65,973,818. These figures amount to a total African population of 1,282,561,843 consisting of mainly young people who, at a working-age, and as consumers, can contribute immensely to production. (<http://www.worldometers.info/world-population/africa-population>).

While African economies still faces challenges, African Governments have initiated solutions that bring hope for a better future. As part of the comprehensive plan for economic growth, they have identified investment cooperation with other countries as being of utmost importance. Infrastructure development, mining and tourism have been identified as drivers of economic growth.

With regard to mining, it is critical for mining companies doing business in Africa to work towards promoting mining operations that enhances partnerships with their respective communities so that they may prosper together.

The African Union strongly condemns any unconstitutional change of governments in Africa. It stipulates that "Governments which shall come to power through unconstitutional means shall not be allowed to participate in the activities of the Union." African countries with stable democratic governments are embarking on measures to enhance business-enabling environments such as promoting public sector dialogues, improving business financing, supporting entrepreneurship, and encouraging the development of small and medium-sized enterprises and providing incentives for genuine investors.

The Australian Government and Australian companies need to look closely at these factors and consider Africa for mutually beneficial investment. The investment will not be mutually beneficial if the investor is not prioritising skills transfer to the African people. Such skills include governance, engineering, economics, and trade negotiations.

2. Introduction

An integrated approach toward relations between Australia and Africa is more than ever needed in order to seek ways and means in which to work together for the benefit of both. Africa's growth has broadly resumed, states, business and human resources have continued to lead the battle for development across Africa.

2017 allowed African economies to renew with growth. The International Monetary Fund confirmed its forecasts in October 2017. The gross domestic product growth of most African countries averaged 2.6%. In 2017, the IMF indicated that this rate was 1.4%. Predictions for the upcoming year augur well with an average growth of 3.4% in 2018.

2017 was marked by the launch of successful initiatives to encourage and facilitate exchanges between the African countries and its people in terms of free movement of persons and goods.

Africa is able to bring solutions for a better future and has made significant progress to fast-track the realisation of its Agenda 2063. Agenda 2063 is a strategic framework for the socio-economic transformation of the continent over the next 50 years. It builds on, and seeks to accelerate the implementation of past and existing continental initiatives for growth and sustainable development. Therefore, the signing of the African Continental Free Trade Area (Agreement) is a milestone towards the realisation for closer African integration. While the continental FTA is in the building process, several regional FTAs are already operational in Africa such as the COMESA FTA, SADC FTA, ECOWAS, East African Community, etc. which provide duty free access to their Members. Australian investors would be able to benefit from such access if they locate production in any of the Member States and meet the Rules of Origin requirements.

The Agreement will provide valuable opportunities within a huge market of 2.5 trillion dollars across all member states of the African Union. It is the biggest Agreement since the formation of the World Trade Organisation in 1995 and is predicted to boost intra-African trade.

It must be noted that Africa has become attractive largely due to its excellent economic performance on many levels. For example, agriculture is the economic engine of several countries on the continent, some of them accounting for the major part of cacao production in the world. This sector provides a wide range of opportunities for employment.

Africa is amongst the largest mineral industries in the world, the second biggest continent with 30 million Km² of land which implies large quantities of resources, (Gold, Diamond, Uranium, Phosphate, Irons, etc). Mining will therefore remain an important aspect of the African economy given it offers unparalleled opportunity to stimulate growth, drive innovation, generate income and create job opportunities.

Although the importance of mining cannot be underestimated, the diversion of investment to other sectors of economy is necessary. These sectors include infrastructure development, tourism and leisure, the petrochemical industry, iron and steel, the integrated aluminium industry, pharmaceuticals, vehicle assembly and automotive industry, industrial salt, garments and textiles, manufacturing of machinery, equipment and components parts, and electricity generation. This can be done through various means as Africa presents the possibility of generating electricity through various means such as hydroelectric, reserves of Petroleum and Gas, Coal production, Uranium production, solar and geothermal.

Africa is seeing the diaspora returning to the continent to support local economic growth with their skills and talent and by investing back into their communities. A joint effort between Australia and the accredited African

Heads of Mission may play an important role in further encouraging the African diaspora to contribute to the economy of their home countries.

Moreover, Africa leads the world in mobile phone adoption, which continues to offer the biggest cross-sectorial economic opportunities. Another advantage can also be deduced to the growth of Africa's middle class.

3. Australia's trade and investment relations with the African countries

In response to the initiative to hold a Senate inquiry on Australia's trade and investment relations with the African continent, we the African Heads of Mission accredited to Australia, would like to share ideas about the current situation of the African economy and how to improve cooperation between Australia and Africa.

3.1 Skills transfer

Africa's Integrated Maritime Strategy (AIMS) 2050 promotes among other things, human capital development and improved standard of living. It is inclusive and based on a human centred approach to development whereby all social groups are engaged. The AIMS sees an Africa using its own resources to take its rightful place in a multi-polar, inter-reliant and more equitable world. In the maritime domain of Africa, the wide variety of related activities are inter-related to some extent, and all have a potential impact on the prosperity derivative through their contributions to social, economic and political stability, and safety and security.

In developing this 2050 AIMS that has a vast potential for wealth creation, it should be recognised that African countries have common maritime challenges and opportunities.

African Missions have noted Australia's potential in the Maritime field and its capacity to assist with skills development in this sector as African training institutions are not able to produce the required number of graduates in the Maritime field. The proposed solution is as follows:

- Cooperation between Australia and African institutions of higher learning.
- Australia to consider extending funding under the Australia Awards Scholarship programme for the training of Navigators, Maritime Engineers, and Electro-Technical Officer Cadets in Australia.
- Australia to consider extending funding for the secondment of Lecturers to Africa in order to assist in developing capacity in African institutions of higher learning.

Achievement of AIMS is crucial to African economies as 90% of their imports and exports are conducted by sea.

3.2 Investment

In order to promote further Australia-Africa cooperation, diversification of investment portfolios across the African continent is of utmost important. Africa has a market of 1,282,561,843 people with geographic spread of 30 million square kilometres. Trade and production cannot be separated. In this context, Africa has a programme of development of regional value chains in order to promote rapid industrialisation in the continent. The promotion of industrialisation is vital because 42% of intra-African trade is currently composed of industrial products. This connection places emphasis on the diversification of investment portfolios. This will not only profit Australia but will also create job opportunities in Africa. Intercontinental trade will also assist in raising Africa's share in global trade which has been stagnant since the early years of the independence of African countries.

3.3 Infrastructure

Africa is in agreement that infrastructure development drives economic growth. For every dollar spent on public infrastructure development, the gross domestic product of a country rises between US\$ 0.5 and US\$ 0.25.

Despite this, however, global infrastructure suffers from significant and growing underinvestment. According to the G24, by 2020, global demand for infrastructure investment will be US\$ 1.8-2.3 trillion, more than double its 2008 level of US\$ 800-900 billion. While infrastructure demand is growing, public infrastructure financing has become more difficult to obtain as public budgets are strained and Africa is not immune to this.

The North-South Corridor Road/Rail Project is a real example that responds to Africa's infrastructure development needs. The project is defined as a multi-modal (road, rail and ports) trans-continental interconnector, ultimately connecting Cape Town in the south and Cairo in the north. The project entails several components, all of which are in various stages of the development lifecycle. These include road, rail, bridge, energy and border post projects. In the short term, 1 041 km of road must be upgraded, with another 5 156 km due for upgraded in the next two to five years. The corridor will ensure easy border crossing for both people and goods and will increase the efficiency and capacity of the transport sector. This, in turn, will speed up regional integration and will increase regional trade, while leading to cost savings.

We wish to emphasise that it is crucial for the Australian Government to consider infrastructure as an investment option. Almost each and every African country has a project underway that can be considered for investment. To give an overview of the number of projects by sector: energy has 54, Information and Communication Technology has 113, transport has 237, and water has 9.

3.4 Mining

Africa has amongst the largest mineral reserves in the world. It is the second biggest continent with 30 million km² of land which implies large quantities of resources (Gold, Diamond, Uranium, Phosphate, Irons, coal, etc). Africa notes Australia's huge interest in the African mining industry. While the investments brought by mining companies are appreciated, more still needs to be done. Even today most mining companies focus on the direct export of strategic mineral to industrialised countries at the expense of African development. Just as under colonialism, the extraction industry is characterised by enclaves of mining activity with very weak links to local economies. Although mining is a major source of public revenue through taxation, Africa has not been in a position to enjoy beneficiation from its minerals, instead its raw material leave the continent. The scenario means that mining companies and their governments are not playing a role in integrating mining activities as part of the African country's economy.

We encourage the Australian Government to promote mining for a healthier community – an initiative that will enhance partnerships between mining companies and their communities so that they may prosper together. Africa is concerned that mining companies in the African continent leave mineworkers and their communities financially distressed and in poor health.

This is emphasised in the African Mining Vision that advocates for "Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development".

3.5 Tourism and leisure in Africa

Tourism in Africa is most promising, but it is often underappreciated. Tourism in Africa creates jobs and opportunities for entrepreneurship, reduces poverty, promotes stability, preserves heritage and culture, and builds global connections. These developments make a strong case for Australia to invest in tourism in the African continent and not place barriers from Australia to Africa. Therefore in order to maximise the tourism potential and Australia's role in the tourism field, it is vital for Australia to solicit the views of African Missions based in Canberra prior to issuing **travel advisories**.

3.6 Recommendations

Africa, like Australia, is a huge country with great potential. Both seek opportunities for trade and economic exchange with the world. In this regard, Africa is an ideal partner. It is therefore proposed that the following recommendations be considered:

- A. Private Australian Companies need to be encouraged by the government to invest and cooperate with Africa. In this regard, a comprehensive revision of the information sources about Africa will be highly appreciated in order to provide more accurate and positive data about Africa (for example, the Department of Foreign Affairs and Trade website information on the African Countries).
- B. The presence of 17 African diplomatic Missions represented in Canberra is a clear demonstration of the African countries' strong will to cooperate with Australia and to promote trade and economic exchanges. Closer ties and consultations with these Missions will be most welcomed.
- C. Assist in the facilitation of the visits of the African business to Australia for more effective engagement with their Australian counterparts.
- D. Engage in and foster increased Capacity Building and Human Capacity Development by increasing the number of scholarships awarded to African countries and also widen the scope of coverage of the scholarships from a few priority areas to multiple sectors.
- E. Assist in Skills training in the mining sector and more generally.
- F. Increased commitment to humanitarian needs in Africa, e.g. the refugee crisis in Africa, through humanitarian preparedness and response initiatives.
- G. Strengthen science and technology cooperation between Africa and Australia and increase investment in Science and Technology Innovations in Africa.
- H. Promotion of tourism and cultural exchange between Australia and Africa and encourage Australians to visit Africa so as to enjoy the unique beauty and tourist attractions available on the continent.
- I. Engage in cooperation in the entertainment field. Many African countries are underfunded but have creative entertainment industries. Such engagement will promote Africa while telling more complex and creative stories about the continent to Australia and the world at large.
- J. Take advantage of the various bilateral trade agreements that many African countries have with the rest of the world including the European Union, United States of America, China, India, Japan and the Gulf countries etc.
- K. Consider establishing a regular economic and political summit between Australia and the African continent that can serve as an excellent framework for fruitful mutual cooperation between the two sides on regional and international issues of common interest.
- L. Enhance the parliamentary cooperation through exchanges of visits, especially with the important wave of democratization, which the African continent had witnessed in the past decade. Actively encourage the formation of parliamentary friendship groups.
- M. Broaden cooperation in defence, peace and security in order to promote stability and prosperity in Africa through exchange programs, benchmarking and training.

- N. Encourage media outlets to engage with African heads of mission in order to have them broadcast some positive images and facts about Africa and the opportunities available for doing business.

4. CONCLUSION

Africa is a continent that provides many unique opportunities for trade and investment. It has shifted from being about "deficits" and "gaps" to being about opportunities, prospects, ventures and creativity. Africa has more young, vibrant and better-educated people than ever before.

Other countries such as China, Japan and the UK are having their fair share of investment in Africa. It is now time for Australia to come on board and to take advantage of the many available opportunities.

Notably, Africa is not waiting for individual countries. It has made significant progress towards the realisation of its Agenda 2063 project for closer African integration. The signing of the African Continental Free Trade Area is real testimony.

Africa is open for business and we look forward to a continued and more vigorous engagement with Australia.