

Panel 3d - Should Australian ODA re-engage in Africa?

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Business opportunities in Africa

Size, population and GDP

- The area of Sub-Saharan Africa is greater than China, the US and India combined.
- Current population of 1.1 billion estimated to increase to 2.5 billion by 2050.
- The International Monetary Fund projects that Africa will be the world's second-fastest-growing region in the period to 2020.
- In 2015, total spending in Africa was \$4 trillion - consumers (\$1.4 trillion) and businesses (\$2.6 trillion) - estimated to grow to \$5.6 trillion by 2025.
- Rapid urbanisation - 190 million more people expected to live in urban areas by 2025.

...Business opportunities in Africa

Resources

- Major producer of oil
- Has huge resources yet to be exploited
- World's largest reserves in cobalt, diamond and platinum
- 40% of gold reserves
- 65% of world's untilled arable land.

Infrastructure

- Due in part to a lack of infrastructure, many of Africa's resources are yet to be exploited.

<https://www.mckinsey.com/global-themes/middle-east-and-africa/lions-on-the-move-realizing-the-potential-of-africas-economies>

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Tradeinvestment/Africa/Submissions

Business opportunities in Africa

Remarks by World Bank Group President Jim Yong Kim at the 2nd Investing in Africa Forum in Beijing, September, 2016:

- Africa is one of the fastest growing regions of the world over the last 20 years.
- Regional GDP growth averaged 4.7 percent a year between 1995 and 2014; and one fifth of the region's countries had annual growth rates of 7 percent or more.
- Seven of the world's top 20 fastest-growing economies in 2015 were in Africa.
- Africa's middle class is also growing and technology is spreading – about 70 percent of Africans have access to a mobile phone today, up from just 1 percent in 2000.

<http://www.worldbank.org/en/news/speech/2016/09/07/remarks-by-world-bank-group-president-jim-yong-kim-at-the-2nd-investing-in-africa-forum>

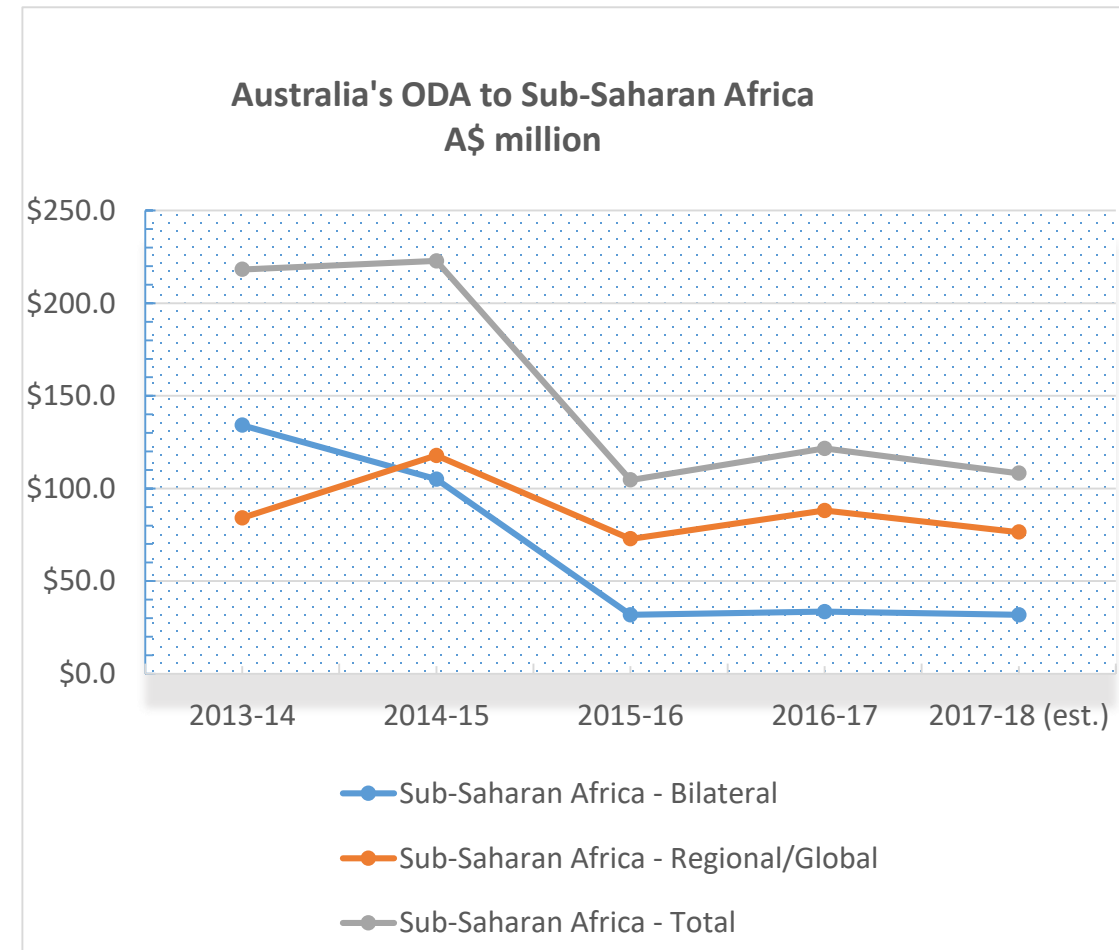
Video clip on the 3rd Investing in Africa Forum (IAF), September 2017, Dakar, Senegal

<http://www.worldbank.org/en/news/video/2017/09/27/africa-leapfrogging-investing-in-african-innovation>

Australian activities in Africa

Official development assistance (ODA)

- Australia is a small but long-standing and strategic development cooperation partner to Africa, providing both bilateral aid and humanitarian assistance.
- Australia's ODA to Sub-Saharan Africa decreased by 50% to A\$108.2 million (2.8 % of the total ODA) in 2017-18 over the last 6 years.
 - The bilateral component of Australia's ODA decreased by 76% to \$31.8 million (0.8% of the total ODA) in 2017-18 over the same period.
 - Australia's ODA during the same period decreased by 8.9% from A\$4.3 billion (% of GNI=?) to A\$3.9 billion in 2017-18 (% of GNI=0.22)



Australia's activities in Africa

Trade and investment

- Two-way merchandise trade, A\$5.3 billion in 2016.
 - In 2017, African-sourced oil was 17.4 per cent of Australia's overall crude oil imports.
- Total investment flows to Africa (mainly to South Africa) at A\$5.9 billion (includes FDI of A\$1.5 billion) in 2016.
- Apart from South Africa, investment flows from Africa to Australia are negligible.
 - South Africa investment valued at almost A\$7 billion (includes FDI of AUD 3.5 billion) in 2016.
- Australia is one of the top investors in mineral exploration in Africa.
 - Currently 170 ASX-listed Australian resource companies operating in 35 countries in Africa.
 - Australia listed companies control more than 90 mining operations in Africa, worth A\$40 billion.
- Apart from the mining sector, there is limited engagement by Australian companies in countries other than in South Africa.
- Australia currently has diplomatic missions in nine of the 54 countries of Africa, and Austrade has offices in five countries. There are 15 African diplomatic missions in Canberra.

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/TradeinvestmentAfrica/Submissions

Inquiry into Australia's Trade and Investments relationships with the countries of Africa

FYI

The Australian Senate's Standing Committee on Foreign Affairs, Defence and Trade is currently conducting an inquiry into Australia's trade and investment relationships with the countries of Africa.

- The reporting date is 27 April 2018.
- So far 31 submissions have been received, including from:
 - the Australia-Africa Minerals and Energy Group, and
 - the Department of Foreign Affairs and Trade (DFAT)/the Australian Trade and Investment Commission (Austrade).
- The Committee is still accepting late submissions.

For further information you can contact the Committee Secretariat at: Phone: +61 2 6277 3535 or email: fadt.sen@aph.gov.au.

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Trade_investmentAfrica/Submissions

Other economic partners' activities - China

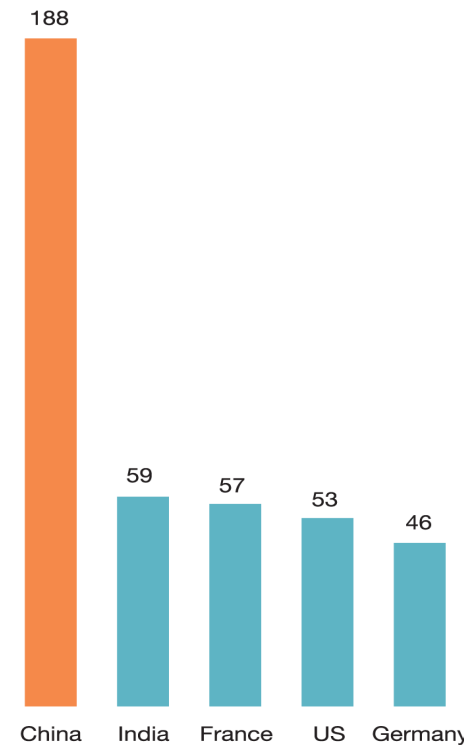
- China has become Africa's most important economic partner, in two decades ([McKinsey Report, June 2017](https://www.mckinsey.com/global-themes/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa?cid=eml-web)):
 - Over the past decade, Africa–China trade has grown to \$188 billion in 2015, and Foreign Direct Investment to \$32 billion in 2014.
 - In 2015, infrastructure financing and aid were \$21 billion and \$6 billion.
 - In 2015, China committed \$60 billion of new investment in major capital projects, tied to developing local economic capacity.
 - More than 10,000 Chinese-owned firms (90% privately owned) operating in Africa today with revenues of \$180 billion in 2016.
 - Chinese firms are handling 12 percent of Africa's industrial production—valued at some \$500 billion a year in total, and 50 percent of Africa's internationally contracted construction market.
 - McKinsey believes that China's growing involvement is strongly positive for Africa's economies, governments, and workers.

Source: <https://www.mckinsey.com/global-themes/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa?cid=eml-web>

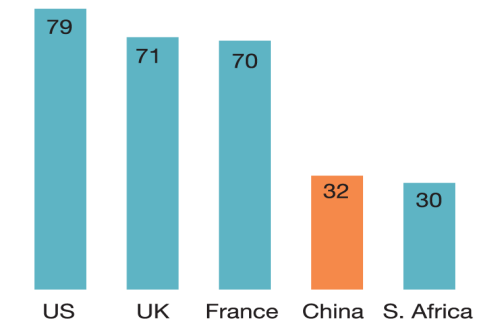
<https://www.forbes.com/sites/amyjadesimi/2017/03/14/how-chinas-60-billion-for-africa-will-drive-global-prosperity/#3ca0aa2h38a3>

Since 2000, **China** has catapulted from being a small investor in Africa to becoming its biggest economic partner.

Africa's top economic partners by segment
Goods trade, 2015, \$ billion



Foreign direct investment (FDI) stock, 2014E,¹ \$ billion



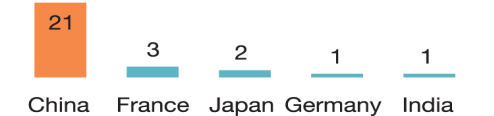
FDI growth, 2010–14,² %



Aid, 2015,³ \$ billion



Infrastructure financing, 2015, \$ billion



¹Estimated according to compound annual growth rate from 2009 to 2012.

²For countries other than China, we made projections using historical data.

³Office of Development Assistance and other official flows, 2015 for Organisation for Economic Co-operation and Development (OECD) countries, 2012 for China.

⁴According to United States Agency for International Development data, US foreign aid to Africa was \$11.9 billion in FY 2015 and \$7.4 billion in FY 2016. The discrepancy with OECD data shown is likely due to the fact that US fiscal years start in October, whereas OECD data is for calendar years.

Source: Bilateral trade database, International Trade Centre trade map, 2015; Bilateral FDI database,

Other economic partners' activities – India

India:

- Indian investments in Africa, both public and private sector entities, have increased considerably in the last decade.
- Total Indian FDI to Africa from 2008 to 2016 is \$52.6 billion (21% of its India's FDI outflows):
 - In 2008, committed \$7.4 billion on concessional credit for nearly 140 projects in 40 African countries; and provided \$1.2 billion grants.
 - In 2015, offered an additional \$10 billion in concessional credit over the next 5 years and grant assistance of \$600 million
- In 2014, trade between India and Africa was at \$70 billion
- In October 2015, India hosted the India-Africa Forum Summit (for the first time brought together all 54 African countries).

http://cf.orfonline.org/wp-content/uploads/2017/05/ORF_WorkingPaper_IndiaInAfrica.pdf

<https://thediplomat.com/2015/11/china-and-india-in-africa/>

<http://harvardpolitics.com/world/chinas-investment-in-africa-the-new-colonialism/>

<http://knowledge.wharton.upenn.edu/article/chinas-investments-in-africa-whats-the-real-story/>

Should Australian ODA re-engage in Africa?

Answer - definitely and urgently, for the following reasons:

- 1) Mainly not to miss out on the massive trade and investment opportunities for Australian companies in Africa - its “western neighbour”.
 - The Australia should significantly increase its ODA and fully engage with Africa in its economic diplomacy agenda as it currently does with the Indo-Pacific; and should not be hostage to the artificial divide between Africa and Indo-Pacific. Australia should pursue its economic and strategic interests in earnest wherever the opportunities exist.
 - Australia should look beyond the mining sector and expand into sectors where it has strategic comparative advantage.
 - Australia should leverage off its 351,450 African diaspora in Australia and the 13,000 Australian Awards alumni in Africa to facilitate business and cultural links with Africa.
 - Australia should leverage off its goodwill and high standing in Africa.
 - An example – Australian support to Eritrea (mining code, college of engineering, scholarships, Australian volunteers in Eritrea, Fred Hollows IOL factory, etc.)

....Should Australian ODA re-engage in Africa?

3. Australia has relevant experiences to share with Africa in using revenues from mining for economic transformation, such as:
 - education; agribusiness and food; infrastructure; and technology and services
4. Africa's growing strategic importance
 - Africa represents 54 out of 192 votes in the United Nations General Assembly