

A MUST READ FOR STRATEGIC THINKERS

By Michael C.H. Jones

The Lowy Institute in Sydney published on 13th August a Paper entitled “Into Africa: How the resource boom is making Sub-Saharan Africa more important to Australia” and particularly over the last 5 years. It outlines a range of resource security issues and comments on strategies adopted by China, India, Japan, USA and France among others.

From Chamber’s perspective the Lowy Paper validates the Indauspac Region concept highlighted over the last 35 years since the original discussions to establish ACCCI during 1974. All too often Australia-China trade and investment is viewed either in a ‘tunnel vision’ way or from the bias of the ‘West’ meaning mainly the US, historically the EU and more recently Japan. ASEAN and Latin America are secondary considerations, West Asia meaning India and the Gulf States are not viewed as China-relevant and no thought whatsoever is given to Africa.

As usual with these Papers it is brisling with details and even repetitive analysis and statistics. Yet they make a very powerful argument for the rapidly growing importance of Africa in the Indian Ocean as a potential threat to Australian interests in the near future and security over time.

The authors refer to the IMF January 2008 World Economic Outlook Update which predicts that only Africa at 7% growth will ‘defy’ the world economic slowdown. The dramatic improvement between 1996 and 2006 of countries such as South Africa, Mozambique and Zambia is highlighted with the one exception of Zimbabwe in Southern Africa.

Some interesting statistics include:

- 1) Total investment in Sub-Saharan Africa during 2006 was US\$12 billion
- 2) Gulf States savings per year are approximately US\$250 billion, with about US\$542 billion during 2002/06 being invested in US/EU/Asia and only US\$22 billion elsewhere. But there is now a policy of diversification to Africa.
- 3) PRC President Hu Jintao in November 2006 hosted the China-Africa Forum attended by 35 African Heads of State and subsequently in May 2007 a meeting of the African Development Bank at which the Democratic Republic of the Congo (DRC) was pledged US\$10 billion. Quickly following was a promise to Nigeria of US\$40/50 billion over a 3-year period. A question is posed – namely is there a M&A situation developing between China Inc and Africa Ltd wherein two-way trade, which was US\$4 billion in 1996 and US\$50 billion in 2006, will reach US\$100 billion by 2009 ?
- 4) India is now responding to the Chinese challenge in Africa and the Indian Ocean wherein two-way trade increased from about US\$1 billion in 1991 to US\$25 billion in 2007. Indeed an India-Africa Summit was held in April 2008

- 5) Similarly Japan has refocused on the region with an International Conference on African Development in May 2008 – 45 African countries were represented.
- 6) The USA has set up Africon as a separate section of its Global Military Command with the intention of a Headquarters in Africa. Perhaps this results from President Bush's 2005 State of the Union Address in which he stated that 75% of US oil imports from the Middle East will be replaced by other sources by 2025, perhaps 25% coming from the new fields in the Gulf of Guinea. An FTA with the Southern African Customs Union is also under consideration.

The BRIC countries of Brazil, Russia, India and China are likely to be joined by Sub-Saharan Africa within 20 years which makes the Indian Ocean strategically even more vital for the Asia/Pacific including Australasia.

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