



The GCC and Africa: Growing Economic Complementarities

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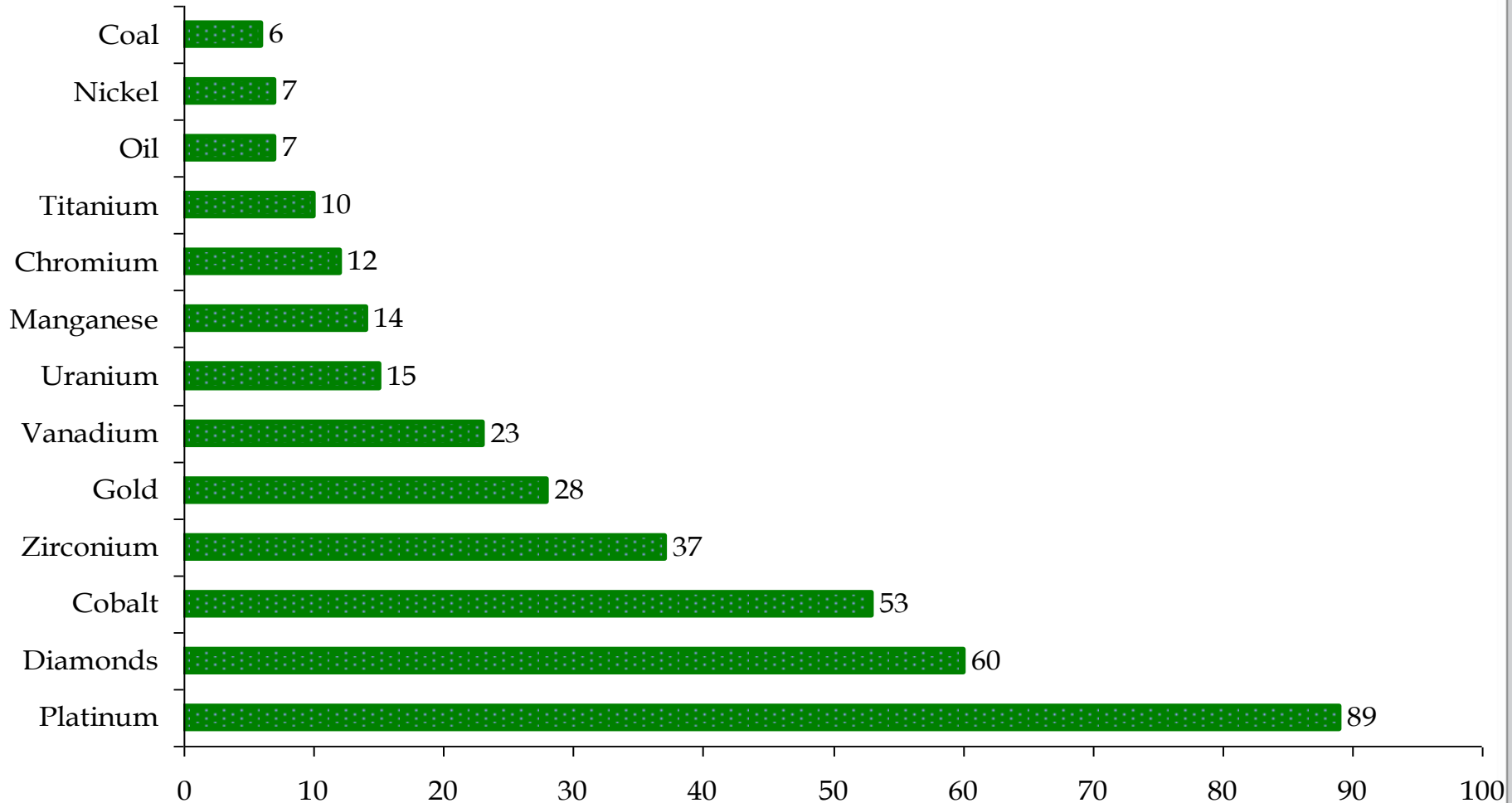
Basic Comparison of GCC and Africa, 2010

Indicators	GCC	Africa
Population, total (millions)	39.5	1008
Population growth (annual %)	2.5	2.4
Surface area (sq. km/thousands)	2422.6	30330
GDP based on PPP valuation (US \$ Billion)	1139	2826
GDP per Capita (PPP valuation, \$)	38179	2802
Annual real GDP growth (average over 2001-09)	7.2	5.3

Source: African Economic Outlook database, October 2010; IMF WEO database, October 2010



Africa's Mineral Reserves % of World Reserves





The post-crisis Global Economic Landscape

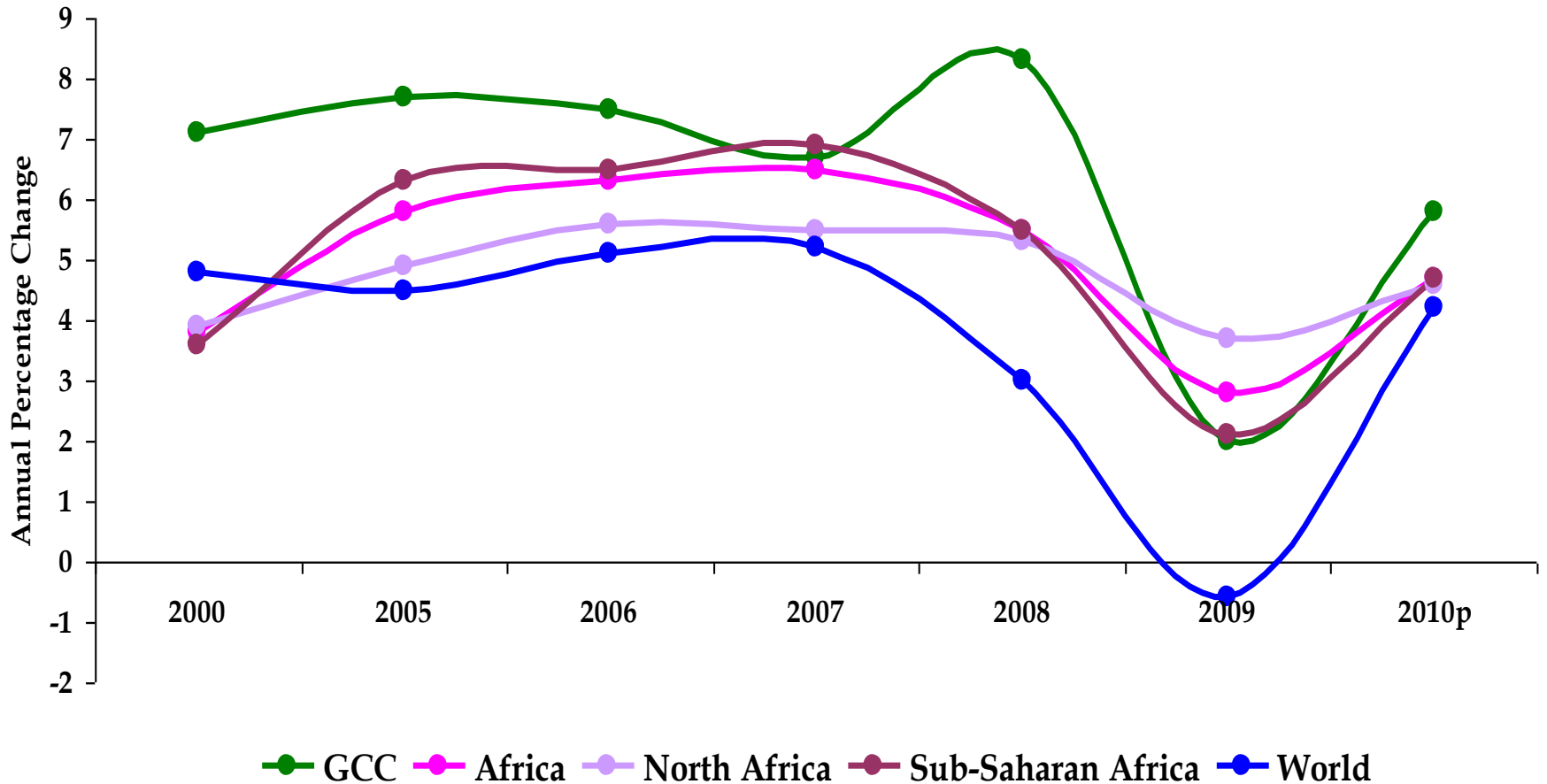
- ❖ Emerging Asian economies have become global growth drivers
- ❖ GCC has gained global prominence and become an important economic bloc that would increasingly complement world growth
- ❖ Africa has become *New* sources of growth
- ❖ In this new paradigm, the combined strengths of GCC and Africa can hardly be overstated



- ❖ Currently, both the GCC and Africa are on the cusp of economic renaissance
- ❖ Bilateral economic relations are firmly entrenched in a new geoeconomic tapestry involving:
 - ❖ energy, heavy manufacturing products and petro-dollar investment flowing from the Gulf and minerals, metals, agricultural products, flowing from Africa
- ❖ This new economic symbiosis is gaining prominence in the contemporary post crisis world economic order due to the structural comparative advantages of both the regions.
- ❖ Economic fortunes of the two regions are fast becoming mutually reinforcing due to increasing economic interdependence



Real GDP Growth Rate in GCC and Africa



Source: IMF, World Economic Outlook Database, October 2010



Economic Resilience and Growth Buoyancy

- ❖ Since the mid-2000s, GCC and Africa have embarked on a higher growth trajectory, making the two regions the fastest growing globally
- ❖ Among the contributing factors to the dynamism have been the GCC's oil-fuelled economic boom and accelerated economic diversification with mega investments in cluster industries, particularly in metal and petrochemical byproducts and services sector; and Africa's increasing exports of minerals, metals and fuels
- ❖ GCC countries have largely overcome the most severe effects of the global financial crisis due to favorable oil market conditions and the fiscal stimulus provided by governments to sustain the growth of non-oil activity
- ❖ Sub-Saharan Africa's resilience through the global financial crisis owes much to sound economic policy implementation



Trade

- Between 1994 and 2004, trade was almost non-existent with most African countries. The only exceptions were Kenya and Djibouti as well as the Arab states. Other than these countries, there has been almost no trade between the GCC and non-Arab Sub Saharan Africa.
- However, higher economic growth momentum in the two regions resulted in increasing trade flows in the mid-2000s.
- This is primarily due to the changing structure of production in both the regions that is largely based on input-output complementarity, apart from trade in other commodities in which both the regions have achieved comparative advantages

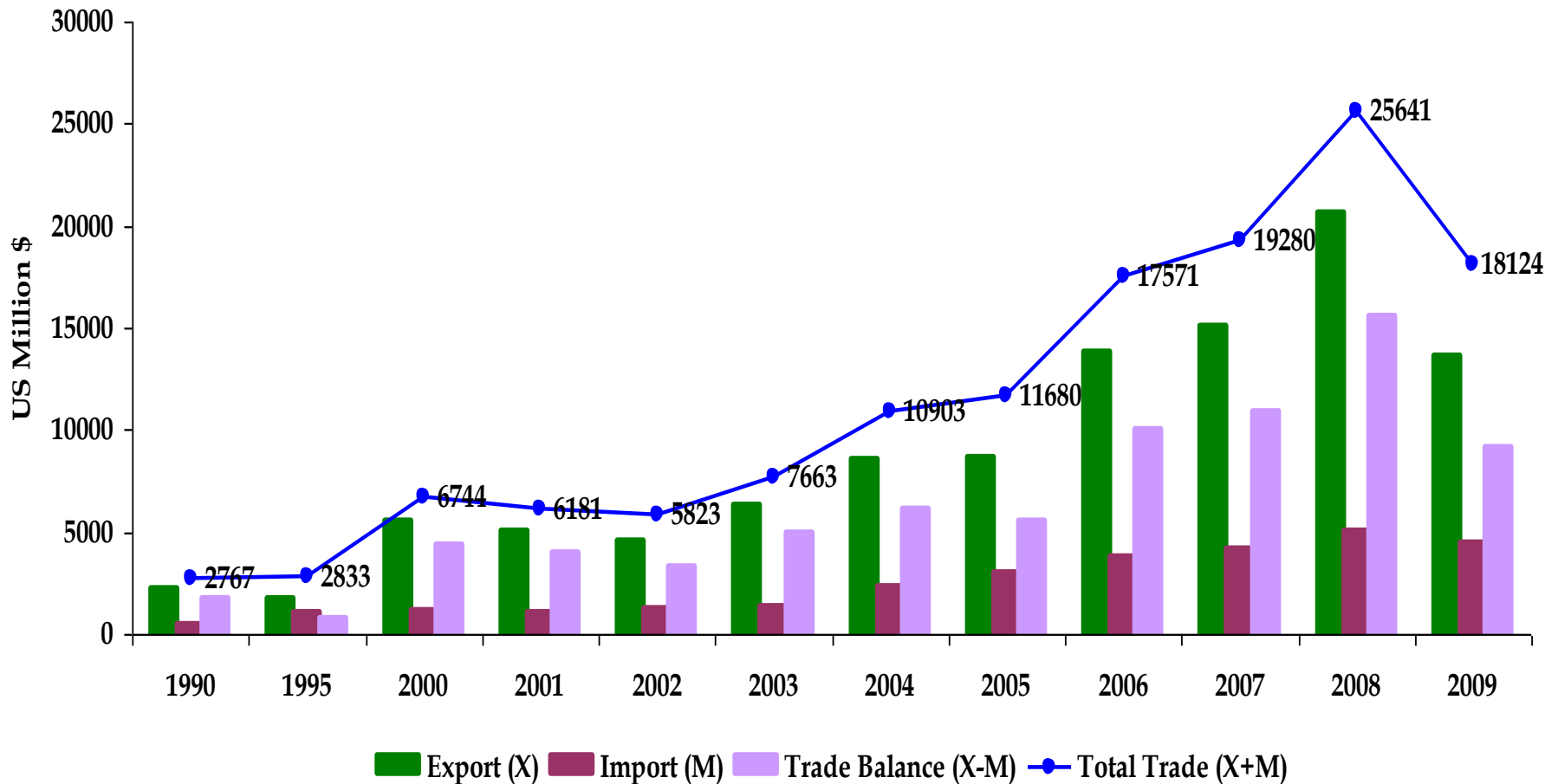


Trade

- GCC-Africa two-way trade increased from \$2.8 billion in 1990 to \$6.8 billion in 2000 and further surged to \$25.7 billion in 2008. Due to the global economic downturn, it fell to \$18.1 billion in 2009
- Bilateral trade has grown by 170 percent in the last 10 years (2000-09)
- In the last 10 years, GCC's exports to and imports from Africa have registered an annual average growth rate of 14.7 percent and 27.5 percent, respectively



GCC-Africa Trade Indicators



Source: IMF, DoTS Database, October 2010

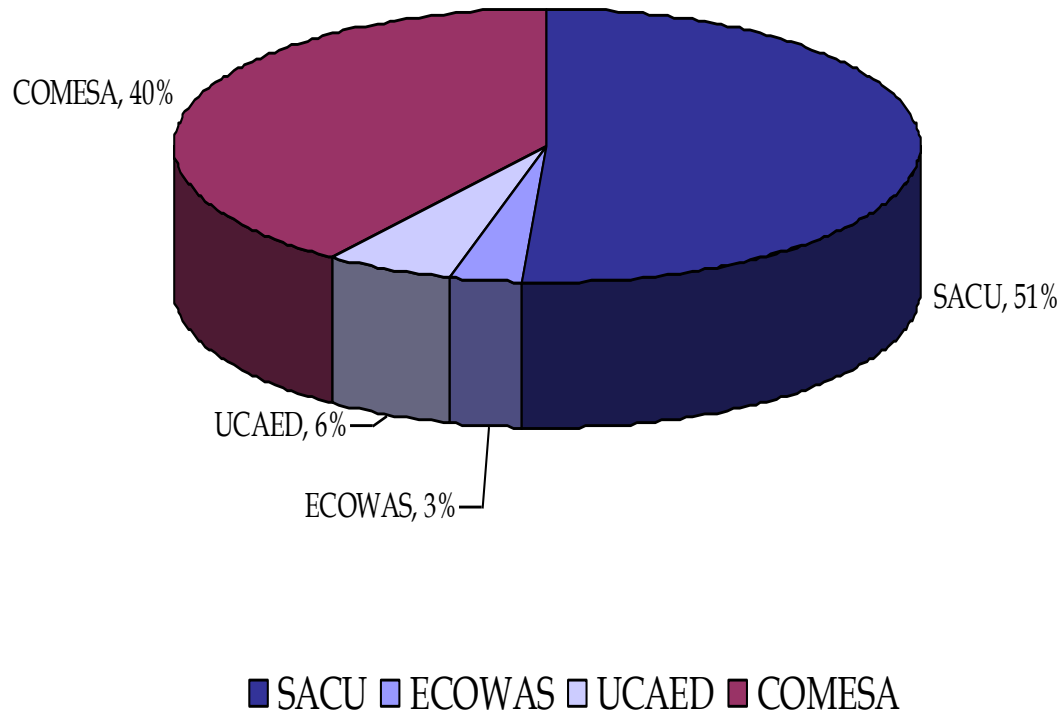


Trade Relevance

- GCC-Africa trade as a proportion of each region's exports or imports is relatively small
- But, trade is growing rapidly both at the regional level and country level.
- Trade is overwhelmingly in favor of the GCC states
- Trade is highly concentrated to two regional economic blocs in Africa, namely SACU & COMESA
- Though GCC-Africa trade is very small at the regional level, it is very important at the country level



GCC's trade with African subregional Economic Blocs, 2008



Calculated from COMTRADE database, 2010



GCC's Major African Trading Partners, 2009

Country	% share in GCC export to Africa	Country	% share in GCC import from Africa
South Africa	23	South Africa	27
Morocco	9	Zambia	6
Sudan	6	Sudan	5
Djibouti	5	Morocco	4
Kenya	4	Somalia	3
Libya	3	Ethiopia	3
Tanzania	3	Tanzania	3
Algeria	2	Tunisia	3
Nigeria	2	Libya	2

Calculated from COMTRADE database, 2010



Trade Composition

- Over the last two decades, GCC-Africa trade has transformed in the sense that the trade basket dominated by non-processed raw materials is slowly diversifying with trade of sophisticated manufactured goods.

GCC's top-10 export items to Africa	US \$ Billion
Mineral fuels, oils, distillation products, etc	9.6
Vehicles other than railway, tramway	1.8
Plastics and articles thereof	1.4
Electrical, electronic equipment	0.7
Nuclear reactors, boilers, machinery, etc	0.6
Furniture, lighting, signs, prefabricated buildings	0.2
Articles of iron or steel	0.2
Sugars and sugar confectionery	0.2
Organic chemicals	0.1
Pearls, precious stones, metals, coins, etc	0.1

Calculated from COMTRADE database, 2010



Trade Composition

GCC's top-10 import items from Africa	US \$ Billion
Pearls, precious stones, metals, coins, etc	2.5
Copper and articles thereof	0.6
Iron and steel	0.5
Edible fruit, nuts, peel of citrus fruit, melons	0.4
Electrical, electronic equipment	0.2
Articles of iron or steel	0.2
Inorganic chemicals, precious metal compound, isotopes	0.1
Vehicles other than railway, tramway	0.1
Edible vegetables and certain roots and tubers	0.1
Dairy products, eggs, honey, edible animal products	0.1



Trade Potential

- Starting from a low level, there is huge potential for expanding GCC-Africa trade in the future. This can be substantiated from the GCC's revealed comparative advantage that points to export potential in the African market in the future.
- Looking at the GCC's export basket, it seems that apart from oil and crude materials, there is huge potential for more exports to Africa, especially in chemicals, paper, skins and stone, sand, and gravel, etc.
- Simultaneously, the GCC countries seem to be more competitive in the African market.



GCC countries: Products with high Revealed Comparative Advantages

Sl. No	Code, Product name	RCA	Share to total GCC exports, %
1	583 Polymerization and copolymerization	2.46	12.1
2	764 Telecommunications equipment	0.69	6.3
3	562 Fertilizers,manufactured	3.37	2.4
4	752 Automatic data processing machines	0.18	0.9
5	274 Sulphur and unroasted iron pyrites	9.46	0.9
6	665 Glassware	2.05	0.8
7	759 Parts of and accessories suitable ...	0.02	0.7
8	691 Structures & parts of struc.;iron...	0.38	0.7
9	582 Condensation, polycondensation & ...	0.63	0.7
10	642 Paper and paperboard,cut to size	0.42	0.6
11	661 Lime, cement, and fabricated construct...	0.22	0.5
12	533 Pigments,paints,varnishes & related	0.53	0.5
13	776 Thermionic,cold & photo-cathode ...	1.33	0.3
14	692 Metal containers for storage	0.35	0.3
15	273 Stone,sand and gravel	1.46	0.3
16	111 Non alcoholic beverages, n.e.s.	0.41	0.2
17	664 Glass	0.18	0.2
18	423 Fixed vegetable oils,soft,crude	0.37	0.2
19	694 Nails,screws,nuts,bolts etc.of iron	0.32	0.2
20	635 Wood manufactures, n.e.s.	0.61	0.2



Investment

The booming investments sectors are:

Extractive industries, telecommunications, tourism and real estate

- **INFRASTRUCTURE:** Senegal awarded a \$709 million contract to DP World to upgrade the Port of Dakar and build a container terminal. MediCapital Bank, has been launched to target the transfer of excess liquidity in the Gulf to infrastructure projects in Africa. The bank will target investments in the oil and gas, mining and infrastructure sectors across Africa.
- **TOURISM:** In 2007, Istithmar acquired Cape Town's V&A waterfront for \$1 billion. Other tourism project include 8 tourism facilities in Rwanda, a port and a business park in Tanzania, real estate development in Tunisia
- **EXTRACTIVE INDUSTRIES:** Dubai has acquired the rights to the Alumina produced in Canadian Global Alumina's refinery in Guinea for \$200 million. Aluminum Bahrain (ALBA) has also invested in bauxite mines in Guinea.

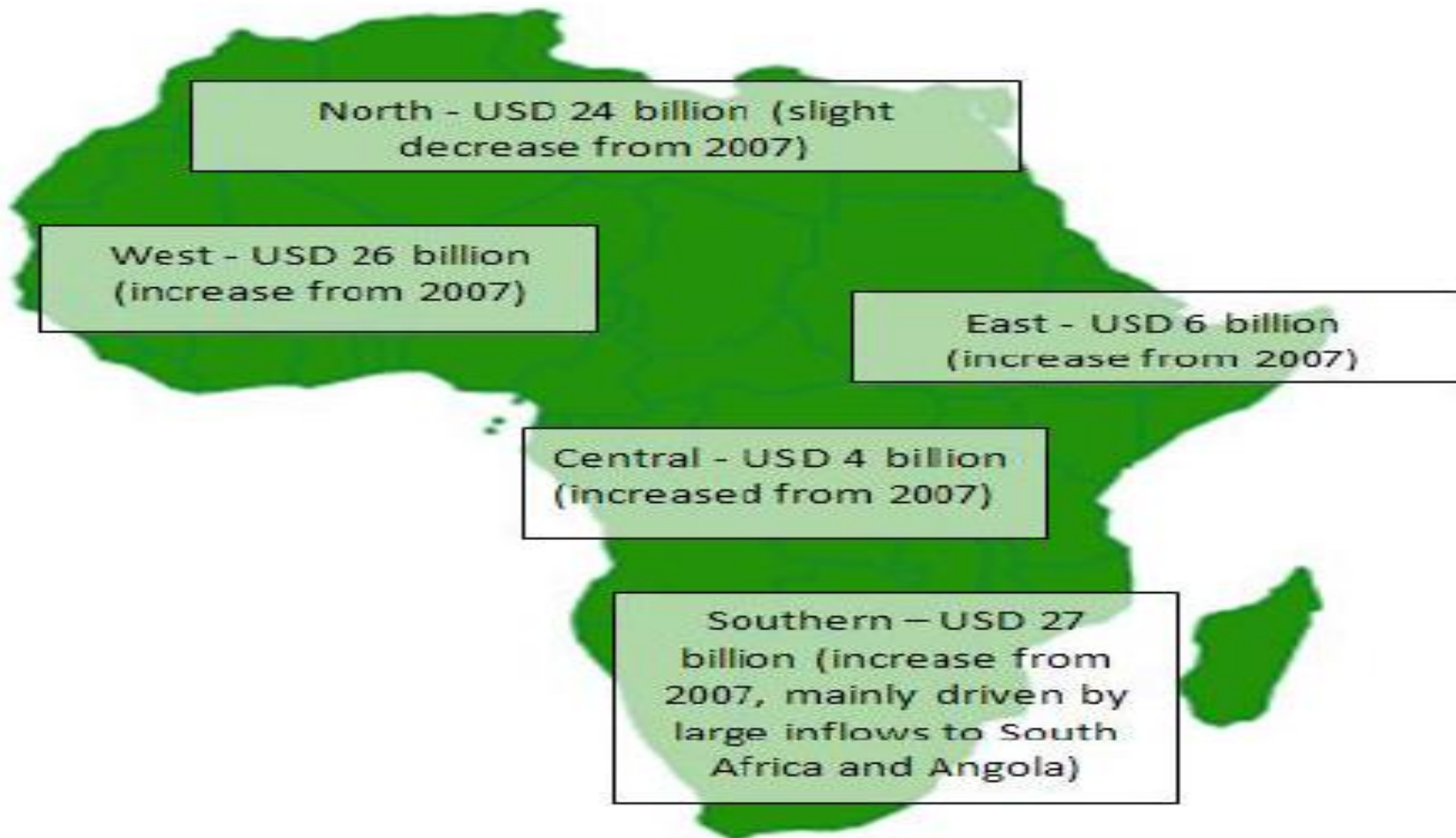


Investment

- **TRANSPORTATION:** There are plans by Dubai's Istithmar is in talks to take a majority stake in an airline with African operations and spend about \$200 million on the airline
- **TELECOMMUNICATIONS:** The five big operators are MTN South Africa, MTC of Kuwait, Egypt's Orascom, Etisalat of the UAE and Vodacom, an Anglo-South African firm. Mobile telephony is a \$25 billion industry across Africa and the Middle East.
 - MTN is the largest operator in the region as a result of its \$5.5 billion acquisition in May of Investcom, a company with stakes in several Middle Eastern operators.
 - The Kuwaiti firm bought Celtel, which runs networks mainly in east Africa
 - The UAE's Etisalat bought a 50% stake in Atlantique Telecom, paid \$2.8 Billion for Egypt's third mobile license; launched Sudan's second fixed line network in January 2006; with Mubadala will manage the telecom provider in Nigeria; has taken over Zanzibar Telecom.



Regional Distribution of FDI in Africa



Source: UNCTAD, World Investment Report, 2010



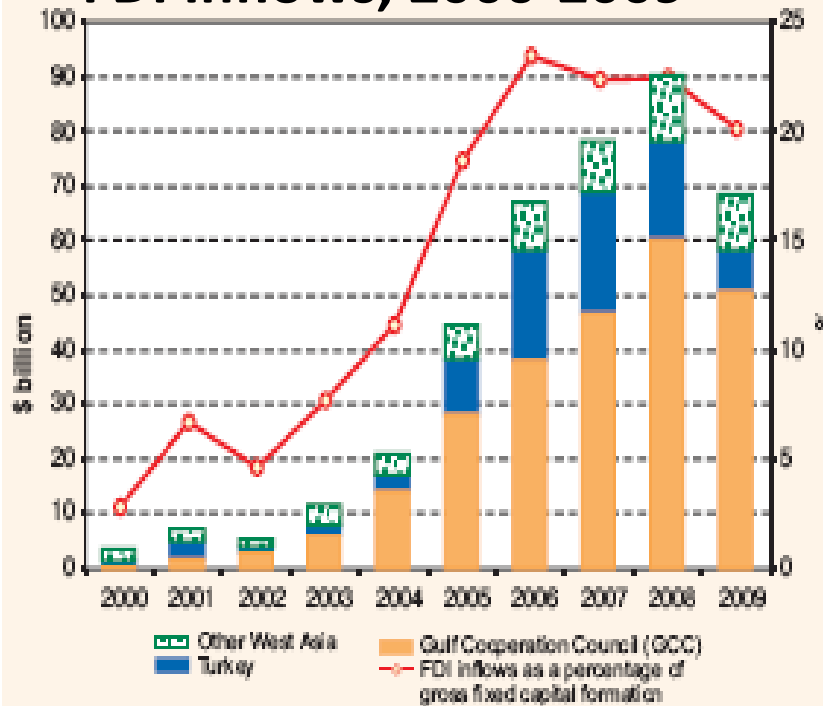
Selected 10 Asian greenfield FDI projects in Africa, 2002-2006 (US\$, millions)

Value	Company	Source Country	Industry	Year	Destination Country
6000	ONGC	India	Energy	2006	Nigeria
4300	PetroVietnam	Viet Nam	Energy	2006	Algeria
3600	Pertamina	Indonesia	Energy	2005	Libyan Arab Jamahiriya
1500	Huawei Technologies	China	Telecom	2006	Ethiopia
1300	Marvis	Singapore	Energy	2006	Gabon
1000	Petronas	Malaysia	Energy	2005	Sudan
1000	CNPC	China	Energy	2003	Sudan
413	RanHill	Malaysia	Real Estate	2006	Libyan Arab Jamahiriya
400	Global Formwork	Malaysia	Real Estate	2005	Nigeria
392	BHEL	India	Energy	2006	Sudan

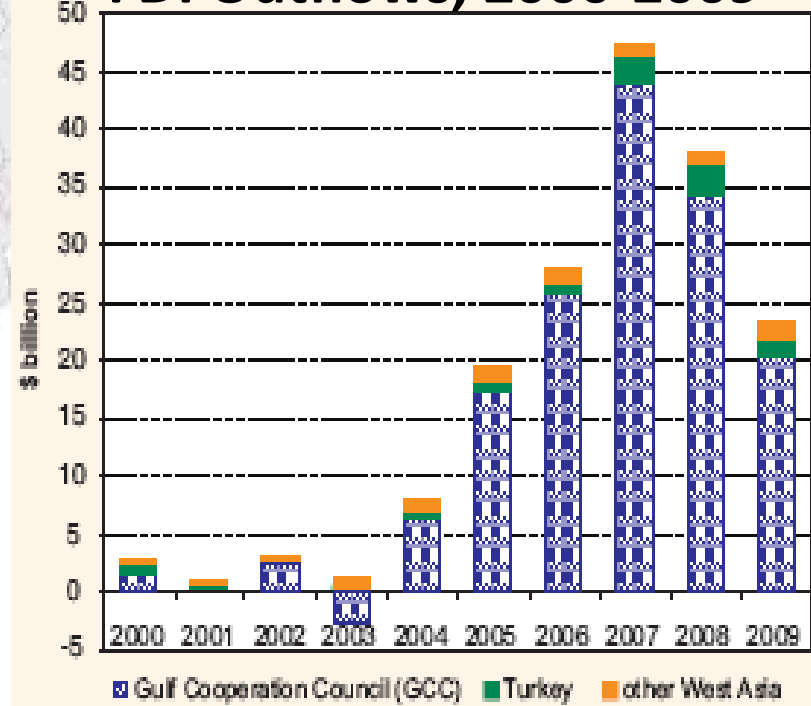
Source: UNCTAD, Asian foreign direct investment in Africa, 2007



FDI Inflows, 2000-2009



FDI Outflows, 2000-2009



Source: UNCTAD, World Investment Report, 2010

Strategic FDI in:

- Petrochemicals
- Tourism
- Agriculture

- Logistics
- Extractive Industries (alumina, iron ore)
- renewable energy



Development Assistance

- The Islamic Development Bank launched a \$10 billion fund to alleviate poverty in 25 of Africa's poorest Islamic countries. Saudi Arabia donated \$1 billion to the fund, making it the largest donor. Kuwait gave \$300 million.
- By 2006, close to \$1.4 billion out of the \$2.2 billion capital of the Arab Bank for Economic Development in Africa (BADEA) had been donated by the GCC states, showing a true commitment to the development of Africa.
- While aid has traditionally been on culturally and religiously similar countries (Sudan), GCC states are reaching out to countries throughout the continent (Kenya, Cameroon, Zambia, Mozambique)



Gulf - Africa Ties: Growing Opportunities

- Yet as of late, both Africa and the Gulf have emerged as international economic actors due to their headline economic growth. Moreover, their abundant natural resources provide them leverage power internationally, allowing them to gain more political weight too.
- Given their increased importance in world economy and their position in a globalized world with free interdependent market economy, there is a crucial need for deepening south-south cooperation and specifically for Gulf-Africa relations.



Gulf - Africa Ties: Growing Opportunities

- Stronger economic ties must be built in order to answer the different shortages and challenges faced by both regions:
 - World Energy Demand with Growing Supply Worries Worldwide
 - Need for Intra-Regional Trade
 - Interest in Alternative Energies and the New Climate Change Regime including resource management
 - Food Security and Agriculture
 - Managing the Impact of the Global Financial Crisis
 - Securing Development and Growth of Human Resource Capacity

In this context, an exchange of know-how to plan for further economic diversification and better management would necessary for both parties.



Gulf - Africa Ties: Existing Limitations

- Despite geographical proximity, civilizational trading links, and cultural and linguistic affinities which could foster relations between the GCC states and Africa; cooperation at all levels between the two regions remains limited.
- Relations are asymmetrical and fluctuant
- Economic ties are restricted to certain industrial sectors
- Most investments and trade come from the GCC states towards some African countries. For now, little investment or commodity exchange are done by African countries in the GCC states.
- Activities are geographically limited to certain countries - not all African countries trade with GCC states and vice-versa.
- Politically, the relationship between the two regions remains weak. Beyond bilateral diplomatic relations, little is done by both sides to strengthen their regional power.



Moving Forward

Africa does not have enough brand recognition in the Gulf. The image is often negative (poverty, insecurity) or idealized romantic (safari). As such, there is a need to focus on proper positioning with regards to:

- Africa as a Commodity supplier of choice for GCC
- Africa as an important tourist destination with good connectivity
- African companies as contractor for the projects market in the GCC
- South Africa as an investment conduit for the GCC to the rest of Africa
- Africa as a potential bread basket for the Gulf region

Equally, the current crisis needs to be used to implement reform and take advantage of opportunities. Concentration should be on improving security, greater transparency, combating corruptive practices, establishing a comprehensive legal framework including investment laws and contract enforcement and building up infrastructure (transport, communication lines etc.)



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Thank You

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