SPECIAL REPORT SUMMARY

Asia and Africa – Increasing 'South-South' trade

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eNotus is predicting a rising interest in Africa from major Asian players – China, India & ASEAN. This growing private sector interest will also trigger greater attention in two-way trade by official mechanisms such as the Tokyo International Conference on African Development (TICAD).

The increased flow of trade is not just due to the engine room in China and its consumption of raw materials. This Asian demand for commodities and in particular oil is important, but a closer examination show healthy trends across a variety of fields. When looking at what China is driving one should not overlook the significance of increased industrial, food, machinery, textiles, medicines and above all consumer goods that are flowing back in to Africa. This trade opportunity can be captured and programs like Linking Africa will lead to a closer understanding of Africa and its prospects as a site for Asian investment, know-how and entrepreneurial spirit.

1. Asian trade: Asia's success is based on the mass production and export of low-cost manufactured goods that have earned the continent 19.1% of world exports and 22.4% of global imports in 2003.

2. African trade: Africa commanded only 2.1% of world trade in 2003 due to over-reliance on slacking European markets for its exports of primary commodities and raw materials.

3. Trade shift from Europe to Asia: Though the EU is still the major trading partner of Africa, trade statistics over the last 7 years, show that African economies are diversifying their trade links from Western Europe to Asia. African exports to Asia grew by 90% from US$ 10 bn in 1996 to 19 bn in 2003 compared to Europe 48%, from US$ 45 bn to 67 bn. Over the same period, African imports from Asia rose from US$ 13 bn to 26 bn – a 100% growth – while imports from Europe were up by 40% from US$ 52.3 in the 1996 to 73 bn in 2003. China is the key driver of this change.

4. Africa non-capital exports to Asia: South Africa, Angola, Nigeria, Congo and Morocco are the major African exporters to Asia, exporting metals, iron ore, diamonds, oil and sea foods with a combined value of US$ 13.5 bn in 2003. Asia, led by China and India are the main consumers of African commodities. Total export from Africa to China and India totalled US$ 12.9 bn in 2003, with China accounting for US$ 9 bn and India 3.9 bn. This represents a remarkable growth of over 220% from 1996 where China (1.5 bn) and India (2.5 bn) altogether imported only US$ 4 bn worth of commodities from Africa.

5. Asia non-capital exports to Africa: This increasing Afro-Asian trade is two-way as Africa too, is importing manufactured goods such as cars, electrical goods, machinery, apparel, rice, medicine, textiles and fertilizers from Asia. China, Korea, India, and Thailand are the main exporters of manufactured goods to Africa. South Africa, Nigeria, Morocco, Kenya and Ghana imported US$13.1 bn worth of goods from Asia in 2003 with South Africa alone accounting for US$ 5.5 bn of that amount.

6. Forecasts for Afro-Asia non-capital trade: Asian demand for African commodities such as oil, metal, and timber is set to increase steadily to support the energy-intensive manufacturing, transportation and construction industries. In 2003, 17.5% of Chinese oil imports were from Africa. With continued uncertainties in the Middle East, Asian countries are expected to turn to Africa for their regular supply of oil. According to the World Bureau of Metal Statistics (BP), China is expected to consume 7.7% of crude oil, 25% of tin, 25% of zinc, 24% of copper, and 20% of aluminum of global production.

7. Foreign Direct Investment: Dis-investment from Europe has seen the emergence of Asian and African investment into Africa that started in the late 1990s in the textile and chemical sectors. The Tokyo International Conference on African Development (TICAD) is set to enhance commercial and economic collaborations between African and Asian economies.

8. Factors that can affect Asia-Africa trade: Africa is vulnerable to Asian economic cycles and policy changes designed to control growth. Profit motives can lead to the illegal exploitation of forest and natural resources in Africa. Regional trade agreements can cause Africa to lose key exports markets if businesses do not increase competitiveness and product value e.g. Kenya and India to compete for the Pakistani tea market.

eNotus is developing the system to capture global data GDCS© and turn this data into useful information making it possible for investors, traders and government officials to have access to high value knowledge for risk prediction and decision support.

A Knowledge & Transaction Center (K&TC) will serve as a hub facility to provide superior information supported by a network of subject specialists in different areas of practice. The K&TC will provide the private sector at global, regional and local levels with reliable points of reference for decision making – be it finding a manufacturing source or a product to the knowledge required to support an investment decision.

At country level, eNotus programs in Africa, the Middle East & Asia will ensure governments and private sector alike have value-added information and intelligence across all sectors of the GDP. This capability will reduce the high costs of specific research for private sector investors (domestic & foreign) and also for governments, and it will mean better mobilization of trade and investment activities.

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