



المنتدى الاقتصادي العربي الافريقي

Arab/Africa- Economic Forum

Beyond Promises: Moving forward towards an effective Arab/Africa Partnership

11 -الكويت 2013 نوفمبر 12Kuwait 11-12 November

Horizons of Investment Cooperation between Arab and African Countries

Mr. Nael Al Kabariti

Chairman

Jordan Chamber of Commerce

Executive Summary

Horizons of Investment Cooperation between Arab and African Countries

The Arab African relations are considered among the oldest ones as they are deeply rooted in the long common Arabic and religious history. Furthermore they are linked geographically and this plays an important part in deepening the relations ties between Arabs and Africa. More than half of the African continent's inhabitants are equally Moslem and Christian Arabs.

The ties linking the Arab and African world are strong and sound and they derive their roots and origins from the common old history. They go also beyond history and geographical situation to extend to cultural, spiritual and commercial ties that were accumulated through long centuries of commerce, culture, religion, language and social struggles added to common traditions that are similar and close due to neighborhoodness.

Therefore it is not strange that Arab African relations are distinguished in all aspects: economic, cultural, social and commercial. The Arab African relations acquired their features from the cooperation and integration between the two regional organizations – The Arab League and the African Unity League. We have to be fully aware that Arab countries were among the founder members of the African Unity League that transformed later on to the African Union Countries and the cooperation between Arabic and African countries increased.

These distinguished relations should generate more Arab investments and the increase of trade balance and economic cooperation between the two parties. Therefore, an Arabic-African business plan should be set up and based on trade on one side and investment on the other side. Africa enjoys multiple investment opportunities of high added value mainly in the agricultural, tourism, industrial, mining and other fruitful sectors for Arab investments.

Africa has many factors opening the doors to achieve a genuine partnership based on mutual interests between her and the Arab countries, especially when we found that Arab investments are most welcomed in Africa. Arabic countries

should benefit from those factors in order to help Africa being a strategic dimension and a geographic extension to all Arab countries.

Therefore the proposed recommendations are based on economic integration between the Arab and African countries, achieving the expectations of both parties. Africa is distinguished by its investment attraction factors that need financing whereas Arab countries have the needed capital thus achieving a genuine and sustainable development in the Arabic countries and Africa. In this context the Arabic countries should seriously benefit from the Chinese experience in entering the emerging African markets.

These recommendations and proposals aim to enhancing the joint cooperation between the public and private sectors in all Arab countries in order to move forward towards achieving a joint cooperation, strengthening Arab investments in the African countries, and therefore forging a sound foothold for Arab investments in Africa, guaranteeing common benefits of added value, together to Arab and African countries.

Horizons of Investment Cooperation between Arab and African Countries

The Arab African relations are considered among the oldest ones as they are deeply rooted in the long common Arabic and religious history. Furthermore they are linked geographically and this plays an important part in deepening the relations ties between Arabs and Africa. More than half of the African continent's inhabitants are equally Moslem and Christian Arabs.

The ties linking the Arab and African world are strong and sound and they derive their roots and origins from the common old history. They go also beyond history and geographical situation to extend to cultural, spiritual and commercial ties that were accumulated through long centuries of commerce, culture, religion, language and social struggles added to common traditions that are similar and close due to old neighborhoodness.

Believing in those ties, the Arab countries endeavored to enhancing the Arab African cooperation and established mechanisms to activate them; the foundation of the Arab Bank for Economic Development in Africa and the Kuwaiti and Saudi funds and other professional institutions are but an evidence on the depth of the relations between the Arab and Africa. The importance of this point is due to the fact that the Arab countries area occupies more than third of the African continent. In order to realize the depth of the African Arab relations we have to strongly remember that among the Arabic countries located in Africa, mainly Egypt and Sudan were among the founder countries of the African Unity Organization. They also highly contributed to the support and backing of the African countries in achieving their independence and assisted them as well in the development and training process especially Egypt and later on the rest of the Arab countries.

Therefore it is not strange that Arab African relations are distinguished in many aspects: economic, cultural, social and commercial. The Arab African relations acquired their features from the cooperation and integration between the two regional organizations – The Arab League and the African Unity League- . We have to be totally aware that Arab countries were among the founder members of the African Unity Organization that became later on the African

Union Countries. The cooperation between the Arabs and Africa and mainly in the economic, financial and technical fields increased in the beginning of the sixties of last century and mainly upon the raise of oil prices after 1973 October war, leading to the allocation of extra funds to support the African countries in the development operations.

The contribution to the financing of the economic development of the African countries and the increase of Arab capitals invested in Africa played a role in bringing closer and supporting relations between the two parties. In the field of economic, financial and commercial cooperation, The African Arab strategy worked on enhancing the Arab African cooperation in the economic, financial, commercial and other developmental fields based on the solidarity concepts and mutual interests in the profit of both parties. Furthermore the Arab African Cooperation built on the positive achievements of strategies, programs and main foundations that were set up in the last three decades such as the African Union, the Regional Economic Coalition, the Free Trade Areas and Customs Unions. Also, and in order to reach a sustainable and an accelerating development in the two regions, the Cooperation enhanced partnership based on bi-mutual profit and the guarantee of a satisfactory situation for both parties.

It is worth noting here that both the Arabic and African groups took into consideration many axes through which the mutual cooperation might be enhanced with regards to the Arab African relations, most importantly:

1- Enhancing investment between Arab and African countries:

Creating an investment environment to enable the African and Arab countries to build their economic strength is considered as one of the most important investment components where benefits should be reaped from competitive advantages in international markets, attraction of regional and foreign investment, fund raising for both common large and medium enterprises and encouragement of the participation of private sector in the economic

development of both regions, through setting up an environment that is convenient, competitive and attracting to foreign investments.

It is worth mentioning here and according to Africa's yearly economic prognostics published by the African Bank for Development, it is expected that foreign direct investment shall exceed 60 billion \$ in the continent for the year 2013 against 49.7 billion\$ the previous year 2012, despite the decrease of the international foreign direct investment by 18%. "It is expected that the majority of the foreseen increase in foreign direct investment in Africa south desert 2012". This provides important indicators to Arab countries in terms of investment in Africa and going forward in enhancing channels of economic cooperation on all levels especially if knowing that prognostics indicate that African economy will grow by 4.8% in 2013 and 5.3% in the year 2014 under the leadership of commodities exporting countries in West Africa such as Nigeria, Ghana and the Ivory Coast.

The resolution that was promulgated in Cairo Conference in March 1977, to promote direct investments and setting up different African-Arab programs on the agricultural and industrial levels was considered one of the main components of the Arab-African Cooperation Program, though it did not achieve what was expected and had to be reactivated again.

The Arab-African cooperation remained weak despite the presence of investments of Arab Gulf companies in many African countries. We stress, as does the majority of Arab responsible, the importance of the role that might be played by the flow of capitals and investment in the economic development of the developing countries. We should not forget as well the role that might be played by the exchange of resources and technologic expertise, as well as establishing strong ties that should link the continuous investment flows with the way the capitals flows should be handled in order to be compatible with national goals defined by the African countries receiving those capitals in order to enable the investment achieving more efficiently the trade economic development.

We cannot deny that the investment's environment in Africa is the most dangerous due to mainly political instability, illiteracy and poor use of resources.

Therefore, Arab and African businessmen should work hand in hand in all investment fields, especially in exploitation of natural resources, concentration on technology domains and agriculture modernization. The Report (Doing Business 2009) noticed that 28 African countries initiated 58 reform processes to promote investment. These were done through simplifying and accelerating the procedures to set up investment companies, decreasing fees of import and export costs, in addition to a multiplicity of reforms in the domain on Intellectual Right protection, freedom of funds transfer, levying restrictions on foreign currencies exchange and alleviating the tax system. Arab Businessmen should benefit from these reforms and invest more in those countries.

2- Commerce:

Commercial exchange base between African and Arabic countries should expand as a tool to enhancing sustainable development, creating job opportunities, increasing revenues, improving life standard, helping in getting rid of poverty and deepening cooperation in the supervision of quality insurance and metrics.

International trade volume of commodities and services amounted to around 44 trillion of which international exports around 22 trillion dollars in the year 2012. The quota of Arab countries of international trade reached as export around 1.2 trillion and as imports approx. 770 billion. Most of the exchange was with the United States and European Union.

It is worth noting here that China headed strongly towards the brown continent since the start of 2000 and the commercial exchange volume reached 10 billion dollars that year. Within 10 years the volume made a leap to 115 billion dollars till exceeding 160 billion last year 2012. If this is the case with China that has no whatsoever geographical link with Africa, then, Arabic countries should by priority have to come first with regards to commerce with Africa that has the elements to open the doors for achieving a partnership based on mutual interests between her and the Arabs.

Many attempts were and are still conducted by the Arabic countries to promote commercial and Arabic regional exchanges but still there are obstacles, that should be taken into consideration, hampering those achievements. The most important obstacles:

- a- Weakness of Arab countries contribution in international trade
- b- Weakness of bilateral trade among Arab countries themselves on one part and among the African countries on the other part.
- c- The Arab and African trade rely on a limited number of exporting commodities, mainly raw materials
- d- Arab and African Trade are oriented towards large industrial countries

The issue of weakness of Arab and African countries external trade's contribution on international level, has reasons and justifications and outcomes that might be discussed based on international studies and reports. The weakness of Arab and African contribution in international trade is due to a set of issues most importantly the decrease of Arab African production level in many commodities and materials, the non-variety in the production of high added value commodities in addition to the non-abundance of production in many commodities and materials surpassing local needs and finally production volatility in some areas; the production percentage of the African continent for many commodities is not proportionate with the area of the continent and the density of its population.

3- Infrastructure, Transport and Telecommunication:

The setting up and modernization of the infrastructure in some African countries is an essential and substantial requisite to achieve sustainable development, productivity increase, trade flow, regional tourism and telecommunications. In the majority of African countries, the infrastructure is

fully financed by the government's Treasury and other governmental balances whereas the cost of the economic infrastructure in the continent varies between 30% to 50% of the total of national investment capitals. Therefore the infrastructure governmental funding is considered the highest in the countries of the lowest growth in Africa, as they are setting their first steps in elaborating the agricultural-industrial structures.

With the exception of South Africa, the majority of African countries need a strong infrastructure, railways mainly. Here comes the role of the Arabic countries in funding and investing in Africa's infrastructures thus contributing obviously in the economic growth process and sustainable development.

Regarding the telecommunication sector, and despite its somewhat improvement and entrance of foreign investments among them Arabic, there are some countries that are still suffering, mainly in rural and remote areas far from cities and urban places and especially with regards to internet services and computers if compared to other regions in the world.

4- Energy, Renewable Energy and Mining:

Africa owns tremendous raw materials to generate energy in all kinds (hydroelectric, reserves of oil and gas, coal and uranium production and renewable energy such as solar energy and earth thermal energy) but the weakness of capacities made these resources unexploited in a proper way.

There is an urgent need for both parties to invest in the energy sector and mainly renewable energy.

The Arab countries own the required financial resources and Africa is considered as a fertile land to produce energy under all forms and kinds. Therefore both parties should cooperate in the development field as well as in investment and management of new energy resources and renewable energy, through common investments, exchange of expertise, capacity building, joint researches and technology transfer. In the industrial field, Africa is considered

having the least growth among all continents. This situation is slowly changing but all depends on getting financial and technical assistance, and setting up the infrastructure for the industry. We should not forget that the trigger to investment in the industrial field is the existence of the hydro electrical energy.

Also the industrial development opportunities in Africa are enhanced by the existence of oil and natural gas reserves thus contributing to the financing of developmental programs. The latter's are enhanced by adding the resources generated from oil exports to Arab countries leading to easily financing all developmental common programs between Arabs and Africa.

5- Water Resources, Agriculture and Agriculture Economics:

Despite the slow growth in agriculture sector in Africa in comparison with the population growth, the agriculture economics is still the main field for the majority of African countries. The qualitative weight of the agricultural sector in GNP for some African countries exceeded 50%. This sector is highly important mainly in coastal countries. It has been noticed in the last twenty years a decrease of the agricultural sector in the GNP for all African countries. More than 60% of the population in productive age works in Agriculture in Africa and reaches sometimes 90% in countries such as Chad, Niger and Mali knowing that the majority of African countries obtain their hard currencies from export of their agricultural products.

The African continent owns great capacities to develop many fields of the agriculture economics due to the high standard of the new agricultural technology enabling Africa to improve its trade balance; 14% of the world exploited lands in beans crops is in Africa and 26% in pastures. Improvements were mainly made in agricultural products ready for export instead of being strategic alimentary crops. The African continent is home to many products that are widespread all over the world, from coffee trees, palm trees, different kind of rubber and others in addition to yellow corn, cotton, tea and cacao.

Despite the expansion limitation the majority of crops achieved a remarkable growth during last years. In this context, the Arab countries have to

increase their investments in the agricultural and services sectors and mainly in rural areas such as conducting researches and guidance in addition to the exploitation of their agricultural lands to reach a strategic dimension for both parties.

Therefore working in the agricultural products to achieve common food security should be a strategic goal to Arabic and African countries. According to a report issued by the Arab Bank for Economic Development, Africa does not exploit more than 6% of its renewable water yearly against 50% in the Middle East region and North Africa taking into account that one of the main challenges facing the Arab food security is scarcity of water resources and shortage of fertile lands where the Arabic agricultural production does not meet more than 55% of the consumption, in best cases.

Therefore these advantages of the African countries should be well exploited, such as water abundance and fertile non exploited lands that would form a tremendous competitive factor on the international level. The financial means of the Arab countries with the abundance of water and land in the African countries will form certainly a regional power in the agricultural sector, either on the productive level or even export, in addition to providing food security for both parties. This should be a priority considered as a strategic goal for African and Arab countries.

African countries have capacities to become the food basket for the Arab countries and for the Near, Middle and Far East in case the Arab countries excelled in investing in this sector. Therefore, the development should be enhanced through positive and sustainable changes in the policies, strategies and programs of the countries in both continents in order to fill the gap between the growth in agricultural production and population growth. Also the aim is to reduce starvation through the cohesion of policies in order to provide food, food security and quality, increasing local and foreign investments, providing a variety of regional economies, developing plans to fight crises and using early alarm

systems to protect food crops from natural crises, migrating insects as well as other protection methods.

6- Investment in Tourism:

Investment in tourism sector might have the largest added value in both Arab and African economies. Africa enjoys a variety of natural and rich landscapes that attracts tourists from all over the world. Also the Arab countries have tremendous capacities taking into consideration that they are home to tourist destinations mainly the religious and historic sites where the Middle East region is considered as an indispensable centre in tourism. This leads to expanding the common investments in this vital and renewable sector. The Arab African cooperation in the tourism sector would integrate the glory of history and religion and the magic of the unique and unusual geography.

Conclusion:

Africa as many factors opening doors to achieve a real partnership based on mutual interests with the Arabic countries and especially that we are finding a great African welcome to Arab investments. There are many ties and common interests linking Arab and African countries, such as geographical, historical, political, economical and religious ties. The population of the African continent reaches around billion inhabitants and North African Arab countries counts for 2/3 of the Arab population. Therefore Africa is considered as geographic and political extension on one side and represents a tremendous consumption power in international markets on the other side. Africa occupies an area ten times larger than the European continent and 4 times the area of United States in addition to its wealth in huge economic resources enabling her to achieve the aimed development in a record time in case its resources are ideally exploited. We should not forget that Africa is considered as the largest tanks in the world in raw materials.

Despite the remarkable development witnessed by the majority of the African countries in achieving tangible political and economic reforms as well as investment opportunities for Arab countries, though the Arab investment in Africa did not enjoy the demanded growth. China highly invested by increasing its balance of trade and its investments value in the African continent achieving the highest figure in foreign investment and during a record period of time ; hence this experience should be a learning experience.

Currently China has an obvious presence in Africa; more than 900 Chinese projects are established and 800 Chinese companies are working in different countries. China also sent around 16000 medical teams to Africa, offered 20000 scholarships to African students and trained a large number of apprenticeships. As we previously mentioned there are many Arab countries such as Kuwait, United Arab Emirates, Egypt, Morocco and others having investments in multiple African countries mainly in the telecommunication sector but they are still not sufficient and Arab countries should increase their investments in all fields and economic sectors namely industrial, mining, trade and tourism. Africa is a fertile land for Arab investments.

It is very important to pay greater attention to Arab investments in Africa in the time being and in the future in order to achieve an Arabic-African partnership of mutual interests where public and private sectors work hands in hands in this international race to enter and invest in African markets mainly the emerging ones and where the Arab investment is considered as very weak.

While African countries are in need to develop their economies, Arab countries are also in need to empower their economies, create a strategic dimension for their national and economic security mainly food security, strengthen their industries and open new markets for their products.

The brown continent has the power to achieve Arab food security and fill the Arab alimentary gap through integration of investments between Arab and African countries in the agricultural production sector such as: providing necessary water resources and the relevant infrastructure. Therefore African countries and due to Arab investments, would be able to use in the future, more water and reclaimed

lands than in the time being and this would enable both parties to increase agricultural production to guarantee Arab and African food security and even been able to export to other countries.

Africa with its huge natural resources and tremendous manpower can provide raw materials needed in current and future Arab industries with lower costs and open room to foreign investments in oil, mining, tourism, transportation, telecommunication, electricity, education, health and other sectors putting Arab development in service of the African one. This will also offer opportunities to invest surplus Arab funds in added value sectors that are highly profitable taking into consideration that African population density would be a promising and promoting market for Arab products.

Proposals and Recommendations:

Before tapping into recommendations we should indicate that African market as any other market has many risks such as market risks. The latter are multiple especially the country risk that might be one of the most important hindrances facing investors as some African countries lack security and stability. This, in addition to legal, administrative and social obstacles that should be transcended by Arabic countries and their investors, especially private sector, and head forward hands in hands and with the support of Arab governments to overcome hindrances by investing in less dangerous vital sectors first, and contribute to fight unemployment and eradicate poverty that are widely spread in some of these countries.

Arab countries have to think seriously and fully in intensifying and varying their investments in African countries as they have a great chance to be highly competitive with China. African countries form a vital and strategic geographical dimension to Arab countries that will reap the fruits of their investments on medium and long terms.

Therefore, proposals and recommendations would enhance the joint cooperation for both public and private sectors in all Arab countries to move forward to

strengthening Arab investments in the African countries. Main recommendations are:

- 1- Support Arab-African cooperation in all fields and domains
- 2- Set up a joint Arab-African organization that combines under its umbrella all Arab African countries and activate all relevant agreements and proposals.
- 3- Grant mutual advantages in both parties
- 4- Stipulate laws and legislations promoting investments and prevent double taxation.
- 5- Pay real attention to essential infrastructure projects in African countries due to their economic and social impacts on local community, therefore accelerate economic development process and fight poverty and unemployment. The larger part of this process should be shouldered by Arab and mainly Golf countries governments paving the way to Arab investments.
- 6- Enhance Arab investments in the agricultural and services sectors as they play an important part in some African economies and where their contributions reach sometimes 65% of the GNP of African countries. Efforts should be conjugated from private and public sectors together due to their vital role in supporting economic growth; fighting poverty and unemployment in these countries on one side and ensure food security that Arab countries are looking forward to its achievement on the other part. in Agricultural investments in African countries would ensure an added value for both parties.
- 7- Investment in health and education sectors that distinguish Arab countries; therefore efforts among Arab countries should be exerted to finance and achieve relevant projects and mainly the private sector.
- 8- Investment in tourism sector, taking into consideration the tourism fertile environment and the beautiful landscape in some African countries, in order to provide required tourist services for visitors. These investments with the agricultural ones, will contribute efficiently to fighting poverty and unemployment, raising productive competencies and achieving sustainable

development due to the importance and tremendous benefits of the tourism sector especially that it is lacking services in African countries.

9- Governments should provide all needed information regarding African countries and the open investment opportunities, taking genuine procedures to protect Arab capitals and forming follow up committees to check Arab investments in the African market.

10-It is very important that Arab investments in all above mentioned sectors should be in coordination with the relevant parties in the African countries and should as well be incorporated in the developmental plans of governments in order to achieve the requested added value.

11-Increase trade balance and strengthen economic ties between Arab and African countries, conduct sound studies with regards to the needs of both parties from commodities and services and trying to replace commodities that might be available in one side by those imported from abroad.