

Towards Africa: Opportunities & Challenges

Resources of the African Continent

Africa is the **fastest** growing continent in the world

30% of the mineral resources extracted from the earth are in Africa

The Importance of Africa to the World

The Geostrategic Importance of the Horn of Africa

10 january 2021



Ibrahim Karsany

ECONOMIC CONSULTANT

Towards Africa: Opportunities & Challenge

Introduction:

This series of articles entitled “Towards Africa” aims to study the geopolitical situation in the African continent, the investment opportunities available pursuant to the economic situation in the Post-Covid-19 Era, the fierce competition among world countries over it, as well as discussing the challenges created by the new situation and to present some recommendations on how to overcome them.

It is well known that the African continent is rich in natural resources and fresh water provided by the chain of rivers that cross its banks and the multiplicity of climates that help the cultivation of many crops, whether food or raw materials for some manufactured goods, in addition to livestock.

All these resources tempted the owners of emerging industries in the European continent, at the beginning of the emergence and development of the Capitalist System, to crawl towards Africa, not to exploit these resources through compatible trade with the African countries, but to seize them directly in what later became known as the Colonial Era, whether traditional colonization or settlement.

After the end of the Colonial Era and the independence of most African countries after World War II and during the 1950s and 1960s, and the emergence of the Socialist Camp led by the Soviet Union on the one hand, and China on the other, it was necessary to invent new methods to ensure the continuous exploitation of those resources, as it was no longer possible to resort to direct military force and mobilize armies to achieve this goal.

Then the conflict between the two camps began and the Capitalist system

was able to form its institutions that would enable it to continue its control over the countries of what became known as the Third World. Among the most prominent of these institutions are the International Monetary Fund and the World Bank, in order to drain their resources in an unequal global trading system.

But after the collapse of the Soviet Union at the beginning of the 1990s, the unipolar world led by the USA emerged and dominated the world for a period of two decades until China stood out as a global economic power to be reckoned with, as it displaced Japan as the second largest economy in the world after America within a short period, and is expected to remove the USA itself from the center stage to occupy its place as the largest economy in the world within a period that will not exceed the beginning of the third decade of this century, according to the most prominent economic experts from the USA itself.

This series will review the relationship of most influential economies, whether at the regional or international level, with the countries of the African continent, taking advantage of the economic investment opportunities available in them, as well as the extent of the conflict among them to acquire the largest possible number of those opportunities. One of the most prominent of those countries at the present time is China, which has succeeded in creating economic and trade relations with the African countries and used it to reach its current prestigious global economic position, which we will address in the second part of this series.

Resources of the African Continent

Africa is the second largest continent in the world in terms of area and population, and comes second to Asia. With an area of 30.2 million square kilometers (11.7 million square miles), this area includes neighboring islands. Africa covers 6% of the Earth's total surface area, and occupies 20.4% of the total land area. It contains a variety of wealth, including:

Mineral wealth: Africa is also the richest deposition of natural resources such as oil, copper, diamonds, bauxite, lithium and gold. It is estimated that 30% of the mineral resources extracted from the earth are in Africa. It also has the largest reserves of precious and rare minerals in the world, which are the essence of the advanced technical industries. Africa also has large



4

quantities of minerals, such as gold in South Africa, Zimbabwe and eastern Sudan; and copper in Zambia, Sudan and Congo. It also has a significant stock of uranium destined for the nuclear industry in South Africa, Niger and Namibia, and it alone has 18% of the total global production of this substance, and one third of the world's total reserves. Moreover, Africa is also one of the world's largest producers of diamonds, accounting for about 40% of the total diamonds in the world, concentrated in Angola, Botswana, the Democratic Republic of Congo, South Africa and Namibia.

Oil: 12% of the oil produced in the world comes from Africa where petroleum is found in Libya, Algeria, Egypt, Sudan, Nigeria and Equatorial Guinea. Africa alone has about 124 billion barrels of oil reserves; i.e. 12% of the world's reserves.

Agriculture: Two-thirds of the world's unexploited agricultural land is in Africa, as Africa has an enormous agricultural wealth and almost two-thirds of the continent's population works in agriculture, which contributes about 20 to 60% of the Gross National Product of each African country. Also, environmental and climatic diversity makes the continent one of the largest areas eligible for agricultural production. In the tropics, coffee, pineapple, cocoa and palms are grown; in the savannahs, melons, peanuts and peppers are grown; in the deserts, dates are grown; and in the Mediterranean basin, tomatoes, citrus fruits and olives are grown in addition to vegetables. Moreover, Africa is characterized by enormous forest wealth, as the timber industry contributes to 6% of the Gross National Product of the African

continent, and there is high quality of wood gathered in Central Africa, Gabon, Congo and Cameroon. This timber is exported to several countries such as the European Union, Israel and Japan.

Fisheries: African countries possess a huge stock of fisheries, as they produce 4.5 million tons of fish in West Africa alone.

Livestock: Livestock is of essential to all countries of the world and to every individual in society, as it is of great economic importance, as it is a vital source of food in different countries of the world. Livestock is one of the pillars supporting livelihoods in rural areas across the African continent; therefore, it is of strategic value to providing food security at the continental level. The livestock sector contributes 30 to 80% of the agricultural GDP. Africa also comes fourth in livestock production in the world, with an amount of 161 million heads.

Human resources: Asia ranked first in terms of its high population density in the expectations of the United Nations, and according to a report issued by it, it is expected that the population of Asia would reach 5.245 billion people by 2050, followed by Africa, whose population is expected to reach 2.574 billion people. According to the expectations of the international report, the population of Europe will reach 736 million by 2050, where this number is currently 745 million, and it is the only continent whose population is expected to gradually decrease from 751 million in 2030 to 736 million people by 2050. Therefore, the African continent constitutes a profitable market for consumer products, in addition to the possibility of exploiting its human resources to accelerate the pace of development, after training and refinement, whether at the level of the countries of the continent itself, or the rest of the world that suffers from a scarcity of these resources.

The Importance of Africa to the World

In the past few years, the African continent has received great attention from international powers, and has even become the first destination for investors, due to its steady growth. Some believe that global markets have reached their peak and level of saturation, as there is hardly any consumption areas left for the disposal of products. On the other hand, there is a promising market in Africa, as the continent's middle class is growing, and its society is becoming a consumer society. In addition, Africa is no longer a market

for cheap products, but has also become a market for various products, including valuable goods, and the consumption of technology has increased, as three out of every four Africans own a mobile phone. In addition to the competition and conflict between the great powers over the continent's resources, Africa has witnessed steady growth in the last ten years, according to the International Monetary Fund, while the growth of the global economy did not exceed 3.6%; consequently, Africa is the most developed continent in the world.

Many countries of the world are interested in investing in the African continent, as the USA passed a law to invest in Africa, and the European Union allocates specific values for investment in the African continent. Furthermore, African countries have implemented policies and programs to attract investments and ensure sustainable growth and development, and expand infrastructure and transport development.

The Geostrategic Importance of the Horn of Africa

6 The geostrategic importance of Africa, especially the Horn of Africa, has made it the focus of attention and interest of many international and regional powers. That region ranks high in the political agenda of every country that has been trying to exploit investment opportunities in this part of the world in recent years for a number of reasons and considerations:

The geographical location of the Horn of Africa, as one of the pivotal regions in the world, and as a gateway to the African continent linking Africa, the Middle East and Asia, and the meeting point of the Red Sea with the Indian Ocean, which is witnessing an escalating competition between the two Asian powers, China and India, in addition to its geographical proximity to the Arabian Gulf region, which supplies Beijing with about 50% of its oil imports, as well as India. It also overlooks the Bab Al-Mandab Strait, one of the most important sea routes for trade and energy transport in the world, through which 25% of global exports pass, and 30% of oil heading west, with an annual trade worth over US\$700 billion, 25 thousand ships, and nearly two billion barrels of oil passing through the strategic strait annually. Defense Center: Reports indicate that there are 16 countries that operate 19 military bases in the Horn of Africa, including 9 countries in Djibouti alone, which makes it a mainstay in the policies of competing countries to enhance influence.

Political and Diplomatic Traction: The Horn of Africa hosts the headquarters of the African Union in the Ethiopian capital, Addis Ababa, the United Nations Economic Commission for Africa (UNECA) in the same country, and the Intergovernmental Authority on Development (IGAD) in Djibouti, which gives the opportunity to communicate with African leaders influencing the policies of their countries.

The global conflict around the Horn of Africa and the Red Sea is clear through the distribution on the map of ports and military bases, as follows:

Djibouti: Doraleh Container Terminal (previously operated by DP World), Doraleh Multipurpose Port (China), US, Italian, French (including Spanish and German forces), Japanese, Chinese, Saudi and Turkish military and naval bases.

State of Eritrea (Assab Port): a commercial port belonging to DP World.



Somaliland (Berbera Port): a project by DP World, a naval base under construction for the United Arab Emirates (the UAE announced at the beginning of last year the cancellation of those plans)

The State of Somalia (Bosaso Port, Puntland - Puntland): P&O Ports, a company specialized in developing and managing multi-purpose medium ports at the global level and wholly owned by the Government of Dubai, who has the right to operate and develop this port. The UAE has trained and equipped Puntland Maritime Police Force.

Somalia (Mogadishu): a Turkish military base. The United Arab Emirates also finances a Special Forces Training Center, while the Turkish Al-Bairaq Company operates the Mogadishu port.

Somalia (Barawi): There are talks between DP World and the local government regarding the rehabilitation of the Barawe sea port.

Sudan (Suakin): Turkey tried to build a pier to maintain civilian and military ships, (but those plans were stopped after the fall of Al-Bashir's Government)

Conclusions:

There is an economic benefit for most African countries as a result of the global competition over the region, and the growing economic and humanitarian assistance provided by some countries to them to achieve their interests and assert their influence. However, Africa, especially the Horn of Africa, appears to be on the verge of further militarization in light of this competition among international and regional powers to become a new battleground for influence and dominance among the international powers involved, in addition to the possibility of a growing state of regional polarization among the countries of the region.

Most Africans welcome the Chinese Policy in African countries, due to several factors, most notably Beijing's Policy of non-interference in the internal affairs of African countries, the Chinese investments realization of tangible benefits to African peoples, and bridging the gap caused by Washington's policy that reduced aid to Africa, so that its relation to Africa has become based on the security perspective only.

Despite the repercussions of competition on the African continent, some countries perceive this competition as a great gain for them in light of benefiting from the investments and aids provided by the competing countries to gain more influence regardless of the possible developments of this competition; i.e. the outbreak of a conflict or a clash that might threatens the security and stability of the region.

There is an Asian fear, especially by India and Japan, about China's geopolitical goals in the Horn of Africa, as it continues to implement the Pearl Chain within the Belt and Road Initiative, which aims to regional hegemony and to make China the center of a new order in Asia and the Indian Ocean region, which prompted India to send a message to Beijing by conducting annual bilateral naval exercises with Australia, as well as joint trilateral exercises with Japan and the United States of America.

Washington and European powers may prefer India as a partner in Africa at the expense of China, which is considered a growing geopolitical threat to the West, and in light of the prediction of Beijing's ability to limit the American ability to maneuver in the African continent during the next decade, so Washington is seeking to coordinate with India in order to achieve balance in the region and work as China's strong competitor in Asia.

About b'huth

b'huth is an independent public policy research Centre founded in Dubai, UAE in 2002, that focuses on International Affairs, Geostrategic Affairs, Public Policy Studies and Public Opinion Research. We bring together experts in all these areas to work with us, to learn from one another and to foster creative thinking. Our scholars & Analysts develop practical policy recommendations and offer them to policymakers and stakeholders for political and social improvement as we strive to always bring forward «actionable knowledge». Quite often, b'huth is involved in implementing this recommendation.

b'huth believes in knowledge sharing for the advancement of our societies, both in the Arab Region and globally, and we aim in our public policy analysis and recommendations to help expand opportunities for all people and strengthen the effectiveness of public policy.



bhuth_UAE

2021