# The scramble for Africa

Resources that were hidden throughout Africa for centuries are being uncovered at an alarming rate. Neil Hodge investigates the potential of the world's most unlikely source of wealth

» *While companies from the industrially developed world* have long been established throughout Africa, their counterparts in the developing world have now also woken up to the prospects of exploiting the mineral-rich continent's untapped wealth. One key target is oil-rich Nigeria.

In April China agreed to lend Nigeria €1.6bn for infrastructure projects in a renewed attempt to win access to markets and energy reserves in Africa's leading oil exporter. Since last year, Beijing has extended increasingly attractive offers of financial support to Nigeria in an effort to forge a closer relationship with Umaru Yar'Adua, Nigeria's president, who took office in May 2007.

Furthermore, in the same month China offered export guarantee facilities worth up to €32bn to encourage investment in Nigeria. Sinosure, China's export credit guarantee agency, made the offer when the Nigerian president led a delegation of oil industry and business leaders to Beijing in March.

Shamsuddeen Usman, Nigeria's Finance Minister, said that "the possibilities are endless. Which other country has made that kind of money available? Has the UK or America or any one of them? For me this is a sign of real commitment by China."

While Chinese companies have been increasingly active in Nigeria, Beijing's attempts until now to secure oil and mineral rights in Nigeria have failed to materialise, unlike its efforts in other African countries such as Angola, Sudan and most recently the Democratic Republic of Congo. Economists say that the revived loan agreement suggests China is on a new charm offensive in Nigeria, where western majors such as Royal Dutch Shell, ExxonMobil and Total have traditionally dominated the oil industry.

But China's offers of financing to African governments in return for access to natural resources have also raised concerns that countries fresh from winning debt relief from western donors will start piling up new obligations. However, the Nigerian government seems to have no such qualms. The country says that it has cleared €22.5bn under debt reduction deals with western creditors in the past few years, leaving it with very low levels of external commitments.

Given the success of the strategy, China is not the only country to offer aid for "infrastructure" projects in return for business contracts. Not to be left out of the new millennium's scramble for Africa, India has also unveiled a "blueprint" for its intensifying engagement with the continent, a symbolic step that reflects New Delhi's anxiety over China's growing influence on the continent and its desire to mimic the close economic and commercial ties forged by Beijing in recent years.

Manmohan Singh, India's Prime Minister, has announced duty-free access to Indian markets for the world's 50 "least developed countries", 34 of which are in Africa, as part of a package of measures designed to highlight New Delhi's commitment to deepening relations with the continent.

### Talking heads

Inaugurating the first India-Africa Forum, a two-day summit in New Delhi in April this year, Mr Singh said the scheme would provide preferential market access on tariff lines that comprise 92.5 percent of all least developed country exports, including diamonds, cotton, cocoa, aluminium ore and copper ore. Declaring India's intent to become "a close partner in Africa's resurgence", Mr Singh called for a "new architecture" in relations. The first step came with the signature of an Africa-India Framework for Co-operation and a "Delhi Declaration".

As part of its business plans, India has said that it would more than double the size of credit lines to projects in Africa, from €1.39bn to €3.49 between 2003-04 and 2008-09. He also promised to boost India's aid budget to Africa, pledging grants of €323m for projects over the next five to six years.

India woke up to Chinese influence in Africa when Beijing hosted the China-Africa Co-operation Forum in 2006 – a display of economic clout that attracted more than 40 African heads of state. India's April summit comes in the wake of similar meetings between African leaders and those of the European Union and Japan.

India's trade with Africa has soared in the past two decades. In 1991 its value of trade stood at just under €0.64bn. This year that figure is around €19.4bn. The value of China's trade with Africa, worth less than India's in 1999, has since leapt to €35.5bn. At the same time, African exports to China surged 48 percent between 1999-2004 – compared with 14 percent growth in exports to India.

Russia has also been busy trying to secure a better foothold on North Africa's gas and oil supplies. The country's largest energy business Gazprom has taken steps to strengthen its hold on natural gas supplies to Europe, signing a joint venture with Libya in April and saying it was in preliminary talks on a multibillion dollar project to pipe Nigerian gas to Europe across the Sahara.

Libya's leader Muammer Gaddafi said during talks with outgoing Russian President Vladimir Putin that he supported the idea of forming an OPEC-style group of gas-exporting countries, though industry experts say the idea of a gas exporters' cartel remains a distant prospect. Among a string of commercial deals sealed during Putin's visit, Gazprom agreed to set up a joint-venture with the National Oil Corporation of Libya to explore for, produce, transport and sell oil and gas. Gazprom has also recently held talks with Nigeria about participating in a €8.4bn project to build a 4,000km pipeline across the Sahara, linking the Niger Delta to an export terminal on Algeria's Mediterranean coast.

The agreement came two weeks after Gazprom and Italy's Eni agreed to work together in Libya – seen as one of the north African oil and gas producers with the most potential. Eni, the leading foreign operator in Libya, recently agreed to double capacity with an eight billion cubic metres a year pipeline carrying its gas across the Mediterranean to Italy.

President Putin's visit to Libya highlighted Russia's determination to strengthen its influence in north Africa and pursue deals around the globe for the large, often state-owned corporations that have emerged during his presidency.

As part of the negotiations, the Russian president also agreed to write off €2.9bn of debt from Libya (much of it accrued from Soviet-era arms sales to Libya when the country was a big buyer of Soviet weapons) in return for a multibillion dollar contract with Russian companies – the largest single deal being a €2.2bn contract for the Russian railways monopoly to build a 554km line between the cities of Sirte and Benghazi.

Though countries from emerging economies are gaining a foothold, the lion's share of foreign direct investment in Africa is still coming from the US and Europe, particularly in South Africa, a nation which is still regarded as the most ripe for business opportunities in the continent.

Despite growing business concerns over the country's energy crisis which frequently results in day-long power cuts and has forced factories and wine producers to operate at night, US car giant Ford Motor announced plans in January to expand its South African operations. The company said that it would invest more than €128.2m to expand operations for the production of its next-generation compact pick-up truck and Puma diesel engine, mostly for export.

Hal Feder, head of Ford's South African operations, said that the blackouts are a "huge issue", but added that "this is a strategic long-term investment for us". He added that the company might need to "get creative with work hours" and run its plants at night when electricity was more readily available.

### Grand expansion

Ford's plan to expand in South Africa predate the latest energy crisis and appears to owe much to a government motor-industry programme that allows foreign carmakers to offset any vehicles they export with duty-free imports. The South African government has taken pride in its ability to draw Ford, General Motors, Volkswagen and other foreign carmakers to build plants, mostly in the high-unemployment Eastern Cape province. Last year GM exporting Hummer sport utility vehicles made in the country.

Ford makes its Focus and Mazda 3 cars and Bantam pick-up in South Africa, among other vehicles, and exports to Australia. The new investment will see Ford scale up to produce 110,000 right- and left-hand vehicles and 180,000 diesel engines. The project will begin in 2009 and be split between Ford's plants in Pretoria and Port Elizabeth.

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Yet despite such economic growth and greater levels of foreign direct investment, the UN still finds that strong economic growth rates in Africa have failed to translate adequately into more jobs and less poverty. The Economic Commission for Africa's latest report also blames developed countries for failing to live up to the expectations and promises of increased aid to the continent.

Richard Kozul-Wright, an economist with the UN's economic and social affairs department (DESA), said much of the aid to Africa in recent years was in the form of debt relief rather than productive investment. "It doesn't amount to additional new resources," he said. In a situation in which African countries had already paid back more money than borrowed but still owed €161.7bn, "the only decent mechanism is to write off the debt."

He also noted that an investment rate in sub-Saharan Africa that was around 20 percent of gross domestic product was "utterly inferior" to the 25 – 30 percent the region required. ■