

Chapter 1

Introduction

Referral

1.1 On 13 June 2016, the Senate referred the following matter to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report by 14 February 2018:

Australia's trade and investment relationships with the countries of Africa, with particular reference to:

- (a) existing trade and investment relationships;
- (b) emerging and possible future trends;
- (c) barriers and impediments to trade and investment;
- (d) opportunities to expand trade and investment;
- (e) the role of government in identifying opportunities and assisting Australian companies to access existing and new markets;
- (f) the role of Australian based companies in sustainable development outcomes, and lessons that can be applied to other developing nations;
- (g) the role of Australian based companies in promoting the achievement of Sustainable Development Goals; and
- (h) any related matters.¹

1.2 On 27 November 2017 the Senate agreed to extend the reporting date to 27 April 2018.² On 26 March 2018 the Senate agreed a further extension to 21 June 2018.³

Conduct of the inquiry

1.3 Details of the inquiry were placed on the committee's website at: http://www.aph.gov.au/senate_fadt. The committee also contacted a number of relevant individuals and organisations to notify them of the inquiry and invite submissions by 18 August 2017. The committee continued to receive submissions after the closing date. Submissions received are listed at Appendix 1.

1.4 The committee held two public hearings for the inquiry: the first in Perth on 2 May 2018 and the second in Canberra on 11 May 2018. A list of witnesses who gave evidence is available at Appendix 3. Hansard transcripts of evidence may be accessed through the committee website.

1 *Journals of the Senate*, No. 41—13 June 2017, p. 1385.

2 *Journals of the Senate*, No. 72—27 November 2017, p. 2283.

3 *Journals of the Senate*, No. 92—26 March 2018, p. 2921.

Acknowledgement

1.5 The committee thanks the organisations and individuals who participated in the public hearings as well as those who made written submissions. The committee would like to extend its particular thanks to the Heads of Mission of the Africa Group for their joint submission and attendance at the committee's hearing in Canberra on 11 May 2018.



Members of the committee with the Heads of Mission of the Africa Group

Previous inquiries

1.6 In June 2011, the Joint Standing Committee on Foreign Affairs, Defence and Trade tabled the report on its inquiry into Australia's relationship with the countries of Africa which covered: government to government links; Australia's aid program; education links; research links; trade and investment; defence and security; and Africans in Australia.⁴ The committee made 17 recommendations covering these areas, most of which were agreed in the government response dated 22 March 2012. Those that were not agreed included recommendation 10 (to establish a Centre for African Studies), recommendation 12 (to expand e-visas across Africa), and recommendation 13 (to undertake for Australia to become compliant with Extractive Industries Transparency Initiative guidelines). Some matters were again raised during the current inquiry and, where relevant, will be referred to in the report.

4 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into Australia's relationship with the countries of Africa*, June 2011.

Structure of the report

1.7 This report is structured as follows:

- Chapter 1: introductory information about the inquiry and an overview of Australia's existing trade and investment relationships with the countries of Africa;
- Chapter 2: Australian mining in Africa;
- Chapter 3: barriers to Australian trade and investment with the countries of Africa; and barriers to African trade and investment in Australia;
- Chapter 4: broadening commercial interests beyond the extractive industry as well as the promotion of commercial opportunities;
- Chapter 5: the government's role in increasing trade and investment with Africa;
- Chapter 6: Australia's aid relationship with Africa, including activities contributing to the achievement of sustainable development goals; and
- Chapter 7: conclusion and recommendations.

Overview of Australia's existing trade and investment relationships with the countries of Africa

1.8 The continent of Africa, second only to Asia in both landmass and population, is diverse geographically, culturally, linguistically, and economically. Comprising 54 sovereign states, nine territories, and two de-facto independent states, Africa is home to over 1.2 billion people. This number is increasing sharply, however, with African nations boasting some of the youngest and most rapidly growing populations in the world.⁵

1.9 Submissions emphasised the importance of recognising that Africa cannot be described or analysed as a single market but is comprised of discrete economies with separate opportunities. For example, Grame Barty and Associates stated:

When we talk about a trade and investment strategy we should refer to significant, individual countries – such as Morocco, Ethiopia, South Africa, Kenya, Nigeria, Ghana, or at least regions – North Africa, East Africa, West Africa...Southern Africa. Each is different and it is important that we unbundle it into its relevant parts. A conversation around genuine trade and investment opportunities cannot occur until this transition by African advocates is made.⁶

5 Future Directions International, *The African Demographic Dividend: Can it be harnessed to avoid rising food security?*, 22 May 2018, pp. 2–4.

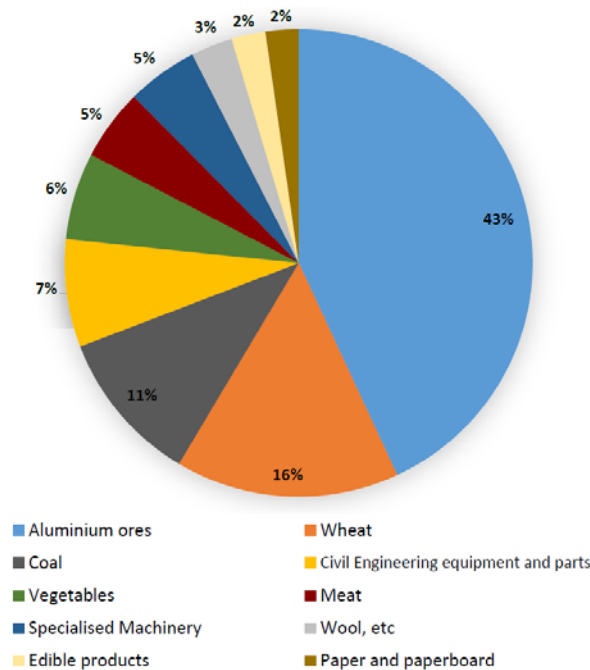
6 *Submission 3*, p. 7. See also: DFAT, *Submission 30*, p. 2; Ms HK Yu, *Committee Hansard*, 11 May 2018, p. 45; His Excellency Mr Lapologang Lekoa, High Commissioner of Botswana, *Committee Hansard*, 11 May 2018, p. 24.

1.10 In its submission to the inquiry, the Department of Foreign Affairs and Trade (DFAT) provided information on trade between Australia and individual African economies. This data indicates that the goods trade with South Africa is, by a wide margin, Australia's most valuable trade relationship with an African country. In 2016, Australia's trade with South Africa was valued at over \$2 billion.⁷

1.11 Australia also maintains trade relationships with several other African countries that, in 2016, were valued at over \$100 million. These include Algeria, Egypt, Gabon, Ghana, Mauritius, Mozambique, Nigeria, and Republic of the Congo.⁸

1.12 As shown in Figure 1 below, Australia's major merchandise exports to Africa, in 2016, were largely concentrated in the primary industries, with aluminium ores, wheat, coal, vegetables, meat and wool all featuring in the top 10 exports. Civil engineering equipment and parts, and specialised machinery, together formed 12 per cent of merchandise exports to Africa.⁹

Figure 1: Australia's major merchandise exports to Africa 2016 (A\$000)



Source: DFAT, *Submission 30*, p. 15.

1.13 The top five export destinations for Australian goods to Africa in 2016 were:

1. South Africa: aluminium ores; coal; machinery and parts.
2. Egypt: vegetables; wheat; wool.
3. Mozambique: aluminium ores; wheat.
4. Nigeria: wheat; edible products.

⁷ DFAT, *Submission 30*, p. 13.

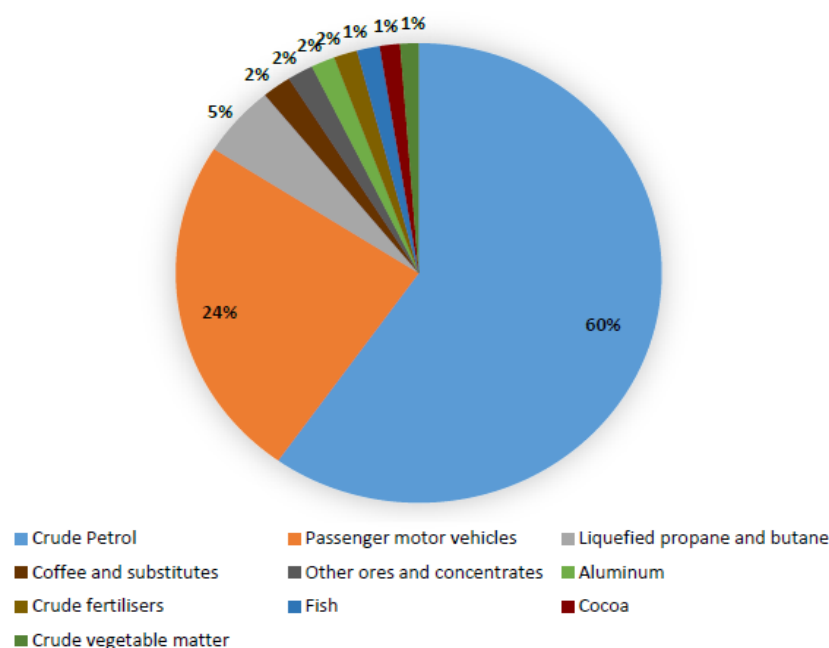
⁸ DFAT, *Submission 30*, p. 11.

⁹ DFAT, *Submission 30*, p. 15.

5. Ghana: civil engineering equipment and parts; machinery and parts.¹⁰

1.14 As shown in Figure 2, Australia's major merchandise imports from Africa, in 2016, were concentrated in crude petrol and passenger motor vehicles which accounted for 84 per cent of imports.

Figure 2: Australia's major merchandise imports from Africa 2016 (A\$000)



Source: DFAT, *Submission 30*, p. 16.

1.15 The top five goods import sources from Africa in 2016 were:

1. South Africa: passenger motor vehicles, ores and concentrates.
2. Gabon: crude petroleum.
3. Algeria: crude petroleum.
4. Republic of the Congo: crude petroleum.
5. Equatorial Guinea: Liquefied propane & butane.¹¹

Australia's trade with Africa, state-by-state

1.16 DFAT's report, *Australia's trade by state and territory 2016–17*, published in February 2018, noted that, on a state-by-state basis, Western Australia has the greatest export trade relationship with Africa, with exports valued at \$1,389 million, and imports valued at \$184 million in 2016-17. This is followed by Victoria where the relationship is almost inverted, with \$376 million in exports and \$1,369 million in imports over the same period. The trade relationship between Queensland and economies in Africa is still relatively small, with exports and imports valued at \$417 million and \$685 million respectively. This period did, however, see significant

¹⁰ DFAT, *Submission 30*, p. 10.

¹¹ DFAT, *Submission 30*, p. 10.

growth in the bilateral trade relationship between Queensland and Algeria predominantly as the result of petroleum imports. Between 2014-15 and 2016-17, the value of imports from Algeria to Queensland grew from \$0 to \$479 million, making Algeria Queensland's 17th largest source of imports. While Tasmania, as a small market, does not command the same scale of trade as other states, South Africa is an important trading partner with total trade of \$39 million in 2016-17. This makes South Africa Tasmania's 16th largest trading partner.¹²

1.17 Table 1 below shows the merchandise trade (imports and exports) with Africa by jurisdiction for the 2014-15, 2015-16 and 2016-17 financial years.

Table 1: Merchandise trade to and from Africa by state and territory

Jurisdiction	2014-15	2015-16	2016-17
Merchandise exports (\$A million)			
NSW	300	298	290
VIC	413	401	376
QLD	338	366	417
SA	439	315	276
WA	1,522	1,198	1,389
TAS	21	15	19
NT	2	1	0
ACT	0	0	0
Jurisdiction	2014-15	2015-16	2016-17
Merchandise imports (\$A million)			
NSW	650	523	531
VIC	1,516	979	1,369
QLD	608	382	685
SA	34	160	75
WA	458	231	184
TAS	29	12	35
NT	7	6	5
ACT	4	66	3

Source: Adapted from tables 13, 21, 29, 37, 45, 53, 61, 69 in DFAT, *Australia's Trade by State and Territory 2016-17*, February 2018.¹³

1.18 DFAT's report also published data about the percentage share of jurisdictional exports and imports from selected geographic regions as shown in Table 2 below.

12 DFAT, *Australia's Trade by State and Territory 2016-17*, February 2018, pp. 87, 43, 57, 56, 99

13 Note: Caution needs to be exercised in interpreting these statistics, in particular when analysing state/territory trade flows or comparing differences between states/territories. Merchandise exports are based on State of origin and imports on State of final destination (in which goods are released from Customs' control, but not necessarily where they are ultimately sold or consumed).

Table 2: Merchandise trade to and from selected geographic regions by state and territory

Jurisdiction	Africa	Americas	Asia	Europe	Oceania & Antarctica
Merchandise exports (% share)					
NSW	0.7	7.4	75.1	7.1	7.1
VIC	1.5	13.8	65.0	7.9	10.4
QLD	0.6	6.2	81.5	8.7	2.9
SA	2.4	14.1	67.3	11.6	4.5
WA	1.2	1.3	90.5	6.7	0.4
TAS	0.7	6.3	87.1	1.6	4.3
NT	0.0	3.7	93.3	1.9	0.1
ACT	0.0	0.0	3.0	97.0	0.0

Jurisdiction	Africa	Americas	Asia	Europe	Oceania & Antarctica
Merchandise imports (% share)					
NSW	0.5	14.6	58.1	23.8	2.6
VIC	1.9	14.2	56.8	22.9	4.0
QLD	1.7	16.9	62.2	15.6	3.2
SA	0.9	15.8	62.5	18.3	2.3
WA	0.5	9.8	65.1	11.9	12.2
TAS	3.9	30.1	44.1	18.7	3.2
NT	0.3	11.5	67.9	18.4	0.2
ACT	0.0	29.8	10.3	51.1	7.8

Source: Adapted from tables 13, 21, 29, 37, 45, 53, 61, 69 in DFAT, *Australia's Trade by State and Territory 2016-17*, February 2018.¹⁴

1.19 South Australia's trade relationship with Africa is relatively minor, with African countries comprising just 2.4 per cent of merchandise exports, and 0.9 per cent of merchandise imports in 2016-17. In New South Wales, African countries are 0.7 per cent of merchandise exports and 0.5 per cent of merchandise imports.¹⁵

14 Note: Caution needs to be exercised in interpreting these statistics, in particular when analysing state/territory trade flows or comparing differences between states/territories. Merchandise exports are based on State of origin and imports on State of final destination (in which goods are released from Customs' control, but not necessarily where they are ultimately sold or consumed).

15 DFAT, *Australia's Trade by State and Territory 2016-17*, February 2018.

