

Submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry Into Australia's Trade and Investment Relationships with the Countries of Africa

1. Introduction

Grame Barty and Associates (GBA) welcomes the opportunity to provide a submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into Australia's trade and investment relationships with the countries of Africa.

2. Overview

There is a lot of representation about the 'potential' of Africa but there is very little specificity or focus on the commercial practicality of entering this environment. Advocates are disappointed that little progress is being made out of the extractive industries and education. Government, industry and regional associations are calling for more engagement but have not formulated a strategy. We are at an impasse.

In considering trade and investment opportunities with the countries of Africa it is important to not only understand what the opportunities are within the Africa region but how they compare with opportunities for Australian exporters and investors in other regions.

Australian companies will rightly prioritise their focus and efforts in the area where they believe they can make the best return and they will require a greater articulation of the market opportunities in the Africa region. This will need more than the generalisation of 'Africa' as a prospective market for trade and investment simply because of its relatively high growth rates (off a very low base), size and scope for expanding economic development and prosperity.

There are many factors that lead to successful entry into new markets - anywhere in the world - and in challenging new, high risk environments like the countries of Africa these challenges need to be *even better understood and allowed for understanding and specific consideration in strategy planning.*

As such, it is imperative that any new narrative presenting Africa as a viable commercial destination must demonstrate that the opportunities presented are not only achievable in the short term but sustainable for the long term.

3. Aim of this Submission

This submission attempts to describe what and where the realistic opportunities are for Australian companies in Africa today and for the future.

4. Key Observations

The key observations made in this submission are:

- 'Africa' is a continent, not a country, and therefore cannot be described or analyzed as a single market. It is a series of discrete economies, with separate opportunities and differing likelihoods of success.
- Identifying trade and investment opportunities with the countries of Africa cannot be a substitute for any obligation Australia may have to international aid requirements or economic diplomacy – including DFAT's aid for trade' policy - across the continent. They are separate Government activities and responsibilities requiring separate actions and are not are not considered or discussed as part of this submission.
- Australia must broaden its commercial capability into Africa's countries beyond the extractive industries and education by implementing a new approach. What we have been doing to date outside of these sectors has not provided traction.
- 'Africa' is seeking to grow its traditional economy just as the world is grappling with the rapidly emerging global digital economy. African countries must find a way to create capabilities for both types of economies and this submission will identify where those new opportunities for Australian capability may exist.

This Committee will be provided with many statistics about the size and potential of Africa. It is not the intention of this submission to repeat these.

Nonetheless the statistic showing a population of around four billion by 2100 with an average age younger than 20 years is perhaps the most sobering¹. Where will these young Africans live? How will they be educated? What jobs will be there for them? How they will prosper and have a quality of life in an automated and globally digitally connected age may be one of the world's long term pressing social problems.

¹ CIA Factbook

For this reason alone — that is for to meet both aid and commercial purposes - Australia needs to find a way to contribute to a solution that delivers prosperity and quality of life for Africa's populations.

Any approach should be constructed in anticipation of where Africa will be in 20 years' time and not where it is now or has been historically.

5. Matching Opportunity with Capability

When Australian companies - especially SME's or micro companies - look at opportunities in international markets they cannot deal in generalities.

The focus for any Australia-Africa cross border and behind the border engagement must then be directly related to:

- where a genuine opportunity(s) exists,
- what can be competitively met by Australian capability and capacity, and
- where there's an 'appetite' to engage in that environment by Australian companies.

This is made harder because Australia's relatively small exporter base of around 10,000² is spoilt for choice with the traditional markets of USA, UK, New Zealand and more recently of course north east Asia - China, Japan, Korea - remain the most favoured.

A rule of thumb for a company entering any new market is that it takes three to five visits to identify opportunities and growth routes. Further, becoming established in a new market usually takes two to three years. That is there is significant time, effort and expense involved which must be focused. As it usually requires the personal attention of the business principals, any new endeavour needs to be well thought-out before commencing and diverting attention from their core business. Small companies rarely can manage more than one new export market strategy per year and the same AIBS Survey shows that 80% of exporters export to only one market. Getting more companies to export to more markets, more often, is a long-standing challenge for the Australian government and business community

Before Africa's countries even start competing for trade and investment mindshare from Australian companies these companies must:

²<https://www.austrade.gov.au/news/economic-analysis/key-publications/australias-international-business-survey-2016>

- have a willingness to export if they aren't already doing so, and/or
- be willing to expand from an existing export market into Africa, and/or
- be able to identify the market or sector within Africa that is most prospective for them.

This means in order to make trade and investment with African countries appealing, spruiking 'size and potential' simply isn't enough to warrant businesses to consider Africa - or to divert from their existing international strategies for well understood markets such as in Asia, the New Zealand, UK , GCC, India or USA.

To be fully effective Australian commercial interests should only target those areas where Australian capability provides unique, competitive and/or sustainable solutions. That means choosing locations or sectors that are the most likely to embrace our goods, services, skilling or technologies. Australian companies should not go head to head with other competing nations whose business may be subsidised, engaging in less ethical business practices 'or dumping' product.

It is also important African markets show signs of quick successes (regardless of the size of that success) - especially in new markets or sectors other than mining. Success will send a message to other interested Australian players that the market is viable (and that a full transaction cycle from tender to delivery to payment can be executed) and therefore is to be taken seriously.

Large multinational corporations in the extractive industries like BHP, Rio Tinto and Woodside also have an important role to play. If they can win significant new contracts in new markets then Australian SME's operating in their existing supply chain can benefit from those contracts in a rapid and efficient manner.

In Latin America it was demonstrated that if an Australian company could become established in one market, then the migration to new markets within a region was much simpler, faster and more cost effective than continuously trying to re-bridge entry each time from Australia.

In the case of Africa this might even include marketing opportunities directly through Australian companies that have established offices or regional headquarters in the Gulf Coast Countries (GCC) such as UAE , Kuwait or Qatar. The air logistics and time zone issues from Dubai, Abu Dhabi or Doha are far simpler to manage than from Perth, Sydney or Melbourne. GCC sovereign wealth funds are interested in African investment opportunities -

especially around food security. Therefore the concept of 'indirect' Australian access to African trade and investment opportunities via partnering arrangements with GC investors is a potentially important one.

6. Global Trends and Drivers as they Relate to Australia

Australia continues to **sharpen the focus of our trade priorities through the analysis of the global drivers** that shape international trade today, such as shifting demographics, technological innovation and the growth of new trade routes.

The impact of these global shifts refocuses Australia's future on our intellectual capital, demanding a highly educated population that is services savvy, digitised, globally connected and operating within a culture of innovation (and political stability that supports it).

Economic growth—particularly in Asia—is bringing more and more people into the middle-classes and cities, and increasing demand for higher quality goods and services. Populations all over the world are getting older. Meanwhile technology, and the digital disruption it brings, is changing life for people everywhere.

No doubt African countries seek to emulate the growth success of Asia.

Australia has the resources, skills and expertise to capitalise on these changes in the global economy. It has some of the best resource deposits and agricultural capacity in the world. Its people are highly educated and digitally connected. Its businesses are some of the most creative, and best at solving complex problems, in the world. These attributes are leading to major opportunities for Australian businesses, particularly in the areas of infrastructure, resources and energy, food and agribusiness, international health, advanced manufacturing, technology and services.

7. A Changing World Economy - Demographic Shifts

Economic growth in developing markets, particularly in Asia, is leading to **unprecedented increases in human development**. Millions of people are lifted out of poverty each year. The IMF estimates that between 2010 and 2015, emerging and developing Asia accounted for 78% of the world's growth. While growth in the developed world is likely to grow in 2015 and 2020, the IMF forecasts Asia will continue to be the major driver of growth.³ While living standards in the developed world have stagnated since the global financial crisis, the

³ International Monetary Fund, World Economic Outlook Database, April 2016

developing world is heralding the emergence of a massive new pool of consumers. **In 2009, 525 million Asians were in the middle class; by 2030 the OECD expects it to be 3.2 billion.**⁴

Closely linked to this economic development, the world is witnessing **unprecedented urbanisation and aging**. In 2005 just under half the world's population was urban. In 2015 it was 54%, by 2025 it will be 58%. That is 1.5bn extra people living in cities compared to two decades earlier.⁵ As people are becoming richer and more urban, they are having fewer children and living longer—so the world is getting older. Between 2015 and 2030, the number of people over 65 will increase by over two thirds (to just under one billion). While developed countries are aging first (by 2030, 24% of G7 residents will be over 65, up from 19% in 2015), China's aging will have a dramatic impact. In 2030 one in six people will be Chinese, but China will be home to almost one in four over-65s (around 17% of its population).⁶

Technological Advancement

At the same time as this historic improvement in human development, another structural shift is happening in the world economy—technological advancement. Technological advancement, and the disruptions it brings, is not new. For example, improvements in ICT in the 1980s enabled the emergence of global value chains. This was one of the biggest shifts in the world economy in recent decades and a major contributor to economic growth in developing markets.

The rate at which technology is improving, and the disruptions that come with it, has increased. **Smartphones, and highly networked populations, have enabled digital platforms that are disrupting traditional industries.** Facebook and WeChat have already transformed the way global populations communicate and, with investments in augmented reality, are looking to do the same with the way we experience the world.

Uber and Airbnb are creating shared economies which enable people to use personal assets for profit, disrupting the taxi and hotel industries.

Additive manufacturing, or 3D printing, and advanced composite materials have led **to radical transformations in manufacturing processes. 3D printing** enables more complex structures, lowers the cost of building prototypes (which speeds up product development)

⁴ http://www.oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html

⁵ UN, Department of Economic and Social Affairs, (2014). World Urbanization Prospects: The 2014 Revision

⁶ UN, Department of Economic and Social Affairs, (2014). World Urbanization Prospects: The 2014 Revision

and allows for customisation that was previously uneconomical or technically impossible.

The Internet of Things (IoT) networks objects—not just computers and smartphones, but anything from cars to conveyor belts. When coupled with advanced sensors, this connectivity allows a far more sophisticated degree of monitoring, recording and control, increasing productivity for existing processes and leading to entirely new applications.

Unprecedented digital engagement, as well as the emergence of IoT, has led to massive data sets. Using sophisticated analysis, 'big data' can produce valuable insights by enabling more informed management decisions, accurately identifying target consumers or identifying process improvements. Building on this computing power and big data, artificial intelligence (or machine learning) has moved from fantasy into reality. Machines are no longer limited to relying on applying complex rules to complete tasks. They can now analyse data sets, interpret and learn from them, and make decisions. These changes are so profound they have ushered in a new era of production: **the fourth industrial revolution or Industry 4.0.**

It is important to note that this technological growth is not simply an increment of the last 40 years of information innovation but actually is the beginning of the next significant phase of disruption and provides the basis for a truly global digitally driven economy and the countries of Africa will be equally impacted..

What this means for Australian priorities and objectives

The impact of these global shifts refocuses Australia's future on our **intellectual capital**, demanding a **highly educated population that is services savvy, digitised, globally connected and operating within a culture of innovation.** Focusing our efforts to match international demand - and the projected areas of major international growth - with Australian capabilities, capacity and comparative advantage is key to long-term, sustainable success.

8. About Africa - The Impact of Global Trends and Drivers

When looking at any continent or region comprising multiple markets it is simply not possible to derive a 'one fits all' strategy. Some points about Africa:

- Africa is a continent not a country. When we talk about a trade and investment strategy we should refer to significant, individual countries - such Morocco, Ethiopia, South Africa, Kenya, Nigeria, Ghana, or at least regions - North Africa, East Africa, West Africa, North 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.

- Like Australia, Africa has a colonial history - in many cases that history impacts how that particular market operates and whether it is easier or harder for Australian companies to engage. Africans are aware of their colonial history and not all of that is positive.⁷ We should understand how this affects each country and how they are choosing to move forward. Former British colonies will be more likely to have language, systems and laws in place that are more transparent than others for Australian companies when compared to countries colonised by the French, Germans, Portuguese or Belgians. So an Australian strategy should start where the barriers to market entry are mitigated - such as by choosing ex-British colonies as an area of early market of focus.
- Africa has been and remains a difficult environment in which to operate. We cannot ignore this or pretend it does not exist. As a generalisation many countries within Africa lack sufficient skilled, local blue collar and white collar talent, efficient infrastructure (power, transport, logistics, and urban utilities in particular), enforceable rule of law and are often beset by opaque business practices, bribery, corruption, facilitation payments⁸ and lack of adherence to contractual agreements. Parts of Africa are also experiencing increasingly high levels of terrorist and criminal activities including theft of natural resources⁹, kidnapping and home invasions.

“ Since his election two years ago, President John Magufuli, nicknamed “the Bulldozer” for his forceful leadership style, has taken a series of actions he says is aimed at redistributing mining revenue to Tanzanians. The moves range from compelling miners to list their stakes in local stock exchanges and demanding higher taxes and royalties to threatening to tear up entire extraction contracts.

“I will not hesitate to close down all the mines if companies don’t pay what they owe us,” Mr Magufuli told a cheering crowd in Tanzania’s north western mining region last week. “I have launched an economic war.”¹⁰ The Australian 4 August 2017

Not all of these aspects are unique to Africa but when presenting opportunities to Australian business any risks associated with those opportunities must be made clear in order that mitigation or adaptation plans can be developed. Even the Australian African Minerals and Energy Group have advised its members of the D-Risk Security

⁷ <https://www.scribd.com/doc/26009399/The-Positive-and-Negative-Impact-of-Colonization-in-Africa>

⁸ https://www.transparency.org/news/feature/corruption_in_africa_75_million_people_pay_bribes

⁹ <https://www.oecd.org/corruption/Terrorism-corruption-criminal-exploitation-natural-resources-2016.pdf>

¹⁰ <http://www.theaustralian.com.au/business/wall-street-journal/barrick-gold-faces-240bn-bill-as-tanzanias-laws-rattle-miners/news-story/1f77ca1fdad2125b065bbc03a36fa997>

intelligence service which provides live security alerts to smartphones and computers as they occur in West Africa. Alerts are located on an interactive map and are classed as either terrorist attacks, civil unrest, kidnappings or armed robbery.¹¹ Australian energy and resources companies weigh up and manage these sorts of risks all the time so in of itself it is not a showstopper. It is just a matter of understanding how much appetite other sectors of Australian industry have to enter these challenging environments.

9. Global Trends and Drivers Favouring Africa

Africa **does have significant trends and drivers** that will provide it with the potential for a long term competitive advantage ; that is within the next 30 years. These include:

- The African continent delivers one of the world's top three mobile phone - and increasingly smart phone - connected regional populations and will reach 725 million unique subscribers by 2020.¹² This places the region up there behind China and India, and soon will have all of its continental and maritime space covered by low earth orbiting satellite solutions being offered by Space X, Google, Facebook, One WEb and Space X. The entire African population - regardless of location, nationality ,tribe, age or gender - will shortly be able to access mobile and smart phone delivered services. This means that high volume, mass market, low cost cloud based universal new service delivery will be possible.
- As of June, there were 173 tech hubs and incubators in Africa, according to the World Bank. Venture capital funding in African tech startups increased by a factor of 10, from \$41 million in 2012 to \$414 million in 2014, and is expected to rise to more than \$600 million by 2018.¹³ The interesting global trend and opportunity for Australian innovation capability is to link our relevant innovation ecosystems sector by sector. Through this African developers would get access to Australian capital and skill and Australian innovators and capital would get access to a massive new market. This hasn't escaped the notice of major US technology players like Facebook.

“Incubators and accelerators have sprung up across the continent, centered in urban hubs like Lagos and Accra, the capital of Ghana. Although huge barriers still exist—from creaking infrastructure to the comparatively undeveloped investment culture—technology has huge potential to transform the continent. “There’s this energy here. You feel it as soon as you get off the plane,” Zuckerberg told

¹¹ <http://mailchi.mp/3e9668b9dd11/news-flash-australias-trade-investment-relationships-with-africa-1282641?e=e63e84926a>

¹² <https://www.gsmainelligence.com/research/?file=3bc21ea879a5b217b64d62fa24c55bdf&download>

¹³ <http://pubdocs.worldbank.org/en/765531472059967675/AFC42460-081716.pdf>

developers in Lagos. “[It’s] not only remaking Lagos and Nigeria but shaping the whole continent and influencing how things are going to work around the world for the next generation.

I think that’s a story that is underappreciated in a lot of parts of the world.”¹⁴

Mark Zuckerberg CEO Facebook

- Parts of Africa already have an ecommerce payment system M Pesa that is operating effectively. China's Ant Financial is now entering the market and will offer both mobile based e-commerce services - such as online shopping – and also micro finance and insurance products and it could be expected that this would achieve Africa wide acceptance.¹⁵ This would disrupt existing ‘traditional’ banking and financial services to the populations of African countries and provide the opportunity for significant new business stimulus to micro companies – especially those created by women(a key focus of the African Development Bank¹⁶). In the next decade across African countries could leapfrog existing global banking and financial institutions procedures and establish a cashless economy with a digital currency and secure distributed ledger technology (aka blockchain) can be introduced for immutable, trusted contracts, mortgages and or property settlement style arrangements.
- India will surpass China in terms of total population by 2030 and Africa will surpass India by 2050. By 2100 Africa will comprise 4 billion people whose average age will be less than 20 years of age. This dramatic figure means :
 - Africa’s countries are among the world’s few that will experience an increasingly younger rather than aging population.
 - The world's human talent pool in the second half of this century will come from Africa. However just as massive employment programs are required the information age and artificial intelligence is taking ‘traditional’ jobs away. It’s not just new jobs for old industries but new jobs for new industries that will also be required.
 - How can this huge, young population be encouraged to remain within its borders or the continent if employment can’t be found and social unrest increases?

¹⁴ <http://www.newsweek.com/2016/12/09/nigeria-startups-yaba-lagos-mark-zuckerberg-525824.html>

¹⁵ <http://tekeia.com/64963/alibaba-will-soon-open-in-nigeria-and-africa-to-compete-with-jumia-and-konga/>

¹⁶ <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-women-in-business-initiative/>

- Many African countries have a well-earned reputation for creating distinguished scholars and academics both in Africa and internationally. This intellectual capital source can be an engine for significant growth and participation in the global economy. How can it be best tapped for Africa's gain?
- The next generation of Africans will be connected, global online users and they will think of Africa and themselves as part of a global community and market. We need to recognise this and treat them as such.

10. Where Are the Opportunities?

For many countries in Africa a small window opened over the last 20 years with the China driven resources boom to establish new political and governance practices, infrastructure, skills and sustainable capability. That window of transformation opportunity based mostly on extractive industries has narrowed.

Partly this was because inwards Chinese investment in resource exploration and production did not prioritise the development and sustainment of indigenous capability. This was due in part to the lack of indigenous bureaucratic skills, policy or ethical frameworks and processes to manage the delivery of large scale projects and partly because of short term greed by individuals or groups.

In the next economic cycle the Australian Government should develop a strategy that facilitates the transfer of skills, policy and capability with a clear goal of building sustainable country by country economies intended for the long term benefit of the entire community and not just the elites.

11. Two Economies - The Traditional Economy and the Global Digital Economy

What is true - and the purpose of this inquiry - is that significant opportunities do indeed exist in Africa, but it is not what or where Australian companies may have tried before, and they may not be present in a time frame we prefer.

As in other global regions, African countries must now consider that there are two market economies that are operating in the world today.

The first is the 'traditional' market economy which is normally associated with resources, energy, water, and food security associated with increasing discretionary spend on consumer goods and services similar to that being experienced in Asia (for example: on leisure activities, fashion, premium food and wine). An exporter would approach this

traditional market economy opportunity by employing a standard analysis of business models, tariffs and behind the border barriers which would be clearly understood and actioned.

In the context of a traditional economy market opportunity then *'Africa's is itself its own best market'*.

That is, it doesn't need to market its products internationally when it has the world's largest population on its very doorstep. Like an EU or TPP arrangement, NAFTA or the Pacific Alliance in Latin America trading *within* a region and not just *external* to it is the key to sustainable market growth - and over the longer term market share - for indigenous and locally operated African companies.

This means that the previously described strategy of an Australian commercial entity concentrating on establishing a bridgehead into a single market and then migrating to other African markets is one that has great potential and the most likely appeal - especially to retailers or banking and financial services, or health care providers.

The Australian Government in terms of economic diplomacy should help find ways in which African countries can develop the capability to trade and invest within their own region - perhaps an 'African Union' style economic community - as a priority.

Resources and Energy Companies

Africa is a resource rich continent. We already know that our explorers, junior miners, METS and large resources companies have identified opportunities across Africa and have successfully operated in many of those markets. It is understood major oil and gas industry operators are also closely monitoring for significant opportunities.

Future efforts will largely be driven by commodities prices and the cost and risk associated with large scale, long term investment projects. All of these efforts should continue to be supported by Australian Government agencies and industry associations. It is an area of expertise in which Australian capability excels and represents high value investments for African countries and should continue to be promoted through events like Africa Down Under and Mining Indaba in Capetown.

Agriculture

Australia has had aid, research and economic diplomacy success in terms of sharing mining governance and legislation, agricultural production and sustainable water management

across Africa but there has been relatively little commercial success? The Africa region and Australia share commonalities of the challenges of a water and soil stressed environment. Australia offers expertise in food production adapted to this environment and there is an opportunity to unpack why this has not yet led to significant commercial in-roads for Australian businesses.

Securing a foothold in the Information Age

The second market for the African opportunity is the 'global digital economy'. The Africa nations are well positioned for a 'technology leapfrog'. That is, skip the infrastructure and investments of previous iterations of technology and go directly to the information age.

This is a new economy capability based around the rise of the information age and its associated technologies. Artificial intelligence, augmented reality, cyber security, robotics, machine learning, big data, fintech, medtech, agritech and edutech are all examples of internet based solutions capable of being developed in the cloud and delivered via smart phones.

Using internet accessed mobile devices across Africa to universally deliver the next level of products and services to a savvy population, capable of both adopting and adapting these capabilities, is the real opportunity for engagement by Australian companies to trade and invest in the continent.

Some things that can make this change possible:

- Online learning to deliver the skills and accreditation to the individual that needs it from anywhere in the world to anywhere in Africa via a smartphone or tablet or training centre. Australia has the best vocational training system in the world. Africa will have the world's largest unskilled population. We know that new jobs will need to be created in new industries which creates additional strains for Africa's economies. Australia's training system is highly capable of supporting Africa's countries define this requirement/opportunity and deliver on it.
- Secure identity recognition will enable the provision of new types of financial services. Microfinance and the ability to establish and thrive in the emerging global cashless economy is being driven by the Chinese and cross border e-commerce companies like Alibaba and Ant Financial.
- Secure identity recognition - especially artificial intelligence based facial recognition - combined with smart phone applications will enable to creation and delivery of very low cost health solutions to billions of Africans in very quick time - likely before 2030.

This is an area where African digital solutions could be 'exported' to international markets and Africa could establish itself as a global leader in low cost remote health care and wellbeing.

- Deployment of solar based micro smart grids to speed up the electrification of Africa and even the introduction of wind, wave or biomass solutions combined with a gas transition strategy to renewables could see Africa power up sooner rather than later.
- Deployment of agricultural technology solutions in soil management, water management, seeding and weeding are critical to feeding its populations. In remote areas and in the new, large urban environments logistics and cold chain supply infrastructure will also be required.
- Establishment of effective long-haul shared infrastructure for pit to port logistics and the creation of five or six new major air and rail hubs across Africa logistics.
- Establishment of effective transport, power and water utility infrastructure for smart cities to manage the very large growth of new urban cities like Lagos and Nairobi.
- Defence and police security capability to support protect citizens in an increasingly dangerous environment.

This means that any opportunity or strategy to enter the African market will need to be very focused and more than likely weighed around a risk versus reward strategy.

Long term success will require an approach about what is coming for Africa and not what has been.

12. What is the Role for Australian Government to Identify Opportunities and Assist Australian Companies to Access Existing and New Markets?

In assessing any opportunity in any world region there are certain irrefutable characteristics that shape and determine outcomes for any economic development and international engagement strategy. These fundamentals include:

- The strategic value - or otherwise - of the country's location, topography and geophysics will have a major role in shaping its potential - for example the North Africa desert has completely different characteristics to Sub Saharan Africa.
- Strategic value (or limitation) of its demography – location (urban or rural), size, age and purchasing power of its population

- The education and health levels of a society
- The impacts of historical events on society and how it affects an ability to respond to change, or to govern
- Is there a social will for change?
- Is there a political will and mandate for change and how it's this reflected in its governance and policies - comparing recent developments in Rwanda with the long standing approach in Zimbabwe is a good example of this.

Before any Australian government can identify opportunities and assist Australian companies to access new African markets it must understand these important elements for change - and sustained growth.

To support Australian companies Australian Government and its agencies should apply the following:

- A **realistic** assessment of where those opportunities are - by market and by sector and who they are best suited for as relating to Australian capability and capacity to meet the opportunity and how it then proposes to :
 - Educate the African markets about Australian capability through seminars, events and business missions, and
 - Educate Australian capability about the African market opportunity by country or subregion through events like Africa Down Under and study tours.
- Government does not pick winners but it can focus on sectors where Australian capability excels - for example in global digital economy applications around low cost health care, agricultural production, shared long haul transport infrastructure, smart cities or in the defence and security of its citizens.
- Government can continue to support engagements with major forums and events in Africa and in Australia that showcase these new opportunities.
- Deliver more economic diplomacy solutions using the Austrade PRETSS framework (which posits that commercial success more easily follows successful adoption of

Australian Governance, policy, regulation and or research) - especially in relation to mining regulations, cyber security, finance RegTech and digital healthcare.

- Focus on a few countries than have the social and political will to move forward in a sophisticated, transparent manner and are willing to follow the rule of the law to protect trading and investment rights. Spruiking an 'African opportunity' message that all countries are equal is unrepresentative of where real success is likely to be. Companies cannot be expected to respond or prioritise to generalisations.
- The Australian Government should not suggest that a commercial engagement strategy with Africa is a substitute for any goal it wishes to achieve in terms of international aid or economic diplomacy. Aid and trade are separate ambitions and commercial entities themselves will treat them as such if only because 'aid' programmes delivered by Australian entities rarely deliver sustainable commercial outcomes for the businesses involved.
- It is important for Government (and industry) to understand that some markets and some sectors are likely to be more successful, sooner and this is where effort should be focused in the first instance. The sectors of likely interest are considered to be:
 - Continued investment in mining, oil and gas exploration and production, equipment, services and technology;
 - Development of a sophisticated cloud based online learning capability using Australia's VET framework and experience to help skill Africa's next generation workforce;
 - Global digital economy solutions around cashless economy, financial services and low cost health care;
 - Smart cities solutions for very large urban environments - especially around electrification using micro solar grids, other renewable energy capabilities and water sustainability for human critical needs;
 - Agritech solutions for improved agricultural yield performance for sustaining its population;
 - Shared infrastructure for long haul transportation and logistic hubs solutions; and

- Offer Trade policy and governance solutions to support intra Africa requirements.

13. What is the Role for Australian based companies in sustainable development outcomes?

There are many international companies competing to establish themselves in the African markets.

It will be important that as Australia seeks to do more it continues to build its long term reputation and brand of being ethical, professional and inclusive of local communities enjoying a shared outcome of success. Africans are weary of 200+ years of 'one way benefit 'imperialism' and this has not and cannot be our future approach.

The long term solution is for Australian companies to:

- Act global but think local;
- Skills and capability must be transferred to indigenous labour;
- Jobs must be created in both the traditional economy and in the digital economy especially in the growth sectors of:
 - Mining and agriculture
 - Training and skilling
 - Tourism, hospitality, retail, healthcare, logistics infrastructure, building and construction, ecommerce logistics
 - Low cost health care
 - New banking and financial solutions
 - Cyber security
 - Defence and civil security

The paradox here cannot be missed. Just as the African economy needs significantly more low skill jobs for an increasingly young workforce the global economy is replacing most of those low skill functions with automation. That is these jobs simply won't exist anymore. And if they do then African companies will be uncompetitive in the industries in which they are operating.

Given the small size of Australia's exporting and investing community a better strategy is to look to those countries in Africa that are willing and able to put in place the policies, tools and regulations to move forward and we should then do so in those industry areas or emerging sectors where Australian capability has a clear and compelling competitive advantage.

14. Conclusions

The relatively small number of Australian companies that do export are spoilt for trade and investment opportunities within our Asian region and in sectors associated with the global digital economy.

Based on the extractive industries experience there is a lot of public advocacy about the significant potential for trade and investment opportunities for Australian companies with African countries.

But being hopeful and enthusiastic is not enough for Australian companies outside of extractive industries to consider countries or sectors in Africa as real and sustainable opportunities.

Africa as a continent needs to be unbundled into its component parts and opportunities that match Australian capability, capacity and appetite need to be properly studied before being positioned and marketed.

It is important for new industries, other than those in the extractive or education sectors, that a full transaction cycle can be seen to be completed so that the elements of high risk that we know exist can at least be mitigated.

It is better to be in fewer markets, doing fewer things but being more successful than the reverse - and this should be the supporting Government and industry strategy.

There is an opportunity for Australia to help Africa 'look forward' to address its problems of a huge, culturally and linguistically diverse, youthful population, experiencing increased urbanisation and with offset issues around energy, water and food security and the emerging global digital economy requirements so that it can participate and not be left behind.

Finding a way to link our innovation systems for both research collaboration as well as commercialisation of innovation provides Africa entrepreneurs access to the global economy and Australian investors and technologists access to a mass, high growth market - especially in the areas highlighted in this submission.

Demonstrating that the Australian Government, supported regional associations and industry, understands the prosperity requirements for African countries in managing simultaneously the traditional economy and the evolving participation in the global digital economy. A plan to help Africans move towards sustainable prosperity would be a significant differentiator for our foreign policy as well as represent the true value of Australian industries and commercial interests engaging with the countries of Africa.

Sustained extractive industries participation, online skilling, micro banking and finance solutions for a cashless economy, low cost cloud based health care delivery, smart city infrastructure including microgrids, long haul freight transportation and agricultural yield performance are all areas where Australia excels and can make a difference to the trade and investment opportunities with the countries of Africa.

In closing Africa has been and remains a complex, opaque, high risk environment and will not be for the faint hearted. The Australian Government, its agencies and industry associations need to demonstrate why it offers better opportunities than other close at hand, more easily engaged markets.

Australian trade and investment engagement in Africa does have a future - in traditional markets but perhaps more importantly in future global digital markets. Australian characteristics and our intellectual capital and experience complement this future environment. However, we must be selective about those sectors and countries with which we wish choose to engage.

One size does not fit all and Africa is not one country. So more than one capability, delivered in more than one way, in more than one market, or one technology must be the consideration.

End of Submission

Annex A: About the Author

Annex B : Supporting Images

Annex A: About the Author

Grame Barty has been an entrepreneur, and long time exporter of a software technology product. The software he invented and his company developed, exported to the markets of China, India, USA, Canada, Malaysia, Mexico and France, Germany and Norway.

Among other achievements his company HarvestRoad Limited lays claim to having been the first Australian company to have developed a mandarin language version of a software product for the then web portal Beijing.com in the year 2000 and was an early Australian player in the nascent Indian technology market.

In 2008-2012 he was the Regional Director, Americas for Austrade and his team supported the export aspirations and initiatives of more than 500 Australian small to medium enterprises (SME's) into the Americas.

In 2013-2015 Grame Barty was the General Manager of Austrade's Growth and Emerging Markets - which included responsibility for the trade and investment strategies and operational plans for the countries of Africa. During that period he also served on the DFAT Africa Australia Advisory Group established by Foreign Minister Bishop as an ex officio member providing Austrade's trade and investment input.

More recently as Executive Director International Operations (a Deputy Secretary equivalent) he was the head of Austrade's international network and was responsible for developing trade and investment plans globally.

Grame Barty has more recently re-established a consultancy group delivering thought leadership and solutions for global business positioning, regional trade and investment strategies and innovation and commercialisation.

He is one of Australia's most experienced senior Government and Corporate executives - especially in relation to the information, communications and technology sector. He has specialised in understanding global trends and drivers and how they impact market entry options and strategies for businesses seeking to grow internationally. He draws on his wide experience of diverse international markets to better understand what motivates societies and governments to develop or adapt their economies to achieve greater prosperity for their citizens.

He is the designer of the Austrade PRETSS Framework which posits that for frontier or emerging countries **'economic prosperity' comes from growth in GDP per capita and an improved quality of life which can most rapidly be achieved via trusted institutions.** In order for Australian businesses to gain a comparative advantage in the export of goods and

services the pre-positioning of Australia's leadership in terms of best practice in Government is required. If the Australian Government and Australian industry association policies, governance, regulations or standards are adopted in the first instance (examples would include Victorian road safety policies for India and Western Australian mining regulations in Africa) then the opportunity for Australian businesses to export equipment, technology, skills or services will follow more easily.

Annex B : Supporting Images



Figure 1: Australian sustainable food production using non finite resources - solar and salt water desalination



Figure 2: Pilbara long haul freight rail - world's best practice

And what is happening in Africa is important for the entire world: Currently there are 1 billion people living in Africa, by the end of the century there will be 4 billion ([UN medium fertility projection](#)).

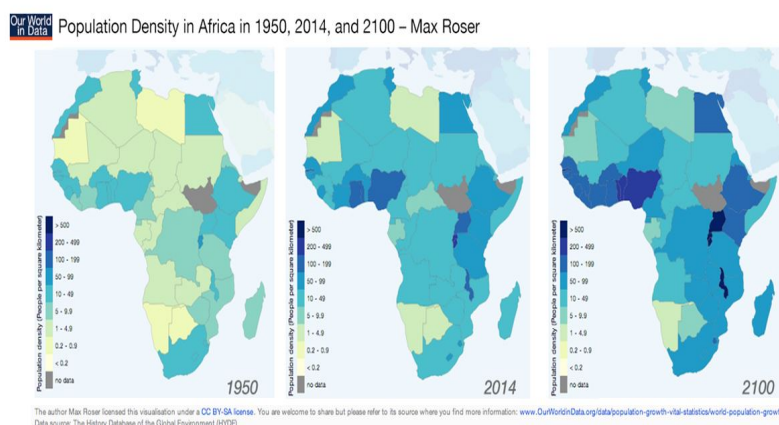


Figure 3: 4 billion people - where they will be

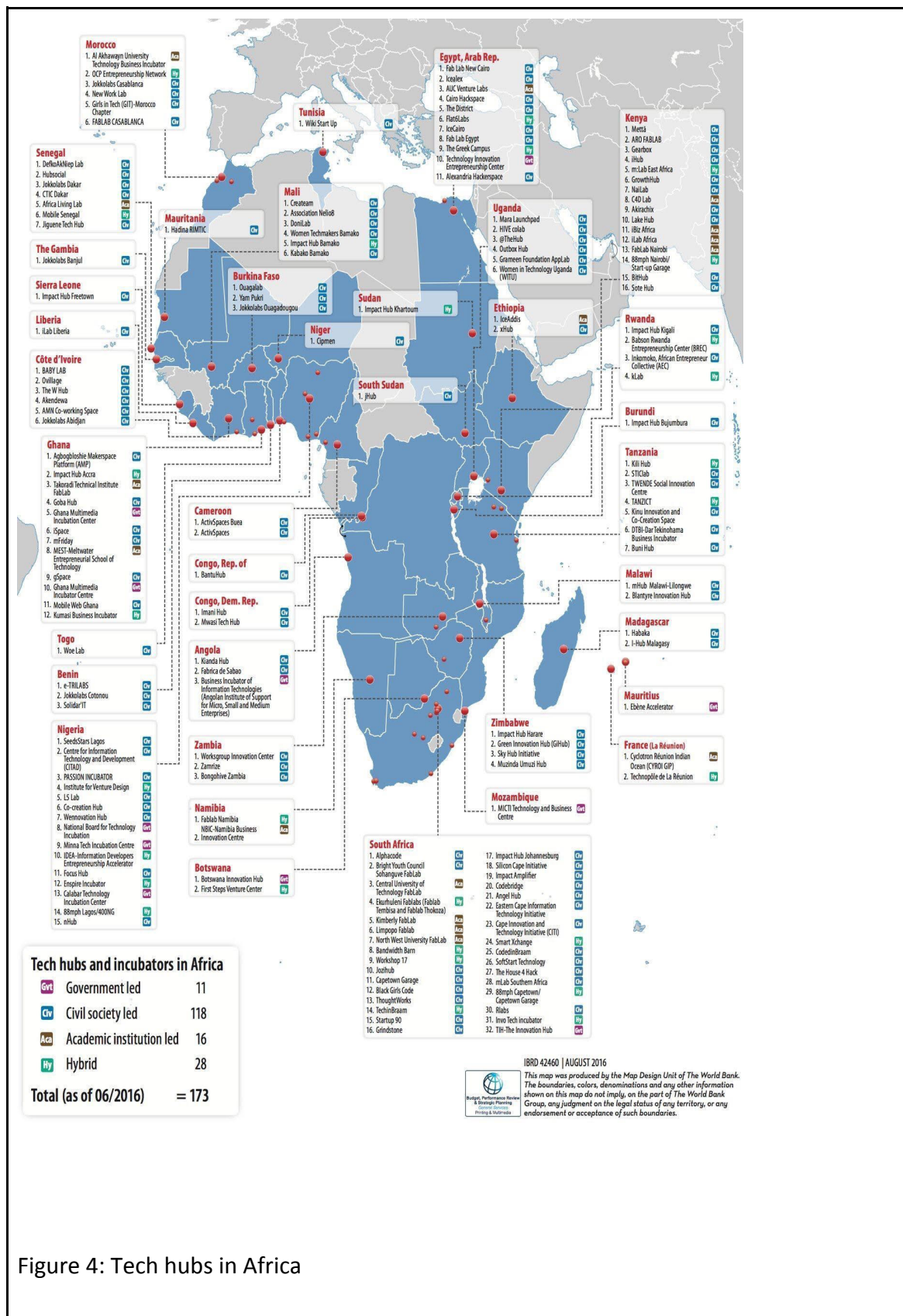


Figure 4: Tech hubs in Africa

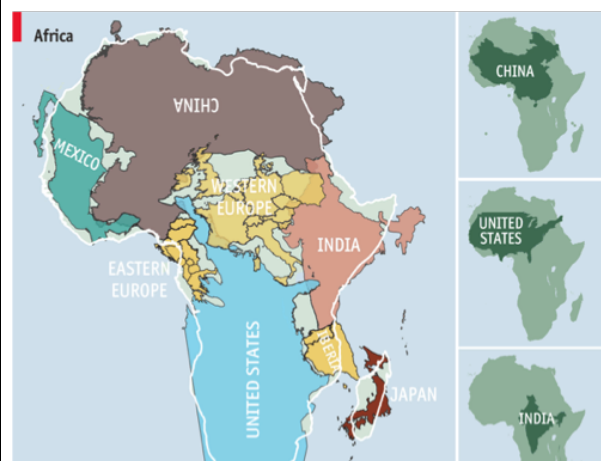
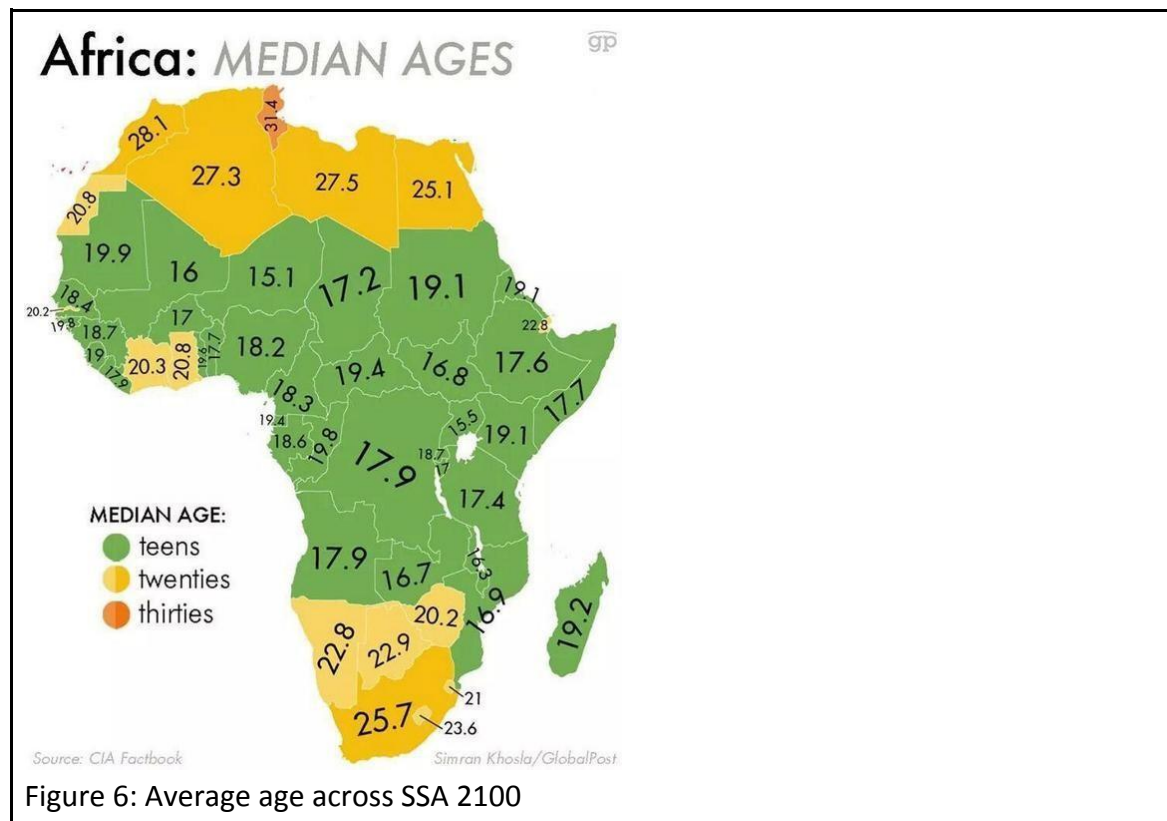


Figure 7: Africa is huge!



Figure 8: Participation by DFAT and Austrade at ADU in Perth

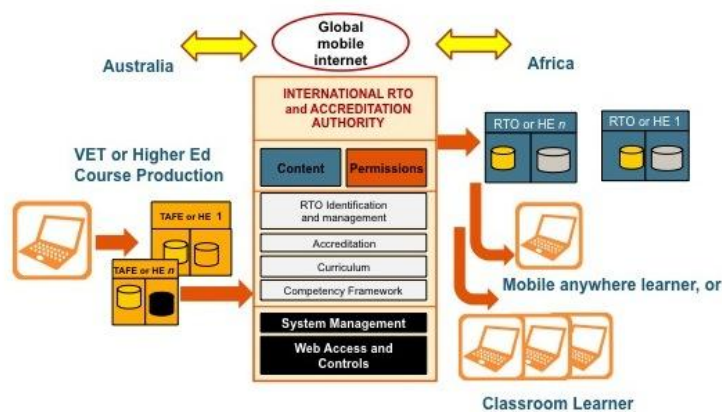


Figure 9: What an online learning delivery framework for African skilling could look like
- Copyright of Game Barty and Associates

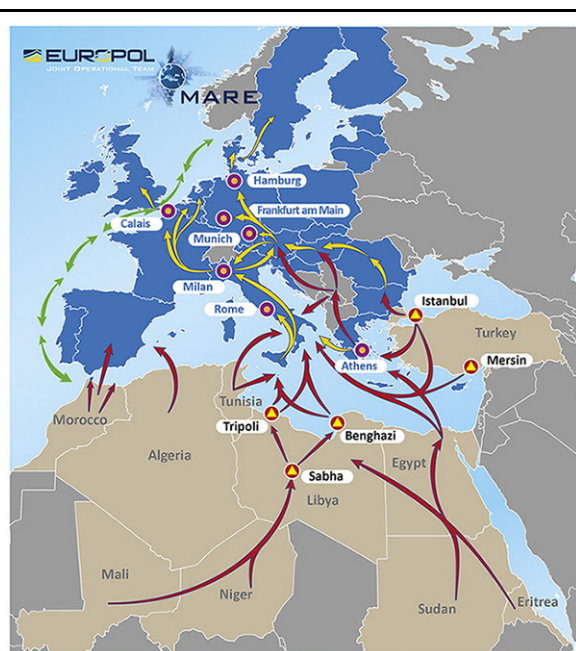


Figure 10: Human traffic flows from Africa to Europe

Michael Weidokai

Executive Director, ISA (International Strategic Analysis)