Briefing: The 7th Forum on China-Africa Cooperation (FOCAC)

The 7th Forum on China-Africa Cooperation (FOCAC) was held in Beijing from September 3 to 4, 2018. Since 2000, the FOCAC has been held every three years. It serves as the official summit between the Chinese president and African heads of state, and results in major policy and financing announcements.

UK – Africa interests: a new narrative

This year's forum takes place against a backdrop of the British Prime Minister making her first visit to the African continent, and the first visit from a British Prime Minster for 5 years. With the UK set to leave the European Union next March, Prime Minister May's visit has been framed as a trade mission.

The British Government has adopted a new narrative, which sees the UK move from being an aid donor, to a country which will work through private sector-led engagement with African governments and investors to increase prosperity across the region, in both Africa and the UK's best interests.

The government's plan to engage Africa

The Prime Minister has set a new ambition for the UK to be the largest G7 foreign direct investor in Africa by 2020. The government has announced plans to invest £3.5 billion in Africa and to mobilise a further £4 billion of private investment from the City of London. It is hoped that whilst building up essential infrastructure and services in Africa that a bigger, broader economic partnership between Africa and the UK will be created; bringing benefit to UK businesses and investors.

There is potential for this partnership. The City of London currently manages over £8 trillion of assets but only around 1% of those assets are invested in Africa. The Government's plan hopes to mobilise further capital from pension funds, insurance companies and other investors, transforming the African continent into a potential key trading partner of the future for the UK.

UK – Africa investment: can the UK learn from China's mistakes?

The UK is not the first country to announce ambitions to transform the African continent into a developed trading partner and potential ally. In press releases, the UK Government appears aware of the criticism China faced when it announced that Africa would play a key role in the country's Belt and Road Initiative (BRI). China's BRI initiative is the main talking point of this year's FOCAC, as delegates meet to discuss and trouble-shoot issues in China's infrastructure investment agenda.

The China-Africa relationship revolves around infrastructure spending through the BRI. PM May has already stated that the UK is not in the position to compete with China regarding the volume of Africa-bound FDI. Instead, the UK pitch focuses on the quality of potential UK-Africa partnerships in the private sector and the range of sectors in which the UK can offer assistance.

There is a lot that the UK Government can take away from China's engagement with Africa through the BRI, and the first major criticism PM May will be keen to avoid is whether UK investment in Africa is actually of use.

Chinese loans are not currently a major contributor to debt distress in Africa, yet many countries have borrowed heavily from Africa. This borrowing has led to criticisms that China acts in a neo-colonialist way towards the African continent. Nevertheless, the level of China/Africa debt is likely to rise at FOCAC as new pledges are made.

Defending infrastructure investment in Africa

China's Minister of Commerce, Qian Keming has addressed these concerns, stating that the BRI is not an attempt to 'create a China club' and that the Chinese government's next step will be to 'have a conversation with African countries how to promote a sustainable model for debt.'

However, China's activities in Africa, and along the BRI in general, have been interpreted by some analysts as an effort to buy allies and increase the economic reach of China whilst shifting the current geo-political world order in China's favour.

Statements similar to those made by Mr. Keming seem to do little to remove suspicion. Discussions surrounding 'capacity building' in Africa, and improving 'peace and security' are often interpreted as moves to insure that China's investments in Africa realise a return, with resources making their way back to Beijing along the Belt & Road.

What opportunities might there be for UK business in Africa?

The government's plans highlight the role of capital from pension funds, insurance companies and financial services. However, are also opportunities within the manufacturing and energy sectors.

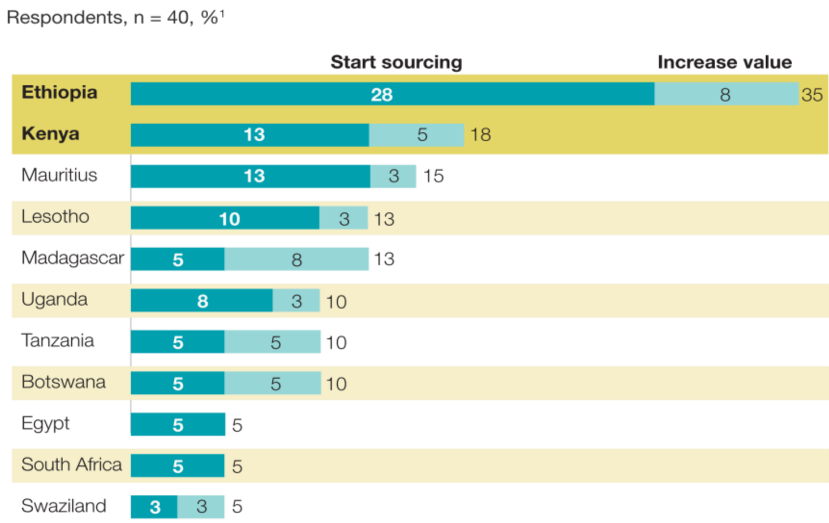
Keeping in mind the UK Government's plans to energise capital from pension funds, CBI Member **Prudential** serves as a good case study for examining the role UK pension funds could play on the African continent.

Prudential has operations in five African countries, Ghana, Uganda, Zambia and Nigeria (arranged by launch date, 2014-2017). The company has created around 2,300 jobs and now has 75,000 customers. On top of this, Prudential has also partnered with 5 African banks to oversee the development of better regulation in the banking industry. This, in addition to its educational programme, sets the company up to bring about positive change across Africa, and the type of regulation-enhancing, economy-boosting engagement the government hopes will transform Africa into a suitable trading partner for the UK post-Brexit.

UK businesses in the manufacturing and energy sectors have also already expressed support for increased investment in infrastructure across the African continent, by shifting some production to Ethiopia, Kenya and South Africa (**Tesco**, H&M, Gap, Primark).

According to a study conducted by McKinsey, Ethiopia and Kenya are of great interest to global buyers. In a study conducted by the firm, 70% of respondents replied that they had **plans to either start or increase sourcing from Ethiopia by 2020**, and 32.5% from Kenya.

CBI Member, **Tesco** is one such company, and is now buying clothing from Ethiopian manufacturing plants, and has been doing so since 2014. The primary reason Tesco moved sourcing to Ethiopia was to diversify its supply chain to avoid relying on East-Asia. Tesco's Ethical Trading Director, John Bolton has taken regular meetings with Ethiopia's Ministers of Industry and Labour to ensure that added investment in manufacturing infrastructure leads to regulated development.



Other areas where UK business has already secured in-roads is in the energy sector. Supplier of generator equipment and CBI Member, **Aggreko** has brought online new powerplants to provide reliable power in Cameroon, Mozambique and Namibia. Independent of the UK Government's plans to expand UK private services in Africa, Aggreko's activity on the continent highlights the potential for UK plc in Africa and quid-pro-quo arrangement between the British and African governments.

The African manufacturing sector lags behind operations in East Asia because of concerns related to a lack of reliable energy. UK Governmental support and incentives could encourage UK plc to forego the risks associated with moving production and supply to Africa, especially if there were plans to associate different industry members and promote mutual growth and secure investment across the board.

Key take-aways and conclusions

- China's BRI in Africa is slowing down, opening opportunities for other governments to present the case to Africa that they can offer sensible and considered future investment for the good of the continent
- Africa is now a partner of UK government-led commercial activity and the focus has moved away from aid
- Investment by UK business is already growing on the continent and enormous potential to do more, especially if the government can structure cross-sector investment to minimise risk
- City of London currently only invests 1% of assets managed into Africa
- CBI Members (not all British) are well represented in Africa