

Session title:

AFRICA'S INVESTMENT REVIVAL

Problem:

Russia has recently joined other BRIC and developed economies in enhancing its investments and trade activities in Africa. The continent is not only an interesting hinterland for emerging market goods and services, but could serve as an important springboard for those firms with global aspirations in the provision of energy, other commodities and manufacturing.

Highlights

Select assertions and opinions:

- Africa is one of the most attractive investment regions in the world.
- There are two main strategies of investing in Africa that BRIC countries are currently following: Russia and Brazil are interested in expanding sales in energy and other services, while China and India are mostly focused on accessing the natural resources. Both approaches complement each other: while the one stimulates investments in infrastructure, the other creates market relationships and fosters competition.
- In terms of commercial legal environment, Africa is very diversified, and continued improvement of the legal environment will lead to enhanced investment.
- Political stability is one of the most important factors concerning the international business and investment community.
- Russian many businesses successfully operating in African market, for example Gazprom, Alrosa and Renova.

Quotes:

Russian government considers Africa as attractive destination for business. (Boris Ivanov)

Russia has a high professional reputation which opens any doors in any country. (Sergei Oulin)

We, as a country (Nigeria) want to become one of the largest economies by to 2020. (Dr Ide)

Moderator:

Andrei Sharonov, Managing Director, Troika Dialog Investment Company CJSC

Session Panelists:

Olusola David-Borha, Deputy CEO, Stanbic IBTC Bank Plc

Vladimir Kremer, Managing Director, Renova Management AG

Jean-Jacques Lecat, Head of CMS BFL

Sergei Oulin, Vice President, Alrosa JSC

Boris Ivanov, General director, Gazprom EP international BV

Dr. Ide, Head of Investment projects department, Nigeria federal ministry of energy

Nand Khemka, Chairman of SUN Group

Synopsis:

During the session moderated by Andrei Sharonov, Managing Director of Troika Dialog, there was discussion of the various approaches BRIC economies are taking on the African continent,

and also in particular examine relations between Russia and the countries of Africa. The issue of attracting investment is a high priority for all African economies without exception. Each country is tackling this issue in their own way. In particular, Nigeria has sought to create a transparent legal base for the development of energy, addressing issues concerning investor access to oil and gas deposits, a financial and fiscal regime has been defined, and the banking sector is being reformed - thus improving the overall political and economic environment. All these measures together are aimed at attracting investment in the development of the infrastructure and at ensuring the growth of the country's economy. At the same time, for many economies the measures that have been taken could limit the inflow of investment. Some countries are focusing on creating joint ventures structures with the substantial involvement of local businesses, thus protecting the interests of local business. In a number of instances this is proving for foreign investors to be a substantial restriction.

The BRIC countries are pursuing two investment strategies in Africa. Russia and Brazil have an interest in developing the energy market and expanding the market for energy sales, while China and India, on the other hand, have an interest in accessing Africa's natural resources. The two approaches are thus complementary: one boosts investment in infrastructure, while the second boosts market development and competition. Investors not only ensure the country has financial support for specific projects, but also bring needed knowhow, experience and technologies, which in turn are transferred to local specialists.

There has been a significant delay in Russia's arrival on the African continent, but nevertheless serious prospects are opening up for Russian business. In particular, Russia is developing a range of projects in extracting and marketing oil and gas, electricity, and the mining industry, including diamond and manganese. Despite the fact that Russia has vast mineral resources, the country imports about 80 types of minerals. The majority of these raw materials needs can be met from Africa.

Trade between India and Africa before 2003 was US\$3 billion, but today this has grown to US\$50 billion. Unlike Russia, India has more diversified strategy for investment, targeting pharmaceuticals, medicines, healthcare, the chemical industry, railway construction, telecommunications and the food industries. A number of Indian pharmaceutical companies are actively working in Africa, and according to various reports by 2030 the market for medical services on the continent will be US\$30 billion. One of India's most striking investment projects is the agreement signed two weeks ago to purchase a range of telecommunications assets in 15 African countries. These companies serve a total of 42 million people, and the project involves US\$11 billion in investment.

While Indian business is concentrated in West Africa, China's presence is spread across the continent. And China leads India in terms of the total value of its investment projects in Africa. Unlike those of the other BRIC countries, China's investments are to a great degree focused on infrastructure projects tied to access to resources. The presence of strong state support by the Chinese government in promoting its own interests on the continent is a significant element of its strategy.

Developing the economy of the African countries is one of the key factors in the development of the global economy. It has a billion-strong population, vast natural resources, and a middle class of 200 million people, which constitutes a stable consumer market. All these are potential opportunities for foreign investment. At the same time the obvious problems in the lack of infrastructure for carrying on business, political instability in some countries and immature commercial legal foundation continue to hold back the economic development of the continent.

Keywords: Africa, BRIC, investments, investors, government leaders, oil and gas, India, Russia, China, Brazil, Nigeria.

Recommended reading for:

Disclosures:

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