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**Patterns of Africa-Asia
Trade and Investment**
Potential for Ownership and Partnership

OVERVIEW

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The World Bank Study on Africa-Asia Trade and Investment Relations

Patterns of Africa-Asia Trade and Investment: Potential for Ownership and Partnership

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Acknowledgments

This report highlights the main findings of a World Bank study on Africa-Asia trade and investment relations. The study was conducted to facilitate policy dialogue on trade and investment under the framework of the Tokyo International Conference on Africa Development (TICAD), in which the Bank participates as a co-organizer. In particular, the report is expected to contribute to discussions of the Asia-Africa Trade and Investment Conference to be held in November 2004 under TICAD auspices.

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Acronyms and Abbreviations

AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
CIF	cost, insurance and freight
COMESA	Common Market for Eastern and Southern Africa
DTIS	diagnostic trade integration study
EBA	Everything But Arms
EU	European Union
FDI	foreign direct investment
FOB	free on board
FTA	free trade agreement
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GSP	Generalized System of Preference
IF	Integrated Framework
IMF	International Monetary Fund
LDC	least developed country
MASSCORP	Malaysian South-South Corporation Berhad
MFA	Multifiber Arrangement
MFN	most favored nation
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
ODA	official development assistance
OECD	Organisation for Economic Cooperation and Development
RCA	revealed comparative advantage
RTA	regional trade agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SITC	Standard International Trade Classification
SKD	semi-knocked down
TICAD	Tokyo International Conference on African Development
UN Comtrade	United Nations Commodity Trade Statistics Database
USAID	U.S. Agency for International Development
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Introduction

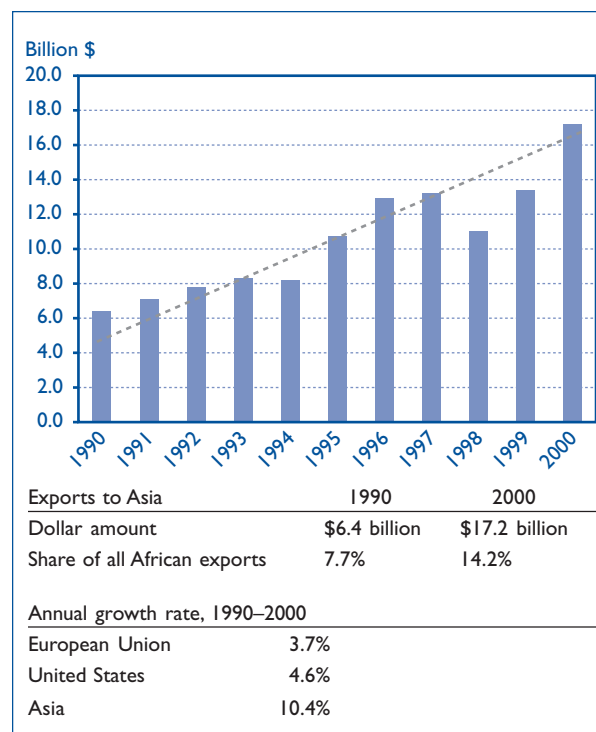
The main objective of this report is to build a basic understanding of the potential of Africa-Asia trade and investment relations. The importance of South-South trade has been recognized for some time; however, there has been no in-depth study conducted specifically on Africa-Asia trade relations to date. Two major reasons why little research attention has been paid to this issue are the lack of available data and the relatively small size of the trade flows between the two regions. Furthermore, Africans have historically tended to view trade with European countries as more important than trade with other regions. It is only since the introduction of the African Growth and Opportunity Act (AGOA) in 2000 that the United States has begun to receive the continent's attention as a potential trade partner.

Despite these traditional perceptions, the importance of Africa-Asia trade should not be underestimated, especially for its potential in contributing to the economic development of African economies. International Monetary Fund (IMF) trade data show that Asia-directed exports have grown rapidly in the past decade and accounted for 14.2 percent of total African exports in 2000, up from 7.7 percent in 1990. The average annual growth rate of African exports to Asia throughout the 1990s was 10.4 percent, much higher than either the European Union (EU) or U.S. rate of export growth—3.7 and 4.6 percent, respectively (figure 1). And, in reality, the relatively small level of trade in Asia equates to a quite considerable amount in Africa. Based on the IMF data, total African exports to Asia make up only a little over 1 percent of Asia's total imports, but account for over 14 percent of Africa's total exports. Thus, Asia has undoubtedly emerged as a significant business partner for African export opportunities.

Why Trade?

World trade expanded dramatically in the 1990s—a decade well characterized by the term globalization. Against this backdrop, African economies have been unfavorably affected by their trade during the past decades. While the

Figure 1
Africa's Exports to Asia: 1990–2000



Source: IMF (2002).

Doha Round of the World Trade Organization will play a key role in promoting integration of developing countries—including African countries—into the world trade system and enhancing their access to world markets, the multilateral framework of the international trading system is only one of the conditions that characterize the necessary external environment for African countries in trading with other regions.

It is important to analyze how African countries have seized or can seize the opportunities arising from their environment and to draw specific policy prescriptions based on such analysis. Additionally, more efforts must be made to identify specific African products or sectors that are already growing, or that have the potential to grow further, and to strategize export promotion of such products by pooling together interregional supply and demand potentials.

Trade is important for Africa not only because the world economy has become more integrated or globalized. Fundamentally, trade is an important leverage for growth. Many African countries are desperate for economic growth and an opportunity to reduce their poverty level. However, their growth in domestic production has been hampered by the capacity constraints of their domestic markets, which are too small—both in terms of population and income levels—to leverage in transforming national economies. Thus, many African countries cannot attain production growth based only on domestic demand.

There is no panacea in trade policies. Best policies for individual countries need to be tailored to the existing supply and external demand potentials as well as to the environment they face. Individual African countries, with support from the international community, need to build supply capacity to respond effectively to the rising opportunities from external demand or from changes in the external environment.

Structure and Patterns of Africa's Current Trade

Exports

African countries are highly dependent on the EU, which is presently the destination for more than half of all African exports (52 percent). In contrast, exports to Asia are a small but increasing market for Africa in recent years. Worldwide, Africa's exports are predominantly primary commodities; these account for more than two-thirds of all African exports. Chief among these exports is crude oil, Africa's single largest exported product. Many African countries export other mineral and mining products, as well as agricultural and fishery products. Recently, some African countries have become more prominent as exporters of manufactured products, most notably of textiles and apparel. Moreover, Africa's Southern and Northern subregions have growing industrial sectors, whose products range well beyond textiles and apparel. South Africa, in particular, has emerged as an important regional industrial hub, with increasing exports of automobiles to the rest of the world.

Table 1 is an export matrix for all Africa, compiled from data from 77 of Africa's trade partners. The matrix provides an overview of changing patterns in and the composition of Africa's exports by Standard International Trade

Classification (SITC) product group and region of destination. Three major features of African exports can be identified from the table: (1) Africa's high dependency on exports to the EU market and the high growth in exports to Asian markets, (2) dependency on primary commodities, and (3) small but promising growth in the export of manufactured products.

Table 2 presents a list of Africa's top 20 major export products to 77 trade partners, citing the leading country exporters and importers of these products. The three key features of Africa's export structure noted above can also be discerned with regard to the major exported products of African countries.

Primary commodities constitute the major share of top exports from African countries. Of these, crude oil is by far the largest, totaling \$38 billion¹ a year (based on a three-year average from 1998–2000) or about a third of the total value of all African exports. Nigeria, Libya, Angola, and Algeria are the leading exporters of crude oil. On the importer side, the United States leads all other countries, buying 30 percent of Africa's oil exports; it is followed by some European countries (Italy, Spain, France, and Germany) and some Asian countries (China, Korea, India, and Taiwan).

The leading primary commodities of African countries are not limited to oil and oil products, but also include other natural resources and resource-based products. South Africa provides most of the coal supply from the continent, which is shipped to European and Asian countries. Also, metal and nonmetal products, diamonds, gold, platinum, and aluminum appear on the top 20 list.

Agricultural and fishery products are similarly dominant among major African exports. Where mining and minerals are concentrated in a handful of countries on the continent, a wider range of countries—both in terms of quantity and geography—accounts for Africa's agricultural and fishery exports. As nonfood agricultural products, cotton, in particular, and sawlogs are two of the important manufacturing raw materials Africa provides the world. Although Asian countries are perhaps more visible than countries in other regions as importers of African cotton (Thailand, Taiwan, Indonesia, India, Malaysia, Korea, Japan, China),

¹All dollar figures cited throughout this report are current U.S. dollars, unless otherwise indicated.

Table 1
Africa's Export Matrix

Product	Africa	EU	US	Asia	Other	World
Food and live animals (SITC 0)						
Share of total world export (1999–2001 average)	0.44	6.60	0.63	1.41	0.77	9.84
Average annual change (1990–92 and 1999–2001)	8.42	1.99	4.23	4.01	7.82	2.99
Beverages and tobacco (SITC 1)						
Share of total world export (1999–2001 average)	0.06	0.57	0.06	0.18	0.12	0.99
Average annual change (1990–92 and 1999–2001)	7.55	5.28	-0.11	2.55	12.89	5.05
Crude materials, inedible, except fuels (SITC 2)						
Share of total world export (1999–2001 average)	0.29	3.81	0.62	2.47	0.74	7.93
Average annual change (1990–92 and 1999–2001)	3.08	-0.31	2.23	5.68	3.53	1.90
Mineral fuels, lubricants and related materials (SITC 3)						
Share of total world export (1999–2001 average)	1.46	21.97	13.28	6.84	4.73	48.28
Average annual change (1990–92 and 1999–2001)	10.45	-0.49	4.11	21.14	9.19	3.26
Animal and vegetable oils, fats and waxes (SITC 4)						
Share of total world export (1999–2001 average)	0.02	0.26	0.01	0.01	0.01	0.32
Average annual change (1990–92 and 1999–2001)	3.42	-1.72	8.12	-3.26	11.16	-1.02
Chemicals and related products, n.e.s. (SITC 5)						
Share of total world export (1999–2001 average)	0.29	1.19	0.29	0.72	0.51	3.00
Average annual change (1990–92 and 1999–2001)	2.57	1.33	15.69	2.30	4.49	3.01
Manufactured goods classified chiefly by material (SITC 6)						
Share of total world export (1999–2001 average)	0.46	6.31	2.21	3.07	0.73	12.79
Average annual change (1990–92 and 1999–2001)	-0.83	2.55	5.37	5.51	3.73	3.56
Machinery and transport equipment (SITC 7)						
Share of total world export (1999–2001 average)	0.27	3.29	0.49	0.62	0.50	5.16
Average annual change (1990–92 and 1999–2001)	3.25	14.25	24.23	13.99	1.32	11.77
Miscellaneous manufactured articles (SITC 8)						
Share of total world export (1999–2001 average)	0.12	6.07	1.20	0.08	0.14	7.61
Average annual change (1990–92 and 1999–2001)	8.72	6.73	17.05	12.28	8.58	7.96
Commodities and transactions n.e.c. in the SITC (SITC 9)						
Share of total world export (1999–2001 average)	0.01	2.11	0.29	1.02	0.61	4.03
Average annual change (1990–92 and 1999–2001)	-12.57	-3.96	14.48	12.34	49.61	1.51
Total						
Share of total world export (1999–2001 average)	3.42	52.23	19.07	16.43	8.85	100.00
Absolute export volume (million \$)	4,411	67,385	24,599	21,201	11,415	129,010
Average annual change (1990–92 and 1999–2001)	5.64	1.28	5.14	10.06	7.77	3.68

Notes: **Bold** data are high share, high annual change; *italic* data are low share, high annual change; and shaded data are high share, low annual change. High share is above 2 percent (20 percent in the last row, and 10 percent in the last column), and high annual change is above 2 percent. Average annual change was calculated by computing the changes between 1990–92 averages and 1999–2001 averages, and then annualizing these changes. All figures are based on partners' import data.

Source: UN Comtrade.

some of the growing textile-producing countries in Africa such as South Africa and Mauritius are also buying significant amounts of cotton, creating an intra-Africa supply network for the textile industry.

As for food products, cocoa, coffee, and crustaceans and mollusks are among the top 20 African exports.

Manufacturing exports have not yet contributed to Africa's overall export value to the extent that primary commodities do. However, as noted above, some manufacturing industries—most notably the textile and apparel industries—have shown promising growth in recent years. Three garment products (trousers, outer garments, and under-

Table 2
Top 20 Major African Exports: 1999–2001 Annual Average

Product	Exporters	Importers
<i>Mineral fuel</i>		
Crude oil (1 st , 32.1%)	Nigeria (36), Libya (20), Angola (13), Algeria (11), Gabon, Rep. of Congo, Egypt, Cameroon, Equatorial Guinea, Sudan	United States (30), Italy (13), Spain, Germany, France, China, Korea, India, Taiwan, Netherlands, Canada, Brazil, Turkey, Portugal, Austria, UK
Petroleum gases (2 nd , 3.5%)	Algeria (84), Nigeria, Libya, Rep. of Congo	France (25), Spain (17), Turkey (10), Belgium, United States, Brazil, Mexico, Morocco
Motor spirit and other light oils (6 th , 2.2%)	Algeria (61), Egypt (15), Libya, Nigeria, Morocco, South Africa	Brazil (39), United States (10), France, Italy, Belgium, Spain, Japan, Netherlands, Germany, Korea, UK, Canada, Singapore
Fuel oil (8 th , 1.6%)	Algeria (36), Libya (27), Nigeria, Rep. of Congo, Angola, Egypt, Morocco, Tunisia, Cote d'Ivoire, Cameroon, Ghana, South Africa	United States (56), Italy (24), UK, France, Greece, Singapore
Coal (9 th , 1.5%)	South Africa (99)	Spain (13), Germany (11), Netherlands, Italy, Belgium, France, Korea, Taiwan, Japan, India, UK, Turkey, Morocco, Colombia, Japan, Spain, China, Mauritius
<i>Metal and nonmetal mineral products</i>		
Diamonds (3 rd , 3.4%)	South Africa (40), Dem. Rep. of Congo (18), Angola (13), Liberia	Belgium (58), UK (26), United States, China, Thailand, Hong Kong
Gold (4 th , 2.9%)	South Africa (96), Zimbabwe, China, Germany, United States	Italy (43), India (29), Korea, Saudi Arabia, Hong Kong,
Platinum (5 th , 2.4%)	South Africa (100)	United States (41), Japan (33), Germany (12), UK, France, Korea, Canada
Aluminum (18 th , 0.9%)	South Africa (68), Ghana (13), Cameroon, Egypt, Nigeria	Korea (18), Japan (18), France (12), Netherlands, Taiwan, Germany, Malaysia, Italy, Thailand, United States, Indonesia, Belgium, Austria, Greece, Spain, Hong Kong
<i>Nonmineral primary commodities</i>		
Cotton (11 th , 1.3%)	Mali (14), Cote d'Ivoire (13), Egypt (12), Benin (10), Zimbabwe, Burkina Faso, Cameroon, Chad, Togo, Sudan, Tanzania, South Africa, Mozambique, Central African Republic, Zambia, Senegal	Thailand (11), Taiwan (11), Italy (10), Portugal (10), Brazil, Indonesia, India, Malaysia, Germany, South Africa, Turkey, Korea, Morocco, Colombia, Japan, Spain, China, Mauritius
Sawlogs (17 th , 1.0%)	Gabon (39), Cameroon (25), Rep. of Congo, Equatorial Guinea, Liberia, Nigeria, Cote d'Ivoire, South Africa, Dem. Rep. of Congo, Central African Republic, Mozambique	China (25), France (17), Portugal (10), India, Italy, Spain, Hong Kong, Germany, Turkey, Japan, Morocco, Greece, Taiwan, Netherlands, UK
<i>Agricultural and fishery</i>		
Cocoa (7 th , 1.8%)	Cote d'Ivoire (64), Ghana (20), Nigeria, Cameroon	Netherlands (25), United States (15), Germany (15), UK (11), France, Belgium, Italy, Spain, Japan, Poland, Turkey, Canada, Brazil, Austria
Coffee (12 th , 1.3%)	Ethiopia (20), Cote d'Ivoire (18), Uganda (15), Kenya (13), Cameroon, Tanzania, Madagascar, Burundi, Dem. Rep. of Congo, Rwanda, Guinea, Zimbabwe, Togo	Germany (21), Italy (12), France (10), Algeria, Japan, United States, Spain, Belgium, Poland, Netherlands, UK, Saudi Arabia, Portugal, Sweden, Morocco, Finland, Austria, Denmark
Crustaceans & mollusks (15 th , 1.1%)	Morocco (36), Mauritania (11), Madagascar, South Africa, Mozambique, Tunisia, Nigeria, Angola, Ghana, Gabon, Tanzania	Japan (32), Spain (30), Italy (12), France (10), Portugal, Hong Kong, Thailand, Netherlands, Greece, United States
<i>Manufactured products</i>		
Textile fabric trousers (10 th , 1.3%)	Tunisia (45), Morocco (28), Mauritius (10), Egypt, South Africa, Madagascar, Zimbabwe, Lesotho	France (32), United States (16), Germany (12), UK (10), Italy (10), Belgium, Netherlands, Spain
Textile fabric outer (14 th , 1.2%)	Tunisia (44), Morocco (35), Egypt, Mauritius, Madagascar, South Africa, Kenya	France (28), United States (18), Germany (16), garments Belgium (11), UK (10), Italy, Netherlands, Spain
Cotton knit undergarments (19 th , 0.8%)	Mauritius (26), Morocco (26), Tunisia (21), Egypt (19), South Africa, Madagascar	France (32), UK (19), United States (11), Germany (10), Italy (10), Belgium, Spain, Netherlands

Note: Numbers in parentheses after country names are the percentage shares of total trade values (only 10% or above are indicated.)

Source: UN Comtrade.

garments) are already among the top 20 exports of African countries. The major African exporters of these products are still limited to a handful of countries—Mauritius, Madagascar, South Africa, and the Northern African countries of Tunisia, Morocco, and Egypt. European countries are the main importers of Africa’s garment products. The United States is beginning to emerge as a significant importer as well, and will likely be, thanks to the effects of the African Growth and Opportunity Act, a still stronger importer in future.

Although not on the list of major African exports, there are some products that, while small in total value, have grown rapidly in recent years. These so-called “dynamic export products” include horticulture and leather-related products.

For a more detailed analysis of Africa’s exports, table 3 compares the continent’s five subregions in terms of the SITC product groups that account for their exports. In all subregions except Eastern Africa, mineral fuels, lubricants, and related materials (SITC 3) account for significantly high shares of overall African exports.

Northern, Western, and Central Africa depend on mineral fuels for more than 60 percent of their exports. In Eastern Africa, where oil exports are much smaller than in the other subregions, food and live animals (SITC 1)

and miscellaneous manufactured articles (SITC 8) have prominent shares. (SITC 1 products include textile and apparel products in Mauritius, Madagascar, Kenya, and others; SITC 8 products include tea, fruits, nuts, spices, and fishery products from various countries in the subregion.) In Southern Africa, manufactured goods classified chiefly by material (SITC 6)—including silver, copper, platinum, aluminum, diamonds, leather, and textile yarn from various countries in the subregion—account for a higher share of exports than do SITC 3 products. Southern Africa—considered the most industrialized and fastest growing region in Sub-Saharan Africa—scores high shares in various SITC groups

Table 4 compares the five subregions in terms of their share of total African exports for each major trading partner region and average annual changes in exports per trade partner during the 1990s. It is apparent that the EU is the leading export destination for all five subregions.

Other significant bilateral relations include Western and Southern Africa’s exports to the United States, and Southern Africa’s exports to Asia. Although the degree of reliance on Asian markets is not comparable to that on the EU for all subregions, the average increase in export values noted in the table indicates that all subregions are increasing their reliance on Asian markets; this is consistent with findings presented earlier in this report.

Table 3
Current Subregional Export Structures by SITC Product Group

SITC	Northern		Eastern		Western		Central		Southern		All	
	\$45,735,398,974		\$6,760,354,091		\$27,091,035,527		\$10,518,181,658		\$39,929,981,778		\$130,034,952,028	
0	1.69	4.80	2.16	41.56	3.02	14.49	0.45	5.56	2.54	8.26	9.86	9.86
1	0.02	0.07	0.07	1.43	0.01	0.04	0.01	0.08	0.88	2.87	0.99	0.99
2	1.04	2.95	0.57	10.98	1.90	9.11	1.35	16.70	3.14	10.24	8.00	8.00
3	21.66	61.57	0.78	15.04	13.90	66.72	5.13	63.47	6.48	21.12	47.96	47.96
4	0.19	0.53	0.01	0.11	0.10	0.46	0.00	0.03	0.03	0.08	0.31	0.31
5	1.68	4.77	0.05	1.05	0.19	0.90	0.03	0.43	1.20	3.91	3.15	3.15
6	1.55	4.40	0.21	4.06	0.88	4.22	1.01	12.43	9.11	29.68	12.76	12.76
7	1.65	4.70	0.09	1.78	0.58	2.78	0.05	0.60	2.77	9.03	5.14	5.14
8	5.24	14.90	1.18	22.63	0.09	0.42	0.02	0.20	1.03	3.35	7.55	7.55
9	0.46	1.32	0.07	1.36	0.18	0.86	0.04	0.49	3.52	11.47	4.27	4.27
Total	35.17	100.00	5.20	100.00	20.83	100.00	8.09	100.00	30.71	100.00	100.00	100.00

Notes: Share figures are based on 1999–2001 averages. Within each subregion, the first figure represents share of all African exports; the second is share of total subregional exports. Because of rounding, the figures for all subregions differ slightly from those in table 3.1. All figures are based on partners’ import data.

Source: UN Comtrade.

Table 4
Current Subregional Export Structures by Partner Region

Region	Northern		Eastern		Western		Central		Southern		All	
	\$45,735,398,974		\$6,760,354,091		\$27,091,035,527		\$10,518,181,658		\$39,929,981,778		\$130,034,952,028	
Africa	0.75	2.14	0.19	3.62	1.21	5.79	0.11	1.35	1.29	4.21	3.55	3.55
	2.43		1.79		13.19		-2.79		4.18		5.68	
EU	25.34	72.07	2.71	52.06	7.79	37.38	3.19	39.49	12.77	41.56	51.80	51.80
	1.38		2.59		-1.29		-2.08		3.94		1.28	
U.S.	3.06	8.70	0.54	10.48	7.02	33.71	2.29	28.28	6.00	19.52	18.91	18.91
	3.80		7.47		4.02		5.91		6.91		5.14	
Asia	1.93	5.48	1.46	28.03	2.80	13.42	2.22	27.43	8.57	27.90	16.97	16.97
	4.59		11.73		10.96		21.57		9.15		10.06	
Others	4.08	11.61	0.30	5.81	2.02	9.70	0.28	3.45	2.09	6.80	7.77	8.77
	10.00		6.78		5.30		0.91		7.97			
World	35.16	100.00	5.20	100.00	20.83	100.00	8.09	100.00	30.72	100.00	100.00	100.00
	2.47		5.20		2.63		3.36		5.99		3.70	

Notes: Share figures are based on 1999–2001 averages. Within each subregion, the first figure in the first row represents share of all African exports; the second is share of total subregional exports; the figure in the second row is average annual increase in share of total African exports (1989–2001). Because of rounding, the figures for all subregions differ slightly from those in table 3.1. All figures are based on partners' import data.

Source: UN Comtrade.

In all subregions, the shares of intra-Africa trade account for much smaller numbers as compared to other partner regions. Given that most of the subregions contain a large number of land-locked countries, the establishment of regional infrastructure to connect these with major seaports is a critical condition for expanding trade opportunities.

Imports

Compared to its exports profile, Africa's import trading partners are more diverse, encompassing countries around the world. Products that support the fundamental economic activities of African countries, such as transportation and communications equipment, are among the continent's major imports. Food products are another significant import. On the other hand, those African countries with growing manufacturing sectors increasingly import component products. African import data show that the increasingly industrialized countries in Africa have emerged as part of the global supply chains in their respective sectors.

Table 5 lists major African imports from the 77 countries used in the previous discussion of exports. The list includes the top 20 major imported products, as well as their leading exporters and African importers. Several points are notable regarding Africa's import structure:

- It is immediately apparent that the African importers of these major products are, in terms of country composition, much more diversified within the region than are the exporters of Africa's major exports.
- A significant number of the major imports of African countries are modernized manufactured products. Many are related to means of transportation—such as automobiles, aircrafts, and ships—or to means of communication—such as telecommunication equipment. Regardless of a country's income level, these products are essential for a country to maintain external economic linkages with the global market.
- Although the automobile is one of Africa's major imports, South Africa is emerging as an industrial hub for this product on the continent. There are clear linkages between the imports of assembly components from the home countries of major automobile companies and the exports of assembled automobiles from South Africa.
- Another—perhaps more visible—example is the global supply chain of cotton fabrics and garment products. Cotton fabrics represent Africa's seventh largest import, brought in by the major apparel-making

Table 5
 Top 20 Major African Imports: 1999–2001 Annual Average

Product	Exporters	Importers
<i>Agricultural and fishery</i>		
Wheat, non-durum (5 th , 1.7%)	United States (44), France (26), Germany, Argentina, Canada, Belgium, Turkey	Egypt (32), Algeria (13), Morocco (13), Nigeria, Tunisia, Ethiopia, South Africa, Kenya, Cote d'Ivoire, Senegal, Ghana, Sudan, Cameroon, Mozambique
Rice (14 th , 0.9%)	Thailand (46), India (15), China (14), Pakistan, United States, Egypt, Taiwan, Italy, Spain	South Africa (19), Nigeria (19), Cote d'Ivoire (12), Senegal, Ghana, Togo, Libya, Kenya, Benin, Somalia, Mauritius, Tanzania, Guinea, Madagascar, Rep. of Congo, Angola
Sugar (15 th , 0.8%)	Brazil (38), France (22), Belgium (12), South Africa, Spain, Italy, Germany, Netherlands, UK, Zimbabwe, Mexico, Thailand	Algeria (18), Nigeria (17), Egypt (14), Libya, Tunisia, Ghana, Mauritania, Somalia, Kenya, Angola, Morocco, Guinea, Mozambique, Tanzania, Gambia, Mali
Milk and cream (16 th , 0.8%)	France (27), Netherlands (21), Belgium, Germany, UK, Poland, New Zealand, Australia, South Africa, United States, Canada, Ireland, Denmark, Spain	Algeria (38), Egypt, Nigeria, Libya, Cote d'Ivoire, Senegal, Mauritius, Mali, Angola, Ghana, South Africa, Tunisia, Sudan, Benin, Morocco, Cameroon
Maize (20 th , 0.7%)	United States (65), Argentina (2), South Africa, Zimbabwe, France	Egypt (47), Algeria (12), Morocco, Tunisia, Zimbabwe, Kenya, South Africa, Libya, Tanzania, Angola, Malawi, Zambia
<i>Automobile</i>		
Passenger cars (2 nd , 2.9%)	France (20), Germany (19), Japan (17), Korea (12), Belgium, Spain, UK, United States, Netherlands, Italy, South Africa, Turkey, Brazil, Austria	South Africa (25), Algeria (13), Egypt (11), Tunisia, Morocco, Libya, Nigeria, Ghana, Cote d'Ivoire, Kenya, Angola, Benin, Mauritius, Zimbabwe, Tanzania, Cameroon
Automobile parts (4 th , 2.2%)	Germany (17), Japan (16), France (12), Italy, UK, United States, Oman, Spain, Korea, Taiwan, Belgium, South Africa, Sweden, Thailand, Turkey	South Africa (44), Egypt (10), Algeria, Morocco, Nigeria, Tunisia, Libya, Tanzania, Kenya, Zambia, Zimbabwe, Ghana
Transportation vehicles (6 th , 1.6%)	Japan (37), France (13), Germany, South Africa, United States, UK, Spain, Korea, Belgium, Italy, Netherlands, China	South Africa (16), Egypt (14), Algeria (10), Tunisia, Morocco, Nigeria, Kenya, Zimbabwe, Ethiopia, Ghana, Libya, Mozambique, Angola, Tanzania, Mauritius, Cameroon, Cote d'Ivoire, Zambia, Malawi, Sudan, Gabon
<i>Telecommunication equipment</i>		
Radio-telegraphic (11 th , 1.1%)	France (21), UK (16), Finland (14), Sweden (13), Germany (11)	South Africa (45), Egypt (15), Morocco (11), Tunisia, Nigeria, Algeria, Cote d'Ivoire, Kenya, Dem. Rep. of Congo, Tanzania, Mauritius
Telecommunication equipment parts (12 th , 1.1%)	France (16), Germany (15), United States, Sweden, UK, Italy, Spain, Korea, Belgium, Japan, Finland, China, South Africa, Singapore, Ireland, Taiwan, Netherlands	South Africa (34), Egypt (20), Algeria, Morocco, Tunisia, Nigeria, Libya, Cote d'Ivoire, Kenya, Zimbabwe, Angola, Sudan, Ghana
Electric line tele-phones (17 th , 0.8%)	France (26), UK (10), Germany, Sweden, United States, Italy, Finland, Japan, Belgium, Spain, South Africa, China, Netherlands, Norway, Ireland, Taiwan, Singapore	South Africa (34), Egypt (21), Morocco, Nigeria, Algeria, Tunisia, Kenya, Cote d'Ivoire, Zimbabwe, Senegal, Libya, Ghana, Tanzania
<i>Capital goods and appliances</i>		
Electric appliances, incl. switches, relays, fuses, (9 th , 1.2%)	France (34), Germany (19), Italy, UK, Japan, United States, China, South Africa, Sweden, Spain, Malta, Belgium, Portugal, Netherlands	South Africa (18), Egypt (18), Tunisia (17), Morocco, Algeria, Libya, Nigeria, Cote d'Ivoire, Sudan, Ghana, Mozambique, Zimbabwe, Tanzania, Senegal, Angola, Kenya
Machinery for specialized industries (13 th , 1.0%)	Italy (27), Germany (13), France (12), United States, UK, Spain, Taiwan, Korea, Japan, India, China, Austria, South Africa, Belgium, Canada, Netherlands, Sweden	Egypt (22), South Africa (18), Algeria, Morocco, Nigeria, Tunisia, Libya, Sudan, Angola, Kenya, Cote d'Ivoire, Ghana, Zimbabwe, Cameroon, Tanzania
Construction & mining machinery parts (18 th , 0.7%)	United States (68), UK, France, Germany, Italy, Netherlands, Singapore, Sweden, China	Algeria (16), Nigeria (15), Egypt (14), Angola (12), South Africa, Equatorial Guinea, Gabon, Libya, Rep. of Congo, Ghana, Cameroon, Sudan, Tunisia
Construction & mining machinery (19 th , 0.7%)	France (13), Japan (13), United States (11), Germany, UK, Belgium, Italy, South Africa, Austria, China, Brazil, Korea, Finland, Netherlands, Sweden, Spain	South Africa (23), Egypt (17), Tunisia, Nigeria, Morocco, Algeria, Ghana, Libya, Cote d'Ivoire, Ethiopia, Sudan, Angola, Zimbabwe, Cameroon, Tanzania, Zambia

(continued)

Table 5
Top 20 Major African Imports: 1999–2001 Annual Average (continued)

Product	Exporters	Importers
<i>Cotton-textile</i>		
Cotton fabrics (7 th , 1.5%)	France (19), China, Italy, India, Germany, Spain, Belgium, Netherlands, Pakistan, UK, Hong Kong, Taiwan, Thailand, Mauritius	Tunisia (32), Morocco (22), Benin, South Africa, Mauritius, Egypt, Nigeria, Madagascar, Togo, Cote d'Ivoire, Gambia, Kenya, Tanzania, Mali, Niger, Ghana, Algeria
<i>Other</i>		
Ships (1 st , 3.5%)	Korea (29), Japan (20), France (15), Italy (11), Germany, Spain, Norway, Singapore, Poland, China, Taiwan	Liberia (92), Tunisia
Medicine (3 rd , 0.7%)	France (44), UK, Belgium, India, Germany, Italy, Netherlands, Denmark, South Africa, United States, China, Jordan, Austria, Spain, Kenya	Algeria (18), South Africa (17), Nigeria, Egypt, Tunisia, Cote d'Ivoire, Morocco, Libya, Kenya, Cameroon, Senegal, Ghana, Uganda, Rep. of Congo, Sudan, Burkina Faso, Zimbabwe, Benin, Gabon, Tanzania, Mali
Crude oil (8 th , 1.4%)	Nigeria (90), UK, Venezuela, Mexico	Cote d'Ivoire (38), South Africa (18), Ghana (16), Cameroon (11), Senegal, Morocco, Burkina Faso
Aircraft (10 th , 1.2%)	United States (62), France (18), Italy (11), Germany	South Africa (30), Tunisia (15), Ghana (11), Morocco (11), Egypt, Algeria, Cote d'Ivoire, Kenya, Mauritius, Madagascar, Ethiopia, Nigeria

Note: Numbers in parentheses after country names are the percentage shares of total trade values (only 10% or above are indicated.)
Source: UN Comtrade.

countries on the continent such as South Africa, Mauritius, and Northern African countries. Exporters of cotton fabric include China and Taiwan, both of which have invested significantly in Southern Africa's garment industry.

- Food products account for a large volume of imports, with several food products appearing among the top 20 major imports of African countries.

Structure and Patterns of Africa's Trade with Asia

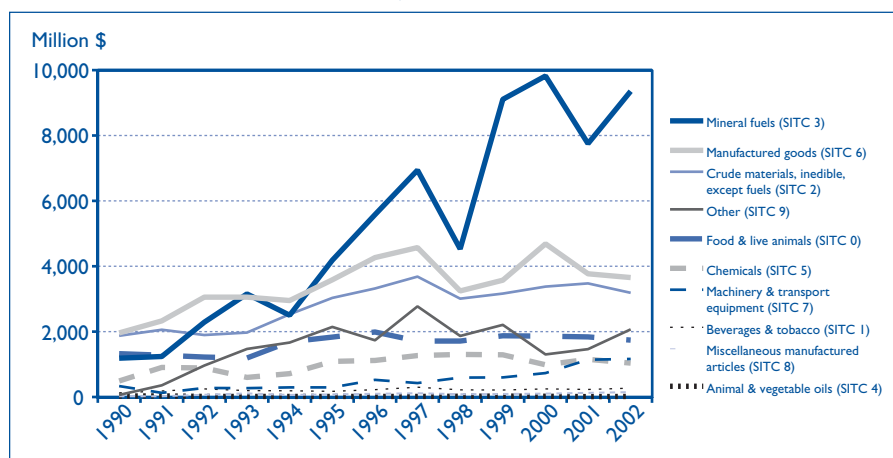
Against this backdrop, Asia has emerged as an important partner in Africa's trade and development. Africa's exports to Asia grew significantly in both relative and absolute terms during the 1990s. As table 1 shows, of Africa's total export earnings, which are estimated at about \$130 billion per year (1999–2001 average), 16 percent derive from sales to Asia. The rate of increase in export values to Asia—10 percent per year—has been higher than the comparable rates for the EU or United States during the past decade.

Figure 2 illustrates trends in Africa's export values to Asia for each product group at the one-digit SITC level. As is apparent in the figure, Africa's exports to Asia are mainly

driven by primary commodities and related products, as indicated by the sharp increase in the SITC 3 product group (mineral fuels, lubricants, and related material). African exports of another group of primary commodities—crude materials, inedible, except fuels (SITC 2), which include cotton and woods—have also increased significantly.

Asia's developing economies such as India, China, and Taiwan, have significantly increased the overall volume of their African imports during the 1990s. Is the strong growth of Africa's exports to Asia due to economic growth among the Asian countries, rather than a reflection of Africa's own economic growth? Asia's imports from Africa outpaced its imports from other regions over the same period. As shown in table 6, African exports recorded a 10.8 percent annual average growth rate, as compared to 7.22 percent for Asia's total worldwide imports. By product category, SITC 3 and SITC 9 show strong growth, reflecting increases in oil and gold exports. Primary commodities in SITC 2 and resource-based processing products in SITC 6 are apparently reflected in the above-average growth rates of those groups. The importance of Africa's small but growing manufacturing exports to Asia, discussed earlier, is apparently also significant from Asia's perspective, as the increase in imports from Africa in SITC 7 and SITC 8 has outpaced imports from other regions.

Figure 2
Trends in Africa's Exports to Asia, by SITC Product Group: 1990–2002



Note: All figures are based on partners' import data. Share figures are based on averages of 1998–2000.

Source: UN Comtrade.

Although only a handful of countries including South Africa and Northern African countries are behind those figures, it is nonetheless true that the fastest growing manufacturing exporters to Asia are found in Africa.

Table 7 presents a summary of major African exports to Asia by their relative value as shares of total African exports to the region. As with Africa's EU and U.S. exports, oil and oil-related products account for a large share of the continent's exports to Asia. However, other primary commodities such as agricultural and fishery products,

Table 6
Average Annual Change in Asian Imports by Region of Origin and SITC Product Group: 1990–2001 (%)

SITC	Africa	EU	U.S.	Asia	Others	World
0	3.26	4.26	2.36	3.58	5.01	3.66
1	5.74	2.57	2.08	7.53	7.01	3.42
2	5.45	6.49	-1.91	1.11	3.34	1.65
3	22.19	6.48	-4.02	4.34	5.31	4.77
4	-3.46	-0.79	1.18	6.13	11.17	5.89
5	5.51	5.26	3.16	11.11	3.06	6.92
6	6.46	3.07	1.51	5.86	0.09	4.47
7	13.96	7.39	8.56	12.54	9.39	10.71
8	18.12	4.79	8.52	9.66	5.71	8.57
9	24.25	1.56	1.17	5.07	3.42	3.70
Total	10.80	5.58	5.11	9.10	4.36	7.22

Source: UN Comtrade.

mineral products, and nonmineral crude materials are also and increasingly being exported to Asia. Major exports from Africa to Asia can be roughly categorized into the following groups:

- *Mineral fuels such as oil*—these are exported by a handful of countries rich in these natural resources. Oil is the leading export in this category. Other products include oil products and coal. China, Korea, India, and Taiwan are the leading importers of oil from Africa.
- *Metal and nonmetal mineral products*—mainly produced by South Africa, which is a rapidly growing industrialized economy with rich natural endowments, these products provide significant export earnings to the region. Such products include gold, platinum, aluminum, copper, iron ore, ferroalloy, and diamonds.
- *Agricultural and fishery products*—although relatively small in total export value, these products constitute a significant part of exports from non-oil-exporting countries. Such products include shrimps, octopus, nuts, tea, and tobacco.
- *Nonmineral crude materials*—exported by a few countries in various subregions, these products include cotton and sawlogs.

African exports to Asia of mineral fuels and other raw materials such as mineral and mining products have experienced strong growth because of rising manufacturing sectors in Asia, particularly in China, India, Korea, Taiwan, and Southeast Asian countries. China and India source about 20 percent and 30 percent, respectively, of their oil imports from Sub-Saharan Africa. Although only a limited number of African countries are endowed with mineral and mining resources, a wide range of non-oil-producing countries benefit from other types of raw materials and processed raw materials, such as cotton, wood, and leather, as well as food and agricultural com-

Table 7
Top 20 Major African Exports to Asia: 1999–2001 Annual Average

Product	Exporters	Importers
<i>Mineral fuel</i>		
Crude oil (1 st , 32.9%)	Nigeria (34), Angola (23), Rep. of Congo (17), Sudan, Egypt, Cameroon, Gabon, Niger, Equatorial Guinea	China (23), Korea (22), India (22), Taiwan (21), Japan, Indonesia, Singapore
Coal (10 th , 1.5%)	South Africa (99)	Korea (24), Taiwan (24), Japan (24), India (24), Hong Kong, China
Motor spirit and other light oils (14 th , 1.3%)	Egypt (53), Algeria (35), Morocco, South Africa, Sudan, Angola, Libya	Japan (59), Korea (28), Singapore (11), Indonesia
<i>Metal and nonmetal mineral products</i>		
Gold (2 nd , 7.6%)	South Africa (98), Zimbabwe	India (64), Korea (19), Hong Kong, China, Thailand, Japan
Platinum (3 rd , 5.0%)	South Africa (100)	Japan (92), Korea, Hong Kong, China
Aluminum (6 th , 3.3%)	South Africa (99)	Korea (32), Japan (32), Taiwan (13), Malaysia, Thailand, Indonesia, Hong Kong, China
Ferro alloy (7 th , 3.1%)	South Africa (91), Zimbabwe	Japan (51), Taiwan (29), Korea (18)
Copper (11 th , 2.4%)	Zambia (57), South Africa (38), Tanzania	Taiwan (25), Japan (18), Thailand (17), Korea, Malaysia, China, India, Singapore, Indonesia, Pakistan
Iron ore (12 th , 1.7%)	South Africa (99)	China (54), Japan (42), Korea
Diamonds (13 th , 1.6%)	South Africa (60), Rep. of Congo (19), Ghana (18)	China (38), Thailand (37), Hong Kong (20), India
<i>Nonmineral primary commodities</i>		
Cotton (4 th , 3.5%)	Cote d'Ivoire (13), Mali (13), Egypt, Togo, Benin, Zimbabwe, Burkina Faso, Cameroon, Tanzania, South Africa, Sudan, Chad, Central African Republic, Uganda	Thailand (23), Taiwan (22), Indonesia (15), India (15), Malaysia, Korea, Japan, China, Hong Kong, Philippines
Sawlogs (8 th , 2.6%)	Gabon, Cameroon, Equatorial Guinea, Nigeria, Cote d'Ivoire, South Africa, Mozambique, Liberia	China (57), India (20), Hong Kong (10), Japan, Taiwan
Pulpwood (16 th , 1.1%)	South Africa (99)	Japan (97), Korea
Chemical wood pulp (20 th , 0.8%)	South Africa (100)	Indonesia (29), Taiwan (25), Thailand (16), Japan (12), India (10), China
<i>Agricultural and fishery</i>		
Crustaceans & mollusks (9 th , 2.5%)	Morocco (51), Mauritania (20), South Africa (10), Madagascar, Mozambique, Senegal, Ghana, Gambia	Japan (85), Hong Kong, Thailand, China
Nuts (15 th , 1.2%)	Tanzania (36), Guinea-Bissau (16), Cote d'Ivoire (14), Mozambique, Benin, Kenya, Nigeria, Senegal, Ghana	India (97), Japan
Tea (18 th , 0.9%)	Kenya (83), Tanzania, Rwanda, Burundi, Malawi, South Africa	Pakistan (95), Singapore, Japan
Tobacco (20 th , 0.8%)	Zimbabwe (62), Malawi (25), South Africa, Tanzania, Zambia	Japan (47), China (25), Philippines, Indonesia, Singapore, Malaysia, Hong Kong, Thailand
<i>Other</i>		
Organic acids (5 th , 3.3%)	Morocco (53), Tunisia (25), South Africa (12), Senegal	India (94), China, Indonesia
Ships (17 th , 1.0%)	Liberia (72), South Africa (26)	Singapore (62), India (28), Korea, Pakistan

Note: Numbers in parentheses after country names are the percentage shares of total trade values (only 10% or above are indicated.)

Source: UN Comtrade.

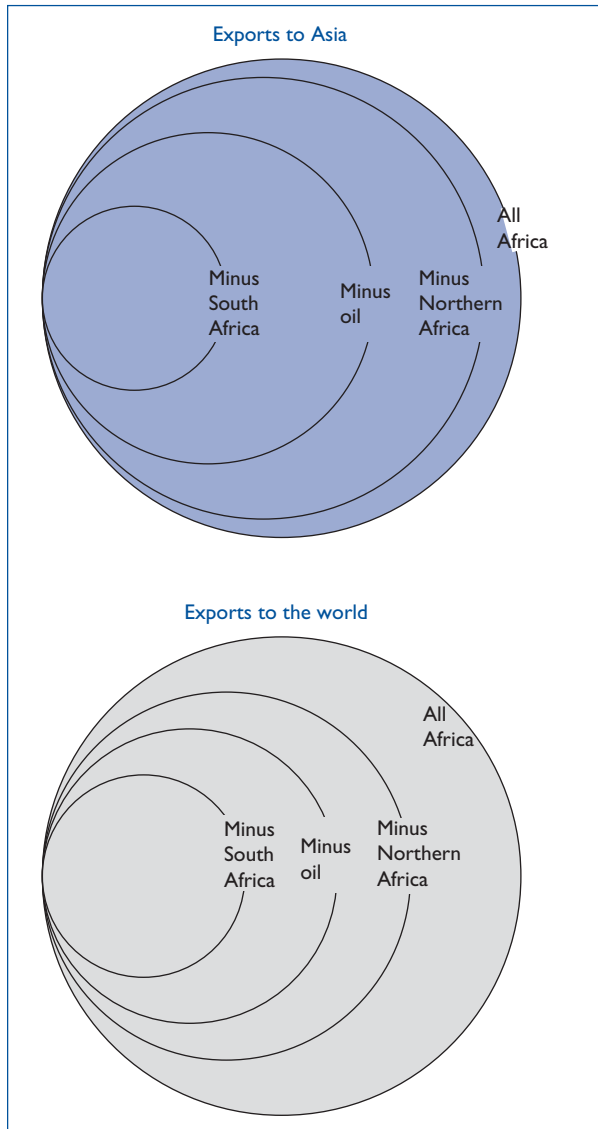
modities, for expanding their export potentials. The growth in African exports of food and agricultural commodities to Asia can be explained by the large populations with growing income levels in Asian countries. Nonessential foods such as coffee, cocoa, tea, and nuts are experiencing stronger demand in Asia than in the already saturated markets of developed countries.

It is useful to determine the resilience of these trade patterns across the various African countries. Specifically, do the patterns hold when the oil-exporting countries in Northern Africa are excluded, along with South Africa and its growing manufactured goods exports, leaving the small, primarily agricultural, exporters from the other parts of the continent? These relative shares are presented in fig-

ure 3. It is clear from the figure that Northern Africa has a smaller share of all Africa's exports to Asia as compared to its share of all Africa's exports to the world. South Africa, however, has become very critical to trade relations between Africa and Asia, because of both its growing domestic industries and its rich natural resources. Sub-Saharan Africa's share of exports, excluding exports from South Africa and exports of oil, are around 17 percent of total African exports to Asia. Albeit at a smaller scale, this segment of Africa's exports, including agricultural com-

modities, has shown a similar growth pattern. All non-oil exports from Africa to Asia total \$13 billion (1999–2001 average), which is about 20 percent of Africa's total non-oil exports and an increase from 15 percent in the early 1990s. Note too, that of the \$22.2 billion average annual exports from Africa to Asia, 89.2 percent is from Sub-Saharan Africa, 52.7 percent is based on non-oil products from Sub-Saharan Africa, and 16.5 percent is based on non-oil products from Sub-Saharan countries other than South Africa. Corresponding figures for exports from Africa to the world (\$134 billion annually) are 64.8, 38.8, and 18.6 percent.

Figure 3
Breakdown of All Africa's Exports to Asia and to the World: 1999–2001 (Average)



Note: Areas of circles represent proportional shares of respective levels of disaggregation of all Africa's exports.
Source: UN Comtrade.

Implications of Africa-Asia Trade Relations for Africa's Overall Trade Strategy

There are basically three channels by which the growing trade relations between Africa and Asia contribute to the overall trade strategy of African countries: (1) overall export expansion for African countries, (2) market diversification for the primary commodity exports on which African countries rely, and (3) product diversification in the manufacturing sector.

Overall export expansion

Asian countries together have expanded their share as export destinations for African countries over the decade of the 1990s. Asia clearly contributes to the expansion of Africa's exports in the aggregate. Setting aside the issue of terms of trade, an increase in exports in terms of value is basically an increase in export earnings, which should be considered a viable step toward promoting more growth-oriented trade relations between the two regions.

Market diversification

Asia could become a strategic target in diversifying the markets of African products. Demand from Asian markets has a potentially good fit with the existing supply base of traditional primary commodities in Africa. Such linkages have been revealed on a country-to-country basis in an analysis of complementarity between the respective export and import profiles of individual African and Asian countries.² The scope of value-added processing is still

²See table 4.5 of the full report for a matrix of complementarity between African countries as exporters and Asian countries as importers.

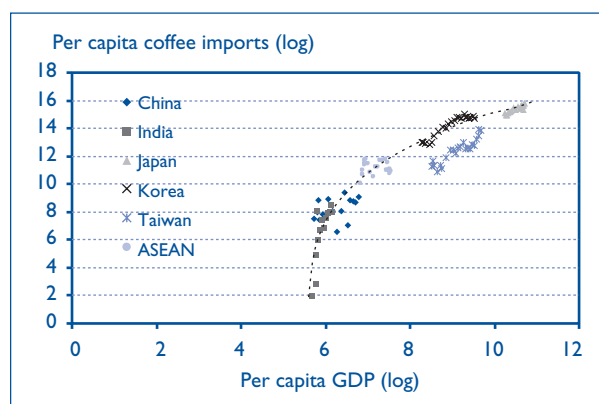
limited, but by recognizing these linkages and developing consumer relations with Asian countries, African producers/exporters could significantly benefit from expansion of traditional primary commodities, which are Africa's stagnated core business.

There are two ways in which African exporters can effectively meet rising demand in Asia. First, Africa is an important supplier of raw materials and fuels to Asian industries. Endowed with rich natural resources, Africa supplies essential minerals and mining products to the growing manufacturing sectors in Asia. Natural resource-based products, such as minerals and mining products, are relatively homogenous on the supply side due to their nature as endowed resources and have high substitutability on the demand side due to the presence of alternative resources and technological advancement. However, exporters of such products can still implement proactive strategies from the supply side by exploring new markets with untapped potential, thereby broadening their customer base. This approach could be interpreted as a way to diversify the risk associated with economic fluctuations and structural changes among partner countries, but by diversifying the types of customers, exporters could locate additional unsaturated demand for their products. Like income level, production techniques and technology vary among countries. What is obsolete in industrialized countries is not necessarily so in developing countries. As Asia's industrial sectors continue to grow, they will need a seamless supply of raw materials and energy resources.

Second, Africa is an important supplier of consumption goods such as food to the rising consumer populations in Asia. Food products are usually characterized as having low income elasticity—meaning that the demand for products increases at a much slower rate than does income. Low income elasticity is often considered the main reason for the stagnant demand for the primary commodities exported by African countries. Asia is the most populated region in the world, and the average income level of its population is increasing more rapidly than in other developing regions. Growing purchasing power in Asia provides a new set of opportunities for African food producers to expand their exports. In fact, given the low income elasticity of food demand, expanding trade with new partners in Asia will have more significant consequences than expanding sales within existing saturated markets.

To illustrate this point, annual per capita coffee imports by Asian economies from 1980 to 2001 were plotted against the levels of per capita income of corresponding economies and years in figure 4. The figure clearly shows the pattern of decreasing income elasticity: demand for coffee increases as countries become richer, with growth of coffee demand is “faster” when level of income is low.

Figure 4
Income Elasticity of Coffee Imports for Asian Countries



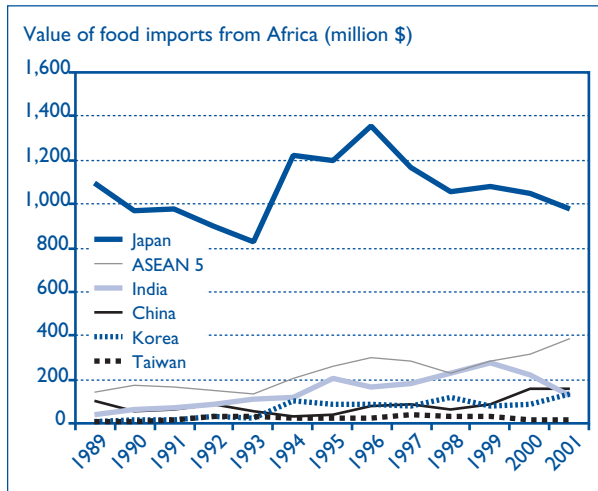
Notes: Data are for 1980–2001. The ASEAN countries are Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
Sources: UN Comtrade, World Bank World Development Indicators, and IMF Commodity Price Statistics.

Figure 5 shows how Asian countries—particularly India and the five members of the Association of Southeast Asian Nations (ASEAN)—are already increasing their imports of food from Africa. As in the case of natural resource commodities, establishing new trade relations with Asia—thereby diversifying their destined markets—is an effective way for African exporters of food-related commodities to expand exports.

Product diversification

Market diversification is not the only benefit of deepened trade relations between the two regions. Asia can also contribute to Africa's quest for product diversification in its export structure, which is a more traditional concept of diversification. Europe and the United States have been significant markets for Africa's total export earnings from manufacturing products, accounting for 65 and 12 percent, respectively, of total African manufacturing exports. Africa's exports of manufactured products to Asia are in no way comparable in size, yet some countries—most no-

Figure 5
Trends in Asia's Food Imports from All Africa



Notes: The ASEAN countries are Indonesia, Malaysia, the Philippines, Singapore, and Thailand. All figures are based on partners' import data.

Source: UN Comtrade.

ably South Africa—have recently shown strong growth in their manufacturing exports to Asian countries.

Although only a few Africa countries export manufacturing goods to Asia, a wider range of countries have benefited from manufacturing-related imports from Asia. Table 8 identifies major imports of African countries from Asia. Asian countries are providing essential inputs to Africa's growing manufacturing sector, most notably to its textile and apparel sectors, and, in some cases, its automobile sector. Figure 6 illustrates how Africa's imports from Asia are integrated with Africa's manufacturing exports by plotting value increases in manufacturing exports from individual African countries to the EU and United States during the 1990s and value increases in their imports from Asia.

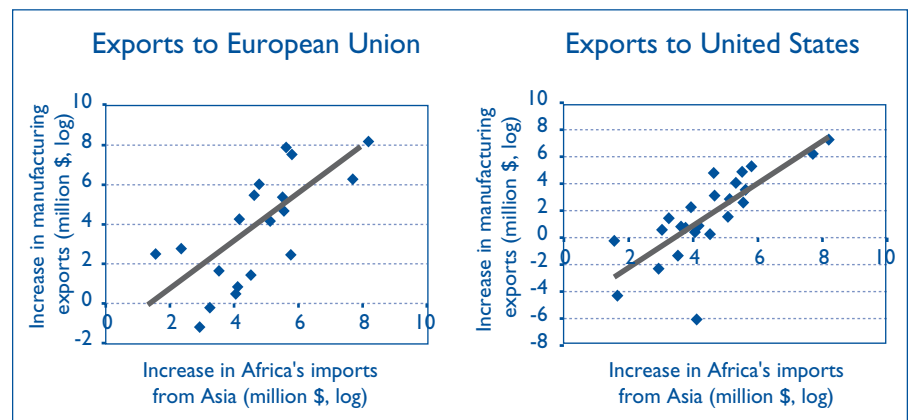
There is a clear positive relationship between Africa's growth in manufacturing exports to the EU and United States and growth in imports from Asia.

External Trade Regimes and Africa's Trade Patterns

Some developed countries have pursued various preferential trade initiatives with Africa. The EU currently extends preferential access to its market under the Cotonou Agreement and the Everything But Arms (EBA) initiative. The United States enacted the African Growth Opportunity Act in 2000 with the aim of improving economic development and political stability in the region. Notably, the textile benefits afforded under AGOA, combined with the Multifiber Arrangement quota system, have triggered visible changes in the apparel exports of some African countries. Least developed country (LDC) AGOA beneficiaries with apparel benefits have increased their exports considerably to the United States (an 80 percent increase), while LDC AGOA beneficiaries without apparel benefits have moved in the opposite direction (a 30 percent decrease in exports).³ Still, it should be noted that the incremental effects of these measures are also limited to only a few products.

While the merits of unilateral preferential tariff and quota treatments are essentially subsumed under General Sys-

Figure 6
Africa's Manufacturing Exports to the European Union and United States



Notes: Data points are for African countries with positive increases in imports from Asia and manufacturing exports to the EU and United States. Increases represent absolute increases from the early 1990s (1989–91 average) to the late 1990s (1999–2001 or 1998–2000 average).

Source: UN Comtrade.

³Paul Brenton and Ikezuki Takako, *The Initial and Potential Impact of Preferential Access to the U.S. Market under the African Growth and Opportunity Act*, Policy Research Paper No. 3262 (Washington, DC: World Bank, 2004).

Table 8
Top 20 Major African Imports from Asia: 1999–2001 Annual Average

Product	Exporters	Importers
<i>Automobile</i>		
Passenger cars (2 nd , 4.5%)	Japan (55), Korea (41)	South Africa (25), Egypt (16), Libya (12), Algeria (12), Morocco, Kenya, Nigeria, Tanzania, Mauritius, Sudan, Zimbabwe, Angola, Ghana, Tunisia
Transportation vehicles (4 th , 3.5%)	Japan (84), Korea, China, Thailand, India	Egypt (21), South Africa (19), Morocco, Tunisia, Kenya, Algeria, Libya, Mauritius, Ethiopia, Zimbabwe, Nigeria, Tanzania, Sudan, Ghana, Uganda, Cote d'Ivoire, Gabon
Automobile parts (5 th , 3.0%)	Japan (59), Korea (13), Taiwan (11), Thailand, India, China, Singapore	South Africa (65), Egypt (14), Nigeria, Libya, Algeria, Kenya, Morocco, Ghana, Tunisia
Public service passenger vehicles (buses, etc.) (15 th , 1.0%)	Japan (72), Korea (20), India, Indonesia	Algeria (22), Egypt (19), Nigeria (15), Tanzania, Sudan, Ethiopia, Madagascar, Mauritius, Tunisia, Ghana, Gabon, Angola, Morocco, Kenya, South Africa, Zambia, Mozambique, Libya
Internal combustion piston engines (16 th , 0.9%)	Japan (91), Thailand	South Africa (88), Egypt, Nigeria, Ghana
Tires for buses and lorries (17 th , 0.9%)	Japan (53), Korea (22), China (12), India, Thailand, Singapore	Egypt (22), Algeria (13), South Africa, Nigeria, Ethiopia, Ghana, Cote d'Ivoire, Morocco, Kenya, Sudan, Cameroon, Tanzania, Djibouti, Madagascar, Libya, Tunisia, Mali
<i>Automobile</i>		
Passenger cars (2 nd , 2.9%)	France (20), Germany (19), Japan (17), Korea (12), Belgium, Spain, UK, JS, Netherlands, Italy, South Africa, Turkey, Brazil, Austria	South Africa (25), Algeria (13), Egypt (11), Tunisia, Morocco, Libya, Nigeria, Ghana, Cote d'Ivoire, Kenya, Angola, Benin, Mauritius, Zimbabwe, Tanzania, Cameroon
Automobile parts (4 th , 2.2%)	Germany (17), Japan (16), France (12), Italy, UK, United States, Oman, Spain, Korea, Taiwan, Belgium, South Africa, Sweden, Thailand, Turkey	South Africa (44), Egypt (10), Algeria, Morocco, Nigeria, Tunisia, Libya, Tanzania, Kenya, Zambia, Zimbabwe, Ghana
Transportation vehicles (6 th , 1.6%)	Japan (37), France (13), Germany, South Africa, United States, UK, Spain, Korea, Belgium, Italy, Netherlands, China	South Africa (16), Egypt (14), Algeria (10), Tunisia, Morocco, Nigeria, Kenya, Zimbabwe, Ethiopia, Ghana, Libya, Mozambique, Angola, Tanzania, Mauritius, Cameroon, Cote d'Ivoire, Zambia, Malawi, Sudan, Gabon
<i>Cotton-textile</i>		
Cotton fabrics (6 th , 2.5%)	China (39), India (30), Pakistan (13), Hong Kong, Taiwan, Thailand, Indonesia, Malaysia, Korea	South Africa (13), Benin (13), Mauritius (11), Egypt (11), Nigeria, Gambia, Cote d'Ivoire, Kenya, Togo, Tanzania, Ghana, Morocco, Niger, Mauritania, Senegal, Rep. of Congo, Lesotho, Zimbabwe, Malawi
<i>Capital goods and appliances</i>		
Construction & mining machinery (19 th , 0.7%)	France (13), Japan (13), United States (11), Germany, UK, Belgium, Italy, South Africa, Austria, China, Brazil, Korea, Finland, Netherlands, Sweden, Spain	South Africa (23), Egypt (17), Tunisia, Nigeria, Morocco, Algeria, Ghana, Libya, Cote d'Ivoire, Ethiopia, Sudan, Angola, Zimbabwe, Cameroon, Tanzania, Zambia
Construction & mining machinery (20 th , 0.7%)	Japan (61), China (16), Korea (12), Singapore, Malaysia, Indonesia, Thailand	South Africa (27), Egypt (23), Sudan, Tunisia, Algeria, Kenya, Zambia, Ghana, Gabon, Morocco, Tanzania, Nigeria, Liberia, Djibouti, Cote d'Ivoire, Eritrea, Senegal
<i>Agricultural and fishery</i>		
Rice (3 rd , 3.8%)	Thailand (52), India (17), China (16), Pakistan, Taiwan	Nigeria, South Africa, Cote d'Ivoire, Senegal, Togo, Kenya, Libya, Benin, Ghana, Somalia, Mauritius, Tanzania, Madagascar, Guinea, Rep. of Congo
<i>Other</i>		
Organic acids (5 th , 3.3%)	Morocco (53), Tunisia (25), South Africa (12), Senegal	India (94), China, Indonesia
Ships (17 th , 1.0%)	Liberia (72), South Africa (26)	Singapore (62), India (28), Korea, Pakistan

Note: Numbers in parentheses after country names are the percentage shares of total trade values (only 10% or above are indicated.)

Source: UN Comtrade.

tems of Preference, deeper bilateral and interregional economic integration initiatives—such as free trade agreements (FTAs) and economic partnership agreements—could potentially provide new and additional opportunities for African countries to enhance their trade activities, encompassing not only free movement of goods and services, but also other aspects of market access and economic integration, including behind-the-border issues such as technical standards, competition policies, and intellectual property rights. The EU already has FTAs with Northern African countries and with South Africa. The United States has initiated an FTA negotiation with Southern African Customs Union (SACU) countries. The EU has initiated discussion with African, Caribbean, and Pacific countries to form economic partnership agreements as a follow-up to the Cotonou Agreement. Similarly, the United States has trade and investment framework agreements, one with Western African countries, another with Eastern and Southern African countries, as well as some with individual countries.

Although continuation and expansion of well-targeted preferential treatment is desirable for many African countries, these measures alone do not guarantee the full benefits of sustainable export expansion. The response of African countries is critical. Successful African exporters must work proactively to improve their business environment in terms of governance, infrastructure, and industrial capacity, and strengthen their supply-response capacity to seize on just such opportunities arising from the external environment as preferential trade agreements. Successful countries tend to have consolidated and carefully targeted initiatives for providing an enabling environment for potential industries.

To complement such proactive measures from the African side, the market access environment in Asia needs to be considered as well. Like the rest of the world, Asia’s tariff structure tends to be more liberal and less restrictive as level of development rises. (See table 9 for a snapshot of average applied tariff

rates of Asian countries on imports from Africa.) Asia’s tariff structure, like that of all other countries in the world, consists of many peaks and sharp escalations. Raw materials can be imported by domestic industries at relatively low tariff rates, but increasingly higher rates are imposed on imported processed or finished products (tariff escalation). This would be a discouraging factor for the value-added activities in the raw material-producing countries. As shown in table 10, this issue of tariff escalation on resource-based products is especially pronounced within low- and middle-income countries where higher growth of raw material demand has been observed. With the expansion of global trade, and with more links in supply chains, tariff escalation has become an issue not only in North-South trade but in South-South trade as well.

Integration of Trade and Investment Relations between Africa and Asia

Asian exports to Africa related to Africa’s own manufacturing exports are often accompanied by direct investment from Asian firms. These corporations have made these investments as a means of strategically diversifying their production channels in global supply chains and exploiting the preferential market access measures given by some industrialized countries. Asia’s foreign direct investment

Table 9
Average Applied Tariff Rates of Asian Countries on Imports from Africa, by SITC Product Group (%)

SITC group	China	India	Indonesia	Japan	Korea	Malaysia	Singapore	Asia average
0	31.77	36.58	5.14	5.69	7.02	1.15	0.00	11.65
1	34.06	36.87	5.08	1.27	16.53		0.00	18.59
2	2.24	9.31	0.26	0.08	4.20	0.10	0.00	2.32
3	7.09	28.60	0.00	0.17	4.78	0.38	0.00	5.04
4	56.77	44.67	5.00	1.04	8.00	3.21	0.00	24.97
5	10.24	33.34	3.73	0.05	6.87	1.23	0.00	22.22
6	6.12	28.48	2.27	0.63	3.74	1.47	0.00	3.60
7	14.09	29.35	0.40	0.00	2.84	6.30	0.00	5.59
8	27.69	32.37	10.64	5.33	8.24	2.59	0.00	8.47
9	6.25	35.00	5.78	0.00	3.00	0.06	0.00	34.14

Notes: Average applied MFN rates are weighted by imports from the 53 African countries to individual Asian countries. All tariff rates used are for 2001, except for Korea, for which 1999 rates are used. The Asia average is the average rates for the 12 Asian countries covered by this study.

Source: WITS analysis of UNCTAD TRAINS and UN Comtrade.

Table 10
Examples of Tariff Escalation in Asian Countries (%)

SITC	Product	China	India	Indonesia	Japan	Korea	Asia avg.
263	Cotton	90.00	5.06	0.02	0.00	1.00	2.73
6513	Cotton yarn	9.12	20.00	5.00	2.88	8.00	8.43
652	Cotton fabrics, woven	17.00	34.06	10.00	4.68	10.00	19.21
84512	Jerseys, etc., of cotton	25.00			8.11	13.00	2.86
8462	Undergarments, knitted	21.76	35.00		10.02	13.00	8.29
211	Raw hides/skins (except furs)	14.00	0.04	0.00	0.00	2.00	0.86
212	Raw furskins						
611	Leather	11.44	25.00	1.28	0.96	5.00	9.22
612	Manufactures of leather	23.26	35.00	5.00	6.18	8.00	2.86
613	Tanned furskin	20.00			7.00	5.00	8.60
222	Oil seeds	7.00	35.00	4.87	0.77	40.00	0.88
423	Vegetable oil	74.92	44.94		0.00	8.00	42.59
0721	Cocoa beans	9.60	35.00	5.00	0.00	5.00	4.07
0722	Cocoa powder	19.00	35.00				15.77
07111	Unroasted coffee	15.00		3.33	0.00	2.00	0.06
07112	Roasted coffee	31.00		5.00	8.59	8.00	8.12
333	Crude oil			0.00	0.00	5.00	3.98
334	Oil products	8.82	35.00	1.96	2.12	5.72	3.45

Notes: Average applied MFN rates are weighted by imports from the 53 African countries to individual Asian countries. All tariff rates used are for 2001, except for Korea, for which 1999 rates are used. The Asia average is the average rates for the 12 Asian countries covered by this study.

Source: WITS analysis of UNCTAD TRAINS and UN Comtrade.

(FDI) in Africa exemplifies how trade and investment activities become integrated and their strategies seamlessly aligned. It is thus pertinent to consider the linkage between trade and investment in the context of Africa-Asia business relations.

Three Types of Investment

Sectoral analysis of the FDI of several Asian countries in Africa shows that relations between Asian investors and host countries in Africa are deeply motivated by trade. Asian investment in Africa can be categorized by the targeted markets for supplying products and services from invested projects, as follows:

- *Type 1*—targets the Asian market (home countries).
- *Type 2*—targets the African market (local host countries and regional and subregional markets).
- *Type 3*—targets the global market, including the European and North American markets.

Type 1 – Asian market

Type 1 investment is targeted at producing goods to be sold in the investors' own countries in Asia. Typical examples of such investment include natural resource extractive industries for mineral and mining products, as well as agricultural and food processing projects such as fish cannery plants. Investment in extractive industries is large scale, often initiated by governmental agreements followed by private sector engagement, and frequently includes some degree of technology transfer. Although Asian firms have invested in such projects in the past, unpredictable changes in local governments' policies and macro-instability have often hampered the flow of investment of this kind in Africa. Potential investors are trading houses, resource suppliers, and plant construction companies. Korean investment in Angola is a typical type 1 investment case study, involving substantial amounts of investment for a processing plant (box 1). Official development assistance (ODA) loans and export credit are powerful policy instruments to support this investment-cum-trade project. Investment projects for food and agro-based product processing require smaller—but still substantial—amounts of investment as compared to mining and energy resource projects.

Investment for a processing plant (box 1). Official development assistance (ODA) loans and export credit are powerful policy instruments to support this investment-cum-trade project. Investment projects for food and agro-based product processing require smaller—but still substantial—amounts of investment as compared to mining and energy resource projects.

Type 2 – African market

Type 2 investment is targeted at Africa's domestic markets. Examples include investments by Japanese firms in home electronic appliance and textile plants from the 1960s to 1980s. These investments were aimed at supplying these products to Africa's local markets, which were protected by high tariffs under governments' import substitution policies. The investments were often arranged in conjunction with these import substitution policies. More recently, however, regional economic integration and local governments' import liberalization have eliminated the competitive advantage of such investments vis-à-vis goods

Box 1

Type 1 Investment Case Studies: Samsung (Korea) in Angola and Mozal (Japan and Others) in Mozambique

Samsung. With the economic reforms under way in Angola, foreign investors have found increasing business opportunities in the country's energy, mining, telecommunications, manufacturing, agriculture, and fishing industries. Angola's current ranking as third in the world for new oil discoveries and Sub-Saharan Africa's second largest oil producer will also accelerate new business ventures. Angola is now Korea's second largest trading partner in Africa and its seventh largest supplier of crude oil. In 2000, Korea imported \$654 million in oil from Angola and exported \$17 million in cars and auto parts. In 2000, Samsung won a \$4.4 billion contract in Angola to build a 200,000-barrel-a-day oil refinery and offshore exploration platforms. The contract was facilitated by a bilateral agreement between the Multilateral Investment Guarantee Agency and the Korea Export Insurance Corporation, by which both agencies will cooperate in re- and coinsuring projects in order to share risks and increase the availability of insurance for Korean investors. The agreement stemmed from Samsung's desire to seek such coverage and risk-sharing for its intended resource-based projects in Central and West Africa.

Mozal. Mozal, one of the largest aluminum smelters in the world, is located near Maputo, the capital of Mozambique. It was constructed in two phases with approximately \$2 billion in funding and \$1.1 billion in nonrecourse project funding from international enterprises. Shareholders in the enterprise are BHP Billiton (47 percent owner, and the smelter operator), Mitsubishi Corporation of Japan (25 percent), the Industrial Development Corporation of South Africa (24 percent), and the government of Mozambique (4 percent). Phase 1 was the first major project to be implemented in Mozambique in the past 50 years and took 31 months to complete after its approval in May 1998. Mozal 1 began production in June 2000 and reached its full output rate the following year. The investment of \$1.34 billion in Mozal 1 boosted the country's economy as well as the economies of Mozambique's major trading partners—South Africa, Swaziland, and Australia. Phase 2, an expansion project, took 26 months to complete. In August 2003, the first metal was produced six months ahead of schedule and at a final cost of \$665 million, some \$195 million under the original budget. The expansion has doubled the smelter's capacity to 506,000 tons of primary aluminum per annum.

importation. Consequently, accessing even more competitive global markets has been out of reach for those protected industries in most cases. In various ways, such investment has been bound by the constraints of small local markets and high transaction costs. Because of the small size of the domestic market, the mass production business model commonly used in industrialized countries is not suitable.

However, there are cases in which small and medium-sized production is feasible—possibly through local licensing and franchising, as in the case of the Japanese chemical company described in box 2. As this case shows, type 2 investment does not necessarily take the form of direct investment. If the concept of investment is broadened to include other types of business partnerships, type 2 investment has a few potentially useful tools for business development in partnerships between Asian and African

entrepreneurs. These tools include local licensing and franchising of domestic or regional sales of Asian products and services in African countries, as well as joint ventures between African and Asian firms in conducting construction work.

Type 3 – Global market

Type 3 investment is targeted at third countries, especially those in other industrialized regions such as the European Union and United States. Investment of this type is often conducted by multinational corporations based on global supply chains. Type 3 investment can be further subdivided based on other characteristics.

There are footloose industries in the textile and apparel sectors or in the services sector (e.g., data services and telemarketing outsourced to Africa) that are largely motivated by the low labor costs in Africa and the existing

Box 2

Type 2 Case Study: Sumitomo Chemical (Japan) in Tanzania

The World Health Organization and a group of major multinational companies have begun production in Africa of a new kind of insect-repellent plastic that disease experts said could have a major impact on slowing the spread of malaria...

Experiments by a Japanese company, Sumitomo Chemical, resulted in a plastic polymer known as Olyset that incorporates insecticide in the material's crystal structure. In a net, Olyset offers numerous advantages over conventional counterparts. In addition to oozing insecticide for up to five years, the material lasts longer than conventional netting. If the density of houses using the nets is high enough, the repellent properties of the nets can shield entire villages from insects...

Recognizing a small market for profits from selling the material but great public health benefits, Sumitomo agreed to transfer the technology to Africa. Led by the World Health Organization and coordinated with UNICEF, ExxonMobil and a Tanzanian mosquito-net maker, an alliance was created to produce and distribute the technology to the African markets most in need of the protection... The arrangement followed the thrust of a new policy by the UN health agency to seek private sector links supporting public health projects. "We try to focus the private sector on niche markets that would normally be of little financial interest," said David Alnwick, a World Health Organization malaria expert. "By transferring the technology to a local company they can adapt to the local market and open the potentially huge impact on public health."

Source: Excerpted from Crampton (2003).

trade policies in third countries where their products and services are destined. The Taiwanese enterprise investment in Swaziland and Lesotho is one such example (box 3). The size of investment is limited, but such investment has effectively generated employment for local economies.

A second, more forward-looking, type of investment is genuinely attracted to the potential productivity increase within Africa. To seize on future potential in the region—as well as exploit existing favorable trade regimes—major automobile companies, for example, have established plants in South Africa, which is rapidly becoming an important economic hub in Africa.

Synergetic policy measures for facilitating trade and investment integration

Although the primary player in trade and investment is obviously the private sector, government and donors in general have roles to fulfill in establishing an appropriate environment within which the private sector can enhance its viable activities. Creating an effective synergy between private business activities and donors' development assistance is critically important in working to further trade and investment relations between Africa and Asia.

Asian governments have made various types of public support available to their domestic firms in investing in Africa. Various programs in Asian countries are involved in promoting trade and investment activities with African countries. Most countries have used fiscal instruments or financial support such as double tax deductions and export credits to promote incentives for trade and investment. International organizations have a significant role to play in strengthening the host country governments in Africa as they improve the investment climate. Many large-scale investment projects by Asian companies, often in extractive industries, are accompanied by the involvement of international organizations in the expectation that these organizations will bring stability and accountability to the host country governments as well as the business environment.

Technology transfer has had vast implications in making international business relations more sustainable and conducive to the long-term development of the private sector in developing countries. A significant amount of technology transfer has taken place entirely at the individual firm level through companies' FDI activities. Despite the intuitive recognition of a high magnitude of technology transfer taking place, actual flow is difficult to measure beyond anecdotal evidence. It is also true that private investment is motivated by profit-making interests and strategies, while donor governments' technical assistance programs are

Box 3

Type 3 Case Studies: Tex-Ray (Taiwan) in Swaziland and Toyota (Japan) in South Africa

Tex-Ray. Tex-Ray is an important apparel company in Taipei, which has of late been focusing on research and development of cotton products. Sales subsidiaries have been established in Los Angeles and New York, and a raw material procurement company was recently founded in China, in addition to a number of production factories abroad. Tex-Ray founded three factories in Swaziland in 2001 and 2002. The products of these factories are exported to the United States. Tex-Ray's main reason for investing in Swaziland was to obtain benefits under the African Growth and Opportunity Act (AGOA). Since local procurement of raw materials will become compulsory under AGOA after October 2004, the firm decided to set up a spinning factory in Swaziland as well. These products are sold domestically and will be sold to Tex-Ray's factory in South Africa as well.

Toyota. The recent emergence of South Africa as an important automobile assembly location has triggered major Japanese car manufacturers such as Toyota to increase their investment in South Africa. Toyota established a subsidiary plant in South Africa in 1962, which has long been the company's main assembly plant for cars and trucks to be sold in South Africa and elsewhere in Africa. Recently, the firm's headquarters signaled a growing interest in its South African operations by increasing its share holding of its subsidiary plant from 35.7 to 74.9 percent. Moreover, Toyota plans to use its South African production hub to expand its sales to the European market as well as to the African market.

more targeted toward the needs of developing countries in growing their industries. Some governments sponsor public technical training programs to build entrepreneurial and technical skills in the private sector of developing countries.

In Japan, for example, the Association for Overseas Technical Scholarship is actively engaged in such activities, conducting a large number of industrial technical and management training programs both in Japan and overseas for private businesses in developing countries. Strategic use of such technical training programs is an effective way to foster business exchanges between Asia and Africa. Similarly, the technical knowledge and skills that have been acquired by Asian countries could be imparted to African countries as well. This South-South aspect of technology transfer has been considered very effective.

In Africa, there has been a clear shift from the allocation of ODA directed at economic sectors to social sectors during the 1990s. While the significance of social development cannot be overstated, economic development must not be neglected either. Development assistance, regardless of whether it is provided by traditional bilateral donors, South-South partners, or international organizations, has a significant role to play in piloting and complementing private investment flows to Africa. And in this con-

text, the role of donors in providing technical assistance for industrial development is of particular importance in building a stronger supply capacity in Africa and fostering stronger business relations between Africa and Asia. Private investment alone does not and cannot address all the needs of developing countries. ODA can leverage private investment, just as private investment, through its economic growth effects, substantiates the goals of ODA.

As a more recent development, international donors have increased their efforts in providing trade-related technical cooperation to LDCs; specifically, several African countries are included under the auspices of the Integrated Framework for Trade-Related Technical Assistance to LDCs. Under this framework, six multilateral institutions—the International Monetary Fund, International Trade Centre, United Nations Conference on Trade and Development, United Nations Development Programme, World Bank, and World Trade Organization—lend their distinct competencies to deliver greater development dividends to LDCs in the multilateral trading system. The Diagnostic Trade Integration Studies for individual beneficiary countries provide a solid comprehensive framework for assessing potentials, needs, and constraints of African countries in strengthening their trade-related capacity. The future studies for African countries could integrate more solid consideration of the growing trend toward interregional

trade between Africa and Asia or in assessing future potential as well as needs and constraints of African countries in accessing markets in Asia, such as weaknesses in the African transportation network with Asian countries, as well as technical standards and sanitary and phytosanitary standards of Asian countries affecting African producers.

Future Directions

Compared with the synergies that emerged among Asian countries in the course of trade expansion, intraregional dynamism in Africa is still weak. African countries could better benefit from export opportunities by improving the intraregional mobility of goods and services. Improvement of the regional transportation and telecommunications systems must be addressed to enhance the supply-response capacity of African countries.

The trade data indicate the existence of a significant potential for expanding trade relations between Africa and Asia. To realize the full benefits of such trade expansion, initiatives must be strengthened in the following three directions.

The knowledge base on Africa-Asia trade and investment relations needs to be strengthened to facilitate the discovery of market opportunities between Africa and Asia and to better understand how the market works between the two regions. Such a knowledge base should be strengthened by first ensuring relevant data reporting and gathering and by accumulating a series of in-depth analytical studies based on such data. The studies should identify existing potentials to expand trade and investment relations, as well as identify geographic and manmade constraints and other impediments to promoting trade and investment activities between the two regions. Such studies will provide the basis for formulating effective measures to improve connections to global supply chains.

An institutional arrangement will be needed to enhance strategic dialogue between African and Asian countries and to raise awareness about emerging opportunities among businesses in the two regions. Building on existing frameworks such as the Tokyo International Conference on African Development, such an arrangement should facilitate broad-based, consolidated policy dialogues between African and Asian countries—by both their governments

and their businesses. While exports to Asia account for 16 percent of total African exports, these exports account for less than 2 percent of total imports by Asian countries. Therefore, such an institutional arrangement needs to be designed in order to avoid asymmetrical mutual expectations.

African countries and international donors should renew their commitment to an enabling environment for cross-border business activities, which are essential engines for economic growth. At the same time, coordination and consolidation of efforts dedicated to production capacity building within Africa is critically important to enable African countries to respond to international business opportunities. Such domestic conditions, as well as a cross-border environment, are essential for ensuring the economic growth that is critical to African countries' ability to achieve the Millennium Development Goals.

Next Steps

Based on the above analyses and discussions, next steps for public and private players to take are listed below, each categorized by its main targeted markets as explained earlier:

- Goods and services for Asian markets (e.g., natural resources, agricultural, and other primary commodities).
- Goods and services for the global market (e.g., textile and apparel products, automobiles and their parts, exported to the EU, United States, Asia, and elsewhere).
- Goods and services for African markets (e.g., food and agricultural products, goods and services in relation to privatization projects in Africa, franchising and licensing opportunities).

For the Asian market, potential products are natural resources, agricultural, and other commodities in which African countries already have a solid supply basis. African commodity exports to Asia could accelerate on their current trends if transaction costs could be reduced and the business information gap between Africa and Asia were narrowed. Stronger processing capacity in African countries is desired. In this context, the tariff escalation in many Asian countries should be reviewed, which would give more

motivation for Asian businesses to invest in such areas. Also, good governance and the honoring of codes of conduct in extractive/commodity industries are critical.

For the global market, a continuation of preferential measures for manufactured imports from Africa, such as textiles and apparel as well as automobiles, needs to be considered in order to foster industrial development in African countries. Development of local and regional backward and forward linkages in such industries are instrumental in achieving this goal. Improvement of local and intraregional logistics systems is also essential. Sectoral capacity building is vital in facilitating the transfer of knowledge and

skills that accompany investment flows. Asian businesses could provide effective resources in this area.

For the African market, intraregional integration must be enacted to provide a minimum market size to capture economies of scale. Realistic and substantive regional integration schemes must be implemented. Efficient intraregional transportation and other logistics systems are necessary to promote dynamic commercial flows. The creation of merchant networks in intraregional business activities is also essential. Fostering alternative arrangements such as franchising and licensing could be the key to success in building credible and mutually beneficial business relationships, along with trade in actual products.

