The United States of Africa and the Restructuring of the Global Economy

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Keywords
Africa, China. Direct Foreign Investment

Extended Abstract

In this paper I predict that all the soothsayers are wrong and the emerging dominant superpower will be the United States of Africa. China has lead the way in terms of Foreign Direct Investment within Africa. The West looks to Africa as a pariah whilst the East looks to Africa as the great opportunity and more importantly the great supplier. With Africa containing 98% of the world's resources why would one shun the continent unless plans call for other strategies? Trade between China and African countries has surged by an average annual 30 per cent for much of the past decade, driven by China's appetite for oil and minerals, and its sales of clothes, cars, telecommunications and other goods to African markets. Investments in minerals or oil fields must go beyond simply buying up natural resources for the ordinary African. The focus must be on Empire Building and the rebirth of Africa.

Ever since the publication of the BRIC [Brazil, Russia, India , China] report by Goldman Sachs in 2001, the debate about the role of emerging countries vs. the developed countries in shaping global business has gathered momentum. The new BRICS REPORT has been updated to 2012. This revised version of the same report entitled BRICS and Beyond by the same authors, with upward revision of certain growth projections, has added further fuel to the debate so much so that by now, most countries have accepted that the world economy is in transition. In other words, the countries as above joined by others such as South Korea, Mexico and to some extent the major Arab countries and Iran and Indonesia will exert a much greater influence in world affairs aided by their increasing economic power.

The developed countries, led obviously by the major economies of USA, Japan, Germany, Britain , France and others [the so-called G-7/8 group of nations] have accepted that their dominance in shaping world opinion will be shelved as the growth gradient of the emerging economies becomes increasingly steeper. Nowhere has this been more reflected than in the G-20 [Group of 20 countries developed and emerging] meet last year [2008] in calling for fiscal stimulus to induce growth to beat the recessionary forces. World in 2050 The BRICs and beyond: prospects, challenges and opportunities by Price Waterhouse Coopers predicts that by 2050 the world economies will be dominated by India, China and the USA the latter of which will need to import millions of non-white immigrants to counter its aging population or fall behind the two powerhouses.

Economic restructuring refers to the phenomenon of Western urban areas shifting from a manufacturing to a service sector economic base. This transformation has affected demographics including income distribution, employment, and social hierarchy; institutional arrangements including the growth of the corporate complex, specialized producer services, capital mobility, informal economy, nonstandard work, and public outlays; as well as geographic spacing including the rise of world cities, spatial mismatch, and metropolitan growth differentials. For most developing countries economic restructuring refers to the phenomenon of agricultural areas shifting to a manufacturing base.

Africa is the world's second-largest and second-most-populous continent. At about 30.2 million km² (11.7 million sq mi) including adjacent islands, it covers six percent of the Earth's total surface area and 20.4 percent of the total land area. With 1.0 billion people (as of 2009) it accounts for about 15% of the world's human population. According to UNCTAD Statistics, Chinese investment in Africa reached its height in 2008 when Africa accounted for almost 10 per cent of its total global Foreign Direct Investment from the 4.3 per cent in 2004. A country by country breakdown of Chinese investment in the African continent according to the Heritage Foundation (China Global Investment Tracker Interactive, January 2012) shows that in 2012, China's investment in Africa focused primarily on five countries – Nigeria, Algeria, South Africa, Democratic Republic of Congo and Niger. The breakdown by country showed that Nigeria has had $15.42 billion net investment from China, Algeria $9.23 billion, South Africa $6.64 billion; Democratic Republic of Congo $6.55, Niger $5.26 billion, Egypt $3.27 billion, Libya $2.68 billion, Zambia $2.49 billion, Sudan $2.210 billion, Ethiopia $1.9.

In all of these, among China's major investors in Africa are CNOOC (Nigeria), Sinopec (Angola), China Railways Construction (Nigeria), Sinomach (Gabon), CITIC and Chalco (Egypt), China Nonferrous (Zambia), Minsheng Bank (South Africa), SinoSteel (Zimbabwe), CNPC (Niger and Chad), and China Metallurgical and Sinohydro (DRC). All these enterprises invested in Africa actively in the period 2005–2008, but in 2009– 2010, their presence waned and in 2011, the only big Chinese investor in Africa was the China Railways Materials Commercial Corporation in Sierra Leone with total investment of $260 million.

The recent global financial crisis that engulfed almost all economies marked a painful adjustment at the macro level coupled with microlevel distortions and incentives created by past policy actions. The crisis spread to the BRICS through four channels—trade, finance, commodity, and confidence. The slump in export demand and tighter trade credit caused a deceleration in aggregate demand. The global financial crisis inflicted significant loss in output in all the BRICS economies. However, real GDP growth in India and China remained impressive even though they also witnessed some moderation due to weakening global demand. It is but natural that such a changing economic scenario calls for fresh thinking towards development of policies examining macroeconomic stability as well as framing of strategies by firms irrespective of their sizes. Multinationals and SMEs, all will be involved in formulating strategies to compete effectively and grow whether they belong to agriculture, industry or service sectors.
There is intense pressure on both governments and businesses to perform and deliver. In such a scenario, alternative and may even be controversial-policies and strategies will need to be thought out and placed before the decision making bodies.

Many experts have predicted the end of US dominance of world markets following the current business cycle. Needless to say, this will have strategic significance for the businesses at large as well as for those responsible for country management. The aim and the concern of many would then be to expose the participants to the challenges that lie ahead as a result of the shift in the purchasing power of countries in the East and the decline of the West. This could best be achieved by bringing together experts from various fields-academics and professionals - to discuss and evaluate the options opening up on a common platform namely the ***Restructuring of the Global Economy****. It is expected that at the end of this exercise, the participants would be in a position to develop actionable strategies to put their organisations on a higher gradient of growth.*