



Infrastructure key to Africa's growth: Asia has role to play

If Africa wants to bridge the chasm from emerging to developed economy, it must have one crucial component in place. According to Paulo Gomes, founder and CEO of Constelor Investment Holdings, which was set up in 2006 to harness investment opportunities in Africa, infrastructure is sorely needed for the continent.



Though Africa has seen steady economic growth over the last five years, posting on average more than five per cent growth per year, Gomes says double-digit growth is within reach. “Without this infrastructure platform, it would be impossible for the continent to grow much faster. Certainly we would have reached the level of seven per cent if we managed to put the infrastructure in place ... I think the (lack of) infrastructure is a huge problem, because it prevents many opportunities for entrepreneurs. It hasn’t enabled the continent to grow faster and with the (double-digit) growth that we need to really reduce the number of poor people.”



China is the country helping to provide that infrastructure. But the China-Africa dynamic is far from being one-sided. “China has a tremendous appetite for commodities and mining ... If you look at the volume of trade with Africa, it’s now above 100 billion dollars a year; it’s in large part driven by resources.”

He notes, however, that China has brought “a change in the paradigm” in terms of how it trades resources for infrastructure with Africa. As a result, a “second generation” relationship with China has emerged. This involves setting up joint companies to process some of the commodities on the continent, overriding the standard practice of

merely supplying commodities directly to the Chinese.

“And that’s why you have a new generation (of Africans) coming into business now and pushing the government to have a different approach towards China, and move to something where more value is created for both sides.”

That said, Gomes believes the onus is still on Africa, especially since the objective is to drive growth and create employment within the continent. “I think it’s up to the Africans, I don’t see the Chinese designing a strategy in that sense.”

Part of the Africa strategy involves engaging with Southeast Asia, which Gomes sees as a gateway to China. “I believe that a proper partnership between Africa and Southeast Asia could help Africa to position (itself) very well to sell goods, products to India and China. As you know, there would be an important new wave of the middle class in the next 10 to 15 years coming from these two countries. The middle class would need to consume a lot, and I think beyond the middle class, there’s the challenge of feeding nine billion people in the next 30 to 35 years.”

And this is where Gomes, who was Executive Director on the board of the World Bank Group representing 25 African nations for eight years before launching Constelcor, believes resource-rich Africa can play a pivotal role, especially if it has a sound strategy in place. “We could feed a big part of this world using our fertile land, and increasing the level of irrigation to increase our productivity.”

In practice though, that won’t be easy to achieve, considering Africa’s troubled past. “There have been many challenges ... Fifteen years ago we had many conflicts -- (more than) 10 conflicts -- we had many, I would say, small dictators in the system. Now (they’re) an endangered species in Africa.”

Though there has been widespread corruption, Gomes is hopeful because he is seeing the emergence of more democratic systems with fair and transparent elections and the rule of law.

He adds that while the challenge of corporate governance still exists, “it’s not taboo anymore.” To improve upon this, he sees the respective chambers of commerce in Africa and Asia playing their roles. “Corporate governance is not just good business; it’s also about creating the credibility you need to have access to finance.” He believes this would strengthen the corporate governance of many emerging African firms which in turn have the potential to become multinationals, first in Africa and subsequently in other markets.

In the meantime, Gomes says there’s much to be gleaned from Asia. “Asia has been extremely good in implementing right policies, having a kind of openness to attract talent, and the diaspora have played a huge role in the transformation of the region.”

“We have now a diaspora also coming back -- a talented, well-educated, globally-exposed diaspora (from) the West coming back, setting up companies, playing a role politically in the civil society. That also will help us implement better policies. I think we have a lot to learn, but we (also) have a lot to trade with Asia.”

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