The African Lions in a Changing Marketplace

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12.1 Introduction

Africa is changing, high population growth and rapid urbanization is creating an urgent need for the sustainable development of the continent. The need for food security, employment, and inclusive growth has prompted African governments to seek new paradigms and partners of development. Governments have increased their effort to improve the business environment in their countries through reforms and massive investments in infrastructure. The opening up and liberalization of many African economies engendered the expansion of private investment. These policies have led to increased investment by MNCs and spawned the growth and expansion of AMNEs. The success of Africa's Lions has signaled to the world that there are opportunities for profits despite the risk and challenges associated with the continent.

African countries have emerged among the world's fastest growing economies. And the GDP of some countries have expanded in the past three decades through economic diversification, the spread of new technologies, rising productivity in agriculture, marginal expansion of the manufacturing sector, and the exponential growth in the services. African leaders want to sustain this GDP growth over the long term. The success of African Lions is a testament to the liberating effects of free market focused policies and the role private sector investments play in economic development. The view to private investments in Africa is today more favorable and African governments are now opening up more sectors to private capital.

Meanwhile, the growth in Africa's population, rapid urbanization and economic development has increased the consumer class who have greater spending power. Annual household spending growth in Africa easily exceeded the corresponding global figure for most years. The world is realizing that the opportunities in Africa go beyond her endowment in natural resources, but now includes her growing consumer class.

E. Amungo, *The Rise of the African Multinational Enterprise (AMNE)*,
Management for Professionals, https://doi.org/10.1007/978-3-030-33096-5_12

African Lions have shown that business in Africa may be challenging but it is profitable. They have efficiently deployed resources to build factories, employed the best talents including locals and foreigners to run their businesses and increased the availability of goods and services for the African consumer. By their success, African Lions have made MNCs rethink their African strategy and increase their engagement with the continent.

Africa is attracting more investments from developed and emerging market MNCs hoping to profit from these growing opportunities. Chinese, Indian, Turkish MNCS have joined the other established MNCs in investing in Africa. The high profits inherent in the African marketplace has encouraged more MNCs to look beyond the primary sector and venture into manufacturing and services.

The African markets place is rapidly changing and it is to be seen if African Lions will survive the jungle.

12.2 The New Scramble for Africa

Africa's destiny has for long been shaped by forces outside the continent. The continent has been the battle ground of foreign geopolitical gladiators seeking her resources, market or influence with her 54 sovereign states. European countries including Britain, France, Belgium and Portugal, who have a long history with the continent have been joined by America, China South Korea,Brazil, Turkey, India, Russia, Japan and the UAE and other Gulf and Middle Eastern countries in a new scramble for Africa.

In the late part of the nineteenth century, the arrival of a new power, Germany, triggered the partition of Africa in 1885. Then a struggle for ideological hegemony between the capitalist West led by America and the Western Europe, on one hand, and the communist and socialist East led by China and the Soviet Union, on the other hand, shaped post-independence Africa between 1960 and 1990. Today, the distortions in the global world order brought about by China's phenomenal economic growth, America's status as the only global superpower, and the consolidation of the interest of Europe into the European Union is stirring renewed interest in Africa. Added to this, the increase in Africa's population and its expanding consumer market is attracting more political, economic and business interest.

And as the global economy expands and new economic powers emerge, there has been an increased urgency to seek and secure access to mineral resources like iron ore, bauxite, copper, diamonds, gold, oil and gas and cobalt. Africa riches in minerals including bauxite, chrome, diamonds, petroleum and platinum, and cobalt is needed by old and new industries alike. There have been increased effort by these powers seeking Africa's mineral to increase their engagement with Africa. For a privilege to exploit Africa's resources, they offer rewards including development finance, lines of credit, and financial and technical support for the development of infrastructure.

There have also been elaborate agreements between individual governments and regional bodies to guarantee access to these minerals. Additionally, there has been increased investment into Africa by MNCs from these countries. The investments have spanned manufacturing and services, indicating that these countries want to play in the broader African economy. There are now more private companies from China, India, UAE, Turkey and USA investing in Africa and these companies have become competitors with African Lions.

12.2.1 China in Africa

There is a growing presence of China in Africa that has impacted on the development of the continent and the redefined the relationship between Africa, the European countries and America. China's influence has grown steadily and today the Asian country has a new found clout on the continent as a financier of public and private projects and an alternative market for capital, machinery and partners for African businesses (Executive Research Associates 2009).

China was first attracted to Africa because of its rich mineral resource, but China is today seeking opportunities far beyond the primary sector. Since the post liberalization era in Africa, China has grown to become the second largest economy in the world. An upsurge in the demand for raw materials to fuel this rapid growth led China to forge relationships with resource rich African countries (Dollar 2016).

China's rapid march into Africa happened at a time when Europe was "pulling out" after the Cold War, which lead to China's increasing presence in Africa being more or less overlooked by Western powers. China started to by granting aid to some African governments. One of the main reasons for China's success in Africa is that they offer African countries an alternative to the old European colonial powers and international institutions such as the IMF and the World Bank. With a generous mix of preferential loans and credits, infrastructure development, debt relief and development assistance, China has managed to establish good political and economic relations with African governments. Much thanks to their no-strings attached policy and the non-interference in domestic issues.

This, together with the Chinese government urging the country's businesses to seek opportunities overseas, led to a rapid expansion of Chinese companies operating on African soil. Chinese companies were bidding for contracts in Africa, and earning hard currency. Chinese companies, with the strong financial support of the Chinese government and private banks, were able to win bids in Africa by offering more competitive rates for contract, goods and services than European, American and other Asian firms. As Chinese manufacturing took off in the 1980s, China started to see Africa not only as a place to extract raw materials and build infrastructure, but also as a potential market for the good and services produced by Chinese firms (Dollar 2016).

Meanwhile, western initiatives, such as the structural adjustment program that several African countries were forced to go through in the 1980s, also helped China enter the African market. Trade liberalization, new investment codes, currency convertibility and the reduction of labor costs in Africa made it possible for China and other emerging economic powers to invest in Africa. The Chinese government took full advantage of the opportunities created by liberalization to be able to compete against large MNCs (Brookings India 2015).

Another international event that has helped China invest in Africa is the Millennium Development Goals (MDG). The attention of the MDGs on social investments that were aimed at ending poverty and hunger, fighting malaria, and achieving gender equality and universal primary education, which moved international aid away from agriculture, infrastructure and production. The Chinese, however, were there to fill the gap, increasing their share of the market in these sectors, especially infrastructure (Executive Research Associates 2009).

Since the late 1990s, Sino-African trade has grown rapidly, with China now Africa's largest trade partner. In 2016, China's exports to Africa stood at USD82.9 billion while imports from the continent were valued at USD54.3 billion. China exports a wide variety of consumer and capital goods to Africa but mainly imports commodities such as oil, minerals and other natural resources.

China has been Africa's largest trade partner since 2009. Between 2001 and 2010, China's Export-Import Bank extended USD67.2 billion in loans to sub-Saharan AfricaUSD12.5 billion more than the World Bank. In 2018, China-Africa trade was USD170 billion, off its 2014 peak but still nearly 20 times higher than at the start of the millennium. By contrast, US trade with sub-Saharan Africa was just USD39 billion (UNTAD WIR 2018).

China has invested about USD125 billion in African countries in the decade to 2016, according to the China-Africa Research Initiative at Washington's Johns Hopkins University. China has invested an estimated USD12 billion in infrastructure projects in 35 countries in Africa. Between 2000 and 2011 China invested in 1673 development projects in 51 countries valued at an estimated USD75 billion. By the end of 2013 China has built 3203 km of railroad, with another 1424 kilometers under construction. China has also built 34 power plants, 9 ports, 14 airports, 11 bridges and several sports stadiums capable of seating 800,000 people in Africa (Brookings India 2015).

China is today a big investor in Africa. China's share of total FDI inflows into Africa averaged about 5% of annual global FDI flows to SSA over the past decade. China's outward FDI stock in SSA reached USD24 billion in 2013, up from USD462 million in 2003. African countries, such as South Africa, Zambia, Nigeria, Angola, DRC, and Ethiopia attracted the lion's share of Chinese FDI (UNCTAD WIR 2013).

Chinese FDI presents in a broad range of countries, including non-resource-rich countries in East Africa countries in order to penetrate the domestic and regional markets. Sizable inflows from China are going into manufacturing, construction, and services. The latter includes financial services, ICT, and electricity (Sun et al. 2017).

In 2004, China-Africa trade reached USD221.9 billion. Several of these companies compete with African businesses and some entered sectors where there were no local incumbents.

Presently more than 10,000 Chinese companies operate in over 50 countries in Africa. Of these, 85% were privately owned. Chinese firms operate across many sectors of the African economy. Nearly a third are involved in manufacturing, a quarter in services, and around a fifth each in trade and in construction and real estate (McKinsey and Company 2017; Sun et al. 2017). One of these companies, **Transsion** has the largest market share of smart phones sold on the continent, pushing aside Samsung with its **Techno, Infonix and Itel** brands.

Mckinsey & Co estimated that in manufacturing 12% of Africa's industrial production—valued at some USD500 billion a year in total—is already handled by Chinese firms. In infrastructure, Chinese firms' dominance is even more pronounced, and they claim nearly 50% of Africa's internationally contracted construction market.

The Chinese firms are mostly profitable. Nearly one-third reported 2015 profit margins of more than 20%. They are also agile and quick to adapt to new opportunities. Except in a few countries such as Ethiopia, they are primarily focused on serving the needs of Africa's fast-growing markets rather than on exports. Most Chinese firms have made investments that represent a long-term commitment to Africa rather than trading or contracting activities.

12.2.2 United States America in Africa

The U.S. has significant economic and national security interests in Africa. The economic interest lies in America's need for minerals like cobalt, uranium and chromium while the security interest in due to Africa's strategic importance and the ongoing fight against militant groups (Rice 2003).

Trade between Africa and America has been on the decline in recent years even though investment by American MNCs has been increasing. The United States had a USD39.0 billion in total (two ways) goods trade with Sub-Saharan African countries during 2017. Goods exports totaled USD14.1 billion; goods imports totaled USD24.9 billion. The U.S. goods trade deficit with Sub-Saharan African countries was USD10.8 billion in 2017. US has, however, stepped up efforts to grow its influence and economic clout on the continent especially in the face of growing Chinese and Russian presence in Africa (USTR 2019).

The US government has lunched several initiatives to address the perceived decline in relations with Africa, the latest effort being the lunch of in 2018 of an economic program called Build Africa Act and the formation of the USFI. The program aims to support American registered companies investing in Africa by making UDS 60 billion available to them. Earlier initiatives include the African Growth and Opportunity Act (AGOA), a trade preference program enacted in 2000 that is at the center of U.S.-African engagement on trade and investment. By providing duty-free entry into the United States for almost all African products, AGOA helped expand and diversify African exports to the United States, while at the same time fostering an improved business environment in many African.

Another initiative of the US was President's Emergency Plan for AIDS Relief (PEPFAR), an initiative to address the global HIV/AIDS epidemic and help save the lives of those suffering from the disease. The initiative was launched by U.S. President George W. Bush in 2003. PEPFAR provided more than USD80 billion in cumulative funding for HIV/AIDS treatment, prevention, and research since its inception, making it the largest global health program focused on a single disease in history.

Sensing that the primary need of Africa is infrastructure, Barack Obama initiated the Presidential Power initiative, also known as Power Africa Initiative. The program is designed as a multi-stakeholder partnership among the governments of the United States of America, Tanzania, Kenya, Ethiopia, Ghana, Nigeria and Liberia, the US and the African private sector. The initiative aims at supporting economic growth and development by increasing access to reliable, affordable, and sustainable power in Africa.

America's security interest in Africa is evinced by the increased military deployments and contruction of US military bases across the continent. These activities are coordinated by The United States Africa Command (AFRICOM). It is responsible for U.S. military operations, including fighting regional conflicts and maintaining military relations with 53 African nations. Its area of responsibility covers all of Africa except Egypt, which is within the area of responsibility of the United States Central Command. AFRICOM headquarters operating budget was USD276 million in fiscal year 2012.

US registered firms, however, have continued to be the leading investor in Africa, accounting for 13.5% of inward investment projects in 2016. Companies from the US invested in 91 projects down 5.2% creating 11,430 jobs. South Africa (28 projects) continued to be the key target of US-based companies, with Morocco (14 projects) and Egypt (13 projects) outpacing Kenya (11 projects) to become the second and third-largest recipients of US investment, respectively (EY 2017).

America MNCs have been dominant in the resource extraction and oil and gas sectors with ExxonMobil, leading a plethora of companies that include, ConocoPhilips, Chevron, Texaco.

American MNCs including manufacturers and service companies are increasingly entering Africa. Food processor Kellogg, Kraft, Land O Lake, P&G are American consumer goods manufacturers that have entered Africa in the last decade, while retailer Walmart acquired one of the largest retailers in Africa when it purchased Massmart in 2012. Additionally, Marriot has expanded its footprint on the continent with the acquisition of South African hotel chain, Protea.

12.2.3 Japan in Africa

Japan has always sold goods to Africa. Starting with cheap consumer electronics, in the1970 to cars, Africa has always represented a market as Japan rolled out an aggressive export strategy to grow its economy.

But Japan is increasing its engagement with Africa beyond selling goods, it is beginning to invest in Africa. Japan directed 27 FDI projects to Africa in 2016, more than double the 12 FDI projects in 2015. Both capital investment and jobs created increased during the 2 years, up 757% and 106%, respectively. These projects cuts across manufacturing electronics to pharmaceutical and utilities.

South Africa was the single largest destination for Japanese investors, accounting for more than one-third of projects, followed by Egypt and Tanzania. In recent years, Japan has deepened ties with Africa in a bid to secure resource supplies and in return, fulfil the continent's demand for infrastructure.

Japan has been holding multilateral engagements with Africa and in 2016 The sixth Tokyo International Conference on Africa's Development (TICAD VI), held in Nairobi, Kenya. Japanese Prime Minister Shinzo Abe announced USD30 billion in investment to Africa, including about USD10 billion committed toward electricity generation projects and for the upgrading urban transport systems and ports.[1]

12.2.4 European Union in Africa

During the colonial era King Leopold II, the Belgians objectified Africa as a "magnificent cake" which would yield up resources and wealth for Europe. Even though the colonial rule of Africa lasted less than a century, it established a pattern of trade between the two continents, where Africa exported cheap raw materials to Europe and imported expensive manufactured goods back.

This relationship has been stronger with the individual colonizing powers maintaining ties and influence in the economy and polity of their former colonies. France signed a military pact with the Francophone countries of West and Central Africa and French companies still dominates the economies these countries. UK maintains strong ties with its former colonies, including regional powerhouses, Nigeria, South Africa, Kenya and Egypt.

These colonial ties are now subsumed under the rules of the European Union and the EU has sought to preserve these relationships in arrangements and agreements intended to maintain and develop raw materials access and production on the African continent. The first of the agreements between EU and Africa goes back to the Treaty of Rome. The Yaoundé Agreement marked the start of cooperation between the EU and the newly independent French speaking countries of Africa, and was later renewed (Yaoundé II) in 1969 with a focus on building infrastructure following the end of colonial rule. It should be noted that the Yaoundé agreement only included the Sub-Saharan African countries (Hole 2014).

In 2008 Resource Mineral Initiative was launched by the European Union in the context of rising commodity prices and the fear of losing access to raw materials crucial for European competitiveness. The RMI marked a shift in the EU raw materials strategy; from a rather passive approach where private companies had the responsibility to acquire their own resources, to a more pro-active approach were the EU plays an important role in facilitating raw materials extraction through raw materials diplomacy.

The Cotonou Agreement, signed on July 23, 2000. The Agreement had 102 signatories, 77 from the ACP and 25 from the EU, and it was supposed to run for

[1] https://www.un.org/africarenewal/magazine/december-2016-march-2017/africa-welcomes-new-trade-initiatives-japanese-investors.

20 years, with possible revisions every 5 years. It entered into force in 2003, and was revised in 2005 and 2010. With the Cotonou Agreement and the EPAs even greater pressure was put on Africa to lower its tariffs and remove all export restriction on raw materials.

The EU is Africa's biggest trading partner, accounting for 36% of Africa's trade in goods, worth €243.5 billion in 2017. EU was also the largest regional investor in Africa in 2016, making up 37.7% of FDI projects and 13.3% of capital investment. The UK, which has led Western European investment in Africa since 2010, saw its share of FDI projects ease from 10% in 2015 to 6.1% in 2016. The more notable decline was in FDI jobs, down by a significant 81.4% (EY 2017).

In contrast to the UK, France moved up the rankings, becoming the second largest investor. France invested in 81 FDI projects in 2016, up 39.7% on 2015, with total investment of USD2.1 billion, and creating 8087 jobs. With a 50% increase in FDI projects, Switzerland became the seventh largest investor in Africa, up from tenth position in 2015. Nigeria and South Africa were the largest destinations for Swiss FDI projects, securing 14.8% each, followed by Morocco.

12.2.5 Turkey in Africa

Turkey has joined the scramble for Africa as it seeks new markets for its burgeoning economy. Turkish engagement with Africa has increased in sectors such as education, tourism and manufacturing. Turkey's improving relations with African countries have also been reflected in the growing trade volume.

Turkey's trade volume with Africa totaled USD 19.5 billion in 2015, up 16% from 2008 and 258% from 2003. Turkey's export in 2003–2015 increased almost six folded and import has more than doubled in the same period. Turkey's share of Africa's trade volume rose to 2.35 in 2014 and the share of Africa in Turkey's trade volume was 8.7% in 2015. In 2003, they were 1% and 4.5% respectively. Turkish FDI (stock) in Africa has exceeded USD 6 billion in 2015 whereas it was less than USD 100 million in 2003.[2]

Turkish contractors have won contracts in Africa and continue to build Africa in 2015 and the volume of the projects undertaken by Turkish companies has grown to USD55 billion so far since the early 1970s. The trade with North African countries totaled USD117.5 billion, accounting for 66% of the total trade with the countries on the continent. In the last decade, the export of Turkish products was valued at USD121 billion while imports totaled USD58 billion. Turkey declared 2005 as the Africa year and this gave momentum to the political and commercial relations between it and the countries on the continent.[3] To bolster the relationship, Turkish Airlines established direct flights between Turkey and several African countries,

[2] https://www.trade.gov.tr/multinational-relations/turkeyafrica-economic-and-business-forum/turkey-africa-relations.

[3] https://www.dailysabah.com/business/2019/04/26/turkey-africa-trade-volume-totals-179-billion-in-last-decade.

while the Turkish government opened several embassies across the continent. To increase its influence on the continent, Turkey also holds an Africa-Turkey Economic and Business Forum.

12.2.6 India in Africa

India has two reasons to take an interest in Africa—it's deeply concerned about China's forays into the continent's strategic and economic space, and it's also mindful that it requires the support of its 54 nations if it is to realize its ambitions to become a permanent member of the U.N. Security Council (Brookings India 2015).

India is a latecomer in Africa, but as a demonstration of its pro-active engagement with the continent, the government has set ambitious trade targets with the continent has now been revised upwards to USD90 billion by 2015, up from the previous target of USD70 billion.

Africa-India trade jumped more than ten-fold from USD7.2 billion in 2001 to USD78 billion in 2014—making India Africa's fourth biggest trading partner, according to the UN Economic Commission for Africa. Investment from India is also significant. The total stock originating from India in SSA was more than USD12.9 billion as of 2012, accounting for 3% of the total FDI in SSA.

The total Indian foreign direct investment (FDI) outflows from India to the world from 2008 to 2016 are estimated at USD250.9 billion. Receiving investments of USD52.6 billion, the African continent accounted for about 21% of the total Indian investment outflows during that period. Indian FDI outflows to Africa grew from USD3.2 billion in 2008 to USD4.9 billion in 2016 (Chakrabarty 2017).

The growing ties between India and African nations has seen bilateral trade soar over the past decade, and India has established a number of pan-African institutions under the umbrella of the India-Africa Forum Summit for capacity building and human resource development across many areas, including the India-Africa Institute of Foreign Trade, the India-Africa Diamond Institute, the India-Africa Institute of Educational Planning and Administration and the India-Africa Civil Aviation Academy and the India-Africa Business Council.

India seeks ways of enhancing economic and commercial relations with Africa, especially in areas including agriculture, agro-processing, manufacturing, pharmaceuticals, railways, energy and petroleum and natural gas. As of now, India is in no position to take on China in Africa. There are over two million people of Indian origin in Africa, unlike China, the Indian government keeps an arm's length from the Indian community and did not officially grant them economic, diplomatic or political recognition.

India has traditionally concentrated on Mauritius, partly due to the ethnic links and the latter country's offshore financial facilities that are used as transit points of FDI to other countries. As for sector, India has focused on manufacturing such as textile and garment, construction and related activates, as well as services (ICT in particular). Most Indians in Africa have more affiliations with Africa than with India. Since liberalization, India trade with Africa has grown to USD78 billion in

2014. India now has its own summit with Africa, the India-Africa Forum Summit. The first summit was held in 2008 in New Delhi, followed by the second in 2011 at Addis Ababa, Ethiopia and the third in 2015 in New Delhi.

Africa's trade surplus with India is rising rapidly, albeit driven in large part by a narrow range of commodities. The top six African exporters, viz. Nigeria, South Africa, Angola, Egypt, Algeria and Morocco account for 89% of total African exports by value to India, thanks mainly to exports of oil and gas, ores and gold.

India was the eighth largest investor in 5 Africa in 2014 (World Investment Report 2016). Both Indian public and private sector companies have made significant inroads in Africa. For instance, the Oil and Natural Gas Corporation's overseas division, ONGC Videsh (OVL), is one of the most active Indian companies in Africa. On the other hand, private corporations like Reliance, Varun Beverages, Bharti Airtel, Essar Group, and the TATA Group have also made huge investments in many African countries. So far, 597 Indian companies invested in Africa between 2008 and 2016, totaling USD5 billion, the top 11 companies account for about 80% of the total Indian investment flows to Africa. Indian outward investment to Africa is thus heavily concentrated within a few large firms. In addition, there are a multitude of small and medium Indian enterprises operating in India's FDI flows to Africa and many are concentrated in Mauritius, which accounts for about 19% of Indian FDI flows to the world. From 2008 to 2016, Indian FDI outflows to Mauritius totalled USD47.6 billion. Only USD5 billion went to the rest of Africa which 4 represents only 2% of global Indian FDI and 9.6% of Indian FDI flows to Africa (Chakrabarty 2017).

12.2.7 UAE in Africa

UAE has joined a growing list of emerging market countries to increase its engagement with Africa. According to data released by UAE's Ministry of Foreign Trade, UAE's overall trade with six non-Arab African countries alone (Angola, Kenya, Nigeria, Ethiopia, South Africa and Tanzania) reached USD6.2 billion in 2010. That's a lot more than the third biggest (Italy, at USD4 billion) though still way behind China's USD36.1 billion. The report showed that UAE-led FDI rose 161% from 2015, when it pumped USD4.2 billion of capital expenditure into African projects. Gulf companies and governments invested more than USD30 billion in infrastructure development in Africa from 2004 to 2014.[4]

The main promoters of trade in the Emirate are Dubai and Abu Dhabi according to data from Dubai Chamber of Commerce and Industry, released at the event. Dubai has increased non-oil trade with the continent by 700% over the past fifteen years, according to the DCC. Abu Dhabi, meanwhile, has focused heavily on investing in infrastructure.

Trade between the UAE and countries that form the COMESA economic bloc has been on the increase in recent times. COMESA is the largest economic bloc of

[4] https://www.arabianbusiness.com/politics-economics/383195-the-importance-of-africa-to-the-uae-growth-story.

African countries with 19 member states that includes Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The UAE also hosts a Global Business Forum on Africa to increase its access to governments. UAE has position itself as the entrepôt for trade into Africa and its Jebel Ali Port is a logistic hob for several companies trading in Africa. The governments of the UAE have backed a wide range of initiatives aimed at promoting trade with Africa. So much so that Dubai is now one of the most popular places in the world to hold African trade events.

The Emirate has lent considerable capital to the construction of large-scale projects across Africa including a port in Eritrea, renewable energy projects in the Seychelles that include a solar farm, and an electric power grid on the island of Mahé, as well as the expansion of rural infrastructure in Uganda and Tanzania, jointly funded by the Abu Dhabi Fund for Development (ADFD).[5] Dubai Ports (DP) World has invested over USD440 million to build and manage a world class port in Berbera, Somaliland over a 30-year concession period. The UAE also built the Doraleh port in Djibouti.

12.3 Other Changes Happening in the African Marketplace

Added to the intensity in the scramble for Africa, there are changes taking place in the African market place that are changing the business landscape of Africa, in the process, they create opportunities and threats for African Lions.

12.3.1 Growing Consumer Markets

With a population estimated to be 1.7 billion by 2030, and an urbanization rate that is the highest in the world at 4% growth rate. Africa's economic progress and its 350 million middle class holds great promise as a consumer market. According to the World Bank's Global Consumption Database, total household expenditure on FMCG goods reached almost USD240 billion in 2010 for a sample of 39 African countries. Household FMCG expenditure was highest in Nigeria (USD41.7 billion), followed by Egypt (USD27.6 billion), South Africa (USD23 billion), Morocco (USD20.1 billion) and Ethiopia (USD19.2 billion). These figures are projected to grow further as incomes rise and the middle class expands (Deloitte 2014).

Other countries with fairly large FMCG markets in an African context include Kenya, DRC, Ghana, Ivory Coast and Tanzania. But Africa's huge consumer markets offers other opportunities and increasingly foreign MNCs are investing in sectors outside the primary sectors. Chinese companies are now involved in manufacturing and provision of infrastructure, American companies are investing in

[5] https://www.africa-business.com/features/uae-africa-trade.html.

tourism, retailing and power utilities. The United Kingdom is still significant in finance, mining and oil and gas. All this while AMNES are feeling the pressure of entry of new competitors into their market and market segments.

12.3.2 Reforms and Improved Business Environment

While geopolitical events outside the continent have led to interest in Africa, changes in the African market place is also being fostered by the actions taken by African leaders. As democracy gets better entrenched in Africa, the need to be accountable to the people has also increased and there is now an ever increasing need to deliver dividends of democracy to the electorate. Job creation and increased economic growth are motivations that are driving African leaders to seek FDI for their countries.

Some countries have an inherent advantage in attracting FDI because of their endowment of natural resources. But the capital intensive and specialist nature of resource exploitation means that usually these investments do not have linkages to the domestic economy and benefits few stakeholders. There is now a push towards developing the manufacturing and service sectors of the economy (Maré 2011).

Reforms has been implemented to make their countries attractive. These include improving tax codes, enactment and enforcement of effective anti-corruption and anti-money laundering laws, legislation to protect of property rights and creditors' rights, effective private sector regulation, and bureaucratic streamlining. African states have also worked at improving the domestic environment more generally to make it easier for Africa's own entrepreneurs to succeed.

Countries with large populations like Nigeria, Egypt, Congo, Tanzania and Ethiopia have an inherent advantage in attracting manufacturing and service FDI. Yet population also would not suffice, as the business environment has been proven to be a major influencer of FDI. African governments have taken huge strides to move their countries up the World Bank's Ease of Doing Business Index and the World Economic Forum Competitiveness Index and though Africa remains low on the index, there have been improvements over time. For those countries that have succeeded in improving their business environment, the reward has been increased FDI, even when the country does not boast of a huge population. The growth of Mauritius, Rwanda and Morocco as destinations for FDI in Africa is attributable to their high ranking on the Ease of Doing Business index.

12.3.3 A More Contestable Market

The African marketplace is transiting from being restrictive and state-led to being a more liberal and better regulated one. The competitors in the market have expanded as the profits that AMNEs have being able to extract from consumers have attracted other companies into Africa. The African market has become more competitive and contestable. In the Africa Competitiveness Report, the World Economic Forum concluded that competition in Africa has intensified in recent years due to mainly three factors (WEF 2011). The dismantling of previous state monopolies and increased privatization; the rise of domestic entrepreneurs challenging incumbent firms; and 3 the inflow of foreign firms, in particular the inflow of Chinese FDI has been subject to much debate.

Africa is becoming attractive to more MNCs because of her growing consumer market. Already Chinese, Indian, and other emerging market companies have joined the African marketplace, manufacturing products and providing services. These firms are challenging for market share with local incumbents. In a study on Chinese firms in Africa, McKinsey &Co estimated that there are now over 10,000 Chinese private enterprises operating in Africa, a number much larger than official figures. India.

This increased entry by MNCs into Africa's manufacturing and services sectors by consumer good manufacturers like Proctor & Gamble, retailers like Walmart and Carrefour, banks like Barclays and telecoms operators like Orange into countries like Morocco, South Africa, Kenya and Nigeria means increased competition for African Lions.

12.3.4 A More Diversified Marketplace

The African market place is moving away from its extractive root. Mining and oil still provide a larger part of the foreign exchange for resource rich countries. But countries like Mauritius, Ethiopia and Morocco that are not as resource endowed as Nigeria and Congo have expanded their economies through diversification that has seen expansion of manufacturing and services.

Manufacturing value added only contributes 10% of the GDP in Africa, but that figure is growing. Growth has, however, been more in the services sector which now contributes 60% of GDP (UNCTAD 2015). While MNCs like Unilever and Nestle have long been producers of most consumer goods on the continent, the entry of African Challengers and their rapid growth and expansion into MNEs is evidence of the profitability of the African marketplace.

AMNEs have by their growth made Africa attractive and more MNCs are entering Africa to manufacture goods and provide services than those entering to extract minerals. The success of AMNEs in manufacturing and services sectors has led to a more diversified market place. Increasingly, MNCs are entering and leisure, retail, construction, and utilities.

Chinese and Indian firms have their preference in the manufacture of textiles and apparels, shoe, building materials including pharmaceuticals, ceramic tiles and iron and steel (Chakrabarty 2017). American firms are expanding their investments in hotels and hydroelectric power. Turkish firm play in the education space. The role private sector has extended into utilities, and even social services including education and healthcare.

12.4 Will AMNES Survive in the Changing Jungle?

The changing marketplace creates uncertainties for Africa's nascent multinationals. The companies have grown and expanded primary on the back of their knowledge of the business climate in Africa. But as more players enter Africa, the market becomes more competitive. knowledge of the business environment may not be enough to stave off the increasing competition for market share.

However, there are still changes taking place that represents opportunities and threats to AMNEs.

12.4.1 Opportunities

There are a number of social evolutions going on that presents opportunities for greater investment on the continent, especially by African Lions. Projections for population growth, urbanization and the growth in the size of the consumer indicate that there still would be a large unserved and underserved markets in Africa. Some of the factors that represent opportunities for AMNEs include.

Populations growth: The United Nations (UN) Population Division estimates that the African population reached 1.16 billion in 2014. Although significantly smaller than that of Asia, the size of Africa's population is larger than any other continent. Furthermore, Africa's population is forecast to expand rapidly over the next 15 years. The UN Population Division forecasts Africa's population will approach 1.68 billion by 2030, more than 6% higher than the figure recorded 20 years earlier (United Nations 2015).

Africa is the world's second-largest continent with 20% of the total global land area. It is also the second-most populous, currently representing 16% of the world's population. The estimated population of 1.18 billion in 2015 is expected to increase to 2.48 billion by 2050, by which time it will represent percent of the global population (Canning et al. 2015).

According to the UN Population Division, there are 53 urban agglomerations in Africa with a population of more than one million. Of these agglomerations, seven house more than five million people. These agglomerations, in order of population size, are Cairo, Lagos, Kinshasa, Johannesburg, Luanda, Khartoum, and Dar es Salaam. Interestingly, as of 2015, Africa has two so-called mega-cities, with population of more than ten million. Cairo is also the ninth largest agglomeration in the world.

According to the World Bank, Africa's median age was 19.7 years in 2012, and it is expected to increase to 25.4 years in 2050, making Africa the continent with the youngest population. Estimates suggest the continent had a population of 226 million aged between 15 and 24 years in 2015. This is expected to double by 2045 (Canning et al. 2015).

Consumer growth: In the first decade of this century, Africa's household consumption grew rapidly, at 5.8% a year between 2000 and 2005, and 5.2% a year from 2005 to 2010. However, between 2010 and 2015, the rate of growth fell to 3.9%, reflecting the continent's economic slowdown. Nonetheless, Africa's private consumption was the fastest growing of any region except emerging Asia, and it outstripped that of Central and Eastern Europe, which grew at 2.3% a year between 2010 and 2015, and Latin America's 2.5% growth. Africa's overall consumer spending totaled USD1.4 trillion in 2015. This was significantly higher than that of India or Brazil, and more than double consumer spending in Russia (MGI 2016).

As the purchasing power of the African and the middle class expands, the African markets is transitioning to being a huge consumer market. According to the World Bank's Global Consumption Database, total household expenditure on FMCG goods reached almost USD 240 billion in 2010 for a sample of 39 African countries (World Bank Database).

Sub-Saharan Africa's GDP per capita in purchasing power doubled to USD 3831 between 2000 and 2016. During the same period, in North Africa and the Middle East it increased from USD 9914 to 18,175, reflecting a compound annual growth rate (CAGR) of 3.9% over the period.

Household consumption expenditure in 2013 was highest in Nigeria, reaching close to USD 377 billion. Nigeria was followed by Egypt and South Africa, where household consumption expenditure reached USD221 billion and USD213 billion in 2013, respectively. These three countries are by far the largest consumer markets on the African continent. Other large markets include Algeria (USD73 billion), Angola (USD63 billion), Morocco (USD62 billion), Sudan (USD53 billion) and Kenya (USD44 billion).

Manufacturing for the world: China's rapid manufacturing growth was based in part on its low labor costs, but this advantage is fast eroding. Average Chinese hourly wages rose from USD0.43 in 2000 to USD2.88 in 2013, an annual increase of 16%. This creates an opportunity for Africa (MGI 2016). In many of the continent's low-income manufacturing nations, labor costs are closer to China's in 2000. Some countries have already translated this advantage into rapid growth in labor-intensive manufacturing exports.

Tanzania, for instance, has achieved annual growth in such exports of 9% since 2004; Ethiopia's exports have grown at 12% a year. Already, a large contingent of Chinese firms are relocating some of their operations to Africa. AMNEs can enter strategic alliances with firms to shift manufacturing to their plants. This is already the case in Ethiopia. Ethiopia is investing in the necessary infrastructure that would attract more FDI to the country as the government seeks to make Ethiopia part of the Global Supply Chain. Already, Ethiopian shoe, textile and apparel industry is attracting global brands to the country.

Urbanization: The world, including sub-Saharan Africa, is undergoing the largest wave of urban growth in history. More than half of the world's population now lives in towns and cities, and by 2030 this number will swell to about 5 billion. Much of this urbanization will unfold in Africa, bringing huge social, economic and environmental transformations.

Continued urbanization will have a major impact and it is estimated that the urban population in Africa will increase to 56% in 2050 from 35% in 2010, making it the most rapidly urbanizing region in the world. From changing demand patterns and consumer tastes to pressure on supply chains, unprecedented shifts in demographics will affect the retail and consumer sector fundamentally (PWC 2016).

Policy improvements: African governments seek greater contribution to their GDP from the manufacturing and service sectors and have continued to enact policies that encourage private domestic and foreign direct investments in their countries. These policies represent opportunities for AMNEs as they include incentives that lower cost for investors.

As long as countries like Morocco, Nigeria, Kenya and Ethiopia continue their effort to attract FDI in their manufacturing and their services sectors using the instrument of policies like tax weaver and subsidies, there would opportunities for investment for AMNEs and MNCs (UNCTAD 2014).

Increased investments in infrastructure: Africa's infrastructure deficit is one of the factors that add to increased cost of production and limits Africa's competitiveness. Bad roads, poor power generation, lack of rail and poorly equipped ports add in making Africa's business environment challenging. Analysts have estimated that the total financing requirements is about USD92 billion per annum.

African governments have increased effort to provide infrastructure needed for the growth of private investment in their countries. Private sector investment drove growth of the telecommunication sector in Africa and governments are opening up and other sectors like power generation, ports operations, airports, roads construction to private investors and some are using options like Public-Private Partnerships to fund infrastructure development (Boston Consulting Group, African Finance Corporation 2017).

Funding for infrastructure has been expanded to include development finance institutions and the private sector, and governments are working out modalities of channeling domestically mobilized funds, including, sovereign wealth, pensions and insurance to infrastructure development. But it is China that is today the biggest source of funds for projects including roads, rail, bridges and ports on the continent.

While public sector budgets are critical as they establish the strategic framework within which support through external financing ought to be coordinated. Based on IMF estimates, countries in sub-Saharan Africa finance about 65% of their infrastructure expenditures—almost USD60 billion (about 4% of sub-Saharan Africa's GDP)—from their public sector budgets (this amount excludes financing from multilateral institutions) (Brookings 2015).

In absolute terms, South Africa dominates these expenditures with about USD29 billion (in 2012), with Kenya, the next country, only allocating about USD3 billion. Development practitioners advocate a benchmark or norm of 5–6% of GDP for infrastructure financing to sustain growth—although this number varies, understandably, by country needs and level of existing infrastructure. It is therefore not surprising to see wide variation across sub-Saharan Africa, with countries such as Lesotho, Cape Verde, and Angola investing over 8% of GDP and oil-rich Nigeria and fragile South Sudan allocating less than 1%.

Nigeria has privatized its power generation and distribution sector while Chinese funded rail project is being built across the country. Investments in improving port facilities are ongoing in countries like Nigeria, Morocco and Angola, while two large hydroelectric dam projects are being built in Congo and Ethiopia. Governments have also expanded the sources of finance for infrastructure development on the continent to include domestic revenues, DFIs, PPPs, natural resource-backed contracts, bilateral, and the like.

Investments in transport infrastructure like ports and rail have increased in pace especially with funding from China and UAE. Africa is a critical part of China's Belt and Road Initiative and South Africa, Kenya and Djibouti have benefited from Chinese funded rails, and ports. Dubai Ports (DP) World has invested over USD440 million to build and manage a world class port in Berbera, Somaliland over a 30-year concession period. The company had earlier built Doraleh Port in Djibouti. The impact of investment in road and rail infrastructure has already been felt by Morocco, which has commissioned a high-speed rail link between Rabat and Casablanca and a deep sea port in Tangier.

12.4.2 Threats

Changes in the African market place are throwing up realities that present a threat to the existence of AMNEs. These threats include long standing weaknesses in the business environment in Africa. Corruption, lack of infrastructure, poor governance and rule of law and the growing call for nationalization of private assets as well as the looming threat of acquisition by MNCs.

Targets of acquisition: AMNEs that have been able to achieve success have become takeover targets for international companies. The acquisition of AMNEs is made easier as there are a number of investors who want to cash in on their investment and are thus amenable to selling successful AMNEs and African Challengers to MNCs. The home and personal care category is dominated by multinationals such as Colgate-Palmolive, PZ Cussons, Beiersdorf, Johnson & Johnson, Procter & Gamble and Unilever. In 2013, French beauty giant L'Oréal acquired the health and beauty business of Kenyan company Interconsumer Products, maker of the Nice & Lovely range of beauty products that are priced for emerging middle-class consumers.[6] American retail giant, Walmart struck a USD2.4 billion deal in 2010 to pick up a 51% stake in Massmart, which has stores in 13 other African countries, while Protea Hotel was acquired by Marriot.

This threat looms large as macroeconomic shock often leads to devaluation of currencies which make African assets cheaper. That, and the fact that AMNEs still purchase their machinery and issue debts instruments and bonds in foreign currency. Most of the debt was to finance their rapid Get Big fast expansion strategy.

Aspen Pharmacare, Africa's largest drug manufacturer has found itself in quagmire over its debts. Its difficulties in paying off its debt has led a fall in its valuation market valuation on the Johannesburg Stock Exchange in 2019. In Egypt, Kellogg in 2015 announced two acquisitions it made in that market, first the company acquired majority shares in 60 years old biscuit manufacture Bisco Misr[7] as well as the acquisition of a family owned cereal maker, Mass Food Group.[8]

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[6] http://venturesafrica.com/loreal-buys-outkenyas-nice-lovely-kinuthia-becomes-a-billionaire/.

[7] https://www.prnewswire.com/news-releases/kellogg-company-completes-acquisition-of-majority-stake-in-bisco-misr-300021126.html.

[8] http://newsroom.kelloggcompany.com/2015-09-28-Kellogg-Company-Acquires-Mass-Food-Group-Egypts-Leading-Cereal-Company.

Other considerations other than debt may have led to the sale of some other AMNEs. Wal-Mart Stores acquired South Africa's Massmart Holdings in 2011 while Marriot also acquired Protea, Africa's largest hotel chain.

Increased consolidation by MNCs: The rapid growth of Africa's Lion has triggered to a response from MNCs operating on the continent. Leveraging on their better access to capital and technology, MNCs are fighting back against African Lions that have robbed them of revenues, market share and profits, through increased consolidation and new green field investments.

A case in point is the consolidation undertaken by Lafarge Africa. Following the phenomenal expansion of Dangote Cement across Africa, Larfarge-Holcem, which is the largest producer of cement on the continent changed their organizational structure to better respond to the changes in the market and increasing threats from the African Lions. The company has embarked on a number of new greenfield investments to modernize its factories and expand capacity. Telecom operator, Orange, the mobile arm of France Telecom is also expanding its footprint in Africa by acquiring assets across Africa.[9]

Threats of policy changes, nationalization and political risk: Politics is never too far from business in Africa and some countries have elements within their political class that are calling for more government control of some sectors of the economy. The rhetoric of populist politicians presents a possible a threat, as the investments of AMNEs are usually the target politicians in their home and host markets.

This has led to inconsistencies in policy which has been the bane of several African governments. Policy changes are a major contributor to uncertainty in the business environment. This view of the role of private capital in the economy has led to reversals of sale of public assets following privatization. This creates mistrust of governments and contributes to high perceptions of uncertainty in Africa.

While policies like local continent laws may benefit local businesses, the African political class continue to be divided on the right course of action to take to promote development in their various countries. Policy changes in the oil and gas sector in Nigeria, and minerals sector in Congo has led to investors reining in their planned investments.

There has been increasing calls for nationalization of private assets in South Africa, home of half of Africa's lions. Politicians insist that this is the only way to address the imbalance in the distribution of wealth in the country. This, and call for the redistribution of land in the country is creating new tensions among the business community. Under such circumstances, additional investment in sectors like agriculture may have become less likely.

Even though such policies had been carried out in Zimbabwe, Uganda and Nigeria with a negative toll on the economy, it remains attractive and may be responsible for the sense of urgency by some South African companies to expand out of their home markets in order to diversify their risk.

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[9] https://www.business-standard.com/article/companies/bharti-airtel-sells-burkina-sierra-leone-biz-to-orange-116011300126_1.html.

Meanwhile, Africa continues to suffer political upheavals, insurgencies and wars. Tension remains in at the horn of Africa and the Maghreb region. Elections are periods of increased political risk. Civil war in South -Sudan has severely affected the investments of Kenyan, Tanzanian and other AMNEs that expanded into the country. The Boko Haram insurgency in Nigeria has been a dampener on the Nigerian economy since 2014. Egypt, Zimbabwe, Algeria, Sudan and Ethiopia have suffered from varying levels of protest that attack the economic heart of the countries.

Macroeconomic risk: The volatility of African economies to macroeconomic shock remains a big threat to AMNEs. Heavy reliance on commodities leaves several African countries exposed to fluctuation in the value of these commodities. Added to this, several countries are reliant on just one commodity or only one sector for their foreign exchange earnings. Despite high growth rates, continued investments in infrastructure and social projects like health and education are part of the efforts of African government to improve their ranking on the Human Development Index. These investments limit, curtail investments in infrastructure that would attract more investor to the economy. A case in point is South Africa where investments in social services has led to shortfalls in investment in the power infrastructure, whose growth was not able to keep pace with the expansion of the South African economy. The country is now faced with load- shedding by the power utility Eskom which is encumbered by a USD30 billion debt the savings buffer African countries require to ride through fluctuations in commodities prices.

Severe balance of payment constraints usually forces African governments to devalue their currency and in so doing upset the projections of investors. Dangote Cement lost USD5.4 billion as the Nigerian currency was devalued in 2015 following a fall in price of oil. The economies of Algeria, Angola and Egypt were similarly affected.[10]

Poor Business Environment: The business environment in Africa continues to be challenging despite the efforts of several governments to improve the ease of doing business and country competitiveness. Infrastructure and other externalities like security weigh heavily on the cost of operating business on the continent. African countries continue to rank low on measures like the World Bank's Ease of Doing Business Index, The Country Competitiveness Index of the Word Economic Forum, the Logistic Performance Index and the Corruption Perception Index of Transparency International.

Effort to improve institutions and regulatory frameworks have become subjects of intense battles in several legislature and when eventually laws to improve business environment are enacted, there is still a lot of confusion as regard implementation. Even then, some countries have made advances in improving their business climate. Despite the impressive movement of countries like Mauritius, Rwanda and Morocco, however, a majority of African countries continue to wallow at the lower rungs of these indexes.

[10] https://www.bloomberg.com/news/articles/2016-08-31/nigerian-billionaire-aliko-dangote-s-wealth-plummets-chart.

Increased presence of Chinese and Indian companies: There is a growing influx of foreign owned firms into Africa. Among the most prolific of these entrants are Chinese and Indian companies. There are now close to 10,000 Chinese business in Africa. These firms are in direct competition with African challengers. Several seek out sectors where they have comparative advantage to enter.

Using machinery from their home country, Chinese and Indian firms have manufacture pharmaceutical, consumer electronics, textile and apparels, construction materials and water and sanitation products. These foreign firms challenge local incumbents, and in some sectors have eaten into their market share. The impact of Chinese entry into Africa was felt most in the textile and apparel manufacturing industry where Mauritian, South African and Madagascan textile companies found themselves struggling to compete with Chinese firms.

Another Chinese company, StarTimes is posing a strong challenge to the dominance of MultiChoice in Africa. StarTimes is a state affiliated but privately-held pay television company.[11] StarTimes is partnering with African state broadcasters and other organizations to provide both new channels and digital satellite infrastructure. Its influence is only likely to increase, as research predicts that this company will be the biggest beneficiary of the pay TV market subscription growth in the coming years in Africa. Digital TV Research claims StarTimes subscribers, currently at around 7.75 million, will have jumped to 14.85 million by 2024.

The company traverses vast but previously disregarded territories in within countries such as Uganda, Zambia, Guinea, Botswana, Ghana, Senegal, and the Democratic Republic of Congo for an operation called the 10,000 Villages Project. DSTv, owned by MultiChoice which is part of South Africa's Naspers, targets the most affluent viewers, offering the English Premier League and UEFA Champions League, but StarTimes is step-by-step making incursions at the cheaper end, providing the Europa League, Bundesliga, and last year's FIFA World Cup.[12]

Chinese firms have also entered sectors where African firms are not dominant players. Chinses consumer electronic firm Transsion focused its growth and expansion on the African continent. The Hong Kong founded firm targeted African consumers across the continent including in Nigeria, Ghana, Kenya, Uganda and Rwanda by offering the African consume the features they seek in a phone like longer lasting batteries, dual sim phones and cheaper alternatives to high-end phones like Apple and Samsung. Using product extension Transsion offered three phone brands, Techno, Itel and Infonix. The company now holds the largest market share for smartphones on the continent. Transsion now assembles its phones in a factory in Ethiopia.

The entry of India's telecoms giant Bhati airtel into Africa in 2010 was the largest Indian investment on the continent then. The acquisition of the assets of Zain put India's largest company in direct competition with the largest African telecoms

[11] https://thediplomat.com/2019/02/how-a-pay-tv-company-isserving-up-a-soft-power-win-for-china-in-africa/.

[12] Angela Lewis: https://thediplomat.com/2019/02/how-a-pay-tv-company-is-serving-up-a-soft-power-win-for-china-in-africa/.

company in lucrative markets like Nigeria, Kenya and Congo. The market position of MTN was not adversely affected but Airtel has consolidated and sold its loss making units as well as its base station and towers. With a presence in 16 countries in Africa Airtel represents a quite threat, a rival that is patiently waiting for a strategic mistake from its rival.

12.4.3 Strengths

The greatest asset AMNEs have over foreign competitors is knowledge of the African market place. This deep understanding allows AMNEs to be flexible in their investment decisions and relationships with suppliers. An investment in power generators is done without hesitation because of its importance to operations. Expenditure in building relationships with suppliers is viewed as a strategic necessity as it builds trust, limits opportunism and limits exposure to unreliable legal and judicial systems.

In sectors such as agribusiness, manufacturing and services, AMNEs have devised innovative ways of sidestepping limitations in supply chain, opaque regulatory framework and weak institutions. In the midst of Africa's challenging business environment, they continue to grow by investing in aggressive domestic and host country expansion and still make profits. A good illustration of this is in the retails sector. The advent of established retail brands into their home countries is driving African retailers to focus on business model development. This includes seeking to improve sourcing and speed-to-market lead times, and updated and diversified offerings that are comparable to those of international players. This is accentuated in the South African market (Deloitte 2015).

As international retailers increase their competitive footprint in the African market, they are faced with an African retailer with competitive advantage in established supply chain operations with access to local suppliers of products and manufacturing bases enabling them to reduce operating costs; as well as clear understanding of local cultures, languages and tastes.

The same is also true for the manufacturing sector. In expanding aggressively through the grow big fast strategy, AMNEs have created a barrier for risk averse MNCs whose focus on political and macroeconomic risks keeps them paralyzed and slow in making investment decisions.

12.5 Conclusion

In what some has called a "new scramble for Africa", Africa has attracted interest from more countries who seek her rich mineral resource and her growing consumer market. Trade between Africa and China, India, Turkey and other emerging market countries have grown exponentially as countries seek more engagement with Africa. The changing patterns of engagement—which have led Washington and Europe to reassess their stance towards the continent—are reflected in trade. China supplanted the US as Africa's biggest trading partner back in 2009.

In the midst of these increased engagement, AMNEs have shown the role of indigenous private investments in the economies of Africa, they have used efficient deployment of resources to establish plants and factories, employed the best talents including locals and foreigners to run their businesses, increased availability of goods and services for the African consumer and generated huge profits in the process.

By their success in Africa, Africa Lions have made MNCs rethink their strategy in Africa and forced them to increase their investments on the continent. Their success has also attracted emerging market MNCs from China, Brazil, India, Turkey and UAE among others.

In spite of Africa's well-documented problems of business environment, African companies still turn in good profits. This has prompted more MNCs from the developed and emerging countries to entered the African market especially in light of Africa's growing population and middleclass. Chinese, Indian and Turkish MNCs are now competing with AMNEs. This has made the African market more competitive.

AMNEs also face the increasing risk of political upheaval and policy changes on the continent. Another reoccurring risk, and one that has shaped the strategic decisions of AMNEs, is currency risk and other macroeconomic shocks due to fluctuations in the price of commodities.

The African Lions though can be assured that their biggest comparative advantage remains their deep knowledge of the business environment in Africa. They have used this knowledge to forge relationships that has helped them mitigate against risks despite the reality of weak institutions on the continent.

The success of African Lions has led to a more competitive marketplace. In the same vein, threats have cropped up as governments policies and initiative to improve the business climate and attract FDI has led to increased entry by MNC into Africa, thus posing a threat to AMNES.

But AMNEs can continue to leverage on their knowledge of Africa, to remain competitive.

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