

Friday@Noon on Foreign Investment in Africa: 2018

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The NTU-SBF Centre for African Studies publishes a weekly newsletter on issues relevant to Africa. This paper is based on issues addressed in the newsletter.

Africa has been the recipient of foreign investment from a variety of foreign countries. In addition to the normal investors such as China, Japan, India, etc., we are also seeing new entrants or countries that are making a comeback. The countries identified below are also not meant to be the only investors, but have been noted in the general media.

China in Africa

China has been quite active in Africa for the past number of years. In addition to participating in infrastructure development contracts, it has also been financing a lot of Africa's debt. It is still Africa's largest trade partner. A prominent development in 2018, was China's outreach to African governments to participate in the Belt and Road Initiative (BRI), as well as the hosting of the Forum on China-Africa Cooperation in Beijing.

China's activities in Africa was quite visible as early as the first 2 weeks in January 2018. China's state-owned Sinopec was punted to buy Chevron's assets in SA and Botswana. Sinopec was competing for the assets with Glencore, who made a US\$973 million bid. Sinopec had engaged in discussions with the Economic Development Department (EDD) to ensure that its strategy in South Africa was aligned with the EDD's policy on industrial and economic development. The assets include a 100,000 barrel-per-day oil refinery in Cape Town, a lubricants plant in Durban and 820 petrol stations and other oil storage facilities. It also includes 220 convenience stores across South Africa and Botswana. Sinopec has given additional commitments to the government, including investments over 5 years post acquisition to upgrade the Cape Town refinery into a world-class plant. It also pledged to develop the fuel marketing business by introducing small and black-owned business as fuel retailers. Sinopec said it will also establish a development fund targeted at small and black-owned businesses, thereby increasing the level of local procurement of goods and services.

China is becoming more visible in South Africa. It has invested in various sectors, such as mining, wine, urban development and now the petrochemical industry. It is interesting to note the withdrawal of a US company and it being replaced by a Chinese state-owned company. In a certain way, one could conclude that this is a trend becoming more visible in Africa. It also reflects a general move from the West to the East, with Africa increasingly turning away from the West towards countries such as China. There is also the question of the sway China has over African governments, given the level of investment in Africa by China's government. What is also interesting above is the commitment of Sinopec to develop the industry to the benefit of small and black-owned businesses in SA. This is an important imperative to rebalance the level of ownership in the South African economy, giving the black middle and upper class a greater stake in the economy.

China's EximBank has approved US\$1.3 billion in financing for a utility-scale hydroelectric plant in Guinea. The 450MW plant is expected to produce sufficient capacity to export to Guinea's neighbouring countries. The China Water Electric (CWE) began building the dam in December 2015, with construction expected to take about 5 years. The loan will be reimbursed through

electricity sales to neighbouring countries by a joint venture between the Guinean state and CWE. Only about 25% of Guinea's population has access to electricity due to failing infrastructure and mismanagement of the sector.

China has met with the leaders of Namibia and Zimbabwe, undertaking, amongst others, to deepen cooperation with them under the framework of the BRI. This shows that the BRI is available for many African countries and not just Kenya, Djibouti and Egypt. China and Zimbabwe have upgraded their relationship to a 'comprehensive strategic partnership', which constitutes high-level cooperation in the fields of economics and politics. The two countries pledged to deepen cooperation under the framework of the BRI. During a similar visit by Namibian President Hage Geingob, President Xi Jinping and President Geingob agreed to elevate China-Namibia ties to a comprehensive strategic and cooperative partnership. China undertook to find better synergy between the BRI, the Africa 2063 Agenda, the UN's 2030 Agenda for Sustainable Development and Namibia's Harambee Prosperity Plan to achieve a win-win cooperation.

China has always maintained that the BRI was an inclusive initiative and not exclusively meant for the benefits of the few. In addition, its political coordination mechanism, which includes bilateral and multilateral cooperation, is currently utilized on multiple levels, such as the Forum on China-African Cooperation (FOCAC), as far as Africa is concerned. The BRI aims to enhance the roles of bilateral and multilateral cooperation mechanisms, using the existing cooperation mechanisms to intensify communication and promote regional cooperation. These 2 principles open up the pool of countries in Africa that could participate in the BRI. The above 2 case studies confirm this interpretation. Both Zimbabwe and Namibia have discussed participation in the BRI with China's president and both are far removed from a narrow interpretation of countries eligible for participating in the BRI. It is also encouraging to see President Xi Jinping linking the BRI with the AU's Agenda 2063 and the UN's SDGs (both multilateral agreements) and Namibia's Harambee Prosperity Plan. This approach links efforts to increase prosperity for one country with the efforts to increase wellbeing for the greater whole.

Chinese-owned C&H Garments provides work for 1200 Rwandan workers in Kigali's SEZ, producing different styles of clothes in 2 workshops. They make uniforms of the Rwandan military, police, immigration department and school. C&H is supporting the Rwandan government's initiative to encourage domestic production of certain goods currently imported and promote export diversification through a "Made in Rwanda" campaign. Twenty percent of clothes made by the factory are sold in Rwanda, while 80% are sold to Europe and the USA. The withdrawal of the AGOA benefits from Rwanda textile products has affected C&H's business as many USA companies have stopped giving them orders. This follows a decision by East African countries to raise tariffs on second-hand clothing imports, in order to promote local manufacturing capacity in garment and other industries. C&H is now focusing to get orders from Rwanda, Africa at large and Europe.

Visits by China's President Xi Jinping and India's Prime Minister Narendra Modi to Rwanda and Uganda in 2018 signalled their growing interest in East Africa. In Rwanda, President Xi signed 15 bilateral agreements and concessional loans, and reiterated China's endeavour to have a "mutual understanding" with Africa on equal terms. China will fund projects in road construction, hospital renovation and the development of the airport. PM Modi donated 200 cows towards Rwanda's One Cow per Family poverty eradication initiative, on top of a US\$200 million loan from India's Exim Bank for the development of industrial parks, irrigation schemes and the expansion of the Kigali SEZ, with the message that India and Africa are looking to work together towards development. Bilateral relations between Rwanda and India or China will ensure that they secure markets for Asian exports that are produced in bulk, such as leather, agriculture and pharmaceuticals products. India intends to open 18 new embassies across Africa, adding to the

29 it already has. China currently has 43 embassies across Africa. Xi's approach and commitment to pump billions into development in Africa, could alter the global power play.

As far as China is concerned, it has not always been plain sailing. The new Sierra Leone government quitter recently stopped the project to build a new airport. The Mamamah airport construction was going to cost US\$400 million, through a loan agreement between the former government and China. The Chinese were also contracted to build, manage and maintain the airport. Critics of the project had questioned the cost-benefit of a new international airport, especially as the existing airport at Lungi is struggling to achieve its full capacity, because of fewer international passengers every year. The existing Lungi International Airport has recently been redeveloped with over US\$200 million funding from the World Bank. Stopping the Mamamah project makes economic sense for a country that is struggling to pay for the delivery of healthcare, education, and access to water and electricity. The government is planning to develop Lungi as a commercial and tourist hub, including the construction of an international conference centre, new road infrastructure, and an improved supply of water and electricity and is looking for private sector partners for collaboration in the various projects mentioned.

China has frequently been accused of lending too much money to African governments, in the process putting them in debt distress. Examples in Africa recently mentioned include Djibouti and Zambia. At the latest FOCAC meeting in China, President Xi Jinping made it clear to African government leaders that they should refrain from spending money on "vanity projects." This new airport can 100% be seen as one that falls within the scope of the definition of "vanity projects." The decision by the new government to scrap the project of US\$400 million must therefore be lauded, more so given that the existing airport had recently been upgraded at a cost of US\$200 million, and that the tourist numbers are dwindling. Spending more on education and business development in the sectors of tourism and infrastructure (roads, water and electricity) makes much more sense. The government is looking for private sector partners, opening up doors for investors from all over.

Speaking about Africa's indebtedness, Africa's external debt payments doubled between 2015 and 2017. According to the Jubilee Debt Campaign, repayments grew to 11.9% in 2017 from 5.9% of their revenue in 2015, fuelled by an increase in loans from multiple lenders, a fall in commodity prices, and a rising dollar value. Of the external debt owed by African governments, 35% is to multilateral lenders, 32% to private lenders, around 20% to China, and 13% to other governments. To counter Africa's debt challenges, new rules must make all lenders publicly disclose loans to governments at the time they are given. The IMF must also stop responding to debt crises by bailing out lenders, incentivising them to continue lending recklessly. Lenders must rather be made to restructure and reduce debts. World Bank figures show US\$72 billion is owed to China, with US\$40 billion owed to the Paris Club and US\$18 billion owed to other governments. China is actually not in the league of top creditors of Africa. Of the 16 African countries rated by the IMF as in debt distress or at high risk of becoming so, on average only 15% of their debt is owed to China.

China is made out to be the boogey man in the debt challenge of many African states. Most recently, the examples of Djibouti and Zambia were held up as text book examples of how Africa is being placed in a challenging situation by China, for the latter to snap up prime properties in the case of default, as had happened in Sri Lanka. The question is once again, to what extent are lender countries required to play the role of the conscientious banker that must ensure that the borrower has the means to repay the capital and interest before they are lent the money? China's president seems to be sensitive towards criticism that his country is enslaving Africa with debt, to the extent that he warned African governments against "vanity projects." Is this a case of too little too late? The figures above do indicate that only 15% of the debt owed by debt distressed countries is to China. It would be interesting to see to whom the other 85% is owed. The fact of

the matter is that Africa should be its own guardian as far as debt levels are concerned. A good example is that of Sierra Leone, who scrapped the new airport project. Vanity projects, or any project that does not produce the returns to repay the capital borrowed and interest payments (social development projects are different, sure) should be scrapped as a point of departure. Bailing out lenders by the IMF is not doing Africa a favour either.

A worrying recent development, which would see African governments getting access to more Chinese debt, was recently announced. A Chinese banking conglomerate wants to buy African infrastructure debts from the government starting next year, repackage them into securities and then sell them to investors. The new proposal could be problematic as it could put African countries in more debt. For Chinese financiers, developers and multilateral development financial institutions, this will offer further opportunities to make money from Africa. Hong Kong Mortgage Corporation will buy a diverse basket of infrastructure loans next year and explore the idea of “securitising”, allowing it extra liquidity that it can use to finance more infrastructure projects. African economies owed China and its institutions more than US\$29.42 billion as at April 2018 in infrastructure loans. This securitisation plan comes at a time when many African governments are seeking to either restructure their debts with China or get friendlier terms.

Reading about this development raised thoughts about the 2008/09 global financial crisis. With an eventual total capital investment of between US\$4 and US\$8 trillion for the BRI, should such a securitisation exercise go wrong, it will have a far more devastating impact on the global economy than the 2008/09 financial crisis. While it will have the benefit of releasing more funds for infrastructure and other development in Africa, it does run the real danger of exacerbating the debt levels of many African countries, to an eventual extent that it becomes unsustainable. This is already the case for some. It cannot be denied that there will be potential investors who would want to tap into the available returns in the infrastructure development sector, and to whom the securitised assets will be attractive. The challenge will be when the ultimate borrower, i.e. African governments, defaults due to too high debt burdens and inability to repay.

In Namibia, a recent development entailed Rio Tinto signing an agreement with China National Uranium Corporation (CNUC) to divest of its 68.62% stake in the Rössing uranium mine for US\$106.5 million. The transaction is subject to certain conditions precedent, including merger approval from the Namibian Competition Commission. The company would work closely with CNUC to ensure a smooth transition and ongoing sustainable operation at Rössing. Rössing is the world’s largest open cast uranium mine, and was scheduled to start closing down from 2025. However, they have recently discovered 20 new pits next to Husab Uranium mine that will take them to 2032 and beyond. According to the Namibian (local newspaper), with the sale, China will now have complete control of Namibia’s active uranium production, with China General Nuclear (GCN) owning the Husab mine next to Rössing.

Egypt has been the recipient of a strongly growing Chinese tourism stream since a “comprehensive strategic partnership” was agreed upon in 2014 — which encompasses trade, investment and political ties. The numbers of the Chinese tourists more than doubled in 2017 to 300,000 from 130,000 in 2016. Egypt exported US\$408 million worth of goods to China in 2017 — 60% more than in 2016. Egypt has reached out to Russia and China to diversify its foreign relations. Egypt is keen to attract Chinese investors to the big infrastructure projects that are a major part of Sisi’s economic policy, including the building of a new capital. During Sisi’s visit to Beijing in September 2018, he signed deals worth US\$18 billion with Chinese companies covering a railway, real estate, energy projects and an oil refinery. Chinese companies have close to US\$6 billion of investments in Egypt. More than 80% of these were made in the last 4 years. Cumulative Chinese FDI in Egypt totalled US\$24.3 billion. Egypt was diversifying its sources of financing; while China was involved in building a railway in Egypt, locomotives and train carriages were being bought elsewhere.

China has been sending high level leaders to Africa far more regularly than other countries. The Chinese Foreign Minister's annual visit to Africa is a remarkable tradition. The Chinese leadership have made a total of 79 visits to 43 different African countries over the past decade. There is no other country that can boast such a record. China doesn't (yet) appear to favour the East African region over others, even though the region appears as the entry point for China's BRI. Nor does China seem to favour richer countries. China has visited 26 of the total 33 African countries that are classified as least developed. These visits from high level Chinese dignitaries are conveying a message to Africa, namely that China views it to be important. This message is backed up by high levels of support in infrastructure development. This is one of the reasons Djibouti had no qualms granting China the right to build a military base in Djibouti, in spite of USA opposition. In contrast, there were many reports on what the current US president thinks of African countries. Africa is therefore clearly experiencing two vastly different approaches.

Russia in Africa

Other foreign powers have also started to become more visible in Africa. This does not mean to say it is their first outreach to Africa. Russia has also decided to join the competition for influence and trade in Africa. Russia had agreed to supply Sudan with a small-capacity floating nuclear plant to produce electricity within 8 years. The project is part of a plan to generate more than 5000 MW by 2020.

Russia has also reached out to Ethiopia. The two countries have agreed to reinforce diplomatic and economic relations to raise the level of their . They will enhance ties in the economic area, including trade and investment, as well as in peace and security. They also undertook to work on nuclear energy for peaceful purposes and to boost the work of an intergovernmental commission for the sake of implementing joint projects in a number of domains such as energy, biological research, and direct flight connections ,amongst many others. Russia will also work with Ethiopia for the peaceful resolution of security issues in the horn of Africa, such as South Sudan.

This now makes it clear that Ethiopia has become a country of importance. We have also seen China reaching out to Ethiopia in a meaningful way with support in a number of areas. In addition to building railways from Addis Ababa and supporting other ventures, China is encouraging Chinese textile companies to relocate to Ethiopia.

Russia's promise to "work with Ethiopia for the peaceful resolution of security issues in the horn of Africa," must be giving the USA sleepless nights. However, as the saying goes, if you snooze, you lose!" While the USA, China, France, Italy and Japan have military bases in Djibouti, and Germany and Spain troops are hosted by the French, Russia does not. It therefore seems they have avoided overcrowding the already busy environment of Djibouti by cooperating with Ethiopia – thereby still obtaining a strategic presence in an area whose importance seems to be increasing on a continuous basis. It must be said that Djibouti refused Russia permission to develop a military base on its soil. Subsequently, Russia developed a logistics base in Eritrea.

Tanzania has also welcomed Russian investors to the investment opportunities and incentives available in the country. Tanzania opened its doors to investors to benefit from investment prospects, particularly in the manufacturing, railway and pharmaceutical industries. Investment opportunities are also available in the construction sector, real estate, agriculture and infrastructure development. The Tanzanian government believed that it and Russia could improve both the volume of trade and investment should they exploit the available opportunities. Tanzania has undertaken to create a conducive environment for investment, including fighting corruption and enhancing the efficiency of the courts. Russia reaffirmed its commitment to foster a close relationship with Tanzania, with the Russian ambassador emphasising his support to Tanzania, maintaining that Russia is a reliable development partner.

As indicated above, Russia's expansion into Africa is not only in the military domain, but also in the economic sector. Russia is now involved in various countries, from Egypt, Algeria, Morocco and Sudan in the north, to Mozambique, Angola, Namibia and Zimbabwe in the south, to the Central African Republic in Central Africa, to Nigeria in West Africa and to Ethiopia, Rwanda, Tanzania and Uganda in East Africa. One specific focus area of Russian investment is the development of nuclear power plants in Africa. Given the critical shortage of electricity in Africa, there are various countries quite keen to take up Russia on this opportunity. Currently, China is still by far the largest contributor to investments in infrastructure development in Africa. It will be interesting to see to what extent Russia will grow its involvement on the continent.

Rwanda is another example of an African country that has embraced the opportunity to develop ties with Russia. The Rwandan government has signed a memorandum of understanding with the Russian state-owned nuclear group Rosatom. This MOU will be focusing on cooperation in the peaceful uses of nuclear energy. This is the first agreement between the two countries regarding the peaceful uses of atomic energy. Under the agreement, the two parties will deepen cooperation in the upstream and downstream nuclear power industry chain, including the development of a nuclear infrastructure in Rwanda. It is expected that Rwanda and Rosatom will also set up joint working groups that will identify specific cooperation projects.

This is a continuation of a trend that is becoming increasingly more visible. Russia had reduced much of its footprint in Africa after the demise of the former Soviet Union. Although there were military ties in some cases (e.g. Central African Republic and Sudan), the focus of most visits has been economic by nature, with nuclear energy infrastructure figuring strongly in the Russian sales pitch. We will no doubt see a lot more Russian interaction in Africa over the next few years.

South Africa has also grown its investment ties with Russia. The trade volume between Russia and SA increased by 26% to almost US\$800 million in the first 9 months of 2018. Russia hopes it will reach US\$1 billion by the end of 2018. SA accounted for 20% of Russia's total trade with all countries in the region. SA believed more could be done, e.g. exporting a number of SA's agricultural products, building partnerships on water and agricultural technology, and education and skills development. Russia and SA have signed an agreement for the implementation of joint projects in the market of platinum group metals, as well as on the exploration, extraction and processing of mineral resources until 2025. Russia and SA are also working on joint projects in nuclear energy, subsoil use, oil and gas, and projects in agriculture.

While China has tied up the ownership of Namibia's uranium mines, Russia seems to be shopping for platinum in South Africa. As it is, Russian Foreign Minister Sergey Lavrov visited Zimbabwe in March 2018 to revive a stalled platinum project. A Russian SPV, OJSC Afromet, is reportedly the Russian representative in the joint venture in the Darwendale platinum mine. The platinum group metals apparently have a variety of potential defence uses. Lavrov's 2018 trip to Zimbabwe included the signing of cooperation agreements in the military sphere and an effort to re-invigorate the platinum project. With the agreement with South Africa on the platinum group metals, Russia could be in a very strong position regarding control over this resource in Southern Africa. Russia also visited Namibia in March 2018, during which Lavrov stated that Russia and Namibia were preparing to sign an agreement on the peaceful uses of nuclear energy, which will enable joint construction of a nuclear power plant in Namibia. We are therefore seeing China and Russia expanding its influence in Southern Africa, as they have done elsewhere on the continent.

USA in Africa

In response to China's initiatives, the then USA Secretary of State Rex Tillerson had visited countries in Africa in March 2018 to convince Africa to rather support the USA in competition with China. The countries included Ethiopia, Kenya, Djibouti, Chad and Nigeria. A focus is the rise of

China as an economic and diplomatic power to rival the West. While Tillerson insisted that Africa is important to America's interests, critics maintained that recent US engagement with Africa has been focused too narrowly on ongoing counterterrorism battles. Tillerson's own plan to slash the State Department budget for diplomacy and aid by 30%, left him poorly prepared to match China's targeted investment. US exports to Africa during 2017 fell to just under US\$22 billion (US\$38 billion in 2012). In 2016, Chinese exports to Africa were more than US\$80 billion and imports from Africa less than half that. China plans to give US\$60 billion in loans and export credits to African countries before 2020 and Chinese loans already far outstrip those of the World Bank. The US military has been complaining that the US civilian commitment to Africa is lagging behind the competition. The Chinese are building facilities in Djibouti and a lot of infrastructure. President Trump also caused some upset in Africa when he referred to African countries as "shitholes."

Tillerson's trip to Africa has a number of possible objectives. Firstly, he needed to convince African governments that Trump's reference to them as "shithole" countries was reported out of context and that it was not true. He would have had a difficult job in this regard. Secondly, he needed to convince African leaders to not become too dependent on China as a provider of financing. Whereas being overly dependent on a single country is always bad, not providing them with an alternative is not helpful. Thirdly, somehow the USA needs to project themselves as caring about Africa. China has succeeded in positioning themselves as the frontrunners in this regard. Even the USA military are complaining about this, as well as that the focus of the American effort is too military-oriented. The bottom-line is that Trump has created an impression that he does not really care about Africa.

Much more recently, in November 2018, the USA awarded US\$60 billion to the International Development Finance Corporation (IDFC), which will spearhead the financing of infrastructure projects and open avenues for US companies to increase investments in Africa. East Africa will probably be the primary beneficiary in Africa of the fund, which was created to increase the USA's influence in Africa and rival the growing influence of China in Africa. The IDFC will oversee the funding of infrastructure projects like roads, ports, energy, railways and dams in Africa. The IDFC's US\$60 billion is available for investing in both equity and debt in infrastructure projects across emerging markets. It's a sign the USA acknowledges that Africa is demographically destined to be a focal point for global commercial competition, given its population of 1.2 billion, growing economies and political stability. While the US remains Africa's largest donor, committing US\$12.2 billion in 2017 for health, education and agriculture, China and its agencies dominated in infrastructure projects (US\$75 billion). In September, China committed an extra US\$60 billion in development finance during the FOCAC summit in Beijing.

This is in addition to the US\$60 billion for infrastructure and other development in Africa China promised at the FOCAC 2015 summit in Johannesburg. Japan has promised US\$30 billion for investment. India's total investment in Africa is ~US\$40 billion. Russia is also coming to the party, albeit at still low levels. Whereas there always have been a number of USA corporations invested in Africa, the USA has recently been lagging in the race for Africa's goodwill. Some of the USA's generals in Africa have made the point that they cannot compete with the likes of China, given the support the latter was giving to its allies in Africa. When the Djibouti government gave China the green light to build a military base in the country, and the USA objected, the response was that should the USA invest commercially to the same extent that China does, their point of view would be taken seriously. The creation of the US\$60 billion fund to oversee the funding of infrastructure projects like roads, ports, energy, railways and dams in emerging countries, is therefore a very timely initiative, although long overdue. USA companies can now get the financial support for investing in both equity and debt in infrastructure projects across emerging markets. Not all US\$60 billion will be for Africa though. Still, this is a giant leap forward for USA companies interested in investing in Africa's infrastructure projects.

Turkey in Africa

Turkey has also been continuing the expansion of its footprint in Africa. Amongst others, Sudan has been the recipient of Turkish investment pledges. The Vice-President of Turkey, Fuat Oktay, recently pledged to increase Turkey's oil and agricultural investments in Sudan. He stressed that Turkey would contribute positively to enable the Sudanese to benefit from their rich oil, agricultural and animal resources. According to the VP, Turkey had provided Sudan with expertise in education and health, and described the joint military cooperation between the two countries as very distinct. He also pledged to enhance cooperation in the fields of energy, agriculture, electricity, livestock, transport, aviation, health and education. Turkey would also open a bank in Sudan to facilitate trade between the two countries. In addition, the VP promised to increase the flights of Turkish Airlines to Khartoum and Port Sudan to promote tourism. There are currently 288 Turkish investment projects in Sudan.

A Turkish company undertook to support Sudan's Central Bank with US\$2 billion, which would be used for importing petroleum products and wheat. The agreement came within the context of the trade and economic cooperation between Sudan and Turkey. Turkish businesspeople were urged to establish a system to process Sudan's gold and integrate them with Turkey's gold exchange market to provide overseas finance for Sudan. Five consortiums were created with Sudanese and Turkish business executives in the fields of construction, energy, mining, agriculture and machinery. Whereas some countries are casting a doubtful eye on Sudan, others are seeing the opportunities waiting to be exploited.

It is clear Turkey is stepping in to help Sudan survive. It shares the limelight in Sudan with China and Russia, with Qatar also making an impact. In spite of all the support Sudan is getting, it is still struggling under a major liquidity squeeze, with serious cashflow shortages. Given Sudan's strategic position along the Red Sea, it is strange to find no Western world country investing in any serious way in Sudan. The investment opportunities are many, in spite of the many challenges.

In East Africa, Tanzania businessmen and traders have been urged to be aggressive and grab the partnership opportunities being offered by their counterparts from Turkey. Turkish investors have shown a keen enthusiasm to invest in Tanzania. Most of them are eager to team up with local partners. Areas which appeared to be of more interest to potential Turkish investors, include agriculture, construction, industries, energy, and the hospitality industry. Some of them were willing to invest in Tanzania immediately. Financing of projects appear to not be a problem for Turkish businessmen as they have many funding sources. President Erdogan proposed that African countries shun international currencies in favour of their local currencies when engaging in international trade, as this was one way of waging a struggle for economic independence.

Turkey is clearly intent to increase its footprint on the continent in a significant way. In this regard, its Middle East neighbours have also recognised the potential that Africa presents. In the one corner we have Qatar, who frequently finds itself on the same side as Turkey. In the other corner, Saudi Arabia and the UAE are also reaching out in a meaningful way, even though it is mainly in East Africa. Although some of them are seemingly more intent to position themselves for geopolitical reasons rather than for business and trade, others are investing increasingly in business opportunities (including trade) in Africa. Turkey seems to be falling into the latter category. Slowly but surely Africa is finding an increasing number of investors. These investors are moving into Africa in spite of the risks, recognising that most risks can be mitigated.

Qatar in Africa

The GCC states have also started to target Africa in a more focused manner. Qatari businessmen have expressed an interest to explore investment opportunities in Cote d'Ivoire's agriculture, mining, tourism, and real estate sectors. A recent meeting between stakeholders from both countries focused on ways of enhancing economic and trade relations between Qatar and Cote d'Ivoire and the establishment of business alliances and partnerships between Qatari and Ivorian businessmen. The visit of the Qatari emir to Cote d'Ivoire last year established a roadmap to both countries' relations at various fields, especially in the economic and investment opportunities. The Qatari dignitary said "the Ivorian economy is open" and offers various investment incentives for foreign investors. President Ouattara encouraged Qatari businesses to invest in his country and benefit from the opportunities it offers in the agricultural, industrial, and real estate sector.

Qatar is the largest exporter of LNG in the world, and has the third largest reserves. It does realise that this is a finite asset, and has been investing in assets in various countries. Cote d'Ivoire has significant natural resources in various fields, and is among the world's largest producers and exporters of coffee, cocoa beans, and palm oil. Yet it is a poor country. Having Qatar invest in it, is an obvious way to stimulate the economy to the benefit of all. It is also interesting to see Qatar's expansion into Africa. In itself a very small country, with less than 2 million inhabitants, of which less than 300,000 are Qatari's, it is punching far above its weight. Africa has become a focus of its rulers, both in West and East Africa.

Qatar's Minister for Foreign Affairs also visited Sudan to boost the strategic relations between the two countries in the various domains. In addition, a number of British businessmen expressed their willingness to invest in Sudan in the fields of alternative energy and agro-industrial projects, especially after the lifting of US economic sanctions, pointing out that Sudan has promising opportunities for investment.

India in Africa

The competition for Africa between India and China appears to be heating up. China has its BRI, and has recently stated that the whole of Africa can participate in the BRI. India subsequently responded with its Asia-Africa Growth Corridor. The AAGC will be focusing on 7 countries in East and Southern Africa, as well as 4 Indian Ocean islands. The two initiatives are not really comparable, as the BRI is vastly superior in scale and scope. Having said that, this has not stopped the competition between India and China in Africa. During a recent visit of PM Modi to China, the 2 countries leaders agreed on a number of issues, but PM Modi refused to back down on the AAGC. The outreach of these 2 Asian giants to Africa raises questions about the unwillingness of other countries to launch similar initiatives of a comparable scale. Turkey is an example of a country that is increasing its footprint in Africa. We are also seeing Russia reaching out, although it still has a long way to go to reach a similar footprint.

Africa needs partners who have made a long-term decision to remain invested. Japan has a strong technological knowledge base to offer Ethiopia and Africa. This is exactly what its contribution is stated to be in its partnership with India in the Asia-Africa Growth Corridor. Contributing towards a stable and inclusive economy and society will go a long way to help African governments deal with their socio-economic challenges. Africa is also in dire need of technically trained people. This kind of contribution will help Africa a lot.

Japan in Africa

Japan was clearly eager to avoid the challenges associated with the high level of indebtedness of the African countries. It made it clear that it would assess the economic viability of projects and debt sustainability of African countries before granting them loans as it pushes for high-impact projects that can generate enough income for loan repayments. Japan undertook to push for sound debt management by African governments and will insist on transparency, openness, and economic efficiency. They will also look at projects' lifecycle costs as well as the debt sustainability of recipient countries before funding them. Japan and China have recently been wooing Africa with project loans as they jostle for influence. Japan has provided more than US\$10 billion in infrastructure loans to Africa the past 3 years. It has avoided the China model of government-to-government funding, preferring aid agencies and private sector financing.

Japan is projecting itself as a responsible lender, paying the role of a good banker who would not lend money to a bad risk. Private sector financing does bring a different dimension as they do not have the luxury of either recouping non-performing loans or writing them off. This way you make sure no vanity projects will be adopted. This is also one of the major points India and Japan have been emphasising in their Asia-Africa Growth Corridor, i.e. that China's GtG funding has certain negatives, which the private sector route does not. It will be interesting to see whether China would also move to involve the private sector or whether it would play the role of the conscientious banker itself at government level.

In a recent interview with Japan's ambassador to Ethiopia, HE Shimizu, he stated that Africa is becoming a very important continent, also for Japan. The size of its population is important, as is its growing economy. The relationship between Japan and the AU or the African states is growing deeper every year. By establishing a new mission to the AU, Japan intends to tackle economic, political and social challenges on both sides. There are many global issues that need cooperation between Japan and Africa. Four major topics were to be discussed at the recent TICAD meeting: trends and changes in Africa and its cooperation with Japan; economic transformation for inclusive growth; creating a healthy, sustainable and stable society; and strengthening connectivity in Africa and beyond. TICAD has offered Africa and Ethiopia the following: social stability to ensure shared prosperity and structural economic transformation through economic diversification and industrialization. African countries also need the requisite human resources. To support this gap, Japan has provided training for more than 48,000 Africans since 2013.

Singapore in Africa

Singapore has also increased its footprint in Africa in 2018. Singtel announced it would invest US\$250 million in Airtel Africa (Airtel) to tap into Africa's growing use of mobile money and mobile wallets. Airtel has secured US\$1.25 billion from international investors, which includes Temasek Holdings (Singapore) and Softbank Group International (Japan). Airtel is a subsidiary of Bharti Airtel - which has operations in 14 African countries, including Ghana, Kenya and Nigeria. Singtel holds a 39.5% effective stake in the parent company. With only 25% of Africa's population having access to formal banking services, mobile money has become the engine for financial inclusion for both individuals and small businesses. Singtel's investment into Airtel is an indication of their confidence in Africa's long-term growth potential with its young and growing population.

The margins in the mobile telephony market are quite high, delivering very attractive returns. Vodacom, for example, delivered an EBIT margin of 26.8% in its latest financial results announced in June 2018. Mobile telephony has also been playing a major role in increasing the level of financial inclusion on the continent. In Kenya, for example, the level was 42% in 2011. This increased to 75% in 2014, and subsequently to over 80% in 2016. In 2017, M-Pesa reported 32

million customers across Africa. The growth potential in Africa for mobile money is still enormous, making the sector an attractive investment opportunity.

The Nordic Countries in Africa

Other non-traditional investors include those from the Nordic countries. Nordic businesses are tapping into opportunities in Ethiopia despite challenges in the business environment. Potential investors and policy makers discussed the exploitation of these new opportunities at a recent conference. There are great opportunities in long-term projects, especially in local production of any kind, whether for export purposes or domestic consumption. The industrial parks, access to bank loans, financial incentives and access to new sectors like Telecom, energy and logistics are clear signals by the government showing the willingness to change, learn and support both local and foreign investors. Local pharmaceutical production, import of medical equipment and technologies, improving e-health systems, knowledge transfer and capacity building are some of the investment opportunities in the country in the health sector. The 5 university hospitals in the country are all expanding and looking for partners and investors to either collaborate or sign turn key agreements with. There should be a greater focus on developing the export sector by means of financial incentives and training local companies in export management.

These Nordic corporations include the likes of the well-known Ericson and H&M. The opportunities in Ethiopia are vast for those with the requisite risk appetite. It is good that the Nordic countries, which include Denmark, Finland, Iceland, Norway and Sweden, have targeted Ethiopia. Bringing their business acumen and technology competencies to Ethiopia can only benefit the latter. It is also an indication that they have trust in the future of Ethiopia, including in the governance of the country. The fact that the whole Horn of Africa is stabilising to a greater extent, with Eritrea and Ethiopia normalising their relationship, and Somalia also reaching out, creates a region that is becoming much more attractive than used to be the case a few years ago.

Egypt as Source and Destination of Investment

Egypt has frequently been punted the last few years as an attractive business environment and investment destination. It is interesting to note that since Sisi took over as president in 2014, Russia has also become more prominent in Egypt. In addition to building a 2000 ha industrial park along the recently revamped Suez Canal, Russian tourists are also increasing in numbers. It is estimated Russia will invest around US\$4.6 billion in the construction of the industrial park by 2035. Egypt is therefore clearly not depending on China as an investment and trading partner. Also, it is clear that it is finding allies outside of the USA and the EU.

It is not only Turkey that has demonstrated an interest in Tanzania. Egyptian investors seem quite keen as well. While Tanzania has competed for foreign investors with Ethiopia, its business reforms are increasing its attraction. The Egyptian investors are interested in business opportunities in agro-processing, textiles and construction materials. They were also impressed by the strategic and geographical location of Tanzania, surrounded by other EAC countries that offer them a bigger market for expansion into the region. The Egyptians are also keen to launch their ventures into the SADC through Tanzania. Tanzania offers various additional benefits, such as industrial parks, EPZs, and raw materials. Infrastructure improvements such as electricity and water will reduce operational costs for investors.

However, one has to raise concerns over the actions of President John Magufuli. His latest move has been to fire his ministers of Agriculture and Trade over the issue of low cashew nut prices, as well as disband the cashew nut board. He also ordered the army to buy up all the cashew crops in Tanzania, after he had ordered a 94% increase in the cashew price. This is but one of

his latest interventions. The Acacia Mining case study is well known, as are his actions to curb press freedom. He seems to be very sensitive to criticism in the media. Whilst his actions to gain control over the agri-economy can be criticized (depending on where one stands, i.e. are you a farmer or cashew processor), the entry of Egyptian investors is an indication of support. It remains to be seen to what extent current investors will remain in Tanzania. Some of them might actually disinvest and exit via a sell-out to the Egyptians.

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