

Made in Africa: Prospects for Manufacturing in Africa

Moderator

Karim Anjarwalla, Managing Partner, Anjarwalla & Khanna

Panellists

1. Prakash Kejriwal, Director, Indorama Corporation Pte Ltd
2. Robin Smith, Group Commercial Director, Libstar
3. Tony Stenning, Managing Director, East & Southern Africa, Bolloré Africa Logistics
4. Venkataramani Srivathsan, Managing Director & Chief Executive Officer, Africa & Middle East, Olam International

Mr. Anjarwala set the scene for the panel discussion highlighting 3 themes:

1. Theme 1: Manufacturing scene in Africa

- Africa is a commodities hub, not a manufacturing hub.
- Manufacturing amounts to 1.5% of global manufacturing; of these, primary and intermediate goods make the bulk of manufacturing.
- Manufacturing opportunities in Africa are profound and there is much room for growth.
- Generally, the operating environment is tough.
- There are massive variations for manufacturing in the 54 African countries. For example, Nigeria is focused on import substitution while South Africa's focus is export.
- While manufacturing is dominated by South Africa and Nigeria, growing manufacturing markets can be found in Kenya, Ghana and Ethiopia.

2. Theme 2: Intra- African trade and the case for manufacturing within Africa

- Compared to other regions of the world, intra-African trade is low, accounting for 12%. The statistics for other regions are: Intra-Western Europe trade 61%, APAC 39%, Eastern Europe 31%, Latin America 21%, and Middle East 10%.
- Manufacturing accounts for 9% of African GDP. Within the countries, manufacturing as a percentage of GDP varies. For example, Nigeria and Tanzania average 9%, while Ethiopia is at 5%. This shows the huge potential for manufacturing on the continent.

3. Theme 3: African trade blocs and the impact on trading

- The trade blocs are COMESA, SADC, ECOWAS, ECCAS and EAC.

4. Theme 1: Key markets, opportunities and challenges

- Key markets centred around West Africa for Mr. Kerjiwal (Indorama) and Mr. Srivathsan (Olam). For Mr. Smith (Libstar), South Africa was

- the key market with a possibility of venturing into East Africa. Mr. Stenning (Bolloré Africa Logistics) had operations across Africa.
- There are opportunities for providing world class products made in Africa. An example was Indorama's products made in Nigeria for export initially and now the domestic market too. Mr. Srivathsan also noted Africa's big market for products with consistent quality and affordable prices. Mr. Stenning emphasized the huge opportunities to invest in logistics infrastructure. This is necessary to reach the hinterland. For instance, Kenya and Ethiopia are investing in rail infrastructure.
 - Challenges included huge investments in industry infrastructure such as Indorama's jetty in Nigeria. Businesses need the mindset that infrastructure may have to be provided. Other challenges stated included identifying suitable partners and existing manufacturing plants to work with, providing solutions to immediate logistics and other infrastructural needs such as power. Two questions were seen to be pertinent: 1) How do we make Africa more competitive in a global market? 2) How does manufacturing business produce and distribute at a cost competitive with the rest of the world?
5. **Theme 2:** On Intra- African trade, Mr. Kejriwal, highlighted the reasons for low Intra- African trade, such as poor logistics and transport connectivity. This problematic infrastructure situation, while in itself problematic for Africa, provides opportunities for foreign investors.
6. **Theme 3: Trade blocs and their impact on trading:** the panelists considered: 1) whether the trading blocs were bringing Africa together and making trade and trade flows more easy; 2) whether they have made movement of goods easier; 3) how important they are for business planning; and 4) what difference they have made to business. In summary:
- COMESA seems to begin to work quite well. The trade blocs were significant in identifying where to locate business in order to take advantage of the markets. For instance, Tanzania is in EAC and SADC, but not COMESA.
 - For some companies, trade blocs have historically had little meaning and relevance. However, with them developing plans to venture into East Africa, trade blocs will be relevant for choosing manufacturing locations. For instance, COMESA.
 - From a logistics and historical point of view, EAC trade bloc with the exception of Tanzania has worked quite well. The EAC trade bloc has been successful in enabling the free movement of goods in Kenya, Uganda and Rwanda. Although the free movement of labour still has a long way to go in the EAC, there is now better movement between Kenya and Rwanda. Looking positively, there has been good progress

and benefit to EAC economies. SADC seems to be designed to benefit South Africa, calling for a rebalancing. Overall, the trading blocs are a good thing, encouraging trade.

- Concerning the ECOWAS trade bloc, there was a need for political will as well as logistics solutions for trade movement in the region. For example, it is cheaper to import biscuits from Asia to Ghana rather than Nigeria to Ghana, because of logistics cost.