

African Union

- **Africa:** The Institute of Security Studies has produced a paper that explores the changing power capabilities of Algeria, Egypt, Ethiopia, Nigeria, and South Africa (the 'Big Five') over the next 25 years. Ethiopia and Nigeria are forecast to increase their power capabilities, whereas Algeria, Egypt and South Africa are expected to stagnate or decline. These five countries are expected to shape the future of Africa due to their demographic, economic and military size, and their historical role as regional leaders. Collectively they account for 40% of Africa's population, 60% of its economy, and 58% of its military expenditure, a situation that is expected to continue till 2040. Africa is expected to remain at the margins of power and influence globally, even by 2040, despite the sustained high levels of growth and an ongoing broad transformation on the continent over the period. With the possible exception of Nigeria, African countries will remain minor powers, with associated implications for their influence over issues of global governance. The Big Five will have a significant impact on whether the 'Africa rising' story materialises or not, because of their demographic, economic and military size. The findings are that Ethiopia and South Africa have largely punched above their weight – meaning that they are able to influence more international actors, institutions or regimes than would be expected on the basis of their capabilities. Algeria and Nigeria, on the other hand, punch below their weight, while Egypt punches above its weight internationally but below its weight in the African context. There is a clear distinction between the status quo powers (Egypt, Algeria and South Africa) and the emerging African powers (Nigeria and Ethiopia). Ethiopia and Nigeria's stars are rising as far as capabilities are concerned, although Nigeria is the obvious frontrunner and Ethiopia is coming from a very low base. Ethiopia's rise is in line with its actual power projection and growing influence in the region. Nigeria, on the other hand, is the only African country that in terms of capabilities has the potential to emerge as a globally significant player. If Nigeria were able to deal with the governance issues and social challenges that currently beset it, it could become Africa's lone superpower. However, it has been punching well below its weight. Despite being by far the largest economy in Africa, successive Nigerian presidents have wrestled with internal instability, high levels of corruption and a political economy of violence. (Cilliers, J., Schünemann, J. & Moyer, J.D. 2015. Power and Influence in Africa: Algeria, Egypt, Ethiopia, Nigeria and South Africa. Institute for Security Studies: African Futures Paper 14. <https://www.issafrica.org/uploads/AfricanFuturesNo14-V2.pdf>. March.)
- **Implications:** It is clear that the future of Nigeria could be rosy, should it be able to deal with the problems the authors have identified. President Buhari will have his work cut out for him to start Nigeria on this path to "become Africa's lone superpower". What is interesting is the potential power situation of Ethiopia. It still deemed to be a very poor country, but one that has grown in leaps and bounds. It will be interesting to see what happens to the political climate in Ethiopia once all the citizens enjoy high levels of prosperity, and the potential of instability increases. Should the authors' view of Algeria, Egypt and South Africa pan out to be a future reality, it would be indeed a sad case, even more so in the case of South Africa.
- **Africa:** Friday@Noon addressed the issue of a renewable-energy boom in Issue 3, and showed upon 6 shifts in the energy market. These include the dropping of solar power prices, etc. Two countries have recently been mentioned in the press in this regard. Botswana's Shumba Coal stated it planned to develop a solar power station to generate up to 200 megawatts (MW) of electricity due to struggles with power shortages. The project would initially produce 100MW and increase to 200 MW over an unspecified period of time. Shumba Coal sees solar energy as complimentary to coal-based energy projects. Power from the station would supply upcoming copper mines in the Kalahari copper belt, which are currently not connected to the national grid. In Uganda, Access Infra Africa, a Dubai-based company, plans to launch Africa's largest privately owned solar plant in 2015, part of a larger plan to develop mainly renewable energy projects in 17 African countries, including in Egypt, Ghana,

Uganda, Tanzania, Kenya and Mozambique. The company no longer sees solar power as an exotic power solution, but as a real contender in any power generation mix. According to the IEA, by 2040 renewable energy would account for about 45% of the power generating capacity of SSA. (Smith, M. 2015. Uganda set for Africa's largest privately owned solar plant. BDLive – www.bdlive.co.za. 9 June; Anon. 2015. Botswana firm plans solar power plant to produce up to 200 MW. Sharenet – <http://www.sharenet.co.za/> 30 June.)

- **Implications:** Solar energy brings with it the opportunity to grow Africa's economy in ways that would ensure a sustainable future. The inability to ensure reliable supply, as well as the negative climate effects of coal-driven energy, makes renewable energy increasingly more attractive. Add to this the increasingly lower cost of renewables, and it is crystal clear why the above phenomenon is starting to becoming very popular. Africa should strive to adopt solar, which it has so much of, as the backbone of its energy business model, and in the process leapfrog the route the industrialised countries have gone. In this way, in the long-term, costs would become less of a nightmare, and high levels of economic growth more attainable and sustainable.

East Africa

- **Kenya:** Kenya expects 20 companies (half of which are already in Kenya, while the other 10 are from India, Sri Lanka and Bangladesh) to start investing about \$80 million in its textiles industry after the Africa Growth and Opportunity Act (AGOA) was signed last week. AGOA allows Sub-Saharan African (SSA) countries to export products to the USA without tariffs or quotas, for a further 10 years. According to the Kenyan Minister of Industrialisation and Enterprise, Adan Mohamed, the companies had been waiting for the AGOA extension before investing. Accessing the US market is considered a very large opportunity for Kenya. Kenya is the leading exporter of garments under AGOA in SSA. Mohamed said Kenyan companies earn about \$400 million a year exporting garments made from imported fabrics. These exports are important to Kenya, as it needs to reduce its current account deficit and ease pressure on its currency. The minister stated Kenya wanted to increase the export earnings from AGAO to \$10 billion over the next 10 years. The main challenge facing the textile industry was staying competitive on labour costs, while increasing productivity. (Miriri, D. 2015. Kenya sees 20 firms investing \$80 mln after U.S. trade pact extended. Sharenet – <http://www.sharenet.co.za/> 2 July.)
- **Implications:** Friday@Noon addressed the possible delay of the signing of AGOA in an earlier issue. It is clear that the preferential treatment of African companies is benefitting Africa to a great extent. It is also clear from the article that the deal also attracts foreign companies to tap into the upstream activities, and in the process creating value both for themselves and for Africa. It also appears that Africa needs to address its competitiveness as far as labour cost is concerned. The author does make the point that high productivity could offset higher labour costs. This productivity is in turn a factor of education and capacity building. As previous issues of Friday@Noon have stated, companies operating in Africa need to address this capacity building should they want to be sustainable in their African operations.
- **Ethiopia:** Ethiopia seems to have been really taken notice of, as is evident in the first article of this issue. Their strong economic growth of the past few years, however, must be seen against the backdrop that 90% of GDP is driven by agriculture and other services. It also faces several constraints slowing down its transformation into an industrialized economy. According to the World Bank, in order to become a manufacturing hub of note in Africa, it would need to develop a skilled labour force and improve its investment climate. In this regard it needs to increase its productivity, improve the management practices of its firms, improve on the delivery of products and services, and improve the reassignment of resources from lagging firms to more dynamic ones. In order to grow sustainably, it requires growth in the industrial sector for sustained long-term growth and poverty reduction. To

accelerate manufacturing growth, Ethiopia is implementing an ambitious Industrial Park program, where the strategy is to attract FDI in the export-led and labor-intensive manufacturing sector. Several challenges need to be addressed in order for Ethiopia to accelerate its structural transformation and significantly expand light manufacturing, which is vital for sustaining economic growth and development. According to the World Bank, the following policy recommendations would contribute to the development of manufacturing in Ethiopia: increase productivity through skills development; improve access to finance for firms, especially for SMEs; address binding constraints, including access to land and electricity; improve tax administration and simplify the tax system; improve trade logistics, customs procedures and trade regulations, to promote export and FDI; simplify business entry regulations and processes to promote a dynamic and thriving business sector; and use a strategic and phased approach to develop industrial parks based on best international practices. (World Bank. 2015. Africa: Transforming Ethiopia Into a Manufacturing Powerhouse Requires Skills Development and Improved Investment Climate. AllAfrica – <http://allafrica.com/> 8 July.)

- **Implications:** There can be no denial that Ethiopia has managed to grab the headlines when reading about Africa, as various articles in Friday@Noon have highlighted. The government and business leaders of the country would do well to heed the recommendations of the World Bank in order for them to evolve into a manufacturing hub capable of sustaining a vibrant and strong economy. They would do well should they look towards SE Asia and countries such as Singapore to see how to create a policy environment that would enable highly productive and imaginative business leaders to grow the economy.

Southern Africa

- **South Africa:** South Africa became a member of BRICS in 2010. During the meeting of the BRICS countries in South Africa in 2013, the creation of the New Development Bank (NDB) was announced. By July 2015, the creation of the NDB had been ratified by China, India and Russia, with South Africa expected to present its ratification papers at the next meeting of BRICS in July 2015. The members of BRICS were clear that the NDB was not to be seen as a replacement of Western institutions such as the World Bank and IMF, but as complementary to it. The purpose of the NDB is to provide money for infrastructure and development projects in BRICS countries. Given this, the question has been asked, what does BRICS hold for Africa. However, up to now one really has to look at the contributions of the individual BRICS members to understand the contribution of BRICS to Africa. The obvious large contributors to the economy of Africa are China, India and Brazil, while Russia is not really a player in the same sense as the rest. In a recent interview (9 July 2015), the president of South Africa, Mr. Jacob Zuma, clearly stated that South Africa and the African continent had benefited from economic cooperation with BRICS partners. From South Africa's perspective, there had been a 70% increase in South Africa's total trade with BRICS, with last year's total trade with BRICS at R382bn, up from R268bn in 2011. Africa, in turn, had doubled its total trade with BRICS since 2007 to \$340bn in 2012, projected to reach \$500bn in 2015. Zuma was also of the opinion that BRICS partners should deal with the challenges of poverty, inequality and unemployment, as the adoption of an ambitious global development agenda would provide new opportunities for cooperation in ensuring the implementation of the agreed global development goals. Zuma stated the balance of power had progressively shifted towards the BRICS regions, where its economies were also cooperating in high-technology sectors of the economy; modernising various branches of industry; implementing projects aimed at developing transport logistics, information communications and infrastructure; raising the economic competitiveness; and improving the living standards of citizens in member countries. (Quintal, G. 2015. SA, Africa benefiting from Brics – Zuma. News24 – <http://www.news24.com/SouthAfrica/News/SA-Africa-benefiting-from-Brics-Zuma-20150709> 9 July.)

- Implications: It seems that South Africa and Africa both have a lot to benefit from cooperation with BRICS. The newly created and soon to be operationalized NDB also seems to be providing flexibility to BRICS members, and makes for an exciting future for African states disillusioned by the prescriptions of the World Bank and IMF, amongst others. How the NDB and the African Development Bank would cooperate, if at all, is another interesting issue. Whether African states needed BRICS as an institution to grow, is another question, seeing that the most of the BRICS members are already (and have been for quite a while) intensively involved in Africa. The focus on issues such as the development of Africa's infrastructure and formally dealing with poverty, unemployment and inequality should it appear on the formal agenda of BRICS, would make the institution much more relevant to Africa and its people.

The implications stated above are the personal opinions of the editor and do not reflect the point of view of the Centre for African Studies.