

African Union

- **Africa:** Thailand is encouraging its companies to start investing in certain countries in Africa, such as South Africa, Ethiopia and Tanzania. There are already Thai companies involved in various countries in Africa.

Thailand has encouraged its companies to start investing in emerging markets that have opened for foreign investment, including Ethiopia, the UAE, India, South Africa and Tanzania. According to the Board of Investment (BoI) of Thailand, Thai investors should not overlook these 5 countries as their economies have strong potential with lower production costs, particularly labour costs. Ethiopia was interesting as it is an African country whose economy tends to grow rapidly. The World Bank forecast its GDP to grow by 8.3% this year. South Africa has fertile soil, which could be suitable for Thai agriculture-related businesses looking to expand. It also welcomed investment in agriculture, fisheries and industry sectors. Tanzania could be an attractive destination as it is open to agriculture and farm processing businesses from Thailand. For more information, read: <http://bit.ly/2v9d3HN>.

CAS View: Thailand has already been quite active in Africa for decades. A very popular brand of rice in South Africa, Tastic Rice, is supplied by a Thai family business, i.e. Riceland International. Riceland has also been exporting rice to Nigeria, amongst others. Thai technology and knowledge is also visible in the cassava industry, also in Nigeria. Thailand's BoI provides advice to its business community along the same lines as does International Enterprise Singapore and Singapore Business Federation. During the visit to Africa by the Thai Prime Minister in 2013, Mozambique, Tanzania and Uganda were visited. Various memoranda of understanding were signed, with Thailand undertaking to not only support investments in these countries, but also to facilitate trade and investment by businesses in these countries in Thailand. The BoI has been laying the groundwork in Africa for the past 8 years, when it undertook its first investment mission to the continent with a visit to Nigeria. Since that time, BoI representatives have made numerous visits to Africa to promote investment collaboration and cooperation and to introduce Thai companies to the benefits offered in Africa. This can only work to Africa's benefit, as Thailand represents a deep well of knowledge and competence in various industries, some of which they are world experts.

- **Africa:** Africa's real estate environment is a challenging one, but does present numerous opportunities for those with a positive disposition towards Africa.

According to Standard Bank, a positive approach has never been more essential than in Africa's current real estate environment. Africa's commercial real estate sector is currently a tenants' market. In Nigeria, challenges importing goods is keeping smaller businesses under pressure, forcing landlords to continue offering tenants discounts, or capped US\$-based deals. New malls remain at 50-60% occupancy levels as tenants shy away from the more expensive US\$-based rentals, or remain unsure of whether they will be able to get prohibited, non-essential, stock through ports. Similar concerns follow the office rental environment as businesses adopt a wait-and-see attitude, deferring office moves, upgrades and corporate office expansions. This means that commercial real estate developers are struggling to convert Africa's resilient consumer demand into competitive rentals. In Nairobi, a better regulatory setting, an easier business environment, and a more diverse economy collectively contribute to a more resilient tenant profile and higher occupancy. Nairobi's commercial real estate market, is, however, the exception rather than the rule in Africa. When projects don't perform as anticipated, African commercial real estate developments require more patient funding structures, which can be achieved through the correct ratio between debt and equity. For more information, read: <http://bit.ly/2q7JIXJ>.

CAS View: Africa is in dire need of housing infrastructure. A few forces are driving this need. First, the population of Africa is growing strongly. The current population of 1.2 billion is set to grow to 2 billion by 2050, and to 4 billion by 2100. Coupled to this, the urban population is set to grow from 40% to 50% by 2050. Africa is currently unable to accommodate its urban population as far as housing and utility services are concerned. This lack will become more pronounced as the above 2 forces start to materialise. A third force is aggravating the situation, in that governments and businesses are struggling with revenues due to the end of the commodity price super cycle. This is despite the phenomenon of the growth of the middle class; as a matter of fact, it does raise questions as to the validity of the latter. It is therefore probably more correct to speak of a consumer class than a middle class. The uptick in Nairobi can probably be

ascribed to the tilt of economic prosperity from West Africa to East Africa. The bottom line is that there is a tremendous opportunity for housing projects in Africa. The trick is to develop a revenue model where the investors will get their returns from the tenants. The Singapore model could be of value, but it depends on an honest and efficient government, which is not always available in all countries in Africa.

East Africa

- **Ethiopia:** China is playing a significant role in Ethiopia's development, with its role in the building of the industrial parks.

Ethiopia's 3 recently inaugurated Chinese-built industrial parks are attracting export-oriented foreign companies to its textile and apparel production setting. The Hawassa, Mekelle and Kombolcha, industrial parks were built as part of its efforts to become Africa's manufacturing hub. Ethiopia wants to uplift its current revenue of US\$150 million from exporting textile and apparel materials to more than US\$1 billion. Hawassa Park has already started bringing in hard currency, with a monthly export revenue of US\$1.5 million exporting textile and garment products. Eight factories are presently exporting their products abroad, while 10 other companies plan to start exports in September. At Mekelle Industrial Park, 7 foreign companies, amongst others from Bangladesh, have already secured shades to commence assembling textile and apparel-producing factories. Kombolcha Industrial Park is also attracting various foreign companies, such as the USA-based Trybus group. According to the Prime Minister, Hailemariam Desalegn, Ethiopia's favourable business environment is attracting a growing number of foreign investors, claiming that it has attracted huge FDI, despite the global decline. As Ethiopia is set to become Africa's manufacturing powerhouse and a leading textile and apparel exporter, the government expects the 3 industrial parks to lure a large number of competitive foreign companies to Ethiopia. For more information, read: <http://bit.ly/2wqgXFj>.

CAS View: We see a number of relevant issues in this article. Firstly, China is making itself indispensable in Ethiopia. The 3 industrial parks, with others to follow, will make a tremendous contribution to government revenues and economic growth, and Ethiopia has China to thank for it. Secondly, the manufacturing sector will receive a significant boost from these industrial parks, and reduce Ethiopia's dependence on agriculture. Thirdly, employment opportunities will also be boosted by the foreign companies situated in these industrial parks. These opportunities will also be of a more meaningful nature, and provide incentives for Ethiopians to study in order to be taken into consideration. Fourthly, import substitution and exports will boost the economy and reduce the pressure on the currency and trade balance. Fifthly, foreign competitors can provide incentives to local competitors to up their game and become more productive. It was interesting to note a recent BBC video clip in which it questioned whether economic growth and education was enough. The interviewer asked a recent graduate which was more important, economic growth or freedom of speech and democracy. Her response was that if there was no education in the country and if people were still hungry, what will they talk about? She did say the one is not more important than the other, but that economic growth was a means towards democracy. I have in earlier newsletters noted that as people in Ethiopia rise in Maslow's needs hierarchy, they will start to demand democratic rights and the other higher order needs. However, getting people out of squalor and poverty as the first few steps on this journey, is crucial. Ethiopia has already resorted to Civil Society Organisations to broaden democracy to the population.

West Africa

- **Nigeria:** Startups in Nigeria and Africa are using technology to vet customers, partners and funders.

Nigerian-American startup Releaf helps to create a business-to-business marketplace that enables Nigerian businesses to find customers and partners that they can trust. The startup has signed up around 1,000 African businesses since its public launch in Nigeria at the start of August. Since fraud is a serious problem in Nigeria, most businesses rely on word-of-mouth referrals and one-on-one networking when deciding on and hiring potential partners and service providers, but a system that made this more efficient was required. Releaf set out to create a platform that considers cultural differences in Nigeria and other African markets. They have transaction histories and can show that these people have done business with other people, and that these are verified companies and not just random people. Originally designed

for the agriculture sector, Releaf aims to make the platform available for numerous sectors within Nigeria and Africa, as they will benefit from the verification and strengthened networking enabled by the startup. For more information, read: <http://bit.ly/2q8CMJG>.

CAS View: Many companies moving into or starting up in Africa decide to use partners rather than going it alone. This is a sound strategy as the local partner could provide you with various benefits, such as local knowledge of the customers and the local regulatory environment. Some industries are very much a local industry, where local brands are important. One such an industry is the beer industry. This all makes a local partner an important player. However, getting the wrong partner can be devastating, causing severe reputational damage. Therefore, companies such as Releaf can play an important role in vetting partners. The same goes for customers. I have also recently provided information on other players in this kind of industry. Farmcrowdy in Nigeria links investors to farmers to markets, in the process meeting another need, i.e. youth employment. In Kenya, we have FarmDrive, where the company provides data on farmers to banks for the latter to better ascertain the risks the farmer presents. Companies such as these can play a meaningful role in promoting agriculture and streamlining processes to the benefit of all the players in the agricultural sector. Releaf's intention to expand their operations to other industries as well, makes sense, given the synergy opportunities that do become available as their network grows.

North Africa

- **Morocco:** Morocco is targeting Africa as its future expansion environment. It has been re-admitted as a member of the AU and have applied for members of ECOWAS.

According to King Mohammed VI, Morocco's commitment to Africa is underpinned by a sense of loyalty to a shared history and a firm belief in a common destiny, and its African policy is based on a thorough understanding of African realities. Morocco's tangible Africa policy is best illustrated by the projects launched during the numerous visits he paid to several African countries. The Nigeria-Morocco Atlantic gas pipeline project will help West Africa bolster its energy security, develop its industrial fabric, improve its economic competitiveness and speed up its social development, while channelling Nigerian gas as far as Europe. He also mentioned the construction of fertilizer plants in Ethiopia and Nigeria, as well as human development projects designed to improve the living conditions of African citizens, such as the creation of healthcare facilities, vocational training institutions and fishermen's villages. Morocco has managed to strengthen its economic partnerships, ensure its return to the AU and secure the agreement in principle to their request to join ECOWAS. By joining both the AU and ECOWAS, Morocco will contribute to economic prosperity and human development in Africa. For more information, read: <http://bit.ly/2v8xlfm>.

CAS View: Morocco has targeted Africa and is positioning itself as a credible gateway into Africa. Given the relative stability the country is enjoying and its proximity to Europe, it seems to be quite successful in this endeavour. Its recent strong move into Africa south of the Sahara also seems to be paying off. It has re-acquired membership of the AU, and has requested membership of ECOWAS. Should the Continental Free Trade Area (CFTA) become a reality one day, it will also be able to tap into the benefits thereof, given its membership of ECOWAS. Morocco has been attracting serious investments from France in the automotive industry. Renault and PSA Peugeot Citroën have committed €1.6 billion (\$1.9 billion) and €600 million (\$705.7 million) for their own production facilities, respectively. Morocco is currently the second largest producer of cars in Africa with 345,000 cars in 2016, behind South Africa at 600,000 cars. It also inaugurated one of the largest solar plants in the world in 2016. Morocco's membership of the AU will provide a boost to the organisation's revenues, as it is expected that its membership fees will amount to approximately US\$35 million, making it one of the top 6 contributing members. Africa therefore has a lot to benefit from Morocco's southward movement. One possible point of conflict between Morocco and its AU colleagues could be the issue of Western Sahara. Morocco will need to address this issue sooner rather than later.

Southern Africa

- **Mozambique:** Mozambique is challenging its beef cattle breeders to meet the country's beef requirement. It is currently importing 26% of its beef consumption.

The Ministry of Agriculture and Food Security recently challenged beef cattle breeders in Mozambique at a recent meeting in Maputo, which brought together cattle breeders, importers, slaughterhouse representatives and supermarket chains, to develop a strategy to deliver and supply quality meat to the Mozambican market to reduce the current level of imports. It was noticed that there was an openness on the part of importers of the large supermarkets to supply meat, and that some breeders have the capacity to supply some of this meat. Mozambique currently consumes around 21,000 tons of beef annually, and of this volume, about 6,000 tonnes are imported, although the country has registered a growth of its livestock of about 5% a year. Currently, beef production in Mozambique is 15,476 tons a year. Given the challenge of making the country self-sufficient in livestock products by 2019, technologies were promoted to increase production and productivity and improve the quality of livestock products. This included creating the necessary conditions for a fattening centre. For more information, read: <http://bit.ly/2wr3EeG>.

CAS View: Mozambique is currently importing approximately 26% of its annual beef consumption. This is a trend not unique to this country. Many of Africa's countries have changed from being food exporters to net importers. According to the president of the AFDB, the value attached to this phenomenon is approximately US\$35 billion annually. Only 13 countries in Africa had a GDP higher than this in 2016! According to the FAO, some 3.2 million smallholder farmers account for 95% of Mozambique's agricultural production. Roughly 400 commercial farmers produce the remaining 5%. The few commercial producers have generally better infrastructure, including water places, dip tanks and some fencing. Besides, they use improved technology such as artificial insemination and they practice crossing with imported breeds. Agriculture is practiced on less than 10% of the arable land and largely in flood- and drought-prone areas. Difficult access to credit and markets, low use of improved inputs and the dominance of rain-fed agriculture make the sector vulnerable to shocks. Animal production plays a fundamental role in the lives and nutrition of the rural population, particularly poultry and small ruminants. In urban areas, beef and poultry provide more than 80% of the meat supply to formal outlets. There is therefore a serious need for the beef industry to contribute towards feeding the Mozambican population. However, given the need elsewhere, the country should focus not only on producing sufficient beef to avoid imports, but should embrace the opportunity to produce for exports. In 2010, the beef population of Mozambique was 1,277,044, which grew to 1,533,025 by 2012, and then to 1,795,940 by 2014. Opportunities for investors include participation in various elements of the value chain, such as veterinary services, feedlot management, production of cattle, management of slaughterhouses, and related services such as leather products, etc. To improve the beef sub-sector, Mozambique will need investment in its marketing systems and in its infrastructure. This also creates opportunities for foreign investors to become involved in the beef sub-sector of Mozambique.