

## African Union

- **Africa:** The real boom in middle-class consumption in key EMs is creating new opportunities for employment, corporate profit and economic growth in the global economy. The coming EM “demand shock,” has the potential to contribute to global inclusive growth and new economic opportunity.

A fundamental economic shift is taking place in the wider emerging market (EM) world, which has become the engine of global growth. The new opportunity is that this growth can be more inclusive in nature. For almost the past 15 years, EMs have enjoyed strong and synchronised growth. This was driven by their market opening, excess liquidity, rising FDI, booming trade, robust and rising commodity prices, not to mention confidence. The past 3 years have been tough on 2 categories of EMs, namely those that are price-taking exporters of commodities, and those that suffer the economic cost of poor political governance. The real boom in middle-class consumption in key EMs is creating new opportunities for employment, corporate profit and economic growth in the global economy. The coming EM “demand shock,” has the potential to contribute to global inclusive growth and new economic opportunity. China could lose up to 85 million jobs within the next decade due to rising production costs, creating prospects for forward-looking developing countries to emerge as lesser cost destinations for manufacturing investments. Ethiopia is emerging as the best candidate to assume this role in Africa. There is no sector like manufacturing that expands value and supply chains, creates secure jobs and diffuses wealth throughout a society. For more information, read: <http://bit.ly/2fRvg6h>.

CAS View: A couple of issues comes to mind. The reality is that the 2 categories of EMs are not mutually exclusive. Some price-taking commodity exporters are also experiencing poor political governance, a double whammy! Corruption seems to be quite near the surface in some of these resource exporters. The importance of the manufacturing sector in the emerging markets, such as in Africa, cannot be denied. The African Development Bank has therefore focused on industrialisation and the development of the manufacturing sector as part of their strategy to grow and develop Africa. China losing manufacturing jobs to EMs has benefitted Africa, and more specifically Ethiopia. Yet it still seems that as a % of GDP, the manufacturing sector in Africa remains at too a low constant rate. As a matter of fact, Kenya struggles to maintain the current level of productivity in its manufacturing sector. There is therefore a massive opportunity for foreign investors to tap into Africa’s potential in this regard. Some countries in Africa are better positioned to benefit from this, given their relatively low cost of labour, high skills levels, large markets, and attractive government incentives (industrial parks, EPZs, tax incentives). This is why Ethiopia is doing well, in spite of being land-locked, which is supposed to be (and is) a negative. Africa does need to do its homework though. It must ensure a productive environment with the presence of the incentives mentioned. Education is probably the most important, together with the creation of an environment driven by good governance.

- **Africa:** China is trying to persuade India to go slow on the Asia-Africa growth Corridor (AAGC), which has the active support of the AfDB. Many see it as an alternative Silk Road to tap the African market.

China is trying to persuade India to go slow on the Asia-Africa growth Corridor (AAGC), which has the active support of the AfDB. Many see it as an alternative Silk Road to tap the African market. China is trying to persuade India and South Africa to merge the project with the BRICS platform and keep its rival, Japan, out of it. Once merged into BRICS, India’s influence on Africa through the project will also get diluted, while China’s ‘control’ will be enhanced. The project reflects one of the several differences that participating countries, including India, Russia and South Africa, has with China. The idea of the AAGC is to “create a ‘free and open Indo-Pacific region’ by rediscovering ancient sea-routes and creating new sea corridors” by integrating the economies of South, Southeast, and East Asia with Oceania and Africa. China sees the move as a source of major competition that will reduce its economic and political influence over Africa. China is also pushing the New Development Bank to expand its lending to different African countries, even though they may not be members of the organisation. For more information, read: <http://bit.ly/2yHZooD>.

CAS View: The China initiative currently developing momentum is the Belt and Road Initiative (BRI). India and Japan were clear that their AAGC should not be seen as a competitor to the BRI, but it is difficult not to compare the 2 initiatives as contrasting options. I am not sure that these initiatives should be seen as

mutually exclusive choices. It is definitely not in Africa's best interest to do so. Given the level of trade and investment African countries have with India, Japan and China, all 3 these countries are important to Africa. Any initiative that puts this relationship with any of these countries in jeopardy, is therefore undesirable. Many commentators put China as the ultimate decision-maker in the BRI with the other stakeholders as mere puppets that have to abide with the dictates from Beijing. As a matter of fact, India and Japan actually state that their initiative is based on mutual consensus amongst the participating countries, and that this is the main difference between the AAGC and the BRI. I am not sure that this is fair towards the BRI. There are approximately 65 countries involved in the BRI, and to suggest that they are all subservient to China, is a bit too much. I am not suggesting that China is not at times behaving as if they have the final say on matters pertaining to the BRI. However, to suggest that this is the general rule, is probably incorrect. China's suggestion that the AAGC should be included in the BRI does make sense though. Any initiative that detracts from a central focus is not in Africa's best interest. The AAGC does have the potential to complement the BRI very nicely!

- **Africa:** Local tourism and hospitality sector players have welcomed the initiative by the AfDB to support the diversification of tourism, saying it will make the industry more competitive and attractive.

Local tourism and hospitality sector players have welcomed the initiative by the AfDB to support the diversification of tourism, saying it will make the industry more competitive and attractive. Diversifying the tourism industry presents an opportunity to expand offerings and attract more visitors. It will also enable stakeholders and governments to tap into the undeveloped areas to boost the tourism business in Africa. The AfDB said focus on projects that seek to promote the diversification of tourism in Africa. It has called for strong PPPs geared at supporting and promoting sustainable tourism development in Africa. In addition to its investments in tourism infrastructure (ports, airports, roads and rail, among others), the AfDB will support creative and cultural industries that have the potential to diversify the economic base to attract more tourists on the continent. It is of the opinion that the cultural and creative industries, such as textiles, fashion, food, culinary, arts and film present a huge untapped potential that could help boost tourism on the continent, and create jobs and spur incomes of communities. For more information, read: <http://bit.ly/2yHw4i6>.

**CAS View:** Africa has a lot to offer from a tourism perspective. It has wonderful nature and game reserves, in addition to great geographic features, such as Mount Kilimanjaro, Table Mountain, etc. Visiting gorilla sanctuaries in Rwanda and Uganda is developing a lot of attention. Countries such as Ethiopia, Sudan and Zimbabwe, in addition to game reserves (Zimbabwe), have remains of very old civilisations that warrant visits. The weak currencies of Africa work in its favour for the foreign tourists. The idea to convert industries (culture, food, etc.) to tourism opportunities, makes a lot of sense. [Cherisa Kwong](#), a young entrepreneur from Singapore, is one person that has identified this potential and is marketing Africa in Southeast Asia. Given the leverage potential of tourism, it is definitely in Africa's best interest to focus on boosting tourism. It must, however, concentrate on developing its infrastructure. We are finding some of the global hotel chains willing to expand into Africa. A better road infrastructure is another factor that needs serious attention. Some countries are already paying attention to this, such as Tanzania and Kenya in East Africa. The jobs created and the revenue generated is definitely to Africa's advantage. Another factor that Africa needs to address, is the perception of being crime-ridden. While there are countries where this can be a problem, most countries are quite safe!

## **East Africa**

- **Rwanda:** The Ministry of Agriculture has banned the export of unprocessed milk as part of efforts geared at streamlining the sector's value chain so that all involved can benefit more.

The Ministry of Agriculture has banned the export of unprocessed milk as part of efforts geared at streamlining the sector's value chain so that all involved can benefit more. The farmers were advised to sell the milk to collection centres for onward delivery to milk processing plants. The milk will be exported only after it has been processed by accredited processing factories. The Minister urged cooperatives managing the collection centres to improve services to livestock keepers, warning that those who fail to comply with the new guidelines and requirements "will be replaced by other more capable cooperatives." The ministry targets to help farmers raise milk production from the current 770,000 metric tonnes per year

to over 800,000 tonnes next year. Less than 10% of milk collected daily is processed, and 106 collection centres receive only 18% of the daily milk produced in the country. As part of the exercise to streamline the milk trade, the ministry has tasked the Rwanda Cooperative Agency to review the performance of milk cooperatives and weed out those that do not meet expectations. The agency was also instructed to reallocate idle pasture lands to those who can utilise them. For more information, read: <http://bit.ly/2qa3kYe>.

**CAS View:** One of the major problems Africa has created for itself, is the export of unprocessed products or commodities. This frequently gives rise to the resource curse, creating a vulnerability to resource price volatility. The latter is always a danger given that commodity producers are price-takers. One can just have a look at the challenges of the oil producers, and now the cocoa producers in West Africa. The directive banning the export of unprocessed milk can work (should work) in Rwanda's favour. It creates more jobs and higher revenues. Processed milk and downstream products such as butter, cheese and whey powder, to name but a few, all have higher prices than unprocessed milk, while the costs to increase the value is far less than the extra value generated for the producers. As a matter of fact, whey powder is a byproduct of the manufacture of cheese. An additional benefit would be import substitution. The emphasis on productivity is to be welcomed as well.

## West Africa

- **Nigeria:** Stakeholders advised the Federal Government to hand over the management of the 4 government refineries to private investors through a transparent privatisation programme.

Experts have condemned the Federal Government's move to source another \$1.12 billion to repair Nigeria's refineries. They argue that the government may have spent up to \$2.7 billion in the last 18 years for the repairs of the refineries without achieving the desired result. Stakeholders advised the Federal Government to hand over the management of the refineries to private investors through a transparent privatisation programme. Despite spending these huge resources, the combined average refining capacity utilisation of the refineries remained at a low level of 4.9% in 2015. Despite the low performance of the refineries, the NNPC has already inaugurated a committee with the mandate to bring them to about 90% capacity with a budget of \$1.12 billion. One of the most difficult problems facing developing countries is their inability to service and maintain the equipment bought from developed countries with their scarce foreign exchange reserves. The refineries have not operated as performance-oriented businesses and are plagued with severe plant maintenance and integrity issues, as well as irregular crude supply and product evacuation. Furthermore, they are beleaguered by poor governance in a non-commercial operating structure, which is considered unsustainable. For more information, read: <http://bit.ly/2xPxTMT>.

**CAS View:** According to PwC Nigeria, very few countries run refineries because governments do not run businesses. This is always a factor to bear in mind. The inability of the Nigerian refineries to add value is somewhat of an embarrassment to the country. Nigeria is currently exporting crude oil and importing refined products at the expense of its scarce foreign exchange. The rumours and proven incidents of corruption in the oil industry is another factor that deserves consideration. The Dangote Group is building a refinery that will add 12,000MW of power to the grid with the additional gas from their system, creating 4,000 direct and 145,000 indirect jobs. They will save over \$7.5 billion annually for Nigeria, and generate an additional \$5.5 billion, annually. Their investment is \$12 billion and the project will be completed by 2019. Given the success of Dangote in general, it makes sense for the Federal Government to seriously consider the privatisation of its 4 refineries. Maybe they should believe PwC!

## Southern Africa

- **South Africa:** Amid robust demand for emerging-market equities, global investors are avoiding South Africa's stock market. With almost a full quarter to go, outflows from South Africa's stock exchange have already reached R90.5 billion (\$6.6 billion) this year.

Amid robust demand for emerging-market equities, global investors are avoiding Africa's biggest stock market. With almost a full quarter to go, outflows from South Africa's stock exchange have already reached R90.5 billion (\$6.6 billion) this year, on track to equal last year's record R125.8 billion. By

comparison, net sales reached R56.6 billion in 2008, when emerging-market assets bore the brunt of a selloff sparked by the global financial crisis. Foreigners are factoring in a weakening rand on top of anaemic growth, rich valuations and political risks. The country emerged from a recession in the second quarter, the fiscal deficit is set to widen as revenue falls short of projections, and the ruling African National Congress is heading for a bruising leadership battle in December amid allegations of corruption and mismanagement. While some of the other emerging markets are picking up and recovering, South Africa is not showing any momentum. South Africa relies on portfolio flows to finance its current account deficit, which widened to 2.4% of GDP in the second quarter. This will add pressure on the Rand, which has already weakened 4.9% this half. For more information, read: <https://bloom.bg/2xY6doX>.

CAS View: The country is becoming a source of concern for potential investors – that much is clear. What is worse, is that new instances of corruption and mismanagement is not generating any meaningful response from the president and his followers. They do not deny it and they do not respond to it. It's as if they are saying, "So what? We have done it and what can you do about it?" From an economic point of view, it seems the country has moved back into positive growth territory. What will happen after the December ANC leadership elections, is not clear. What is clear is that South Africa cannot afford the status quo. A serious leadership change will be required to restore confidence. It is not only foreign investors that are concerned, but an increasing number of South Africans are now looking to move abroad. The country cannot afford this either. Something that must be addressed ruthlessly are the instances of fraud and corruption by global companies such as McKinsey and KPMG. It has been reported they have been involved in looting on a grand scale. KPMG has replaced its leadership team, but it seems they are losing clients in South Africa at a rare rate. It is sad when companies supposedly being hallmarks of governance are found to be rotten. The biggest tragedy is that the ANC does have a lot of potential to offer the country as far as leadership is concerned. In spite of this potential, one does wonder why they have remained silent for so long. The country also does have a lot of potential to offer foreign investors. They just need to untangle this web of deceit and corruption. This will not be easy, however. That they should do so, the sooner the better, is undeniable!

## Central Africa

- **Central Africa:** The Intergovernmental Committee of Experts for Central Africa (ICE2017) has ended in Douala (Douala Consensus) with calls for the adoption of well-targeted and sequenced counter-cyclical measures as a means to promoting resources-driven and trade-induced industrialisation in Central Africa.

The Intergovernmental Committee of Experts for Central Africa (ICE2017) has ended in Douala (Douala Consensus) with calls for the adoption of well-targeted and sequenced counter-cyclical measures as a means to promoting resources-driven and trade-induced industrialisation in Central Africa. Stakeholders made the case for a paradigm shift "from a resources-for-infrastructure model to a resources-for-industrialisation (R4Id) model." The report notes the imperative to **promote the "made in Central Africa" label; establish industrial zones and growth poles; accelerate the implementation of the AU's Boosting Intra-Africa Trade (BIAT) programme; focus on the sub-region's rich natural resources as basis for its industrialisation; and re-enforce inter-sectoral coordination and public-private dialogue.** Agribusiness is seen as an important avenue through which food security and structural transformation can be ensured. If the agricultural sector is modernised, labour resources can be available for the manufacturing sector, which has been identified as the sector that can free the region from the vulnerabilities it currently suffers. The manufacturing sector generates more jobs. To promote job creation, SMEs must be linked with global and regional value chains. Implementation was seen by some as more important than merely having a consensus. For more information, read: <http://bit.ly/2xcUsXy>.

CAS View: The report examines how Africa can accelerate industrialisation by harnessing opportunities arising from its rapid urbanisation. Urbanisation is a trend that is affecting the whole of Africa. One does get the impression that the countries that currently get more attention from developers and investors, are those in the east, west and southern Africa. The reality is that Central Africa presents great opportunities. However, it also presents a number of serious security challenges, in addition to governance problems. We again see the driving force that agriculture can become. The DRC, for instance, has great potential in this area. It can feed Africa, but struggles to feed itself. So, tapping into the two driving forces of industrialising agriculture and pushing the development of the manufacturing sector, both highly recommended by the AfDB and other prominent commentators, also seem to be of profound value for

Central Africa. We again see the value that SMEs can create by tapping into national, regional and global value chains. These are all factors well known as value drivers in the African context. Talking about them is not going to do the job, however. The last factor is probably the most important one, namely the need to develop implementation plans that will see tangible results. It is in this regard that Africa will need all the support it can get.