

Africa

- **Africa:** According to PwC, Africa's agribusiness sector is confident about its growth prospects in the short to medium term despite widespread economic and political uncertainty.

According to PwC, Africa's agribusiness sector is confident about its growth prospects in the short to medium term despite widespread economic and political uncertainty. Most CEOs expect revenue growth in the next 12 months to be between 6% and 10%, with a significant number of CEOs expecting an optimistic 20%+ growth rate in the short to medium term. The main reason for these growth expectations is better penetration of existing markets in Africa. CEOs are looking for diversification within their current commodity value chain before moving into new commodities. CEOs of agribusinesses are positive towards expanding into the rest of Africa, with 40% indicating that they would pursue such opportunities. Angola, Botswana, Ethiopia, Malawi and Namibia were cited as the top five destinations for expansion. Agribusiness owners must overcome a number of challenges, such as inefficient and bureaucratic governments, corruption, crime, theft, inadequate infrastructure and political instability. Africa possesses unrivalled opportunities if governments can remove some of these challenges. For more information, read: <http://bit.ly/2FpKqgO>.

CAS View: The agribusiness sector is definitely opportunity-rich, to paraphrase Ranveer Chauhan from Olam International. Given that Africa currently is a net importer of food to the tune of \$35 billion annually (according to the president of the AfDB), a lot needs to be done. Not only are there intra-African export opportunities, but global export opportunities are plentiful as well. As stated in earlier newsletters, the whole agri value chain presents opportunities for value addition. The process of industrialising the agri sector needs to be a point of focus, but care needs to be taken to ensure that people do not end up being unemployed. Whereas the countries identified as destinations contain the usual targets (Angola, Ethiopia and Malawi), it was interesting to see relatively arid areas such as Botswana and Namibia amongst potential destinations. They are both well managed with good governance a hallmark of the governments, which helps a lot. The challenges identified are the usual suspects, and Africa as a whole must address these issues to change foreign perceptions of the continent! Africa really does possess unrivalled opportunities and must clean up its act to allow the exploitation of these opportunities.

- **Africa:** USA Secretary of State Rex Tillerson has been visiting countries in Africa this week to form a new theatre for competition with China.

USA Secretary of State Rex Tillerson has been visiting countries in Africa this week to form a new theatre for competition with China. They include Ethiopia, Kenya, Djibouti, Chad and Nigeria. A focus is the rise of China as an economic and diplomatic power to rival the West. Tillerson insists that Africa is important to America's interests. Critics have stressed 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% leaves him ill-prepared to match China's targeted investment. US exports to Africa fell last year to just under \$22 billion (\$38 billion in 2012). In 2016, Chinese exports to Africa were more than \$80 billion and imports from Africa less than half that. China plans to give \$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." For more information, read: <http://bit.ly/2FI15RM>.

CAS View: Tillerson's trip to Africa has a number of possible objectives. Firstly, he needs 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 will have a difficult job in this regard. Secondly, he will try 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 with 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. Tillerson is not new to Africa and has visited the continent many times as chief executive of ExxonMobil. Hopefully for the USA, his knowledge

of the business environment in Africa will stand him in good stead during his discussions with the respective leaders to convince them about the USA's good intentions.

East Africa

- **Ethiopia:** Ethiopia has been expanding its industrial parks to facilitate a proper environment for FDI.

Ethiopia has been expanding its industrial parks to facilitate a proper environment for FDI. Through providing a location in which the government, private sector and universities cooperate, these parks create environments that foster collaboration and innovation. They also enhance the development, transfer and commercialization of technology and global knowledge. Ethiopia is striving to be the hub of light manufacturing industries in Africa. The textile and apparel sector managed to create over 45,000 job opportunities until last year. Ethiopia has cheap labour, cheap electricity, a conducive investment climate and duty free custom services. Due to these and other incentives, Chinese and Indian textile manufacturers are shifting their plants to Ethiopia. The development of industrial parks in Ethiopia is instrumental in creating jobs for qualified professionals. It enables the manufacturing of quality products that are exportable while promoting the transfer of high tech. For more information, read: <http://bit.ly/2D90nzN>.

CAS View: Ethiopia has done well in developing its manufacturing sector and industrialising its economy. It has provided many incentives for foreign textile manufacturers to choose it as the venue for production. In this way, given Ethiopia's participation in AGOA, these producers from China and India get privileged access to the markets of the USA. The expansion of industrial parks has done a lot to facilitate the development of Ethiopia's industry. This is something which the rest of Africa should take cognisance of and copycat to their benefit. The development thereof would also contribute to the ease of doing business in the respective countries and provide an opportunity for higher skilled labour. Given the recent turmoil in the political scene of Ethiopia and the resignation of the prime minister, Hailemariam Desalegn, there were fears of political instability. This is something Ethiopia must manage as a high priority. There are rumours Desalegn was pushed as he was seen as being too soft and inefficient. Hopefully we will not see a crackdown with aggravated political repression. This is the last thing Ethiopia will need. However, in some countries there is a perception that "benevolent dictatorship" is the way to go for economic development. Some actually referred to Ethiopia as a case study that proves this point. This always remains a dangerous route to follow!

- **Rwanda:** Rwanda's exports have increased significantly over recent years from \$400 million in 2007 to \$1.6 billion in 2016. Non-traditional exports have emerged as an important driver of growth, thus laying the foundation for export-led development in Rwanda.

Rwanda's exports have increased significantly over recent years from \$400 million in 2007 to \$1.6 billion in 2016. Non-traditional exports have emerged as an important driver of growth, thus laying the foundation for export-led development in Rwanda. Rwanda continues to promote the export of semi-processed or finished products and more sophisticated niche products compared to the export of raw materials and commodity products. Rwanda's trade policy is concentrating on harnessing its comparative cost advantage through regional and international trade. Diversification, innovation, and the promotion of entrepreneurship are some of the strategies used by the government to boost the export sector, as are the Made-in-Rwanda initiative and other home-grown solutions. Increased diversification of commodity exports, and growth in the numbers of high-value commodity exports are some of the strategies used in the move toward increasing the country's export base and volumes. For Rwanda to attain sustainable economic growth, requires a strong, innovative and competitive export sector. Structural trade transformation through the promotion of manufacturing exports across borders will further boost the export sector. For more information, read: <http://bit.ly/2D6FIG9>.

CAS View: Rwanda has done a lot to grow its economy. Growing its manufacturing sector and exporting is helping its economy on its road of development. Diversification and value addition are important strategies for boosting its economy. This country continues to impress. The growth in its exports are quite significant. One must also bear in mind that being landlocked has some disadvantages. As such, landlocked countries face structural challenges to access global markets. They therefore often lag behind

their maritime neighbours in overall development and external trade. Rwanda can therefore be seen as starting off with a handicap. The results show that due to good governance and appropriate strategies, the country is doing quite well. Developing appropriate road and rail transport infrastructure will improve its connectivity with other African countries. We are also seeing the development of rail infrastructure connecting it to the harbour of Dar es Salaam in Tanzania.

- **Somalia:** The government of Somalia has rejected an agreement between Ethiopia, Somaliland and the UAE logistics company DP World, saying the agreement violated the unity of Somalia and the constitution.

The government of Somalia has rejected an agreement between Ethiopia, Somaliland and the UAE logistics company DP World, saying the agreement violated the unity of Somalia and the constitution. The Ethiopian media had reported the acquisition of a 19% stake in the Port of Berbera, saying an agreement was reached with the Somaliland Port Authority and DP World. DP World is the major shareholder with 51%, while Somaliland takes the remaining 30%. The port of Berbera is located in Somaliland, which is internationally recognised as an autonomous state of Somalia, but not a sovereign state. Ethiopia plans to invest in infrastructure to develop the Berbera Corridor as a trade gateway. According to the prime minister of Somalia, Hassan Ali, the Somali government was neither consulted nor involved in the Berbera Port Agreement. While the government welcomes foreign investment, all those seeking to acquire ports and similar resources must deal with the federal government. Somaliland's minister of information insisted that Somaliland has the right to enter agreements. Somaliland declared unilateral independence from Somalia on May 18, 1991. The territory has been experiencing stability and economic prosperity and has been influential in the fight against piracy and terrorism in the Horn of Africa. For more information, read: <http://bit.ly/2tp8R6x>.

CAS View: From Ethiopia's perspective, we see a country reaching out to various neighbouring countries to increase its access to the sea. Currently, Djibouti is its main port. Ethiopia has also reached out to harbours in Sudan. With access via the Port of Berbera, Ethiopia will decrease its dependence on Djibouti, in spite of the efficiency of the new Chinese-built railway line between Addis Ababa and Djibouti. However, it seems that excluding the federal government of Somalia from the negotiations has thrown the proverbial spanner in the works. I am not sure that the objection from the federal government has to do with the principle, but is rather based on the issue of being excluded. It would probably mean that there will be a renegotiation of the shareholding in the port, with a dilution of the current shareholders' stakes in order to give the federal government of Somalia a stake as well.

North Africa

- **Egypt:** Egypt and Sudan worry about the threat of the Renaissance Dam's impact on the Nile's water levels and potential harm to agriculture and industry. Negotiations to reach a solution continue, but no agreement is in sight.

Egypt and Sudan worry about the threat of the Renaissance Dam's impact on the Nile's water levels and potential harm to agriculture and industry. Negotiations to reach a solution continue, but no agreement is in sight. Government officials fear the dam will reduce their country's share of Nile water allocated to it under a 1929 international accord. The Nile supplies about 99% of the water that Egypt uses each year, making Egypt extremely vulnerable to anything that influences that flow of water. While desalinization was becoming more viable and cheaper, with 100 million people living in Egypt, the cost of desalinization would be exorbitant. The needed infrastructure could cost Egypt around \$3 trillion. Some experts worry the new Ethiopian dam could also increase the concentration of agricultural and industrial pollutants if the flow of river water decreases. Ethiopia's previous Prime Minister Hailemariam Desalegn recently stated that the Nile must "provide an opportunity for cooperation" and "never become a source of competition, mistrust or conflict." A key potential conflict hinges on whether Ethiopia will fill the reservoir behind the new Renaissance Dam over 12 years, or over just 3, which could severely curtail the flow of Nile water to Egypt. For more information, read: <http://bit.ly/2FrEfms>.

CAS View: Being downstream of a single source of water with other countries having priority access, creates a vulnerability. It does not seem that the international accord of 1929 is explicit enough on the

rights and obligations of the various parties. The Anglo-Egyptian Treaty granted Egypt an annual water allocation of 48 billion cubic meters and Sudan 4 billion cubic meters out of an estimated average annual yield of 84 billion cubic meters. In addition, it granted Egypt veto power over construction projects on the Nile River or any of its tributaries in an effort to minimize any interference with the flow of water into the Nile. Britain represented its colonies in this treaty. In 1959, Egypt and an independent Sudan signed a new treaty confirming the 1929 treaty. Countries such as Ethiopia have claimed they are not bound by these treaties as they were not parties to them. Given this, Egypt is in a difficult place. It would need to negotiate a meaningful treaty with Ethiopia, but also reduce its dependence on the waters of the Nile. While it is true that desalination is expensive, Egypt has few other options. Its current over-dependence on the Nile makes it very vulnerable. Desalination is used extensively in the Middle East by various countries. However, none of them have the size of Egypt's population, and therefore they do not have the same capital requirements as Egypt. It is not just a financing issue, however. The environmental issues are equally important and needs to be managed.

- **Sudan:** Sudan needs an investment of nearly \$500 billion in various sectors. The major drawback in Sudan is its inadequate production technology. Sudan is among the top 3 African countries having gold and copper mines.

According to the acting president of A New World Industrialist and Businessmen's Association (YENIAD), Sudan needs an investment of nearly \$500 billion in various sectors. The major drawback in Sudan is its inadequate production technology. Sudan is among the top 3 African countries having gold and copper mines. Given the lack of proper mining technology, Sudan has limitations. Turkish businesspeople were urged to establish a system to process those metals and integrate them with Turkey's gold exchange market to provide overseas finance for Sudan. Five consortiums were set with Sudanese and Turkish businesspeople in the fields of construction, energy, mining, agriculture and machinery. The construction consortium includes building roads, bridges, hotels, schools and infrastructure works. In 2014, Turkey and Sudan signed an agreement to rationalize resources and agricultural potential and contribute to sustainable food objectives. Under the agreement, around 780,000 hectares across 5 regions were earmarked for investment by Turkish entrepreneurs. Talks were underway for establishing livestock laboratories based on international standards in Sudan, which is one of the largest animal-breeding countries in Africa. Turkey's exports to Sudan totalled \$395.2 million in 2017, while imports from Sudan stood at \$86.2 million. For more information, read: <http://bit.ly/2FmMS1j>.

CAS View: On the one hand, we see a Sudan representing various investment opportunities. The country has been quite unstable over a period of years, and we eventually saw South Sudan breaking away as an independent country. The president of Sudan, Omar Al-Bashir, has an arrest warrant against him issued by the International Criminal Court, and the country has been the target of various sanctions and embargoes by the USA and the EU. Those investors with the necessary risk profile can jump in early and tap into various opportunities. On the other hand, we have Turkey increasing its investment footprint in Africa. From the figures above, we can see that there is a significant trade surplus in Turkey's favour. Sudan will hopefully benefit from the agreements to the extent that its deficit with Turkey can be reduced. Turkey has been quietly building its presence in Africa. There are now over 40 Turkish embassies in Africa, and Turkish Airlines flies to more than 50 African destinations. Turkey also recently opened a military base in Somalia, its first in Africa and the largest of its overseas bases. Given the views that the USA and EU have of the Turkish president, it will probably not be long before these countries start campaigning against Turkey's presence in Africa.