

## East Africa

- **East Africa:** Business leaders in East Africa have voiced their concern about declining intra-regional trade, with some saying it does not augur well for the integration agenda.

Trade among East African Community (EAC) member states declined by 10.1% between 2013 and 2014, and fell further by 14.6% between 2015 and 2016. This is not a good sign for regional business. Falling intra-regional trade has been largely attributed to persistent non-tariff barriers (NTBs). Other causes include restrictions on the export and import of certain goods among partner states. There needs to be a seamless flow of goods and services to bolster regional integration. This cannot be realised unless the governments of partner states collaborated closely and improved the business environment. Intra-regional trade can be improved through the improvement of technological infrastructure to fast-track the movement of goods and services. For more information, read: <https://bit.ly/2MQreWv>.

**CAS Analysis:** In East Africa, we have been noticing trade issues between mainly Kenya on the one side, and Tanzania and Uganda on the other. This kind of behaviour definitely does not bode well for the future of intra-Africa or intra-regional trade. While technological infrastructure can play a role in improving the trade, what is probably more important is the political will to make it work. The TFTA and the AfCFTA have been signed by these parties. They should live up to the expectations inherent in those agreements. As things stand currently, both the TFTA and AfCFTA will struggle to become a practical reality with this kind of trade pattern. If trade enhancements will not work at EAC level, it will be a tall order to make it work at continental level. The difficulties associated with this kind of integration, as well as the importance thereof, is why the AfDB has adopted integration as one of their High 5 priorities. It is not only about physical integration by building better and newer roads and railways, but also about economic integration, connecting markets in Africa and the respective regions.

- **Ethiopia:** Chinese state-owned enterprise Poly Group is working with another Chinese company, Golden Concord Group, to develop oil and gas projects in Ethiopia.

The conglomerate, named POLY-GCL, began extracting from the Ogaden Basin in May. Construction of a 550km pipeline pumping gas to the Port of Djibouti is underway, and substantial exportation is set to begin in 2021. At least 4.5 trillion cubic feet (ft<sup>3</sup>) of gas has been discovered. Once fully operational, 3 million ft<sup>3</sup> of LNG (liquid natural gas) is planned for exportation in year one and 6 million ft<sup>3</sup> in year two. Black Rhino Group has already invested \$300 million in the pipeline running from Ethiopia to Djibouti. Currently, oil is transported via truck between Addis Ababa and the city of Djibouti for both import and export demands, but the pipeline will change all that. Half of the refinery's output will be directed to the Ethiopian market and the remainder exported to neighbouring countries in East Africa. Renewable energy is a priority to the government for obvious reasons, but oil and gas have realistic potential to supply the hard currency Ethiopia needs. For more information, read: <https://bit.ly/2lWnreW>.

**CAS Analysis:** A few issues come to mind. Firstly, China is once again the preferred provider of infrastructure in Africa. Secondly, we see Ethiopia now with the means to add to their basket of renewable energy. They are well-known for their hydro, wind and solar power potential. Having oil and gas as well is a welcome addition from an economic perspective. Thirdly, with this growing range of energy sources, Ethiopia can boost its industrialisation drive and manufacturing sector to much higher levels. The country currently probably has the cheapest electricity in Africa, if not the world. Fourthly, Ethiopia can earn export revenues by selling their oil and gas to their regional partners and even further abroad. Fifthly, Ethiopia must take care to not focus too much on oil and gas exports as a source of revenue like some of the other countries in Africa have done. This could lead to the dreaded resource curse. Sixth, the revenues associated with this development will grow the disposable income of the population, as well as the GDP of the country. Having a greater part of the population eventually moving into the middle class, improves its attraction to foreign investors interested in selling to a population of 100 million people with more disposable income. Seventh, the kind of activities up- and downstream will stimulate the need for higher skilled jobs, thereby providing the opportunity for Ethiopia's youth to getting skilled in various employment directions currently not really available. One such direction will be in engineering in various fields, e.g. chemical, electronic, mechanical, civil, etc.

- **Kenya:** Kenya's sales of macadamia nuts to the US have soared in recent years, while textile exports have stagnated, according to new AGOA data.

The US imported \$52 million worth of macadamia nuts from Kenya last year, compared to \$72,000 in 2000. The boom in Kenya's macadamia sector has been described as one of the "success stories" of AGOA. Macadamia exports help support over 100,000 Kenyan smallholders who can add thousands of dollars to their incomes through sales of the nuts under AGOA. Although Kenya ranks as one of the leading African exporters of textiles and clothing to the US, sales have stagnated. Kenya exported about \$340 million in textiles and apparel to the US last year — slightly less than the sum for 2016. Kenya's textile-export sector has been viewed by AGOA's architects as a potential growth engine similar to the role played by textile exports in powering the take-off of many East Asian economies. Since the extension of AGOA in 2015, UAL Apparel Factory in Kenya has added thousands of jobs, and currently employs nearly 10,000 Kenyans. Overall, 40,000 Kenyans are employed in the apparel export industry. For more information, read: <https://bit.ly/2zehPX0>.

**CAS Analysis:** The figures above provide a clear indication that macadamia nuts are important to Kenya as an export product. We have seen 47% annual growth over the period from 2000 to 2017! It also raises concerns about the stagnation of the exports of textiles and garments. The latter is one reason why not only Kenya, but also Tanzania, Uganda and Rwanda decided in 2016 to put an end to the import of second-hand clothing, as it was clearly impacting negatively on the production of new clothing in these countries. However, it is equally clear that AGOA is very important to Kenya, not only in terms of the export of textiles, but also as far as job creation is concerned. This will explain why Kenya rolled over and played dead when the USA threatened to take them off the AGOA list of beneficiaries should they continue with the raising of tariffs on the importation of second-hand clothing. This is also true for Tanzania and Uganda. It is only Rwanda that have stuck to their guns and refused to remove the tariffs on the second-hand clothing.

- **South Sudan:** The Turkish Cooperation and Coordination Agency (TIKA) has donated 30 tons of seeds and agricultural equipment to farmers in South Sudan.

It provided 500 farmers in the capital Juba and its surroundings with peanut, maize, sorghum, tomato, and okra seeds along with several types of agricultural tools. Despite its rich soil, South Sudan has fallen short of fulfilling its agricultural potential. In South Sudan, where 70% of total arable crops are estimated to be suitable for agriculture, most farmers work on small fields, but sometimes have trouble getting seeds. For more information, read: <https://bit.ly/2Ngs6VA>.

**CAS Analysis:** South Sudan seceded from Sudan in 2011 and took with it about 75% of the oil reserves of the former Sudan. Being landlocked, and with the oil pipelines to the Red Sea moving through Sudan, South Sudan had little alternative but to continue with piping its oil via Sudan. Figures quoted at the end of 2017, indicate a fee of \$25 per barrel South Sudan has to pay Sudan for this logistics service. It will therefore be in South Sudan's best interest to look at other ways and means to diversify its economy. As is the case with various countries in Africa, South Sudan has significant agriculture potential, and is not tapping into this potential in any significant manner. What is interesting as well, is seeing Turkey expanding its presence in Africa by supporting South Sudan's agricultural sector. Turkey is also involved in supporting another trouble spot in the region, i.e. Somalia. This is in addition to its involvement in countries such as Egypt and Sudan. There are also now over 40 Turkish embassies in Africa, and state-controlled Turkish Airlines flies to more than 50 African destinations. What is good in itself, is the inflow of foreign support to a country born in conflict and characterized by such since its inception in 2011. Hopefully it will help to stabilise and normalise the country, to the benefit of its population.

## West Africa

- **Ghana:** The pharmaceuticals industry is expected to reach \$1 billion in value by end of 2018, but 70% of pharmaceutical products used in Ghana are imported in spite of the fact that local manufacturers have the capacity to fill the gap.

Most of the imports are from India and China. The local industry has an installed capacity to supply all domestic needs and enough for export. Some of the challenges that are limiting the sector's growth include inadequate strategic focus and support on the part of government. Another challenge involves limited expertise, which have resulted in the industry relying on India and China to fill vacancies for pharmaceutical technologists and industrial pharmacists. Capital and the high cost of borrowing are additional challenges. This makes it difficult for local manufacturers to compete with their fellows from abroad. In terms of its contribution to GDP, the health and social works sector has not contributed more than 1.5% to the economy in the past twelve years. The local pharmaceutical sector is ranked as the tenth most attractive market in Africa. The pharmaceutical industry in Ghana and Nigeria is estimated to reach a combined revenue of \$3.1 billion in 2018. For more information, read: <https://bit.ly/2KwcDTD>.

**CAS Analysis:** Africa has very few indigenous pharmaceutical producers. On the other hand, there are countries with quite large populations that are forced to import pharma products. They tend to lean towards importing the generic versions, given that they are quite cheaper, and you mostly get the exact same product. In addition to the countries mentioned above, Ethiopia is another country interested in boosting its own pharmaceutical industry. With a population of 100 million people, there is a massive incentive for the development of a generic medication industry in Ethiopia. The same goes for Nigeria (180 million people) and Ghana (29 million people). What these countries need is a "build-operate-transfer" model, in which the infrastructure and skills can be provided and developed. In Singapore, the family-owned Beacons Pharmaceuticals has adopted this approach to expand. Their SPAH model has been designed to optimise the generic BOT model.

## **Southern Africa**

- **Zambia:** The Zambian government recently said it was set to become a net exporter of palm oil in the region once its palm production projects becomes fully operational. The country is currently involved in commercial palm oil production in the north through a joint venture between the government and Zambeef Products.

The target was to satisfy the local demand, and to penetrate the regional market. There is a huge market for palm oil in the SADC regional bloc, with countries such as the DRC and Angola being massive importers of crude palm oil. Zambia can generate more than \$170 million in revenue over the next decade from palm oil exports. It was expecting to see an increased demand for palm oil production as it further develops, and new industries and markets are created. The production and processing of crude palm oil was expected to drastically reduce Zambia's dependence on crude palm oil and edible oil imports, with current imports standing at \$70 million every year. Zambia consumes about 120,000 tons of cooking oil, but only produces 30-50% of the total supply, with more than half of Zambia's edible oil consumption imported from the Far East and South Africa. For more information, read: <https://bit.ly/2tVrwEz>.

**CAS Analysis:** In principle, becoming self-sufficient is always a worthy goal. This saves foreign exchange, generates revenue from exports, and creates many jobs. In Zambia's case, with its substantial agricultural potential, producing palm oil locally does make a lot of sense. Given the substantial demand in Southern Africa, there are good opportunities for production and exports. In the above case, anecdotal evidence shows that Zambeef originally tried to develop this project on its own and only brought the government on line when it failed. While the Zambian government would have the financial resources to support the project, it does not necessarily have the IP to contribute meaningfully. This is where it helps to find partners with the competencies and knowledge.

- **Zambia:** An aviation firm from Singapore is interested in investing in Zambia through the provision of air taxis to tourist attraction sites in the country.

Christopher Wong, executive director of Mass Acknowledge Jesus (MAJ) Aviation Management said this would be achieved by using aircraft that have special water and landing capabilities. The firm's aircrafts were deemed to be among the safest because they could land on both land and water. Meanwhile, the Zambian envoy urged the firm to quickly visit the country in order to actualize its plans. Services such as landing and taking off from rivers and lakes could attract more tourists to Zambia. Zambia has put tourism

on top of its agenda in driving the country's economic agenda. For more information, read: <https://bit.ly/2KxQzYB>.

**CAS Analysis:** The tourism industry in Africa has a lot of potential up- and downstream. It also creates many jobs directly and indirectly. This project addresses a much-needed service, as getting access to all the interesting tourist spots are not necessarily always that easy. Providing this service can not only provide in a current need, but also has the potential of growing tourist numbers. This is the case not only for Zambia, but also for quite a number of other countries in Africa. Obvious examples that come to mind, include Botswana, Kenya, Namibia, Rwanda, Tanzania and Zimbabwe. These countries are not necessarily well-served with internal air traffic services, with insufficient roads as well. Growing the tourism industry in Africa is to Africa's advantage and all efforts to this end must be lauded.