

## Africa

- **Africa:** The key for governments in Africa is to support the agriculture sector to exploit the global shift in consumer behaviour and consumer demand towards higher quality agricultural products. This can lift millions of farmers out of poverty, creating tremendous revenue generation potential and job growth.

Many countries are focused on mineral resources and tend to forget the principles for inclusive growth. The second challenge is to position themselves in the face of climate change and international markets. The third challenge is to create a better institutional regulatory policy environment to enable the sector to grow, setting broad rules and facilitating private sector activity. African countries with oil and its attendant riches can experience negative consequences. First, a country's currency can appreciate, making food imports cheaper, which appears very attractive in the short run. However, it can restrain the opportunity to grow agriculture in the long-term. Second, oil revenue bears the risk of financial governance problems and opens the doors to poor money management. Countries should create a buffer for leaner times by creating a sustainability fund, focusing on soil and water. It would be tragic to ignore agriculture. For more information, read: <https://bit.ly/2OEdeY7>.

**CAS Analysis:** A few thoughts come to mind reading the article. It emphasizes the importance of agriculture and of understanding the consumers. Tapping into the higher value products can not only lift millions of farmers out of poverty, but it can transform the nature of Africa's agriculture from a subsistence sector characterized by poverty to a lucrative sector. This has 2 benefits. Firstly, it can become an attractive sector for the youth of Africa. This is a major potential benefit as it is an outcome that has long been pursued. Secondly, it can boost the contribution of agriculture to the GDP of Africa's economies. There has been a mismatch between the size of the employment force in Africa's agriculture and its contribution to GDP. It can also contribute towards keeping greater numbers of the population in the rural areas, thereby lifting the pressure on urban areas, where governments are not geared to accommodate the high rate of urbanization. Another thought that comes to mind is the need for a sovereign wealth fund that can act as a buffer for bad times. Countries that have done this with great success, include Qatar and Singapore. Furthermore, Nigeria of a few years ago is an example of a country that used the short-term benefit of a relative strong economy to import food instead of cultivating its own agriculture. Although the government put in place subsidies to stimulate the cultivation of cassava, for instance, this was not implemented ruthlessly and did not bring about the sought-after results. Lastly, it shows upon the risks inherent in the negligence of the agriculture sector and placing an overemphasis on the extractive industries.

## East Africa

- **East Africa:** Recent visits by China's President Xi Jinping and India's Prime Minister Narendra Modi to Rwanda and Uganda signalled their growing interest in East Africa.

In Rwanda, President Xi signed 15 bilateral agreements and concessional loans, and reiterated China's endeavour to have a "mutual understanding" with Africa on equal terms. China will fund projects in road construction, hospital renovation and the development of the airport. PM Modi donated 200 cows towards Rwanda's One Cow per Family poverty eradication initiative, on top of a US\$200 million loan from India's Exim Bank for the development of industrial parks, irrigation schemes and the expansion of the Kigali SEZ, with the message that India and Africa are looking to work together towards development. Asia is gaining in terms of its presence in Africa and in East Africa. Bilateral relations between Rwanda and India or China will ensure that they secure markets for Asian exports that are produced in bulk, such as leather, agriculture and pharmaceuticals products. India intends to open 18 new embassies across Africa, adding to the 29 it already has. China currently has 43 embassies across Africa. Xi's approach and commitment to pump at least US\$60 billion into development in Africa could alter the global power play. For more information, read: <https://bit.ly/2M9YjNf>.

**CAS Analysis:** The competition for Africa between India and China appears to be heating up. China has its Belt and Road Initiative, and has recently stated that the whole of Africa can participate in the BRI. India subsequently responded with its Asia-Africa Growth Corridor. The AAGC will be focusing on 7 countries in East and Southern Africa, as well as 4 Indian Ocean islands. The two initiatives are not really comparable, as the BRI is vastly superior in scale and scope. Having said that, this has not stopped the competition between India and China in Africa. During a recent visit of PM Modi to China, the 2 countries

leaders agreed on a number of issues, but PM Modi refused to back down on the AAGC. The outreach of these 2 Asian giants to Africa raises questions about the unwillingness of other countries to launch similar initiatives of a comparable scale. Turkey is an example of a country that is increasing its footprint in Africa. We are also seeing Russia reaching out, although it still has a long way to go to reach a similar footprint.

- **Kenya:** One decade ago, no restaurant in Kenya had rabbit meat on its menu. However, a rising demand for meat, decreasing sizes of land holdings for farmers, climate change-induced shortages in fodder for cattle and a health-driven turn-away from red meat are combining to spark a Kenyan dietary shift.

The country's only rabbit abattoir processed 200kg of meat a week until 2016, but now churns out between 500kg and 1,000kg. That increased demand has raised the price for 1kg of meat from US\$4.50 to US\$5. Restaurants that have always sold lean meat are making the rabbit a central part of their offering. Traditional families are reluctant to serve rabbit meat to guests, worried that may be seen as a sign of disrespect or economic desperation. Demographic and economic pressures — and a growing health awareness — are battering against those stereotypes, increasingly bestowing cultural acceptance to what was socially a no-go. At the same time, though, the increasing population has led to a sharp growth in demand for meat. The demand for rabbit meat is rising so fast that the supply is struggling to keep up. For more information, read: <https://bit.ly/2vrXW9V>.

CAS Analysis: An interesting case study of a unique new product finding strong potential growth in Kenya. The lesson is that one should push all boundaries and test the market. Making assumptions about a market can be fatal. One has to identify the orthodoxies in the industry and test their relevance. Many organisations fail because they assume that “this is the way this industry works,” or that “this cannot work in this country.” Having identified the orthodoxy, one has to brainstorm as to how they can be exploited to your benefit.

- **Rwanda:** The USA on Monday suspended duty-free benefits for apparel from Rwanda due to tariffs imposed by the country on used clothing and footwear imports it blames for harming the local textile industry. The proclamation suspends the application of duty-free treatment for all apparel products from Rwanda.

The now-suspended duty-free benefits came under AGOA, but Rwanda remains eligible to receive non-apparel benefits available under the measure. Affected products accounted for around 3% of Rwandan exports to the USA in 2017, valued at US\$1.5 million, meaning that the vast majority of Rwanda's exports to the United States are not affected. Rwanda blames used clothing — which mainly comes from the USA — for undermining the development of its local textile industry. Initially, the EAC was united in its battle against used clothes, but the alliance cracked as Kenya, Tanzania and Uganda balked at the prospect of a retaliatory loss of access to USA markets via AGOA. Rwanda alone did not capitulate and in 2016 its imports of used clothing dropped by a third. For more information, read: <https://bit.ly/2KdznD0>.

CAS Analysis: According to the UN, 80% of Africans wear second-hand clothes. Clothing and textiles are collected from donors, sorted and shipped to Africa. Vendors purchase these items and sell them at a low price to Africans. The industry creates many jobs in Africa and provides the market with affordable clothes. Domestic textile manufacturers, however, cannot make clothes as cheaply as the second-hand items, and are being forced out of business. Tariffs may protect the local manufacturer, but consumers end up paying the higher price. So there is a trade-off somewhere. South Africa's textile industry was destroyed for all practical purposes in the late 1990's due to cheap imports from the East. Rwanda's textile industry has already started to turn towards the EU and the rest of Africa for alternative markets to make up for the loss of exports to the USA. An example of such a strategy is where Ethiopia is now producing textile products for not only companies such as PVH (including brands such as Polo and Tommy Hilfiger) from the USA, but also for H&M from Sweden.

- **Tanzania:** Palm oil seeds have now become the sixth priority cash crop as the government seeks to end the importation of edible oil and boost domestic processing.

Initially, there were 5 cash crops of priority that earned Tanzania foreign currency through exports. The crops are cashew nut, cotton, tobacco, coffee and tea. The aim is to embark on mass farming of the cash crops. Massive farming of palm oil seeds will enable the country to produce enough palm oil and eventually curb the importation of edible oil from other countries. The Prime Minister appealed to farmers to start preparing farms as the government works on modalities to provide them with seedlings. The PM also urged the residents to form farming groups that will enable them to access credit facilities from financial institutions. For more information, read: <https://bit.ly/2LYlPd4>.

**CAS Analysis:** Agriculture is a priority sector in Africa. It is the major source of employment, but unfortunately its contribution to GDP does not track the scale of its employment. In this case, the farming of palm oil seeds will generate revenues, provides jobs, create import substitution, and expand participation further down the palm oil value chain. With this initiative, the importation of palm oil into Tanzania can become redundant. As it is, we already see large multinationals involved in Tanzania in the palm oil business. Some of them import palm oil from Southeast Asia and then process it in Tanzania. It will be interesting to see the extent of their participation in this Tanzanian initiative.

## **West Africa**

- **Nigeria:** The Swiss Government is to strengthen its relations with Nigeria in the non-oil sectors in line with its diversification agenda.

Nigeria is a main exporter of oil to Switzerland and both countries were working to diversify relations in other sectors. There is the Lafarge Nigeria cement factory; Nestle Nigeria Plc that produces consumables; pharmaceuticals companies and companies in new technologies as well. In addition, there are Swiss investors in the agriculture field, involved in Swiss-Nigeria JV's that are trying to promote the value of potatoes. Nigeria is a major oil producer and has since 2015 been Switzerland's biggest oil supplier. In 2017, 45% of Swiss oil imports came from Nigeria. Some 45 Swiss companies are currently present in Nigeria. Together they employ nearly 9,000 people. For more information, read: <https://bit.ly/2AFG158>.

**CAS Analysis:** Nigeria has for very long largely depended on its oil reserves to generate foreign revenue. The oil price slump of a few years ago hurt its economy severely and emphasized the need for a diversification of its economy. The involvement of the Swiss Government to expand its relations to non-oil sectors can only be good for the Nigerian economy. In addition to the diversification of revenue sources, the jobs created are an additional benefit. This case study should serve to warn countries with newly discovered oil reserves of the negatives that could arise from an overemphasis on the production of oil. It can also serve to show upon a route to reduce this over-dependence. Hopefully the Swiss influence will keep Nigeria focused on expanding its non-oil sector.

- **Nigeria:** Nigeria withdrew from signing the AfCFTA having initially committing to sign it. The government explained that its decision wasn't a rejection of the accord, but that it wanted time to consult with key stakeholders in Nigeria.

Some saw holding off on signing the agreement as a sign how seriously the Nigerian government is taking the agreement. It has consulted with think tanks, trade expert groups, institutions such as the Nigeria Institute for Advanced Legal Studies, civil society, the Manufacturers Association of Nigeria, and other private sector institutions. However, Nigeria is finally getting ready to sign, stating it sees great merit in the AfCFTA, e.g. expanding market access for Nigeria's goods and services, boosting economic growth and job creation, improving competitiveness and the ease of doing business in Nigeria, while it provides a platform for Nigeria's continued leadership role in Africa. The AfCFTA's dispute settlement mechanism will provide protection against hostile and discriminatory trade practices. It's concerns include unfair trade practices such as dumping. The Nigerian government has confidence in the potential of the agreement's dispute settlement mechanism. Not signing the AfCFTA is not an option for Nigeria, particularly given the rise in protectionism, nationalism and backlash against free trade in the global multilateral trading system. For more information, read: <https://bit.ly/2KldiCg>.

**CAS Analysis:** There was a lot of discussion when the 2 largest economies in Africa, i.e. Nigeria and South Africa, did not sign the AfCFTA at the occasion in Rwanda. South Africa did sign the agreement,

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but not the actual AfCFTA. Nigeria did not even reach Rwanda. The article clearly shows why Nigeria cannot refuse to sign the AfCFTA. It provides clear benefits, as well as protection against a world rife with uncertainty in the trading domain. This is actually true for all the countries in Africa, including the other large economies on the continent such as Angola, Egypt and South Africa. Truth be told, the AfCFTA would not be a realistic and viable economic community without the participation of its large economies.