

African Union

- **Africa:** Charles Stith, USA ambassador to Tanzania in the Clinton Administration, stated that the easy part for the USA is how to engage dictatorial regimes in Africa. The cost for any substantive engagement is democratisation and a development programme to lift people out of poverty. More challenging is how they engage and encourage the 16 African countries (with more than 700-million people) that have made considerable progress furthering the cause of democracy. The standard of living is being raised in these countries and governments are being held accountable. These "anchor states" have the potential to push the rest of the continent towards more progressive policies. Stith suggested a framework that should inform whatever policies and programmes they put forward. Firstly, they need a comprehensive and coherent framework for engaging Africa's democracies. Secondly, they must develop a different diplomatic protocol in engaging African leaders and governments when the USA has points of contention and concern. Finally, the USA needs sound research and data to engage effectively. What the USA knows about the African market and its potential is lacking, to say the least. "If Africans are to believe we take them seriously, our data and analysis ought to reflect it, and when we get it wrong we need to say it." For more information, read [here](#).
- **CAS View:** Stith has made some compelling points, such as the need to democratize and develop a development programme to lift people out of poverty. While this may be laudable and aligned with the value system of the USA, one frequently find African countries that see this as interference in their internal affairs. One view is that it is the good right of the USA to prescribe the circumstances under which they are prepared to engage with African countries. This can hardly be faulted. However, one should not be surprised that a large number of African countries turn towards China for support and investment. Recently, when Djibouti granted permission to China to build a military base in Djibouti, it was quizzed by USA stakeholders as to why. The response was that China was extensively involved in developing not only Djibouti, but also quite a number of other African countries; and with no strings attached. In another example, Nigeria has always had a strong inclination towards the USA. However, Buhari and some of his ministers have very recently returned from China with loans and promises of support. On another note, what is quite surprising is Stith's view that the USA knows very little about the African market. In all fairness towards the USA, it is not alone in this lack.
- **Africa:** If the same question put to the British people were asked of Africans in terms of our own unifying project, what would people say? Brexit raises questions about the sustainability of that particular regional formation and even the legitimacy of the globalisation project. If we in Africa are not isolated from the effects of globalisation, integration and global competition, what does our unifying project have in store? How can we learn and prepare our project differently? The AU has been leading a bold initiative of uniting and integrating Africa through open borders, free trade and free movement of people. But it is no secret that this imagined and planned order faces challenges arising from domestic politics. It will mean much more competition for national resources, and indeed strong demands on nation states. In SA today, we have very intense competition for resources among citizens. Not only is it an issue of tensions among South Africans relating to inequality, but about access to services and opportunity as it relates to immigrants. Globalisation has delivered enormous economic development and prosperity in an unprecedented matter. But we have to remember that at the base of globalisation is competition, and competition works only when it is free, fair and democratic. For more information, read [here](#).
- **CAS View:** There has been a plethora of articles on the impact of Brexit on the world. Most agree that there will be a number of short-term challenges. Others have been clear that the impact of a Chinese economic slowdown would be more dire than Brexit for Africa. Africa has a number of regional economic communities that all aspire

to integrate and facilitate the movement of goods, services and labour across national boundaries. The latest attempt is the much-talked about Tri-partite Free Trade Area (TFTA) that will integrate 26 countries and create a common market of 625 million people. The question raised by Brexit is what does the future hold for TFTA, given the problems and challenges of an EU. As it is, even without the Brexit issues, the TFTA was already confronted with numerous challenges, such as differing levels of political, economic, social and infrastructural development. This includes the challenge of national interests being foremost in the minds of national decision makers. There might now be even more hesitancy to move towards a practical implementation of TFTA. As was stated by the AU, the TFTA is seen as a forerunner to the Continental Free Trade Area. It will be interesting to see what the impact of Brexit would be on the attempts to gain greater regional integration in Africa. There is no doubt that the latter has benefits for Africa, such as a greater degree of intra-Africa trade, increasing it from a measly 12% to hopefully about 30% in the short-term. More about the TFTA can be found [here](#).

West Africa

- **Cote d'Ivoire:** Côte d'Ivoire is now the fastest-growing economy in Africa, with the IMF projecting an 8.5% rise in GDP in 2016. Francis Dufay, CEO of e-commerce platform Jumia, expressed views on business opportunities. The e-commerce industry in Côte d'Ivoire is very limited beyond Jumia. A few small players make about 5 to 10% of Jumia's sales, but often have business models that limit their potential. This is not a huge market. Côte d'Ivoire has only 22 million people and not many people have the purchasing power to buy a TV or a smartphone. This is a challenging market – from payments to logistics. There are lots of young entrepreneurs who want to do something in technology. Challenges include lack of funding, barriers to Internet access, and expensive Internet. On investment opportunities, governance is okay, GDP growth is at 8%, infrastructure is improving and everything is going in the right direction. Retail is a big opportunity, but is starting to get crowded. The market in cities other than in Abidjan is not sufficient to sustain a mall. There are lots of business opportunities, but investors should not get overexcited and remain realistic and pragmatic. Not all of the investors and new businesses will make money, and any investor who comes into the country needs to keep that in mind. For more information, read [here](#).
- **CAS View:** Pres Ouattara has succeeded in rebuilding Cote d'Ivoire since the violence following the last election of 2010. His country is moving from strength to strength. The growth of the e-commerce industry, in spite of the challenges identified, is a sign of a developing country, as is the high rate of economic growth. It is also significant that a large number of international players are returning to Cote d'Ivoire. The development of infrastructure is picking up as well. Cote d'Ivoire is positioning itself nicely as an investment destination, with political stability as a sweetener. It is also good to see the challenges facing the potential investor, and the call for realism and pragmatism. CAS has previously reported on the attractiveness of Cote d'Ivoire, which can be found in this newsletter. For more information, read [here](#).

North Africa

- **Algeria:** Algeria has outlined a recovery plan to cope with plummeting energy prices. Algeria's new growth model aims to diversify the economy away from oil and roll back the role of the state. Algeria relies heavily on hydrocarbon revenues. Over the past two decades, the oil industry had accounted for 95% of the total exports while energy sales provide some 60% of the state's income. The regime understands that Algeria's rich energy resources are not its only strength, and are convinced that Algeria's old economic system is no longer functional and that the economic downturn is systematic. The Algerian government has not yet provided details on how it will achieve its goals. Efforts to develop manufacturing – including plans to boost agribusiness – look to be a major focus based

on incentives included in Algeria's new investment law. The manufacturing sector's contribution to GDP is expected to rise from 5 to 15% under the new investment code. The food sector already accounts for 55% of Algeria's total manufacturing activities. Algeria needs to re-industrialise its economy so as to significantly reduce their imports. Algeria has also set itself ambitious renewable energy targets. Solar energy currently delivers 300 MW of electricity. The government aims to increase this to 2000 MW by 2030. For more information, read [here](#).

- **CAS View:** Algeria is by no means the only country in Africa in need of a restructuring of its economy. All the oil-producing and –exporting countries have been hurt by the slowdown of the Chinese economy and the drastic reduction of the oil price. This is also true for commodity-export oriented countries such as South Africa. It seems Cote d'Ivoire is the only commodity-export country that has managed to show good economic growth (above 7%). What is useful from the Algerian experience is how they aim to restructure their economy. A lot of these countries will have to try various ways and means to reduce their dependence on commodities. They have no choice. In Nigeria, President Buhari presented a budget that clearly identified the diversification of its economy away from oil. It still remains to be seen whether they will be successful. In Algeria, there are some signs of recovery, as the size of the middle class is growing, as is the number of malls, which is an indication that retailers are positive about the future.

Southern Africa

- **South Africa:** Mauritius expects FDI to increase as much as 46% this year, even as the UK's decision to leave the EU may curb inflows to it. Foreign investors are expected to commit \$395 million by the end of 2016, compared with \$270 million last year. Mauritius received \$85 million in the first quarter. FDI slumped last year from \$522 million in 2014, when the \$12 billion economy saw several hotel acquisition deals. The U.K. is the third-biggest source of FDI flows into Mauritius, accounting for about 9% of the total. Mauritius is the easiest place in Africa to do business, while the AfDB ranks it as the most competitive economy in sub-Saharan Africa. The sugar- and textile-exporting nation is targeting becoming a high-income country. Real estate attracts the largest share of FDI in Mauritius, receiving 80% of FDI in the first quarter of 2016. In 2015, 84% was plowed into similar projects. International buyers can become Mauritian residents once they acquire a luxury property with a minimum investment of \$500,000. The government expects future developments to contribute social amenities and facilities that benefit the community. For more information, read [here](#).
- **CAS View:** Mauritius figures very prominently in the rankings of both the ease of Doing Business (World Bank) and the Global Competitiveness Rankings (WEF). They attract a lot of FDI, relative to the size of the economy. Their intent to scale and grow the economy to the status of being a high income country by 2025, will require what Collins and Porras calls "Big, Hairy, Audacious Goals." However, it is clear they are not depending on hope as a strategy and are actively striving and putting in place systems and mechanisms to bring this about. It is also positioning its financial service sector to be a bridge between Africa and the East; hence the ease of getting money into and out of the country. Although the article refers to it being a sugar- and textile exporting country, Mauritius is obviously also well known for its strong tourism industry, as well as its flexible and customer friendly financial practices.
- **South Africa:** Francophone Africa remains risky for most risk-averse South African investors, worried by the barriers of language and foreign business culture, and the perception that business in these markets is still dominated by France. This leaves a large part of Africa wide open to investors from elsewhere who are prepared to accept the risks. Some of Africa's biggest and fastest growing economies are French-speaking, e.g. Ivory Coast (11% in 2016), Cameroon (6%), and DRC (7%). The DRC is one place where South Africans have engaged and

in the period described above it was the biggest source of imports, mostly for mining. Proximity and direct flights from Johannesburg to both Kinshasa and Lubumbashi are key drivers of this engagement. Rwanda and Mauritius are also popular with South Africans. But that leaves just under 20 other relatively unexplored markets. English-speaking African countries, including Nigeria, Ghana and Uganda are also active in French-speaking markets. Despite SA's strong business ties with the continent, there is still pervasive ignorance about so much of Africa — including the geography. To succeed in Francophone markets requires understanding not just the technical and practical issues about doing business, but the considerable nuances. But as competition for business increases across Africa, Francophone countries present a good future opportunity. For more information, read [here](#).

- **CAS View:** It is interesting to note that at least 3 of the Francophone countries, i.e. Senegal (Macky Sall), Cote d'Ivoire (Alassane Ouattara) and Rwanda (Paul Kagame), have been blessed with good leadership. That should surely show upon the role of good strategic leadership in the development of the countries in general, and their economies specifically. It is also interesting to note that the author is of the opinion that South Africa, like the USA, does not really know what Africa is about. Except for those few South African countries who have been involved in Africa for a significant period, this is true for most of the rest. A case in point is Tiger Brands that rushed into Nigeria, just to leave 2 to 3 years later at a loss of R2.7 billion! A number of South African food and clothing retail chains have also moved in and out of African countries, mostly to not understanding in advance what the country was about. South Africa should target Francophone Africa, as the purchasing power and political stability that these countries represent are not to be sneezed at. Also, it should do so sooner rather than later, lest countries and companies foreign to Africa do so first.
- **Zimbabwe:** Zimbabwe and Japan recently signed a major automobile industry trade deal to ship 10,000 Japanese tractors to Harare and train 40 Zimbabweans in Japanese automobile manufacturing techniques. This deal reaffirms Japan's desire to compete with China for economic influence in SSA. In late March, Japanese Prime Minister Shinzo Abe and Zimbabwe's President Robert Mugabe signed a \$5.8 million deal to finance road construction on Zimbabwe's north-south corridor. Abe's outreach to Zimbabwe strategically benefits Japan in two main ways. First, using a closer partnership with Zimbabwe as a springboard for expanding Japan's network of allies in SSA. Also, Tokyo can gain economic leverage over one of Beijing's closest African allies. Second, Zimbabwe is a long-standing ally of North Korea. Closer Harare-Tokyo ties could convince Mugabe to break off relations with Pyongyang, that would further isolate Kim Jong-un's increasingly belligerent regime. Abe's diplomatic outreach to Zimbabwe benefits Japan's economy and increases Tokyo's geopolitical influence. Japan is strongly positioned to re-establish trade linkages with Zimbabwe, as it did not follow the West in imposing sanctions on Zimbabwe for Mugabe's forcible land seizures in 2000. Mugabe has responded positively to Japan's diplomatic overtures, and has urged Abe to expand Japan's investment in Zimbabwe's gold, platinum, and nickel. For more information, read [here](#).
- **CAS View:** Japan presented an Africa-Japan Investment Forum in Addis Ababa in Ethiopia in September 2015. The Japanese Minister of Foreign Affairs made the point that Japan takes its time to enter a country or continent, but once it had made the decision to enter, it was in for the long haul. This year, a summit at head of government level is presented at the end of August in Nairobi in Kenya (TICAD). It is clear that Japan is serious about investing in Africa, as this year's TICAD is the first one to be held on African Soil. Japan now follows in the footsteps of Asian countries such as China and India. Another country that recently showed a clear intent to venture into Africa in a large scale manner, is South Korea. Their president led a group of more than 100 companies into Africa. The bottom line, however, is that Asian countries have made it clear that Africa plays an important role in their future plans, both as a source of resources and as a market for manufactured goods. Countries that stay out of Africa at this stage, do so at their own risk. Missing-the-boat-risk is increasing by the day. As for Japan in Zimbabwe,

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hopefully the Japanese influence will moderate the actions of Zimbabwe's government, which can be somewhat extreme at times. Zimbabwe's economy can only benefit from Japanese involvement! The very high unemployment figures are a source of concern, as is the low economic growth rate. In an interesting move, Israel is also now reaching out to Africa. The signs are clear!