

## African Union

- **Africa:** A feeling of optimistic exuberance is emerging in Africa because African-inspired institutions are forming. The collapse of the commodity boom has pushed countries to invent other ways to survive. Some will be transformed by the sheer power of their entrepreneurs. The cloud, open source software, cheap computing resources, and ideas from local technology hubs are redesigning Africa. There is a promise for a golden era of entrepreneurship anchored by local innovation. Most African professionals in the U.S. and Western Europe returned to their countries after they lost their jobs during the financial meltdown. They went back with top-grade technical skills, managerial experiences, and international networks, going into entrepreneurship and partnering with local professionals. The new companies are creating their own innovations and competing with the foreign ones, while redesigning business models in a period of currency controls, currency devaluations, and government stasis. Convergence of foreign exchange scarcity and abundance of local indigenous capabilities will bring a new dawn even as governments are funding local entrepreneurs and challenging them to make customers their “growth investors.” These entrepreneurs will transform the continent with the brainpower of the citizens and offer a road map to a new African economy. For more information, read [here](#).
- **CAS View:** It is an excepted truth that Africa’s dependence on commodity exports has not done it any good. With the commodity prices falling, and China’s economy slowing down, Africa’s countries have no other option but to diversify their economies away from an overdependence on oil. A number have also realised that the industrialisation of their economies are crucial for long-term survival. In addition, boosting entrepreneurial ventures will also serve the important purpose of growing the economy, creating jobs, and giving people a sense of purpose. The return of well qualified people from abroad acts as a boost for the entrepreneurial sectors. Countries that CAS has picked up doing this in a focused manner, include, for example, the likes of Tanzania, Kenya, Ethiopia, and Rwanda. No doubt there are others as well. A factor that will always act as a constraint in the process of start-up development, is the availability of capital. It does seem, however, that private equity funds and venture capitalists are slowly but surely targeting Africa to a greater extent than has hitherto been the case. As for innovation in Africa, necessity is the mother of invention. Africa has in many sectors risen to the challenge with innovations such as M-Pesa, etc. The opportunities are many!
- **Africa:** Indian Prime Minister Modi visited Mozambique, South Africa, Tanzania and Kenya from July 7 to July 11 to further deepen India’s engagement with Africa. The visit was to provide opportunities to build on close contacts at the highest political level and enhance mutual cooperation and understanding on major issues of common interest. Modi’s visit comes within weeks after President Pranab Mukherjee and Vice President Hamid Ansari travelled to Africa to strengthen and reinvigorate India’s ties. India’s relationship with Africa has been through an unprecedented intensification in June 2016. The visits follow on the mammoth India-Africa summit here last year, which saw the participation of 41 of the 54 leaders of the African Union as India eyes to ramp up its Africa engagement. The present renewed outreach is also about business and a good example of geo-politics combining with geo-economics. India views Africa as a promising market for Indian goods, services and investments. Indian leaders are seeking out fresh investment opportunities for Indian public and private sector companies in different African countries. India’s bilateral trade with Africa stands around \$70 billion, way behind the figures of China’s trade with Africa, which has now exceeded \$200 billion. For more information, read [here](#).
- **CAS View:** Further proof of Africa being taken seriously by large countries, that see Africa as a valuable destination for products and as a source of commodities and input material. As stated previously by CAS, India is by no means alone in this endeavour. In addition to China, which everyone knows is big in Africa, India is in good

company with countries such as Japan, Malaysia and South Korea targeting Africa in a big way. India is also working at Africa for support in the UN Security Council. Countries that wait too long will struggle to make inroads in the African continent!

- **Africa:** The African Union is set to launch a common electronic passport that would grant visa-free travel to all of its 54 member-states by 2020. For the AU nations, a common passport appeals to a shared ideal of Pan-Africanism. A growing cosmopolitan middle class hopes to take advantage of the mobility and economic benefits offered by visa-free travel, such as facilitating free movement of persons, goods and services around Africa to foster intra-Africa trade, integration and socio-economic development. Smaller-scale efforts are on the rise across Africa, with the AU noting visa-free plans underway in Ghana and Mauritius. ECOWAS has long offered visa-free travel to citizens of its member states, including Liberia, Mali, Nigeria, and Senegal. Individual member states will have to work out how individual citizens will actually receive the visa-free travel benefits. Statelessness is a particular concern. A lot of focus has been around technical issues and not enough emphasis on migration, on how do your procedures work and how to incorporate people [into a particular country]. The AU's timeline, however, is still ambitious. The move to open borders between member states could have a large-scale impact on young people traveling large distances in search of work. For more information, read [here](#).
- **CAS View:** The announcement comes at the same time the UK decided to leave the EU, amongst others due to the free movement of migrants from the Middle East. However, the AU is of the opinion that Africa is a continent of migrants and that they would not be deterred by the issue. A problem could be that some countries represent much better employment opportunities than others. They also tend to be much more developed than others. This could pose a formidable challenge to the efficient functioning of the system, precisely because some countries are much more attractive than others. In a country such as SA, one finds some provinces being much more attractive than others, and hence become magnets, putting its infrastructure under pressure. This same principle would play off at country level. One would therefore prefer a project internally to first develop the country and "fix" its problems before it becomes part of the larger community. This challenge is one also faced by the TFTA and CFTA. If it is not addressed effectively, some countries would run empty, whilst others would be "over-filled." This need not necessarily only be negative for the overflow countries as they could be the recipient of well-educated and highly skilled workers. This scenario would, however, be negative for the country of origin. This leads one to the realisation that it would be in the respective countries best interest to ensure they present good opportunities for their people lest they lose them to "better opportunity countries". So, while there could be problems in the short-term, these could be dealt with in the medium- to long-term by natural development initiatives of the "weaker" countries themselves. The governments of these countries would have no option but to do just that.
- **Africa:** What does it take to steer a poor country from Third World to First World status? Africa is home to a large number of countries in the Third World category and has some of the fastest-growing economies in the world. Some countries, such as Ethiopia, Rwanda, Uganda, Kenya, Ghana, Côte d'Ivoire, Gabon, Mozambique, Angola and SA, can emulate the "Asian miracle", if governments take decisive steps to achieve certain outcomes. First, GDP per capita or the average household income must be improved. Second, state intervention and robust national leadership are crucial. There must be a focus on growing human capital, to increase productivity, increase household incomes and improve the standard of living. No African leader has actively pursued the improvement of household incomes, which requires people to get involved in technology-based productivity work. Even agriculture needs to be high-tech and include agro-processing. State intervention is a key strategic tool to stimulate and guide development without impeding the private sector. The youth need education to explore the boundaries of knowledge and technology for their own benefit and that of their countries. Some of these lessons have been

taken to heart. Rwanda is doing very well by investing in ICT, and in its own people. Ethiopia has invested in agrarian reform to subsidise industries through economic processing zones. For more information, read [here](#).

- **CAS View:** Last year the Kenyan High Commissioner pointed out to a group of Kenyan MBA students visiting Singapore that 50 years ago, Kenya and Singapore were at the same level of development. She asked the obvious question as to what had happened that Singapore had developed at the pace it did, and why Kenya was not at the same level of development. The article therefore rightly refers to the great example of Singapore's Lee Kuan Yew as the leader who took his country from Third World to First World in one generation. This required visionary leadership, a long-term future focus, dedication and discipline. The state played a crucial role to create a business-enabling policy framework to make it all work. Education was crucial to develop empowered citizens. Singapore also gave their citizens a stake in the country by developing a housing ownership scheme. The state apparatus gives new meaning to the concept of efficiency. Corruption is mostly a foreign concept. Crime is low. Ironically, a recent bank robbery was perpetrated by apparently a Canadian citizen during his first trip to Singapore. Africa has much to learn from Singapore and the other Asian Tigers. The lead factor is ethical, moral and visionary leadership. Without it, the rest will not happen. Unfortunately, there are too many African countries who do not have this requirement. Hopefully the likes of Rwanda, Namibia, Botswana, Cote d'Ivoire, and Senegal will convince other countries of the benefits of electing this kind of leader and holding him/her accountable. The Asian Tigers have shown it is possible. Africa must stop blaming its colonial past and develop a future orientation. Otherwise it will find it falling behind at a greater rate than is currently the case. The choice is theirs.

## East Africa

- **Ethiopia:** Ethiopia's tourism revenue jumped 20.7% in 2015 to a record high of \$3.5 billion from \$2.9 billion in the previous fiscal year, lifted by an increased number of foreign tourists. This was more than what its more tourist-established neighbours, Kenya and Tanzania, earned last year combined (\$2.77 billion). The number of visitors to Ethiopia increased by 136,000 to 910,000 in 2015, as the country hosted a number of high profile international business conferences and exhibitions. Ethiopia, home to nine UNESCO World Heritage sites, wants to become one of the top five tourist destinations in Africa by tripling the number of foreign tourists visiting the country to 2.5 million in 2020. This will make tourism the leading sector in one of Africa's fastest growing economies. On average, visitors to Ethiopia have risen by 12% annually over the last decade as its economic growth picked up and the government introduced incentives to attract investors into the sector. Tourism contributes about 4.5% of the country's GDP and generates about a million jobs. Ethiopia's cultural wealth, like its 13th century underground churches of Lalibela, hewn from solid rock, and the hill castles of Gondar, are its big selling point. It's also grown more popular for travellers as it is a safe and affordable destination. For more information, read [here](#).
- **CAS View:** Ethiopia is developing into a high profile success story of Africa. It has been quite busy growing and industrialising its economy to reduce the dependence on agriculture. They have also put in effort to convince women and youths to become entrepreneurs. As for tourism, it has wooed international hotel groups to build new infrastructure in Ethiopia in order to house the large numbers of tourists it said it wanted to attract. And it seems they were successful with the "build it and they will come" approach. They have also done their best to become attractive for organisers of conferences and exhibitions. Ethiopia does have its detractors that say that the government has an authoritarian approach to political opponents. Recent clashes between the government and members of the Oromo ethnic group about the expansion of the capital, Addis Ababa, is a case in point. The fact that the governing political party has 100% of the seats in parliament, is also used as an example of political manoeuvring. So all is apparently not well. Having said that, the country is a shining beacon in a part of Africa that frequently creates negative vibes across the world. The fact that it has attracted more revenue than Kenya and

Tanzania combined, speaks for itself. The latter country has the world famous Serengeti, the Ngorongoro Crater, and Mount Kilimanjaro, while the migration of wildebeest and zebra is the stuff of legends. Ethiopia is therefore clearly doing a lot of things well. And the benefit of tourism for Ethiopia's economy is that in addition to foreign currency, it has a remarkable leverage effect, creating a number of jobs upstream and downstream in the value chain!

## Southern Africa

- **South Africa:** SA recently escaped a sovereign credit ratings downgrade. Problems include: low GDP growth; mass unemployment; growing civil unrest and rising political tensions; the overwhelming lack of credible leadership. Key considerations: what happens if the ANC lost Tshwane and other metros in the August elections; the relative strength and independence of state institutions; the perception of a solid democracy, with independent media, robust tertiary institutions and an actively engaged civil society. A concern is SABC leaders seemingly intent on destroying media independence. Ratings agencies acknowledged the pending finalisation of labour and mining reforms that could engender a positive confidence shock. The government is adamant to reduce fiscal deficits at a faster pace than expected. The biggest concern: the vast majority of employment growth in the past 10 years has occurred in the public sector, while employment in the private sector remained static. Also, political cadres deployed to leadership roles in key government agencies believe they are owed their positions and exorbitant salaries because of their role in the struggle, and fail to deliver on their mandates. This practice has also manifested in SOE's. The reluctance of corporates to invest domestically, due to the perceived political risk and a lack of trust in the political leadership, is a significant impediment to long-term economic growth. For more information, read [here](#).
- **CAS View:** The issues identified by the author are indeed major issues and SA needs to deal with them decisively should it want to escape a future sovereign credit ratings downgrade. State institutions such as SAA and SABC are poorly managed, and there are even voices within the ANC that are calling for action against these ministers and managers. State capture (seen to be by the Gupta family) is a widely talked about phenomenon, although not a lot is done about it. The Minister of Communications answers directly to the president, and apparently has carte blanche running the SABC, together with her henchman, Hlaudi Motsoeneng. The chairperson of the SAA is apparently also in the same position. To what extent the August local elections will be a wake-up call for the ANC, is uncertain at this stage. The period around the local elections in August is bound to be turbulent, if the actions in Atteridgeville, when the ANC imposed an external candidate for mayor on them, is anything to go by. How this will impact the ratings agencies is uncertain, but one can expect they will see all of the issues within a systemic whole and will probably not be too impressed with it. As the article states, the lack of decisive leadership is a major issue. And SA, with all due respect, currently does not convey a sense of confidence in this regard. What a shame that the party of icons such as Nelson Mandela, Walter Sisulu and Govan Mbeki have deteriorated to what it currently is – something of a joke in the global community. In 2010 I made the remark that, given the dominant position of the ANC, it owes it to the country to develop a leadership bench strength that will deliver a succession plan worthy of the sacrifices of the party in the past (<http://johanburger.com/leadership-in-sa-on-the-brink-of-the-abyss/>). It does not, however, seem that this was high on the priority list of the ANC. The shame is that there are competent leaders amongst the ANC members. They just need to be given a fair chance! The leader of the ANC in the Gauteng region, possibly one of these competent leaders, has warned his party that they need to reform or they will slowly die. He has not been alone in this view. The question must be asked what the role of the president of the ANC, Mr. Jacob Zuma, has been in the deterioration of both his political party and the country at large. And why is he still there? The ANC got rid of Thabo Mbeki for far less!

- **South Africa:** On Wednesday, De Beers, in partnership with government and Anglo American Zimele, launched its Diamond Enterprise Development Project for South Africa. The project will facilitate growth and transformation and create employment in the diamond beneficiation industry. African mineral resources are mined and exported as raw materials, which are turned into beautiful things, often unaffordable to buy back. The OR Tambo jewellery precinct is an infrastructure that will support beneficiation and diamond trading. Infrastructure for mineral beneficiation is needed to add value to export materials, create jobs and deepen industrialization of SA and Africa. Although the global mining industry is experiencing a downward cycle, the cycle would not continue forever and the basics had to be put in place for long-term success. There is an opportunity in South Africa to become global competitors in diamond beneficiation. Beneficiation is seen as the right thing to do strategically for the industry and for South Africa. Five historically disadvantaged South African diamond cutting and polishing companies have been selected to participate in the project. They will receive support and business training. The programme will support entrepreneurs through funding and mentorship, and providing access to rough diamonds. For more information, read [here](#).
- **CAS View:** Beneficiation (or value adding) of commodities has been official policy of the SA government for quite a while. When Susan Shabangu was Minister of Mining from 2009 to 2014, she was an active advocate for the beneficiation of minerals. However, it seems that the policy was never implemented with enthusiasm. There have been exceptions, such as the development of Saldanha Steel, now ArcelorMittal Saldanha Works. When one analyses the value chain of the diamond industry, it is clear that the low risk high return (contradiction or paradox?) activities lie beyond the first 3 sectors of prospecting, mining and marketing. The 3 sectors beyond this are cutting and polishing, jewellery manufacturing and retailing. This is where the profits are to be made. This is why De Beers tried to move into diamond retailing already in the early 2000's. Moving into these 3 sectors is good news for both the industry and SA. Currently the cutting and polishing activities are dominated by countries such as Belgium, the Netherlands and Israel, amongst others. Establishing these activities in SA will enhance export revenues, serve as import substitution, and create job opportunities. This approach must be expanded into as many sectors of the economy as possible, not only in SA, but also in the rest of Africa.