SCRAMBLE FOR AFRICA? This time it is different? Dr. Zdenek Drabek

Introduction

 Recent title from African Business (2012): "ICC Vs Africa" – Special report;

 My talk is NOT about International Chamber of Commerce of above!! There it was International Criminal Court!

•

• **My objective**: To describe to you the major changes taking place in Africa and assess their attractiveness for Czech businesses!

6 Major Developments in Africa

- Trade policy measures Integration and liberalization
- Macroeconomic stabilization
- <u>New Investors</u> (New players): China, India, Turkey, Brazil;
- New Drivers of Economic Growth;
- New Market Opportunities;
- Sparkling and surprising performance
 - Rapid growth

Trade Policy / Integration Measures

- From FTA to Customs Unions: 8 RECs EAC, SADC, COMESA; ECOWAS,.....
- Measures:
 - Elimination of internal tariffs (within FTA);
 - Reduction of external tariffs;
 - Drive to harmonize standards;
 - Identification and elimination of NTBs;
 - Harmonization and simplification of customs procedures and administration;
 - NEW DANGER: RoO,
 - Establishment of CFTA

Agreements with 3rd Parties

- Old instrument- AGOA, EBA, GSP
- Under negotiations EPA
- New instruments (i) trade and investment agreements with China, India, Brazil, Turkey...; (ii) model investment Treaties and Partnership Agreements with the US and EU,

Macroeconomic Measures

- Macroeconomic stabilization (except Zimbabwe),
 - Responsible monetary policies
 - <u>Tighter fiscal controls (role of donors!)</u>
 - Unification of ER
 - <u>Liberalization of foreign currency transactions</u>
- Debt reliefs
 - <u>HIPC Initiative (2005) write off 40 billion relief for 17 LDC, many African countries (Highly Indebted Poor Countries)</u>
 - Multilateral Debt Reduction Initiative (2006)
 - Paris Club
 - London Club

Existing Monetary Unions

- <u>CEMAC Communauté Économique et Monétaire de l'Afrique Centrale -</u> (Cameron, CAR, Chad, Republic of the Congo, Equatorial Guinea and Gabon); Currently, CEMAC countries share a common financial, regulatory, and legal structure, and maintain a common external tariff on imports from non-CEMAC countries. In theory, tariffs have been eliminated on trade within CEMAC, but full implementation of this has been delayed. Movement of capital within CEMAC is free;
- <u>UEMOA (WAEMU) 1994 Union économique et monétaire ouest-africaine (West African Economic and Monetary Union)</u>: Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal and Togo;
- <u>Common Monetary Area</u> RSA, Lesotho, Swaziland and Namibia;

Informal Currency/Monetary Union

Zimbabwe and US dollar(2012) !!

Plans: Monetary Unions

• EAC - 2015?

• SADC- 2016??

• COMESA – moved from 2018 to 2021!

Drivers of Economic Growth

- Traditional drivers: Mining and raw materials
- New Drivers of growth:
 - TELECOM revolution;
 - BANKING and other financial sectors liberalization;
 - Consumer spending;

Emergence of new "success stories"

See Annex

Drivers of Economic Growth (2)

- New Investors and Trade Partners: Diversification!
- CHINA!! But also Turkey, India and Brazil
 - Large inflows (absolute and relative terms Table 1)
 - China is the 2nd most important trade partner of Africa (US has lost)
- Soft Infrastructure: recognition of THE problem -high costs of trade;
 - Measures:
 - Transport corridors;
 - One-stop border posts (e.g. Zimbabwe Zambia);
 - AID for infrastructure (and governance), e.g. TradeMark (DFID)
- Hard Infrastructure:
 - First joint projects; (West African electricity grids);
 - <u>Power stations</u>: e.g. Uganda, Ethiopia,
 - Ports: Mombasa and other Kenyan ports (for Ethiopia);
 - Roads: e.g. PPP/BOT in Uganda;
- Agriculture: (US)!!!
 - AID: US AID (Rwanda!)
- <u>Services (</u> Telecommunications, banking, tourism) liberalization;
- EPA: the above sectors are common;

Table 1 - FDI Inflows 2010 -2012 (US\$ billion and %)

	2010	2011	2012	Increase 2012-2012 (%)
Developed Economies	674.9	807.8	548.9	-32.1
Developing Economies	630.9	702.7	680.4	-3.2
Africa	43.2	43.4	45.8	5.5
Brazil	48.5	66.7	65.3	-2.0
China	114.7	124.0	119.7	-3.4
India	24.2	31.6	27.3	-13.5
Russia	43.3	52.9	44.1	-16.6

"THIS TIME IT IS DIFFERENT" - SEARCH FOR NEW BUSINESS ENVIRONMENT AND OPPORTUNITIES

- Macroeconomic performance and economic growth
- Rapid growth (Table 2)
- Africa accelerates past Asia (Table 3)
- Forecast 2013 2017 = 11 of the 20 fastest growing countries will be in Africa (IMF)
- 27 African countries have already attained "middle income status"!!
- Source: www.ey.com/attractiveness

Table 2 - Africa's Economic Output

	Multiple since 2002	CAGR 2002 -2012	CAGR 2007-2012
Sub-Saharan Africa	X3.8	14.2%	8.7%
North Africa	Х3	11.6%	9.9%
Africa	x3,5	13.3%	8.8%

Table 3- Africa Accelerates Past Asia

	1980-89	1990-99	2000-2009
ASIA	10.0%	7.0%	10.0%
AFRICA	3.0%	3.0%	11.0%
CIS			6.0%

Macroeconomic Stability?

- Inflation under control in most countries;
- <u>Countries' External Debt</u> much reduced;
 - Africa average : 1980s= 69.0%; 1990s= 93.6%; 2000s = 47.1%; 2010 = 21.5%
- *Governments budgets* under stricter control;

WHAT IS ATTRACTIVE ABOUT AFRICA THIS TIME (WHAT 'S IN IT FOR CZECH

BUSINESS?)

- Larger Markets increased African markets under FTA of EAC, SADC, COMESA;
- Market access to 3rd countries US (AGOA), EU (EPA, Everything – but – Arms)
- Which markets?
 - Tourism
 - Agricultural and fishery products (fruits, nuts and other exotic fruits, fish, etc.)
 - Food processing
 - Generic medicine