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


- 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**
- **New Investors** (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
  - Tighter fiscal controls (role of donors!)
  - Unification of ER
  - Liberalization of foreign currency transactions

- Debt reliefs
  - HIPC Initiative (2005) – write off 40 billion relief for 17 LDC, many African countries (Highly Indebted Poor Countries)
  - Paris Club
  - London Club
Existing Monetary Unions

- **CEMAC** - *Communauté Économique et Monétaire de l'AFrique Centrale* – (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;


- **Common Monetary Area** – 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);
  - **Power stations**: 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!)
- **Services** (Telecommunications, banking, tourism) – liberalization;
- EPA: the above sectors are common;
Table 1 - FDI Inflows 2010 -2012 (US$ billion and %)

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

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<thead>
<tr>
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<th>Multiple since 2002</th>
<th>CAGR 2002-2012</th>
<th>CAGR 2007-2012</th>
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<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>X3.8</td>
<td>14.2%</td>
<td>8.7%</td>
</tr>
<tr>
<td>North Africa</td>
<td>X3</td>
<td>11.6%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Africa</td>
<td>X3.5</td>
<td>13.3%</td>
<td>8.8%</td>
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</tbody>
</table>
Table 3- Africa Accelerates Past Asia

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<thead>
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</thead>
<tbody>
<tr>
<td>ASIA</td>
<td>10.0%</td>
<td>7.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>AFRICA</td>
<td>3.0%</td>
<td>3.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>CIS</td>
<td>..</td>
<td>..</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
Macroeconomic Stability?

- *Inflation* under control in most countries;

- *Countries’ External Debt* – 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