

Africa in 2013: consider the Risks; do not ignore the Opportunities

☒ While most of the world's attention has been focused on Asia, Africa has been the most rapidly changing continent, registering one of the highest economic growth rates in the world. However, many challenges remain and 2013 will be very eventful for the continent, solidifying the governance and economic gains achieved in the past few years even as it confronts significant challenges.

Africa is ripe with risks; but myopically focusing only on the risks has left many investors blind to the many opportunities, given that amid the political turmoil there has also been considerable social fermentation. A new middle class is emerging in Sub-Saharan Africa; there are new consumers and the fight against poverty has started to bear fruits. The African Development Bank (AfDB), in fact, believes that 2013 will be a year full of opportunities. Professor, the AfDB has estimated that the African economy will grow by more than 5% in 2013, which while not enough to fully eradicate poverty, is an optimistic sign that the quality of life for many Africans will improve. It also makes it possible for African governments, which have often derived most of their revenue from natural resources such as minerals, oil or gas will be able to embark on widespread reforms, as Nigeria is doing, to improve education and promote employment. Africa has also started to promote the culture of entrepreneurship thanks to more market friendly policies that stimulate local and foreign investment. Infrastructure improvements, particularly in transportation within the continent, are also being made and a greater ease in the movement of people is certainly a sign of progress.

A new highway has recently been completed between Nairobi, Kenya and Arusha in Tanzania. In West Africa there are several large projects from coastal highways to the integration of regional electricity grids. Intra-African trade is still very low at 15% but the new infrastructure and the gradual consolidation of more democratic governments should help this grow in the near future, contributing in an even more meaningful way to sustainable growth rather than simply GDP. The economic crisis faced by many Western economies has had a negative effect on demand for African products and the AfDB has estimated that a 1% decrease in European GDP results in a reduction of half a percentage point of that of Africa. Weaker financial institutions, moreover, spread weakness to African banks by making it more difficult to borrow. There is also the issue of lower revenues from tourism, which has affected Tunisia and Egypt in an especially notable way. Nevertheless, in 2012 some Eurozone weary investors have also discovered African markets and in 2012, the rating agencies have rewarded Nigeria and Zambia, which were able to issue government bonds worth over half a billion dollars. Africa, moreover, continues to attract interest from China, which has been importing the majority of its natural resources and which, in turn, has been investing in developing a manufacturing base.

The Chinese Huajian Group has set up a shoe factory in Addis Ababa, Ethiopia, able to produce 2,000 pairs of shoes a day. Many of the risks (discussed below), moreover, stem from the fact that many African countries have seen democracy take root, a process that began in earnest in the 1990's at great costs in human and material terms. Certainly, democracy alone is not responsible for economic growth, but it is a fundamental condition for it, because it promotes change and reform as well as improved governance and institutional stability, which are fundamental factors to attract foreign investors while stimulating local ones. Meanwhile, the development of democracy in Africa, in turn, will consolidate thanks to the rise of the African middle class, which is

estimated to comprise of 300 million people. It was the middle classes that demanded democracy in Europe and then in North America, after all. In 2013, the countries to watch for economic and democratic growth will be Angola, Ethiopia, Ghana, Mozambique and Nigeria, which is where the middle class and consumption are rising fastest.

As for the risks:

North Africa, in the wake of the political changes brought about by the 'Arab Spring', will witness important elections, which for the first time; should see the popular will having significant impact for the local populations and for foreign investment in general. Tunisia can expect an eventful vote as the Islamic radicals could create problems during the parliamentary and presidential scheduled June 23. The radicals hinted this possibility after setting fire to police stations in the middle of 2012, while the current (moderate) Islamic-led government has shown no interest in sharing power with the many more secular minded Tunisians. Egypt and Libya will also hold elections in a less than ideal setting. The first, despite the rapid resumption of oil production to Qadhafi era levels, still faces significant authority problems due to instability and tribalism while Egypt faces higher unemployment and the potential for social unrest in response to an authoritarian turn by President Mohammed Morsi and a weak Constitution, approved after a controversial vote.

In West Africa, there is a big question mark over Mali and a potential military intervention against the Taliban like Salafists and Touareg separatists in the northwestern part of the country. Malian authorities say they can do this on their own, but it is likely that there will be an international effort, not in the least in order to train the central government forces. The situation in Mali has become all the more pressing given the growing presence of Boko Haram jihadists from Nigeria. In 2013, elections are also planned to take place in Togo in March, and in Guinea, at a date not yet

determined. At stake is the chance to put an end to the autocratic rule in Togo and for the holding of a free and fair vote in Conakry. Further along the Gulf of Guinea, there is Ivory Coast, where local elections are scheduled for February 24 as the country also prepares for the start of a trial against former President Laurent Gbagbo at the International Criminal Court (ICC).

On the other side of Africa, Kenya will hold delicate presidential and parliamentary elections on March 4. These will be watched by the whole world in the hope that the violent 2007 scenario, which left 1300 people dead, will be avoided. The current Prime Minister Raila Odinga is leading the polls to win the presidency while outgoing Head of State Mwai Kibaki, who ran against Odinga in 2007, is not eligible to run for a third term because of a constitutional ban. The fact that there were clashes, last November, between the Turkana and Samburu farming communities adds to the risk of the election as does the involvement of the Kenyan armed forces in a military mission against the Shabab islamists in Somalia. The Kenyan capital, Nairobi, has already seen the effects last November 10, in the wake of a terrorist attack. Meanwhile, the Somali government itself, which is overseeing the most stable Somalia of the past 20 years, will be continuing its effort to restore peace and security, as the country aims to establish a path toward democracy even as it strengthens security and the state institutions. Somalia's neighbor Ethiopia has already faced, and passed, a significant political landmark after the new Prime Minister, Hailemariam Desalegn, replaced the deceased Meles Zenawi last summer. Desalegn has been very effective so far, overseeing a delicate transition very effectively; Desalegn will be completing that task, consolidating the modernization process and promoting an even more technocratic generation of leaders.

Lately, the Western media has directed much attention to the Central African Republic, which is experiencing a political

and military crisis. A coalition of rebel groups called Seleka – (i.e. Alliance, in one of the local dialects: Sango) has quickly taken over much of the northern and central regions of the country and the rebels, at the time of writing, are just miles away from the capital Bangui. President Francois Bozize, who took power in 2003 through a military coup, has lost grip on power and has already opened up to the possibility of forming a national unity government with Seleka in order to avoid more fighting and achieve a political solution to the crisis.

The rebel offensive started last December 10 achieving a crucial result with the takeover of the mining town of Bria. Rebellions are also affecting the Democratic Republic of Congo and the government of Joseph Kabila in that country may also have to reach a power sharing agreement with the M23 rebels, backed by Rwanda and Uganda. Further south, there will be an important election in Zimbabwe, which could finally see the end of President Robert Mugabe and his controversial land and mining 'reforms. Many fear a repeat of the violence that marked the 2008 election campaign. In South Africa, meanwhile, on December 20, President Jacob Zuma was confirmed as leader of the African National Congress (ANC). He will probably be devoting much time starting to campaign for the scheduled 2014 elections. However, the next elections will be by no means easy, because of the demonstrations by miners in Marikana, resulting in dozens of casualties. In 2013, Zuma's main task will be to prevent further social upheaval.