

# The ebola virus – a catalyst for a hotbed of change in Africa

☒ There is yet no licensed vaccine to confront the Ebola virus outbreak. Several vaccines are being tested, but none have yet reached the clinical use stage. The World Health Organization (WHO) has tracked Ebola contagion cases in Guinea, Liberia, Nigeria, Senegal and Sierra Leone from 30 December 2013 to 21 September 2014, noting that there have been at least related 6,263 and 2,917 suspected deaths attributed to the Ebola virus. The WHO and various international organizations have encouraged the African Union with regard to adopt a comprehensive action plan, as the African situation continues to deteriorate rapidly and has already had significant negative effects on the economy and public order in a large area of the continent. The Ebola crisis has already become very complex, having implications ranging from political security to economic and social conditions that will continue to affect the region well beyond the current emergency care.

The Ebola outbreak that has affected the countries of West Africa has hurt the population and the regional economy. The iron mining and production industry is the sector that has suffered the most from the health emergency. The price of iron itself has dropped from an average USD\$ 190/ton in 2013 to about USD\$ 100/ton today. This price is too low to make iron mining economically sustainable in Africa, which has generated considerable difficulties for such mining giants as Vale.SA, Rio Tinto and BHP Billiton. The Ebola virus, however, has even more subtle effects. It seems that the very fear of contagion is playing an important part in the economic crisis in the area as several contracts have been interrupted or canceled outright, including one that involved ArcelorMittal, one of

the world's largest steel and iron ore suppliers.

The latest news coming from the African continent says that the contagion could cause another social/civil war in Liberia, the country most affected by the epidemic. Liberia suffered an internal conflict (1989-2003) that claimed the lives of about 250 thousand people. Should the Ebola epidemic continue to spread in the three most affected countries, Guinea, Liberia and Sierra Leone, the economic impact will be felt throughout the region, which had been experiencing unprecedented resource driven growth in the past few years. From an operational point of view, the Ebola epidemic has put the pharmaceutical sector in the spotlight. Whereas, resources and mining might suffer from the epidemic in West Africa, in the long run the pharmaceutical sector can expect significant growth in the region, given the increased household wealth that many African states have witnessed recently. The pharmaceutical and rising family income correlation will affect all types of medicines and ailments – not just Ebola – as the recent epidemic and its widespread media coverage (combined with higher internet and TV penetration rates in Africa than ever before) crisis has served to alert the more affluent population of the importance of preventative healthcare.

The 'big Pharma' players with a firm presence in emerging markets such as Bayer – which generates some 30% of its earnings in developing countries – will benefit most. Sanofi also has a good track record, having set up a massive presence in China and in Russia. Smaller pharma companies, heretofore involved in research, have a chance to make their mark through Ebola. Zmapp – the experimental anti-Ebola drug, for which there is no more availability – could be produced in large quantities quickly and cheaply, using genetically modified (GM) tobacco plants. Zmapp's producer, Mapp Biopharmaceutical in San Diego, has partnered with several pharmaceutical companies specializing in the production of drugs from GM tobacco plants such and Caliber Biotherapeutics which holds

the largest GM facility in the world (acres and acres of greenhouses for seedlings of tobacco) to produce medicines from this plant. It is a very short stretch to suggest that the legalization of marijuana might itself lead to the development of specialized GM varieties that could be used to target various ailments and perhaps generate a few vaccines of its own.

This means that Africa will become a hot market for established and emerging pharmaceutical and infrastructure improvement companies, especially those working around hygiene issues. Ebola does not spread through water but its effects and dangers have also instigated interest and concern over all kinds of diseases and illnesses that continue to spread in Africa from basic dysentery to cholera. This is because the Ebola epidemic has uncovered the many years of neglected health services that have plagued Sub-Saharan African countries for decades and the fact that increased personal mobility, mobility and even economic growth – as well as refugee and migration crises – have made epidemics more frequent and faster spreading in the 21<sup>st</sup> century. Indeed, not all economic news from Africa is bad and renowned international financial institutions are on the hunt for African opportunities even as Ebola reports keep increasing.

No less than the London Stock Exchange (LSE) has been trying to woo African companies to list in London to take advantage of the recent period of strong economic growth in the Continent, which has attracted the interest of many institutional investors. There's a strong push toward Africa and especially a strong interest in creating alliances with local stock exchanges. The London Stock Exchange, which has already successfully launched IPOs in conjunction with the Exchanges in Casablanca (Morocco), Lagos (Nigeria), Nairobi (Kenya) and Cairo (Egypt), intends to continue this strategy making additional agreements in the aforementioned countries as well as others. More importantly, the LSE intends to go

beyond the field of energy, raw materials and mines, which account for the majority of African companies listed in London, in an attempt to add companies involved in finance, technology and manufacturing.

The LSE aims to compete with Dubai, Singapore and Johannesburg, which have been trying to attract the many African companies seeking capital to finance their expansion. Over the past five years, 55 African companies have launched IPO's in London – about 40% more than the previous five years. Meanwhile, Nigeria has surpassed South Africa to become the continent's largest economy.