

Sub-Saharan Report

These reports are by Mr. Ryota Kikkawa, an expatriate employee working in Johannesburg with a view across the region.

Vol. 33 - 9 Countries from Central, East and North Sub-Saharan Africa

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In order for the Marubeni Research Institute to acquire first hand information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

This time I would like to introduce some countries in Africa, divided into two sections, that may have some possibilities and potential, but are currently difficult places to visit. They may be worth taking a look at, in terms of business, over the long-term though. I am introducing a total of 9 countries that fit this description from the central, east and north parts of sub-Saharan Africa.

Table 1: Country Information

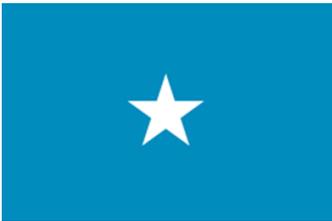
Basic Data (2016)	Somalia	Sudan	South Sudan	Eritrea
Population	14.3 million	39.6 million	12.5 million	6.5 million
Land Area	638 thousand km ²	1.88 million km ²	640 thousand km ²	118 thousand km ²
Nominal GDP	\$6.2 billion	\$94.4 billion	\$2.9 billion	\$5.4 billion
Per Capita GDP	\$434	\$2,384	\$233	\$820
GDP Growth Rate	2.7%	3.1%	-13.8%	-3.7%
Main Languages	Somali, Arabic, English, Italian	Arabic, English	English	Tigrinya, Arabic
Main Ethnic Groups	Somali	Arab, Nubian, Nuba, Fur	Dinka, Shilluk, Nuer	Tigre, Afar
*Travel Watch Guide	4	1, 3	4	1, 2, 3
Business Climate (ranking -190 countries)	190	168	186	189
Corruption Perception Index (ranking -176 countries)	176	170	175	164

Sources: IMF, World Bank CIA, Japan's Foreign Ministry, Transparency International

* Note: Japan's Ministry of Foreign Affairs' country travel watch guide is as follows: 1. Please use caution 2. Please avoid travel unless absolutely urgent 3. Please avoid travel 4. Please evacuate the country

Information on Each Country

Somalia



The Somalia national flag

Somalia is located on the Somali Peninsula on the upper east coast of Africa known as the Horn of Africa. Rainfall in Somalia is irregular as the country is mostly made up of desert with inland temperatures well above 30°C throughout the year making for quite hot weather.

Since the 1980s, the country has been virtually in a state of civil war due mostly to ethnic strife. The movie “Black Hawk Down” was famous for its fierce street battle scenes in Somalia’s capital of Mogadishu. In the meantime, the State of Puntland and other regions declared their semi-independence and autonomy from Somalia, however in 2012, Mr. Hassan Sheikh Mohamud, as president, formed a federal government in Somalia which was recognized the next year by the IMF. Still, piracy in surrounding waters, the Al-Qaeda terrorist group and Al-Shabaab insurgents opposing the current government continue to remain threats to the country.

In terms of the economy, agriculture is the largest contributor making up 40% of Somalia’s GDP. Surprisingly, Somalia’s financial and communication fields are rather advanced. With a relatively non-existent regulatory environment many telecom carriers have entered the Somali market and international phone calls are now said to be the cheapest in Africa. In addition, mobile money utilization has progressed with migrant workers using the mobile money systems provided by Somali telecom carriers (Hormuud’s EVC Plus, Telesom’s Zaad, etc.) to remit money overseas.

Sudan



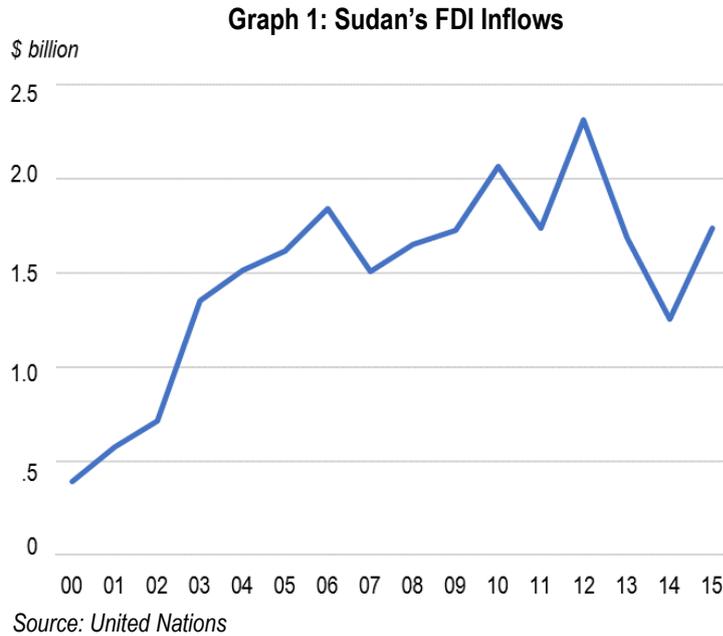
The Sudan national flag

Sudan can be found in the north part of sub-Saharan Africa facing the Red Sea. A desert climate is dominant in the country, but the coastal regions are subject to a Mediterranean climate.

Sudan gained independence in 1956. The northern part of country is mainly Muslim, while the south is mostly non-Muslim which has created religious friction. Furthermore, the majority of Sudan’s population is Arab, but the government has been dominated by non-Arab ethnic groups. This has led to continuous domestic ethnic strife and conflict. In 2005, a comprehensive peace agreement was reached between the north and the south and South Sudan became independent in 2011. However, ethnic conflicts continue in the western region of Sudan around Darfur.

At one time Sudan had the largest land area on the African continent, but lost 30% of its land mass following South Sudan’s independence. After separating for South Sudan, which held much of Sudan’s oil reserves, Sudan has been trying to earn revenue in non-oil sector fields including gold production. For example, Sudan now produces 80% of the world’s acacia gum (gum Arabic), which is used as a food additive, and is one of its largest export items. For many years Sudan was under U.S. sanctions, however a number of the sanctions were lifted this year. The country has a population of about 40 million which makes it a comparatively large market and has had well more than \$1 billion a year in foreign investment inflows (graph 1).

Given the sanctions have been eased it is expected that Sudan’s market will expand and investment will become more active.



South Sudan



The South Sudan national flag

South Sudan became the “world’s newest country” through a vote of recognition by the United Nations after separating from Sudan in 2011. The country has a savannah-type climate, with temperatures during the rainy season lower than those in Tokyo during the summer. Temperatures in the dry season during the day will reach over 40°C though.

In South Sudan, the lack of infrastructure is a pressing problem. There are only about 200 kilometers of paved road in the country, electric power plants have very poor efficiency and the water supply infrastructure is completely insufficient. On the other hand, South Sudan has nearly 500 million barrels of proven oil reserves, behind only Nigeria and Angola in sub-Saharan Africa. The country is producing 200 thousand barrels per day, with the oil industry making up 60% of total GDP. South Sudan’s land is also quite suitable for agriculture and raising livestock, with large livestock operations raising tens of thousands of head of livestock recently appearing. In recent years, South Sudan has seen fighting between the forces of President Salva Kiir and opposition rebels led by his former Vice-President Riek Machar greatly intensify, with security in the country breaking down resulting in around 3 million refugees fleeing to neighboring countries.

Eritrea



The Eritrea national flag

Eritrea gained its independence from Ethiopia in 1993. Eritrea’s topography is extreme, varying from 116 meters below sea level to 3,018 meters above it, with the highlands being relatively cool and the eastern lowlands having maximum temperatures of around 40°C.

80% of Eritrea’s labor force is engaged in agriculture. However, agriculture relies on rain

water and Eritrea is plagued by droughts. The mining sector, including gold, copper and zinc production, had been driving the economy, however, ever since a border conflict broke out between Ethiopian and Eritrea in 2000, Eritrea’s mining region has suffered from the consequences. As such, the government has been expanding its military budget with the increase in its military spending having a negative effect on the economy. In addition, the government strictly manages both the county’s currency and foreign currency creating a low degree of freedom in the financial environment which restricts business.

Table 2: Country Information

Basic Data (2016)	Burundi	Chad	Central African Republic	Equatorial Guinea	Sao Tome & Principe
Population	9.65 million	11.86 million	4.89 million	820 thousand	210 thousand
Land Area	28 thousand km ²	1.284 million km ²	623 thousand km ²	28 thousand km ²	10 thousand km ²
Nominal GDP	\$3.1 billion	\$10.1 billion	\$1.8 billion	\$11.6 billion	\$4 billion
Per Capita GDP	\$320	\$850	\$360	\$14,180	\$1,690
GDP Growth Rate	-1.0%	-6.4%	4.5%	-10.0%	4.0%
Main Languages	French, Kirundi	French, Arabic	Sango, French	Spanish, French Portugeuse	Portugeuse
Main Ethnic Groups	Hutu, Tutsu	Sara, Chadian-Arab	Banda, Baya, Sara, Yakoma	Fang, Bubi	Bantu
*Travel Watch Information	3	3, 4	4	1	1
Business Climate (ranking -190 countries)	157	180	185	178	162
Corruption Perception Index (ranking -176 countries)	159	159	159	N/A	N/A

Sources: IMF, World Bank CIA, Japan's Foreign Ministry, Transparency International

Burundi



The Burundi national flag

international community.

Although Burundi belongs to the tropics, most of the country is located in the highlands so its climate is comparatively cool. A long civil war between the Tutsi and the Hutu was ongoing up until 2009. After peace was established there were high hopes for reconstruction of the country. However, in 2015, President Pierre Nkurunziza decided to run for re-election a third time despite the constitutional provision banning 3 presidential terms. This led to the destabilization of the country again and harsh criticism from the

Agriculture is Burundi’s main industry with coffee being its main export item. However, economic development of the country has been delayed again and again and Burundi remains one of sub-Saharan Africa’s poorest countries.

Chad



The Chad national flag

Chad, which has mostly a desert climate, gained its independence from France in 1960, the “Year of Africa”. N'Djamena, a name you may have heard or remember from somewhere, is the capital of the country.

Chad’s major industry is agriculture and is particularly known for its cotton cultivation. Oil exports from Chad began in 2003 and the country’s GDP has rapidly grown since it became an oil-producing country. Currently, crude oil makes up 60% of the total value of the country’s exports. On the other hand, as a landlocked country it

greatly depends on its neighbors, and faces such problems as expensive product imports due to weak transport infrastructure. Moreover, there is only one oil refinery in the country so there is concern over unstable oil production.

Central African Republic



The Central African Republic national flag

Just two days after Chad, the Central African Republic was able to secure its independence from France as well. Most of the country is in the highlands and consists of plateaus, so it has a savannah-like climate, but with clearly distinct dry and rainy seasons.

Agriculture, forestry and fisheries, and mining make up most of the Central Africa Republic's economy with wood, cotton and diamond exports being the main means of obtaining foreign currency. Like Chad, the Central African Republic is a landlocked country and poor transportation infrastructure hinders its economic growth. Although in 2015 the Kimberley Process (non-conflict diamond certification) partially lifted restrictions on the country's exports, rioting between Muslims and Christians, internal ethnic conflicts and clashes between various armed groups has continued unabated making for a dangerous security situation that has impeded economic development in the country.

Equatorial Guinea

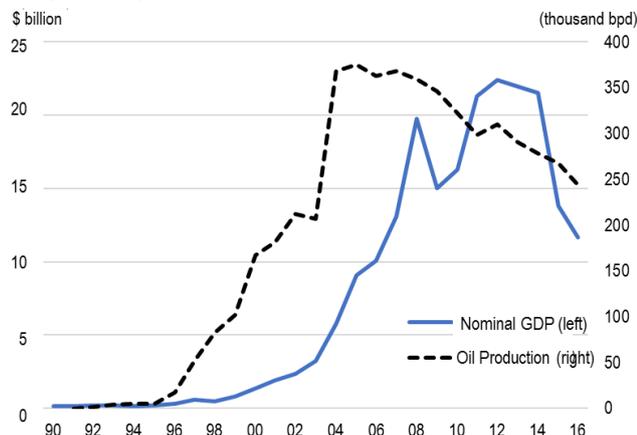


The Equatorial Guinea national flag

Equatorial Guinea is a very small country located on the west coast of the central part of Africa. Besides the mainland region of Rui Muni, it also consists of such islands as Bioko where the country's capital city of Malabo is located. It is hot and humid throughout the year which is typical of climates just below the equator. Equatorial Guinea gained its independence from Spain in 1968, which was rare in that Equatorial Guinea was the only colony of Spain, a former colonial power, in sub-Saharan Africa.

In the past, wood, coffee and cacao were the country's main economic drivers, however, with the start of oil and gas production in 1992, GDP grew significantly on the back of the oil and gas industry (graph 2). Equatorial Guinea's per capita GDP of more than \$10,000 is the second highest in sub-Saharan Africa following the Seychelles, although expanding inequality in the country has become a significant problem. In 2005, Marubeni began participation in an LNG project in Equatorial Guinea which is strongly contributing to economic development in the country (picture 1).

Graph 2: Equatorial Guinea - Oil Production/Nominal GDP



Picture 1: Marubeni is jointly participating in an LNG project in Equatorial Guinea with the country's national oil company, a U.S. oil major and Mitsui & Co.

Sao Tome & Principe



The Sao Tome & Principe national flag

Sao Tome & Principe is a former Portuguese territory made up of islands in the Gulf of Guinea with a hot and humid tropical climate.

Sao Tome & Principe's main industry is agriculture, particularly the export of cacao, however, the country's economic structure is heavily dependent on foreign aid. With the confirmation of oil deposits in surrounding waters and with progress being made on a joint mining development zone project with Nigeria that began in 2003 there are high hopes for revitalizing the country's economy. Although the country also has the economic element of resorts, access from Japan is difficult as one has to transit through Portugal, Angola or Ghana to get there.

As you see, most of these countries have serious security and safety concerns that have yet to be dispelled, so unfortunately it would be difficult to develop business in the short-term. However, there are some promising countries among them, like Sudan, that have future high potential that I think you should keep an eye on.

Next time, I would like to introduce some countries in the western part of sub-Saharan Africa that have not been touched upon yet

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