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The Myth about Exchange Traded Derivatives
A as the world struggles to overcome the latest financial crisis it is becoming increasingly clear that it is likely to be the “emerging” economies which will have the capacity to drag the developed world out of their difficulties. At the G20 meeting in Paris in October the President of the African Development Bank, Donald Kaberuka, said that Africa – the land of opportunity and growth – had left behind the stagnation of the past 40 years and over the past decade had made a great leap forward, with many countries posting enviable GDP growth rates.

The recent accession of South Africa to the BRICS group (Brazil, Russia, India and China) now means that Africa is represented at the top table and bears witness to the progress the continent has made. It is, of course, important to remember that Africa is a continent and not a country and the north African nations – now enjoying their “Arab spring” revolution – lag in some ways behind their sub-Saharan neighbours in terms of democratic progress. The legacy of the colonial era and the “Scramble for Africa” of the 19th century left an enduring effect on the continent. Only now are some hangovers from those years are being unwound with, for example, new nations being created like Southern Sudan and Eritrea. However, laws, commercial practice and language have been imported, adopted and adapted by the many diverse populations and cultures of the continent. Arguably, this background should give the European traders and entrepreneurs an advantage over rivals from elsewhere (further East?), nevertheless it is necessary for the newly arrived to take time to attempt to understand this historical background.

Africa – the so-called dark continent - was not fully explored until relatively recently. When Cecil Rhodes died in 1902 Britain’s empire dominated Africa. Two global conflicts hastened independence but then the new African nations were embroiled in the cold war power play between the USA, China and Russia. Capitalism was often identified with colonialism and many of Africa’s new nation were attracted to socialist ideas.

Centralised government control suited the new rulers very well and decades of growth and progress were lost as corrupt dictators looted the
wealth of the nations. Army coups, civil wars, tribal clashes and massacres plagued the continent.

Military regimes and one party states proliferated.

Although Africans, in my experience, seem often like natural entrepreneurs and traders (with notably women often far ahead of their male counterparts) for many years the dynamism inherent in the continent was held back. Economic growth lagged behind the global economy:

Investment in infrastructure, education, communications, health was neglected. Most nations, although endowed with land and resources could not even feed themselves.

Natural disasters (drought, floods) and famine, epidemics (HIV Aids, malaria etc) all imparted the impression of a “lost continent”. Africa was written off. Everlasting aid flows and the work of an army of newly arrived “Non-governmental organisations” seemed to have little impact. Leadership and governance through the Organisation of African Unity (OAU) was lacking and ineffective. The world looked away.

It was, perhaps the unexpected calm end of the apartheid era in South Africa which was a major catalyst in the transformation of the continent.

However, the massacres in Rwanda and the failure of the world to react brought Africa to the attention of the world. To Britain’s credit they did react in order to bring to an end Sierra Leone’s long running civil war. The USA had a less happy experience in Somalia and has for the most part avoided involvement in the conflicts in the Horn of Africa and Darfur.

The emergence of successful democracies in Latin America and former USSR states, coupled with the rapid economic progress in the East spearheaded by China and India have also impacted upon Africa. The insatiable demand for raw materials, minerals, oil and food of, in particular, China and India has pushed Africa into the limelight.

Africa is a huge land mass yet only 20% of its cultivatable land is being used.

In a world facing increasing food shortages, Africa, with a workforce rising by 4% annually could be the solution if this workforce can be enticed to stay on the land and not be drawn to the cities. There is huge unexploited potential for hydro-power to avoid dependence on fossil fuels.

The continent’s abundance of mineral resources is well known. China has moved in early to secure supplies and in competition with the USA and India strengthened ties with oil producers (eg Angola and Nigeria). Nevertheless the USA expects to obtain over 25% of its oil imports from West Africa by 2015. Besides being a supplier Africa is also a buyer – with 300 million consumers (200 million aged under 24) and a burgeoning middle class – this is a market to be cultivated (mobile phones are a prime example. And let us not forget what the Kenyan mobile phone latest ‘banking systems’ will end up teaching the West.) Why did China have a 120- strong delegation at the recent Commonwealth Heads of Government Meeting in Australia. Which is the country with the fastest growth rate in the world this year? Ghana, with 13.8% growth.

Of course there are risks – piracy and terrorism come to mind – but African Commonwealth countries regularly complain at the lack of interest shown by Britain in the continent’s opportunities. The country which knows Africa best and speaks the same language as much of the continent is in pole position. By 2040 the world’s biggest market will be Africa. China has chosen where it will be. The future is Africa and the future is now.

NB: The opinions expressed in this article are the sole responsibility of the author and do not represent the views of any of the legal entities.