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Periscope Africa:

2012 Outlook - nine investment themes, risks and opportunities

Published December 28, 2011

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DaMina Advisors's most prescient 2011 Forecast *(published a month before Arab Spring in DaMina 2011 Africa Periscope). Re-produced below…*

"Mubarak regime totters as Muslim Brotherhood teams up with secular opposition: 2011 may yet prove to be the *annus horribilis* for the Egyptian regime. After widespread alleged rigging and disenfranchisement of all opposition parties in the recent parliamentary elections, the Egyptian government has been unable to effectively defuse the rising public tensions and growing de-legitimization of its regime. To make matters worse, rising food inflation has already shaken sections of the population in Cairo, Alexandria, Luxor and other Egyptian cities. 2011 may to be the most challenging year for Egypt since the 1981 assassination of President Anwar Sadat. The cost of food, which constitutes almost 44% of the CPI basket, has risen dramatically in recent months. Since June, poultry prices have risen by over 7% - the highest monthly increase since 2006. Since January 2010, the price of poultry has risen cumulatively by almost 25%. Veal and beef prices have surged by about 4% since June, with a cumulative increase of over 17% since January 2010. Rice has risen cumulatively by over 30% since January 2010 and between June and July rose by over 14%. Other household food items have also witnessed dramatic increases in price. Fruits and vegetables, which constitute just 8.8% of the CPI basket, have risen by 33% since January and in the one month between June and July rose by almost 4.5%. Tobacco, which is widely consumed throughout Egypt, has also seen an increase of almost 30%, as a new tax on the product took effect. The current approach of the ruling National Democratic Party (NDP) to simply strengthen its power base, preventing meaningful political participation by the opposition and engagement with the disgruntled population, rather than strengthening the regime is making the regime more prone to breakdown. The effect of the more authoritarian tilt of the NDP over the past few months has been to diminish the public legitimacy of its legislative and judicial branches. Though President Hosni Mubarak and the NDP have correctly anticipated that the international community will do little beyond mildly condemn their anti-democratic actions, those disenfranchised within the country have more at stake.

The 2011 elections might just provide the catalyst needed to launch significant social and political attacks on the Mubarak regime. The Muslim Brotherhood (MB), which experienced the brunt of alleged voter intimidation tactics (with over 1400 arbitrarily arrested) and suffered the most from rampant alleged rigging (their 88 seats reduced to 0), holds a strengthened and righteously outraged position that is now shared by the wide majority of Egyptians. Indeed, since the botched legislative elections, both major secular opposition leaders Mohammed El-Baradei and Ayman Nour have joined forces with the Muslim Brotherhood to forge a common agenda against the Mubarak regime. When the NDP chose to play up the Islamist threat by giving the MB seats after increased American pressure in 2005, they effectively increased the MB's geographic power base, and the MB is now being excluded entirely from parliament partially in response to the fears of its increased power base. El- Baradei's call to boycott the legislative elections months ago proved prescient as those parties that challenged the NDP were systematically prevented from wining any parliamentary seats. It is quite probable that El-Baradei, given the appropriate catalyst, will lead a social movement, which, through social tools such as mass demonstrations and strikes, would either demand significant reform to the democratic system or even work to bring the Mubarak regime down in 2011. Mubarak's poor health is unlikely to improve under such tense socio-political circumstances. Any last minute decision by Mubarak not to run for reelection, will throw the NDP into total chaos, with different factions fighting for the right to present the party's presidential candidate in 2011. The intra-NDP wrangling will create a platform for El-Baradei or Nour or the Muslim Brotherhood to attempt to topple the regime through a popular Iran 1979-type street uprising. El-Baradei has allied with the MB in the past (in the National Association for Change) and it is likely that El-Baradei and the opposition movements would join forces with the MB in a large-scale social movement designed to shake the foundation of the Egyptian regime in 2011. Because of the critical role that Egypt plays in Middle Eastern affairs and in the US-Israel-Palestine trilateral relationship, the US will not be inclined to criticize any initial (even brutal) crackdown on the opposition in Egypt ahead of the 2011 presidential elections. Such a posture will spur the NDP government to be even harsher than it otherwise would be and further delegitimize it in the eyes of the Egyptian population and eventually turn US/International opinion against it. As history has shown, authoritarian regimes are at their most brittle when they pass thru a succession crisis. Egypt will not be any different…"

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TOP 2012 Africa Investment Themes

I. Likely Euro area recession to depress African exports, increase imports and lead to possible CFA franc devaluation

The Euro area is very likely to enter an economic recession in 2012 with major implications for Africa – particularly Francophone west and central Africa. With a major election in France and possible snap polls in Greece and Italy complicating the region's political responses to the ongoing financial and economic crisis, the Euro area will likely pose the greatest threat to Africa's economic growth in 2012. With the new head of the European Central Bank, Mario Draghi, essentially ruling out any further aggressive purchases of sovereign Euro bonds by the ECB (unlike the U.S. Fed does) and interpreting the legal mandate of the ECB narrowly, there seems to be no real help in sight for the beleaguered Euro economies. The aggressive austerity measures being introduced in Spain, Italy, Greece and France are all likely to further dampen 2012 GDP growth in the Euro area. Despite its recent falls, the value of the Euro at 1.30/$1 remains more than 58% higher from its 1999 launch value. With China still reluctant to devalue its overvalued currency and with exports from the Euro area slowing, 2012 will likely see the Euro being devalued. Africa will be affected by such occurrence. Most major African economies look to demand in the Euro area as *sine qua non* for their economies. All of Africa's major economics have very strong bilateral trade sensitivities to Europe - 49% of Algeria's exports and 50% imports, 48% of Cote d'Ivoire's exports and 29% of imports, 30% of Egypt's exports and 32% of imports, 30% of Ethiopia's exports and 24% of imports, 26% of Ghana's exports and 27% of imports, 26% of Kenya's exports and 18% of imports, 22% of Nigeria's exports and 21% of imports and 26% of South Africa's exports and 32% of imports. Of Africa's top economies, the countries most vulnerable to a contraction in GDP in Europe will be Algeria, Cote d'Ivoire, Egypt and Ethiopia. South Africa will also be vulnerable because of its sheer quantum of exports to the EU. A possible devaluation of the Euro will have strong positive effects on Africa's major EU importers such as Algeria, Egypt, and South Africa. Moreover, any major monetary policy action in the Euro area will affect all of 14 Francophone west and central African economies whose currency, the CFA franc is pegged to the Euro. These countries are: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo, Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon. The Ghanaian Cedi and the Nigerian Naira, West Africa's two other major currencies, are poised to bear the brunt of any devaluation of the Euro-CFA franc. The South African Rand will also likely see a surge in demand were the CFA franc to be devalued. While both Ghana and Nigeria have in recent months been sensitive about the falling values of their currency, it is unlikely that either will solely bear the negative brunt of a Euro-CFA devaluation. Both countries will certainly employ quick measures to ease monetary conditions in order not to significantly burden trade flows and, notably, curtail GDP growth. If a CFA franc devaluation occurs, Ghana will move aggressively to ease monetary conditions. Nigeria's stance may be more tentative since a strong and stable Naira is an important plank of Central Bank Governor Lamido Sanusi's policy platform. Sanusi will not want to be seen as bending to Finance Minister Ngozi Okonjo-Iweala's recent criticism of Nigeria's monetary policy. The Nigerian Central Bank has in recent weeks intentionally not met market demand for dollars, leading to a depreciation of the Naira. That trend is likely to accelerate if the Euro-CFA is devalued in 2012. Ghana, with its recent surge in cocoa exports in addition to its new oil revenue, has seen a buildup of foreign exchange reserves and may find it more appealing to ease monetary conditions when a CFA devaluation occurs. In both 1994 and 1998 when the CFA was being revalued, the announcements occurred at the end of the year or very early in the New Year.

II. Global oil prices to fall towards $70/ barrel averages on the back of strong U.S. dollar, soft Chinese growth and Euro monetary tightness

Our 2011 outlook argued for a possible global fall in oil prices. That did not occur for two reasons. First, the largely unexpected Arab Spring revolutions that toppled the three decade quasi-monarchs of Egypt and Tunisia and the four decade leader of the Libyan Arab Jamahiriya; and second, the aggressive monetary policy stances taken by the world's most important central banks. The Arab Spring heightened the Middle East risk premium in the global oil markets in 2012. On January 3, 2011, Brent was trading around $95/barrel. However, by February 4, 2011, after the start of the Tunisian revolution, the spot price had risen to $99/ barrel and then by March 4, 2011 was trading at $115/ barrel. Between the beginning of the year until early March, Brent prices had shot up by a whopping 20%. Hovering at about $105/barrel now, Brent prices are today over $10 above where they traded around this same period in 2010. It is only logical that if the Euro area is to enter a recession in 2012 and Chinese economic growth continues to decelerate even as Libyan oil production returns to the market, global oil prices ought to fall towards a yearly average of about $70/ barrel in 2012. Obviously if Iran, Israel and Turkey escalate their foreign policy positions in the Middle East, oil prices may still fall from their current highs of over $100/ barrel, but may not fall as low as $70/ barrel on average. With the Arab Spring now essentially over, 2012 could pass with no major external shocks to the political equilibrium of the Middle East. The withdrawal of U.S. troops from Iraq and the resurgence of Turkish 'Ottomanist' ambitions could see the region enjoy a new period of calm. With Iran's Supreme Leader Ayatollah Khameni at odds with populist President Mahmood Ahmadinejad, the major Persian oil producer will likely do all that it can to avoid a direct confrontation with either Israel or the U.S. With the U.S. itself distracted by a presidential election and Israeli Prime Minister Benjamin Netanyahu potentially calling snap polls to boost his political standing, a convergence of factors in 2012 may keep oil prices free of external shocks. While the Syrian regime may yet fall in 2012 and Yemen's president may keep to his promise to step down (or the ill 87-year old Saudi king could die), neither event will have any major impact on the global oil market. In addition, while the world's largest central banks undertook various forms of bond purchases in 2011 after having cut interest rates to almost zeros in 2010, the banks are now almost bereft of more tolls to further influence monetary policy. The U.S., Japan and the U.K. are essentially caught in 'liquidity traps' with their respective monetary policies largely ineffective to revive those debt laden economies. The Euro area, which has yet to exhaust its monetary policy tools, refuses to do so as ECB Governor Mario Draghi sticks to a legalistic reading of his mandate. Oil prices under this scenario will fall as monetary policy is tightened in the major OECD capitals and the U.S. dollar (the unit in which Brent and WTI futures are priced) rises sharply against the Euro, Yen, Yuan and other currencies. If libertarian conservative and 'hard money' candidate Ron Paul remains near the top of most polls and wins either the Iowa and New Hampshire republican primaries and then goes on to remain a major contender for the republican party primaries in February and March, the U.S. dollar will likely rally some more – depressing oil prices further. A fall in global oil prices will make a serious dent in the budgets of several African oil producers such as Gabon, Ghana, Cote d'Ivoire, Nigeria, Angola, Algeria, Libya, Cameroon, Sudan, Chad and Congo. Of these African oil producers, a fall in global oil prices will probably have stability challenging effects on Ghana (that has a contentious general election in 2012), Cote d'Ivoire (that is just emerging from a civil conflict), Libya (that is in need of vast resources to rebuild its shattered country post-Gadhafi), Angola (that faces increasing youth protests over unemployment) and Sudan (where the new Southern state is in need of vast new financial resources to meet the expectations of its new citizens). Africa's major oil importer, South Africa, will benefit from any fall in global oil prices. Not only will South Africa's balance of payments improve, but its inflation rate, which has been surging in recent months, will slow again, allowing the central bank to maintain an easy monetary stance. A rise in South African inflation and domestic interest rates will worsen the country's unemployment situation and cause massive political headaches for President Jacob Zuma.

III. China's economic deceleration hits Africa's commodities exporters hard

The IMF expects China's economy to grow at about 9% in 2012 even as disinflation takes hold with CPI readings falling from a 2011 average of over 5% to a 2012 average of 3.3%. However, with uncertainties over economic growth in China's major export markets – Japan, U.S. and Europe, there is a downside risk that the IMF forecasts for Chinese economic growth in 2012 may be a bit over optimistic. 93% of China's exports are manufactured products to markets in Europe (27%), the U.S. (18%), Hong Kong (13%), Japan (7.7%) and Korea (4.4%). Almost 30% of China's imports are fuels and minerals from Africa, Asia, North America and Australia. However, 64% of China's imports are manufactured products from Europe, Japan, the U.S., Korea and Taiwan. EU imports constitute 12% of total Chinese imports. Thus. an economic recession in Europe will not only hit about a third of Chinese exports to that region, but a possible devaluation of the Euro could also make Chinese imports into Europe more expensive, while boosting European exports to China. Since most African exports to China are either minerals such as copper or oil, a drop in effective end user demand in Europe for Chinese manufactured products will essentially lead to a drop in demand for African minerals and oil. Major African mineral and oil exporting countries such as Zambia, South Africa, DR Congo, Guinea, Mozambique and Angola may all see potentially sharp drops in Chinese demand for their commodities in 2012. Ironically, while Chinese demand for commodities is likely set to drop sharply in 2012 on the back of a possible European recession and a sharp appreciation of the U.S. dollar, most African mineral exporting countries have, over the past year, tightened legal and fiscal regimes for foreign mining companies. While in the past few years as central banks undertook a variety of unorthodox monetary policies gold prices surged, the likely return to fiscal austerity in Europe and monetary policy prudence by all major central banks in 2012 means that major African gold exporters such as South Africa, Ghana, Tanzania, Mali, Guinea and Burkina Faso will also see a drop in the value of their gold exports. Over the past year, the prices of precious metals and non-precious metals have traded in an inverse relationship. In 2012, they are likely to both witness price falls for two completely unrelated reasons. Gold prices are likely to fall due to a strengthening U.S. dollar and an end to unorthodox monetary policies, while non-precious metal prices are likely to fall due to a likely European recession and a deceleration in the Chinese economy. Both events will negatively affect Africa.

TOP 2011 Africa Risks

I. State stability at risk during 2012 elections in: Kenya, Senegal, Angola, Ghana, Burkina Faso and Zimbabwe

Several African economies will hold major elections in 2012. Egypt will conclude its parliamentary elections in January, 2012 and hold its first post-Arab Spring presidential poll in March; Senegal will hold its presidential election in February; the Gambia will have parliamentary polls in March; Madagascar's general elections will take place in March; Mali holds presidential polls in April; Burkina Faso will have parliamentary polls in May; Cameroon's parliamentary polls are scheduled for in July; Kenya has its general elections in August; Sierra Leone has parliamentary polls in August and presidential polls in November; Angola will have its parliamentary polls in September and Ghana will have general elections in December. Other African countries with polls scheduled for 2012, but not yet confirmed include: Zimbabwe, general elections; Togo, Senegal, Equatorial Guinea, Guinea Bissau and Guinea all have parliamentary elections scheduled for yet unnamed dates in 2012. While many of the scheduled elections will pass peaceably, there are several that will be close and contentions and possibly challenge state stability. Egypt's parliamentary elections will conclude in January with the final tallies showing the country is no longer firmly in the hands of the Islamist Muslim Brotherhood and the even more conservative Al-Nour Islamist coalition. While neither party has shown any strong interest in putting forth a candidate for the country's first presidential poll scheduled for March, whoever emerges as the next president of Egypt will not win the elections unless he is tacitly endorsed by the Islamist parliamentary coalition. Of the five declared candidates, three are clearly Islamists (Salah Abu Ismail, Abdel Moneim

Aboul Fotouh, Mohammad Salim Al-Awa), while two are respected moderates who have in recent months courted the leaders of the country's Islamist movements (former UN nuclear chief Mohamed ElBaradei and former longtime foreign minister Amr Moussa). It is very likely that the Muslim Brotherhood, sticking to its gradualist approach, will simply refuse to field a candidate and rather support a moderate like El Baradei on the condition that he allows parliament to have sway in national politics. While the Egyptian presidential poll is not likely to be violent, the Islamist-backed winner will signal an end to cozy U.S.-Israeli relationship with Egypt. Elsewhere in Africa, such as in Senegal, the March presidential poll promises to be a violent affair with 85 year old President Abdolulaye Wade pulling every string to hang on to power even against the backdrop of widespread popular protests against him. If the Senegalese center-left opposition are able to unite around a single candidate or stage a series of continuous violent protests, international pressure may come to bear on Wade to forswear a third term. The May parliamentary elections in Burkina Faso may also turn violent as opposition parties seek to break the stranglehold of President Blaise Compaore's Congress for Democracy and Progress party's hold on Burkinabe politics. In the past year, Compaore has had to squash an army mutiny against his nearly three decade rule. Kenya's general elections in August 2012 may be pushed back to December as the country's Supreme Court has refused to give an advisory opinion on whether the date for the polls can be shifted. The poll will pit Kenyan Prime Minister Raila Odinga against a set of other high profile candidates, possibly Vice President Musyoka Kalonzo, Deputy Prime Minister Uhuru Kenyatta, or members of parliament Martha Karua, William Ruto and Eugene Wamalwa. While Raila is tipped to win the polls, it is not impossible that any of his principal opponents could still beat him or force a second round. The politically inspired ethnic violence that occurred in 2006 is unlikely to happen again as the indictments of several senior Kenyan politicians has signaled clearly that the International Criminal Court will hold perpetrators of political violence accountable. Following Angola's parliamentary elections scheduled for September, the new parliament will elect a president to replace longtime President Eduardo dos Santos. While earlier in 2011 dos Santos signaled that he had picked the head of the country's state-owned oil behemoth, Sonangol, Manuel Vicente, to be his successor, there are increasingly strong signs that the country's ruling People's Movement for the Liberation of Angola - Labor Party may not accept Vicente as dos Santos' successor. With escalating youth protests across the country, it is very likely the parliamentary polls will become a focal point for disgruntled youth to express their electoral preferences. Zimbabwe's general elections have also not been scheduled even though President Robert Mugabe insists on having it in 2012 as soon as a new constitution is adopted in a referendum. Zimbabwe's 2012 elections are not likely to be as violent as those of previous years, as the country's three year-old ruling coalition government between President Robert Mugabe and Prime Minister Morgan Tsvangirai has led to some cooling in hostilities between the ZanuPf and the opposition parties. Ghana's December general elections may produce a first in Africa – a divided government, with President John Atta-Mills likely retaining the presidency while the center-right opposition New Patriotic Party (NPP) wins the greatest share of seats in the country's parliament.

III. Egypt Revolution 2.0 to 'Pakistanize' major U.S.-Israeli ally even as Turkey reasserts Middle East role

Egypt's revolution has reached its next phase of metamorphosis. The first stage of the revolution, like all popular spontaneous political revolutions, overthrew the old decaying regime of former President Hosni Mubarak. The current phase seeks to establish the Muslim Brotherhood, Al-Nour and other pan-Islamic political groups as the *bona fide* political majority of the country within Egypt's legislature. Once that has been accomplished, the next stage of the revolution will be a confrontation between the moderates and secular senior officers within the military, the executive branches and Egyptian bureaucracy and the Islamist parliament. The new Islamist bureaucracy will seek to systematically Islamize Egypt, against the wishes of many in the upper echelons of the Egyptian military and government bureaucracy. (*Unlike Turkey's military and government bureaucracy, Egypt's military and government bureaucracy, like Pakistan's, is generally more Islamist and therefore a natural synthesis will eventually occur between the new Islamist dominated parliament and the new purged Egyptian military and bureaucracy).* As the tallies from the recent parliamentary election are counted, it will become clear that Egypt's long suppressed Muslim Brotherhood has won the largest share seats in the new Egyptian parliament – with far reaching domestic and international consequences. As such, the Arab Spring is on the verge of producing an Islamist winter. While it is immediately clear who the parliamentary Islamist block will endorse for the Egyptian presidency in March 2012, conflict between the Islamists and the secularists within the Egyptian military and government bureaucracy may be inevitable. Over the next few years Egyptian society and politics will begin to resemble Pakistan's and look less like the Egypt of the past 30 years or modern Turkey. Salafist's visions of a modern Islamist Egypt will begin to look less farfetched as the new Egyptian parliament gradually adopts social, economic, foreign policy and other cultural measures to deepen the country's Islamist persona. Egyptian Christian Copts, like Iranian Zoroastrians or Bahai will witness increased isolation and occasional violence. The wealthy class of non-Muslim Egyptians such as the Sawiris brothers who own Orascom will probably come under increasingly scrutiny and may even see laws passed by the new Islamist parliament to break up their telecoms monopoly. Egypt's tourism sector is also at risk of new legislation that will remove the liberal atmosphere that has allowed European and other tourists to freely frolic. Alcoholic beverages could be banned from being sold publicly. The Egyptian equity markets are going to be under possible considerable negative pressure throughout 2012 as foreign investors shy away. Controversial legislation regarding the role of women may also be introduced. The successful fusing of the Islamist Egyptian parliament to a purged and more Islamist Egyptian military will position Egypt to cooperate more readily with Turkey as the two join forces to re-orient Middle Eastern politics away from the recent south eastern Saudi-U.S.-Jordan-U.A.E. axis towards a northwestern Turkish-Iraqi-Syrian-Lebanese-Egyptian-Libyan-Tunisian-Algerian (Ottomanist) tilt. In short, the withdrawal of U.S. forces from Iraq will see Turkey attempting to fill that gaping geopolitical void with Egyptian support. With Egypt moving in an Islamist direction and Turkey purging its secular military leaders, the two major historic Middle Eastern powers are poised again to play a major joint role in North African and Middle Eastern affairs. Turkish Prime Minister Racep Erdoagan has, in recent months, engaged in a war of words with Israel, expelled Israel's ambassador and has taken a central role in pushing for the end of the Gadhafi and the Syrian Assad regimes. Turkey's new flexed muscles signal a reemergence of muscular neo-Ottomanist foreign policy that will seek to re-exert Turkey's historic foreign policy influence in Africa and the Middle East. Since the 1922 demise of the Ottoman Empire, modern Turkey under Mustafa Kermal Attaturk and his successors have sought to turn the Islamic country 'Westwards' toward Europe. However, with the ongoing crisis in the Euro area, and the virtual French veto of Turkey's accession to membership in the E.U., the country is turning its strategic focus eastwards towards the Middle East, and Africa – its historic area of influence. Turkey's recent bellicose foreign policy actions should therefore be seen in that light -- a re-awakening regional power seeking to signal its reemergence and domination over the Middle East. At its height, the Ottoman Empire ruled North African nations such as modern day Libya, Algeria and Egypt, Sub-Saharan African nations such as Sudan and Middle Eastern countries such as Iraq, Syria, Lebanon, Palestine, Jordan and Saudi Arabia.

TOP 2012 Africa Opportunities

III. Commercial agriculture and semi-luxury discretionary goods and services to witness strong growth

With the legendary diamond mining family, the Oppenheimer's, quitting diamond mining after 100 years for commercial agriculture, Africa's commercial agricultural sector may finally be coming of age and above normal profits are expected to be made as Africa's middle class moves up the food chain. In 2009, African imported almost $34billion dollars' worth of agricultural products according to the UN FAO. By the end of 2011, that number is likely to be hovering around $40bn. Yet, with almost all the major agricultural items that Africans import capable of being grown in Africa, companies and individual investors who seek to enter this sector are likely to be amazed. Any informal survey will convince any prospective investor that food prices in most urban areas of Africa are higher than similar prices for the same items in New York and nearly on par with European food prices. European colonialism tilted African agriculture away from the cultivation of food commodities to the growing of crops such as coffee and cocoa. However, with generally rising fuel and shipping costs and increasingly high prices for food items, commercial agriculture may yet prove to turn several Africans farmers into multi-millionaires and billionaires in coming years.

Rank	Africa's 2009 Agricultural Commodity Imports	Quantity (tonnes)	Value
1	Wheat	29,063,124	$ 8,533,789
2	Palm oil	3,809,003	$ 3,680,451
3	Maize	10,622,041	$ 2,750,058
4	Rice Milled	4,674,614	$ 2,465,875
5	Sugar Refined	3,909,529	$ 1,839,159
6	Sugar Raw Centrifugal	3,790,140	$ 1,730,654
7	Food Prep Nes	735,920	$ 1,649,767
8	Soybean oil	1,493,273	$ 1,389,417
9	Milk Whole Dried	479,915	$ 1,384,306
10	Cake of Soybeans	2,278,344	$ 1,014,626
11	Rice Broken	2,357,883	$ 979,632
12	Soybeans	1,180,641	$ 961,492
13	Flour of Wheat	2,006,116	$ 952,517
14	Chicken meat	763,170	$ 910,112
15	Tobacco, unmanufactured	182,518	$ 774,385
16	Meat-Cattle Boneless (Beef&Veal)	225,035	$ 757,723
17	Sunflower oil	593,410	$ 709,056
18	Cigarettes	52,644	$ 699,428
19	Tea	265,252	$ 614,783
20	Malt	773,005	$ 577,951
	Source: FAO Stats		**$ 34,375,181**

Beyond commercial agriculture, the growth of Africa's middle class and super-rich will create new opportunities for investors and companies that seek to provide luxury and other semi-luxury goods and services to make above average profits. Private schools, private hospitals, casinos, recreational centers, recreational travel, children's recreation, high-end fashion and high-end restaurants and all types of facilities that cater to Africa's growing middle class and super wealthy class will continue to be profitable. As the recent Forbes Africa 40 richest list highlighted, most of Africa's most wealthiest individuals and families made their money in selling non-discretionary and discretionary goods and services and not from engaging in the traditional extractive mineral and energy sectors. Contrasting the members of the top 40 richest people in Africa with Indian or Russian billionaires and multi-millionaires, one feature stands out – most made their wealth from family-owned businesses that are not connected to Africa's extractive industries of mining or energy. Africa's richest man, Aliko Dangote's, worth 10bn, wealth derives mainly from his sale of flour, sugar and cement. While Nicky Oppenheimer and family, who come in second place on the Forbes Africa Top 40 rich list, were for generations involved in the diamond business, their recent wholesale exit from that business and forays into agriculture serves to buttress the point that commercial agriculture may be Africa's next big profitable sector.

IV. Cooling of Chinese commodity demand in 2012 to inspire resource nationalist African countries to possibly reverse new mining laws

Following a recent example by Guinea to enact and then reverse harsh resource nationalist mining sector regulations, as Chinese industrial demand for Africa's mineral commodities cools in 2012, several African countries that have enacted tough mining sector laws in 2010 and 2011 may be forced to roll some back. In its 2012 budget published in November 2011, Ghana joined the long list of African countries imposing new financial and legal responsibilities on mining companies. From 2012, Ghana, Africa's second largest gold miner, will increase the corporate tax rate on mining companies by 10% to 35% and will levy a separate 10% tax on gold windfall profits. Ghana's move follows similar moves in several African countries this year. In addition to in South Africa, fiscal regimes for the mining sector have been tightened in Tanzania, Zimbabwe, Namibia, Mozambique, Uganda and Gabon. Currently, Zambia is looking to increase the government's equity stake in mining deals. It is entirely possible that under European recession scenarios, most of the African countries listed above may either choose to suspend implementation of the new mining sector laws (possibly Zimbabwe), or suspect the new law outright (Guinea) or seek to delay and modify certain key provisions (Gabon, Ghana, Mozambique and Namibia). The political impulses underlying South Africa's populist push for mine nationalization will, however, continue unabated. Zimbabwe's recent controversial mining sector indigenization program may be one that will be relaxed in 2012 depending on how hard the ruling ZanuPF of President Robert Mugabe has to fight to retain power. With a new constitution set to be adopted by a referendum, one which will reduce the powers of the president and guarantee a more neutral national elections agency, Mugabe and the ZanuPF will be weary of completely antagonizing foreign miners. The diligence and diplomatic tact that the country has shown in managing the controversies surrounding the Merenge diamond fields may portend a better investor climate in Zimbabwe in 2012. With no major political challenger to his power base, 85-year old Zimbabwean President Robert Mugabe and his indefatigable Empowerment and Indigenization Minister Saviour Kasukuwere are likely to continue to seek conciliatory ways to get for all the country's 175 foreign-owned mining firms to find appropriate local partners for the country's 51% black mines indigenization program. Mugabe, contrary to his international reputation as a hardliner, has often receded to a pragmatic economic position when he is in a secure political position, as he is now ahead of the 2012 elections with opposition leader Morgan Tsvangirai swamped by personal marital controversies. A few examples may illustrate Mugabe's little noticed pragmatism. In 2000, after having resisted a decade long call by some senior veterans of the country's liberation war for a farm seizure, Mugabe acquiesced when the ZanuPF politburo that he has chaired for over 30 years challenged his opposition War Veterans Association Chairman Chenjerai "Hitler" Hunzvi call for a land grab. In 2005 after the disastrous consequences of the land grab, despite more radical voices calling for Zimbabwe to renege on its IMF debt, Mugabe pushed to repay $120mn to the Bretton Woods Institution in order to prevent his country's expulsion from the fund. Since the 2009 formation of the unity government with the opposition Movement for Democratic Change (MDC), Mugabe has surprised many observers by his readily allowing Finance Minister and opposition MDC-T member Tendai Biti to have a free hand in shaping and implementing fiscal policy. Despite the current high rhetoric, Mugabe and his young protégé Kasukuwere will likely announce a more pragmatic policy implementation shift on mine indigenization ahead of the 2012 polls in order to not polarize the country's business class to the advantage of the opposition.

One issue NOT to worry about in 2012

I. ANC Zuma-Malema personality fight to subside

Despite the high drama and hot rhetoric traded by supporters of South African President Jacob Zuma and ANC Youth League Leader Julius Malema, 2012 may see both bury the hatchet sensing that the respective self-interest obliges them to do so. Zuma needs Malema as a foil in order to enact more radical economic policies. Without Malema, Zuma looks radical, but with Malema pushing the far end of the ideological spectrum, Zuma is able to appear moderate and reasonable. Malema, on the other hand is painfully aware that Zuma will beat Deputy President Kgalema Motlanthe if the later attempts to stand against Zuma, and knowing this Malema is realistic about who will ultimately be in charge of the African National Congress (ANC) and therefore who to ultimately support in 2014. South Africa's ruling African National Congress, Africa's oldest black majority political party, is undergoing an identity crisis, the consequences of which are likely to impact the country's economy for decades. The party has, since it's founding, been led by ideologically moderate and personally conservative men. Even during the height of the struggle against Apartheid – including during its militant violent stage – the party hierarchy still remained fairly conservative both ideologically and personally. However, as the 20th century drew to a close, while the party hierarchy under former President Nelson Mandela and Thabo Mbeki still hued largely to the orthodox formula of ideological moderateness, the unemployed base of the party grew more ideologically radical. Therefore, while ANC leader Zuma himself fits into the historical mold of the ideological moderate ANC leadership of yore, the strong popularity of (former) ANC Youth League leader Malema and his more radical ideological ideas signal that the party base may be on the verge of a major ideological transformation – necessitated by the inability of the orthodox economic policies of Mandela, Mbeki and Zuma to create jobs in a country where the unofficial black unemployment rate is close to 40%. Even if Malema's suspension from the ANC is ratified, Zuma's economic policies will grow more hostile and redistributionist to businesses and foreign investors over the coming years. An example of the ideological distance between the affluent middle and upper classes and the poorer rungs of society is the call for Malema for the nationalization of mines and banks.

2012 Africa Wildcard: **Ivoirian President Ouattara's military control over recalcitrant militias**

2012 may prove to be a difficult political year for new Ivoirian President Alasanne Ouattara. In 2012, the country will have to resume suspended defaulted Eurobond payments. Failure to do so after a year of non-payment will severely damage the credibility of the Ouattara government. The Ouattara government will also have to grapple with the domestic economic effects of a likely European recession and a possible Euro-CFA devaluation. But more importantly, whether Ouattara's government survives or not will be based mainly on whether he is able to exert total executive control over the country's armed forces and northern militia. A government that is not able to have a monopoly of all major coercive arms within its boundary does not fit the technical definition of a state. Ouattara took power in early 2011 with the help of the northern militia rebels and French soldiers acting under an expanded UN mandate. Nevertheless, since taking office Ouattara's government has been unable to totally bring the ill-disciplined militias under the control of the regular Ivoirian armed forces. Unless Ouattara finds a way to do so successfully in 2012, his government, despite its control of the legislative and executive branches, may still be vulnerable to failing in its most basic duty – to protect the lives of its citizens. If Ouattara is, however, able to tame the errant militias and successfully get them re-integrated into the country's regularly armed forces, his chances for reelection will be strengthened as will be his overall political standing with the weary public.

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