Tradequity
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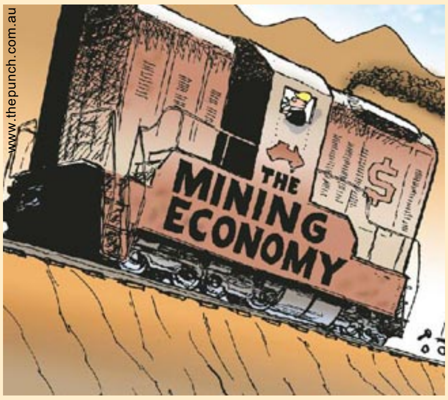
The Windfall Tax in Zambia

How can the Wind Fall ?



www.thepunch.com.au

There has been a lot of debate surrounding the windfall tax in Zambia, both based on an informed position and hearsay. Several countries have introduced certain tax systems meant to capture the "wind as it fell" during the course of operations when their industries were enjoying rising prices, with Tanzania being the most recent example. The application has varied from the taxes being a deductible expense for calculating the profits subject to income tax or a levy on excess profits, the payment of which does not form part of the tax deductible for income tax purposes.

Whatever approach and method to be used, they all have one thing in common: to share the proceeds of industrial activities between the industrialists and the government.

Re-introduction of a windfall tax is not likely to ensure Zambia benefits from its mineral wealth. A re-engineering of the whole mining tax system and its administration is necessary in order for the country to yield optimum tax revenues from its natural resource base. However, cognisant of the fact that having an overhaul of the tax system in Zambia might be a long-term measure, it is important that the country still institutes key strategies that will ensure that there are no revenue leakages and that the revenue collected is optimum.

In Zambia, the 'mineral royalty' is calculated based on the gross value of the minerals produced. At three percent, the mineral royalty falls short of international and even the SADC average of six percent. Yet Zambia is comfortable at three percent, a figure that was previously adjusted from 0.6 percent. If the windfall tax is still not appetising, then the government should and must adjust the mineral royalty towards international and SADC averages. Unless the government takes steps to align this levy, the country will continue to lose revenue that it could otherwise have collected.

Companies and mining firms are not expected to complain because in other countries where they are present and operating, they are subject to higher taxes. Therefore, it should be recommended that the government consider increasing the mineral loyalty from three percent to six percent.

For long, Zambians have been complaining of being over-taxed. On average, Pay as You Earn (PAYE) has been contributing almost twice what the mines are contributing to the country's revenues. This is against the backdrop of a 15-percent income tax charged from foreign companies and expatriate consultants providing services to locally based mining companies. The government should re-align this tax line and adjust the figure from 15 percent to above 25 percent for the expatriates. Additionally, the labour laws have to be implemented to the full spirit of their intentions.

The Zambia Revenue Authority (ZRA) is on record admitting that it does not have the capacity to properly tax the mines, nor monitor their activities. The recent mine audits have revealed glaring tax evasion and avoidance efforts by the mining companies. This is just a tip of the iceberg and one wonders how much has been siphoned out of this country, in one way or the other. Tax evasion is a problem world over – investors do not come for charity, but to make money, and hence use various means (ethical or otherwise) to get more out of their investments.

Lastly, Zambia seems to lack a strategy on how the mining revenues are going to develop this country now and benefit future generations. There has been a "hand to mouth" approach and calls to use the mining revenues to develop other sectors of the economy seem to have fallen on deaf ears. To ask what has Zambia done, the possible answer could be, it has further let go its control on the mines and wished Zimbabwe and South Africa "good luck" on their endeavour in the mining sector.

IN THIS ISSUE

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India Unveils Funds for Africa

Africa's campaign for fair trade practices and funds to develop its infrastructure has received a boost from the government of India. The funds, to be expended under "enhanced co-operation" between the two blocs, form part of the New Delhi Declaration of 2008. The Indian leader hinted that India would focus on "infrastructure development, regional integration, capacity building and human resource development in Africa."

www.economist.com

He said: "We will offer US$5bn for the next three years under lines of credit to help achieve the development goals of Africa. We will offer an additional US$700mn to establish new institutions and training programmes in consultation with the African Union (AU) and its institutions.

To stimulate trade and investment flows as well as transfer of technology, he proposed the establishment of India-Africa Business Council, which will bring together chief executive officers of major corporations from both sides.

(DB & RP, 25.5.11)

Zambia's Growth Impresses UN

The UN has described Zambia's economic performance as impressive and that it should be sustained to attain the prosperous middle-income country status. The UN Under-Secretary, Rebecca Grynspan, said that the growth posted in the economy so far was a shining example that would help in reducing poverty in the country.

She said the UN had observed with keen interest how Zambia was transforming its economy and trying to make the lives of the citizens better through various initiatives. The 7.6-percent economic growth recorded in 2010 was an impressive rate which was not just better than all Southern Africa countries but SSA as well. *(www.allafrica.com; 05.04.11)*

US Supports African Infrastructure

Export Import Bank of the US (Exim Bank) targets to spend over US$1.5bn to support development of infraastructure projects in 37 AGOA eligible countries in 2011. The bank's executive vice-president and chief operating officer, Alice Albright, said the bank's fiscal year for 2011 is robust, with end year figures exceeding US$1.5bn.

Albright said the bank is keen to engage in dialogue with the public and private sector in various sectors of the economy, mainly in infrastructure development, mining, aviation and transport sectors.

(ZDM, 24.05.11)

IMF Expects Uprisings

IMF says the uprising in North Africa can give a boost to the economies in the region. According to the IMF April 2011 Regional Economic Outlook for the Middle East, North Africa, Afghanistan and Pakistan (MENAP), the changes taking place in the Middle East and North Africa provided an opportunity for the region to lay the foundation for a socially inclusive and more dynamic growth model.

Masood Ahmed, Director, IMF's Middle East and Central Asia Department said that in the long run, the uprisings could give a boost to the economies in the region by setting a more inclusive growth agenda, improving governance and providing greater and more equal opportunity for its young and growing population. *(TP, 02.05.11)*

SMEs Support to Fight Poverty

Small and Medium Enterprises (SMEs) have a new window of finance to support their distribution chains through philanthropists engaged in poverty alleviation, if the findings of a new report are implemented. The report, Beyond Aid: Promise and Progress of Market-Based Solutions to Poverty in Africa, calls on financiers engaged in poverty reduction to invest in expanding enterprises to create more jobs and, in turn, achieve their quest to move the poor up the income scale.

The report, recommends that financiers and philanthropists fund businesses that deal with the poor as business associates – suppliers, agents or distributors to increase the pace of poverty alleviation, in the new thinking dubbed "market-based solutions". *(BD, 31.05.11)*

Cut Funding To Agriculture

Kenya's agricultural sector is headed for tough times as Treasury plans to cut allocations by 13 percent in the 2011-12 fiscal year. The move comes at a time the country is struggling to address the endemic food insecurity challenge. According to budget estimates by the Finance Minister, Uhuru Kenyatta, the agricultural and rural development sector will receive US$396.4mn in 2011-12 budget funding, down from US$454.7mn in 2009-10.

Experts opine that funding to the sector, which is the mainstay of the economy, is too low to stem the continued strain on food insecurity that has led to over 10 million households – 26 percent of the population – facing starvation.

(TEA, 05.06.11)

WB to Cut Kenya's Growth

The World Bank is expected to downgrade its growth forecasts for Kenya as rapid growth in food and fuel prices heap pressure on the cost of living. The Bretton Woods Institution had earlier indicated that Kenya's economy would grow six percent, largely due to the promulgation of the new Constitution, revolution in the country's telecommunication sector, strong macroeconomic management and investment in public infrastructure.

Kenyan economy plunged to 1.7 percent in 2008 from a high of 7.1 percent in 2007 after a disputed presidential poll hurled the country into brutal post-election violence, which killed 1,350 people and displaced thousands in the process. *(TS, 11.05.11)*

News on Trade

AGOA Clause Likely to Extend

Experts at the African Growth and Opportunity Act (AGOA) mid-term review meeting recommended the extension of third-country fabric clause for 10 years and called on US to support Africa on matters of Sanitary and Phyto-Sanitary (SPS).

The technocrats said the third country clause in the AGOA, which is scheduled to expire in 2012, should be extended, otherwise, it would have devastating effects on the African counties. The US should also support African countries in matters of SPS and technical standards.

Most African goods have failed to meet the hygienic standards of the SPS, making the food industry unable to properly penetrate the US market. *(ToZ, 22.05.11)*

Trade Information Desks

The Common Market for Eastern and Southern Africa (COMESA), in collaboration with the US Agency for International Development (USAID) launched two trade information desks at the border of Bunagana, Southern Uganda, and Eastern DR Congo.

The main objective of the trade information desks was to facilitate and support small-scale traders with daily issues and the problems they are facing at the border. Trade information desks are a very cardinal tool for bringing the informal trade into the ambit of formal trade. The informal trade carried out by the small cross-border traders is an important and recognised trade in COMESA.

(e-COMESA newsletter, 08.04.11)

SA to Inject in Zim Firms

Zimbabwe has made a request to South Africa for a US$50mn rescue package for struggling companies in Bulawayo, the country's industrial hub. Cde Mugabe and President Zuma – facilitator to Zimbabwe's inter-party dialogue – met for three hours. Although South African government officials could not be reached for comment, Presidential spokesman, George Charamba, confirmed the issue, saying President Zuma had agreed to look into ways in which his government could assist.

Charamba said a figure of US$50mn had been mentioned as a possible rescue package for ailing companies in Bulawayo. The firms are failing to access cheap finance for recapitalisation, resulting in many of them closing down or scaling down operations and throwing thousands of workers onto the street.

(www.allfrica.com, 17.06.11)

Simplify Rules of Origin

The COMESA has urged member states in the three regional economic communities (RECs) to simplify the rules of origin (RoO) to enable business community to exploit trade integration. COMESA Secretary General, Sindiso Ngwenya, called for simple Eastern Africa Community (EAC)-COMESA-Southern African Development Community (SADC) RoO to ensure usability by the business community.

He said it may be cost-effective for importers and exporters to forgo the preferences to reduce transaction costs associated with the administration and issuance of certificate of RoO. In order to empirically establish the efficacy of RoO in facilitating trade, the COMESA Secretariat has carried out a study on the extent to which importers use the COMESA preference on a country by country basis. *(ZDM, 02.06.11)*

Zambia Records Trade Surplus

Zambia continued to record trade surplus for the first two months of 2011, with inflation figures steadily maintaining single digit level at 9.2 percent in March, the Central Statistical Office (CSO) said. The CSO Acting Director of Census and Statistics, John Kalumbi, said the country's trade surplus has been on an upswing side over the last 14 months.

During February-March 2011, annual inflation rates increased for clothing and footwear, household fuel, lighting, medical care, recreation, education and other goods and services.

On exports, Kalumbi said products in February were from intermediate goods category, mainly comprising copper cathodes and sections of refined copper and copper blister, which accounted for 86.8 percent. *(ZDM, 23.04.11)*

Low Trade in SSA: ComSec

Trade performance in sub-Saharan Africa (SSA) remained relatively poor compared to other developing regions, as its share in world trade has seen a decline. According to the handbook, written by Edwin Laurent, the share for the region in world total exports of goods stood at around three percent, declining to its lowest in 1998 at 1.4 percent.

The Handbook stated that SSA economies have had a diverse experience in goods trade, with few countries accounting for the majority of all goods exports. It reports that Angola, whose economy is dependent on oil for more than 90 percent of its total exports has seen the highest level in value terms of goods exports. However, the presence of countries such as Botswana and South Africa greatly contributed due to their significantly high export levels.

(TP, 08.05.11)

SA Auto Exports to Triple

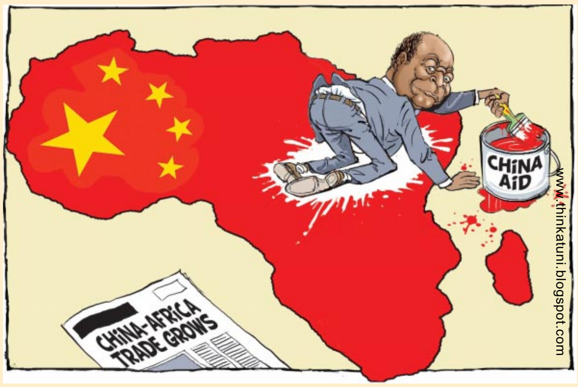
Exports into the rest of Africa of South African-manufactured vehicles could "easily triple" in the next 10 years, says the National Association of Automobile Manufacturers of SA (Naamsa).

This could fuel a large expansion of the local motor and related industries. However, it would depend on a proposed "grand free trade area" going ahead and improvement to transport links between the countries party to the deal.

President Jacob Zuma was one of several African leaders who signed an agreement at the weekend to enter talks on launching a free trade area which would encompass 590 million people and a combined economy worth US$860bn.

(BD, 16.06.11)

China-Kenya's Larger Trade



China hopes its companies in Kenya will raise their investment volumes as it seeks to consolidate its existing bilateral ties in key economic growth sectors such as manufacturing. China's Ambassador to Kenya, Liu Guangyuan, said Chinese firms were eyeing additional investments in Kenya's manufacturing and infrastructure sectors as well as agriculture and tourism. Several Chinese manufacturers are already setting up local production plants in Kenya, shifting from the previous strategy in which they supplied the domestic consumer market with goods imported from their home country.

Statistics by the Kenya Investment Authority (KIA) showed that at least 18 Chinese companies have set up shop in Nairobi in the past two years, targeting diverse markets such as footwear, consumer electronics and beverages, with an initial investment cost of over US$8bn.

(BD, 06.05.11)

A Bumper Crop

Kenya wants to increase coffee production to 200,000 tonnes annually, following the introduction of a new variety in the market. The introduction of a new coffee variety is set to increase production significantly due to its resistance to diseases and high yields.

The new variety is capable of producing an average of 40 kg per tree because of its resistance to diseases like coffee berry disease, unlike traditional varieties. Coffee production dropped in the 2009-10 crop year to stand at 40,000 metric tonnes, compared to 54,000 metric tonnes in 2008-09 crop year. Earnings, however, rose compared to previous year. The increase has been attributed to the recovery being witnessed in the sub-sector and a newfound sense of optimism among coffee farmers. *(TS, 19.04.11)*

Quota-Free Market Access

"IBSA what"? is the question you most often get in Geneva when enquiring about the India-Brazil-South Africa (IBSA) dialogue forum, established in 2003 between these three multicultural democracies and emerging markets "to contribute to the construction of a new international architecture".

IBSA is not an issue in Geneva, despite the rhetoric of its meeting in New Delhi, India, where the three delegations reaffirmed their commitment to "an open, transparent and rule-based international trading regime". They also called for an "early conclusion of the Doha Development Round with a balanced outcome which ensures the development needs of the developing countries, especially the least developed countries".

(BD, 13.04.11)

Walmart in Africa

Walmart will expand city-by-city across Africa rather than country-by-country and is ready to use more "sweat and muscle" in its distribution than the high technology for which it is renowned in the US.

The company was ready to make those adaptations after South African competition regulators approved Walmart's US$2.4bn acquisition of a 51 percent stake in Massmart. But its African expansion is likely to be a slow process. In a continent where several countries with a growing number of middle-class consumers also rank among the world's most difficult places to do business, the world's biggest retailer by sales will confront numerous unfamiliar challenges.

Through the Massmart acquisition, Walmart wants to use South Africa as a springboard to reach middle and low-income consumers in the continent's less modern markets. *(FT, 06.06.11)*

Combating Price Rise

Concerned over disturbing trends in global economy, India and African nations called for increasing economic cooperation to combat the menace of rising food and energy prices. The eight page Addis Ababa Declaration was adopted at the end of the two-day Africa-India Forum Summit, co-chaired by Prime Minister Manmohan Singh and Equatorial Guinea President Obiang Nguema Mbasogo.

The major economies need to work together and enhance macro-economic policy coordination to deal with global issues, the Declaration said, adding Africa should be given fair representation in important international for a like G20.

(ET, 26.05.11)

War Against Counterfeits

Trade in counterfeit and pirated products is a billion dollar industry, which is widespread and rampant throughout the world, more so among low income economies. Kenya is inundated with an avalanche of counterfeit and pirated goods due to lack of effective legislation and enforcement mechanisms, low purchasing power arising from widespread poverty, corruption, under supply of original products, consumer ignorance, globalisation and liberalisation.

Initially, the proliferation of counterfeit goods was in fast moving consumer products that attract considerable margins. However, counterfeits are now infiltrating strategic sectors like agriculture and health.

(BD, 13.04.11)

Kenya Loses in Flower Tax

Kenya maybe losing up to US$500mn a year in unpaid taxes from international firms involved in the flower industry, according to a UK aid agency. Christian Aid's investigation into the industry acknowledges that the flower business is "lucrative" and worth more than US$2.33bn a year in sales in the UK alone and Kenya is one of the world's largest exporters of cut stems. But, it says that "questions are now being asked about how much of the taxable profit actually stays in Kenya".

Christian Aid says if one looks at the average price at which flowers are exported from Kenya and the average price at which they are imported into Europe, "there does appear to be a large gap which cannot be accounted for by transport costs alone".

(BD, 06.04.11)

Trade Facilitation Project

The World Bank's Board of Executive Directors approved a US$20mn loan for Ghana under the Regional Trade Facilitation Project. The funds will be used to facilitate investments and trade flows led by the private and public sectors in the country.

The project, which is in its second phase, will also facilitate productive activities through the provision of insurance, co-insurance, reinsurance, financial instruments and other related services. The project aims to facilitate private sector-led trade flows, investment and productive activities through the provision of insurance, co-insurance, reinsurance, financial instruments and related services. *(COMESA, 28.06.11)*

Boosting Private Sector

The governments in the COMESA region and the US are increasingly working with the private sector in the spirit of building a private-sector-oriented economy. This is being done through the regional integration process and inter-regional partnerships and regulations have been put in place to create conditions favourable to strengthen businesses – an avenue that envisions a more vibrant and competitive private sector.

These remarks were made by the Secretary General of the COMESA Business Council, Trust Chikohora, during the Signing Ceremony of an MoU between the COMESA Business Council and the Corporate Council for Africa. The meeting took place alongside the AGOA Forum, on June 08-10, 2011.

(COMESA, 28.06.11)

Ministers Meet on Trade

The Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) met in Arusha, Tanzania, on June 24 where they deliberated on the pre-budget consultations of the Ministers of Finance and considered reports of the Permanent Secretaries, among other business.

The Sectoral Council on Trade, Industry, Finance and Investment brings together the Ministers responsible for these dockets in the EAC Partner States and their deliberations on the pre-budget consultations were to pave the way for the gazettement of key decisions by July 01, 2011.

Addressing the Sectoral Council, the EAC Secretary-General, Amb. Dr. Richard Sezibera, noted that, although the EAC Customs Union entered into full operations with the application of zero internal tariffs in January 2010, its actualisation remains incomplete.

(COMESA, 24.06.11)

SACU Supports FTA

Southern Africa Customs Union (SACU) has welcomed the ongoing tripartite initiative for an eastern and southern Africa free trade area, pointing out that it is inevitable in today's world. The initiative to establish a Free Trade Area is ongoing among EAC, SADC, and COMESA member states.

The initiative would expand the markets in the greater region and promote the ongoing integration process. However, as a functioning customs union with common external tariff considerations SACU Heads of State and government have decided that the bloc should advance a coordinated position in the negotiations toward this FTA. *(TG, 27.04.11)*

EU Supports SADC's Take Off

European Union is not trotting on the sidelines as Southern Africa develops, but actively participating, new head of delegation of the EU to Botswana and Southern Africa Development Committee, Gerard McGovern said.

"We are helping SADC overcome the barriers. We are pleased that SADC is critically looking at its institution to create little dependency of foreign funding," McGovern said. "SADC needs to generate more resources to fund their own programmes, leaders are conscious of that challenge," he added.

He further said SADC will eventually integrate amid the challenges that face the region. "It took Europe half a century, SADC is young and it will take time. We have to be patient." Meanwhile Linah Sund, Head of Section for Politics, Trade, Press and Information at EU said though delays have punctuated the signing of Economic Partnership Agreements between EU and SADC region, there is still hope. *(BBD, 14.04.11)*

EAC Undercut by Regional Fears

Leaders of five East African nations in a stalled regional bloc admitted to broad concerns over the union, with Uganda's unrest and a monetary union among the sticking points. The presidents of Burundi, Kenya, Rwanda, Tanzania and Uganda met in Dar es Salaam to review the status of the EAC, a regional economic and trade union similar to ones elsewhere in Africa.

The leaders said in a final statement the team tasked with finding out what their citizens thought about the bloc had "identified fears, concerns and challenges". The statement did not elaborate but said the team would draw up "concrete proposals on how to address those fears, concerns and challenges" before the next summit to be held in Burundi.

(AFP, 21.04.11)

Kenya Gains as SA Joins BRIC

Kenya is expected to be a major beneficiary of South Africa's entry to the club of world's emerging economies by way of increased flow of capital which will spur expansion of the southern country's firms to the continent's frontier economies, analysts said. Africa's economic powerhouse joined the BRIC (Brazil, Russia, India, and China) group of fast developing nations in a move expected to turn more international investors' attention to the country.

Analysts say more foreign capital flows to South African companies will trigger a trickle down to Kenyan firms through more acquisitions, mergers and opening of subsidiaries. *(BD, 15.04.11)*

Deforestation Rising

The Zambia Institute of Environmental Management (ZIEM) is concerned with the high rate at which the country is losing its forests. ZIEM Chief Executive Officer, Morgan Katati, said there was need to worry as the country risked losing all its forestry resources if the trend continued.

He said deforestation in Zambia was fuelled by charcoal production, fuel-wood harvesting, land conversation for agriculture, settlement and illegal logging. Katati expressed concern at the minimal and uncoordinated funding to the forest department, despite its enormous contribution to economic growth.

He said Zambians should be aware that global warming, which had resulted to in climate change, had scientifically been acknowledged as having negative consequences on the global environment with huge catastrophic effects on Africa.

(TP, 26.06.11)

Zamtel Reduces Tariffs

Zamtel reduced its tariffs on local calls by 50 percent. This is applicable to the popular 'family-and-friends' service. Zamtel Chief Commercial Officer, Amon Jere, said the reduction in call rates was meant to make communication even more affordable in Zambia and help bridge the communication divide.

The Zamtel 'family and friends', which is a closed user group value-addition service, allows customers to enlist up to six numbers of their closest family and friends to stay in touch at reduced rates.

(ToZ, 15.06.11)

Farmers Bemoan Low Prices

Tobacco farmers in Malawi have expressed discontent over the low commodity prices prevailing on the market. Tobacco Growers Association of Malawi (TAMA) head of customer services, Felix Thole, said there was no drastic change in the commodity price and wondered why the selling points were reopened.

The Government of Malawi has, so far, carried out two crop assessments which indicated that the country would register a bumper harvest in crops such as maize, cotton and legumes for the sixth consecutive year.

Malawi is currently one of the best performing countries in the region in terms of food security and this has been attributed to the effective implementation of farmer support programmes by the government.

(TP, 01.04.11)

ZACA Hails Maize Price

Zambia Consumer Association (ZACA) commended the government for maintaining the floor price of maize for this year's crop marketing season. The decision made by the Food Reserve Agency (FRA) is an indication that the government has considered the economic interests of farmers and consumers by ensuring that the price of mealie meal, which was reduced early in 2011 by an average of US$58.65 is maintained. The floor price of maize is US$762.46 per 50 kg bag, the same as in the last farming season.

FRA Board Chairman, Brigadier-General Maybin Sikweti, said while the price of maize will be maintained at US$762.46 per 50kg bag, the price of paddy rice will be US$703.81 per 40 kg bag.

(ZDM, 02.06.11)

Cement Prices Fall in Kenya

Rising distribution costs are set to reverse the falling cement prices as transporters move to increase their fees by a fifth to reflect the surge in fuel expenses. Cement manufacturers say that transport expenses account for about 18 percent of the retail price of cement and that a 20-percent increase in transport costs could see the cost of a 50-kilogramme bag of cement increase by between US$29 and US$46, depending on the location, a move that could pile pressure on construction costs.

Consumers in Western Kenya are set to bear the biggest burden of the expected increase because the region is furthest from the cement production hub in Athi River. This outlook is set to upset the prevailing market conditions that have seen the price of cement fall by 15 percent over the past year due to increased competition caused by new entrants and increased production by existing players.

(BD, 18.04.11)

Tax Relief on Fuel Products

Consumers are yet to benefit from lower pump prices a week after Treasury cut taxes on petroleum products, offering little relief to Kenyans faced with expensive basic commodities. The Energy Regulatory Commission has attributed the delays in effecting the changes to a hold-up by the Kenya Revenue Authority in issuance of data on untaxed oil stocks it says will be used in calculating the new prices.

The government cut taxes on diesel and kerosene by US$0.024 and US$0.024 per litre, respectively, in an effort to starve off protests by consumers over rising inflation, fuelled by expensive fuel and food. The price of diesel this month rose by US$15 to US$1.261 per litre, due to the sharp rise in crude prices.

(BD, 26.04.11)

Tea & Climate Change

The tea industry is a big deal for Kenya. In 2010, it continued as the country's top foreign exchange earner. Conservative estimates show that the industry employs more than four million people across the value chain and contributes nearly four percent to the GDP.

Small-scale farmers, numbering more than half-a-million and concentrated mainly in the highlands, account for 62 percent of the production. Their individual holdings are small, averaging just under 0.5 acres. But, despite this, small-scale tea farmers continue to produce top quality teas that remain popular with consumers around the world. But, they can double their output by adhering to good practices such as regular plucking rounds, pruning whenever necessary and fertiliser application.

(DN, 21.06.11)

Land Ahoy - The New Scramble for Africa

– Lester R Brown*

Saudi Arabia, South Korea, China and India have acquired huge tracts of land to produce wheat, rice and corn for consumption back home

A new scramble for Africa is under way. As global food prices rise and exporters reduce shipments of commodities, countries that rely on imported grain are panicking. Affluent countries like Saudi Arabia, South Korea, China and India have descended on fertile plains across the African continent, acquiring huge tracts of land to produce wheat, rice and corn for consumption back home.

Some of these land acquisitions are enormous. South Korea, which imports 70 percent of its grain, has acquired 1.7 million acres in Sudan to grow wheat. In Ethiopia, a Saudi firm has leased 25,000 acres to grow rice, with the option of expanding. India has leased several hundred thousand acres there to grow corn, rice and other crops. China is acquiring land for biofuel production in Congo and Zambia.

These land grabs shrink the food supply in famine-prone African nations and anger local farmers, who see their governments selling their ancestral lands to foreigners. They also pose a grave threat to Africa's newest democracy: Egypt. Egypt is a nation of bread eaters. Its citizens consume 18 million tonnes of wheat annually, more than half of which comes from abroad. Egypt is now the world's leading wheat importer, and subsidised bread is seen as an entitlement by the 60 percent or so of Egyptian families who depend on it.

As Egypt tries to fashion a functioning democracy after President Hosni Mubarak's departure, land grabs to the south are threatening its ability to put bread on the table, because all of Egypt's grain is either imported or produced with water from the Nile River, which flows north through Ethiopia and Sudan before reaching Egypt.

Unfortunately for Egypt, two of the favourite targets for land acquisitions are Ethiopia and Sudan, which together occupy three-fourths of the Nile River Basin. Today's demands for water are such that there is little left of the river when it eventually empties into the Mediterranean.

Now, when competing for Nile water, Cairo must deal with several governments and commercial interests that were not party to the 1959 agreement. Moreover, Ethiopia has announced plans to build a huge hydroelectric dam on its branch of the Nile that would reduce the water flow to Egypt even more.

Because Egypt's wheat yields are already among the world's highest, it has little potential to raise its agricultural productivity. With its population of 81 million projected to reach 101 million by 2025, finding enough food and water is a daunting challenge.

Egypt's plight could become part of a larger, more troubling scenario. Its upstream Nile neighbours are growing even faster, increasing the need for water to produce food.

Growing water demand, driven by population growth and foreign land and water acquisitions, are straining the Nile's natural limits. Avoiding dangerous conflicts over water will require three transnational initiatives. First, governments must address the population threat head-on by ensuring that all women have access to family planning services and by providing education for girls in the region. Second, countries must adopt more water-efficient irrigation technologies and plant less water-intensive crops.

Finally, for the sake of peace and future development cooperation, the nations of the Nile River Basin should come together to ban land grabs by foreign governments and agri-business firms. Since there is no precedent for this, international help in negotiating such a ban, similar to the World Bank's role in facilitating the 1960 Indus Waters Treaty between India and Pakistan, would likely be necessary to make it a reality.

None of these initiatives will be easy to implement, but all are essential. Without them, rising bread prices could undermine Egypt's revolution of hope and competition for the Nile's water could turn deadly.

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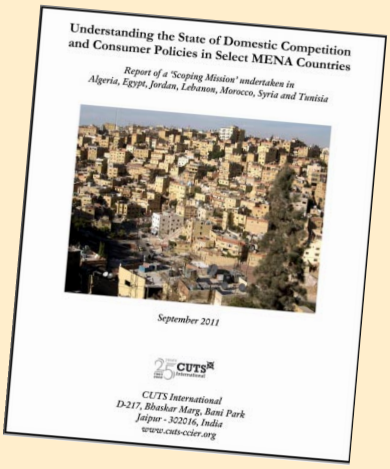
* *President, Earth Policy Institute. Abridged from an article that appeared in the Business Standard, on June 05, 2011.*

PUBLICATIONS

Understanding the State of Domestic Competition and Consumer Policies in Select MENA Countries

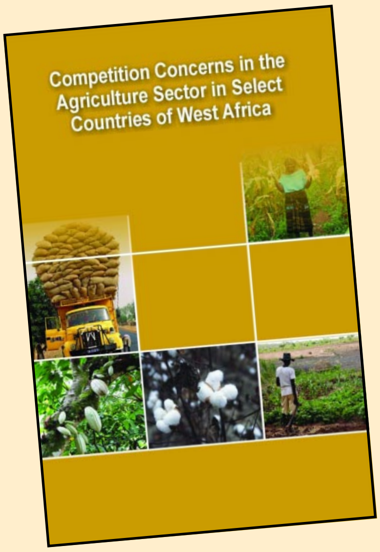


In order to develop a deeper idea (and a subsequent initiative on competition and consumer protection issues) CUTS undertook a needs assessment mission in seven countries of the Middle East and North Africa (MENA) region (namely Algeria, Egypt, Morocco, Tunisia, Jordan, Lebanon and Syria). The mission was undertaken jointly with the Arab Network for Environment and Development (RAED) which is based in Egypt, but has a network of CSOs in all the above-mentioned countries.

A draft report collating the discussions and the information gathered over the course of the mission has been prepared which highlights both challenges and opportunities that exist in terms of promoting competition reforms and protecting the interest of the consumers in the countries.

The report would be discussed and disseminated within and outside the region, so that a discourse on competition and consumer protection can emerge in some of these countries and the region.

www.cuts-ccier.org/pdf/Competition_and_Consumer_Policies_in_MENA_Countries.pdf



Competition Concerns in the Agriculture Sector in Select Countries of West Africa

In this monograph, CUTS tries to identify certain factors that affect emergence of competitive agriculture markets, with inputs gathered from seven countries of West Africa (Burkina Faso, The Gambia, Ghana, Mali, Nigeria, Senegal & Togo).These countries were part of the CUTS 7Up4 project. Key input markets (seeds and fertilisers) and prevailing marketing systems/channels were analysed for some of the major crops from these countries, to draw lessons for promoting competition in these markets. Factors that could contribute towards anti-competitive behaviour in these markers were also analysed, so that government departments and competition agencies (where they existed) could take cognisance and be more vigilant.

This monograph does highlight certain situations pertaining to agriculture markets in these countries that need to be borne in mind by government departments and policymakers for designing market development and regulatory strategies that could create better market opportunities. This will ensure that agriculture can become a more powerful engine of growth for the continent, than it has been in the recent past.

www.cuts-ccier.org/7up4/pdf/ Competition_Concerns_in_the_Agriculture_Sector_in_Select_Countries_of_West_Africa.pdf

Sources

AFP: Agence France Presse; BD: Business Daily; BBD: Botswana Business Diary; COMESA: Common Market for Eastern and Southern Africa; DB: Dainik Bhaskar; DN: Daily Nation; ET: Economic Times; FT: Financial Times; RP: Rajasthan Patrika; TEA: The East African; TG: The Guardian; TP: The Post; TS: The Standard; ToZ: Times of Zambia; ZDM: Zambia Daily Mail

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