

In Brief

Barroso visits Mozambique

The Prime Minister of Portugal, José Manuel Durão Barroso, visited Mozambique last week. He discussed with Mozambican President Joaquim Chissano future cooperation and the ownership of the Cahora Bassa hydropower complex.

Obasanjo withholds assent for budget

President Olusegun Obasanjo of Nigeria withheld his assent for the 2004 budget last week, claiming it unconstitutionally transferred powers from the Presidency to the National Assembly.

North Africa capital markets conference

A three day workshop on North African capital markets closed on Thursday in the Egyptian capital Cairo. It was jointly organised by the public and private sectors.

Bumper crop expected in Namibia

The Namibian Government expects a bumper crop in the forthcoming winter season, reports the UN IRIN news service. It follows a drought year in 2002/3.

Donors urged to buy Ethiopian crops

The World Food Programme has urged donors to buy crops from Ethiopian farmers, in regions where surplus exists. The WFP argues that it benefits local farmers, and is better value for money for donors.

Ethiopian Telecom signs wireless contract with Huawei

Ethiopia Telecommunications Corporation has signed a US\$10 million contract with Huawei Technologies of China, under which Huawei will construct a wireless communications network for the state monopoly. The network will be installed in four leading industrial cities, including the capital Addis Ababa. The deal was announced on March 22, and follows a contract based on a similar network solution signed with Algeria Telecommunications on March 19.

Huawei, China's largest telecoms operator, was founded in 1988, and is an increasingly important player internationally. Its meteoric growth has not been free of trouble. Last year, it attracted the attention and lawsuit of Cisco Systems of the US, over alleged patent violation and corporate espionage. More dramatically, Huawei was linked to

the Taliban regime in Afghanistan, after allegedly setting up its telecommunications surveillance system. The controversy threatened to become a minor diplomatic incident between China and India, but like the Cisco affair, Huawei emerged unscathed. Its subsequent launch of 3G telecommunications software designed at its Indian subsidiary in Bangalore no doubt helped.



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Finding a voice... Ethiopia is getting new telecoms equipment.

Ethiopia Telecom has had a quieter life, but even in its domestic market, some commentators have raised questions about certain of its decisions. These questions have not damaged the company so far. There has been a wider debate on the course the country should take following its transition from socialism, and the debate on large state-owned companies like Telecom is just one part of it.

Tan Re struggling to gain credibility

The Tanzanian National Reinsurance Company (Tan Re) is facing an uncertain future, as the Dar Es Salaam High Court suspended obligations on insurers to give it business, according to credible reports in the Tanzanian press. Last week's decision puts into doubt the legality of the law which established Tan Re, and leaves the company with negligible income to cover overhead costs.

Tan Re was established by Act of Parliament last year, and is Tanzania's first domestic reinsurer. Formerly, Tanzania insurers seeking reinsurance were forced to look to foreign companies. The insurance industry is not large enough for such purchases to have a significant effect on foreign exchange, but national purchases are

preferred nonetheless in the Tanzanian insurance industry.

The Constitutive Act compelled insurers to reinsure 25% of their business with Tan Re. But in a business where prompt settlement of claims is critical for survival, insurers have been reluctant to do so. Their discontent led some of them to bring the challenge to court, and now threaten the Tan Re's survival.

Mekong business continues crash course in international loan finance

Vietnamese bankers heard about international standards in loan documentation at a conference held in Hanoi-Ho Chi Minh City on 23-24 March. The conference was run with the participation of the international law firm Clifford Chance, and the Vietnamese law firm Vilaf-Hong Duc. It was held at the Bank Training Centre, a local company which trains and advises bank managers.

The Bank Training Centre receives support from the Mekong Private Sector Development Facility, a donor funded organisation which operates in Vietnam, Cambodia, and Lao PDR. It attempts to promote small and medium-sized enterprises. It partially funded a similar bank training institute in Cambodia in January. It is not clear whether one is planned for Lao. Lao has a smaller domestic market than the other two countries in the Facility.

Indonesia Telkom value jumps on favourable regulatory news

Telekomunikasi Indonesia (Telkom) closed the Thursday trading session on the Jakarta Stock Exchange at Rupiah 7,200, up 8.3% since the start of the Tuesday sessions. Three days of price increases started with the news that telecommunication companies could increase charges on fixed lines by up to 9% this year. Charges were frozen last year.

The news was welcome for Telkom, which has had a difficult period lately. In 2003, it had to restate its accounts from previous years, to avoid removal from the New York Stock Exchange, where it is also listed. Several discrepancies emerged during

auditing, and 2003 profits were reduced by 5%. The share price has been very volatile as the market tried to interpret the results as they emerged.

Indosat, another major Indonesian telecommunication company, also benefited from the news, but its run ended with profit taking on Thursday.

EAC monetary policy committee shows united face

The heads of the Central Banks of Kenya, Tanzania, and Uganda met in Arusha on March 26, to discuss monetary harmonisation in the East African Community (EAC). The Community is scheduled to enter into customs union on September 1. The states are attempting to ensure a smooth transition to a single external tariff and eventual zero internal tariff on trade.

The East African Business Council and other trade bodies have provided recent support for the union, but there remain voices of caution in the business sector.

Anglo sells Gold Fields stake to Norilsk Nickel

Anglo American, the mining multinational, has sold its 20% stake in the South African mining company Goldfields. The sale, announced on Tuesday, was priced at US\$1.2 billion, and realises a profit of US\$480 million for Anglo American.

Goldfields operations are concentrated in South Africa, with smaller operations in Ghana and Australia. Anglo American stated that the revenue will be used to reduce its South African indebtedness, and to finance capital investment there. However, the large profit from the sale follows a US\$3.2 billion cash inflow last year, and it is likely to fuel speculation on the company's international expansion ambitions.

Cocoa prices stable despite clashes in Côte d'Ivoire

Three month cocoa futures prices on the New York Board of Trade have been stable at around US\$1500 per metric tonne for the last week, despite civil clashes in Côte d'Ivoire, the largest producer in the world. The prices have fallen by around US\$800 since tensions there were at their worst eighteen months ago.

The prices obtained at the start of 2003 followed months of record highs, influenced by supply deficits followed by the Ivorian civil war. The war resulted in rebel armies taking control of the main coffee growing regions. The current clashes have been on a smaller scale, and localised in the capital city. They follow a period of comparative stability, when stocks built up during the civil war were released by Ivorian growers.

Large falls on Nairobi SE

The Nairobi Stock Exchange suffered falls across all sectors of the economy this week. Particularly heavily hit was the agricultural sector, with declines across all four of its quoted shares. The average agricultural decline was 5.8%. The commercial sector escaped more lightly, with just four of its eight shares falling.

The worst performing companies were the industrials Mumias Sugar and East African Cables, with declines of 32.4% and 25.9% respectively. They have had excellent performances in the year to date, and the declines were not sufficient to wipe out the gains, which remain at 97% for Mumias and 47% for East African Cables. The best performer this week was Marshalls, whose 16.1% growth brings its increase in the year to 88%.

DAHACO leads Dar Exchange

The Dar es Salaam Stock Exchange saw 55 deals up to Thursday, with a total turnover of Tanzanian Sh.100 million. The most active day was Tuesday, with a turnover of TSh.56.0 million. Tuesday is the first day of the trading week, and is often lively.

The best performing share this week was DAHACO, the Dar es Salaam Airport Handling Company. It closed Thursday at TSh.580, up 1.8% from TSh.570 since the start of the week, and up from TSh.550 at the start of February. There were gains too for Simba Cement, which closed Thursday at TSh.750 after starting the week with trades at TSh.740.

Market Watch

(Week ending 2/2/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,503 (-0.8%)
Bombay SENSEX	5,788 (4.7%)
Cairo CASE 30	1,400 (2.0%)
Mauritius SEMDEX	609 (0.5%)
Uganda All Share	386 (0.0%)
Lahore LSE-25	2,884 (0.5%)
Indian National NIFTY	1,841 (5.4%)

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia Birr	8.8 (-0.1%)
Gambian Dalasi	29.4 (-0.1%)
Ghana Cedi	8,850.4 (-1.7%)
India Rupee	43.4 (3.0%)
Indonesia Rupiah	8,588.7 (0.4%)
Kenya Shilling	78.1 (0.3%)
Malawi Kwacha	108.7 (1.4%)
Nigeria Naira	137.4 (0.0%)
Pakistan Rupee	59.5 (-0.3%)
Tanzania Shilling	1,132.5 (-0.1%)

Nigerian Money Laundering Bill



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In a spin... Money laundering is big business

The Nigerian Money Laundering Bill was signed into law by President Olusegun Obasanjo on Tuesday. The Bill strengthens the provisions against proceeds of crime being introduced into the financial system. It may encourage the OECD to remove Nigeria from its list of non-cooperative countries and territories, a status which potentially allows punitive measures by OECD members.

Western Governments, and notably the United States, have listed Nigeria as a country of primary concern for money laundering. Recent concerns centre on Nigeria's growing importance as a transit point for trafficking of illegal drugs. The development comes at an unfortunate time for Nigeria, which over the last few years has tried to clean-up a reputation for high-level corruption.

Comment: Trade talks begin at home

Huawei Technologies, the Chinese manufacturer who recently sold wireless networks to Ethiopia and Algeria, are skilled at gaining and keeping access to foreign markets. It entered the Indian and US markets by persistence and compromise with domestic producers. Those three markets account for 42% of world population, and a large home market clearly helps in establishing high technology companies in the first place. But companies from large countries also have advantages if their disputes reach the Governmental level. Trade battles between the US and EU help keep the WTO in business. For smaller countries, threats of retaliatory action by larger partners can ensure their compliance.

It is unsurprising that small African markets have negligible international bargaining power. The consistent unity necessary for sustained negotiating strength is absent. At world level, it is projected only where a strong internal market exists, as free internal trade requires a common external tariff and a shared international approach. Many African economic blocs have limited enforcement of trading rules, and indeed limited internal trade. The current African Union constitution contains no detail on dumping, unfair trade, monopolies, or subsidies, although it may emerge as case law if AU jurisdiction is extended to economic matters. A generation of African negotiators is not experiencing the internal market debates which are played large at the WTO. The emergence of a strong internal market is a first step for adding Africa's 13% to the 42%.