



GAINS bloc countries are expected to show the highest growth rates on the African continent this year and next

# The GAINS bloc

As emerging economies are attracting increasing attention, **Savahna Nightingale** reports on the prospects of a bloc of countries in west/southwest Africa

> **One of the consequences of the** economic downturn is that western businesses have been forced to find new markets to sell their goods and services to, resulting in an increase in trade with emerging markets. Foreign direct investment in Africa has increased by 50% in the past five years, with hotspots particularly in west Africa.

JP Morgan recently added Nigeria to its government-bond index for emerging markets, predicting that by adding Nigerian bonds to its benchmark it would lure an extra \$1.5Bn to the country. Prior to this addition, South Africa was the only African country on the list.

African countries are among the fastest growing in the world, with economic growth in the continent forecast at 4.8% for 2013 and 5.3% in 2014. Of all the African regions, west Africa is predicted to become the fastest growing, with growth rates expected to increase by an average of 6.7% in 2013 and 7.4% in 2014, driven by rising investment, booming extractive industries, and agriculture.

“Sub-Saharan Africa will be among the fastest growing places in the world, second only to developing Asia,” said Antoinette Sayeh, director of the IMF’s Africa department. But what is most significant is that of the fastest growing economies, five also measure up as hotspots for accelerated maritime trade growth, expansion, and infrastructure development. “This is the foundation for continuing trade growth,”

said Ghanaian President John Dramani Mahama, speaking in London last week.

Among the regions that have seen significant increases in vessel traffic is the GAINS bloc, which consists of Ghana, Angola, Côte d’Ivoire (or Ivory Coast for the sake of the acronym), Nigeria and Sierra Leone. All are located in west Africa with the exception of Angola, which is in the southwest. Maritime trade, investment interest, and growth in this bloc coincide with global economic growth figures.

“The OECD countries used to be important and RoW [the rest of the world] deemed irrelevant. Increasingly it’s the reverse,” said Dan Yergin, IHS vice-chairman, speaking at the IHS Forum in Amsterdam in May, where Africa’s staggering growth potential was the buzz. The UN predicts that Nigeria will overtake the United States by 2055 as the third most populous nation after China and India.

Despite the global downturn, trade with Africa’s traditional partners – the European Union and the United States – has remained strong. While the European Union remains Africa’s biggest trading partner, with trade flows rising from \$281.6Bn in 2009 to \$381.1Bn in 2011, China overtook the United States as Africa’s largest single trading partner. US-Africa trade flows were valued at \$122.7Bn in 2011, while China-Africa trade stood at about \$132.7Bn in the same year.

“Increasing Asian interest in Africa has seen the value of trade between the two

regions steadily rising,” said Manji Cheto, a consultant at London-based Africa Practice.

In 2012, Nigeria alone saw 40,000 movements. However, current port capacities and capabilities vary substantially.

Tema, Ghana’s main port, sees 90% of the country’s cargo throughput and welcomed 3,256 port callings in 2012, while Luanda in Angola was the busiest port in the bloc, attracting 3,592 callings in 2012. Lagos saw 3,368 callings and Abidjan in Côte d’Ivoire 2,718 callings respectively in the same period.

As a result of varying capabilities, a large proportion of the vessels frequenting the region consists of small to medium sized vessels, with almost half of bulk carriers entering west Africa being Handysize vessels. Meanwhile, three-quarters of crude carriers entering the region are Suezmaxes, exceeding many of the ports’ current capabilities. With the increase in vessel size, there is a clear need for infrastructure development, which is now being seen.

Nigeria secured a 45Bn naira (\$40M) loan from the African Development Bank to support its economic governance and infrastructure development agenda. With a population of more than 150M, it is the most populous nation in Africa and has an expected GDP growth of 7.4% for 2013. The country is also positioning itself to become west Africa’s port hub, with four deep-sea ports under construction and plans to develop its own refineries.

One project that is under way is that of Badagry port. “The new mega-port project