

GBR & Deloitte SSA Chemicals discussion  
Taking Advantage of African Economic Growth:  
The Chemicals Innovation Opportunity

# Taking Advantage of African Economic Growth

## Panel Discussion

### Panel Facilitator:

Mike Vincent – *Director: Strategy & Innovation, Deloitte*

### Panel speakers:

**IDC:** Deon Cloete – *Senior Account Manager, Chemical & Allied Industries SBU*

**AECI:** Gary Cundill – *Group Technical & SHE Manager*

**Evonik Degussa:** Dr. Iordanis Savvopoulos – *President & Managing Director Sub Saharan Africa*

**CAIA:** Joaquin Schoch – *Chairman of the Chemical and Allied Industries' Association*

**Deloitte:** Patrick Earlam – *Deloitte Southern Africa Chemicals Leader*

### **Key insights include;**

- The SA Chemicals sector presents significant opportunities for growth; where there is infrastructure development, mining and growth, there is a Chemicals opportunity
- Expansion into Africa requires companies to rethink their risk tolerance and risk mitigation strategies
- While South African companies are well positioned to expand into Africa, other countries may fill available niches if South African companies do not establish themselves there
- Effective operation requires an understanding of each country's unique business environment and sensitivity to aspects such as language and culture.

# Taking Advantage of African Economic Growth

## Questions

### 1. Opportunities in Sub-Saharan Africa – countries to focus on and the obstacles main obstacles to doing business?

#### **IDC:**

- No preferential countries - do risk analysis based on risk parameters
- Countries like Zimbabwe and Angola are resource rich but risky environments

#### **AECI:**

- Follow opportunity and go where there is easy access
- West Africa – develop in Ghana
- Focused on English speaking countries more
- Followed mines (explosives) and opportunity (chemicals)

#### **Evonik:**

- Focusing phase 1 in 14 countries – SA, Mozambique, Angola, Nigeria, Ghana, Ethiopia, Kenya etc.
- Difficulties – Different languages & mentalities - countries are diversified in Africa
- Customers need to see value in your products that you take

#### **CAIA:**

- Gas opportunity in Mozambique – opportunity for SA services and suppliers
- Shale gas brings new opportunities for countries to exploit

#### **Deloitte:**

- Legal and tax structures are a challenge
- Need efficient business models for expansion

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## Questions

### 2. As South African companies venturing north of the Limpopo – one risk you have identified?

#### **IDC:**

- Ability to exercise rights in another country as South Africans (cost and need of litigation)

#### **AECI:**

- Interaction of customs and the bureaucracy – effectively understanding and working effectively within the parameters of how business is done locally

#### **Evonik:**

- Corruption is a big issue – will not enter some countries because of this

#### **CAIA:**

- Need to adapt to local culture
- SA perceived as Colonial due to the approach to African countries
- SA needs to be more cooperative
- SA thinks Africa speaks English but remain ignorant of other languages – need to change this by introducing more languages in schools

#### **Deloitte:**

- Flow of capital is tricky
- Pay too much or too little tax

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## Questions

**3. Introduction of Carbon Tax – noticed Sasol has put up a power station for half the cost of Medupi - gas is a cheaper alternative; why is IDC putting themselves out in Africa instead of establishing a gas network here in SA?**

### **IDC:**

- IDC has 5/6 focus areas
- Need to decide where to put capital
- If government can plan it then IDC can help
- IDC has invested in many projects in SA but they are still in phase one so people are not aware

### **CAIA:**

- Difficulty of government to work across departments

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## Questions

### 4. Effect of labour unrest – what is your take?

#### CAIA:

- Union activity in other parts of the world is not a political play
- As countries mature, the unions become more aligned to benefit the workers
- SA is still getting there

#### Evonik:

- Difficulty to get experienced people and to retain them

#### AECI:

- Chemical sector level of confrontation with unions is low
- Issue is not strict to SA - part of economy and industry globally
- Need to work with unions to develop sustainable solutions

#### Deloitte:

- Education is very important

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## Questions

**5. How can Africa deal with macro-economic shocks as more investors invest here?**

**Evonik:**

- In Europe have one trading zone
- To trade from Kenya to Ghana, need to pass through at least two or three trading zones so there is more complexity
- Have more free trading zones so that business can be conducted more easily



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