UHY

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The network for doing business

WITH POWER COMES RESPONSIBILITY

Today, China accounts for 10% of Latin America's exports and is the leading export destination for Brazil and Chile. But that's not the whole picture.

Beijing is making its mark in Latin America. In 2000, China was the seventh-largest export market for Latin America and accounted for less than 2% of the region's exports. Today, China accounts for 10% of Latin America's exports and is the leading export destination for Brazil and Chile.

But that's not the whole picture. The United States and Europe remain Latin America's most important trading partners (as shown in the barchart right). And, China's rise, albeit significant, should be put in the context of a broader shift towards a world in which emerging markets have greater economic weight.

Moreover, the US remains a key provider of remittances to Latin America – accounting for 75% of the USD 60 billion the region received in 2008 – and so is a critical source of foreign exchange for many countries in the region.

Closer examination also reveals that there is a marked difference between China's importance as an export market for the Latin America region as a whole – predominantly focused on natural resources – and as an export market for Mexico, whose export products often compete with China's output.

But, overall, there is no question that investment into Latin America from China is increasing at a record pace. China is now the third-largest external investor in the region, behind the US and the Netherlands.

According to the United Nations Economic Commission for Latin America, China's foreign direct investment in Latin America reached USD 15.3 billion in 2010 and USD 22.7 billion in 2011, up from much lower levels in each of the previous nine years.

GLOBAL MARKET IMPLICATIONS

So what are the global market implications of China's emergence in Latin America? Significant as it is for the region's economic prospects, China's emergence is only one aspect of the way in which emerging economies are rapidly reshaping the global economy.

Already, in purchasing power parity terms, four of the seven largest global economies – Brazil, Russia, India and China – are 'developing' countries. According to projections by the US' Carnegie Endowment for International Peace (in its *Juggernaut* report on how emerging economies are reshaping globalisation), Mexico will join the world's top seven economies by 2030 and Indonesia by 2050.

By then, the US will be the only currently advanced country to rank among the world's seven largest economies.

At the same time, China will become the centre of world trade, representing by far the largest trading partner for most countries. Its share of world trade will reach 24% by 2050, up from about 10% today.

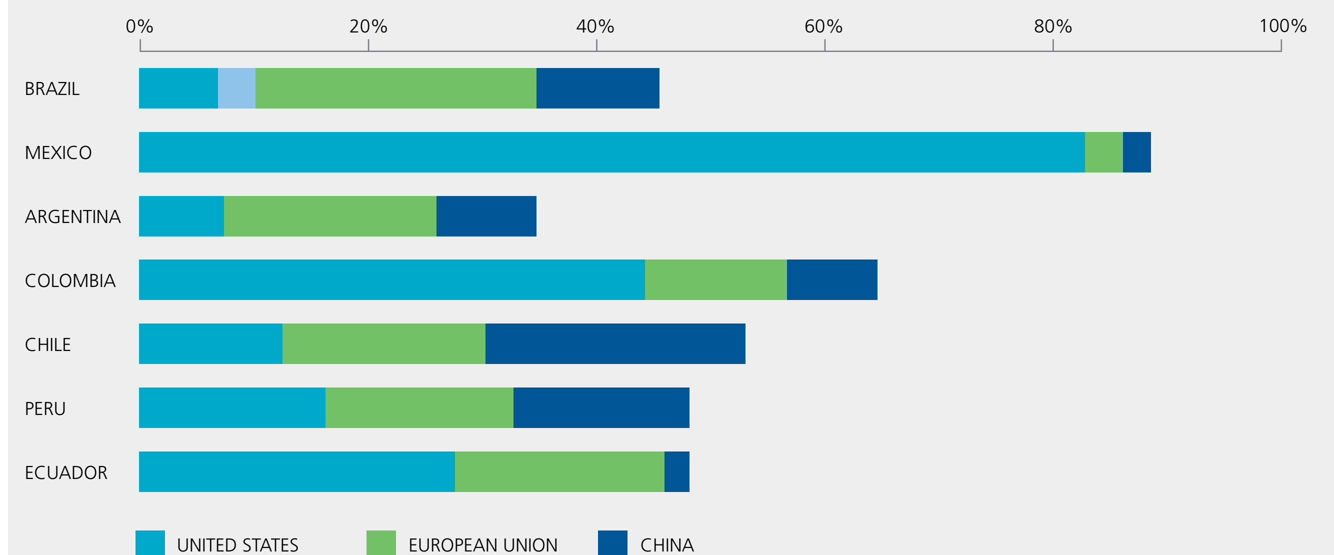
OPPORTUNITIES FOR LATIN AMERICA

The rise of emerging economies, including China, will create major opportunities for Latin American countries. Today, about 40% of Latin America's exports go to developing countries, including China; this figure will surge as developing countries' share of world exports more than double from 30% in 2006 to 69% in 2050.

Moreover, the rise of Brazil and Mexico, and their burgeoning middle classes, will be a boon for other Latin American economies. Brazil already accounts for a quarter of intraregional exports.

The emergence of the developing world and weaknesses in advanced economies – income inequality and political gridlock in the US, the debt crisis in the Eurozone, and the fiscal and demographic crisis in Japan – will lead to a very different economic order, one in which huge new markets and new sources of competition will arise, and one in which power and influence are more widely distributed.

For the first time, the world's largest and most powerful economies will be relatively poorer nations.



CHALLENGES FOR LATIN AMERICA

Economists from Carnegie's International Economics Program argue that China's rise, and the broader shift of the world's economic centre of gravity, raise at least three economic policy issues for Latin America to address: what they call 'comparative advantage'; priorities for economic diplomacy; and the region's role in the global order.

Contrary to popular impression, the economists assert that Latin America's commodity exporters cannot be sure that the rise of China, and other developing countries, will sustain a commodity price boom in the longer term, so diversification of their economies remains a challenge.

For nearly all commodities (petroleum could be a partial exception), increased demand may well be eventually matched by increased investments in supply and technological innovation that reduces production costs and develops new substitutes – as has happened historically.

As business conditions in Russia, Indonesia, Africa and other natural resource exporters improve, so too will their capacity to export commodities. Moreover, demand for commodities in Latin America will eventually be held back by a natural shift to services and goods as incomes rise, as well as by innovations which reduce the wastage and intensity of commodity use.

Latin American resource-based economies may sooner or later need to strengthen their capacity to produce goods and services, the demand for which will soar as the middle class burgeons domestically and in other emerging markets.

At present, nearly 90% of Latin America's exports to China are in mining and agriculture. Although the region's terms of trade have improved, on average, by nearly 4% annually between 2002 and 2008, compared to 0.5% a year between 1995 and 2001, there is no guarantee that this recent favourable trend will persist.

Given structural changes in global demand and supply implied by the rise of the emerging powers, and uncertainties inherent in predicting commodity prices, Latin America's development strategy should, say the economists, encompass a number of economic strategies – such as investing in education, strengthening governance, improving the business climate, and enhancing the capacity to innovate.

ECONOMIC DIPLOMACY

Although the relative size of the US economy is expected to decline over coming decades, the US is projected to remain an important destination for Latin America's exports, even in 2050. Similarly, although the importance of individual European economies to Latin America will decline over time, the European Union as a trading bloc is likely to remain among the region's major trading partners.

So, while Latin American countries will need to reorient their economic diplomacy towards emerging powers – including fostering trade and investment agreements – relationships with Europe and the US will remain critical.

GLOBAL RESPONSIBILITY

Latin American countries are becoming more influential on the world stage. Brazil and Mexico are already playing a prominent role in the G20, the new premier forum for global economic decision-making, of which Argentina is also a member. But as their economic power continues to grow, say the economists, they will need to assume greater responsibility in shaping and contributing to international economic integrity.

Latin America's countries need to define their own vision of how the global trading system, financial regulation, migration policies, development assistance, and efforts to mitigate climate change should evolve. With power comes responsibility.

By 2050, the US will be the only currently advanced country to rank among the world's seven largest economies.

UHY has offices in China and in Latin America, including in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru.

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BANK LENDING CRITICAL AS GLOBAL ECONOMIC LANDSCAPE EVOLVES

Western governments have been trying to boost bank lending, especially to small and medium-sized businesses (SMEs), ever since the 2008 collapse of Lehman Brothers in the US – while banks have been resisting, looking to repair their balance sheets by reducing their loan books.

The reluctance of Western banks to lend – under pressure to shore up their capital wealth and for being too easy-going with their lending in the past – has been a key factor inhibiting economic growth in many Western nations.

In parts of Europe, in particular, bank lending on a tight leash has slowed investment and innovation by companies, especially SMEs, and stifled confidence in employee recruitment.

Whereas, by comparison, in the US more than 15,000 financial institutions lend to SMEs, in the UK, for example, five dominant lenders control about 90% of the market for loans to companies of this size. These high street banks, because of their ambitious lending targets of the 'glory days', have been instructed to reduce their balance sheets and lend less.

As a result, SMEs have become less reliant on banks and are looking for other forms of funding, such as asset finance or invoice discounting. Capital is also available from private equity sources. SMEs in the UK, known for their determination to overcome obstacles, are also using their own funds, and funds from friends and family. According to the UK's Federation of Small Businesses, entrepreneurs are using their own personal credit cards as much as they are using secured lending facilities from banks.

Given that the 4.5m SMEs in the UK account for 59% of private sector employment and 49% of private sector turnover, the sector should receive more loan capital than it is getting, says Odhran Dodd, corporate finance partner at UHY Hacker Young in London, UK.

The Bank of England's *Trends in Lending* report, released in April 2012, showed that there was a contraction in the loan stock in the UK for SMEs by about GBP 9 billion in the three months from February 2012, but that credit availability was largely unchanged.

"However, some UK lenders have noted that demand from SMEs is muted, possibly due to the loss in credibility and confidence," says Dodd.

The banks have also fallen short of their 2011 Project Merlin commitments by lending GBP 1.1 billion less to SMEs than they had targeted.

The UK's coalition government is trying to overcome this with a new development fund focusing on lending millions of pounds to banks at low rates on condition that they lend the money to SMEs as "it now realises that the SME sector is the driver of the economy and is ironically being starved of capital", says Dodd. "How this progresses remains to be seen, but the feeling in the market is one of cynical scepticism."

Where a company manages to secure a bank loan, providing the amount of data now required by the banks is a time-consuming and arduous task for entrepreneurs which distracts them from focussing on building their businesses, says Dodd.

Moreover, while the Bank of England base rate remains low, for those SMEs securing funding from a high street bank, the bank fees are higher than previously, with margins of between 2-4% and fees of a similar size. And the amount of time it takes to secure this lending is elongated and frustrating, causing SMEs to look elsewhere for sources of capital.

EMERGING NATION DEVELOPMENT

Meanwhile, the BRIC countries march on, leaving Europe in their wake. The extent of bank lending among global economies demonstrates how the pivotal balance of the world economy is tipping in favour of key emerging nations.

A UHY global study shows that Brazil, Russia, India and China (BRIC nations) have increased their bank lending to businesses by double digits since the collapse of Lehman Brothers. By comparison, the US economy, and many European economies, have seen bank lending fall by double digits, threatening their economic recovery. The research shows that banks in the BRIC nations have, on average, increased lending to businesses by 62% since December 2008, compared to banks in the G8 nations which have, on average, decreased funding to businesses by 4% over the same period.

The country with the fastest increase in loans to businesses is China, where the amount of debt held by businesses has increased by 65% since the onset of the credit crunch. Chinese banks have approximately USD 6.9 trillion in outstanding loans with businesses, compared to USD 4.2 trillion in December 2008. The country which has seen the largest reduction in the value of loans to businesses is Ireland – down by 42% since December 2008 from around USD 224 billion to USD 129 billion.

"The pace of deleveraging among many European banks – in comparison with American, British and Irish banks – has been painfully slow," says UHY chairman John Wolfgang. "This probably explains why lending to businesses in countries like Italy and France has increased, albeit not in real terms.

"The deleveraging process in Europe, when it begins in earnest, will almost certainly result in a contraction in lending to businesses, which will impact economic growth. In the US, the UK and Ireland, where that process has been ongoing for several years, the ability of small businesses to access funding has become a major political issue."

> Lending to businesses, particularly small businesses, is seen as a key barometer of economic prosperity. Small businesses are the engine of growth for most economies, but starved of fuel in the form of credit it can be difficult for them to expand and create jobs.

Russia – the nation posting a growth in lending to businesses out of step with the rest of the G8 – has been insulated from the full force of the global financial crisis by a commodities boom, says Nikolay Litvinov, of UHY's firm in Russia, UHY Yans-Audit LLC.

"The Russian economy, though suffering a financial crisis in 2008/09, has recovered quite strongly since then," he says. "This has fuelled appetite for debt among Russian businesses and enabled well-capitalised Russian banks to meet that demand."

By comparison, Ireland is at the bottom of the league in the bank lending survey. Alan Farrelly, of UHY's firm in Ireland, UHY Farrelly Dawe White Limited, says: "The Irish government has pumped more than EUR 60 billion into the banking system over the last four years. The purpose of this money was to save the banks from collapse, but now that the immediate crisis has been averted, the Government needs to ensure that more of this money finds its way into the economy.

UHY'S FINDINGS

UHY's findings are derived from an analysis of Central Bank data on outstanding loans to businesses in 22 countries across its international network, including the G8 and key emerging economies. Resultant bank lending trends are shown in the table below.

	Amount in USD millions (2008)	Amount in USD millions (2011)	Percent change
BRIC			62%
G8			-4%
China	4,174,000	6,901,000	65%
Russia	370,100	567,259	53%
India	524,808	782,543	49%
Brazil	117,787	163,893	39%
Mexico	69,043	87,845	27%
Netherlands	386,114	458,657	19%
Romania	31,045	35,674	15%
Slovak Republic	39,660	45,575	15%
Czech Republic	94,206	105,603	12%
Italy	1,134,860	1,194,675	5%
France	1,020,256	1,066,609	5%
Germany	1,739,486	1,784,633	3%
UAE (Dubai)	136,516	139,648	2%
Spain	1,936,528	1,886,144	-3%
Japan	5,511,874	5,285,760	-4%
Australia	690,124	651,152	-6%
Canada	190,591	176,287	-7%
UK	775,154	673,157	-13%
US	3,307,000	2,767,000	-16%
Estonia	9,742	7,931	-19%
Denmark	105,888	75,544	-29%
Ireland	223,831	129,388	-42%

> The difference between the US and Europe on the one hand and the BRIC nations on the other is stark."

John Wolfgang UHY chairman

> The four BRIC nations have seen their lending to businesses grow at the fastest rate, while among the G8, only Russia has seen a real-terms increase in business lending over the last five years.

> In an increasingly globalised world, if a small business cannot expand to fulfil an order, that business can be lost to a better-financed overseas competitor.

Despite the overall contrast between lending in emerging and economically established regions, the research pinpoints that some established EU economies – Romania, Czech Republic, Slovak Republic, the Netherlands, Italy, France and Germany – have posted a significant increase in lending to businesses, despite the impact of the Eurozone crisis on the liquidity of European banks.

Figures obtained from Central Bank sources. The outstanding loan balance to non-financial corporations was taken for December of each year. For 2011, the most recent balance available has been quoted. In most cases, this is the balance as of November 2011. All local currencies were converted to US dollars using the March 15 2012 exchange rate.

Small businesses, says Wolfgang, are hugely reliant on bank financing as, unlike larger corporates, they are usually not able to raise money through bonds or share issues.

"Effects of the 42% reduction in bank lending are seen in Ireland's economic fortunes. SMEs are struggling to survive with the lack of cashflow lending in Ireland. The Government now has sizeable stakes in the Irish banks and it must exert influence to encourage the banks to lend to stimulate activity in the Irish economy," says Farrelly.

Also near the bottom of the league is Denmark. Bo Langmann, of UHY's firm in Denmark, INFO:REVISION A/S, says it is clearly noticeable that banks are reducing their balance sheets.

"It affects small- and medium-sized enterprises' possibility of obtaining finance – and especially enterprises that earn the main part of their revenue in Denmark – for example, contractor enterprises, the retail sector, the restaurant industry, etc. They have all been hit."

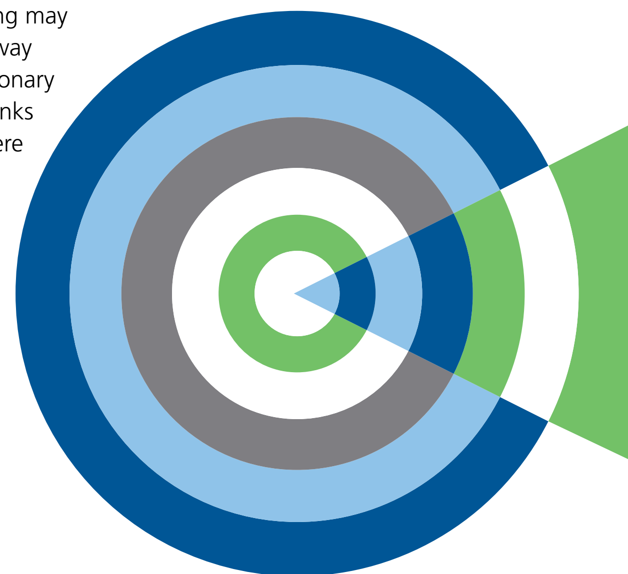
Furthermore, he says, in recent years, the banks have increased their margin considerably to now 3-8% for the small enterprises which, combined with the banks' reduction of their balance sheets, prevents the enterprises from embarking on new investments.

"Politically, the problems have come into focus, especially with respect to the low investment level," says Langmann, "and, accordingly, we expect to see legislation during 2012 which will stimulate interest in investing."

At the top of the bank lending league, China is fast positioning itself as a global economic superpower. Wilson Lu, of UHY's firm in China, ZhongHua CPAs, says: "Bank lending growth has accelerated remarkably since late 2008 – to emerging strategic industries and the modern services sector, as well as to recycling and low-carbon industries. Together with increased financial support for small enterprises and credit expansion, they have all contributed to the strong recovery of China's economy."

But strong bank lending cannot always be taken as a barometer of economic development. In the case of Romania – sixth in the league table – the banks are regretting their enthusiastic lending strategy now that financial stimulus has not been translated into business development and borrowers have started to default on repayments: so much so that bank lending since the survey has been scaled back significantly, says Mihaela Mocanu, of UHY's firm in Romania, UHY Audit CD S.r.l..

More tightly controlled lending may well have been a preferable way forward in Romania – a cautionary tale for those blaming the banks for restricted lending elsewhere in Europe. But… while Europe dithers and woefully contemplates its plight, the developing world powers ahead, continuing to develop apace.



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THE WORLD'S FASTEST-GROWING MIDDLE CLASS

Investor and philanthropist George Soros has described it as 'one of the few bright spots on the gloomy global economic horizon'. China's latest GDP forecast? Growth from one of the Asian tiger economies, maybe?

No. Soros is talking about Africa. It's a continent wracked by poverty, where electricity is intermittent, where corruption soaks up development funding, where political instability and tyrannical governments undermine confidence, and where kidnapping of Westerners is rife.

Or, at least that's been the stereotypical image of African countries till now among Western investors.

The Chinese have invested in Africa's natural resource extraction for more than a decade, but it is only more recently that other international investors are waking up to the potential from Africa's imminent boom in consumer spending, which is set to rise from USD 860 billion in 2008 to USD 1.4 trillion in 2020, according to the McKinsey Global Institute. Growth in business technology across the continent is leading the way.

The International Civil Aviation Organization expects Africans to fly 8.3% more miles in 2012, making the continent one of the fastest-growing markets for air travel behind Asia and the Middle East. New five-star hotels are being constructed: currently 10 in Lagos, Nigeria, alone. Prices for apartments in fashionable districts of Lagos match those of Western cities.

Growth in extraction of natural resources is shown by British Gas' development along the coast of Tanzania, which is expected to be as large as its extraction along the coast of Qatar.

Analysts say the rate of return on foreign investment in Africa is higher than in any other developing region. Over the last decade, six of the world's 10 fastest-growing countries were African. In eight of the last 10 years, Africa's lion states have grown faster than the Asian tigers. The fastest-growing economy in the world in 2011 (at 13%) was Ghana.

Africa may be the poorest continent in the world, but Africans have had enough of being the world's victims.

As a result, Africa now has the fastest-growing middle class in the world. Some 313 million people, 34% of Africa's population, spend USD 2.20 a day, a 100% rise in less than 20 years, according to the African Development Bank.

The bank's definition of middle class in Africa is people who spend the equivalent of USD 2 to USD 20 a day – an assessment based on the cost of living for Africa's near one billion people. It is acknowledged that many living on USD 2 to USD 4 a day could easily slip back into poverty. But even when you take these people out of the equation, the bank puts the stable middle class at 123 million, 13% of the population. By 2060, says the bank, the number of middle-class Africans will grow to 1.1 billion (42% of the predicted population).

It really is, as Soros points out, the world's fastest-growing middle class.

By 2060, Africans living below the poverty line will be in the minority (33%). The bank describes the trajectory as 'unstoppable'. As an indicator of recent trends, *The Economist* magazine, which in 2000 ran a cover story headlined 'The hopeless continent' recently U-turned with an article headed 'The hopeful continent'.

Investors cannot ignore revolutions in North Africa, and famines in east and west Africa, but the underlying mantra of 'growth, growth, growth' is taking hold. The International Monetary Fund (IMF) expects Africa to grow by 6% in 2012, following another 6% growth in 2011, roughly the same as in Asia and in stark contrast to the Eurozone.

Foreign direct investment projects grew by 27% in 2011, pushing Africa's share of the world's investment to almost a quarter.

Significantly, the Africa Attractiveness Survey by one of the Big Four accountancy networks points to a 'stark contrast' between those investors who have already invested in Africa and those who have not. The latter are concerned about corruption and political instability; they view it as 'by far the least attractive investment destination in the world'. But for those already investing in the continent, their experience is 'a story of progress, growth; a story of political and economic vibrancy'.

For example, Zambia enjoyed a 93% rise in investments in 2011 – 'a result of a well-managed economy and a peaceful handover of power'.

One of the most striking examples of growth is in Nigeria, hit by terrorist attacks but where GDP grew five-fold between 2000 and 2011, according to the IMF. A survey by global Initial Public Offering specialists Renaissance Capital reports that nearly half of Nigeria's middle class (defined by them as people with an average monthly income of USD 500–600) are planning to buy fridges, freezers and other white goods, 'suggesting a consumer boom is under way'.

Africa's fast-growing urban populations are benefitting from a commodities boom and a 10-fold rise in foreign investment in the past decade, notably from China. Over the same period, Africa's productivity has grown by nearly 3% a year, compared with 2.3% in the US. Governance is improving (the number of democracies in sub-Saharan Africa leapt from three in 1989 to 23 in 2008); dictatorships and wars are declining (major conflicts have declined from 12 in the mid-1990s to just four today); and mobile phone technology is fast becoming as much an African symbol as the baobab tree.

A 2011 poll found that mobile phones are owned by 71% of adults in Nigeria; 62% in Botswana and more than half the populations of Ghana and Kenya. The continent is the world's fastest-growing mobile phone market, according to the industry group Groupe Spéciale Mobile Association. Africa's 600 million users make the continent the second biggest user of mobile phones globally by continent, behind Asia. Subscriber levels have grown by almost 20% for each of the past five years; subscribers are expected to total 735 million by 2013.

Around one-tenth of Africa's land mass is covered by mobile-internet services – a higher proportion pro rata area than in India. Mobile development has enabled Africans to 'leapfrog' poor landline infrastructure, which has been a brake on progress. Many Africans get their first internet experience on a mobile rather than a desktop computer, using services that revolutionise commerce, farming and healthcare. Almost 18 million Kenyans use their mobiles as a bank account to deposit or transfer money and pay their accounts.

In places such as Rwanda's capital Kigali – with lasting memories of its 1994 genocide – technology start-up companies are flourishing. Similar start-ups flourish in Kenya, Nigeria and South Africa. By comparison with mobile phones, internet communications are relatively low at 120 million users, but growth between 2000 and 2011 was 2,527%, compared with a world average of 480%. Twenty-seven per cent of Africa internet users have Facebook profiles, compared with 18% of users in Asia.

Shopping malls, with wireless-equipped coffee shops, show the rise of the African consumer: the Accra Mall in Accra, Ghana; The Palms in Lagos, Nigeria; Westgate in Nairobi, Kenya. Trade in cars and motorcycles are prolific (car ownership in Ghana, for example, has risen by 81% in the past five years).

Along with the rise of the middle classes are coming 'middle class values' more recognised outside the continent: families are smaller; they are owning their own homes; and heads of households have salaried jobs or run their own small businesses.

Thanks to debt relief in Africa, and a borrowing boom in Europe, many European countries are more indebted than African nations. Oil-rich Angola is lending cash to its former colonial master Portugal. New African multi-millionaires are being minted at such a rate that *Forbes*, the Bible of global business elite, has published its inaugural '40 richest Africans' list. At the top is Aliko Dangote, a sugar, flour and cement magnate based in Lagos, worth USD 13.8 billion.

One way investors are taking a 'safety net' leap into Africa is through the Indian Ocean island of Mauritius. Multinational corporations, investment funds and other international investors – attracted by above average returns and high growth rates – are increasingly favouring the Mauritius Global Business Sector as a platform of choice to structure their investments into African countries.

Mauritius has signed Double Tax Treaties with 11 African countries (South Africa, Botswana, Lesotho, Mozambique, Namibia, Rwanda, Senegal, Swaziland, Uganda, Zimbabwe, Tunisia) and treaties with four other countries (Malawi, Ghana, Kenya, Nigeria) are awaiting ratification.

"By choosing the Mauritius route into Africa, investors can avail of the treaty benefits and achieve significant tax savings, mainly in the form of reduced withholding tax on dividend distributions and exemption from capital gains," says Nirmal Heeralall, of UHY's member firm on Mauritius, UHY Heeralall.

Mauritius has also signed Investment Promotion and Protection Agreements with 15 African countries which, typically, offer certain guarantees to investors, such as free repatriation of investment capital and returns, guarantee against expropriation and dispute settlement arrangements.

"Its proximity to Africa and membership of the African Union; Southern African Development Community; Common Market for Eastern and Southern Africa; and Indian Ocean Rim – Association Regional Cooperation are among the other reasons why investors choose Mauritius as their preferred investment route into Africa," says Heeralall.

But UHY also has member firms in northern Africa and sub-Saharan Africa in stable jurisdictions favoured by investors for direct investment. Especially in the north, business practices and investment incentives are more readily conducive to Western investors.

In Tunisia, for example, the government has adopted market mechanisms aimed at encouraging free trade. Prices have been liberalised, taxes have been reduced, the national currency (the dinar) has been made convertible, and the state has disengaged from competitive activities to the benefit of the private sector.

The government plans to continue with its programme of structural reform, including fiscal consolidation and a reduction in public debt as a proportion of GDP.

"As a result, fiscal incentives to increase private-sector investment are being implemented and a liberalised investment code, the Investment Incentives Code, has been drawn up to encourage foreign investment," says Raoudha Ben Abdelkrim, of UHY's firm in Tunisia, UHY CNBA.

The code is the law and governs both national and foreign investment – except in mining, energy, local trade and finance, which are governed by specific regulations. Some businesses become eligible for incentives offered under the code by self-declaration; others require prior authorisation.

INCENTIVES INCLUDE:

- Tax relief on reinvested profits and income up to 35% of the income or profits subject to tax
- Customs duties exemption for capital goods that have no locally-made counterparts
- VAT limited to 10% on capital goods imports
- Possibility to choose a reducing balance method of depreciation for production material and equipment where its useful life exceeds seven years.

The government aims to cut unemployment and lift living standards to Organisation for Economic Co-operation and Development (OECD) levels by

Houses in Kigali, Rwanda – home for the middle classes.

increasing foreign and local investment, production and exports, while keeping inflation and the fiscal current-account deficits under control.

Priorities include addressing financial sector weaknesses, which act as a drag on growth; fiscal consolidation; paying down external debt; upgrading industrial infrastructure; and enhancing labour market flexibility.

"Oil exploration plans are also expected to stimulate foreign direct investment," says Ben Abdelkrim. "Tunisia and Malta are discussing the commercial exploitation of the continental shelf between their countries. Moreover, recently Tunisia has attracted unprecedented interest from the monarchies of the Gulf. Their investments in services, tourism and banking to date have more than doubled in recent years. Arab capital accounts for more than 20% of all foreign investment."

Foreign investment could also be encouraged by the government eliminating the need for prior authorisation for the acquisition of small and medium-sized companies, and for the purchase and rent of land and premises in industrial and tourist areas.

The Tunisian government – with its official target of 6% economic growth per annum – is expected by economists to favour boosting investment in manufacturing; promoting high-value knowledge-based industries; modernising agriculture and infrastructure; strengthening the financial sector; and restructuring education.

Africa may still be the poorest continent in the world, but Africans have had enough of being the world's victims. Their time has come and their timing is sound – as debt-laden economies of the West face their worst crises since the 1930s. It's small wonder that the rate of return on foreign investment in Africa is higher than in any other developing region, according to McKinsey. No wonder, as Soros says, investors with foresight see Africa as 'one of the few bright spots' on the economic horizon.

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