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Emerging market in the making

Investors are rushing to Africa, attracted not just by the World Cup but longer-term prospects, reports CHUANG PECK MING

WITH two businessmen reporting seemingly different views, it's hard to tell whether Africa is a good bet for Singapore companies venturing overseas.

Sheikh Babu Nooruddin, a director of Al Noor International, which distributes food there, paints a rather bleak picture, complaining of thinning profit margins.

But Chong Kok Keong, vice-president of CrimsonLogic's e-government business, is more upbeat, saying his company has secured a 'healthy' pipeline of projects.

Actually, the two men are telling the same story - of an Africa that is fast rising as an emerging market.

Investors are rushing to the continent, attracted not just by the World Cup but longer-term prospects.

In fact, Al Noor has not had to cut prices because of poor business. What is squeezing his company's bottom line is the presence of more players there, drawn by the continent's potential.

'For the past few years, margins have been coming down drastically because of too much competition,' says Mr Nooruddin. 'There have been very aggressive Chinese exports to Africa.'

At the same time, rising business has boosted local savvy, leading Africans to bypass middle-men like Al Noor - and go direct to the source for their supplies.

But Mr Nooruddin says Al Noor - a \$40-million-a-year company that deals in food products such as palm oil, dry milk powder, condensed milk, evaporated milk and tomato paste - is still doing 'brisk business in key markets' in Africa.

The company is committed to the continent, he says: 'We will continue to be there.'

Although Al Noor's market share has shrunk, Africa still accounts for a significant 25-30 per cent of overall sales.

Despite the distance from Singapore and the unfamiliarity of the market, Al Noor was attracted to Africa back in 1986 - soon after it started business - because there were fat profits to be made. And Mr Nooruddin says Africa remains an attractive market.

'Africa missed out on the rapid growth the rest of the developing world experienced between 1970 and, particularly, the 1990s,' he says. 'But things are changing rapidly and African governments are focusing on economic growth.'

He sees plenty of opportunities - in hotels and service apartments, aviation, oil storage terminals, oil and gas support services, farming, media and broadcasting, warehousing, e-government and education, etc.

Still, Mr Nooruddin says Al Noor may have to abandon its solo efforts in Africa because competition there is getting too hot for the company to go it alone. It hopes to team up with bigger Singapore companies such as ST Engineering, Temasek and Singapore Telecom to make further inroads into the continent.

'We at Al Noor and our Singapore affiliate Tristar want to work with these Singapore companies - we will bring African business to them,' Mr Nooruddin says.

While business competition in Africa has intensified, especially with the entry of the Indians and Chinese, Singapore companies have an edge because they are well-regarded, he says: 'People in Africa know that Singapore stands for quality, reliability and performance. Singapore has a brand image in Africa as well as the rest of the world. We must realise this and capitalise on it.'

According to CrimsonLogic's Mr Chong, many African states want to emulate Singapore's economic success.

'Like Singapore, many countries in Africa have no natural resources,' he says. 'They have plans to establish themselves as air and sea hubs.'

As Africa develops, there is growing pressure on governments to deliver public services more efficiently. There is also a greater realisation of the need to build up information technology and meet business needs.

Mr Chong says CrimsonLogic - with more than two decades of experience in exporting e-government solutions - is in a strong position to tap this demand.

'Our success in winning projects in Africa in the past seven years can be attributed to our track record of helping governments transform people's lives and helping people conduct businesses,' he says.

Projects CrimsonLogic has undertaken in Africa include the Ghana Gateway in 2003, a nationwide trade facilitation platform. And the Madagascar GasyNet in 2007 provided Madagascar with a single-window electronic trade documentation system.

In Rwanda, CrimsonLogic was consulted on a social security fund in 2008. It advised the government on how to use IT to improve the delivery of public and social services.

Last year, CrimsonLogic helped Tanzania develop an e-government portal for public service management. And in Ghana in the same year, it had a hand in devising and implementing an integrated customs clearance system.

'Africa is an emerging market with a growing need for e-government services,' says Mr Chong. 'We have secured a healthy pipeline of projects - and we look forward to expanding our foothold in the region.'

While CrimsonLogic's experience underscores the advantage Singapore companies have due to the island state's global reputation, Al Noor's experience shows venturing into the continent is not plain sailing.

'Our challenges were many,' Mr Nooruddin says. And he goes on to give a long list - lack of law and order, rampant corruption, political instability, inflation, vague business rules, inadequate banking services, currency restrictions, shortage of foreign currency and language barriers.

'We also face very aggressive Chinese exports to Africa,' he adds.

While Al Noor has survived in Africa despite these hurdles, Mr Nooruddin says 'the future is going to be trickier'.

This is why the company is seeking partnerships with bigger boys - to tackle the tougher competition it sees coming from not only the Chinese but also the Indians and Europeans.

CrimsonLogic also recognises the challenges of doing business in Africa.

'Africa as a continent is diverse in terms of language, culture, stage of economic development, living standards and business practices,' Mr Chong says. 'It is, therefore, important that we be aware of cultural sensitivities when interacting and doing business with the locals.'

CrimsonLogic has taken to pairing with local partners to stay on safe ground.

'Establishing partnerships with trusted companies with a local presence has given us the confidence to navigate the African environment and has mitigated our business risk,' says Mr Chong. 'We also adopt a partnership approach when working with governments.'

Al Noor reckons the Singapore Government can give a helping hand.

'International Enterprise (IE) Singapore should open offices in the main states, such as Nigeria, Ghana and Senegal, to take care of the west and central African markets and facilitate Singapore companies venturing into Africa,' Mr Nooruddin says. 'It would be suicidal for individual businesses to plunge into Africa without the umbrella presence of IE Singapore in the major markets.'

IE Singapore - the Singapore agency that pushes local companies to break into foreign markets - points out that Singapore has signed a Comprehensive Avoidance of Double Taxation Agreement with South Africa, which should be helpful to businessmen on both sides.

And air agreements were signed this year with Kenya, which will pave the way for more flights between Singapore and Africa, easing anxiety on that front, according to IE Singapore. A number of memorandums of understanding to promote two-way economic cooperation have also been signed.

The Singapore Government is keen to do business with Africa. After all, among Southeast Asian economies, Singapore has the biggest stake there. The latest figures available show Singapore sank US\$3.5 billion into Africa between 1996 and 2004. Bilateral trade also has been rising, posting compound annual growth of 12.9 per cent from 1999 to 2009.

'Despite the financial crisis last year, Singapore-Africa trade still reached US\$7.49 billion,' says Lim Ban Hoe, regional director for the Middle East and Africa at IE Singapore. 'We expect this number to grow as the economy recovers.'

According to Mr Lim: 'Contrary to the popular belief, Africa is a feasible place for business ideas to materialise because of the state of development of the market.'

IE Singapore estimates that about 40 Singapore companies have put money in Africa. 'We expect this number to increase as we pro-actively source opportunities for Africa and Singapore companies can work together,' Mr Lim says.

IE Singapore will hold a Africa-Singapore Business Forum in July to create greater awareness of the business opportunities in Africa.

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