

Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

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“Coup attempt in the Kingdom of Lesotho. Prime Minister Thabane forced to flee to South Africa.” I was very surprised to hear such troubling news, which came at the end of August. This news might not have been reported in Japan, but I had much interest in it because I had visited Lesotho just one month before it occurred. This time, I am going to introduce to you this country, which is located within the Republic of South Africa.



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

While I wondered about a coup in a seemingly peaceful country like Lesotho (note 1), most South African people didn't seem overly concerned as it is not an unusual incident in Lesotho. Lesotho is fully surrounded by South Africa and it takes about 6 hours to drive from Johannesburg to the northern border of Lesotho. By airplane, it takes less than 1 hour from Johannesburg to Maseru, the capital of Lesotho.

Lesotho has a population of 1.9 million people (almost the same as Sapporo in Japan) and in terms of the economy, its nominal gross domestic product was \$2.3 billion in 2013 (table1). This means that Lesotho is not a huge economy and while located within South Africa it does not rate much interest from most of the South African populace.

Historically speaking, Lesotho had two previous military coups, one in 1986 and another in 1991. In the general election of 1998, the Lesotho

Congress for Democracy won the election, however, the opposition party claimed that the election procedures were fraudulent. This led to armed conflict between opposition supporters and the police forces, and the armed forces from the Southern African Development Community intervened. As you can see, the political situation in Lesotho has been far from stable.

The recent coup was caused by a rift between the All Basotho Convention, the ruling party of Lesotho led by Prime Minister Thabane and the Lesotho Congress for Democracy, the opposition party led by Deputy Prime Minister Metsing, and the Commander of the Defense Forces, Mr. Kamoli. In July, Prime Minister Thabane shuttered the parliament as he looked

Table 1: Lesotho Country Information

Basic Data (2013)	
Population	1.9 million
Land Area	30 thousand km ²
Nominal GDP	\$23 billion
Per Capital GDP	\$1,190
Official Language	English. Sesotho

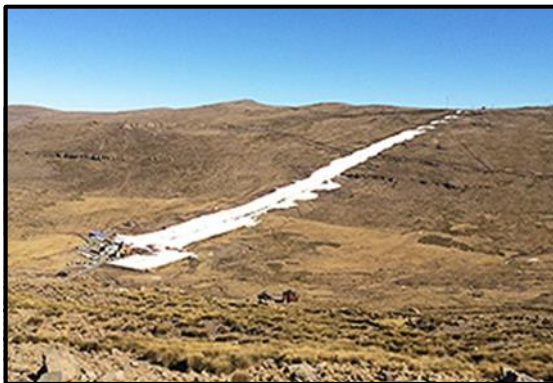
Source: IMF

poised to lose a non-confidence vote. Consequently, the Lesotho armed forces occupied the police stations and the prime minister fled the country.

Given this situation, Mr. Zuma, the President of South Africa, convened a meeting of ministers from neighboring countries on August 31 to try to arbitrate a solution. At the end of September, Mr. Cyril Ramaphosa, Deputy President of South Africa, went to Lesotho as a mediator for the SADC and as result of negotiations it was decided to move the national general election, which was set to be held in 2017, up 2 years to the end of February 2015. Also, the parliament, which was shut down in June, will reconvene on October 17. This was announced on October 2 and it looks as if the current situation will come to an end.

Incidentally, Lesotho has other names as well, such as “Kingdom of the Sky”, and the “Switzerland of Africa” because its entire land area is located in the Drakensberg escarpment (mountain range and plateau) at a height of more than 1,500 meters.

I visited Lesotho for a weekend this past July to “ski in Africa”. While some may doubt there is any skiing in Africa, Lesotho is actually famous for its ski resort (Note 2). Skiing so seemingly close to the sky at heights of more than 3.000 meters was very exhilarating, however, there is always the risk of altitude sickness there (pictures 1 and 2). As for other types of leisure activities, the mountains are beautiful for sightseeing, trekking with ponies, and cultural visits to traditional Basotho villages where people wear Basotho hats and blanket coats (pictures 3 and 4). This type of terrain and climate tourism thrives as an industry in Lesotho.



Pictures 1 and 2: Ski area at an altitude of 3,000 meters (artificial snow)



Picture 3: A man wearing a blanket (traditional style)



Picture 4: Huts located near the border

Other than tourism, agriculture (involving 90% of the work force mainly in subsistence farming and raising livestock) and manufacturing led by textiles are Lesotho’s major industries. In particular, the textile industry has seen strong development supported by the U.S. African Growth and Opportunity Act (table 2). Of course, economic ties with South Africa are close and the currency, the “Loti”, is pegged to the South African Rand, which can also, for the most part, be used in Lesotho. Lesotho supplies water to South Africa through such projects as the Katse Dam (Lesotho Highlands Water Project in partnership with South Africa), Africa’s second largest which forms a large portion of Lesotho’s fiscal revenue. Overseas and cross-border remittances from Lesotho workers, mainly in South Africa, are also an important source of money for Lesotho.

Table 2: Trade Statistics (2009)

Exports	\$628 million
Partners	South Africa (48.9%), United States (31.8%), Canada (15.1%)
Commodities	Clothing, diamonds, livestock products
Imports	\$1,356 million
Partners	South Africa(95.2%), Japan (2.5%), Germany (1.1%)
Commodities	Miscellaneous manufactured articles, food/animals/machinery

Sources: UN, Japan Ministry of Foreign Affairs

In addition, Lesotho is a member of the Southern African Custom Union (SACU) together with South Africa, Namibia, Botswana, and Swaziland, and is one of oldest customs unions in Africa. Subsidies from SACU contribute more than 40% of its total revenue (table 3).

Table 3: Revenue Breakdown

	million Maloti	(%)
Domestic tax revenue	6,361	43.2
Non-tax revenue	1,314	8.9
From SACU	7,034	47.8
Total	14,710	100

Source: Budget Speech 2014-2015

Plural form of Loti is Maloti, 1 Loti = 1 Rand = JPY9.66

As you can see, Lesotho’s economic structure is heavily reliant on South Africa and its economic scale is small. As such, it may be difficult to find business opportunities in Lesotho. However, please remember that Lesotho is a unique country on the African continent in that it is independent country that lies entirely within another country, South Africa, and it is a place to going skiing in Africa.

Note 1: I visited the mountainous region of Butha-Buthe (district), which is rather remote and more than 100 kilometers from Lesotho’s capital of Maseru, so the atmosphere there would differ significantly to that of the capital.

Note 2: There are only 2 ski resorts in Southern Africa, one called “Tiffindell Ski Resort” in Eastern Cape Province in South Africa and the other called “Afriski” in Lesotho (Tiffindell is also very close to Lesotho).

Note 3: The African Growth Opportunity Act (AGOA) was legislation passed by the U.S. Congress in 2000 aimed at promoting growth in developing countries in Africa. Countries that meet certain political and economic criteria are granted exemptions or reductions in the tariffs on products (originally textiles and apparel, but since extended to other products)

exported to the U.S. The program expires in 2015, however, at the recent U.S.-Africa Summit in August a number of African countries called for its renewal. On the other hand, in 2005 the WTO Agreement on Textiles and Clothing came to an end in 2005, effectively eliminating protective import quotas on textiles and clothing in member countries, which has led to some stagnation in Lesotho's textile industry.

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