

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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This time I am going to introduce the island of Reunion.

Huh, an island country called Reunion? Is that a new country in Africa? And you thought you were well-versed in geography. Actually Reunion is not a country but a territory, or overseas department, of France located in the Indian Ocean (note 1).

Reunion lies between the island countries of Mauritius and Madagascar and there are direct flights to the island from such African countries as South Africa, Tanzania, Mozambique and Madagascar, so I think both geographically and ethnically Reunion has a more African flavor than French flavor. It is this African and non-African island and the birthplace of Roland Garros, the first person to fly solo, non-stop across the Mediterranean Sea and whom the French Open tennis stadium is named after.



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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.

Table 1: Reunion Information

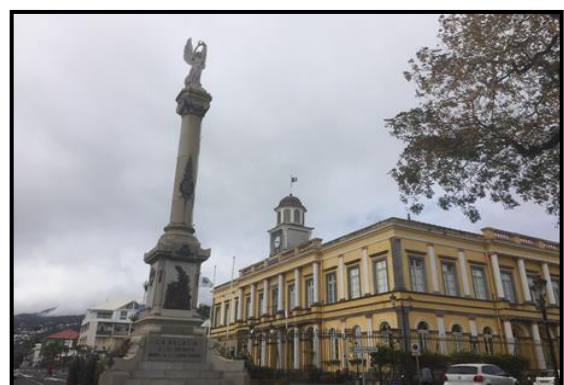
Basic Data (2015)	
Population	861 thousand
Land Area	2.5 thousand km ²
Nominal GDP	\$18 billion
Per Capital GDP	\$21,080
Official Language	French, Creole
Electric Power Capacity	810 MW

Source: Cerom, IMF, World Bank, CIA

Reunion is an island in the Indian Ocean located about 800 kilometers east of Madagascar and 200 kilometers southwest of Mauritius. Reunion's breadth is about the same as Japan's Saga Prefecture and it is a volcanic island formed by volcanoes represented by two mountains, Piton des Neiges (3,039 meters high) and Piton de la Fournaise (2,632 meters high) and nearby calderas (note 2).

Reunion has a mild tropical climate, annual temperatures in its capital of Saint-Denis located on the northern coast average around 24 degrees centigrade, and is subject to cyclones during its summer which runs from April to November (picture 1).

In terms of ethnicity, Reunion's population is made up of ethnic Indians, Arabs and Africans and those of European descent as well as a large number of mixed race Creoles, many with some African



Picture 1: Saint-Denis City Hall and monument (cenotaph) in the city center

heritage. In addition, there are a number of French-speaking migrant workers from such nearby countries as Madagascar and Comoros.

Being a French territory Reunion's per capita GDP is relatively high at \$21,000 (note 3). In Saint-Denis such French supermarkets as Carrefour and Super U can be found, as well as the French bakery chain PAUL. However, migrant workers and others from comparatively lower income neighborhoods can shop in the more reasonably priced local markets.

French cuisine is of course very representative in Reunion. In fact, so representative you can even find fairly casual restaurants that serve French pigeon dishes. On the other hand, there are all types of local cuisine including such Creole (melting pot) foods as octopus and shrimp curry. Creole cuisine in restaurants is actually quite good, even coming off as somewhat sophisticated (pictures 2 and 3).



Picture 2: Today's recommended dish is pigeon with a liver based sauce



Picture 3: Local specialty octopus curry served with stewed beans and spicy marinated zucchini

Reunion is usually compared to the neighboring Indian Ocean island countries of Mauritius, Seychelles and Comoros. In fact, like Mauritius and Seychelles, Reunion is a famous tourist destination known for its beach resorts. However, as a volcanic island its coast is quite rocky (pumice?) in many places, so there are really no scenes of endless white sand beaches (picture 4).



Picture 4: A Reunion beach

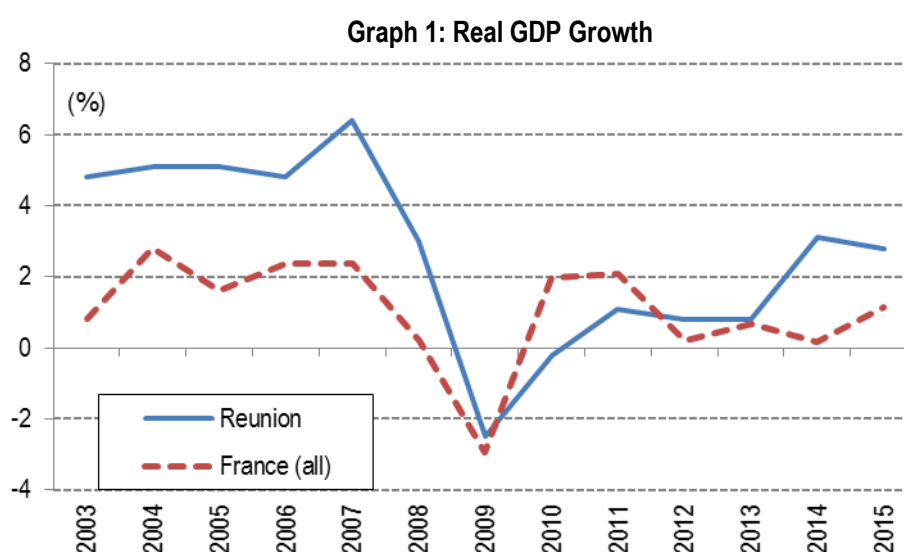
Reunion is much more than beaches though. Climbing tours of the previously mentioned two volcanoes, especially Piton de la Fournaise which is still active, and trekking in the canyons of Cilaos are popular with green tourism travelers and are just some of the many charms unique to the island.

Reunion was first discovered by the Portuguese in the early part of the 16th century and became a French territory in 1640. It was named Bourbon Island by Louis VIII in 1642 then renamed Reunion Island following the French Revolution before having its name changed again in 1806 to Bonaparte Island in honor of Napoleon Bonaparte. Soon after that it again reverted to the name Bourbon Island (1814) before finally settling on the current name Reunion Island in 1848. In 1946 it was designated an overseas region (department) of France and it sends deputies to the French National Assembly and has senators in the French Senate. While similar laws to France are applied on the island, Reunion has a regional general council (and local bodies) under the prime minister (France), which can change laws and regulations related to the island and is in a position to introduce new proposals for the region.

Unlike the situation in the Comoros Islands, where Mayotte remains an overseas French region (department), but where their sovereignty has been an issue in Comoros that has led to past conflict (see the country report on Comoros), there is no large political movement for independence or other confrontational issues of the sort in Reunion. As Reunion's economy and economic structure are highly dependent on France, the current governing system is likely to be maintained.

Reunion's main industries are tourism, agriculture and fishery. Tourism consists mainly of the above-mentioned beach resorts and green tourism with spending by tourists amounting to \$300 million in 2015 or about 1.7% of Reunion's nominal GDP (\$18.1 billion). In terms of agriculture, in addition to vegetables for domestic consumption, Reunion also produces fruit (lychees, mangoes, pineapples), vanilla and sugar. In particular, sugar has been a major industry in Reunion since the 17th century and is its main export item.

Reunion's main export destinations are France and Spain in Europe and neighboring Madagascar, Mayotte and India, while Japan is a major export destination for Reunion seafood. In the past, Reunion had been very well known for its production and exports of the very rare Bourbon coffee beans, but exports seem to have ceased after 1942 (note 4) (graph 1) (tables 2 and 3).



Sources: CEROM, IMF

Table 2: Nominal GDP by Demand Item

	billion USD
Household consumption	12.6
Public consumption	6.8
Investment	3.5
Export	0.5
Import	4.8
Total	18.2

Source: CERON

Table 3: Reunion's Exports

	million Euros
Sugar	72
Fishery products	67
Other food products	48
Transport equipment	22
Electrical equipment	5
Other machinery	13
Petroleum products	13
Other products	67
Total	307

Source: Douanes

An interesting point when looking at statistics in Reunion is that new car sales per capita in Reunion are very high (table 4) (note 5). The reason for this is ① there are many residents from France in Reunion with high incomes, ② the large auto resale market in Madagascar is nearby, ③ there is an extensive road infrastructure in Reunion, and ④ there is a strong disposition toward new cars.

Table 4: New Car Sales in Various African Countries/Territories

	New Car Sales	Population	Units per thousand people
	(unit)	(thousand)	(unit)
South Africa	644,504	53,969	11.94
Nigeria	53,900	177,476	0.30
Angola	35,700	24,228	1.47
Botswana	34,800	2,220	15.68
Réunion	25,757	855	30.12
Kenya	13,500	44,864	0.30
Ghana	13,000	26,787	0.49
Mauritius	10,600	1,269	8.36
Senegal	6,800	14,673	0.46
Ivory Coast	6,400	22,157	0.29
Tanzania	5,800	51,823	0.11
Zimbabwe	5,800	15,246	0.38
Gabon	4,900	1,688	2.90
Uganda	4,900	37,783	0.13
Cameroon	4,400	22,773	0.19
Zambia	4,000	15,721	0.25
Sudan	3,000	39,350	0.08
Madagascar	2,600	23,572	0.11
Republic of Congo	2,400	4,505	0.53
Malawi	1,700	16,695	0.10

Source: World Bank

In fact you will see many French car brands such Renault, Citroen and Peugeot as well as VWs and BMWs be driven around all in excellent condition. Also, the roads in Reunion are in excellent condition, which is fairly unbelievable for Africa. However, Reunion is strictly dependent on France for the funding of the construction and maintenance of its infrastructure. The reality is that without France as its home country the economic structure off Reunion would likely not hold together.

In terms of other industries, although there is no large manufacturing industry on Reunion, as it is a small island, there is food processing (jam from fruits and rum from sugar cane) and ICT-related companies, from among the island's many existing small and medium size enterprises. Led by NEXA (Reunion's investment agency), Reunion is trying to match overseas investors with companies in Reunion. In addition to agriculture, Reunion has been seeking partners in the recycling business, renewable energy and bottled water manufacturing in recent years to help spur industrial development. Reunion has an advantage that other African countries do not in that investment in Reunion has protections under the same legal system as France, so Reunion has a comparatively easy climate for doing business.

The impression of the degree of economic development on this "African and non- African island" of Reunion when compared to neighboring island countries is that it is the same or a little less than that of Mauritius, but greater than that of Seychelles and Comoros. In looking at it as a market, it should be considered as a good place for business given the islanders "high incomes and penchant for new cars". As such, it might be surprisingly easy to sell a number of other items as well.

Looking at Reunion from the perspective of South Africa, there are two direct flights a week from Johannesburg to Reunion (Thursday and Sunday on the French carrier Air Austral) and it is thought to be an easy and comfortable place to go because it is a French territory and French in nature. For Japanese visitors the logistics hurdles are fairly low as a visa is not necessary, English is spoken somewhat and the euro can be used as currency. For the mountain climbing and trekking faction there are two volcanoes accessible in the south and for the sea and beach faction the west side of the island is recommended as the sea and waves are calmer there (note 6).

So for those who want to enjoy the mountain and the sea Reunion resorts are the ones for you, so why don't you try visiting Reunion at least once.



Picture 5: The coastline of Saint-Denis with narrow mountain hills in the background

Note 1: France has 5 overseas territories or departments. Guadeloupe and Martinique in the Caribbean Sea, French Guiana in South America and Reunion and Mayotte in the Indian Ocean. They are considered the same as France's provinces (in France proper) and French law is applied.

Note 2: Piton de la Fournaise is currently still an active volcano that erupted again in September.

Note 3: Note 3: Equatorial Guinea has the highest per capita GDP in Africa at \$17,000 (2015).

Note 4: According to the Reunion Chamber of Commerce Bourbon coffee beans are still being produced in the central part of Reunion, but have not been made available for commercial purposes. Japan has been trying to revive the famous Ueshima coffee brand and now carries our limited sales of the brand once a year.

<http://www.ucc.co.jp/company/news/2015/rel151026.html>

Note 5: According to Frost & Sullivan a total of 1.62 million new automobiles are expected to be sold in Africa (28 country survey) in 2016 and will rise to 3.26 million by 2025.

Note 6: Travel around the island takes about 7 hours by car. There is the danger of falling rocks on the roads and the roads being blocked by these rocks. Currently, a new road along the coast is being built.

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