EAST AFRICA AND THE INDIAN OCEAN REGION

East Africa has limited impact on the Indian Ocean Region (IOR), and on the global economy as a whole. As Figure 1 shows, it is an area where most quantitative indicators of national progress show that many countries have high to critical risk, and where other indicators show that most countries have moderate risk.

Aside from South Africa and the security of the Cape maritime route, however, this Sub-region is of importance largely as a limited market and the source of some critical minerals and similar exports. The security impact of the sub-region is dominated by the challenge of internal stability, although Kenya faces threats from the al Shabaab movement in Somalia, and outside Islamist extremists. No power in this Sub-region has a major naval or air force, although several could play a role in missions like anti-piracy.

Figure 1: Governance and Economic Risk Indicators for the East Africa Sub-region

Stability and Security in the East Africa Sub-region

The military forces in the Sub-region are summarized in Figure 2 to Figure 5. There is no military balance in the normal sense of the term. Virtually all of the security issues in the Sub-
region are problems in internal stability, and there is no current risk of significant conflict at the interstate level. The only exception is a long-standing border security problem between Somalia and Kenya that presents a security problem for both states, but little prospect of war.

South Africa is the only state with significant military forces that could affect maritime security throughout the IOR, and does not present any current such a risk.

Figure 2: East Sub-Saharan Africa Sub-region Military Balance:

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<tr>
<th>Number of Troops</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Mozambique</th>
<th>Madagascar</th>
<th>Mauritius</th>
<th>Seychelles</th>
<th>South Africa</th>
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<td>Reserves</td>
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<td>Paramilitary</td>
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<td>Total Troops:</td>
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<th>Amphibious</th>
<th>Mine Warfare/Countermeasures</th>
<th>Patrol and Coastal Combatants</th>
<th>Principle Surface Combatants</th>
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<th>Transport</th>
<th>Training</th>
<th>Multi-role/TPT Helicopters</th>
<th>ISR</th>
<th>Total Air Forces:</th>
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Figure 3: East Sub-Saharan Africa Sub-region Military Balance: Total Manning

Figure 4: East Sub-Saharan Africa Sub-region Military Balance: Naval Forces

Figure 5: East Sub-Saharan Africa Sub-region Military Balance: Air Forces

Kenya

Kenya is a moderate risk state. It achieved independence from Britain in 1963, and was led by Jomo Kenyatta until his death in 1978. Although it remained a democracy, Kenyatta made changes to the constitution to expand his authority and increase his term. He used extra-judicial arrests, tribal and ethnic tensions, and political patronage to strengthen his position. This centralized and close to one party system continued under the next three presidents, Daniel Arap Moi, Mwai Kibaki, and Jomo’s son Uhuru Kenyatta. While the present government is now lead by figures from two competing tribes, this kind of semi-authoritarian leadership remains, and is endemic throughout the Kenyan government and civil society.

The World Bank governance index for 2015 rates Kenya low to moderate in accountability, low to moderate in government effectiveness, low in rule of law, low to moderate in regulatory quality, very low in political stability and absence of violence, and very low in control of corruption. Transparency International ranks Kenya as 139th out of 168 countries in its corruption perceptions index.

Kenya faces structural challenges that affect many of the states in the region. The US census bureau estimates that its population increased from 6.1 million in 1950 to 45.9 million in 2015, and will increase to 53.2 million in 2025 and 70.8 million in 2050. Kenya is also poor. The CIA calculates its GDP at $63.12 billion, and GDP per capita at a very poor $3,300, ranking 185th in the world.

Kenya has a number of human rights issues, including “the slow pace of police reform, the lack of accountability for security force abuses- including extrajudicial killings, torture, and other human rights violations by the police- and the government’s failure to hold accountable perpetrators of the 2007-2008 post-election violence.” This post-election violence has resulted in the current Kenyan President Uhuru Kenyatta and his deputy Ruto “facing charges of crimes against humanity at the International Criminal Court (ICC).” Nevertheless, the March 2013 election seems to have brought some degree of added stability to the country, although a terrorist attack at the West Gate Mall that took place in September 2013 has cast doubt on this certainty.

Like most East African states, Kenya focuses on development and internal security. Despite its internal issues, Kenya remains the major economic power in East Africa. GDP is currently $63.12 billion, with a real growth rate of 6.5%. GDP per capita is $3,300, and the GINI index of 42.5 indicates that wealth is concentrated amongst Kenya’s urban elite. The World Bank ranks Kenya 108th on its ease of doing business index, with serious problems in getting electricity, registering property, taxation, trading across borders, and enforcing contracts.

Economic security is a major issue. The CIA reports that:

Kenya is the economic and transport hub of East Africa. Kenya’s real GDP growth has averaged around 5% for the past several years. Nevertheless, Kenya is among the low middle income countries. While Kenya has a growing entrepreneurial middle class, faster growth and poverty reduction is hampered by corruption and by reliance upon several primary goods. Unemployment is high at around 40%.

Agriculture remains the backbone of the Kenyan economy, contributing 25% of GDP. About 80% of Kenya’s population of roughly 42 million work at least part-time in the agricultural sector, including livestock and pastoral activities. Over 75% of agricultural output is from small-scale, rain-fed farming or livestock production.

Inadequate infrastructure threatens Kenya's long-term position as the largest East African economy, although the Kenyatta administration sought external investment in infrastructure development.
International financial lenders and donors remain important to Kenya's economic growth and development, but Kenya has also successfully raised capital in the global bond market. Kenya issued its first sovereign bond offering in mid-2014, generating $2 billion and continues to offer bonds to external investors at increasingly high interest rates. Nairobi has contracted with a Chinese company to begin construction of a new standard gauge railway, but the project allegedly has been beset by corruption and fraud. The country is in the process of devolving some state revenues and responsibilities to the counties. Inflationary pressures and sharp currency depreciation peaked in early 2012 but have since abated following low global food and fuel prices and monetary interventions by the Central Bank. Chronic budget deficits, including a shortage of funds in mid-2015, have plagued the government’s ability to implement proposed development programs.

At the same time, Kenya is sharply affected by the violence in Somalia and other states. The CIA reports that:\textsuperscript{11}

Kenya served as an important mediator in brokering Sudan's north-south separation in February 2005; Kenya provides shelter to almost a quarter million refugees, including Ugandans who flee across the border periodically to seek protection from Lord's Resistance Army rebels; Kenya works hard to prevent the clan and militia fighting in Somalia from spreading across the border, which has long been open to nomadic pastoralists; the boundary that separates Kenya's and Sudan's sovereignty is unclear in the "Ilemi Triangle," which Kenya has administered since colonial times.

Refugees by country of origin include 416,696 (Somalia); 98,789 (South Sudan); 21,435 (Ethiopia); 12,461 (Democratic Republic of the Congo) (2016). IDPs include 309,200 (represents people displaced since the 1990s by ethnic and political violence and land disputes and who sought refuge mostly in camps; persons who took refuge in host communities or were evicted in urban areas are not included in the data; data is not available on pastoralists displaced by cattle rustling, violence, natural disasters, and development projects; the largest displacement resulted from 2007-08 post-election violence (2014).

Stateless persons total 20,000 (2014); note - the stateless population consists of Nubians, Kenyan Somalis, and coastal Arabs; the Nubians are descendants of Sudanese soldiers recruited by the British to fight for them in East Africa more than a century ago; Nubians did not receive Kenyan citizenship when the country became independent in 1963; only recently have Nubians become a formally recognized tribe and had less trouble obtaining national IDs; Galjeel and other Somalis who have lived in Kenya for decades are included with more recent Somali refugees and denied ID cards.

Kenya faces a significant threat from trans-border terrorist attacks from Somalia, as evidenced by the September 2013 Westgate Mall terrorist attack in Nairobi that killed at least 67 civilians. Al Shabaab, the Somalia based terrorist organization, claimed responsibility for the attack, citing it as retribution for the Kenyan troops deployed to Somalia in an effort to stamp out the Islamist movement. Even prior to this attack, Kenya has been involved in domestic security and counterterrorism efforts:\textsuperscript{12}

Kenya is a member of the Partnership for Regional East Africa Counterterrorism and a strong partner of the United States in the fight against terrorism. Kenya faced a continuing terrorist threat from al-Shabaab, against which Kenya Defense Forces engaged in military operations in Somalia since 2011. Despite some successes, including the discovery of a large unexploded vehicle-born improvised explosive device in Mombasa, Kenya continued to face serious domestic security challenges, growing radicalization and violent extremism within its own borders, and a spike in al-Shabaab attacks in 2014. While no single incident drew the level of international attention garnered by the 2013 attack on Nairobi’s Westgate Shopping Mall, more than two dozen terrorist incidents occurred throughout Kenya in 2014, resulting in more than 200 dead and many more injured – making 2014 the deadliest of the past four years. There were allegations of violations of human rights by Kenya’s police against civilians during counterterrorism operations, including allegations of extra-judicial killings. There were also reports that highlighted a public perception of a bias against members of the Somali community.

Kenyan officials cooperated closely with the United States and other partner nations on counterterrorism issues – including investigating and prosecuting terrorism cases – and pledged deeper cooperation. Kenya is one of six countries participating in the President’s Security Governance Initiative (SGI) announced at...
the U.S.-Africa Leaders’ Summit. SGI focuses on the management, oversight, and accountability of the security sector at the institutional level.

The Kenyan government focused increased attention on preventing the flow of foreign fighters, including Kenyan nationals, to join al-Shabaab in Somalia, as well as on Kenyan national foreign fighters returning from abroad.

... The Government of Kenya took some steps to increase engagement with civil society on issues of countering violent extremism, including participation by government officials along with religious and civil society leaders in the First National Conference on Security and Countering Violent Extremism in January, at which a Violent Extremism Advocacy and Accountability Charter was developed and adopted. The Kenyan government also developed, but had not implemented by year’s end, a comprehensive National Counter-Radicalization Strategy. Senior leaders made some overtures to communities at risk of violent extremism, but also used divisive and inflammatory rhetoric, especially in the wake of terrorist incidents that further increased tensions. “Usalama Watch” and other heavy-handed security operations risked further alienating communities at risk of violent extremism. Some Kenyan civil society organizations actively worked to address the drivers of radicalization and violent extremism in Kenya, often with assistance from the United States and other international partners, without significant government involvement.

As well as regional stability efforts:  

Kenya is a member of the AU, the Inter-Governmental Authority on Development, the Community of Eastern and Southern Africa, and the East African Community. Kenya’s primary contribution to regional counterterrorism efforts was its significant troop contribution to AMISOM since 2012. In 2014, Kenya hosted a head-of-state level meeting of the AU’s Peace and Security Council focused on counterterrorism, as well as regional meetings of East African Community intelligence and police chiefs. In addition, Kenya hosted numerous trainings and the aforementioned crisis response exercise involving law enforcement professionals from neighboring countries to build counterterrorism capacities and increase regional cooperation.

Kenya’s military forces have aging assets. Its navy is limited to coastal patrol ships and craft and it lacks modern combat aircraft and heavy armor. As indicated above, Kenya takes part in stability operations in Somalia, and also regularly participates in international exercises; however, it only has limited power projection capabilities.

The total fleet contains only two amphibious assault vessels, which were deployed in September 2012 to help secure the city of Kismayo in Somalia, which had been controlled by al-Shabaab insurgents. Kenya also currently has three infantry battalions deployed to Somalia under the auspices of UN African Union Mission in Somalia (AMISOM).

**Tanzania**

Tanzania is a low to moderate risk state. Tanzania has moved slowly away from single party rule, highlighted by government-controlled economic development, since it gained full independence in 1961. It has evolved towards a multi-party political system with decreasing -- but still serious -- government intervention in the economy. The World Bank governance index for 2015 rates Tanzania low to moderate in accountability, low in governance, low in rule of law, low to moderate in regulatory capability, low in political stability and absence of violence, and low in control of corruption.

Tanzania faces serious structural challenges. The US census bureau estimates that its population increased from 7.9 million in 1950 to 51.0 million in 2015, and will increase to 66.9 million in 2025 and 118.6 million in 2050. Tanzania only has a slightly more favorable rating than some of its neighbors on the Corruption Perceptions Index, ranking 117 out of 168. It ranks 75th out of 180 countries in the Reporters Without Borders 2015 World Press Freedom Index.
Like most states in the sub-region, Tanzania focuses on internal development and security. It has improving political stability but still faces many serious economic challenges. GDP is $46.19 billion, 76th in the world, but GDP per capita is $3,000, 188th in the world. It also ranks a poor 139th out of 168 countries on the World Bank’s *Ease of Doing Business* index. The CIA reports that:

Shortly after achieving independence from Britain in the early 1960s, Tanganyika and Zanzibar merged to form the United Republic of Tanzania in 1964. One-party rule ended in 1995 with the first democratic elections held in the country since the 1970s. Zanzibar's semi-autonomous status and popular opposition led to two contentious elections since 1995, which the ruling party won despite international observers' claims of voting irregularities. The formation of a government of national unity between Zanzibar's two leading parties succeeded in minimizing electoral tension in 2010.

Tanzania is one of the world's poorest economies in terms of per capita income, but has achieved high growth rates based on its vast natural resource wealth and tourism. GDP growth in 2009-15 was an impressive 6-7% per year. Dar es Salaam used fiscal stimulus measures and easier monetary policies to lessen the impact of the global recession. Tanzania has largely completed its transition to a market economy, though the government retains a presence in sectors such as telecommunications, banking, energy, and mining.

The economy depends on agriculture, which accounts for more than one-quarter of GDP, provides 85% of exports, and employs about 80% of the work force; agriculture accounts for 7% of government expenditures. All land in Tanzania is owned by the government, which can lease land for up to 99 years. Proposed reforms to allow for land ownership, particularly foreign land ownership, remain unpopular.

The financial sector in Tanzania has expanded in recent years and foreign-owned banks account for about 48% of the banking industry's total assets. Competition among foreign commercial banks has resulted in significant improvements in the efficiency and quality of financial services, though interest rates are still relatively high, reflecting high fraud risk. Recent banking reforms have helped increase private-sector growth and investment.

The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania's aging infrastructure, including rail and port, that provide important trade links for inland countries. In 2013, Tanzania completed the world's largest Millennium Challenge Compact grant, worth $698 million, and, in December 2014, the Millennium Challenge Corporation selected Tanzania for a second Compact.

In late 2014, a highly publicized scandal in the energy sector involving senior Tanzanian officials resulted in international donors freezing nearly $500 million in direct budget support to the government. The Tanzanian shilling weakened in 2015 because of lower gold prices, election-related political risk, and outflows from emerging market currencies generally.

Tanzania has a small navy and only limited air capabilities that restrict its capability to intervene in the IOR. At the same time, it must focus on transnational issues like refugees and trafficked persons.

The CIA World Factbook indicates that:

Tanzania is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking; the exploitation of young girls in domestic servitude continues to be Tanzania’s largest human trafficking problem; Tanzanian boys are subject to forced labor mainly on farms but also in mines and quarries, in the informal commercial sector, in factories, in the sex trade, and possibly on small fishing boats; Tanzanian children and adults are subjected to domestic servitude, other forms of forced labor, and sex trafficking in other African countries, the Middle East, Europe, and the US; internal trafficking is more prevalent than transnational trafficking and is usually facilitated by friends, family members, or intermediaries with false offers of education or legitimate jobs; trafficking victims from Burundi, Kenya, South Asia, and Yemen are forced to work in Tanzania’s agricultural, mining, and domestic service sectors or may be sex trafficked.
Tier 2 Watch List – Tanzania does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so; in 2014, Tanzania was granted a waiver from an otherwise required downgrade to Tier 3 because its government has a written plan that, if implemented, would constitute making significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking; the government adopted a three-year national action plan and implementing regulations for the 2008 anti-trafficking law; authorities somewhat increased their number of trafficking investigations and prosecutions and convicted one offender, but the penalty was a fine in lieu of prison, which was inadequate given the severity of the crime; the government did not operate any shelters for victims and relied on NGOs to provide protective services (2015).

Tanzania is cooperating at international and regional levels to improve law enforcement, border security, and financial intelligence. The State Department Country Reports on Terrorism show:24

Tanzania has not experienced a large-scale terrorist act conclusively linked to an international terrorist organization since the U.S. Embassy bombing in July 1998. Smaller instances of alleged domestic terrorism, however, continued to concern government officials. Several bombings targeting religious leaders or institutions occurred in 2014, although at year’s end officials were still investigating whether the perpetrators were members of an organized terrorist group. Police, working with various security elements – including Tanzania’s interagency National Counterterrorism Center (NCTC), the Immigration Services Department (ISD), and the Tanzania Intelligence and Security Service (TISS) – made several arrests of alleged terrorists in 2014, and officials were prosecuting these cases at year’s end. NCTC reported concerns over escalating radicalism and inadequate border security.

...Tanzania’s legal counterterrorism framework is governed by the 2002 Prevention of Terrorism Act. The implementing regulations for the Act were published in 2012. In January 2014, a further amendment to the Act was implemented that strengthened Tanzania’s ability to respond to terrorist financing challenges, particularly with regards to UN Security Council Resolutions (UNSCRs) 1267 and 1373.

Tanzania continued its interagency coordination efforts in 2014, mainly through NCTC, but it had not used advanced investigative forensic techniques and streamlined prosecutions to detect, investigate, and fully prosecute suspected terrorists. NCTC is an interagency unit composed of officers from the intelligence, police, defense, immigration, and prison sectors who worked collectively on counterterrorism issues. The organization continued to lack specialized equipment, especially for border security, and NCTC officers lacked advanced training on intelligence analysis and crime scene investigation. When terrorist incidents occur, the police generally lead the investigation – although officials from the ISD and TISS also participate. Once the investigation is completed, the case goes to the Director of Public Prosecutions before being brought to court.

Border security in Tanzania remained a challenge for a variety of reasons, including problems of corruption and vast, porous borders. All major airports and border crossings screened for weapons, drugs, explosives, and other contraband; and continued the use of the Personal Identification Secure Comparison and Evaluation System border management system. NCTC and the ISD generally worked together to ensure that all border posts had updated terrorist watchlists, although smaller border posts often have to check passports against paper copies of the list.

...Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force (FATF)-style regional body. In June, the FATF noted Tanzania’s significant progress in improving anti-money laundering and countering the financing of terrorism (AML/CFT) efforts, as well as improving its legal and regulatory framework in this regard. As a result, FATF removed Tanzania from a list of countries subject to a monitoring process due to AML/CFT deficiencies. In 2014, Tanzania became a member of the Egmont Group of Financial Intelligence Units. Tanzania’s Financial Intelligence Unit received 65 suspicious transaction reports related to money laundering in 2014, a slight decrease from the 68 received in 2013.

Tanzania lacks the naval forces to effectively project power and deal with an emerging piracy threat on its own. Its navy consists mostly of vessels purchased from China between 1969 and 1971; they possess six patrol boats and two fast attack vessels.25 Given their limited capabilities
and untested navy, it has reached out to South Africa and Mozambique to jointly address piracy issues and has taken part in regional joint exercises.\textsuperscript{26}

Tanzania has, however, received aid and equipment from the United States to help bolster its naval forces. In July 2013, the US, working in conjunction with CJTF-HOA, and soldiers from the Tanzanian Peoples Defense Force, installed a boat ramp that will give the TPDF the ability to launch small patrol boats for coastal operations.\textsuperscript{27} In October 2013, AFRICOM installed a VHF Communications system across 16 stations throughout Tanzania, and included 182 handheld radios. This deployment will aid Tanzania in its intra-regional cooperation and counter narcotics operations.\textsuperscript{28}

**Comoros**

Comoros is a moderate risk state that has experienced considerable degree of political instability since gaining its independence from France in 1975. The country experienced 20 coups or attempted coups from 1975 to 2002. African Union forces intervened to prevent the secession of one of Comoros’ islands and the subsequent May 2011 elections were considered to be free and fair by observers. Nevertheless, the government is still wracked by internal strife, which has prevented the development of infrastructure, stunted economic growth, and discouraged foreign investment.

The World Bank governance index for 2015 rates the Comoros low in accountability, very low in governance, very low in rule of law and regulatory capability, low in political stability and absence of violence, and low in control of corruption.\textsuperscript{29} Transparency International ranks Comoros 136\textsuperscript{th} of 177 on the Corruption Perceptions Index,\textsuperscript{30} and it ranks 159\textsuperscript{th} of 188 on the UN Human Development Report.\textsuperscript{31}

The US census bureau estimates that its population increased from 148,000 in 1950 to 781,000 million in 2015, and will increase to 906,000 in 2025 and 1,170,000 in 2050.\textsuperscript{32} It is also an extremely poor state. Its GDP is $589 million, and GDP per capita is only $1,600.\textsuperscript{33} The World Bank ranks the Comoros 154\textsuperscript{th} of 168 countries in its *Ease of Doing Business* index.\textsuperscript{34}

Comoros is a member of the Partnership for Regional East African Counterterrorism, but its primary transnational issue is that of human trafficking. According to the CIA World Factbook:\textsuperscript{35}

One of the world's poorest countries, Comoros is made up of three islands that are hampered by inadequate transportation links, a young and rapidly increasing population, and few natural resources. The low educational level of the labor force contributes to a subsistence level of economic activity and a heavy dependence on foreign grants and technical assistance. Agriculture, including fishing, hunting, and forestry, accounts for 50\% of GDP, employs 80\% of the labor force, and provides most of the exports. Export income is heavily reliant on the three main crops of vanilla, cloves, and ylang-ylang; and Comoros’ export earnings are easily disrupted by disasters such as fires and extreme weather. Despite agriculture’s importance to the economy, the country imports roughly 70\% of its food; rice, the main staple, accounts for the bulk of imports.

Currently, authorities are negotiating with the IMF for triennial program assistance. The government - which is racked by internal political disputes - is struggling to provide basic services, upgrade education and technical training, privatize commercial and industrial enterprises, improve health services, diversify exports, promote tourism, and reduce the high population growth rate. Recurring political instability, sometimes initiated from outside the country, has inhibited growth. Remittances from about 200,000 Comorans contribute about 25\% of the country’s GDP. In December 2012, IMF and the World Bank's International Development Association supported $176 million in debt relief for Comoros, resulting in a 59\% reduction of its future external debt service over a period of 40 years. In late 2013, a US-based
investment company invested $200 million in a project to explore for hydrocarbons in Comoran territorial waters, the largest financial investment in the country’s history.

… Comoros is a source country for children subjected to forced labor and, reportedly, sex trafficking domestically, and women and children are subjected to forced labor in Mayotte; it is possibly a transit and destination country for Malagasy women and girls and a transit country for East African women and girls exploited in domestic service in the Middle East; Comoran children are forced to labor in domestic service, roadside and street vending, baking, fishing, and agriculture; some Comoran students at Koranic schools are exploited for forced agricultural or domestic labor, sometimes being subjected to physical and sexual abuse; Comoros may be particularly vulnerable to transnational trafficking because of inadequate border controls, government corruption, and the presence of international criminal networks.

**Mozambique**

Mozambique is a moderate risk country. It struggled under an autocratic Marxist regime after it gained independence from Portugal in 1975, and fought a civil war until 1989. At this point, a new constitution was established that set the conditions for multi-party rule and a market economy. Mozambique has since seen relatively strong economic growth and maintained stability through several political transfers of power.

The World Bank governance index for 2015 rates Mozambique low in accountability, low in governance, low in rule of law, moderate in regulatory capability, moderate in political stability and absence of violence, and low in control of corruption. Transparency International ranks Mozambique 112th out of 168 countries in its corruption perceptions index and the World Bank’s ease of doing business index ranks Mozambique 133rd of 189. The United Nation’s Human Development Report (2015) ranks Mozambique a dismal 180 of 188, citing its abnormally low life expectancy of 52.94 years and high infant mortality rate of 70.21 per 1000.

Mozambique plays a marginal role in the security of the Indian Ocean Region, and focuses on economic growth and issues on its border. Like most East African states, political stability is a major issue, and its economic outlook is weak. Population pressure, corruption, and business barriers are serious problems. The US census bureau estimates that its population increased from 6.2 million in 1950 to 25.3 million in 2015, and will increase to 32.3 million in 2025 and 59.0 million in 2050.

Mozambique is also very poor. Its GDP is $33.19 billion, ranking 125th in the world, and GDP per capita is $1,200, ranking 220th in the world. The CIA reports that, Almost five centuries as a Portuguese colony came to a close with independence in 1975. Large-scale emigration, economic dependence on South Africa, a severe drought, and a prolonged civil war hindered the country's development until the mid-1990s. The ruling Front for the Liberation of Mozambique (FRELIMO) party formally abandoned Marxism in 1989, and a new constitution the following year provided for multiparty elections and a free market economy. A UN-negotiated peace agreement between FRELIMO and rebel Mozambique National Resistance (RENAMO) forces ended the fighting in 1992.

In December 2004, Mozambique underwent a delicate transition as Joaquim Chissano stepped down after 18 years in office. His elected successor, Armando Guebuza, served two terms and then passed executive power to Philipe Nyusi in October 2014. RENAMO’s residual armed forces engaged in a low-level insurgency from 2012 to 2014.

Mozambique’s economy posted impressive gains from 2002-2015, with growth rates ranging from 6%-8%, and a flood of US investment from the Millennium Challenge Corporation, totaling $506.7 million, which ended in 2013. Additional outside investment is expected to continue, especially in Mozambique’s natural resource sector, but expected revenues may be weakened due to lessened global demand for commodities.
The CIA reports that,\textsuperscript{44} At independence in 1975, Mozambique was one of the world's poorest countries. Socialist policies, economic mismanagement, and a brutal civil war from 1977 to 1992 further impoverished the country. In 1987, the government embarked on a series of macroeconomic reforms designed to stabilize the economy. These steps, combined with donor assistance and with political stability since the multi-party elections in 1994, propelled the country’s GDP from $4 billion in 1993, following the war, to about $34 billion in 2015. Fiscal reforms, including the introduction of a value-added tax and reform of the customs service, have improved the government's revenue collection abilities.

In spite of these gains, more than half the population remains below the poverty line. Subsistence agriculture continues to employ the vast majority of the country's work force. Citizens rioted in September 2010 after fuel, water, electricity, and bread price increases were announced. In an attempt to lessen the negative impact on the population, the government implemented subsidies, decreased taxes and tariffs, and instituted other fiscal measures.

A substantial trade imbalance persists, although aluminum production from the Mozal Aluminum Smelter has significantly boosted export earnings in recent years. In 2012, The Mozambican Government took over Portugal's last remaining share in the Cahora Bassa Hydroelectricity Company, a significant contributor to the Southern African Power Pool. The government has plans to expand the Cahora Bassa Dam and build additional dams to increase its electricity exports and fulfill the needs of its burgeoning domestic industries.

Mozambique's once substantial foreign debt has been reduced through forgiveness and rescheduling under the IMF's Heavily Indebted Poor Countries (HIPC) and Enhanced HIPC initiatives, and is now at a manageable level. In July 2007, the US government's Millennium Challenge Corporation signed a $506.9 million compact with Mozambique that ended in 2013. The compact focused on improving sanitation, roads, agriculture, and the business regulation environment in an effort to spur economic growth in the four northern provinces of the country.

Mozambique grew at an average annual rate of 6%-8% in the decade up to 2015, one of Africa's strongest performances. Mozambique's ability to attract large investment projects in natural resources is expected to sustain high growth rates in coming years although weaker global demand for commodities is likely to weaken expected revenues from these vast resources, including natural gas, coal, titanium, and hydroelectric capacity.

Mozambique has no real naval and air capabilities for more than coastal defense and action within its waters – if that. The CIA reports that:\textsuperscript{45}

South Africa has placed military units to assist police operations along the border of Lesotho, Zimbabwe, and Mozambique to control smuggling, poaching, and illegal migration.

It notes that Mozambique is a:

southern African transit point for South Asian hashish and heroin, and South American cocaine probably destined for the European and South African markets; producer of cannabis (for local consumption) and methaqualone (for export to South Africa); corruption and poor regulatory capability make the banking system vulnerable to money laundering, but the lack of a well-developed financial infrastructure limits the country's utility as a money-laundering center.

The government has worried that maritime piracy and human trafficking could present a threat beyond homeland security. Mozambique’s forces have gained some experience, in a supporting role, from cooperative anti-piracy patrols with South Africa. The country’s economic growth may provide for increased defense acquisitions in the future. Patrol craft purchased from France are expected for delivery in 2016, which will boost Mozambique’s maritime-patrol capability.\textsuperscript{46}

\textbf{Madagascar}

Madagascar is another moderate risk state. Like Comoros, Madagascar is plagued by internal political strife that has hindered economic growth. Since gaining independence from France in
1960, Madagascar has undergone numerous changes to its government and constitution due to Cold war alignment, pseudo-coups, and a number of popular uprisings. In 2010, a popular referendum established a new political system which upheld a multi-party system and that held presidential and parliamentary elections in late 2013. The World Bank Governance Report for 2015 rates Madagascar low in accountability, very low in governance, low in rule of law and regulatory capability, low in political stability and absence of violence, and low in control of corruption. These challenges have damaged economic growth in an economy based primarily on the agriculture and tourism sectors, and foreign investment. GDP is currently $35.44 billion, ranking 121st in the world, with GDP per capita of $1500, ranking only 217th in the world. Other barriers to growth are the issues of corruption and ease of doing business, areas where Madagascar ranks 123 of 168 countries in the Transparency International Corruption Perceptions Index 2015, and 164 of 189 countries in the World Bank Ease of Doing Business rankings. The US census bureau estimates that its population increased from 4.6 million in 1950 to 23.8 million in 2015, and will increase to 30.2 million in 2025 and 45.8 million in 2050. A GINI index of 47.5 indicate high levels of income inequality and concentration of wealth amongst a small elite. The CIA noted the following regarding Madagascar’s current economic situation:

Agriculture, including fishing and forestry, is a mainstay of the economy, accounting for more than one-fourth of GDP and employing roughly 80% of the population. Deforestation and erosion, aggravated by the use of firewood as the primary source of fuel, are serious concerns.

After discarding socialist economic policies in the mid-1990s, Madagascar followed a World Bank- and IMF-led policy of privatization and liberalization until the onset of a political crisis, which lasted from 2009 to 2013. The free market strategy had placed the country on a slow and steady growth path from an extremely low starting point. Exports of apparel boomed after gaining duty-free access to the US in 2000; however, Madagascar’s failure to comply with the requirements of the African Growth and Opportunity Act (AGOA) led to the termination of the country’s duty-free access in January 2010, a sharp fall in textile production, and a loss of more than 100,000 jobs. Madagascar regained AGOA access in January 2015 following the democratic election of a new President the previous year. In November 2015, the International Monetary Fund (IMF) approved a Rapid Credit Facility to Madagascar worth about $42.1 million to help the government meet its balance of payments needs. The IMF also approved a staff monitoring program to guide policy implementation and indicated that Madagascar must demonstrate the capability to sustain reforms to qualify for future requests for a credit facility.

Madagascar has a small navy, which has no blue water or power projection capabilities. Elements of the armed forces were involved in an abortive coup in 2010 and an abortive coup in 2012, contributing to recent political instability on the island.

Mauritius

Mauritius is a moderate risk state. It is a small island in the western Indian Ocean that has a relatively stable democratic government, free and fair elections, and a respectable human rights record. GDP is $24.57 billion, 138th in the world, and GDP per capita is $19,500, ranking 87th in the world. Its GINI index is 35.9, pointing to only low to moderate income inequality. The World Bank governance index for 2015 rates Mauritius as having moderate to high accountability, moderate to high effectiveness of governance, moderate to high rule of law and regulatory capability, moderate to high political stability and absence of violence, and moderate
control of corruption.\textsuperscript{56} Transparency International ranks Mauritius 46\textsuperscript{th} of 168 countries on its Corruption Perceptions Index (2015),\textsuperscript{57} and the World Bank ranks Mauritius an impressive 20\textsuperscript{th} of 182 on its Ease of Doing Business rankings.\textsuperscript{58} The US census bureau estimates that its population increased from 481,000 in 1950 to 1,340,000 in 2015, and will increase to 1,412,000 in 2025 and 1,441,000 in 2050.\textsuperscript{59}

The CIA provided the following summary description of Mauritius’ economy:\textsuperscript{60}

Since independence in 1968, Mauritius has undergone a remarkable economic transformation from a low-income, agriculturally based economy to a diversified, upper middle-income economy with growing industrial, financial, and tourist sectors. Mauritius has achieved steady growth over the last several decades, resulting in more equitable income distribution, increased life expectancy, lowered infant mortality, and a much-improved infrastructure.

The economy currently rests on sugar, tourism, textiles and apparel, and financial services, but is expanding into fish processing, information and communications technology, and hospitality and property development. Sugarcane is grown on about 90\% of the cultivated land area and accounts for 15\% of export earnings. The government's development strategy centers on creating vertical and horizontal clusters of development in these sectors. Mauritius has attracted more than 32,000 offshore entities, many aimed at commerce in India, South Africa, and China. Investment in the banking sector alone has reached over $1 billion. Mauritius’ textile sector has taken advantage of the Africa Growth and Opportunity Act, a preferential trade program that allows duty free access to the US market, with Mauritian exports to the US growing by 40\% from 2000 to 2014.

Mauritius' sound economic policies and prudent banking practices helped to mitigate negative effects of the global financial crisis in 2008-09. GDP grew in the 3-4\% per year range in 2010-14, and the country continues to expand its trade and investment outreach around the globe. Growth in the US and Europe fostered goods and services exports, including tourism, while lower oil prices kept inflation low in 2015.

Mauritius does not have a standing army, and does not contribute naval assets to the protection of the Indian Ocean from piracy, but has entered into two agreements with Britain and the EU Naval Force in Somalia (EUNAVFOR.) the agreement with the UK was signed in June 2012, and allows pirates captured by the royal Navy to be transferred to Mauritius for trial and sentencing.\textsuperscript{61} The agreement with EUNAVFOR was signed in July of 2011, and stipulates that pirates captured by EUNAVFOR within their specified area of operations can be transferred to Mauritius for prosecution.\textsuperscript{62}

Mauritius has a coast guard with very limited blue water capabilities (only 6 patrol boats), but it is in the process of increasing its capabilities through orders from India.\textsuperscript{63} The Indian Navy is closely tied to the Mauritius coast guard. Port Louis served as one of two hubs for the 2016 US AFRICOM \textit{Cutlass Express} regional maritime-security exercise.\textsuperscript{64}

\textbf{Seychelles}

Seychelles is a low risk state. It has a stable and increasingly open political system. After independence from the United Kingdom in 1976, it entered a period of successive socialist single-party rulers and a mixture of coups, failed coups, and assassinations. Following the fall of the Soviet Union this cycle came to an end in favor of a more pluralistic multi-party system that remains today.

The World Bank governance index for 2015 rates the Seychelles as having moderate accountability, moderate to high effectiveness of governance, moderate rule of law, moderate political stability and absence of violence, but poor to moderate regulatory capability.\textsuperscript{65} The Seychelles ranks 43\textsuperscript{rd} out of 168 countries in Transparency International’s Corruption
Perceptions Index (2015), and 95th of 189 countries on the World Bank’s Ease of Doing Business rankings.

Seychelles has limited international involvement in the Indian Ocean Region. Though small, it maintains relatively high economic output for its size, which the CIA notes has driven it into the upper-middle-income level. In 2015, the Seychelles produced a GDP of $2.417 billion, ranking 192nd in the world, but GDP per capita is $26,300 – 70th in the world.

Population pressure is real, but moderate compared to many neighboring states. The US Census Bureau estimates that its population increased from 33,000 in 1950 to 92,000 in 2015, but will only increase to 99,000 in 2025 and 100,000 in 2050.

The CIA notes that:

Since independence in 1976, per capita output in this Indian Ocean archipelago has expanded to roughly seven times the pre-independence, near-subsistence level, moving the island into the upper-middle-income group of countries. Growth has been led by the tourist sector, which employs about 30% of the labor force and provides more than 70% of hard currency earnings, and by tuna fishing.

In recent years, the government has encouraged foreign investment to upgrade hotels and other services. At the same time, the government has moved to reduce the dependence on tourism by promoting the development of farming, fishing, and small-scale manufacturing.

In 2008, having depleted its foreign exchange reserves, Seychelles defaulted on interest payments due on a $230 million Eurobond, requested assistance from the IMF, and immediately enacted a number of significant structural reforms, including liberalization of the exchange rate, reform of the public sector to include layoffs, and the sale of some state assets. In December 2013, the IMF declared that Seychelles had successfully transitioned to a market-based economy with full employment and a fiscal surplus. Seychelles grew at 4.3% in 2015 because of a strong tourist sector and expanding private sector credits; its fiscal surplus reached 4% of GDP.

The Seychelles claims ownership of the Chagos Islands, over which Mauritius also asserts ownership. The Chagos Islands are currently administered by the UK and are located in British Indian Ocean territory. Seychelles is also a source and destination for trafficked children who are often forced into prostitution.

The Seychelles does not have significant armed forces. However, its Coast Guard services (Figure 4) are expanding to deal with piracy issues that pose a threat to island safety and stability. The small size of the Seychelles’ military prevents any effective power projection, but the United States conducts UAV missions (MQ-9 Reapers) off the Island in order to assist IOR wide counter piracy efforts. China, the UAE, and India have all donated equipment to the Seychelles in the past to support operations. India leased Assumption Island from the Seychelles in 2015 in order to build an Indian armed forces base that would house coastal-surveillance radars.

**South Africa**

South Africa is a low to moderate risk state which may be declining to a moderate risk status. It has come a long way since the days of Apartheid, but it faces major internal political and growing economic challenges. The current President, Jacob Zuma, has recently faced criticism for alleged corruption, particularly over expensive upgrades to his home that were completed with taxpayer money.

having moderate accountability, moderate effectiveness of governance, moderate regulatory capability and rule of law, but low to moderate political stability and absence of violence, as well as low to moderate corruption.\textsuperscript{77}

### Economics, Demographics and Trade

South Africa is the major economic power in southern Africa, with a GDP of \$723.5 billion, ranking 31\textsuperscript{st} in the world,\textsuperscript{78} and ranking 73\textsuperscript{rd} of 189 countries in ease of doing business.\textsuperscript{79} However, its GDP per capita is calculated at a relatively low \$13,200, 118\textsuperscript{th} in the world.\textsuperscript{80} Its income is concentrated with urban elites in Cape Town, Pretoria, and Johannesburg. Income distribution is very poor. The GINI index for South Africa is calculated at 62.5, giving it some of the worst income inequality in the world.\textsuperscript{81}

Several of South Africa’s largest import and export partners are located within in the Indian Ocean region, or have a vested interest in the area, including China, the US, India, and Saudi Arabia.\textsuperscript{82} South Africa is also major exporter of gold, diamonds, platinum, other metals and minerals, and machinery and equipment. Exports totaled some \$85.14 billion in 2015 versus \$86.81 billion in imports.

Population pressure has been serious, and the rate of increase is projected to continue. The US Census Bureau estimates that its population increased from 13.6 million in 1950 to 53.7 million in 2015, and will increase to 59.1 million in 2025 and 68.5 million in 2050.\textsuperscript{83}

The CIA reports that:\textsuperscript{84}

> The first multi-racial elections in 1994 following the end of apartheid ushered in majority rule under an ANC-led government. South Africa has since struggled to address apartheid-era imbalances in decent housing, education, and health care. ANC infighting came to a head in 2008 when President Thabo Mbeki was recalled by Parliament, and Deputy President Kgalema Motlanthe, succeeded him as interim president. Jacob Zuma became president after the ANC won general elections in 2009; he was reelected in 2014.

> …South Africa is a middle-income emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; and a stock exchange that is Africa’s largest and among the top 20 in the world.

> Economic growth has decelerated in recent years, slowing to just 1.5% in 2014. Unemployment, poverty, and inequality - among the highest in the world - remain a challenge. Official unemployment is roughly 25% of the workforce, and runs significantly higher among black youth.

> Even though the country’s modern infrastructure supports a relatively efficient distribution of goods to major urban centers throughout the region, unstable electricity supplies retard growth. Eskom, the state-run power company, is building three new power stations and is installing new power demand management programs to improve power grid reliability. Load shedding and resulting rolling blackouts gripped many parts of South Africa in late 2014 and early 2015 because of electricity supply constraints due to technical problems at some generation units, unavoidable planned maintenance, and an accident at a power station in Mpumalanga province. The rolling blackouts were the worst the country faced since 2008. Construction delays at two additional plants, however, mean South Africa will continue to operate on a razor thin margin; economists judge that growth cannot exceed 3% until electrical supply problems are resolved.

> South Africa's economic policy has focused on controlling inflation; however, the country faces structural constraints that also limit economic growth, such as skills shortages, declining global competitiveness, and frequent work stoppages due to strike action. The current government faces growing pressure from urban constituencies to improve the delivery of basic services to low-income areas and to increase job growth.

> South Africa does present an important alternative to the use of the Suez Canal. Closure of the Suez Canal could force ships to take a longer route around the Cape of Good Hope, directing some traffic to South Africa’s ports. The additional sailing time (5-7 additional days) makes it a
less efficient trade route for ships that would otherwise go through the Suez Canal, but not for larger ships or some going to European ports from Australia.\textsuperscript{85}

The world has already learned that it can bypass the Suez Canal by going around the Cape at an acceptable cost premium. The Six Days War between Israel and Arab Forces in 1967, and the Israeli invasion of the Sinai led to the closure of the Suez Canal from June 1967 to 1975. This event also helped lead to the development of larger tankers and container ships that reduced the cost of taking the longer route – which adds some 2,700 miles to a tanker moving out of the Gulf to Europe and the Mediterranean. On the other hand, any risk premium from a threat to Suez reduces the cost impact per unit shipped of going around the Cape and some companies like Maersk, one of the world’s largest shipper, decided to route oil tankers around the Cape when Somalia piracy was at its peak.

**Security and Military Forces**

South Africa’s primary security concerns focus on its borders and the stability of its neighbors rather than maritime security – where South Africa does not currently face any meaningful threat. The CIA reports that:\textsuperscript{86}

South Africa has placed military units to assist police operations along the border of Lesotho, Zimbabwe, and Mozambique to control smuggling, poaching, and illegal migration; the governments of South Africa and Namibia have not signed or ratified the text of the 1994 Surveyor's General agreement placing the boundary in the middle of the Orange River.

The South African Police Service (SAPS) began working with US law enforcement agencies after the September 2013 Westgate Mall attack in Kenya in order to prevent or respond effectively to similar terrorist attacks within South Africa. South Africa’s State Security Agency (SSA) has also been working to prevent South African nationals from traveling to join ISIS. The government has not provided any official estimates, “but media have reported on multiple confirmed cases in 2015, in addition to the 140 cases estimated in 2014.”\textsuperscript{87}

In addition to physical border security, South Africa also focuses on identifying and combating financial terrorist links within their borders. As the US State Department Country Reports on Terrorism 2015 indicates:\textsuperscript{88}

South Africa is a member of the Financial Action Task Force (FATF); and the Eastern and Southern Africa Anti-Money Laundering Group, a FATF-style regional body. Its financial intelligence unit, the Financial Intelligence Centre (FIC), is a member of the Egmont Group. The FIC Act Amendment Bill, 2015, proposed amendments to the act governing the FIC’s responsibilities that address “threats to the stability of South Africa’s financial system posed by money laundering and terrorism financing.” Among the amendments, the bill assigns responsibility to the FIC to freeze the assets of persons on UN Security Council (UNSC) sanctions lists.

South Africa has one of the largest and best-equipped navies of the Sub Saharan Africa region. However, it has yet to fully engage in securing the Indian Ocean Region. Its only major maritime operation is an ongoing patrol of the Mozambique Channel, called Operation Copper. This Operation has been ongoing since January 2011, when fishing vessels were attacked by pirates. The Channel is currently patrolled by SAS Galeshewe, a refurbished Offshore Patrol Vessel, which replaced the SAS Spioenkop frigate in May 2014.\textsuperscript{89} Despite this, the mission is fairly small in scope and ad-hoc in nature, raising questions about its sustainability and South Africa’s overall influence on maritime security in the IOR region.\textsuperscript{90}
In addition to this recurring deployment, South Africa also sent a frigate along the coast of West Africa in 2013 to train Namibia, Angola, Ghana, Nigeria and Senegal crews in anti-piracy operations. However, in general, its military deployments have been plagued by lack of coherent strategic doctrine and limited funding.

The National Defence Force (SANDF) remains on paper the most capable force in the region, despite financial and structural problems, which have eroded capacity in many areas. There is some capacity for power projection, limited by the C-130s available, lack of military sealift and by the impact of funding constraints. Maritime security is a growing concern, illustrated by an ongoing counter-piracy mission in the Mozambique Channel. The production of Seeker UAVs by Denel will enhance the air force’s limited ISR capability. Equipment recapitalisation efforts in all services have been delayed by funding problems. The problem of ageing equipment is particularly acute in the army and several procurement plans currently require funding. The SANDF still deploys regularly on peacekeeping missions and participates in national and multinational exercises. Historically South African forces have also played a significant role in training and supporting other regional forces and the air force has won the bid to train Omani pilots at the South African flying school. They are a key contributor to the UN’s intervention brigade in eastern DRC although this and other missions have strained the resources of the armed forces.

The primary offensive capability of the South African Navy lies in their stealth frigates, which are armed primarily with surface-to-surface and surface-to-air missiles, and also has the capacity to embark with one Super Lynx 300 helicopter (see Figure 6). In addition, the SAN’s submarines lend offensive power and surveillance capabilities. However, as the biggest threats to South African and regional maritime security are posed by piracy, narco trafficking and other illegal commerce, and illegal fishing, the SAN’s capabilities are generally unsuited to the threats at hand. Most of the SAN frigates are unable to patrol close to the shore, and those that can are reaching the end of their serviceable lives.

Maritime air support is the responsibility of the South African Air Force (SAAF), but it does not currently possess the requisite aircraft to conduct maritime patrols. The Buccaneer maritime strike aircraft was discontinued and the Gripen multirole aircraft is unlikely to replace them, as their range is too limited. The Caravan aircraft provides some air support, but was discontinued in 2015.

**Figure 6: South African Forces: Naval**

<table>
<thead>
<tr>
<th>Naval Forces and Coast Guard</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Manpower</td>
<td>7,650</td>
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<tr>
<td>Marines</td>
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</tr>
<tr>
<td>Submarines</td>
<td>3</td>
</tr>
<tr>
<td>Major Surface Ships</td>
<td>4 (Frigates)</td>
</tr>
<tr>
<td>Missile Patrol Boats/Craft and Corvettes with Missiles</td>
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</tr>
<tr>
<td>Other Patrol Boats/Craft</td>
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<tr>
<td>Mine Warfare</td>
<td>2 (one additional in reserve)</td>
</tr>
<tr>
<td>Amphibious</td>
<td>6</td>
</tr>
<tr>
<td>Logistics and Support Vessels</td>
<td>8</td>
</tr>
</tbody>
</table>

**Stability and Security in the East Africa Sub-region**

The major short term risks in the East Africa Sub-region are border security, internal stability and economic development. These may affect national trade patterns, but every state needs to maximize its imports and has little latitude in reducing its imports in the face of major population pressures.

The key issue affecting longer term security is the extent to which the security of the Suez Canal and SUMED pipeline, changes in ship size, and other trade and maritime issues affect the flow of trade around the Cape. At present, the level of political instability in South Africa – while significant – does not seem to pose any threats to the flow of such traffic and no external threats have emerged.

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14 IISS Military Balance 2016, Chapter 9, “Kenya.”
77 World Bank, WGI 2015 *Index of Governance, Country Reports,* “South Africa,”


1&C=AS,BA,BG,BM,CM,CN,DJ,EG,ER,ET,IN,ID,IR,IZ,IS,JO,KE,KU,MA,MY,MU,PK,RP,QA,SA,SE,SF,SU,TZ,TH,AE.


85 Note that technically the Cape of Good Hope is no longer regarded as the dividing line between the Indian and Pacific Oceans. The Cape of Good Hope is the southern tip of Africa, because it was once believed to be the dividing point, but the southernmost point is Cape Agulhas, nearly 150 kilometers to the east-southeast. Also see Dr. Theo Notteboom and Dr. Jean-Paul Rodrigue, “Challenges to and challengers of the Suez Canal,” Port Technology International, Fall 2011, http://people.hofstra.edu/jean-paul_rodrigue/downloads/PT51-11_2.pdf


