

21/10/1998

Help Africa to help yourself

THE global financial crisis is threatening to affect Africa. Back in July, the continent tasted the prelude to the crisis when the South African rand came under intense assault from currency speculators, robbing the currency of a third of its value. The attack on the rand did not affect only South Africa but also neighbouring countries which peg their own currencies to the rand. As a result imports for these not-so-rich nations became more expensive and the burden of debt repayments - and these countries have huge external debts - became even more unbearable.

If South Africa, which is one of the most prosperous nations in the continent, can afford no immunity against the speculators, one can imagine how vulnerable the rest are. The initiative launched by France, Japan and Malaysia to help African economies face the global crisis, therefore, is a noble one. According to Japanese Prime Minister Keizo Obuchi the global financial crisis is threatening to slash growth in Africa, already hit by falling international aid. United Nations Development Programme administrator James Speth says aid for Africa is in fact falling dramatically. From the 4 per cent growth rate projected for Africa this year, the double effect of falling aid and the global crisis is expected to reduce this to not more than 1 per cent. With most of the least-developed countries found in this continent, the situation is dire. In view that many of the African states are just about to embark on a development renaissance and leave behind decades of strife and civil wars makes one think of frightening implications as a result of the grim economic prospects.

The France-Japan-Malaysia effort, however, will be far from sufficient to help Africa. Prime Minister Datuk Seri Dr Mahathir Mohamad admitted, in fact, that the contributions from these countries would be modest. But the point that is being made is clear - countries will maintain assistance to Africa despite their own financial woes. Japan is in a severe fiscal condition with tremendous economic difficulties, says Obuchi, but it will continue to take the initiative in cooperation with Africa. Malaysia, too, is not in the best of economic health. In fact, the country is facing its worst economic problems, with the GDP expected to contract by a record minus 4.8 per cent this year, a far cry from the above-8 per cent growth rates it had recorded in the last decade before the crisis started. A major investor in a number of African states, Malaysia has had to reduce the pace it set for itself and other countries in terms of investing in Africa. Some projects had to be deferred or even sold off to other parties.

But the initiative proves the point that countries can help other countries if they wish to. Assistance can take many forms, not just financial aid alone. Japan, of course, is still one of the few governments around who have the money to donate; it has set aside US\$30 billion for help revive the economies of South Korea and Asean, including Malaysia, which were battered by the crisis. Japan did something similar in the case of South-East Asian economies during the 1970s, when they started to invest in countries like Malaysia, Singapore and Thailand. It has also been a major overseas development assistance donor for developing countries. The result takes decades, but in the end the countries that benefitted from Japan's investments and technology transfer began to enrich the Japanese economy by importing from Japan or cooperating with

Japanese firms. Malaysia looked to Japan when making its debut in the car manufacturing sector, for example.

But as much as Japan has profited from Malaysian prosperity, Dr Mahathir said Japan and France will profit even more from African development and prosperity. Africa is naturally rich. Its resources are huge and with minimum orientation, basic skills can be turned into industrial skills. Also there has been a move on the part of many African states to focus on development. Malaysia should know. Dr Mahathir has led so many official and working visits to the continent in the last five years to be sure that the global perception that Africa will remain poor and war-crazy is not true at all. Malaysia's own investments in Africa in recent years have prospered this country in less time it took Japan to profit from its South-East Asian investments.

(END)