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Into Africa

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'DON'T write off Africa. It is the future centre for growth,' says Datuk J Jegathesan, former director of the Malaysian Industrial Development Authority (Mida).

Now a senior investment adviser to the United Nations Centre for Training and Development (Unctad) in Geneva, he says Japan is opening up Africa with a very practical programme. 'It is building the bridge and taking some across it.'

Jegathesan is also senior investment and technology adviser to Unido-AAITPC (acronyms for United Nations Industrial Development Organisation and Asia-Africa Investment and Technology Promotion Centre, respectively).

AAITPC was set up by the Vienna-based Unido in August 1999. It provides information on investment opportunities in Africa as well as advises the governments on development policies.

But it will be an uphill task for AAITPC and Jegathesan as Africa continues to remain on the periphery of international investment activity. Foreign Direct Investment (FDI) into the continent in 1999 amounted to only US\$9 billion (US\$1 = RM3.80) or 4.3 per cent of the total of US\$208 billion investments in all developing countries. Seventy per cent went to five countries - Angola, Egypt, Nigeria, South Africa and Morocco.

AAITPC was set up with the financial backing of the Japanese Government. It is also known as the 'Hippalos Centre', after the Greek sailor who used the monsoon winds to navigate the Indian Ocean.

Japan's involvement in the centre is primarily to foster private-sector growth in Africa through the promotion of trade and investment from Asia. The programme is initially confined to a handful of countries from the two continents: Cote D'Ivoire, Mozambique, Senegal, Uganda, Ghana, Tanzania and Zimbabwe in Africa, and China, India, Indonesia, the Philippines, Thailand and Malaysia in Asia.

According to the World Investment Report (WIR) 2000 published by Unctad, Asia received US\$106 billion in FDI in 2000, Latin America and the Caribbean US\$90 billion, and Central and Eastern Europe US\$21 billion.

Investments by transnational corporations (TNCs) in Africa accounted for about 2 per cent of global FDI and just 5 per cent of total FDI in developing countries. WIR 2000 states that the challenge for Africa is to integrate its economies with the world economy as well as the regional and global production networks of TNCs. This would make Africa more attractive to investors.

TNCs continue to avoid investing in Africa for a number of reasons, but it is mainly due to the size of the local market, lack of economic reforms and an inadequate regulatory framework. However, the last two are beginning to be put in place by some of the governments, with technical help from bodies such as Unctad.

According to an Unctad survey, another factor keeping investment away is the 'overly negative external image of Africa that persists'. It's also something Jegathesan concurs with. 'Frankly, all the news you get from Africa is bad news, much like Malaysia today.' Even so, he points out that only 20 per cent of the 48 countries on the continent are in some form of conflict.

Jegathesan says Malaysia faced the same problem in the late 1960s and 70s, when American investors shunned the country, believing it to be part of the Vietnam War theatre. They failed to realise that Vietnam was quite

a distance away.

'The region was painted by one brush - the Vietnam brush. It's the same for the African countries now,' says Jegathesan.

Those who have been investing in Africa, however, have been enjoying good earnings. Since 1990, the rate of return has averaged 29 per cent, WIR 1998 states. Jegathesan's advice to wary investors is, 'Come and see. Don't write off Africa out of ignorance and fear.'

Jegathesan has over 28 years experience helping to develop Malaysia's industrial sector. His high point was when the government, upon his recommendation, set up free trade zones to attract investors. Today, they have become the backbone of Malaysia's electronics and electrical sector.

He says he has received, and declined, many offers to work for local companies, preferring to focus his energy on helping developing countries rise above their problems to offer their citizens a better standard of living. Africa was an obvious choice due the association built over the years when he was with Mida.

His initial contact with the continent was in 1990 when he set up the Mida-sponsored Zimbabwe Investment Centre. The four-month stint was an eye-opener, says Jegathesan. 'Before going there, a check on Zimbabwe with official sources revealed a country lacking in food, electricity, even candles. But when I got there, I found that everything was available in abundance. Zimbabwe was a paradise to me. It made me realise how much ignorance there was about the country.'

Jegathesan's next mission was a four-month stint in Tanzania, helping to set up the Tanzanian Investment Centre. With all the experience gained, the 57-year-old joined Unctad to carry out an investment policy review for Uganda. He proposed a 'Big Push' strategy' to promote restructuring and development of the economy.

'I advised them to treat economic development like a war zone,' he says. 'Like an army in the war theatre, all sectoral and institutional reforms must move together. Don't fiddle with the periphery.'

The 'Big Push' aimed to 'quantum-leap' the economy into one that was progressive and sustainable, benefiting from the country's competitive advantages in the fields of education and agriculture and possibilities in printing and publishing, textiles, inland port and air cargo, information and communications technology and medical services, all supported by the streamlining of the government bureaucracy.

He also advised the government to create Multi-Economic Facility Zone equipped with good infrastructure and facilities to attract investment and act as an engine for economic growth.

Africa's economies are opening up to investors through deregulation and the adoption of more prudent fiscal and monetary policies as well as privatisation to encourage a more vibrant private sector.

Jegathesan explains that import substitution opportunities abound in the African economies which continue to rely on regional trade or Europe for most of their goods and services.

Malaysian-made products are available in Africa but most come via European interests which have cornered the African market. Jegathesan says he has advised African governments and businessmen - 'who are still very eurocentric in their views' - to create a level playing field for all investors.

Since African countries lack infrastructure for high technological transfer and development, initial flow of investment is expected to be in relatively low-cost and low-tech industries.

Jegathesan says that at a recent trade exhibition in Uganda, there was a big demand for imported plastic stools. 'Imagine the opportunities available for simple plastic injection molding technology,' he says,

adding that the country also imports its school books.

His advice to potential investors is: 'Put your toe or foot in by build-operate-transfer or minority participation. Be there and start small if you have to and grow with the economy.'

The advantage for Malaysians is that the Africans see Prime Minister Datuk Seri Dr Mahathir Mohamed as a vocal defender of Third World interests, and one who proactively encourages investment in Africa. Dr Mahathir, a strong proponent of South-South cooperation, has advised local businessmen to build smart partnerships with the African governments and private sectors.

Jegathesan says countries like Zimbabwe have a lot of confidence and faith in Malaysia. Its experience in economic development and addressing social and racial imbalances are relevant to some of the African states.

One company that has taken the plunge is Malaysia South-South Corporation, a trading house which represents some 82 Malaysian companies. It has opened a trading post in Uganda to facilitate the importation of Malaysian goods.

The Malaysian Government also provides funds for joint ventures and trade activities in Africa through the Export-Import Bank of Malaysia (Exim Bank) and Malaysia Export Credit Insurance Bhd.

AAITPC provides information on issues like investment policies, immigration, taxation and licensing, procedures, labour conditions as well as assessment of projects. The centre acts as a consulting institution for investors.

Africa may have missed out on development in the 20th century, but Asian investors, including Malaysians, can play an important role to correct the situation in the new century.

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