MIGA Roundtable on Foreign Direct Investment Policies in Africa
Proceedings and Lessons

Edited by Heinz Bachmann and Ken Kwaku

Policy and Advisory Services (PAS)
Multilateral Investment Guarantee Agency
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The Multilateral Investment Guarantee Agency (MIGA), an affiliate of the World Bank Group, was established in 1988 to promote the flow of private foreign investment to developing member countries. In pursuit of this goal, the Policy and Advisory Services (PAS) of MIGA provides advice and technical expertise to developing member countries on attracting foreign investment. PAS also seeks to open the doors to international business opportunities for foreign and developing countries' investors by sponsoring investment conferences and other promotional services. In addition, MIGA offers foreign investors insurance against several types of political risks.

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FOREWORD

As part of its mandate and in response to changes in the global economic and political environment, the Multilateral Investment Guarantee Agency (MIGA), organized a Roundtable Conference on Foreign Direct Investment (FDI) policies in Africa from 9 June to 11 June 1992 in Gaborone, Botswana.

Participants were invited from selected countries in Africa, that want to become more attractive host countries for FDI, and from a number of Asian, European, and Latin American countries that have been successful in attracting substantial amounts of FDI. They came from a variety of backgrounds: top government officials and public policymakers, private business executives, and officials from MIGA.

This report represents an attempt to capture the essence of the opinions and viewpoints that were expressed, with the goal of providing lessons for African countries seeking to enhance their capacity to attract foreign investment. In a significant way, the Roundtable represented an excellent forum for South-South sharing of development experiences.

Through financial and logistical support, many organizations helped to make the Roundtable a reality. Many individuals helped to organize and implement the Roundtable and assisted in preparing this document. MIGA extends its gratitude to them, especially to the following: The Governments of Botswana, Switzerland, Denmark, Sweden, and the United Kingdom; the African Development Bank; the Islamic Development Bank; and the Bank of Botswana. MIGA also wishes to thank Dr. Gladstone Kayira of the Botswana Ministry of Commerce and Industry and Dr. Kofi Afriyie of Rutgers University for their contribution to this report.

The Policy and Advisory Services (PAS) group of MIGA is pleased to publish these proceedings as the second in the PAS Research Paper Series. The first report was on Industrialized Countries' Policies Affecting Foreign Direct Investment in Developing Countries, Volumes I and II, September 1991. The series will continue to focus on issues related to policy and operational aspects of foreign investment.

Akira Iida
Executive Vice President
MIGA
ABSTRACT

Roundtable on Foreign Direct Investment Policies in Africa
Gaborone, Botswana
June 9-11, 1992

Over the last few years, many African governments have made it an important policy objective to attract more foreign direct investment (FDI) into their countries. In response to this declared intention, MIGA organized a "Roundtable on Foreign Direct Investment Policies in Africa" in Gaborone, Botswana in early June 1992. MIGA invited to this Roundtable about a dozen ministers and high-level civil servants from African countries eager to attract more FDI, a number of serving or retired high-level policy-makers from successful developing countries in Asia, Southern Europe, Africa and Latin America, some business executives from multinational corporations active in Africa as well as a few representatives of sponsoring agencies. The idea of bringing together, at the same table, policy-makers from Africa and from other developing countries reflects MIGA's intention to stimulate a south-south dialogue on the problems of foreign direct investment and to have African policy-makers profit from the wide and positive experience made by a number of developing countries in this field.

During the 1970s and 1980s, the annual flow of FDI into most African countries stagnated at very low levels. The nineties hold out at the same time as a challenge and an opportunity to improve this unsatisfactory performance. On the one hand, the African countries will face increasingly stiff competition for the limited amount of FDI worldwide from such different regions as the Common Market (creation of a single European market), the countries of Eastern Europe and the former Soviet Union (collapse of the communist system), South Africa (political changes and opening-up of the economy), China and India (economic opening achieved recently or presently in progress), etc. On the other hand, over the last decade, most African countries have undertaken courageous and far reaching economic reforms, giving increasing weight and importance to private sector activities and investments, domestic as well as foreign. These reforms facilitate and encourage the flow of FDI.

On the basis of these general considerations, the Roundtable discussed a variety of subjects and reached a number of conclusions. The most important of which are summarized below:

1. Experience shared at the Roundtable clearly indicated that in most of the successful developing countries, economic, political and social crises played a critical role in motivating the national leadership to radically change course in economic policies away from inward-looking, over-regulated economies and anti-foreign investment policies towards more liberal, private sector friendly and outward looking strategies (ethnic uprising in Malaysia, revolution in Portugal, balance of payments crisis in Turkey, etc.). This observation implies that African countries that are currently going through a variety of crises can and ought to seize the opportunity to adopt far-reaching policy reforms changing their economies in the direction of a free enterprise and free-trade system.

2. While there can be no doubt about the importance of adequate economic policies as a means of attracting more FDI, the single act of deciding on such policy changes and of having them promulgated by Parliament does not suffice to achieve this objective. Participants at the Roundtable were unanimous about the need to maintain a political environment that is stable, predictable, and attractive to foreign investors; to create a legal system that is equitable and efficient; and to introduce a system of governance and day to day management of the economy, that is at the same time efficient and sympathetic
towards the needs of the private sector. This last point was given particular importance by the African policy-makers who complained repeatedly about the large and unresponsive government bureaucracies in their countries and their hidden or open opposition against new policy measures designed to decontrol and open-up the economy. The less than enthusiastic response by many civil servants to the new policy directives issued by the leaders of their countries strongly discourages foreign investors and hampers the flow of FDI to African countries. To overcome this opposition will require a strong commitment by the political leaders of Africa.

3. However, even promulgating new economic policies based on free-enterprise and free-trade principles and having them implemented efficiently by a private-sector-friendly bureaucracy is not sufficient to attract substantially higher inflows of FDI. In addition, it is imperative for African countries to undertake a major promotion effort. At present, Africa has not a good reputation as a host for foreign direct investment; to the contrary, there is a strong prejudice among multinational companies against investing there. This largely unsubstantiated but deep seated prejudice — reflecting more what Africa was 10-15 years ago, than what it is today — can only be overcome through far-reaching and long-term promotion activities. Obviously, it is not sufficient for a government to implement successfully economic restructuring programs, it is equally important that foreign investors be informed about these successful changes in a convincing way.

4. A number of African policy-makers voiced their frustration about the continuing low flows of FDI into their countries despite the successful implementation of far-reaching adjustment programs over the last decade. This discouraging fact reflects the general experience, that economic reform programs need much time to achieve the desired results. More so, however, it reflects the serious doubts of many foreign investors about the determination, as well as the ability, of African governments to successfully complete the reform process and to maintain reforms even in times of strong opposition. This deep distrust by many foreign investors dissipates only very gradually and makes them react very slowly and cautiously to improvements in economic policies in Africa. In this context, it is useful to remember that flows of FDI have nothing in common with a water tap that a government can turn on and off at its convenience; they resemble much more a field of young fruit trees that only grow slowly and need to be tended and watered carefully for years before they will bear fruits. Experience in many developing countries (Malaysia, Portugal, Turkey, etc.) has shown that the time lag between policy implementation and a sizable response by foreign investors can easily reach 6 to 8 years. The only useful advise the Roundtable could provide to governments in this situation is to pursue diligently and conscientiously the economic reforms initiated and at the same time step-up promotion efforts.

5. In addition to the two rather negative factors (civil servants' opposition and time lag) that tend to hamper a more rapid growth of FDI inflows into Africa, the Roundtable also took note of a clearly positive and encouraging factor, i.e. the fact that a number of African countries have reached a level of economic and social development comparable to the one the now-successful developing countries had attained at the time they started their successfully economic growth policies. GDP per capita, adult literacy, life expectancy, etc., achieved today by a number of African countries are indeed close to those attained by Thailand, Malaysia, Turkey, and others, 15-20 years ago at the time when these countries initiated the major changes in their economic policies that eventually led to a rapid increase in the inflows of FDI. Hence, in a number of African countries, conditions for future rapid economic growth are met, assuming appropriate economic policies are pursued. This means that the experiences lived through by countries such as Thailand during the last twenty years are highly relevant today for numerous African countries and that African governments should replicate as much as possible the policy reforms implemented by these countries. As mentioned repeatedly by the speakers from successful
developing countries, this implies a fundamental change in economic policies away from overly controlled, inward-looking, public sector based strategies to free market based, outward-looking policies, sympathetic to the private sector and rewarding private initiative.
Répondant aux souhaits exprimés par de nombreux gouvernements africains de voir augmenter rapidement les investissements directs étrangers (IDE) dans leur pays, MIGA a organisé une Table ronde sur les politiques d'investissements directs étrangers en Afrique. Cette conférence a eu lieu à Gaborone, Botswana, en juin 1992. Étaient invités à la Table ronde une douzaine de ministres et de hauts fonctionnaires africains, un certain nombre de responsables asiatiques, européens et latino-américains représentant des pays en développement réputés pour leur succès dans l'atraction des IDE, un groupe de hauts représentants de sociétés multinationales actives en Afrique, ainsi que quelques représentants d'organismes parrainant la Table ronde. L'idée de rassembler autour d'une même table des hommes politiques des pays africains et d'autres pays en développement reflète l'intention des organisateurs de provoquer un dialogue sud-sud sur le problème des investissements directs étrangers et de faire profiter les pays africains de l'expérience encourageante dans ce domaine acquise par un nombre de pays du tiers monde.

Pendant les années 70 et 80 et à quelques exceptions près, les flux annuels des IDE attirés par les économies africaines stagnaient à de très faibles niveaux. Les années 90 présentent à la fois un défi et une opportunité d'améliorer cette performance insatisfaisante. D'un côté, les pays africains se trouveront en concurrence croissante avec beaucoup d'autres pays soucieux d'attirer davantage les IDE, tels que les pays du Marché commun (création du marché européen unique), les pays d'Europe orientale et de l'ex URSS (effondrement du bloc socialiste), l'Afrique du Sud (changements politiques en cours), la Chine et l'Inde (ouverture économique acquise ou en cours), etc. De l'autre côté, pendant les dernières années, la plupart des pays africains se sont lancés avec courage et détermination dans la restructuration de leurs économies en donnant plus de poids au développement du secteur privé, domestique et étranger. Cela facilite et encourage le flux des IDE.

En partant de ces considérations générales, la Table ronde a discuté plusieurs sujets spécifiques et a tiré quelques conclusions dont les plus importantes ont été les suivantes:

1. Il est intéressant de noter que dans de nombreux pays en développement, le changement de direction dans leurs politiques économiques vers le libéralisme, l'initiative privée, et le libre échange a été déclenché par une sévère crise politique, sociale ou économique (émeutes ethniques en Malaisie, révolution démocratique au Portugal, crise de balance de payements en Turquie, etc.). Un grand nombre de pays africains ont subit récemment ou subissent actuellement de telles crises. C'est donc un moment opportun pour ces pays d'effectuer des changements radicaux et courageux dans leurs politiques économiques et de faire le pas décisif vers une économie fondée sur les principes de libre entreprise et de libre échange.

2. Si nécessaire qu'il soit de promulguer de nouvelles politiques économiques, la simple promulgation de telles mesures ne suffit pas à attirer un nombre significatif d'IDE. Les participants à la Table ronde étaient unanimes sur la nécessité de maintenir un environnement politique
stable, prévisible et propice aux IDE, de créer un système juridique équitable et efficace, et d'introduire une gestion des affaires publiques efficace et sympathique aux besoins du secteur privé. L'importance de ce dernier point a été soulignée en particulier par les hauts responsables africains qui ont attiré l'attention des participants sur l'opposition plus ou moins ouverte souvent constatée au sein de la fonction publique africaine contre l'introduction de mesures de libéralisation et d'ouverture économique. Cette réticence parmi les fonctionnaires d'appliquer les nouvelles directives promulguées par les instances politiques de leurs pays risque de décourager les investisseurs privés étrangers et de limiter ainsi le flux des IDE vers les pays africains. Surmonter cette opposition demandera une détermination stricte et continue de la part des leaders africains.

3. En plus de la mise en place de nouvelles politiques économiques fondées sur les principes de libre entreprise et libre échange, et d'une application correcte et efficace de ces mesures, il est indispensable pour les pays africains d'entreprendre un effort de promotion rigoureux. Actuellement, l'image collective des économies africaines comme lieu d'implantation de nouveaux investissements privés étrangers n'est pas bonne. Il existe, parmi les sociétés multinationales un parti pris négatif contre les investissements en Afrique. Ces préjugés diffus mais profonds qui reflètent plus l'expérience des années 70 et 80 que la situation actuelle ne peuvent être renversés que par des actions de promotion systématiques et continues de la part des gouvernements africains. Il ne suffit pas de mettre en œuvre avec succès les changements de politique économique, il faut que les investisseurs étrangers soient informés d'une manière convaincante de ces succès.

4. Plusieurs responsables politiques africains ont attiré l'attention des participants sur le fait qu'en dépit des réformes économiques profondes exécutées avec succès pendant les dernières années, on ne constate guère une augmentation des IDE dans leurs pays. Ce phénomène décourageant est le résultat de deux facteurs: la lenteur bien connue des réformes économiques à atteindre les objectifs visés et les doutes considérables maintenus par les investisseurs privés étrangers sur la volonté aussi bien que sur la capacité des gouvernements africains d'achever de telles réformes et de les maintenir même en face de pressions politiques négatives. Cela fait réagir les investisseurs avec lenteur aux améliorations de la politique économique en Afrique. Il convient de rappeler que les flux d'investissements privés étrangers n'ont rien en commun avec un robinet d'eau qu'on peut ouvrir ou fermer à convenance; ils ressemblent plutôt à de petits arbres qui ont besoin d'être arrosés et soignés pendant de longues années avant qu'ils commencent à porter des fruits. Comme le démontre l'expérience vécue dans maints pays en développement comme la Malaisie, le Portugal, la Turquie, etc., ce décalage de temps peut facilement atteindre 6 à 8 ans. Le seul conseil à donner aux gouvernements africains en cette matière consiste à poursuivre les réformes économiques avec persévérance et consistance en parallèle avec les actions de promotion.

5. A côté de ces facteurs plutôt négatifs qui risquent de réduire le flux des IDE vers les pays africains (réticence de la fonction publique, décalage entre effort et résultat), la Table ronde a noté comme un facteur décidément positif le fait qu'aujourd'hui plusieurs pays africains ont atteint un niveau économique et social comparable à celui que les pays qui ont réussi avaient atteint au moment de leur décollage. Ainsi le PIB par tête, le taux d'alphabetisation, le niveau de santé, etc. atteints aujourd'hui par plusieurs pays africains sont comparables à ceux que la Thaïlande, la Malaisie, la Turquie, etc. avaient atteint il y a 15 à 20 ans, c'est-à-dire au moment où les changements dans leurs politiques économiques avaient provoqué une augmentation rapide du flux des IDE. En conséquence, les conditions sont remplies, dans plusieurs pays africains, pour permettre un décollage rapide de leurs économies, pourvu que les politiques économiques appropriées soient poursuivies. L'expérience vécue par des pays comme la Thaïlande pendant les dernières 20 ans, est donc tout à fait pertinente pour de
nombreux pays africains et les leaders africains devraient s'inspirer autant que possible des réformes introduites par ces gouvernements. Les grandes lignes de ces réformes ont été présentées plusieurs fois par les représentants des pays en développement réputés par leurs succès. Elles consistent en un changement de direction profond dans la politique économique, vers une économie de marché, d'initiative privée, et de libre échange, disposée favorablement envers le secteur privé et prête à récompenser les entrepreneurs pour leurs efforts et risques.
I. BACKGROUND AND MAIN OBJECTIVES

Over the last twenty years, developing countries have had very different experiences in attracting foreign direct investment (FDI). A group of nine of these countries—located in East Asia, Latin America and Southern Europe—were extremely successful in this endeavor, managing to increase the inflow of FDI by nearly 12 percent p.a. in real terms during the 1980s. By the end of the decade, FDI averaged $35 per capita and per year, or about 1.5 percent of their GDP and financed close to 7 percent of their total gross investment; a substantial contribution to their economic growth. Most of the other, more than 100, developing countries, however, were much less successful; in many of them, the annual inflow of FDI actually declined during the 1970s and 1980s and in most others, it stagnated at low levels. This is particularly true for Africa. Of the 23 African countries with populations over 2 million, for which reliable data are available, ten recorded no inflows of FDI during the second half of the 1980s and only six attracted more than two dollars per capita per year. The few African countries that were successful are all small and most of them have some out-of-the-ordinary characteristics, either natural resources-wise (Botswana, Gabon), or location-wise (Swaziland).

While for these less successful countries, particularly in Africa, the 1970s and 1980s were already difficult, the nineties hold out as a decade of even stiffer competition for the limited volume of foreign investment expected worldwide. This toughening competition reflects a number of recent developments in the global marketplace: The Single European Market, the birth of new, private-sector oriented economies in Eastern Europe and Central Asia, prolonged slow economic growth in a number of industrialized countries, recent political events in South Africa, and the opening towards FDI of a number of important developing countries, such as India, etc. All these tend to hamper an increasing flow of foreign private investment to countries that do not take active and bold steps to improve their investment climate.

It is against this background that MIGA’s Policy and Advisory Services (PAS) in accordance with its mandate of promoting private investment and encouraging the flow of private capital to developing member countries organized an "Investment Policy Roundtable" as a forum for addressing the issue from an African perspective. The main objective was to give high-level policy makers from less successful countries in Africa the opportunity to exchange views with their peers in successful developing countries on the macroeconomic, social, legal and political measures necessary to attract more foreign private investment; to critically examine existing policies and their impact on FDI; and to derive lessons that may be of value to African policy makers as they seek to improve upon their performance in this critical area of development strategy.

This south-south dialogue was complemented by discussions with a number of foreign private investors on the factors they consider important when deciding for, or against, investing in a given country. This second set of discussions reflects the fact, not always recognized by governments in developing countries, that at the end it is entirely up to the private entrepreneur to decide whether or not he is going to invest in a given foreign country; while host governments might be able to influence this decision to some extent they can not dictate it in any way.

In line with the principal theme of the Roundtable—i.e. how to create an appropriate macroeconomic, social, political and legal environment that would engender the inflow of an increased volume of foreign direct private investment into Africa—the discussions focused on fundamental economic, social and political factors such as an open and stable free-enterprise system, with minimum government
controls; social and political stability and transparency; and a well-functioning, equitable legal system. Within this general framework, subjects assessed included monetary, capital markets, and banking policies; foreign exchange and foreign trade policies; fiscal and pricing policies; investment regulations, controls and incentives; labor regulations and salary policies; infrastructural development (including industrial and export processing zones); institutional and managerial capabilities; predictability and efficiency of government actions; and dependability and fairness of the legal system.

These subjects were addressed by policy makers from successful countries as well as by business executives of multinational companies. The seven high-level policy makers from successful developing countries discussed the issues from the perspective of their concrete experiences as policy makers, talking about the set of concrete policies pursued by their Governments to stimulate the inflow of FDI, highlighting success and failures of the different policy measures. The representatives of multinational companies outlined the economic and political factors that their firms take into consideration before deciding for or against a new investment in a developing country.

The three groups of participants were from the following countries:

a. high level African policy makers from countries wishing to attract more FDI: Bénin, Côte d'Ivoire, Gabon, Namibia, Senegal, Sudan, Uganda, Zambia, Zimbabwe;

b. active or former policy makers from successful developing countries: Botswana, Chile, Malaysia, Mauritius, Portugal, Thailand, Turkey;

c. business executives from multinational corporations: Botswana/South Africa, Germany, Netherlands, Sweden/Switzerland, United States.
II. DISCUSSION HIGHLIGHTS

The number of different topics as they emerged during the Roundtable discussions can be grouped into six distinct, albeit interrelated, themes:

i. The overall policy framework for FDI, encompassing the political, macro-economic, and legal situation;

ii. the importance of crises as trigger points for economic reforms;

iii. the role of good governance, i.e. the application and implementation of policies, as well as the attitude of the civil service vis-a-vis FDI;

iv. the importance of investment promotion;

v. the time lag between policy reforms and increased inflow of FDI; and

vi. the similarities between the economic and social situation observed in many African countries today and that existing in many East-Asian and other successful countries 15-20 years ago, at the time of their successful take-off.

1. The overall policy framework for FDI

There was general agreement at the Roundtable that existence of a stable, attractive, and predictable overall policy framework was an essential precondition for attracting FDI to African countries. Both, the policy-makers from successful developing countries as well as the business executives of multinational corporations were categorical on this point. The ten most important factors listed by the various speakers were (in descending order of importance):

- political stability;
- markets, domestic and export;
- sound macro-economic policies;
- efficient and equitable application of these policies, i.e positive and welcoming attitude by the government administration;
- specific government policies (investment guarantees, tax incentives, etc.);
- adequate infrastructure;
- appropriate labor policies;
- banking and finance structure;
- size and quality of local business community; and
- quality of life, including personal safety.

These points are largely self explanatory and a number of them are discussed in more detail in later sections. Some nonetheless merit further explanation.

Political stability and predictability clearly was considered a vital factor in attracting more FDI. This explains to a large extent the time-lag between implementation of reforms and investors' positive reaction as mentioned below (section 5). In fact, investors' confidence in the political stability of a given country and in its general attitude vis-a-vis the private sector is lost quickly but regained
slowly. Without it, however, little inflow of FDI can be expected to materialize.

(Concerning markets, the focus at the Roundtable clearly was on exports, given the generally small domestic markets in most African countries. Hence, the vital importance of reorienting macro-economic policies from inward looking to outward looking strategies that make such exports possible. The importance of attractive markets as a reason to invest in a foreign country was underlined especially by the business executives from multinational corporations, while policy-makers from successful developing countries tended to focus less on this point.

In addition to the many well known elements of a sound macro-economic policy [such as responsible budget, balance of payments, monetary, and inflation management within a market-oriented, free enterprise system], the existence of an effective and equitable legal system was mentioned repeatedly as an important component of an attractive investment climate. Such a system needs to be transparent in its proceedings, fair and non-discriminatory in its judgement and predictable in its enforcement. This point was particularly underlined by participants from Botswana, Mauritius and Thailand. A further issue mentioned repeatedly is the need to treat domestic and foreign entrepreneurs equally. This implies on the one hand, that foreign investors not be discriminated against in tax and other laws as well as in the bidding for government contracts. On the other hand, it also means that foreign investors not be granted substantive investment incentives not available to domestic enterprises. In fact, it was generally recognized that the treatment governments accord to local entrepreneurs has a major bearing on the inflow of FDI. Foreign entrepreneurs are very reluctant indeed to invest in a country that makes life difficult for its own local investors. Countries with an active and positive dialogue between government and private sector, domestic as well as foreign, are particularly attractive to foreign investors.

The problems related to an efficient implementation of economic policies and to the attitude of government bureaucrats vis-a-vis private economic activities in general and foreign private investment in particular, are discussed in more detail in section 3 below.

Concerning government policies geared specifically towards the stimulation of FDI, two points merit special mention: (1) serious foreign investors put much more emphasis on the existence of good long terms business opportunities promising attractive long term profitability than on short term incentives, and (2) if specific incentives are introduced, they ought to reward entrepreneurship, such as introduction of new technologies, increases in labor productivity, etc. Individual measures, mentioned specifically by foreign entrepreneurs as important in their decision-making process were, in declining order of importance, (1) the possibility to acquire full or at least majority share-holding in the local company as a means to protect the technologies used in the new investment; (2) availability of investment guarantees; (3) absence of exchange controls; (4) liberal policies for the employment of expatriate staff; and (5) tax incentives.

Adequate infrastructure includes physical as well as human infrastructure. While one of the private business executives down-played somewhat the importance of a well trained labor force, by pointing out that his company was used to spending much time and efforts in training the labor force it needed in a new investment, the general feeling of the Roundtable was that the availability of skilled domestic labor was an important factor in the decision-making process of a foreign investor.

Labor issues have already been mentioned above including training. Labor costs were not necessarily considered the most important issue; labor productivity as well as good relations between
the labor force/trade unions and management are at least as important.

Existence of a well functioning and efficient banking and financial system adds considerably to the attractiveness of a host country. Two aspects were considered important: (1) foreign investors have to deal frequently with the outside world. Hence, they appreciate fast, inexpensive and reliable external banking links, and (2) foreign investors like to borrow much of the necessary operating capital locally. Hence, a well functioning local financial market is important to them. Finally, it was mentioned that foreign investors give much importance to the existence of foreign banks in a host country.

Size and quality of the local business community are important in three respects: as a source of possible joint-venture partners, as possible sub-contractors and as providers of services such as banking (see above), insurance, transport, utilities, etc. Existence of an efficient private sector can in fact substantially reduce the cost of doing business in a host country, not to mention the reduction in management concerns.

Finally, the importance of attractive living conditions, including personal safety are self evident. Even if expatriate executives may not need to live permanently in the host country, they will have to visit frequently, and like to travel safely from the airport to the hotel.

2. The importance of crises as trigger points for economic reforms

Out of seven high level policy-makers from successful developing countries participating at the Roundtable, five mentioned that the fundamental economic policy changes implemented in their countries as a precursor to an increasing inflow of FDI, were triggered by a severe economic, social or political crisis. Ethnic conflicts in Malaysia in the late 1960s, a severe balance of payments cum foreign debt crisis in Turkey in the 1970s, political upheavals and fundamental political changes in Chile and Portugal in the early 1980s, were the most prominent examples mentioned. Even in Mauritius, six years of stagnation and growing politico-economic malaise were necessary to bring about the far-reaching economic policy changes that created the conditions for rapid FDI growth in the 1980s. Botswana and Thailand were the only exemptions to this trend. In the first of these two cases, discovery of substantial natural resources was the key triggering element, while in Thailand, the Roundtable was told that the economic take-off was largely the result of a long and stable period of enlightened economic management by an exceptionally committed and capable political leader. While the crises-induced economic stabilization and restructuring policies were not undertaken primarily with the goal of attracting more FDI, but mostly to deal with the immediate crisis at hand, there can be no doubt that in the absence of these fundamental policy changes, the observed rapid growth in FDI inflows would not have materialized. Hence, while the impact on FDI flows was not the prime motive for policy-makers to change economic policies, these changes, nevertheless, turned out to be crucial for the future inflows of FDI.

The Roundtable felt that there was an important lesson in this for African policy-makers. Many African countries are presently facing economic, political and social crises similar to, at various levels of intensity, to those experienced in the past by the five successful countries mentioned above. These five countries successfully capitalized on their crises to adopt radical changes in their economic policies, critically assessing national development goals and modifying profoundly the desired future model of their society. In the process, they fundamentally changed their position vis-a-vis FDI and opened the door to massive inflows of such resources. African countries should not waste this unique opportunity to do the same.
3. **Appropriate and efficient implementation of new government policies**

While it is vital for developing countries anxious to attract more FDI to change their macro-economic policies in the direction of a market-oriented, free enterprises, and free trade system, a simple promulgation of new policies by Parliament and the Council of Ministers is not sufficient. Equally important is the appropriate and efficient application of the new policies by the country’s bureaucrats. This depends crucially on the attitude of the country’s civil service vis-à-vis the new policy orientation. As the representative from Malaysia mentioned pointedly at the meeting, one single bureaucrat with the wrong attitude can kill an investment project single-handedly.

A number of the African leaders participating in the Roundtable spoke about the unresponsiveness, if not outright opposition, to the new policy directives encountered in their civil service. They mentioned a gap widening between high-level policy-makers who by now are fully committed to opening-up their economies and facilitating and stimulating private sector initiatives and their over-staffed bureaucracies who remain skeptical vis-à-vis these new policies and clearly prefer the old command and control system. These leaders fully agreed with other participants about the discouraging effect such as attitude was bound to have on FDI inflows and shared their views that this bureaucratic inertia needs to be overcome rapidly. This will require strong commitment and quality leadership as experienced by a number of today’s successful developing countries who faced the same problem at some stage or other in their development process. In fact, as mentioned several times during the discussions, this problem is a very general one and not at all particular to Africa. The Roundtable was told that one of the most successful economic restructuring cum FDI development programs of the last twenty years, was implemented "by a lot of pushing from Ministers and top civil servants against a lot of drag from middle level civil servants."

The urgently needed change in the attitude of civil servants has to be accompanied by a corresponding change in the function of public institutions concerned with private investment: both have to change their main objective from one of control to one of promotion and their attitude from one of more or less prevalent hostility vis-à-vis private businessmen to a clear welcome — not an easy transition psychologically. While in the past, most investment promotion agencies saw themselves primarily as controllers making sure that foreign investors respected all relevant government laws and regulations, their new function has to become one of facilitator and promoter of FDI. As mentioned above, this is an experience that most of the successful developing countries have gone through, who started off being equally regulatory and control-oriented institutions, but managed successful to turn them into instruments of promotion. Malaysia was mentioned as an excellent example in this respect. Consolidation of all functions related to FDI in one single-window institution, newly created for the occasion and devoid of the past negative civil service attitude is often the best means to achieve the necessary change, as mentioned among others in the case of Turkey.

In addition to this policy implementation issue that is specifically related to FDI, there is the broader issue of good governance in general. As mentioned by several participants, good governance involving public accountability, transparency, fairness and consistency in policy implementation is an important precondition for foreign enterprises to invest in a developing country—or in fact in any country. As mentioned by a number of managers of multinational corporations, private sector enterprises can live with almost any government laws and regulations as long as they are clear and unambiguous and are applied in a consistent, predictable and nondiscriminatory way. In this context, a number of participants mentioned the preference of private investors to deal with private or semi-private institutions, rather than with public enterprises or parastatals. Independent central banks, for instance,
are considered generally to be more reliable, equitable and predictable than central banks under close government control. Similarly, private investors prefer to deal with private—or at least privately managed—ports, electricity companies, insurance companies or banks rather than with public enterprises. Hence, privatization of such companies tends to make a country more attractive to foreign investors.

4. Investment Promotion

Taking advantage of an economic or political crisis to promulgate new outward-looking economic policies following free market principles is not sufficient to attract large amounts of FDI even if accompanied by efficient and equitable implementation of these policies by a sympathetic government bureaucracy. In the present world and African context, it is imperative for African governments to undertake active promotion efforts and to aggressively market their investment opportunities once the macroeconomic situation is reasonably stabilized and the institutional structure is in place to deal effectively with a rapid increase in FDI applications. A number of reasons for this were mentioned at the Roundtable:

a) as alluded previously, the progressive opening-up of a number of important developing countries to foreign direct investment (China, followed by Eastern Europe, Russia, India, Central Asia, South Africa, etc., not to mention a number of Latin American countries) has sharply increased competition among developing countries for the limited amount of potential FDI available in the world. This makes it even more difficult for African countries to attract FDI than in the past, in spite of the fact that geo-political considerations that in the past might have favored FDI flows to some East Asian countries have waned as the East-West conflict has ended.

b) as mentioned by most private executives at the Roundtable, Africa’s image among multinational corporations is poor. There is a strong negative portrayal that hampers all African countries’ capacities to attract FDI. In fact, there is a strong tendency on the part of foreign investors to lump all African countries together, and to extrapolate a bad experience in one to the entire continent.

c) The discernable prejudice against investing in Africa reflects largely investors’ experiences 15-20 years ago and tends to ignore improvements achieved in many African countries over the last 5-10 years. Hence, there was a feeling among participants that there often is a gap between perception and reality, i.e. business opportunities often were better than the image. Lessons from Chile, Mauritius and Portugal indicate that such a gap can be overcome through appropriate promotion efforts. These lessons indicate how important it is to make foreign investors aware of successful policy changes implemented in a given country and of the business opportunities opened up through these changes.

While a discussion of the practical details of how to carry out a successful promotion and marketing campaign was not a subject of the roundtable, some worthwhile points were mentioned nevertheless:

The speakers from Thailand and Turkey mentioned a number of marketing instruments used successfully in their countries, such as opening investment offices abroad, better use made of diplomatic representatives, organizing targeted investment promotion conferences in industrialized countries.

A number of speakers suggested that tourism be used as a marketing tool, organizing a sectoral marketing campaign, on a regional or sub-regional basis. Being an attractive destination for foreign tourists helps to become an attractive destination for foreign investors. A representative of MIGA mentioned in this context MIGA's considerable experience in the field of foreign investment promotion on a country-wide or sector-wide basis.

5. Time lag between reforms and FDI flows

Several participants from African countries voiced their frustration about the slow and sluggish response of foreign investors to recent improvements in economic policies in their countries. Even though during the latter part of the 1980s a considerable number of African countries had initiated far-reaching and successful economic stabilization and adjustment programs; had reduced their budget and balance of payments disequilibria and foreign debt; and had opened up their economies to free market forces and the unrestrained activities of the domestic and foreign private sector, private investment in general remained depressed, and foreign private investment in particular remained negligible.

The answers by the representatives from successful developing countries were twofold. First, experience shows that economic reforms are long, difficult and painful processes and their results are slow in materializing, especially at this time of slow world economic growth. Even at a time of rapid economic growth worldwide, Malaysia, Turkey and Portugal needed several years to complete their adjustment programs; under present circumstances, it will take even longer. Second, while economic restructuring takes time, regaining the confidence of foreign private investors takes even more time. Experience has shown that a time lag of 6-8 years is quite common between the time economic reforms start in earnest and the private sector begins reinvesting on a large scale; this is particularly true in countries with long histories of anti-private-sector behavior, and with new, unproven governments that have only a short track record, as successful as this record might be. Hence, the case of Ghana, which was one of the first African countries to reform its economy, but where multinational corporations remain reluctant to invest in large numbers, is not in any way exceptional. The message from the Roundtable to African policy makers was clear: the economic reforms initiated during the mid-1980s and early 1990s, have to be pursued vigorously; a lack of determination and commitment by the national leadership to do so could seriously jeopardize the country's chances to ever attract meaningful amounts of FDI. Strong leadership, which was an essential factor in explaining success in Thailand, Malaysia and elsewhere, is essential to bring economic reforms to a good end and to bring a country to the stage where such reforms finally will bear fruits.

6. The preconditions for take-off

While two of the issues raised at the Roundtable - i.e., the bureaucratic opposition to FDI and the time lag between economic reforms and results - may have been somewhat discouraging, there was one decidedly encouraging piece of information presented to the participants. It dealt with the preconditions for take-off as they exist presently in many African countries compared to the ones achieved by many of the now-successful developing countries 15-20 years ago. As mentioned at the meeting, there
is substantial evidence that a number of African countries find themselves today in a stage of development quite similar to the one achieved by the now-successful countries in the 1970s at the threshold of their economic take-off. GDP per capita in countries like Malaysia, Thailand, the Philippines and Korea was in the $200-400 range in 1970, corresponding to about $700-1,000 at today's prices; this is similar to the GDP per capita reached by Zimbabwe, Senegal, Côte d'Ivoire and Cameroon in 1990. Concerning human resources, in 1970, Turkey and Malaysia had adult literacy rates of only 55 percent. This is about the same as today's literacy rate in Cameroon, but much lower than that in Zambia, Zimbabwe and Ghana. Even Portugal's and Colombia's literacy rates of a little over 70 percent in 1970, were lower than Zambia's and Zimbabwe's today; nevertheless, these countries succeeded in attracting large amounts of FDI. Finally, healthwise, comparable situations exist: life expectancy in Botswana and Zimbabwe today is considerably higher than it was in Turkey, Korea, Thailand and the Philippines in 1970 and equal to the level prevailing in Chile and Colombia during these years; in Kenya, Namibia and Cameroon, it is at least as high today as it was in those successful countries 20 years ago. Finally, infant mortality in many African countries is lower today — in some cases much lower — than it was in Turkey, Thailand and the Philippines in the early 1970s.

Hence, from the point of view of economic as well as human resources, there is no reason why African countries could not start replicating the successful achievements of these countries and using them as their role models; why Senegal, for example, should not do as well in attracting FDI as Korea did 20 years ago, and Zimbabwe as well as Malaysia, the one essential condition being that they start implementing the same successful policies followed by these successful countries. As repeated over and over again by the speakers from the successful countries, this implies among others a fundamental change in economic policies away from inward looking, public sector based strategies to outward looking policies that are sympathetic to and encouraging towards the private sector, stimulate and support private initiative and reward successful entrepreneurs by letting them enjoy the results of their risk taking and hard work. The participant from Malaysia summarized this advice by pointing out that once "profit" has ceased to be a dirty word for governments and civil servants and has taken on a decidedly positive connotation, the country is on the right track.
III. RAPPORTEURS’ SUMMARY OF ROUNDTABLE PRESENTATIONS AND DISCUSSIONS
(IN THE ORDER PRESENTED)

1. Opening Speech by the Vice President and Minister of Finance and Development Planning, Honorable F.G. Mogae of Botswana

Overview

The Vice President underscored the importance of private foreign investment as an essential ingredient in economic development in Africa, given that domestic savings and investment are in short supply.

He noted that there is a substantial gap between Africa’s needs and the degree to which that need is being realized. It is hoped that several multinational corporations represented at the Roundtable will see the perceived need as business opportunities.

Turning to the Roundtable conference, the Vice President noted that it was the first of its kind to be sponsored by MIGA, and noted that MIGA intends to sponsor similar regional conferences. He called upon participants from other continents to share their experiences in promoting foreign direct investment (FDI), particularly policies designed to attract such investment.

To provide a sharp contrast between Africa’s performance and that of other regions, he highlighted comparative economic indicators, including the following: gross domestic investment (GDI) averaged about 15 percent of GDP in Sub-Saharan Africa, compared to over 30 percent in East Asia during the 1980s. GNP per capita which fell in Africa by 1.2 percent p.a. in the 1980s rose by 6.3 percent p.a. for South East Asia over the same period. The rate of return on investment in Africa was alarmingly low: 2.5 percent compared to 22.4 percent in South Asia. Gross national savings as a proportion of GDP was less than 10 percent in Sub-Saharan Africa, compared to over 16 percent in South Asia and 30 percent in East Asia.

Given the above statistics, the Vice President noted that prospects for attracting investment into Africa, with its low rates of return and high costs of production, was highly unlikely, particularly when there are better investment opportunities elsewhere.

Attracting FDI

The focus for African countries wishing to attract FDI should be on creating an enabling environment, in view of the fierce competition for capital from other regions, particularly Eastern Europe.

While noting that there could be some compensatory factors on the supply side, such as a reduction in public defense spending, the Vice President observed that the continuing recession in many industrial countries would continue to limit the supply of funds, thus making potential investors more cautious. Consequently, African countries that wish to attract significant amounts of private foreign investment would have to take firm and bold steps to improve the climate for investment.
The Honorable Vice President identified four issues for deliberation at the conference: political economy, profitability, regional trade, and savings. At independence most African governments were forced to play a major role in the mobilization of public savings due to the paucity of private savings. Today there is a move towards encouraging the private sector to play a leading role, not only in mobilizing savings, but also in generating economic development. This means that the involvement of government in the productive sectors of the economy is being phased out over time, a process that has proved to be difficult in many countries. Vice President Mogae also cited low profitability rates in African countries as another inhibiting factor in attracting investment. He, however, noted that increased implementation of appropriate economic policies and availability of social infrastructure, among others, could enhance profitability.

On regional trade, the Vice President observed that efforts aimed at promoting trading blocs could enhance national development, but stressed that problems associated with sharing costs and benefits among member states continue to hamper economic integration. He called upon international organizations, such as the United Nations Economic Commission for Africa (UNECA), the Organization of African Unity (OAU) and the Global Coalition for Africa (GCA), to explore in more concrete terms the potential benefits to be realized from larger and more liberal free trade arrangements.

The Vice President made a distinction between profitability and long-term viability of industries, noting that in most cases subsidies offered to infant industries lead to inefficiencies, resulting in perpetual reliance on those subsidies by firms for their survival. Turning to the low levels of domestic public and private savings, the Vice President underscored the magnitude of the problem noting that the shortage of private equity capital was a serious problem in African countries that led to refusal of commercial banks to lend both short- and long-term.

Principles Followed in Botswana to Attract FDI

In conclusion, the Vice President outlined the principles followed in Botswana to attract FDI. These principles were designed to create an enabling environment:

(a) sound fiscal and monetary policy;
(b) liberal exchange control rules and regulations;
(c) targeted and explicit subsidies with limited time frames;
(d) recognition of the private sector as the engine of growth;
(e) deregulation of interest rates with the aim of moving towards positive real rates, the development of a stock market, and the restructuring of the National Development Bank (NDB);
(f) formulation of the Financial Assistance Policy (FAP) as one of the vehicles designed to promote investment through the reduction of the cost of establishing a business. A special reference was made to the Selebi-Phikwe export processing zone which encourages export oriented companies headquartered outside the Southern African region; and
establishment of the National Productivity Centre and the Accelerated Land Servicing Program, both of which were created to remove structural bottlenecks faced by foreign investors.

2. Opening Statement by Mr. Ghassan El-Rifai, Vice President, Policy and Advisory Services, Multilateral Investment Guarantee Agency (MIGA)

Introduction

In his opening remarks, Mr. El-Rifai thanked the Government of Botswana for agreeing to host this conference, the first of its kind to be organized by MIGA. Particular thanks were extended to the Vice President, the Honorable F. Mogae, for his encouraging and enlightening remarks which would guide the conference through its deliberations. Mr. El-Rifai noted that Botswana was one of the few African countries that have successfully attracted FDI. Hence, it was not by accident that MIGA had chosen Botswana to host this Roundtable.

Role of FDI in Developing Countries

The conference was informed that, over the last twenty years, FDI has become an increasingly important ingredient in economic development. FDI flows grew rapidly during this period. However, the vast majority of FDI flows took place among industrialized countries, while the share of FDI going to developing countries declined substantially from over 20 percent in the early 1970s to a little over 14 percent in the late 1980s. As a result, there opened a large gap between FDI flows to developed and to developing countries: during 1981-90 these flows averaged $150 per capita and per year to developed countries as compared to a pitifully low less than $5 to developing countries. This happened in spite of the great need for FDI in developing countries, most of which could not borrow in the international financial markets for lack of debt servicing capacity.

Mr. El-Rifai, however, noted that the discouraging figures for FDI flows to developing countries in general should not hide the large differences in experiences among these countries. While most developing countries had very limited success in attracting FDI, a number of them have been extremely successful in this endeavor. It is this striking difference that provided the basic idea for this Roundtable which has as its main purpose to compare experiences between successful and unsuccessful developing countries and draw some lessons for Africa.

For analytical purposes, Mr. El-Rifai distinguished between two groups of successful developing countries: the old, long-established capital importers, and the rapidly expanding newcomers. He noted that out of the 93 developing countries with populations of two million or more, as listed in the World Bank’s 1992 World Development Report, 18 successfully attracted FDI during the five-year period 1986-90, while the remaining experienced negligible inflows of FDI. None of the African countries were among this group of 18 (Botswana and Mauritius being excluded because of their small population size). Even though the sub-group of eight old capital importers, such as Brazil, Greece and Mexico, had high FDI flows, averaging an impressive $31 per capita in 1986-1990, this was less than that received in the 1970s; in addition it reflected mostly reinvested profits rather than new FDI flows, and thus, could not be a role model for African countries where the existing stock of FDI is still small. African countries need new foreign private capital. To this extent, the experience of the second sub-group of successful developing countries, namely, Malaysia, Thailand, Korea, Philippines, Argentina, Chile, Colombia,
Portugal and Turkey, was considered most relevant to Africa1. These countries have managed to achieve sharp increases in FDI inflows from very low levels during the early 1970s to an average of $35 per capita and per year by the late 1980s.

According to Mr. El-Rifai one could conceivably argue that countries like Brazil, Greece and Mexico are unlikely role models for Africa, as they started to attract rapidly growing volumes of FDI at a stage in their development substantially above that reached by most African countries today. On the other hand it is important to remember that at the time they started their economic reforms in the 1970s, countries like Malaysia, Thailand, the Philippines and Korea were in a situation not much different from Africa today: their GDP per capita was in the $200-400 range, corresponding to about $700-1,000 at present prices; this is similar to GDP per capita reached by Zimbabwe, Senegal, Côte-d'Ivoire or Cameroon in 1990. Looking at the human resources, in 1970 before the rapid growth of FDI inflows started, Turkey had an adult literacy rate of only 55 percent and so had Malaysia. This is well below today’s literacy rate in Zambia, Zimbabwe, and Ghana, and about the same as Cameroon. At little over 70 percent, even Portugal’s and Columbia’s literacy rates in 1970 were lower than Zambia’s and Zimbabwe’s today. Finally, looking at some health indicators, the situation in many African countries today is quite comparable to the one prevailing in the successful countries in the early 1970’s. Life expectancy in Botswana and Zimbabwe today is considerably higher than it was in Turkey, Korea, Thailand, and the Philippines in 1970 and equal to what it was in Chile and Columbia in these years. In Kenya, Namibia and Cameroon, life expectancy today is at least as high as it was in those successful countries 20 years ago. Similarly, infant mortality in many African countries today is lower—in some cases much lower—than it was in Turkey, Thailand and the Philippines in the early 1970s. Thus, both from an economic as well as a human resources point of view, there is no apparent reason why African countries could not start replicating the successful examples of this group of eight.

Without preemitting the deliberations of the Roundtable, Mr. El-Rifai suggested that a common factor among the success stories was the changes in economic policies away from inward-looking, public sector-based strategies to outward-looking private sector based policies. These changes had positive effects on private investment and rewarded risk-taking and hard work.

Summing up the basic factors on which the Roundtable was to be based, Mr. El-Rifai noted that: (a) a number of developing countries attracted little FDI in the 1950s and 1960s, but managed to attract significant inflows of FDI in the 1970s and 1980s; and (b) when these successful countries started to attract large inflows of FDI, their economic and human potential was not significantly different from that prevailing in many African countries today. Hence, their experience ought to be of major relevance to Africa, and ought to be very useful to African policy makers.

Finally, he expressed his sincere thanks to the following sponsors for their support: Switzerland, Denmark, Sweden, the United Kingdom, the Bank of Botswana, the Islamic Development Bank and the African Development Bank.

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1Singapore, the tenth country in this group was excluded from further analysis because of special factors such as its unique geographical location.
Overview

The Governor started off by saying that Botswana's success has been exaggerated and that its performance has not been as good as it had been written up to be, even though, by African standards its growth performance has been exceptional. Its economic performance must be judged from a historical perspective. He reminded the conference that at independence in 1966, Botswana was a very poor country ranking low on the UN's list of least developed countries, with rudimentary infrastructure, and a desperately poor population engaged overwhelmingly in subsistence agriculture. Starting from this very low base the performance of the economy over the past two decades could be considered spectacular. Indeed, the Botswana economy grew rapidly between 1975 and 1990, resulting in an average GDP growth of 13 percent per annum in real terms. Since the 1970s, Botswana has succeeded in many areas, including balancing its recurrent budget, achieving low infant mortality, increasing access to health care and education, and building an efficient physical and financial infrastructure.

Botswana's Success

The Governor identified three sources of Botswana's success: resource endowment, good governance and sound economic policies.

Resource endowment: Most of Botswana's success can be attributed to its resource endowment, particularly the discovery of diamonds in the Kalahari Desert and copper deposits at Selebi-Phikwe. These have transformed the Botswana economy in terms of increased government revenues, and foreign exchange earnings, with mining row accounting for about 50% of GDP. Despite a population growth of more than 3.5 percent, per capita incomes have grown rapidly in real terms, with the distribution of income not deteriorating to any significant extent. Nevertheless unemployment remains a perennial problem.

Good Governance: the Governor referred to the country's stable, multiparty parliamentary democracy that has existed since independence as one of the key factors in Botswana's success. It reflects the country's democratic and egalitarian traditions. He informed the conference that efficient functioning of Botswana's political institutions has played an important part in sustaining good governance, contributing towards transparency and accountability in government. Lavish government spending has been avoided, public facilities are functional but modest and civil service salaries are not excessive.

Sound economic and fiscal policies: Unlike many countries which experienced mineral-led economic booms, the Botswana Government has managed to escape the "Dutch disease" by pursuing sound fiscal and monetary policies. Sustainability of development was emphasized and government borrowing was limited to investments in sensible projects meeting international standards. The Public Debt Service Fund and the Revenue Stabilization Fund were established as avenues of systematically channelling public funds into specific sectors, while eliminating waste and mobilizing savings. The government's incomes policy introduced in 1972, was cited as another example of self-discipline and farsightedness, without which large incomes from diamonds could have triggered escalating wage demands from other sectors and induced rural-urban migration. These policies were reinforced by the government's recognition of the importance of market forces and the role of the private sector. Nationalization and state ownership have been eschewed and private investment have been encouraged. The Governor referred to the exchange rate policy that has been in place since Botswana left the Rand Monetary Area in 1976. He noted that the pula has not been allowed
to appreciate to levels which could have benefitted consumers at the expense of promoting productive activities and exports.

Remaining Obstacles to Growth

The Governor highlighted the following factors as having inhibited growth:

(a) Overregulation, such as industrial and trade licensing procedures, work permits and universal price controls, continues to discourage FDI. Other factors include the inadequate development of physical infrastructure and educational facilities as a result of constant under planning;

(b) The high rate of population growth (3.5 percent per annum) was cited as a potential problem, as future demand for social services increases dramatically;

(c) Financial policy that resulted in negative real interest rates has encouraged consumption rather than investment until recently when the Bank of Botswana Certificates were introduced to mop up excess liquidity and raise interest rates to satisfactory levels; and

(d) A large and an increasingly inefficient bureaucracy which uses up too large a proportion of the national income.

In conclusion, the Governor underscored the importance of an effective, democratic political system and strong leadership. This is particularly important at the present period of uncertainty created by the ongoing political and economic adjustment in South Africa. Botswana's future success will depend on its ability to attract the foreign investment it needs to sustain growth, an increasingly difficult task, given the competition for capital by other countries, especially the East European countries.

4. Presentation by Mr. Hernan Büchi, Instituto Libertad y Desarrollo, Chile

Introduction

In his presentation, Mr. Büchi, a former Minister of Finance and Minister of Planning in Chile examined Chile's economic performance over the past twenty years and drew pertinent lessons for Africa. Key economic and social indicators of Chile were cited, inter alia, the GDP and population growth rates as well as life expectancy and infant mortality rates. Policy changes in Chile since the recession of 1982-83 were reviewed.

Policy Changes in Chile

Chile's policy changes were precipitated by a crisis in the form of a severe recession. Since the 1930s and up to the 1970s Chile had pursued a largely inward-looking development strategy resulting in low growth and high inflation. From the mid to the late 1980s, and again at the beginning of the 1990s, policy measures were taken to transform the economy into an outward looking system. These involved a combination of monetary, fiscal, and exchange rate policies together with progressive deregulation and privatization of industry.
(a) Fiscal Policy: Current expenditure was reduced from 24.7 percent in 1980 to 21.0 percent in 1991, thus promoting private sectors savings. The tax structure was reformed, with the result that the value-added tax (VAT) is now the major source of Government revenue. Taxes on international trade rose from 1.4 percent of GDP in 1980 to 3.3 percent in 1991.

(b) Monetary Policy: Successive monetary policy changes were introduced during the 1973-91 period. The result was a reduction in the inflation rate from 150.8% to 18.7 percent. Mr. Büchi noted that reduced inflation encouraged long-term investment. The inflation problem was partially overcome through the indexation of contracts. By contrast, elsewhere in Latin America, countries were pegging their currencies to the dollar to solve the problem of high and rising inflation.

(c) Exchange Rate Policy: Mr. Büchi observed that there was no single solution to the Chilean exchange rate problem. While the index of the real exchange rate rose from 23.3 in 1960 to a peak of 111.2 in 1988, it had declined to 97.9 in February 1992, the result of a combination of policies pursued during the period under review.

(d) Other Policies: Other policy measures taken included the reduction in import tariffs to a flat rate of 11 percent. Mr. Büchi noted that Chile's reintegration into the world economy led to increased exports as a percentage of GDP, rising from 10.9 percent in 1960 to 28.5 percent in 1991. Non-copper exports in particular rose from 3.4 percent of GDP, in 1960 to 17.0 percent in 1991.

Foreign Investment

Chile pursued a number of policies to attract more FDI: it maintained consistent and predictable macroeconomic policies, deregulated the labor and capital markets and privatized public owned companies. While FDI did not receive any special treatment or incentives, measures were taken to avoid all discrimination of foreign investors compared to domestic entrepreneurs. Finally, all private investors were allowed to invest in any sector of their choice and to hold up to 100% of the share capital.

The consequences of these policy changes were:

(a) a major increase in FDI from US$137 million in 1985 to US$1.135 billion in 1990; and

(b) a remarkable improvement in the overall macroeconomic performance.

5. Presentation by Mr. Percy C. Wilson, Director, External Affairs, Coca-Cola Africa

Overview

Mr. Wilson informed the conference that Coca-Cola Company was currently revising its Africanization strategy. He observed that the company was bullish on Africa. By seeking a dialogue with African policy makers, Coca-Cola was looking for ways in which it could participate as an equal partner in the development of African economies.
Mr. Wilson mentioned the recent inauguration of an African Board within Coca-Cola to provide advice on the social, political and economic conditions prevailing in Africa. To this extent, Coca-Cola has been organizing conferences to discuss its plans with different governments. The first conference was held in Atlanta, Georgia, in April 1992, and the second was scheduled to be held in Harare, Zimbabwe, in September 1992.

Describing the structure of the Coca-Cola Company and its historical origins in Africa, Mr. Wilson pointed out that Coca-Cola employed about 40,000 people in Africa alone, with investments totalling about $500 million. He, however, regretted that, as a result of high taxes, shortage of productive inputs and foreign exchange, as well as lack of skilled manpower, most operations were at 50 percent or below capacity utilization.

Mr. Wilson observed that there has been successful investments by Coca-Cola in Turkey and the Philippines, because of full convertibility of the local currency and the existence of liberal exchange control regimes.

Corporate Decisions to Invest

In making its decision whether or not to invest in a particular country, Coca-Cola focusses particularly on the following factors:

(a) political stability;
(b) rational approach to government affairs and transparency in policy making. As a number of speakers after him, Mr. Wilson mentioned Coca-Cola's experience, that often in Africa lower level civil servants had a much more skeptical attitude vis-à-vis FDI than high-level policy makers;
(c) progressive labor policies including employment opportunities for expatriate Africans;
(d) good and user friendly support services;
(e) transparent and predictable policy making and regulatory changes;
(f) fair prices for raw materials (sugar prices in Gabon are four times higher than the world market price); and
(g) competition among suppliers of raw materials and absence of government monopolies.

Mr. Wilson concluded his presentation by giving an example of the benefits Coca-cola investments can bring to the host country, including increased government revenue, increased employment and contribution to social upliftment.

6. General Discussion

Government Inertia Towards Privatization and Barriers to Foreign Investment

A number of African Ministers mentioned bureaucratic inertia and the reluctance of civil
servants "to let go" as one of the most serious impediments against more private investments. While Ministers and other high-level policy makers are by now fully convinced of the need to deregulate and open up the African economies, they are facing major opposition in this from their civil service.

An executive of Anglo-American Corporation complained that the Government of Botswana preaches privatization, but is reluctant to actually let go of its control over parastatals and its public sector domination of the economy. Public utilities are usually state-owned and regulations contribute to make them unprofitable. He suggested that there must be a change in attitude by government bureaucrats to promote the belief that parastatals could be privatized and made profitable.

The speaker from Coca-Cola noted that his company had partnerships with governments which the latter often prefer. In his opinion, though, the optimal level of involvement would be to enter into partnerships with private sector companies. However, if Governments preferred to hold on to their equity participation, his company would not hesitate to go along.

Dilemma of Privatization Without an Existing Private Sector

The participant from Zimbabwe noted that there are moral and national responsibility issues to consider in discussions involving privatization, noting that the issue of economic control is a highly sensitive one. An important question remains: Privatization for whom? He argued that the lack of an indigenous entrepreneurial class meant that privatization would mostly benefit foreign investors and a very small number of local business men, thereby creating a potential for polarizing economic and political control.

The participant suggested that the formation of joint ventures, assistance to local entrepreneurs to obtain credit, training and extension services, and floating of shares in small denominations, are some mechanisms that can be used to reduce the potential for polarizing economic and political control. He cited as an example, the Zimbabwe Indigenous Development Business Centre, an avenue that was created to enhance the development of local business.

The delegate from Sudan stated that privatization in his country included both local private investors and their foreign counterparts, most of whom come from South East Asia. The investment program involved debt/equity swaps and auctioning of public assets. He however wondered how a country might create a private sector where none exists. He mentioned as an example of a successful venture, a public company owned by Sudanese farmers who later bought a commercial bank.

Mr. Büchi agreed, that it can be difficult to sell public enterprises to the private sector, if there is no strong and viable private sector in the country to start with. This was very much the case in Chile where the private sector had been marginalized by state intervention that included 80 percent of public ownership in industry. Privatization started with the banks, with private entrepreneurs buying the banks largely with the banks' own money. The newly privatized banks then bought the public enterprises. Second, pension funds participated actively in purchasing public enterprises. Third, a system was set-up to stimulate workers participation in share-holding of divested state enterprises. Finally, foreign investment had an important role in the program. Mr. Büchi gave an illustration of how the telephone company was privatized: the Government recapitalized one of the two state-owned telephone companies and allowed workers in the private and public sectors to use their advance severance pay to buy shares in the telephone company. Even though the unions were strongly opposed, workers went ahead and bought the shares anyway. Otherwise no special concessions were made for individual
organizations, as in Chile this could have been perceived as corruption. Mr. Büchi further pointed out that care was taken to create the conditions for the private sector to expand its capital base, among others by not taxing capital profits. Finally, he reminded the meeting that the sale of public enterprises to foreign investors results inter alia in a most welcome inflow of foreign exchange, or, if debt/equity swaps are used, in a reduction in the foreign debt.

It was noted that privatization should not be seen necessarily as aimed at inducing foreign investment, but as a process that seeks to promote efficiency and effectiveness in an economy. An economy, dominated by private companies, guided by market forces and abiding by market rules, would generate the necessary conditions for promoting foreign investment. It was noted that the common argument for establishing state-owned companies is the lack of domestic savings or entrepreneurship. This has been found not to be true. What is necessary are the right rules and creative policies that lead to a conducive environment in which the private sector will develop spontaneously.

**Investment Incentives**

The participant from Senegal wanted to know what kinds of incentives would be instrumental in attracting foreign investments as well as creating an environment that enables the promotion of entrepreneurial skills. He wondered whether a sequential approach was necessary in the process of attracting FDI.

Incentives designed to attract foreign investment have included a new tax structure which exempted companies from paying taxes if they reinvested their dividends. The goal is to increase the capital stock of companies. Only dividends that went to individuals for consumption purposes were taxed. Most of the private sector representatives emphasized the size of the market, the existence of business opportunities, a skilled labor force and a good resource endowment as major factors that contribute to attracting foreign investment. It was also emphasized that sound governance is necessary to attract FDI and is much more important than investment incentives.

**Impact of the Cold War and Geopolitical Factors in the Flow of FDI**

The delegate from Benin raised the question whether the striking success of a number of South Asian countries in attracting FDI was not due to their political alliance with the United States and, hence, these countries could not really be regarded role models for Africa? On a similar vein, could it be that Botswana attracted foreign investment because it was the only politically stable country in the southern African region since the imposition of sanctions on South Africa, and since Zimbabwe and Namibia were involved in liberation wars for years? The delegate from Benin wondered whether Benin stood a chance to attract foreign investment, especially since the cold war was over. The answer was that geopolitical reasons were important in the flow of official capital, but not in the flow of private capital except possibly to the limited extent that official capital flows may influence the direction and magnitude of private capital flows.

**Contradictions of Opening Markets and Protection of Infant Industries in Developing Countries**

The delegate from Zimbabwe, raised the issue whether opening up of markets could hurt the development of infant industries in a developing country like Zimbabwe. Furthermore, the adoption of technological-intensive processes could result in high unemployment rates. He cited the case of South Korea and Japan as countries that pursued industrialization with some controls. He argued that, from a
historical perspective, the existence of natural resources, protection of infant industries and cultural factors were important determinants of the development of an economy. What happens in a country that pursues the right policies but has no natural resources?

Latin America had gone through a number of phases: import substitution, rigid central planning, a centre-periphery development model and now liberalization. No convergence of views emerged from the discussion. One view emphasized the need to nurture infant industry, whereas another view maintained that the economies should be opened without special treatment for infant industries. The length of transition towards a market economy was considered irrelevant.

Mechanisms for Restructuring the Economy and Selling Public Companies

- Debt/equity swaps, as well as selling state owned entities to private individuals including foreign investors. In the case of Benin, banking laws have also been overhauled to eliminate the protection of inefficient banks.

- Benin did not target sectors for foreign investment; this has allowed foreign investors to invest in any sector they found attractive and viable. These changes were initiated during the military government and subsequently endorsed by the democratically elected government.

- One way, among others, to privatize industry is to contract management to a private company, rather than granting ownership to a company. Countries should not just imitate others, but creatively learn from the experiences of others.

- The executive from Philips added that an efficient stock market is necessary for privatization to succeed. To this, the speaker from Chile replied that, even though Chile had a stock market, it proved to be ineffective in enhancing the privatization process, because the stock market was dominated by a few individuals whose actions unduly influenced prices. Pension funds, for example, were not initially allowed to invest in shares.

7. Presentation by Mr. J. Jegathesan, Deputy Director-General (Operations), Malaysian Industrial Development Authority, Malaysia

Overview

The speaker from Malaysia gave an overview of his country's economic transition and transformation. Malaysia gained independence from Britain in 1957 with a weak economy that suffered from fluctuating commodity prices on the world market. The country's major exports at the time were rubber, tin, timber and timber products. Between 1960 and 1970, the Government embarked on a policy of economic diversification, promoting manufacturing in order to reduce dependence on these commodities.

In 1969 the country experienced a crisis in the form of riots due to high rates of unemployment (15 percent - 16 percent) and uneven distribution of wealth by ethnic origin and region. This led to the introduction of the new economic policy (NEP), giving manufacturing top priority and focusing on the following:
(a) eradication of poverty through the creation of jobs;
(b) distribution of wealth through rapid economic growth; and
(c) elimination of racial identification associated with economic functions

Transforming the agricultural sector was a very slow process while import substitution was not very effective for transforming the economy. Hence, Malaysia embarked on an export-oriented strategy between 1970 and 1980. This involved the introduction of legal and administrative changes, including the creation of free trade zones, bonding factories and the introduction of new labor laws. During the latter part of the 1970s the country refined this strategy of promoting industrial development and, at the same time, attracted increasing amounts of foreign investment. These new policies transformed the country from a commodity-dependent economy to the world's largest exporter of electronic components and semi-conductors. The share of the manufacturing sector in GDP increased from 13.1 percent in 1970 to 19.7 percent in 1980. The percentage of manufacturing exports to total exports increased from 11.4 percent in 1970 to 21.7 percent by 1980. In line with the government's objective to break the link between racial affiliation and economic function, all new investments were required to reflect the racial composition of the population in employment and in equity participation. This has uplifted the Malay ethnic group and contributed to racial harmony and stability.

From 1980 onward the Government developed a new theme: double decade, two-pronged approach in order to further transform the economy. The first prong was to focus on resource-based industries such as rubber, palm oil, timber, clay and new agricultural crops. The second focused on engineering, precision engineering and their supporting industries. In 1980 Malaysia had very few 100 percent export-oriented, resource-based industries. However, by 1989 the country was among the world's largest exporters of rubber products (gloves, catheters and swimming caps), processed palm oil products and pharmaceuticals.

During the 1986-1990 period Malaysia had an average growth rate of 13.9 percent in the manufacturing sector. Contribution of this sector to GDP was 27.0 percent in 1990. Share of manufacturing exports to total exports increased from 32 percent in 1985 to 60.4 percent in 1990. In 1990, most FDI originated from other Asian countries, although investments from other regions were represented in the portfolio. Investment per country ranged from $32.8 million from Germany to $1.44 billion from Taiwan in 1991.

The success of Malaysia's transformation process is attributed to what the speaker termed the elemental law of investment flows, comprising "push" and "pull" factors. The push factors centered on the electronics "wave" and exports of rubber products in the 80's, whereas the pull factors focused on the Malaysian investment environment itself, including political stability, economic growth, attitude towards foreign investors, among others. This remarkable economic growth cum structural transformation was achieved, in the words of the speaker, by a lot of push from Ministers and top civil servants against a lot of drag from middle and lower level civil servants. Ten points were considered of utmost importance in this effort:

1. Political stability, i.e., evolution rather than revolution;
2. Economic strength, i.e., sound economic fundamentals;
3. Attitude of welcome, absence of xenophobia at all levels;
4. Government policies such as equity limit for foreign shareholders, limits on expatriate employment, absence of exchange controls, etc.;
5. Infrastructure such as land availability and land laws, transport, electricity, telecommunications infrastructure and costs;
6. Labor costs, education standards and trainability, harmony of labor relations;
7. Banking and finance, number and quality of banks;
8. Government bureaucracy, friend or enemy? Helpful or hampering?
9. Local business environment, such as local partners for joint ventures, lawyers, accountants, architects, etc.
10. Quality of life for expatriate staff, including schools, hospitals and security.

As a last factor, but of decidedly lesser importance could be added investment incentives as the icing on the cake. However attractive this icing, the most important is a good solid cake.

These ten points can be summarized in the four Cs.

Cost: Costs associated with production
Convenience: The relative ease of doing business in Malaysia
Capability: Existing infrastructure and Government machinery
Concessions: Incentives and tax structure

8. Presentation by Mr. Chakramon Phasukavanich, Assistant Secretary-General, Board of Investment, Thailand

Overview of the Thai Economy

The speaker noted that Thailand is a medium sized country of 56 million people who inhabit an area covering over 500,000 km². The 1991 per capita income was reported to be US$1,600. Economic growth averaged more than 10 percent between 1987 and 1991, compared to an average of 8 percent between 1965 and 1980. The country was predominantly an agrarian society. Government policy was aimed at transforming the economy into an industrialized one through the promotion of manufactured exports and tourism. The rapid growth in exports generated the necessary foreign exchange that created an economic boom between 1987 and 1991. Export growth has averaged more than 20 percent during the past five years.

The speaker considered as the single most important factor explaining this striking performance, a strong and continuous leadership by a Prime Minister who was in charge for 8 critical
years, cutting government controls and letting the private sector flourish.

Policy Changes

The speaker outlined the fiscal, monetary, industrialization and trade policy changes that were introduced to achieve the above economic results.

Fiscal policies included reduction of excise, customs, and income taxes, as well as the introduction of sound principles in macroeconomic management. Further, the multiple tax rate system was replaced by a single value added tax (V.A.T.). The tax structure was adjusted to be in line with international practices.

Monetary policies included devaluation of the national currency by 16 percent, abolition of ceilings on interest rates and liberalization of the exchange rate policy.

Export policies encompassed reduction in bureaucratic red tape, converting overseas ambassadors to salesmen of the country and the formation of a Joint Consultative committee in 1980. The Committee held a meeting every month for five years, discussing strategies for encouraging exports. The attitude of government changed from a controller to a facilitator.

He summarized the essential ingredients for Thailand's success in attracting FDI to involve the following: the right management team, appropriate policies and effective implementation, strong private sector participation and a favorable environment that includes deregulation and a simple tax system.

9. Presentation by Mr. W.A. de Jonge, Senior Advisor, Philips International B.V. (Retired), The Netherlands

Introduction

The speaker observed that Philips has been active in Africa for decades producing for the local market and for export. He noted that the investment climate, like the political environment, has a tendency to change, and hence is not critical in investment decisions. He underscored the importance of market size, economies of scale and long-term business opportunities.

Attracting Foreign Investment

The Speaker cautioned that to learn from each other should not mean emulating without creative adaptation to unique conditions of one's country. He said government had a very important role as a provider of the stage on which investment can take place. Thus, privatization should not be confused with complete absence of government.

He noted that several African governments are signatories to the Lomé Convention which he criticized for its lack of a definitive statement on how to deal with the private sector, an important element in implementing the convention's provisions. The private sector was never involved in the preparation of the Treaty nor was it consulted as the Treaty required.

He encouraged African governments to enter into a dialogue with foreign investors, not
to discuss incentives, but to describe business opportunities. The existence of attractive business opportunities is often enough to overcome other constraints that may exist in the economy.

He emphasized that Africa should define its investment requirements, likely sources of financing and make an effort to attract foreign investors through vigorous advertising. At the end of his presentation, he wondered why it took so long for such an important conference to take place, arguing that the Roundtable should have taken place some thirteen years ago.

10. Presentation by Dr. Yousuf Özal, M.P., Former Minister of Planning, Turkey

Overview

Dr. Özal began his presentation by giving a brief overview of Turkey's historical evolution. He noted that Turkey moved from a single party state to a multiparty democracy, and was for a period during the 1970s under military rule. He indicated that a structural adjustment program had to be adopted and implemented in 1980, following several unpleasant economic crises, such as the foreign debt crisis that was precipitated by the oil shock of 1978/79, and a foreign exchange crash believed to have been precipitated by the military takeover. Implementation of this structural adjustment program encouraged, inter alia, the inflow of FDI. Prior to that, the private sector had little chance of surviving and expanding.

Policy Changes

After the 1983 elections, the transformation of the Turkish economy started in earnest, including: removal of foreign exchange controls, substantial scaling down of import tariffs, deregulation of the banking system, changing the tax structure, dispatching commercial missions abroad, and more importantly, setting up a single window agency with the authority to assist foreign investors interested in setting up businesses in Turkey. The establishment of a department responsible for coordinating all foreign investment was credited for Turkey's success in attracting FDI. The head of the department had ministerial powers and reported directly to the President. Dr. Özal noted that the period in question was characterized by a rapid increase in infrastructural development. One thing Turkey did not do was to privatize public enterprises. This was politically unpopular and was never tackled seriously by Government and Parliament. Turkey made a successful effort, however, to attract foreign banks; foreign banks bring foreign investors to a country.

Results

Dr. Özal noted that the restructuring resulted in tangible accomplishments in the form of increased inflow of FDI.

11. General Discussion

During the discussions, the issue of setting up a single "window" or agency to provide investors with the necessary information, as was done in Turkey, came up several times. Some participants were interested in knowing precisely how the facility operated and what lessons could be drawn from the Turkish experience. Elaborating on the issue, Dr. Özal pointed out that the authorities realized there were many agencies involved in the process of screening foreign investments, a
cumbersome, sometimes confusing process to the investor. Hence, it was decided to grant one agency the authority to deal with all matters pertaining to foreign investment. In a related comment, he noted that the government emphasized and encouraged dialogue between itself and the private sector by holding monthly meetings to address problems faced by the investors. Furthermore, businessmen were allowed to accompany state ministers on their missions abroad, in order to make contacts with potential foreign business partners. Trading companies, trade boards and business councils were established to further facilitate contacts through meetings.

Commenting on the same issue, the Malaysian speaker indicated that his country has a facility similar to Turkey's single agency. He noted that in the case of Malaysia, officers from a variety of government departments dealing with foreign investment are housed in the same premises. In addition, they make follow-up surveys every six months on approved projects to determine the progress of those projects.

Another issue that came up during the discussion was the role played by home governments in influencing the flows of FDI. The Conference was informed about a MIGA study on this issue. The study found few policies in the home countries explicitly formulated to influence the flow of FDI. However, it was noted that existing policies such as those relating to exchange controls do affect the flow of FDI.

A participant from Gabon pointed to the many similarities between his country and Botswana, such as the importance of minerals and other easily exportable natural resources (timber, fish) as well as the very limited domestic market. He remarked that many foreign investors assumed—wrongly—Gabon's economy to be so closely linked with that of France, that non-French companies had little chance to start successful businesses there. This led to a short debate about the CFA franc exchange rate with several ministers from CFA franc countries expressing the opinion that the overvaluation of the exchange rate was a major handicap against attracting more FDI.

The speaker from Malaysia mentioned that successful foreign investors in a given country were by far the most effective lobby to attract more FDI. Added to this, the speaker from Thailand that promotion of tourism is a good way to improve the image of a country as a place for new investment. To get the business executives to the country as tourists or as participants in an international conference is an excellent first step in attracting FDI particularly in Africa with its generally bad reputation as host for FDI.

To overcome this negative reputation, a profound change in the attitude of the population in general, and the civil servants in particular will be necessary. As the speaker from Malaysia pointed out, the notion that "profit" is not a dirty word but an important development tool has to be accepted by civil servants, trade unions and the population at large (Malaysia, Inc.).

12. Presentation by Dr. John Kempster, Regional Managing Director, Asea Brown Boveri (ABB) Sub-Saharan Africa Ltd, South Africa

Overview

In his opening remarks, Dr. Kempster welcomed the opportunity to participate in the Roundtable at the time when his company was in the process of designing a strategy for investment in Africa. He went on to discuss the background of ABB, its decision-making processes and some of his
past experiences in different countries.

Background of ABB

He informed the participants that ABB was a product of a merger between two large electrical engineering companies from Sweden and Switzerland. These were Asea AB of Sweden and BBC Brown Boveri of Switzerland.

(a) ABB produces a wide range of electrical equipment such as power plants, power transmission, and transportation;

(b) Research & Development (R&D) are a major vehicle ABB uses to achieve corporate goals. R&D expenditures totalled US$2.3 billion, about 8 percent of total company revenues;

(c) ABB has subsidiaries in many countries; in addition to its main installations in Sweden and Switzerland, it retains a strong presence in Germany, the US and the UK. However, its operations in Africa remain relatively small. Dr. Kempster noted that the company currently employs only about 6,000 people on the continent.

FDI Decision-Making Process in ABB

The company's decision to invest in any particular country is based primarily on the market situation, i.e., the potential demand for its products. However, other factors outlined in previous discussions remain valid for ABB as well. Dr. Kempster pointed out that low demand for ABB's product in Africa was the single most important reason for the company's low presence on the continent.

On ABB's investment strategy, Dr. Kempster observed that the company views a local and regional approach as more relevant to its needs than a global one. Comparing regional blocs in terms of business potential, ABB has found that African regional groupings rank lowest among other blocs. For example, the African region accounts for only 6 percent of world GNP, 8 percent of electrical capacity, and less than 10 percent of the world's population.

Past Experiences

Dr. Kempster took the opportunity to share some of his country experiences with conference participants. Three countries were singled out for particular mention: South Korea, Malaysia and Thailand.

(a) Korea: ABB invested in Korea due to its relatively high-skilled labor force, despite some initial difficulties involved in setting up the business. Dr. Kempster underscored the point that ABB's decision to invest in a particular country was not based on a single factor, but on a host of them;

(b) Malaysia: ABB went to Malaysia, although the 60 percent local equity requirement initially discouraged the company to establish itself fully in this country. Dr. Kempster noted that ABB, as a high-technology company, prefers
to retain control over its technology. This is done most effectively by retaining over 50% (preferably 100%) of the shares of its subsidiaries abroad;

(c) Thailand: ABB’s investment in Thailand initially encountered some problems, especially in its resource recovery plant.

The point underlined in sharing these experiences was that ABB took a multi-dimensional approach in its investment decisions, rather than concentrating on only a few narrow issues. Dr. Kempster listed the following 10 criteria, in descending order of importance:

- Market opportunities
- Political stability
- Safe environment
- Clear, and well applied regulations
- Limited bureaucratic interference and absence of corruption
- Investment guarantees
- Tax incentives
- Size and quality of infrastructure
- Reliable subcontractors
- Free repatriation of profits

The use of those criteria is reflected in the approach adopted by ABB in recent years in several regions of the world. ABB intends to use a similar approach in its investment strategy in Africa and its presence in countries such as Zimbabwe is based on such a strategy. ABB’s strategy in Africa would be regionally oriented and as a matter of principle, ABB would like to be an “insider” rather than an “invader.”

Discussion

During the discussion, participants were interested in three main issues, namely, the physical environment, transfer of technology and the specific guarantees that ABB expects from host governments.

(a) The Environment: Participants wanted to know how ABB dealt with environmental problems in their operations. The conference was informed that ABB believes in resource recovery plants and that no waste material used in its plants is imported into the host country. An example was cited of a joint venture the company established with the government of Taiwan to build a recovery plant. Dr. Kempster assured the conference of the importance attached to pollution control in ABB plants.

(b) Technology Transfer: Many participants were disturbed by ABB’s obsession with technology control and wondered how the company could ever transfer technology to developing countries in which it operates. This concern followed the observation by Dr. Kempster that ABB preferred to keep absolute control over its technology to avoid its use elsewhere. Responding to the concern, Dr. Kempster assured the conference of the company’s intention of transferring technology to the host country. But he underscored the fact that such transfer would be made in a
manner that would not be detrimental to the company. Hence, ABB would always insist on majority ownership or possess veto powers at the Board level. This would ensure that ABB’s technology is not misused. Dr. Kempster emphasized that the overriding factor is the existence of trust in the company’s relationship with the host country.

(c) Guarantees: Responding to a question on what kind of guarantees ABB expects from the host government, Dr. Kempster listed the following: ABB’s ability to control technology and exports, repatriation of profits and equity ownership.

He allayed the fears of participants about ABB’s technology transfer policy, arguing that his company recognizes the importance of a transfer to host countries, provided such transfers were made in a manner appropriate to the company. ABB’s concern on technology control is based on the fear that a host country could take over the company and use the technology to compete against the firm in other markets.

In this context, the speaker from Turkey mentioned the importance of introducing appropriate intellectual property legislation in developing countries. Lack of such legislation strongly discourages FDI in sectors such as pharmaceuticals, software production, etc. The participant from the Commonwealth Secretariat mentioned his institution’s strong interest in stimulating and facilitating technology transfer. The Commonwealth Secretariat is ready to provide technical assistance in this field.

Concerning pollution, the speaker from Thailand mentioned that this was in fact a problem in his country and that increasing efforts were made to keep away shaky, high-polluting foreign investors.

13. Presentation by Professor E.R. Lopes, Presidente do Conselho de Administracao, GESTRES, Former Minister of Finance, Portugal

Overview

In his opening remarks, Prof. Lopes distinguished between two cases: the Portuguese and the Sub-Saharan African. He noted that, in the Portuguese case, the pattern of FDI flows has changed considerably between the period before and after the entrance of Portugal into the European Community (EC) in 1986. He pointed out that FDI inflows totalled US$250 million in 1986, and increased rapidly to US$5.5 billion in 1991. On the other hand, FDI flows to African countries have been very low throughout the entire period.

Major Issues

Prof. Lopes identified five factors that influenced these huge inflows of FDI into Portugal: the admission of Portugal into the EC, the Portuguese socio-political environment, national economic policies, structural reforms and what he called practical factors involving FDI.

(a) Entry into the EC: Mr. Lopes noted that the signing of the EC treaty in 1986 heralded a new economic era in Portugal which had a relatively backward and underdeveloped economy before its accession to the EC. Since then, the country has made significant progress, in attracting FDI. (To keep the importance of this factor in perspective, however, it is useful to remember that Greece, which had
joined the EC five years earlier, did not experience a similar boom in FDI).

(b) **Socio-political Environment** (invisible societal software): Mr. Lopes noted the importance of political and social stability; of consistent policies that are identifiable also from the outside; and of establishing a clear model of society and of the economy. These create an environment that is attractive to FDI.

(c) **Economic Policies**: Mr. Lopes emphasized the need for sound macroeconomic management. He stressed that if a country has to embark on structural adjustment, it is always better to do it quickly than to postpone the process, for there is a cost associated with any delay. He cautioned participants on the use of exchange rate policies for short term political convenience. Mr. Lopes identified three conditions for improving the working of the economy, namely, development of infrastructure, provision of vocational training and development of human resources in general, and modernization of both agriculture and industry. He recounted how Portugal successfully implemented specific programs for these two sectors.

(d) **Structural Reforms**: According to Mr. Lopes, issues involved in structural reforms include: the market economy, privatization, tax reform, labor laws and rationality and flexibility.

(i) **Market economy**: opening up the economy necessarily meant that local producers had to face international competition, hence, strategies were devised to counteract the negative effects of market forces on local producers.

(ii) **Privatization**: Mr. Lopes indicated that during the 1970s, all Portuguese financial institutions were nationalized. However, about one-half of the financial system has been reprivatized since then.

(iii) **Tax reform, Labor Laws and Rationality and Flexibility**: Mr. Lopes mentioned that Portugal restructured its tax system, broadening it in the process; liberalized labor regulations and introduced flexibility and rationality into the economic system, with a view towards opening up the economy.

(e) **Practical Items regarding FDI**: these involve institutional and operational improvements, to eliminate obstacles for FDI such as reducing and eliminating red tape and corruption; establishing a one "window" facility; making the country visible through promotional tours and changing the perception of government that FDI is evil. Ideally, as a result of all the above, foreign firms should feel uncomfortable, for not investing in Portugal.

**Discussion**

**Instruments used to attract FDI**: Some participants wanted to know what specific instruments Portugal has used to attract FDI. In response, Prof. Lopes emphasized the importance of
intensified its activities in Asia. However, Dr. Breitengross was optimistic about the future of Africa, noting that in the past five years, progress has been made in terms of identifying projects with potential for success.

**Investment Decision Process**

The Hansen Group takes account of five main factors in its investment decisions: political stability, degree of Government control, fiscal incentives, skilled labor and quality of life.

The Managing Director emphasized political stability and government involvement as the most critical of the five factors. Hansen Group does not regard fiscal incentives as crucial, but obviously takes advantage of them where they exist. The company is also prepared to train its own workforce; therefore, the shortage of skills in a particular country would not be a major factor in the company’s investment decision. Similarly, quality of life does not play a major role in the decision to invest in a country. The two issues underscored by Dr. Breitengross were that of political stability and government involvement.

(a) **Political Stability:** According to Dr. Breitengross, Hansen Group would like the rules of the game to be clear and consistent. This helps in long-term planning and good decision-making. Frequent changes in these rules result in uncertainty about the future of the company’s operations.

(b) **Government Control and Discrimination:** While the Hansen Group of Companies does not want to be treated as special, or be given special favors from top officials, it also does not want to be discriminated against in its operations. Dr. Breitengross outlined some of the discriminatory rules as involving the following: different tax structure for local and foreign-owned companies, restrictions on the repatriation of profits or the use of blocked funds as well as restrictions on the use of expatriate skills that the company deem necessary.

**Problems Associated with Investment in Africa**

(a) **Government involvement:** While the role of government as a facilitator of new investment is appreciated, government involvement in the daily running of companies was unacceptable to the Group.

(b) **Rules and Regulations:** Hansen Group appreciates the need for rules and regulations, but it considers it important that rules be transparent and enforced strictly and equitably. Failure to enforce rules creates problems for foreign investors.

(c) **Partnership:** The Group emphasizes the need to join hands with professionals in the host countries, not with politicians. In other words, Hansen Group would like to choose their own partners in the host countries, rather than have partners imposed upon them by the Government.

(d) **Competition with Parastatals:** Competition with parastatals which are subsidized
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**Problems Associated with Investment in Africa**

(a) **Government involvement:** While the role of government as a facilitator of new investment is appreciated, government involvement in the daily running of companies was unacceptable to the Group.

(b) **Rules and Regulations:** Hansen Group appreciates the need for rules and regulations, but it considers it important that rules be transparent and enforced strictly and equitably. Failure to enforce rules creates problems for foreign investors.

(c) **Partnership:** The Group emphasizes the need to join hands with professionals in the host countries, not with politicians. In other words, Hansen Group would like to choose their own partners in the host countries, rather than have partners imposed upon them by the Government.

(d) **Competition with Parastatals:** Competition with parastatals which are subsidized
by government is considered unfair by Hansen Group. The Group prefers a level playing field when it comes to doing business, and would expect the same treatment for companies producing the same product.

(e) Independent Legal System: The Hansen Group gives considerable importance to the existence of an independent judiciary to whom the company can turn in the event that host governments and other institutions do not honor their contracts. A common characteristic of some African governments is the high frequency of not making good on payments due private companies, whereas these governments are prompt at collecting taxes from those private companies.

Discussions

During the discussion, Dr. Breitengross maintained that Hansen Group remains positive on the future of Africa. Contrary to the belief expressed by other participants that the end of the Cold War could result in less private capital inflow to Africa, Dr. Breitengross was optimistic about Africa's prospects in attracting FDI.

Responding to the question of the profitability of African ventures, Dr. Breitengross observed that results were mixed.

In summing up, Hansen Group would invest in any place where there are no discriminating laws against foreign investment, no government involvement in investment decisions and freedom for investors to choose their partners.

15. Presentation by Mr. Benoît Arouff, Chairman, Mauritius Export Development and Investment Authority, Mauritius

Overview

The speaker gave a historical background and profile of Mauritius, a multi-ethnic country of 600,000 inhabitants in the 1960's, with an annual population growth rate of about 3.5 percent. He stressed that the multi-racial composition of the population, living in harmony, served as a source of national strength. Mauritius initially had a one-crop economy, producing over 600,000 tons of sugar a year. It has no mineral resources and, thus, relies on its human resources for development. It therefore emphasizes education. At independence in 1968, the government realized that political independence was not meaningful without economic upliftment of its citizens. Hence, it provided incentives to the local business community, in order to create employment. Development certificates were issued to companies in the sugar and tourist industries. Local sugar tycoons and traders took advantage of the opportunities created by the scheme to invest in manufacturing industries. Labor was also very receptive to the development scheme. As the incentives structure favored import substitution investment by the early 1970s, the local market was saturated. This led to a fundamental change in economic policies, including strong export orientation and a turn towards FDI.
Major Issues

Overcoming Problems of Consumer Preference for Imported Goods: Due to their colonial past, consumers preferred imported goods over products with a "made in Mauritius" label. This was overcome by industrialists who produced and sold goods without the Mauritius label.

Establishment of Free Zone Areas: Realizing that the domestic market was too small to accommodate much import substitution industries and that unemployment was growing worse and causing increased social discontent, import substitution was declared a failure, and the government decided to establish Free Trade Zones. Eventually the whole island became one big free zone. An extensive tour of Taiwan, Hong Kong, Philippines, Singapore and the Caribbean was undertaken to obtain information and ideas about economic development and to persuade investors to establish businesses in Mauritius. The mission succeeded in wooing Hong Kong investors mainly in textile industry. These investors were exempted from the 17 percent import duty levied on goods entering Mauritius.

The socio-politician environment was conducive and sympathetic to FDI; political opposition was reduced through formation of a coalition government; wages were very low and the textile industry was dominated by female labor that was not inclined to unionization.

Initially, the then European Economic Community (EEC) imposed an embargo on textiles from Mauritius as they were considered to have violated the "rules of origin." However, an EEC delegation to Mauritius convinced French, British, German and Italian investors to join the Chinese entrepreneurs from Hong Kong to make further investments in Mauritius. This action led to a remarkable growth in economic activity and job creation between 1970 and 1976.

Attraction of Foreign Investment and Development of Local Entrepreneurship

Mauritius adopted a very flexible formula towards foreign investment. Foreign investors were not forced into partnerships with local entrepreneurs, but some firms found it advantageous to form joint ventures with indigenous businessmen. Thus, increasingly, nationals were integrated into export oriented economic activities.

Dividends were not taxed and there were no transportation problems. A free port was established and customs requirements were virtually abolished with only a token presence of customs at each factory. These measures led to a dramatic job growth in rural areas, primarily in the textiles industry where the local population had some relevant experience, such as in sewing. Gradually, new industries, including the electronics industry, were established.

The Lean Years During 1977-1982

Mauritius experienced a period of "six lean years," due to adverse international economic conditions, including oil price increases and recession. While the domestic market contracted, trade unions became increasingly vocal and nationalization of industry was seriously considered. As a result, the government lost the general elections.

Restructuring of the Economy

In 1983, the new government started to adopt radical changes, including the establishment
of the Mauritius Export Development and Investment Authority (MEDIA) to support investors; introduction of new fiscal measures; reduction of real salaries and phase-out of exchange controls. These measures succeeded in turning around the economy and, by 1988, Mauritius had attained full employment.

Since then, the country increasingly emphasized quality products (high quality textiles) and diversified into capital-intensive plastics, computers, electronics, watches, motor cycles, etc. An Industrial Training Board was established, and off-shore financial centers were permitted. The country is monitoring the development of economic blocs such as the EC and India in order to meet the economic challenges they may bring.

16. Presentation by Mr. Robert Annibale, Vice President, Citibank, London

Overview

Mr. Annibale focused his presentation on expectations about investment opportunities as perceived by foreign investors. Expectations ranged from identification of specific investment opportunities, to elimination of discriminatory regulations concerning taxation and access to foreign exchange and general economic stability.

Profitability and Remittability: The speaker from Citibank stressed the importance of profitability and remittability. These are central to inflows of FDI, since companies search for profitable business opportunities and are basically interested in the remittability of their profits.

Market as a driving force: Investors prefer markets that are not only receptive to foreign investors, but also to local businesses as well. Thus, the level of existing businesses and investments act as a barometer for evaluating the investment climate of a country. The size of the market is also an important factor. In this regard, smaller economies can enhance their market potential by forming regional groups, thereby enlarging their collective market base.

Elements of an Attractive Environment for FDI: One issue that was raised involved the availability of foreign exchange. Availability was considered more important than the specific value of the exchange rate. Government regulations and laws that discriminate against foreign investors create an unfavorable environment for attracting FDI. These include discriminatory labor laws which can inhibit managerial decisions on whether or not to hire expatriates, or to lay off inefficient local employees, among others. Ownership participation laws fall into this same category. Some financial companies prefer 100 percent ownership of branches rather then forming joint ventures. However, exceptionally large benefits from profitable business opportunities can outweigh costs of restrictive regulations.

BIS Capital Adequacy Guidelines

Participants were informed that the Bank of International Settlements (BIS) Capital Adequacy guidelines may adversely affect banking investments in non-OECD countries, as balance sheet assets in these countries carry a lower risk weighing, compared to a 100 percent risk weighing for non-OECD assets. Thus, banks that operate in non-OECD countries are likely to face higher capital requirements than otherwise.
17. Final Discussions

Overvalued Currencies and Cost of Doing Business

Overvalued currencies increase costs of production and often make it unprofitable for foreign companies to invest in countries with these characteristic. Examples include African countries that belong to the CFA Franc zone.

According to the representative from Gabon, the country has attractive natural resources, including oil, diamonds, gold, forests, and yet foreign direct investment inflows have been low. Representatives from Coca-Cola and Citibank, companies that have invested in this country, pointed to the high cost of doing business in Gabon, largely as a result of the overvalued exchange rate. Countries such as Benin and Côte-d'Ivoire, are in the same situation. Unit costs of production in these countries are so high that they significantly lower the competitiveness of domestic companies and scare away FDI. Hence, costs of doing business emerges as a primary factor in determining the flow of FDI, because levels of profitability are directly affected by these costs.

Investment Climate and Perceptions

Several delegates from African countries attributed the lack of foreign investment in their economies to negative perceptions about their respective countries. Strong promotion measures can help to overcome this serious handicap. One way to do this, it was suggested, is to advertise the investment opportunities that exist, and to emphasize the existence of foreign companies that already operate successfully in the country. A additional point stressed repeatedly was the importance of each country to define clearly its economic policies and strategies and to make these well known in the world through effective promotion.

Developing Market Niches

Small economies were advised that they should not aim at emulating strategies of large economies. Rather, their strategies should be directed at identifying market niches in the global market. The unique circumstances of these economies could help attract foreign investment. In their campaign to attract FDI, these economies should identify specific business opportunities and market these opportunities to the foreign investor.

18. Closing Remarks, by Mr. Ghassan El-Rifai, Vice President, MIGA

During the past three days we have all been exposed to a good and useful opportunity of sharing experiences on what it takes to attract foreign private investors into a developing country and how such experiences can help enhance the flow of FDI into Africa. As you may appreciate, it is not easy to summarize these deliberations as many different ideas have emerged. As I mentioned in my opening statement, it was not our objective to reach final conclusions or make specific recommendations. However, I will make an attempt to capture briefly the gist of the conference and share it with you as we close this Roundtable.

Let me first say how pleased I am at the way things went over these three days. I believe that we have achieved what we went out to achieve. It is my hope that as we depart back home, you will
carry with you several tested experiences and ideas that we can carefully and patiently dwell on in the days ahead and see which of these ideas and experiences are applicable to your own countries. While the experiences in the seven successful developing countries presented to us during our meetings varied, as could be expected, a number of themes - or issues if you prefer - have clearly emerged, that were common to most of them. I shall briefly touch upon three of these as they are more relevant to the African context.

First:

In most of the seven successful countries, the rapid increase in the inflow of FDI started as a result of thorough economic stabilization and restructuring measures taken by the respective Governments in response to a serious and profound economic and political crisis. Malaysia in the late 1960s, Turkey in the late 1970s and Chile and Portugal in the early 1980s are the four most prominent examples that were mentioned, but even in Mauritius, six years of near stagnation were necessary to trigger the far reaching economic policies creating the conditions for rapid increases in FDI. While economic stabilization and restructuring in these countries were not undertaken primarily with the goal of attracting more foreign direct investment but more in response to those crises, there can be no doubt that without these fundamental changes in economic policies, the observed strong growth in FDI inflows could not have taken place.

This is an important lesson for African policy makers. Clearly, economic stability, followed by a restructuring of the economy, are essential preconditions for attracting FDI. The major elements of such reforms are well-known, and have been mentioned repeatedly during these three days: reduction of the budget deficit, anti-inflationary monetary policies, tax and tariff reforms, competitive exchange rate, as well as the opening, deregulation and privatization of the economy, together with the accompanying changes in social policies.

This first lesson has to be read with considerable care, specifically, as to the expectations that it creates with many policy makers that once economic adjustment is in place immediate results will happen, in particular, large increases in FDI. I would say, there was a general opinion amongst all speakers from successful developing countries that, even under the best of circumstances, results will be slow in materializing and no miracles in the short-term can be expected. We all know from experience that economic stabilization and restructuring are long, difficult and painful processes, and that their results are slow in materializing, especially at this time of slow world economic growth. While restructuring in Malaysia and Turkey was facilitated by the quite rapid world economic growth at the time, the situation is more difficult today. Nevertheless, there is no way around the fact, that the economic reforms initiated in many African countries over the last ten years have to be pursued and implemented vigorously. Any lack of determination and commitment by the Governments concerned would seriously jeopardize Africa’s chances to attract more FDI in the future. As repeated over and over again during the conference, strong leadership is essential to bring economic reforms to a good end. Such strong leadership was one of the major elements of success in Thailand, Malaysia, etc.

Second:

While economic restructuring needs time, regaining the confidence of foreign investors needs even more time. It took Malaysia several years to recuperate from the 1969 disaster, and in Turkey the rapid growth of FDI started only long after the adjustment
program had been put in place. Hence, even under the best circumstances, no substantial rapid increase in the inflow of FDI into Africa can realistically be expected. This is the experience of a number of African countries, including Ghana, which was one of the first to reform its economy, but where foreign investors are still reluctant to return in great numbers. In this context, we have also been repeatedly reminded in the last three days that before we embark on attracting foreign investors, the private domestic sector should be developed. Hence, it is vitally important for African governments to create an attractive environment and to establish a closer dialogue with the domestic private sector.

This is all the more important as, even under the best of circumstances, foreign private investment can neither be expected to substitute for a vigorous domestic investment effort, nor can it be regarded as the final answer to Africa's economic problems. At best, it is an important element in a country's economic development.

Third: A third important point mentioned frequently during the discussions is the fact that good macroeconomic management, while an indispensable prerequisite to attract FDI is not a sufficient condition to do so. Particularly, given the investors' generally unfavorable perception of the economic situation in Africa and the increasingly strong competition in the world for FDI resources, it is imperative for African governments to initiate active promotion efforts and to aggressively market their economies, once the macroeconomic situation is reasonably stabilized. This would include not only the macroeconomic policy changes I have mentioned but also structural and institutional improvements such as the creation of a single window to service and facilitate the private sector, local and foreign; identification of specific investment opportunities; improvement of infrastructure; increase in labor productivity; better banking and other financial intermediaries; and, of course, political stability. Other issues important to foreign investors are absence of discrimination vis-a-vis the domestic business sector concerning taxation and access to foreign exchange; assurance of free transfer of profits; free hand in the selection of domestic personnel and in the employment of expatriates. A last but equally important point is the necessary change in the awareness and conviction of the middle and lower ranks of the civil service in the reform process. I should add that several marketing instruments have been mentioned by the speakers from Thailand and Turkey, such as the opening of investment offices abroad; better use made of diplomatic representatives; promotion efforts and targeted investment promotion conferences. These are very important elements to enhance the flow of FDI. We in MIGA have acquired considerable experience in this field and we will be happy to assist in this endeavor.

In conclusion, I would like to mention that we will prepare a report on this Roundtable which will include among other components a more formal summary of our deliberations and of the presentations made at the Roundtable. The report will be forwarded to you in due course. As I mentioned earlier, my hope is that all of you will return to your countries better prepared and more informed about how you can best attract more FDI to your countries. With the intense competition globally for the scarce investment capital, time is not on your side. The challenge is enormous and we hope that this experience will, in a small way, prompt you into action, even though results may take some time. For us at MIGA, we hope that this is the beginning of a series of similar gatherings in other parts of the world that will be held on regional and individual country levels.
Before I close, I would like to thank the Government of Botswana for its kind courtesies and warm hospitality in hosting this Roundtable. Special thanks to those behind the scene who have contributed in many significant ways in making this Roundtable a success, in particular, the staff from the Bank of Botswana.

I thank you for your active participation during these three long days and wish you a safe journey back home.
IV. INTRODUCTION OF GUEST SPEAKERS, BY MR. GHASSAN EL-RIFAI, 
VICE PRESIDENT, MIGA

Excellencies
Members of the Diplomatic Corps
Government Ministers, Business Executives
Ladies and Gentlemen

It is my pleasure to welcome and introduce to you His Honor Mr. Festus Mogae, Botswana's Vice President and Minister of Finance and Development Planning. The Vice President is an old friend of the World Bank Group, having served as an Executive Director on the Bank and Fund Boards during 1976 to 1980. We are most honored to have Vice President Mogae address us this morning.

Robert A. Annibale is Vice President and Regional Treasurer for Eastern Europe, the Middle East and Africa at Citibank, based in London. While during most of his career he was involved with Africa and the Middle East, where Citibank is present in 20 countries, Mr. Annibale has recently been active in the negotiations for Citibank's expansion into Eastern Europe.

Michael Benoît Arouff, C.B.E., is a fellow of the Economic Development Institute of Washington, D.C. He has served as President of the Mauritius Chamber of Commerce and Industry and has held various directorships in Mauritian conglomerates. He was responsible for launching the Mauritius Export Processing zones between 1970 and 1976. He also held several governmental posts, including that of Secretary for Industrial Development. In 1979, he received a medal for distinguished service in industry and in 1988 was decorated with the honor of Commander of the Order of the British Empire.

Dr. Jens P. Breitengross is Chief Executive Officer of the Jos. Hansen group of companies, the biggest German investor in tropical Africa. Originally a trading group, Jos. Hansen invested in various joint ventures in different industrial sectors to serve domestic markets in Africa as well as for exports. Dr. Breitengross has known Africa for well over 20 years. Before joining Jos. Hansen, he was, among others, coordinator of German Development Aid to Central and later to East Africa. He has published a considerable number of articles and books on African Development.

Mr. Hernan Büchi was Minister of Finance and of Planning and Under Secretary of Economy and of Health in Chile. As such, he was instrumental in initiating Chile's major structural reforms and economic adjustments, including debt restructuring, privatization, tariff and tax reforms and foreign investment law. He was Chairman of a number of state-owned companies such as telephone, electricity and steel. Mr. Büchi is now on the board of a number of private companies and President of the Instituto Libertad y Desarrollo that prepares economic and social studies in Latin America. He has a background in civil engineering and economics.

Mr. Willem A. de Jonge was a high level executive with Philips Electronics in the Netherlands, and since his retirement is a Senior Advisor on international economic relations with the same company. He was Vice Chairman of the Board of the Centre For Industrial Development in Brussels and is a member of the Advisory Council to the Committee on Industrial Cooperation in the ACP - Lomé context.
Mr. H.C.L. Hermans is Governor of the Central Bank of Botswana. From 1977 through 1987, he worked for the World Bank, for the last three years as Chief of the Bank’s Regional Mission in Bangkok. Before and after this interlude, he worked for the Government of Botswana, among others as Permanent Secretary of Development Planning and Permanent Secretary of Finance and Development Planning. Mr. Herman’s background is in development economics and sociology.

Mr. J. Jegathesan from Malaysia has been intimately involved with economic decision making concerning foreign direct investment for over 25 years, first in the Ministry of Commerce and Industry and since 1977 as a founding staff of the Malaysian Industrial development Authority of which he is now a Deputy Director General (Operations). During the last two years, he has spent 4 months each as a Commonwealth Secretariat Consultant to the Zimbabwe Investment Centre and the Investment Promotion Centre of Tanzania. Mr. Jegathesan’s background is in economics.

Dr. John Kempster from Asea Brown Boveri has a wide experience in investing in developing countries in Africa, Asia and the Middle East. Before being named to his present position as ABB’s Regional President for Sub-Saharan Africa in May of 1992, he was Regional President North-East Asia for 6 years, Middle East for 3 years and South East Asia for 3 years. Before that, Dr. Kempster was managing Director in India, and for 8 years Managing Director South Africa. Thus, he is uniquely qualified to compare the environment for foreign direct investment in Africa with that in the highly successful Asian countries. Dr. Kempster’s background is in engineering.

Prof. Ernani Rodrigues Lopes has been actively involved in economic policy making in Portugal for the last 25 years in a variety of important positions, as Head of the Economic Studies and Statistical Department of the Bank of Portugal; Ambassador to Bonn; Head of Portugal’s mission to the EC in Brussels; and finally as Minister of Finance. Presently Mr. Lopes is Chairman of the Board of Gestres the holding company for the industrial sector of the Espirito Santo Group.

After a stint of 5 years with the IFC in Washington, Dr. Yusuf Ö zal was strongly involved in Turkish economic policy making during the 1980s first as Undersecretary of State and Chief Executive of the State Planning Organization, and then as Minister of State for Planning, Treasury, Foreign-Trade and Banking. These were years of major policy changes that resulted among others, in a sharp increase in FDI inflows. Dr. Ö zal has been a member of Parliament since 1987 and for a number of years was chairman of its Plan and Budget Committee.

Mr. Chakramon Phasukavanich from Thailand has been involved in economic policy making concerning foreign direct investment for a long time. Since last year, he is Assistant Secretary General of the Office of the Board of Investment; before he was for many years Secretary of the Government-Private Cooperation Committee.

Mr. Percy Wilson is Director of Government Relations and External Affairs in the Africa Division of Coca-Cola, based in the United Kingdom. He has worked and travelled extensively in Africa for over 20 years, among others as Director of Peace Corps in Sierra Leone and - prior to his appointment at Coca-Cola - as Vice President of the African Development Foundation. Mr. Wilson’s background is in Applied Sociology and in Public Administration.
V. APPENDIX

ROUNDTABLE PROGRAM

LIST OF PARTICIPANTS

SELECTED DATA ON FOREIGN DIRECT INVESTMENT IN AFRICA AND OTHER COUNTRIES
MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)
POLICY AND ADVISORY SERVICES (PAS)

ROUNDTABLE ON FOREIGN DIRECT INVESTMENT POLICIES IN AFRICA
(June 9-11, 1992, Gaborone, Botswana)

PROGRAM

Monday, June 8, 1992

18:00-20:00 Cocktail Reception at the Gaborone Sun Hotel
- Hosted by Mr. Ghassan El-Rifai, Vice President, Policy and Advisory Services (PAS), MIGA and Chairman of the Roundtable

DAY ONE (Tuesday, June 9, 1992)

09:00 Welcoming Address
- The Vice President, His Honor Mr. Festus Mogae

Introductory Statement
- Mr. Ghassan El-Rifai

10:00 Coffee Break

10:30 First Discussion Session

Guest Speakers:
- Mr. H.C.L. Hermans, Governor, Bank of Botswana
- Mr. Hernan Büchi, Former Minister of Finance, Chile
- Mr. Percy C. Wilson, Director, External Affairs, Coca-Cola

12:30 Luncheon at Giovannis Restaurant, Sun Hotel

14:00 Continuation of First Discussion Session

DAY TWO (Wednesday, June 10, 1992)

09:00 Second Discussion Session

Guest Speakers:
- Mr. J. Jegathesan, Deputy Director General, Malaysia Industrial Development Authority, Malaysia
• Mr. Chakramon Phasukavanich, Assistant Secretary General, Board of Investment, Thailand
• Mr. W.A. de Jonge, Sr. Advisor, Philips

12:30 Luncheon at Giovanni's Restaurant, Sun Hotel

14:00 Third Discussion Session

Guest Speakers:
• Mr. Yusuf Özal, Former Minister of Planning, Turkey
• Mr. John Kempster, Managing Director, Asea Brown-Boveri Sub-Saharan Africa Ltd.

DAY THREE (Thursday, June 11, 1992)

09:00 Fourth Discussion Session

Guest Speakers:
• Mr. Ermâni Rodriguez Lopes, Former Minister of Finance, Portugal
• Mr. J.P. Breitengross, Managing Director & Chief Executive Officer, Jos. Hansen & Söhne Group of Companies

12:30 Luncheon at Giovanni's Restaurant, Sun Hotel

14:00 Fifth Discussion Session

Guest Speakers:
• Mr. Benoît Arouff, Chairman, Mauritius Export Development and Investment Authority, Mauritius
• Mr. Robert A. Annibale, Vice President, Citibank

17:00 Closing Remarks
• Mr. Ghassan El-Rifai

* All Discussion Sessions will be moderated by Mr. Roger Chaufournier.
List of Participants

S.E. Monsieur Ferdinand Kacon Angoran
Ministre de l'Industrie et du Commerce
Ministère de l'Industrie et Commerce
Abidjan, Republique de Cote-d'Ivoire

Mr. Robert Annibale
Vice President
Citibank
London, United Kingdom
(Guest Speaker)

Mr. Benoît Arouff
Chairman
Mauritius Export Development
and Investment Authority
Port Louis, Mauritius
(Guest Speaker)

Dr. J.P. Breitengross
Managing Director & Chief Executive Officer
Jos. Hansen & Söhne Group of Companies
Hamburg, Germany
(Guest Speaker)

Mr. Hernan Büchi
Instituto Libertad y Desarrollo
Las Condes, Chile
(Guest Speaker)

Hon. B.T.G. Chidzero
Senior Minister of Finance, Economic
Planning and Development
Ministry of Finance, Economic
Planning and Development
Harare, Republic of Zimbabwe

Mr. W.A. de Jonge
Senior Advisor
Philips International B.V. (retired)
Einhoven, The Netherlands
(Guest Speaker)
Mrs. Bcbiana D’Almeida
Deputy Resident Representative
UNDP
Gaborone, Botswana

Monsieur Ndong Mba Didier
Chargé d’Etudes au Cabinet du
Ministre des Finances
Libreville, République du Gabon

Mr. Lamine Doghri
Economist
Islamic Development Bank
Jeddah, Saudi Arabia

Mr. H.C.L. Hermans
Governor
Bank of Botswana, Botswana
(Guest Speaker)

Mr. J. Jegathesan
Deputy Director General, Operations
Malaysian Industrial Development Authority
Kuala Lumpur, Malaysia
(Guest Speaker)

Dr. John Kempster
Regional Managing Director
Asea Brown Boveri Sub-Saharan Africa Ltd.
Sandton, South Africa
(Guest Speaker)

S.E. Monsieur Rigobert Ladikpo
Ministre de l’Industrie et des
Petites et Moyennes Entreprises
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Monsieur Ondo Ndong Lambert
Conseiller Economique
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et des Participations
Libreville, République du Gabon
Professor Ernâni Rodrigues Lopes  
Presidente do Conselho de Administração  
Gestão Estratégica Espírito Santo S.A. (GESTRES)  
Lisbon, Portugal  
(Guest Speaker)

Mrs. N.A. Mabe  
Director of Exchange Control  
Bank of Botswana  
Gaborone, Botswana

H.E. A. Malama  
Zambian High Commissioner  
Gaborone, Botswana

Mr. Bezack Maphakwane  
Economist, UNDP  
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His Honour Vice President F.G. Mogae  
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Ministry of Industry  
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Mr. Nicholas Neube  
Director  
Zimbabwe Investment Centre  
Harare, Republic of Zimbabwe

Dr. Z. Ngavirue  
Director General  
National Planning Commission  
Windhoek, Republic of Namibia

S.E. Monsieur Djibril Ngom  
Ministre Délégué au Plan et aux Politiques Économiques  
Ministère du Plan  
Dakar, République du Sénégal

Dr. Yousuf Özal, M.P.  
Ankara, Turkey  
(Guest Speaker)

Mr. Chakramon Phasukavanich  
Assistant Secretary General  
Office of the Board of Investment  
Bangkok, Thailand  
(Guest Speaker)

Mr. Anthony Polatajko  
Assistant Director, Industrial Dev. Unit  
Commonwealth Secretariat  
London, United Kingdom

Hon. Mathew Ruikaire  
Minister of State of Finance and Economic Planning  
Ministry of Finance and Economic Planning  
Kampala, Republic of Uganda

Mr. Peter G. Rwelamira  
Principal Economist  
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Mr. Seppo Sipila
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Mr. Percy C. Wilson
Director, External Affairs
Coca Cola Africa
Windsor, United Kingdom
(Guest Speaker)

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Vice President
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(Conference Chairman)

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TRANSLATORS

Mr. Sne N'Diaye
Ms. Assia Khalidi
Ms. Brigitte Katiyo
Selected Data on Foreign Direct Investment in Africa
and Other Countries
### Nineteen Developing Countries Most Successful in Attracting FDI

<table>
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<tr>
<th>Million $ Current Prices</th>
<th>Million $ 1990 Prices</th>
<th>FDI in % of GDP 1976-80</th>
<th>FDI in % of GDP 1981-85</th>
<th>FDI in % of GDP 1986-90</th>
<th>FDI Per Capita $ at 1990 Prices</th>
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[1] with populations over 2 million, listed in order of FDI per capita
[2] 1986-89 only

### Inflow of Foreign Direct Investment into African Countries

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<th>FDI in Absolute Terms (US $ Millions)</th>
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p = Partial Period
X = Less than 2 million population
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