



Organization of African Unity

AFRICA TRADE AND INVESTMENT CONFERENCE  
Libreville, Gabon: 26 - 28 February 1995

**"OAU'S PERSPECTIVE ON INVESTMENT IN AFRICA"**

Key Note Address by H.E. Dr. Salim Ahmed Salim  
Secretary General

Mr. Chairman,  
Your Excellency, Al Haj Omar Bongo, President of  
the Republic of Gabon,  
Distinguished Ministers,  
Distinguished Participants and Invitees,  
Ladies and Gentlemen,

The opportunity that has been offered to me to participate in the First Africa Trade and Investment Conference is indeed of immense value to me personally, and a source of satisfaction. I wish to thank most sincerely H.E. Dr. Paulin OBAME-NGUEMA, Prime Minister of Gabon for his kind invitation and commend the organizers for this timely initiative. I wish in particular to pay tribute to the President of the Republic of Gabon, H.E. Al Haj Omar Bongo for his patronage of this important conference.

A major significance of this conference is the opportunity it provides for reviewing important African issues and developments, particularly in the socio-economic realm, which have been eclipsed or dwarfed in the major world media by the unending political crisis and conflicts in the continent. Terms such as "marginalization", "periphery of the periphery" have been used to categorize the African situation vis-a-vis the rapidly changing world economy, characterized by globalization of production and technological advances. Whatever the validity of these terms or the sense in which they have been used, I believe it is now time to change the current international thinking about Africa and African problems. The holding of this conference is a clear indication that this process of change has begun.

It is time for the International Community to take a new look at African countries. First and foremost, they have to abandon their negative vision of Africa. Most importantly, we expect and indeed demand that our continent be treated objectively. The tendency to stereotype and generalize events in our continent does great injustice to our peoples and countries as it does disservice to the international community. We, Africans, are the first to admit that we have serious political, social and economic problems. Yes, we have enormous problems in our continent. Yes, there are very tragic conflict situations in Africa. We abhor these unfortunate situations and we are determined to overcome them. But having said that, it is important to stress that not all African countries are a mirror image of Liberia, Somalia or Rwanda. Why then is there a systematic attempt in some quarters to view the entire continent of Africa in pessimistic and even apocalyptic terms? There are also problems in other region of the world. Yet no one is generalizing about them.

What I want to say is that we should not only be influenced by the negative aspects of our Continent. There are also positive developments taking place in our African countries. And these, by far, outweigh the negative and said elements.

A process of transition both political and economic has indeed taken root in many African countries. In the political field during the past years, some 27 African countries have had multi-party elections. The process of democratization is taking root in Africa. Furthermore, South

Africa has joined the family of Democratic and Free Nations. The OAU has put in place in 1993 a Mechanism for Conflict Prevention, Management and Resolution to address the issue of conflicts in the Continent. Efforts are being made to strengthen democratic institutions in the Continent and to put in place the requirements for peace, stability and the rule of law. Substantial progress is being made in this direction.

On the economic field, some 37 African countries are implementing structural adjustment programmes. These programmes are aimed at putting in place a policy package to strengthen the macro-economic policies of African countries, as well as the sectoral development policies. During this exercise, priority attention is given to the role of the private sector with the objective of reducing government intervention in economic activities.

Africa's efforts at political and economic reforms should be therefore encouraged and supported. More specifically, the international investors should work with the governments and the business communities in Africa which are making efforts to create an environment which is conducive to investment, both domestic and foreign.

Opportunities abound in our continent for high-yielding investment. There are, for instance, many opportunities for developing export trade in Africa in agriculture. In this respect, developed countries' corporations in the food and beverage business could explore

these possibilities and combine their brand names, technology, management and marketing techniques with Africa's resources and potentialities in ventures mutually beneficial to both parties.

Africa's mineral resources are well known. What has been exploited is but a small fraction of what is available. Africa also needs to put in place modern infrastructure and to rehabilitate and expand existing ones; from roads to telecommunications. This offers unique and excellent opportunities for investors who are prepared to take the long-term vision of Africa's development.

Africa's trade equally constitutes important potential. All over the continent, economic integration groupings have been established for the purpose of promoting free flow of trade and factors of production. These groupings will constitute the pillars of the African Economic Community, and come under its umbrella. A continental market of over 500 million people will thus be created for expanded intra-African trade and investment. Expanded infrastructure and institutional links will be imperative if business contacts are to intensify among all the countries of the continent. It is therefore prudent for future investors in Africa not to look at the market potential of one country but rather of a group of countries as its actual market for certain products and medium-term potential markets for others.

Mr. Chairman,

The major factors that affect Africa's trade, especially export performance are the narrow export base, low level of processing and manufacturing, and consequent concentration on a small range agricultural and mineral produce. There are also problems associated with market access for African products: stiff competition from other producers and with synthetic substitutes. Africa's share in global trade has thus suffered from persistent erosion, from an average of over 4% in the 1980s to about 2% in the 1990.

The African economic situation appears to be unique. Several countries depend on one to three agricultural or mineral exports for their foreign exchange earnings. Industrial and manufacturing activities remain at a rudimentary level, with low level of technology input and adaptation; the level of recorded intra-African trade remains at the abysmal level of about 5% and many of the national economies are small and segregated by poor transport and communication links.

We have to concentrate our efforts in production to produce more to satisfy the basic needs of our people and to generate a surplus to trade with our neighbours and the world at large. To do that, we have to be more efficient and more competitive. In this endeavour, we have to pay special attention to diversify our economies both vertically and horizontally to process our raw materials into finished goods and to expand into new production areas to meet the needs of

our people and those of our neighbours and Africa as a whole. This step is crucial to the development of trade and integration.

The situation with investment, in particular foreign direct investment in Africa has always been disappointing when compared to the developing countries of Asia and Latin America. Even in record-setting years of the 1980s, net inflows of foreign direct investment to Africa have rarely exceeded 2.5 billion US Dollars. From the exceptionally high inflow of more than 4 billion US Dollars recorded in 1989, the flow of foreign direct investment into Africa dropped to 2.2 billion in 1990, about 3% of total flows of foreign direct investment to all developing countries. In 1991, there was a further drop to 1.5 billion. This trend continued to 1992 when Africa actually lost 3 billion US Dollars through disinvestment, whereas all other developing countries received 100 billion in foreign direct investment.

For many years, Africa has attracted the marginal investors who have been interested in short-term profits, sometimes operating shady businesses, fraught with illegalities. Now is the time for the serious investors.

There are certain critical actions that have to be taken by African countries and their development partners for enhancing Africa's export trade and investment flows. The first series of actions is in the area of creating an enabling environment conducive to investment through, inter alia, a continuation of the on-going monetary and fiscal reforms, privatization and improving the efficiency of the public

sector. Future reforms and adjustment programmes have to be targeted at reducing or eliminating dependence on imported goods, reducing inflation and diversifying exports. It is in this context that foreign direct investment becomes the essence if African countries are to face the challenge of having to adjust to a new competitive global market environment, in order to maintain a reasonable level of export earnings which are essential for their development.

In signing the Uruguay Round Agreements involving considerable liberalization of world trade, African countries have accepted this challenge. They now have to create the conditions for effective participation in the expected trade and investment flows. Most important among these is the need to make the African economies more efficient and more competitive. In this respect, priority has also to be given to the promotion of small and medium scale enterprises with linkages to foreign enterprises in order to benefit from production, management and marketing skills.

For Africa to meet this challenge, a number of major obstacles which require international cooperation and understanding need to be tackled. The most prominent among these is the external debt problem of Africa. The others include lack of external resources, weak and inadequate infrastructure and low level of human resources development.

It is our considered view that urgent and determined action is required to address once and for all the intractable external debt problem of African countries. The problem is not only the high magnitude which, by 1994 as a



result of arrears and capitalization of interest had reached 300 billion dollars. The high debt-service is clearly beyond Africa's ability to pay and debt repayment has been recognized as a major contributor to social turmoil in the continent. In addition, the existence of the debt negatively affects our countries' credit rating.

I am aware that in today's world, private capital has far exceeded official development finance provided by the multilateral international financial institutions, such as the World Bank and bilateral partners. Africa cannot develop without attracting some of this international capital. I firmly believe that many excellent opportunities exist in many African countries for private direct investment.

Africa has to be strong if it is to compete in the emerging global economy. The source of that strength lies in the promotion of regional and sub-regional cooperation and integration, as well as intra-African competition within the continental framework provided by the African Economic Community. The implementation of the Abuja Treaty is not only a priority, but will also be in line with current global trends of creating and strengthening trading blocs.

**Mr. Chairman,**

Even in these days of un-reigned liberalization, privatization and deflation, we have to recognize that African governments have a major role to play in creating the conditions for increased trade and investment flows into Africa. This role can be very crucial because, despite their

advantages, market forces are not sufficient in Africa to promote economic growth. In many African countries government plays an important role as an engine of economic growth, by investing in infrastructure, human resources and technology. In addition, government should continue to provide the regulatory framework and incentives, including selective import controls, to encourage both domestic and foreign investment ventures that cannot participate in global competition without appropriate level of protection at infancy. This was the situation in the present Newly Industrialized Countries of Asia.

We in the OAU are fully aware of the new international environment and will continue our efforts to bring this message to our Member States and to assist them in every way possible. We call on our partners to join hands with us.

We need to launch a world-wide campaign to counter the negative image of Africa in the world and to inform the international business community of the many positive developments taking place in our countries. To be effective, these campaigns require the coordinated efforts of the governments and the business sector in our countries. There is a lot our partners can do to support this effort, such as the organization of trade and investment delegations from their countries to visit African countries. They can also provide credit guarantees to serious investments, through their national export/import banks or similar institutions.

There is also need for exchange programmes among African countries and between Africa and the outside world, in order to exchange experiences and learn from the successes and failures of each other. A number of countries have succeeded in establishing efficient systems for promoting, facilitating and expediting the establishment of business ventures for nationals and foreigners. Surely, African countries can benefit from these experiences.

**Mr. Chairman,**

Let me conclude by asserting that this conference certainly recognizes the centrality of initiating and taking concrete actions. The African governments themselves, despite their internal political problems as well as severe economic constraints, including external indebtedness, have demonstrated their commitment to create the conditions for trade, investment and the accelerated transformation of their economies in order for them to participate in the anticipated increased global trade investment flows.

I have indicated, in a nutshell, the areas for immediate attention by the international investors as well as the immense potentials in Africa that await to be exploited with foreign capital. A critical reassessment of the African situation is urgent, in the light of these developments, on the part of our development partners.

Complementary actions, including enhanced financial and technical support are needed to crystalize and sustain the measures and action that African countries have embarked on.

I have no doubt in my mind that this Conference will serve as a forum for initiating these actions.

I thank you.