THE NEW AFRICA AND CANADIAN BUSINESS

The New Africa

Traditionally, a mention of Africa invoked a conceptual geo-political entity characterized by little more than conflict, poverty, and disease. While this viewpoint always exaggerated rather than explained, it is particularly less relevant in the 1990s. As governments and knowledgeable companies know, there are actually two Africas, and it is the stable, economically viable Africa that is emerging and overtaking those strife-torn remnants.

A combination of factors led to this emerging Africa. The end of the Cold War lessened external pressures on the continent (and reduced the skewed direction and intent of foreign aid). Long running civil wars in Angola, Ethiopia, Mozambique, and Namibia ended. South Africa transformed from pariah to partner. And across the continent, responsive, elected governments became more common than not. Leaders began to make the difficult choices necessary to revamp economies saddled by inefficiency and lethargy, economies hardly conducive to long-term domestic or foreign investment.

Those hard choices are now beginning to pay off. Poverty and unemployment remain prevalent throughout Africa, but the macroeconomic environment for dealing with these problems is in place. The statistics speak for themselves. In 1996, Sub-Saharan Africa boasted 4.4% GDP growth, with Southern Africa averaging 6%: for the first time in recent memory, every SADC country saw its economy expand. Eastern African states – Eritrea, Ethiopia, Uganda, and Kenya – also surpassed the continent's growth average.

Team Canada and Expanding Regional Efforts

DFAIT and a host of other Canadian government departments and agencies (some of which are profiled in this booklet) formed the Southern and Eastern Africa Regional Action Plan (SEARAP) in 1996 to coordinate Canada's efforts to increase trade and investment flows with the region. In early 1997, SEARAP met again – in Johannesburg – to assess its role and to decide where further efforts were needed. Meetings with a number of Canadian companies active in the region formed a key part of the process with discussions as to how SEARAP could best assist their efforts. This private-public sector cooperation is increasingly typical of how Team Canada works overseas.

By comparison, the U.S. is also placing a strong emphasis on increasing trade and investment with Africa. The Clinton Administration recently unveiled a five-point plan for strengthening economic ties with liberalizing African states. One fact illustrates why: American businesses receive a higher average return on investment in Africa (about 17-18%) than any other region including Asia. The Corporate Council on Africa, which includes some of the most prominent U.S. companies, actively promotes African linkages, trade missions, and policy proposals. Canada thus faces stiff competition with its southern neighbour in Africa, but senior U.S. executives do envy the way Canada supports its businesses overseas through coordinated federal-provincial-private sector efforts.

DOING BUSINESS IN AFRICA

Trade officials and company executives doing business in Eastern and Southern Africa have some advice for other companies considering the same:

- Nearly all of Eastern and Southern Africa is emerging economically and attracting foreign investment with market-oriented policies and reforms.
- Doing business in the region, by international standards, is made easier by two key advantages: English is the common business language in all but a few countries and the foundations of business law and operations are similar to Canadian practice.
- Corruption is much less prevalent than in the past, with many governments striving to make their approval, etc., processes as transparent as possible.
- Lack of regional and country knowledge is the biggest deterrent to locating business opportunity. In most cases, finding a good local partner is a requirement for success.
- A medium-to-long-term outlook is necessary for any endeavour. This is as true for developing new export markets as it is for winning engineering contracts or making greenfield or other direct investments.
- Individual countries offer different competitive advantages and incentive schemes, but are linked through one or more regional organizations: SADC, COMESA, or SACU.
- The region can access major export markets in Europe, Asia, and North America via increasingly efficient transportation links and preferential trade agreements.
- Canada has a good reputation in the region, but Canadian companies are under-represented and losing out to U.S., European, Asian, and South African companies who are more aggressively targeting opportunity in Africa.
- Significant opportunities are to be found in telecommunications, transportation, mining (including exploration and consulting), oil and gas, energy, agri-food, education and training, and infrastructure development. However, companies should not overlook the manufacturing, tourism, and service sectors.