

Title: WHY AFRICA?
Event: Leaders for Tomorrow (L4T) Lecture Series
Date: 29 May 2009
Time: 8.00 pm
Venue: CIMB Bank Berhad, Plaza Damansara
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AFRICA was for a long time a failed continent. Disasters like drought and conflict in countries like Somalia, Malawi, Niger, Kenya and Zimbabwe have brought about systemic problems to the continent. It is African agriculture itself that is in crisis, and according to the International Food Policy Research Institute, this has left 200 million people malnourished. Political problems such as years of wars, coups, civil strife, refugee movements and returnees in 15 of the 27 countries have added to the continent's woes. HIV/Aids is depriving families of their most productive labour. Sub-Saharan Africa's population has grown faster than any region over the past 30 years, despite the millions of deaths from the Aids pandemic. The world had given up on Africa. Everything written was negative. But in life, we must believe in the human capacity for change. Nobody wants to be poor by choice. I have read and followed African politics from the time Ghana under Kwame Nkrumah gained independence. Change had to come. Sometimes very slowly; sometimes unexpectedly fast.

I am happy at the progress in Africa. It is no longer the 'lost continent'. The future to me is in Africa. Please read Merrill Lynch's report on Africa titled "Africa: The Final Frontier", (if that is, we still believe in Merrill Lynch) It identifies 10 sectors offering "major" investment opportunities in Africa for the next decade. They are Oil, commodities, agriculture, land and water, healthcare, infrastructure, telecommunications, information technology, defence, financial services and retail.

Africa has a billion people, young people mostly, and the country is rich in mainly unexploited natural resources. According to the Merrill Lynch report, Africa's economy is expanding at rates that exceed global growth and is expected to do so for the new few years. Since 2001, its annual economic growth has averaged 5.0 percent, while overall world growth rose only 4.2 percent. Africa is expected to house the largest youth population (less than 15 years) in the world, providing nations with young workers, who in Merrill Lynch's words "will want to earn, learn, and burn their earnings".

The Indians and Lebanese have been there a long time. They have been there since colonial times. Colonial powers were interested only in the raw materials. Now the Chinese are everywhere in Africa. The Koreans, Japanese and Arabs are moving in. Before this, the Malaysians were there until the 1997 financial crisis. Now only Petronas and I are visible. We have a few enterprising Malaysians there. They are doing well. I always believe the brave and smart ones will succeed.

Chinese and Indians and others go there, and they are not fools. According to official figures, 4 percent of China's foreign direct investment went to Africa in 2006. China invested US\$4.5 billion in infrastructure in Africa in 2007, more than the G8 countries combined, and much of the investment has been private. The number of Chinese companies operating in Africa has more than doubled in just two years to 2,000 with about 400 operating in Nigeria alone, according to new research. Nobody puts money to lose. So there must be something worthwhile to invest in Africa.

Having said Africa is the future, I must caution future investors. Africa is also a tough place to do business. It is still very backward except for South Africa, Namibia and Northern African countries. Their infrastructure is poor. Airlines are not reliable but Emirates has emerged as the most reliable airline there. It is not easy to get visas. To go through Immigration is a hassle. In some countries, security is a serious problem. These are serious problems which the governments have to address if they want FDIs. The World Bank and IMF have failed miserably in Africa. This is where investors can go in and take advantage of the failures of World Bank. Africa needs roads, houses, electricity, clean water to mention the priority that governments have to address. In some parts of Africa, land is plentiful, and this is not a problem. The result is that a continent that was more than self-sufficient in food at independence 50 years ago is now a massive food importer. The book "The African Food Crisis" says that in less than 40 years the sub-continent went from being a net exporter of basic food staples to relying on imports and food aid. The opportunities for Malaysians who are interested in these fields are vast. I think Malaysians should consider investing in food production, power generation, and water treatment plants, housing and construction.

There are problems investors will face. There is corruption and mismanagement, and a glaring lack of sound governance. Things move very slowly. You need a lot of patience. Africa's elites respond to political pressure, which is mainly exercised in towns and cities. You need to study how the system works. Laws are different there. They have French, British, Portuguese and Spanish laws depending which colonial powers colonized them. It is quite complex. They speak English or French or Portuguese or Spanish.

I have been lucky. As I said earlier, I like Africa. I have served in government. Most of them know me and I know them. Tun Dr. Mahathir's name carries a lot of weight. I was involved in both the Smart Partnership and South-South Co-Operation. All these help for beginners. It will be tough but if successful, the rewards are worth the troubles you have to go through.

Sub-Saharan African countries have of late become the target of a new form of investment that is strongly reminiscent of colonialism; investors from both industrialised and emerging economies buy or lease large tracts of farm land across the continent, either to guarantee their own food provisions or simply as yet another business. In doing so, investors even deal with warlords who claim property rights, as in Sudan. Several industrialized countries like Japan and Sweden, rapidly growing developing nations like China and India, and oil-rich countries especially from the Arab Gulf, and even Libya, are buying large estates in Africa.

Early this year, Saudi Arabia received a batch of rice, which is part of the first crop to be produced under the King Abdullah initiative for Saudi agricultural investment abroad. It had been grown in Ethiopia, where a group of Saudi investors spent US\$100 million to raise, wheat, barley and rice on land leased to them by the government. The investors are exempt from tax in the first few years and may export the entire crop back home. The Saudi programme is an example of a powerful but contentious trend sweeping across Africa.

South Korea has signed deals for 690,000 hectares, the UAE for 400,000 hectares and Egypt has secured a similar deal to grow wheat. An official in Sudan says his country will set aside for Arab governments roughly a fifth of the cultivated land in Africa's largest country. It is not just Gulf states that are buying up farms. China secured the right to grow palm oil for biofuel on 2.8 million hectares of Congo, which would be the world's largest palm-oil plantation. China is also negotiating to grow biofuels on 2 million hectares in Zambia, a country where Chinese farms are said to produce a quarter of the eggs sold in the capital, Lusaka. According to reports, 1 million Chinese farm labourers will be working in Africa this year, a number one African leader called "catastrophic". But the majority of new deals have been government-to-government. The acquirers are foreign regimes or companies closely tied to them, such as sovereign-wealth funds. China alone has set up 11 research stations in Africa to boost yields of staple crops.

NGOs and activists in Europe are denouncing this land grab in Egypt, Sudan, Cameroon, Senegal, Mozambique and elsewhere in Africa as a new form of colonialism.

Although countries have been importing food from one another for thousands of years, at least since the granaries of Rome were supplied from Northern Africa, it took on a new impetus during the so-called food shock induced by skyrocketing commodity prices in 2008. At that time, before the current economic crisis dragged prices lower again, rice, for instance, rose from \$250 a ton to more than \$1,000. Soy beans, maize and wheat all rose dramatically also. Food riots hit at least 30 countries and even brought down the government in Haiti. And, while prices have descended considerably from those highs, rice remains 49 percent above its 10-year average, maize is up 43 percent, soy beans 36 percent, and wheat 31 percent.

In September 2008, the International Finance Corporation (IFC) announced that it would greatly increase investments in "agribusiness development" in Africa, and South American states and in Russia because of new private sector interest in generating profits from the food crisis. Part of its spending will be to bring "under-utilized" lands into production.

Uwe Hoering, a German researcher on development policy for several European NGOs, said the land grab in Africa by countries such as Japan, South Korea, China and Libya serve to guarantee their own national food security. "After the recent speculation on the cereal and other food markets and the spectacular price hikes, these countries have lost confidence in the world market Hoering explained. The recent spike in global commodity food prices has also encouraged foreign investors to scramble for control of arable land in Africa. The outsourcing of food has suddenly become a very big business. Agriculture is in for a revolution, not only via trade but in vertical integration and technology.

Speaking at the African Development Bank Annual Meeting of the Board of Governors held in Dakar recently, the ADB President said "..... There are two messages of urgency with optimism". First, he is convinced that the long-term prospects for Africa are still very bright. The problems Africa face today affects all countries in the world, rich countries, emerging economies and low income countries for which the world has come together in search of solutions. "Africa is looking for no more, no less – as a partner – not a supplicant, but rather to be part of a co-ordinated global response to a crisis which is none of its creation, yet for which it is a vital part of the response". He continued to say that "If we do the right things, Africa can withstand the effects of the crisis, and prepare for a retake off".