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Foreign Direct Investment and Its Influence on Governance and Leadership Across Sub-Saharan Africa

Mary E. Boswell

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Executive Summary

There is a great deal of excitement about the investment environment across the African continent. The period between 2000 and 2008 saw a significant inflow of foreign capital investment, more focus upon Africa as a market, and higher rates of economic growth in Sub-Saharan Africa. The higher levels of economic growth in most African countries were due either directly or indirectly to increasing global demand for the continent's resources – notably for oil but also for gas, minerals, metals, and natural products such as fish and timber. There is also agreement that the increased demand has been driven by the emergence of China as an economic actor in Africa the last few years.

Foreign Direct Investment (referred to as FDI throughout this study) across Africa has been the subject of numerous studies in recent years. These studies have analyzed the increasing levels of FDI, FDI by emerging economies in the East and South, the increasing Chinese investment in Africa, and the impact of FDI on development among many others. Rather than repeat the data and analyses presented in these studies, this report seeks to highlight potential spheres of foreign influence on governance, governmental reform, and political change in Africa.

The key findings of this study are as follows:

- South Africa is the most vital source of intra-African investment. The South African move into the continent is distinctly different from other investors in that it is more diversified. In recent years, South African investment has shifted from Southern Africa, which was historically the country's primary investment destination to West Africa increasing from approximately 2.5 billion Rand in 2000 to 34.8 billion Rand in 2007.[1] While South African investment across the rest of the African continent is not new, the country has elevated the issue of intra-African investment to the level of foreign policy. South Africa occupies a unique position in a global context in terms of its access to southern and sub-Saharan Africa. Further, South African companies have the competitive advantage of longstanding historical ties and geographical proximity to the continent.
- Africans have started to address the growing influence of China. African academics, politicians, and business leaders are discussing the implications of Chinese and other foreign investment across the continent. Many have noted that the increased investment

[1] UNCTAD 2009. Economic Development in Africa Report 2009. Strengthening Regional Economic Integration for Africa's Development. New York and Geneva.

across Africa offers possibilities for leveraging renewed interest in the continent. China is seen as an alternative to western countries, which are viewed as pursuing their own neo-colonial interests with a history of pushing for policies that may not always be in line with African norms. Leaders also stress the importance for Africa to develop its own political agenda. In general Africans are beginning to tackle head on the issue of China's growing influence across the continent.

- While the economic and social development of Africa has been the subject of numerous studies and many international resolutions, and while FDI flows have been analyzed and evaluated, there has been minimal research on the correlation between the educational attainment of the African leaders and inflows of foreign investments in their countries. Early research indicates that African leaders educated internationally attract more FDI to their countries. These data also highlight that these leaders rely on the networks that they developed while obtaining education abroad.
- The case study on Equatorial Guinea reveals that while oil- and other natural-resource-rich countries depend little on international aid organizations or specific country donors, in many cases, multinational corporations (MNCs) have taken over the social programs within these countries. Through these corporate social responsibility (CSR) programs, MNCs have regular daily contact with high-ranking government officials. These networks can provide spheres of influence where corporations or countries can pressure for improvements in human rights and revenue transparency. Finally, the Equatoguinean government is particularly concerned about its international image evidenced by its spending on lobbyists and public relations firms to improve the country's image, especially in the United States. This may give the United States government some leverage in its relations with the country.

Note on Data

This study is based on primary data gathered through interviews, with those directly engaged in business across Africa. It is also based on data gathered at academic conferences, the African Leadership Network (ALN) Conference held in Addis Ababa, Ethiopia, from October 26 to 29, 2011, and the GIMPA/IDA Roundtable that took place in Accra, Ghana from November 8 to 11, 2011. Primary data for the case study on Equatorial Guinea were gathered from interviews with two researchers who recently completed dissertations based on extensive fieldwork in the country. Data from both dissertations are cited extensively throughout as they represent some of the most recent primary data collected in the country. Additional data on business practices in Equatorial Guinea are based on interviews with two businessmen who work in the mineral industry in the country.

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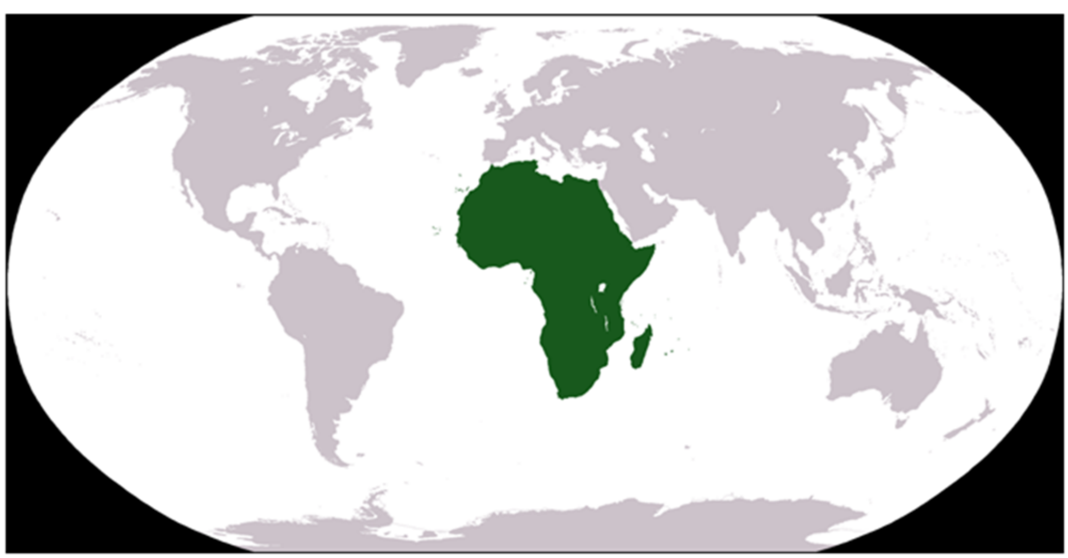
Mary Boswell

January 2012



Contents

Discussion

Recent Trends in Foreign Direct Investment

Global FDI inflows to African countries have been rising steadily over the last decade from around $9 billion in 2000 to approximately $52 billion in 2010.[2] FDI to African countries peaked in 2008 at $72 billion but fell by 20 percent during the global economic crisis.[3] (See Figure 1.) The natural resources sector continues to draw the most investment, which means that FDI in Africa continues to be primarily concentrated in a few countries. Between 2000 and 2009, about 75 percent of FDI to Africa flowed to oil-exporting countries.[4] In 2010, Angola is estimated to have received $7.9 billion, equivalent to 15 percent of all FDI to Africa in that year. Egypt followed with $6.8 billion, Nigeria with $4.5 billion; Libya, Morocco, the Republic of Congo, and Sudan each received between $3 billion and $4 billion in FDI. South Africa ranked eighth with $2 billion. While natural resources continue to draw the most, investment in the manufacturing and services sectors increased to 29 and 28 percent, respectively. Additionally some reports indicate that the telecommunications industry was among the dominant FDI sectors in 2009.[5]

Developed countries originating from member governments of the Organization for Economic Cooperation and Development (OECD) continue to be the most important source of FDI flows to African countries, accounting for 72 percent between 2000 and 2009.[6] The largest OECD investors in Africa are companies from the United Kingdom, France and the United States. FDI from the OECD is concentrated in a few countries and sectors and does not reach the entire continent equitably. From 2007 to 2009, 60 percent of OECD investment in Africa was made in three countries (South Africa, Egypt and Nigeria). During the past decade, foreign direct investment from emerging economies has increased and the share of annual FDI inflow from emerging economies increased from

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[2] Data obtained from Simon Freemantle and Jeremy Stevens, New Sources of Foreign Capital Mobilising for Africa Complementing and Competing with Traditional Investors Standard Bank, 4 August 2010). It should be noted that due to limited data on Sub-Saharan Africa (SSA) alone, these figures are for the entire continent of Africa.

[3] African Economic Outlook 2011

[4] Ibid.

[5] UNCTAD (2010) Economic Development in Africa Report 2010. South-South Cooperation: Africa and the new Forms of Development Partnership. New York and Geneva.

[6] African Economic Outlook 2011

around 17.7 percent in 1999 to 21 percent in 2008 with BRIC countries leading the way as the continent's newest trade and investment partners.[7]

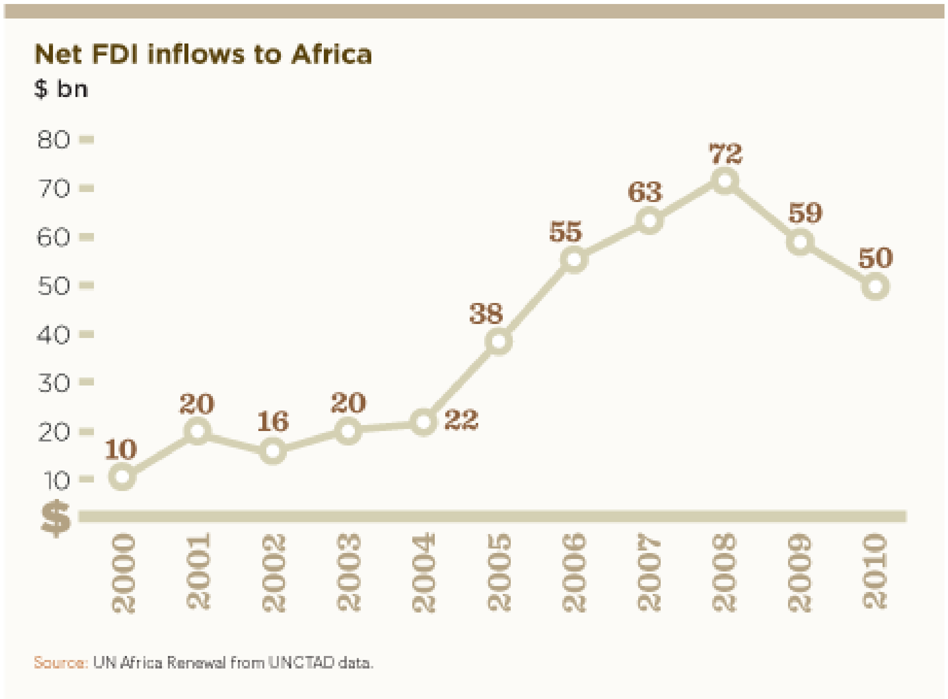

Figure 1. Net FDI Inflows to Africa

Intra-African FDI has become increasingly important, and South Africa is the most vital intra-African source of investment into the rest of the continent. South Africa is the strongest economy in Africa, where it represents almost a quarter of the continent's GDP. In the period 2002 to 2004, intra-African FDI was estimated at only $2 billion annually on average, which represented about 13 percent of total inward FDI.[8] In 2007, the flow of intra-African investment amounted to $6 billion.[9] Other important African investors include Mauritius, which accounted for 15 percent of total FDI inflows in Madagascar and 23 percent in Mozambique during the period 2004 to 2006. Kenya invested 10

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7 The acronym BRIC, which stands for Brazil, Russia, India, and China, was coined in a Goldman Sachs 2003 paper entitled "Dreaming with BRICs: The Path to 2010." Goldman Sachs argued that the BRIC block would become the largest economic collective entity in the world by 2050.

8 UNCTAD (2006b). *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development.* United Nations publication, sale No. E.06. II.D.11, New York and Geneva.

9 UNCTAD (2008g). *World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge.* United Nations publication, sales No. E.08.II.D.23, New York and Geneva.

percent of Uganda's FDI during fiscal years 2000 to 2002, while Egypt invested 19 percent of Algeria's inward investment in the period 1999 to 2001.[10]

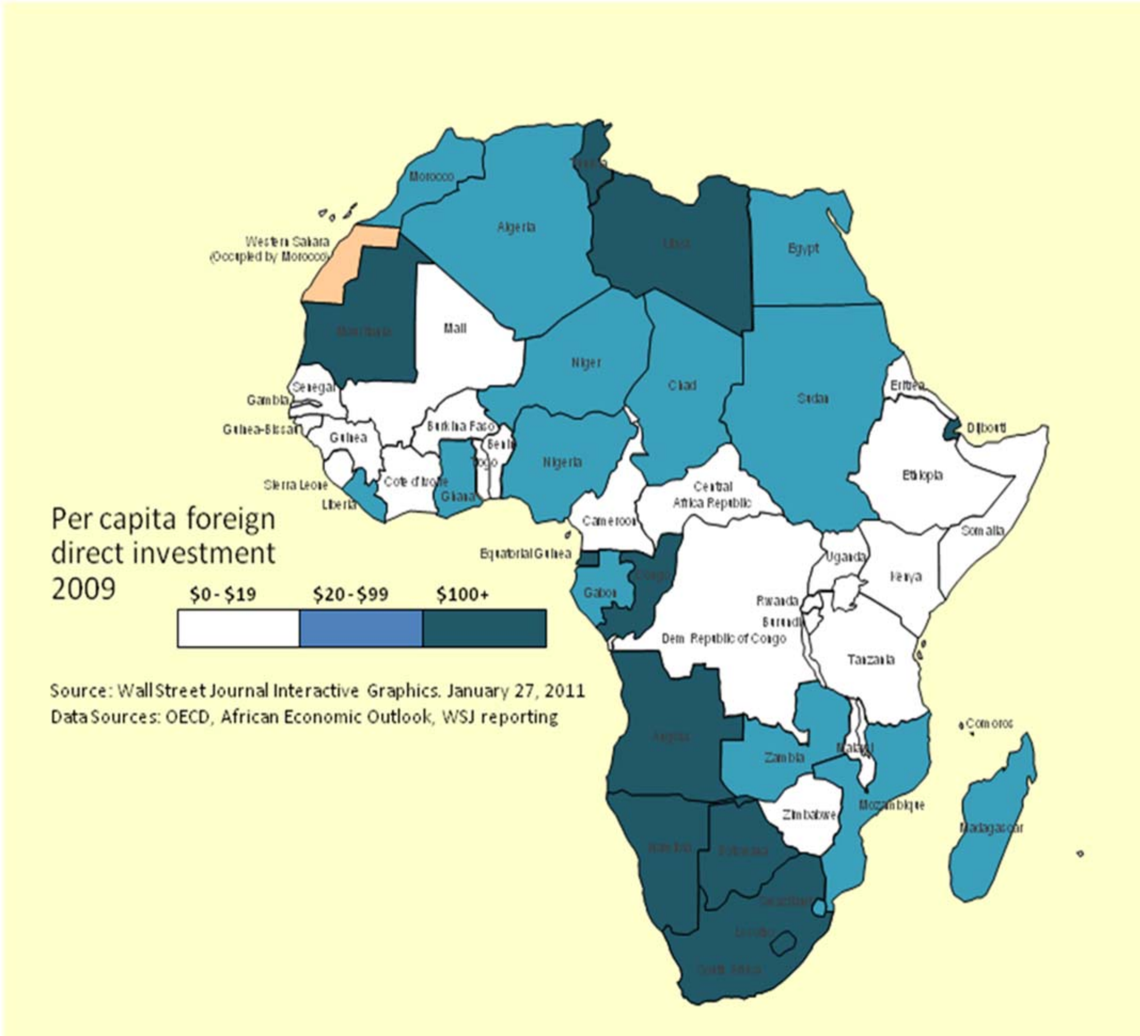

Figure 2. Per Capita Foreign Direct Investment

FDI and Development in Africa

FDI has become increasingly important, and, in contemporary economics, it is understood to be one of the solutions to underdevelopment. Developing countries see the role of foreign direct investment as crucial to their development. FDI is regarded as an engine of growth because it provides much needed capital for investment, increases competition in the host country industries, and aids local firms to become more

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[10] UNCTAD (2008f). *World Investment Directory: Volume X.* United Nations publication, Sales No. E.08.II.D.3, New York and Geneva.

productive by adopting more efficient technology or by investing in human and/or physical capital.[11]

Africa is a major recipient of foreign aid; there is, however, growing disappointment in the region with existing aid mechanisms, which most countries regard as characterized by a lack of fulfillment of commitments as well as reliance on policy conditions that influence their development policy choices. FDI, therefore, has become a more attractive option for developing countries.

A number of studies conclude that FDI contributes to both factor productivity and income growth in host countries, beyond what domestic investment normally would trigger; others conclude that FDI may actually serve to increase domestic investment. As countries develop and approach industrialized nation status, inward FDI contributes to their further integration into the global economy. A number of studies also conclude that a developing country's ability to attract FDI is influenced significantly by the entrant's subsequent ability to engage in importing and exporting activities. FDI can also have a number of destabilizing effects on host countries.[12]

As a result of the potential role of foreign direct investment in accelerating growth and economic transformation, many developing countries in general and Africa in particular seek such investments to accelerate their development efforts. Promoting and attracting FDI has therefore become a major component of development strategies for developing countries. In the case of Africa, the role of FDI as a source of capital has become increasingly important because it can assist in the attainment of Millennium Development Goal targets.[13]

In order to attract FDI, several African countries have put various measures in place to improve the overall investment environment, including liberalizing trade, modernizing investment codes, adopting international FDI agreements, and signing trade investment treaties. Together these initiatives provide core protections to foreign investors' exposure to risk and uncertain business environments. Some of these are incentives to ensure that resources are directed to areas and sectors where they are badly needed to deal with the issues of employment generation and poverty elimination. In some cases, there is the risk of "racing to the bottom" as countries compete for FDI by lowering corporate taxes,

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[11] OECD (2002) Foreign Direct Investment for Development: Maximizing Benefits, Minimizing Costs. Organization for Economic Co-Operation And Development

[12] For a full discussion see IDA study, *Roles, Motivations, and Impacts of Brazilian, Russian, Indian, and Chinese (BRIC) Investment in Africa's Natural Resources*. Bybee et al. Institute for Defense Analyses, 2011.

[13] Millennium Development Goals (MDGs) are targets with specific indicators aimed at tackling extreme poverty by 2015.

relaxing labor and environment standards, and allowing repatriation of profits and unlimited imports.[14]

South – South Cooperation: The Case of South Africa

South Africa is the most vital source of intra-African investment. A 2003 paper produced by LiquidAfrica Research argues that South Africa was the largest single country investor into the rest of Africa in the decade from 1990 to 2000. Investment over this period, according to LiquidAfrica, averaged around $1.4 billion annually from South Africa, or a total of roughly $12.5 billion over the decade.[15] In fact, even compared with BRIC country investors, the South African corporate presence across Africa is considerable and grows each year. While much attention has been focused on BRIC nations and other emerging economy investors into African extractive industries, South African investment across the continent has gone under the radar. The share of African host economies in South Africa's outward FDI stock reached almost $11 billion in 2008, increasing from 5 percent in 2000 to 22 percent. With regard to trade relations with the continent, South Africa's total bilateral trade of $5 billion in 1999 put it very much on the same level as China, India, and Brazil. But since 2000, it has been slipping significantly. In 2008, South Africa's total trade with Africa reached $20 billion, whereas BRIC trade with Africa (excluding South Africa) soared to $72 billion in 2008.[16]

The South African move into the continent is distinctly different from other investors in that it is more diversified. In recent years, South African investment has shifted from Southern Africa, which was historically the country's primary investment destination, to West Africa – increasing from approximately 2.5 billion Rand in 2000 to 34.8 billion Rand in 2007.[17] During that time, the share for West Africa increased from 10.35 percent in 2000 to 31.52 percent with most investment going to Nigeria, Liberia, and Ghana.[18]

South African investments into the rest of the continent include aviation and airport services, banking and financial services, construction, energy, manufacturing, media and broadcasting, retail trade, mining, tourism and leisure, utilities, and information technology. The investment charge into Africa has been led by companies such as Eskom, MTN, SABMiller, Sasol, Shoprite, Naspers and Standard Bank. The contribution

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[14] Amaro, Andrea and Miles William. 2006. Racing to the Bottom for FDI:

[15] LiquidAfrica, "JSE Companies in Africa", June 2003.

[16] Daniel, J., J. Lutchman and A. Cominos. 2007. "South Africa in Africa: Scrambling for Energy." In: *The State of the nation: South Africa 2007*. Edited S. Buhlungu et al. Cape Town: HSRC Press: 544-568.

[17] UNCTAD 2009. Economic Development in Africa Report 2009. Strengthening Regional Economic Integration for Africa's Development. New York and Geneva.

[18] Ibid.

from small and medium business, however, is also growing, driven by the growing consumer market across the African continent. Positive growth projections for this market indicate that there is little likelihood of South African companies being sidelined.

Mining has seen some of the largest investments including AngloGold's merger with Ashanti Goldfields. AngloGold acquired Ashanti Goldfield in Ghana in February 2004. Ashanti had significant stakes in operations in Guinea, Zimbabwe, and Tanzania. AngloGold is listed on securities exchanges in Johannesburg, Ghana, New York, and Australia, and on the London Stock Exchange, Euronext Paris, and Euronext Brussels. [19] It produces gold from 20 operations in 10 countries (Argentina, Australia, Brazil, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania, and the U.S.).[20] As part of Anglo American, it has other mining interests in other African countries. Another South African company, Randgold Resources, has investments throughout West Africa (Burkina Faso, Côte D'Ivoire, Mali, and Senegal) as well as the Democratic Republic of Congo. Additionally, Mvelaphanda Holdings has mining interests throughout Central and Southern Africa.

In the banking and services sector, Standard Bank has investments in 17 African countries, of which 10 are in the Southern African Development Community (SADC) region, including Namibia, DRC, Lesotho, Mozambique, Tanzania, Zimbabwe, Swaziland, Zambia, Malawi, and Botswana.[21] The Absa Group Limited (ABSA) has taken over banks in Tanzania and Mozambique and has representative offices in Namibia and Nigeria.[22] Investec and Metropolitan Life have also been prominent in the banking and services sectors while the state owned Industrial Development Corporation (IDC) is involved in 20 African countries.[23] In the telecommunications sector, Vodacom and MTN have expanded into several countries. MTN currently operates in 21 countries throughout Africa and the Middle East; Vodacom operates in Lesotho, Mozambique, Tanzania, and the Democratic Republic of the Congo (DRC).[24] In the aviation sector, South African Airways (SAA) is operating in 35 countries across the continent. In retailing, Shoprite Checkers has 71 branches in 16 African countries.[25] Another food and merchandise retail chain, Pick n Pay, has stores throughout Southern Africa. South African Breweries, Ltd. (SAB) a subsidiary of SABMiller, now has a presence in 44 out

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19 www.anglogold.com. http://www.anglogold.com/NR/rdonlyres/6256625E-C622-4C26-80C1-6F7720FE3C1A/0/2010GroupInformation.pdf. Accessed December 20, 2011.

20 Ibid

21 http://www.standardbank.com/Overview.aspx

22 http://www.absa.co.za/Absacoza/About-Absa/Absa-Group/Absa-Overview

23 Industrial Development Corporation website. www.idc.co.za accessed December 9, 2011.

24 http://www.mtn.co.za/AboutMTN/Pages/MTNSA.aspx, http://www.vodacom.com/av_wwa_where.php

25 http://www.shoprite.co.za/pages/127416071/About.asp

of the continent's 53 countries.[26] There has also been investment in agriculture. Illovo sugar has investments in Malawi, Tanzania, Swaziland, Mauritius, Zambia, and Mozambique.[27]

South African Foreign Policy Encourages Investment throughout the Continent

While South African investment across the rest of the African continent is not new, the country has elevated the issue of intra-African investment to the level of foreign policy. In a May 2011 foreign policy white paper titled, "Building a Better World: the Diplomacy of Ubuntu," the South African government articulated a clear policy on intra-African investment.[28] According to the policy paper, South Africa's evolving international engagement is based on two central tenets: Pan-Africanism and South-South solidarity. South Africa recognizes itself as an integral part of the African continent and therefore understands its national interest as being intrinsically linked to Africa's stability, unity, and prosperity. From the policy paper, it is clear that South Africa aims to be a successful and influential member of the international community by playing a leading role across the African continent. The government also declares its intent to position itself to take advantage of high growth economies in Africa and Latin America. Therefore, the expansion of South African corporate activity into African markets displays a pragmatic approach to taking advantage of opportunities offered by the continent.[29] Another section of the document highlights that regional and continental integration is the foundation for Africa's socio-economic development and political unity and further notes that such integration is essential for South Africa's prosperity and security. Consequently, Africa is at the center of South Africa's foreign policy, and the country plans to continue to develop partnerships with key countries on the continent as a mechanism for mutual advancement. South Africa's increasing investment into Africa reflects the strategies outlined above and can be seen as key in developing these partnerships. This may be one of the reasons that South Africa has begun investing heavily in West African countries, especially Nigeria and Ghana.

According to the foreign policy document, South Africa will implement policies that promote outward investment into the continent. Additionally, South Africa's relations with individual African countries remain central to its foreign policy practice. The

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[26] Nyagah, Nelly. "Tapping into Africa's huge consumer market." Oct 5 2010 http://www.tradeinvestafrica.com/feature_articles/796542.htm

[27] http://www.illovo.co.za/About_Us/Group_Information/Operating_Locations.aspx

[28] "Building a Better World: Diplomacy of Ubuntu." White Paper on South Africa's Foreign Policy. Approved by Cabinet for submission to Parliament. May 13, 2011. http://www.pmg.org.za/files/docs/110513SApolicy-foreign.pdf

[29] "Stability, Poverty Reduction, and South African Trade and Investment in Southern Africa" A conference presented by the Southern African Regional Poverty Network and the EU's CWCI Fund. Human Sciences Research Council, Pretoria 29-30 March 2004

country intends to continue to strengthen bilateral cooperation with African countries by engaging in sustainable partnerships for development, including through the promotion of trade and investment and the establishment of joint projects for infrastructure development. Another aspect of this foreign policy approach is diplomatic. South Africa has seen itself as a political leader in Africa, particularly in southern Africa. The policy document as well as a speech by Marius Fransman, Deputy Minister of international Relations and Cooperation, asserts that South Africa will continue to advance common African positions through its structured bilateral activities and in the international arena.[30]

To this end, in April 2010 President Jacob Zuma addressed the South Africa-Congo business forum, which formed part of Congolese President Denis Sassou-Nguesso's state visit. He noted, "The South African business delegation wants to explore business and investment opportunities in the Republic of Congo. As government, we fully support the development of stronger business-to-business linkages between the two countries."[31] He also applauded all efforts by the Congolese government to revitalize the country's agricultural sector and stated that South Africa welcomes the long-term land lease agreement of more than 200,000 hectares of idle farmland to a consortium of South African farmers. Zuma called upon South African businesses to seize these opportunities and invest in the economy of the Congo, arguing that the private sector should integrate itself into the rest of the continent: "We are part of Africa and our economy and our fortunes are linked to those of fellow neighbors and the rest of the continent. Our business community is aware of this imperative and respond positively to our call," said Zuma. Additionally, in December 2011, Zuma visited Mozambique. Included in the official state visit were discussions on bilateral cooperation in key priority areas and an address by Zuma to a joint sitting of the Parliament of Mozambique and the Mozambique-South Africa Business Forum.[32]

South Africa's regional dominance and its role as an economic powerhouse are indisputable. There are, however, two schools of thought on South Africa's expansion into the rest of Africa. It has been argued that South African corporate activity into African countries is not based solely on the altruistic reasons associated with regional development. This view holds that South Africa's role on the continent and in international forums is evidence of a drive to pursue national interests and promote

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[30] Interview with Marius Fransman, South Africa's Minister of International Relations and Cooperation, Center for Strategic and International Studies (CSIS), June 15, 2011. http://csis.org/multimedia/audio-interview-mr-marius-fransman-south-africas-deputy-minister-international-relations-

[31] "Address by His Excellency, President Jacob Zuma to the South Africa - Congo Business Forum." South African Government website. http://dev.absol.co.za/Presidency/president/sp/2010/sp04091145.htm

[32] "Joint Communique at the end of a two-day State Visit to the Republic of Mozambique by His Excellency Jacob Gedleyihlekisa Zuma" South African Government Information website. http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=24096&tid=52328 accessed December 20, 2011.

market access for its corporations with little concern for its neighbors and the continent. African leaders have expressed concerns over the hegemonic influx of South African investment, which is compounded by the huge trade imbalance in South Africa's favor.[33] South African expansion throughout the continent can be seen as in line with the broader notion of an African renaissance that was promoted by President Thabo Mbeki and that informs the policies of the African Union (AU) and New Partnership for Africa's Development (NEPAD).[34]

Other theorists argue that South Africa's engagement is based on non-coercive, non-hegemonic behavior; the country's policy of quiet diplomacy in Zimbabwe and Burundi are cited as examples. The policy document attempts to further this perspective with the language of *Ubuntu*. Ubuntu refers to an African approach to international relations that is based on the African ethic of respect for all nations, peoples, and cultures. The policy paper also claims that South Africa intends to support and promote the positive development of other countries, thereby indicating that the country is not acting solely out of self-interest. Additionally, Research by the South Africa Foundation concludes that South Africa's economic domination on the continent is neither "predatorial" nor development-orientated. Rather, its expansion is part of global forces at play.[35]

South African Advantages

South Africa occupies a unique position in a global context in terms of its access to southern and sub-Saharan Africa. South African companies have the competitive advantage of longstanding historical ties and geographical proximity to the continent. Therefore, the rest of the continent is ideally placed to be entered from a South African base. According to Standard Bank, relative to both GDP and total trade, South Africa is the country most integrated with the rest of the continent. South Africa can also exploit its preferential trade agreements with many countries in the sub-region, the traditional dependence on South Africa in the immediate Southern Africa region, and the expanding presence of many South African companies in all fields into other African markets. Another advantage is the familiarity with South African products of many across the

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[33] Stability, Poverty Reduction and South African Trade and Investment in Southern Africa. Human Research Council. Pretoria. 2001.

[34] This *New Partnership for Africa's Development* is a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development and, at the same time, to participate actively in the world economy and body politic. The Program is anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a globalizing world. NEPAD Website. http://www.nepad.org accessed December 20, 2011.

[35] http://www.southafrica.info/business/investing/africainvest.htm#ixzz1gWa1pI36

African continent.[36] South Africa can also exploit its preferential trade agreements with many countries in the sub-region, the traditional dependence on South Africa in the immediate Southern Africa region, and the expanding presence of many South African companies in all fields into other African markets. Another advantage is the familiarity with South African products of many across the African continent.[37] The expansion of supermarkets came at the time when African countries were making the transition to supermarkets, and European and United States supermarkets did not have a role in South Africa or in the other African countries in which South Africa invested.[38]

While the BRIC countries present challenges for South African companies in certain areas, the country has definite advantages that can be exploited. The growing regional integration and especially the proposed merger of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the East African community (EAC) can only serve to enhance South Africa's attempts to broaden cooperation and ties with the rest of the continent. South Africa's position can also be a strength as it is viewed by the BRICs as a gateway to southern Africa and beyond the region. South African companies have taken advantage of these opportunities in order to position South Africa as a key player in the fast-growing BRIC-Africa business ventures. An example is the opening of the China-Africa Development Fund (CADFund) office in Johannesburg. According to Chen Yuan, Chairman of the board of the China Development Bank (CDB), the new office serves as a channel to accelerate investment in both South Africa and the SADC region.[39]

South Africa's exports to the rest of Africa have been central to its broader drive to participate in global trade. South Africa's exports to Africa have increased from $3.5 billion in 1999 to $12.5 billion in 2008.[40] Most of the exports go to Zambia, Zimbabwe, Mozambique, the DRC, Nigeria, Tanzania, Kenya, and Angola.[41] These comprise mainly machinery, base metals, transport equipment, chemical products, mineral products, and

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[36] Freemantle, Simon, and Jeremy Stevens. "BRIC and Africa: South Africa Leading or Lagging the BRICs' Thrust in Africa?" Standard Bank, July 6, 2010.

[37] South African fast food franchises such as Steers, Nandos, Chicken Licken and pizza chain Debonairs are household names in many African capitals. "South Africa's Business Presence in Africa" South Africa Foundation. June 2004. http://www.businessleadership.org.za/documents/SABusinessPresenceinAfrica_web.pdf

[38] Page, Sheila and Dirk Willem te Velde. 2004. "Foreign Direct Investment by African Countries." Papers prepared for InWent / UNCTAD meeting on FDI in Africa. 22-24 November 2004, UNECA, Addis Ababa. http://www.odi.org.uk/resources/docs/5739.pdf

[39] "China in Africa: A Strategic Overview." Executive Research Associates (Pty) Ltd. 2009

[40] Freemantle, Simon, and Jeremy Stevens. "BRIC and Africa: South Africa Leading or Lagging the BRICs' Thrust in Africa?" Standard Bank, July 6, 2010.

[41] Ibid.

prepared foods.[42] South Africa has a comparative advantage over BRIC and other nations in such areas as precious metals, prepared foods, chemical products and works of art according to Standard Bank.

African Responses to Asian Investment

In the immediate post-Cold War era, Africa was considered as a sphere of Western influence. During the 1990s, policies implemented by the World Bank and the International Monetary Fund (IMF) influenced the African continent, and concepts such as democracy, good governance, privatization, and economic liberalization were hallmarks of the changes that swept across Africa. From the 2000s, South Africa, Senegal, Algeria, and Egypt managed to overcome their negative international status and became continental leaders in international policy arenas. Several of the leaders of these countries became the architects of the New Partnership for Africa's Development (NEPAD). The goal of NEPAD was to make the continent more competitive and attractive to international investment based on liberalization, export orientation, infrastructure development, regional collaboration, and good governance.

The United States adopted the African Growth and Opportunity Act (AGOA) by the end of the Clinton administration. AGOA is the official U.S. government trade and investment policy toward sub-Saharan Africa aimed at promoting free markets, expanding U.S.-Africa trade and investment, and stimulating economic growth and facilitating Africa's integration into the global economy. Soon after AGOA was enacted, the trade department of the European Union (EU) entered into negotiations for rearranging its relations with African, Caribbean, and Pacific countries through Economic Partnership Agreements (EPAs). African leaders increasingly came to scrutinize the trade imbalances with the West. The new activity by China, India, Brazil, and Russia among others into Africa has given African leaders a new sense of power in their international negotiations. It has also been argued that the new interest in the continent may actually create the environment for an era of African growth and renewal.[43] These new actors have given African governments and leaders options that were not available in the past. These new actors, and China in particular, are viewed as an important option for dealing with Western manipulation. China is Africa's leading emerging partner representing more than one-third of Africa's trade with emerging partners after the United States and France. In 1997, China-Africa trade was worth \$5 billion; in 2006, it was approximately \$55.5 billion. According to a senior economist at the Chinese

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[42] Daniel, J., J. Lutchman and A. Cominos. 2007. "South Africa in Africa: Scrambling for Energy." In: *The State of the nation: South Africa 2007*. Edited S. Buhlungu et al. Cape Town: HSRC Press: 544-568.

[43] Broadman, H. 2007. Africa's Silk Road: China and India's New Economic Frontier. Washington: World Bank.

Ministry of Commerce, it is expected to top $110 billion in 2011.[44] Many African nations, and especially those with long-term leaders, appreciate China's principle of non-interference in the internal affairs of the recipient country. These new actors are therefore providing African leaders with options and opportunities that were unavailable in the past. Most African countries still need to enhance their bargaining position relative to traditional and emerging partners to ensure that these partnerships are actually mutually beneficial and African countries get their fair share of the benefits.

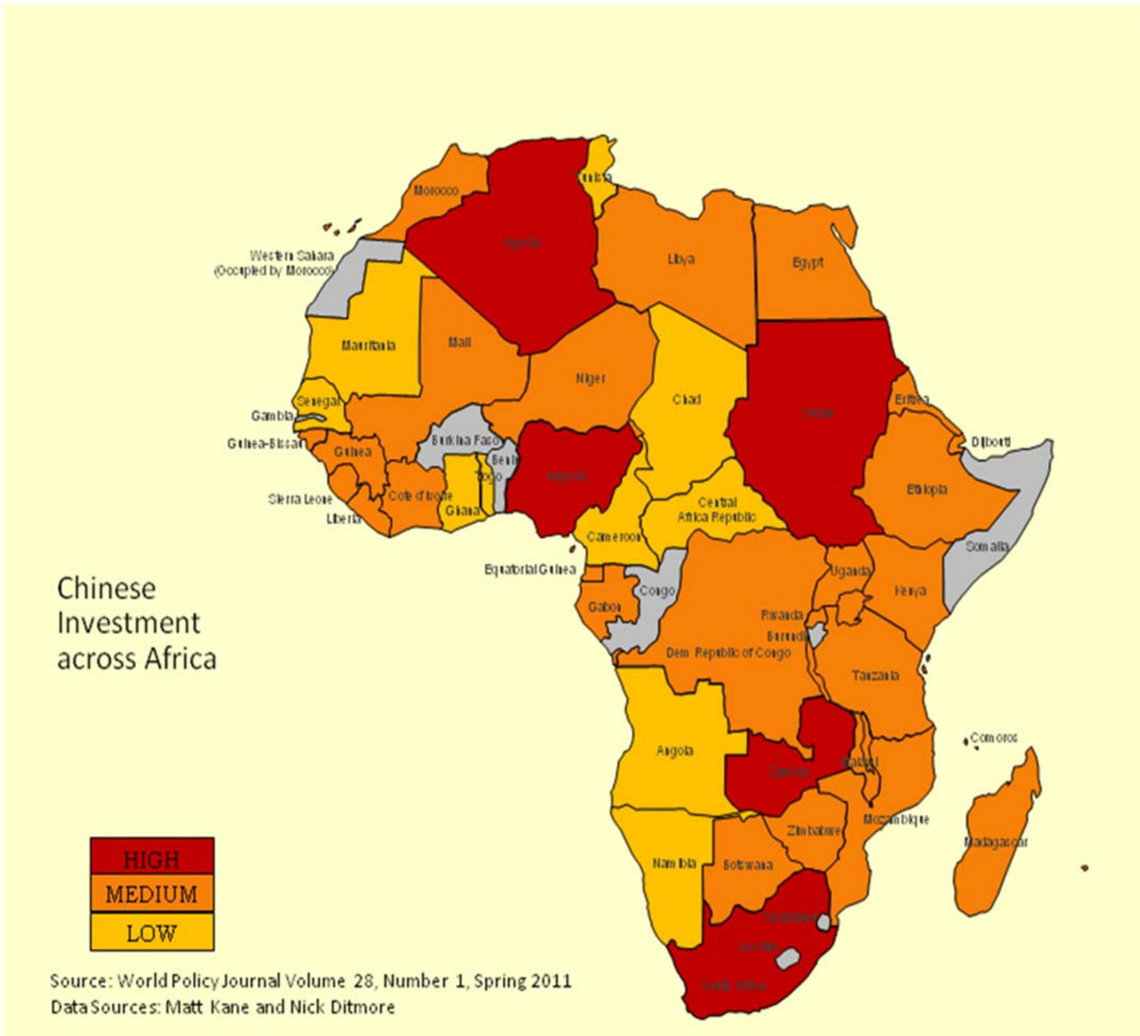

Figure 3. Chinese Investment across Africa

Managing China's Influence across the Continent

A topic that is becoming increasingly important across Africa is how to manage China's growing influence across the African continent. China's image as an alternative

[44] Taylor, I. 2007 China and Africa: Towards the Development of a Literature. Review Articles. Africa Spectrum 42(2):379-388.

to imperialist and neocolonial Western interests is becoming increasingly challenged by the business practices of the Chinese government and corporations. A new generation of African politicians, academics, and business professionals have started a dialog to tackle this issue. China is being taken to task for insensitivity to popular movements and support for illegitimate governments – namely Zimbabwe. One of the situations often cited is the 2008 shipment of Chinese military equipment to Zimbabwe after the 2008 disputed elections. Workers in Mozambique, South Africa, Namibia, and Angola refused to unload and transport the shipment to Zimbabwe. The Secretary of the South African Transport and Allied Workers Union described this as a "serious lack of respect for international solidarity."[45] He also stated that the Chinese government "regrettably demonstrated that profiteering remains the overriding consideration over human solidarity and saving lives."[46] The topic was addressed at length at the recent African Leadership Network meeting held in Addis Ababa, Ethiopia, in October 2011; although not on the agenda, the issue was raised during the Institute for Defense Analyses West Africa Roundtable in Accra, Ghana in November 2011.

One of the primary issues addressed was the need to develop a deeper understanding about the realities of Chinese engagement in Africa. Buddy Buruku, Policy Advisor with the Africa Center for Economic Transformation and scholar of China-Africa engagement, noted that Chinese aid to Africa is not what it appears. She noted that it is often bundled with private sector loans, grants, and in-kind aid. She called for Africans to be to be critical of China because of their increasing footprint across the continent. She noted that China has some level of economic engagement across the entire continent, and Africans need to keep a close watch on the outcomes. Buruku highlighted China's 20 percent interest in Standard Bank as one case that should be monitored. Specifically, she was referring to the October 2007 Industrial and Commercial Bank of China (ICBC) purchase of a 20 percent share in South Africa's Standard Bank Group, Ltd., for $5.4 billion.[47] China also acquired a stake in Barclays Bank, the United Kingdom's leading African Bank with dominant positions in Nigeria, South Africa, Zambia, and Zimbabwe. These purchases guarantee Chinese access to powerful interests in the financial community of key African countries and facilitate investment through non-bilateral government-to-government arrangements. [48] This is consistent with a strategy being used by Chinese financial institutions to facilitate trade and investment by buying overseas banks that have an extensive African footprint.

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[45] Maletsky, C. "Shipment of Shame Cargo delivered to Zimbabwe." *The Namibian* May 20, 2008.

[46] Ibid

[47] China in Africa: A Strategic Overview. Executive Research Associates (Pty) Ltd. 2009. http://www.ide.go.jp/English/Data/Africa_file/Manualreport/pdf/china_all.pdf

[48] Ibid

China was discussed as a resource for transformation in Africa; however, Buruku stressed that the onus is on African countries to ensure that this engagement benefits African people. Buruku asserted that pressure will not come from the current leaders because they are too tied up in the deals but that civil society groups would have to hold their governments accountable. Buruku made the case that business professionals and emerging leaders would have to invest in building the institutions necessary for developing such civil society groups.

In a discussion about the pros and cons of Chinese engagement in Africa, Buruku and Senegalese journalist Adama Gaye highlighted a number of relevant and what they deem pressing issues. One of the pros outlined was that China's interest is giving African countries access to capital and helping to create markets by drawing other investors to the region. Buruku noted that the West has been traditionally uninterested in investing in infrastructure while the Chinese understand that infrastructure is a much-needed investment in order to continue to develop markets. Buruku argued for much more transparency with regard to the deals being made. Buruku also discussed the fact that Africans need to think more strategically; she stressed that Africans can get their products into China tariff free, and China represents a major potential market for African products. Additionally, Buruku noted that China has pledged to offer 5,000 scholarships and to train engineers and scientists in the telecommunications field. She then asked if they will really deliver. Buruku concluded by stating that African governments and civil society organizations need to work to ensure that these promises are realized.

Adama Gaye pointed out that the Chinese often make it difficult to discuss African-Chinese relations in a frank and honest way because one thing he has learned is that you do not make a Chinese lose face in public. He argued that this should not stop Africans from pushing an African agenda. He stated that China has given Africa a new global voice, but he cautioned and reminded the audience that Africa does not need stakeholders to speak for Africa. Gaye noted that, although many think that the African Union (AU) is becoming increasingly irrelevant, it could be useful for discussions regarding China to take place at the continental and regional levels because some countries are so desperate for investment that they enter into poorly structured deals. He also stated that this could be useful because China is not engaging with the continent but rather with a few select countries. Gaye argued that Africa needs to develop a more cohesive voice in its relations with investors, and the way to do this is to strengthen African institutions and regional projects, which could help ensure that citizens rather than government officials and elites benefit from the increasing investment across the continent. Gaye argued that the Chinese know what they want and work cohesively to achieve their desired goals unlike Africans who are often pushed into deals for fear that the Chinese will move elsewhere. He urged African leaders, however, to be tough in their negotiations. Gaye noted that Zambia's recently elected President Michael Sata is one leader who should be regarded as a role model. Gaye argued that it is essential for Africans to make sure that there is, in fact, a knowledge and skills transfer as is often the claim made by those in favor of FDI as a source for development. He said that ultimately China must be subjected to scrutiny because Chinese citizens tend not to hold their government accountable. Gaye stated that while there is often much criticism of the West, the difference between China and the West is that the West is scrutinized and held accountable by its own citizens. He noted this is evident with China's engagement with Africa because it was the West that first called attention to the exploitative nature of these relationships.

Foreign Education

Another area that may impact FDI inflows to African countries is education obtained abroad. A recent study argues that foreign-educated leaders attract more FDI to their countries.[49] Ultimately the claim is made that education obtained abroad encompasses a number of factors that can make a difference in FDI flows when a foreign-educated individual becomes a leader. The reasoning is that when individuals educated abroad become leaders within their countries, they draw on the social capital, networks, and connections built while they were abroad, which they in turn mobilize and utilize when they become leaders.[50]

Tertiary students from sub-Saharan Africa are the most mobile in the world, with one out of every 16 – or 5.6 percent – studying abroad, according to a report from the UNESCO Institute for Statistics (UIS). Mobile students are defined as those who study in foreign countries where they are not permanent residents. For sub-Saharan, students mainly go to the United States, the United Kingdom, Germany, France, Australia, and Canada.[51] Figures from 2006 show that the top four sending countries from Africa were Nigeria, Kenya, Senegal, and Botswana.[52] There are signs that patterns and flows of international students may start to change. Although today's leading host countries will continue to exert a strong attraction for international students, it is likely that their share will continue to decline. Between 2000 and 2008, the United States saw its market share drop from 26 percent to 19 percent, and while every OECD country saw its absolute foreign student numbers increase, Germany, the United Kingdom, Belgium, and Sweden

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[49] Constant, Amelie and Bienvenue Tien. 2010. African Leaders: Their Education Abroad and FDI Flows. Institute for the Study of Labor. Germany.

[50] Ibid.

[51] Macready, Caroline and Clive Tucker. "Who Goes Where and Why." 2011. Institute of International Education. New York

[52] Kishun, Roshen. "Measuring international student mobility trends: In and out of Africa." Institute of International Education. http://www.iienetwork.org/file_depot/0-10000000/0-10000/1710/folder/53578/Roshen+web.pdf

also lost market share. It is interesting to note that South Africa also lost mobile students from across Africa. Notable gainers were Russia, Australia, Canada, South Korea, and New Zealand.[53]

International academic mobility is increasingly intertwined with national policy objectives as countries recognize the necessity for sharing knowledge, building intellectual capital, and remaining competitive in the global economy. To this end, China has an established relationship of building diplomatic ties in Africa. Like many growing financial powers, China has an interest in promoting education on a worldwide scale. As one of the world's largest exporters, China is always looking for ways to build new markets and strengthen international ties; scholarships have been a great part of that strategy.

In an effort to create the structures to promote Africa-China relations, there were three forums for Africa-China Cooperation (FOCAC) alternating between Beijing and African capitals. The first one was in 2000 in Beijing, the second was in 2003 in Addis Ababa, Ethiopia, and the third was in Beijing in 2006. During this forum, attended by almost 40 African Heads of State (more African Heads of State congregating in Beijing than at anywhere else other than at the United Nations Headquarters), China made a pledge to increase the number of scholarships for African students coming to study in China from 2,000 each year at the time to 4,000 each year by 2009.[54] Similarly, at the Fourth Ministerial Conference of the Forum on China-Africa Cooperation in Sharm El Sheikh in Egypt, China announced that it will increase the number of scholarships to African students to 5,500 by 2012.[55] This plan was echoed by Li Changchun, a senior official of the Communist Party of China (CPC), in his keynote speech, titled "Strengthen China-Africa Friendship and Cooperation to Build a Better Tomorrow" to hundreds of students and teachers at the University of Nairobi.[56] There is also a push to boost scholarships for Chinese language teachers to help them study in China and to double efforts to raise the capacity of local African teachers to teach the Chinese language.[57] Reportedly, China Confucius Institutes headquarters has allocated more than $4 million to 21 Confucius Institutes throughout Africa.[58] These African students would then play a

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[53] Macready and Tucker, 2011.

[54] It is difficult to determine how many African students are currently studying in Chinese universities due to conflicting reports and lack of information.

[55] Sawahel, Wagdy. "CHINA-AFRICA: Three-year partnership plan announced." *University World News*. November 29, 2009. http://www.universityworldnews.com/article.php?story=20091127124452958&mode=print

[56] China vows to increase government scholarships for African students. April 21, 2011. Xinhuannet.com. http://news.xinhuanet.com/english2010/china/2011-04/21/c_13838308.htm

[57] Sawahel, Wagdy. 2009

[58] "$4 Million Aid for Confucius Institutes in Africa." *China Daily*. August 13, 2010. http://www.chinadaily.com.cn/china/2010-08/13/content_11152173.htm. Accessed December 20, 2011.

significant role in Africa-China relations when they return to Africa and begin to work at institutions, both in the private and public sectors.[59]

In a similar effort, there is a standing committee for the Promotion of Indian Higher Education Abroad (PIHEAD) under the auspices of the University Grants Commission (UGC), a statutory body of the Government of India.[60] PIHEAD is charged with internationalization of Indian higher education by working together with UGC and other agencies.[61] There is a particular focus on students from developing countries in Asia and Africa. Kenya, Tanzania, Uganda, Ethiopia, Mauritius, Sudan, South Africa, Nigeria, and Mozambique are the target countries in Africa.[62]

Several universities were invited to take initiatives in this drive for recruiting international students. PIHEAD highlights the advantages to studying in India, emphasizing the low cost of tuition and living, a new cultural experience, English as the primary language of instruction, and proximity to Asian and African countries in promoting the intake of international students. The number of international students studying abroad in India is steadily growing. Though a formal count of international students has yet to be established, the estimated number is more than 8,000 with more than 6,600 students from Asia and Africa.[63]

The Impact of Education Abroad

In most countries across Africa social networks are important and often serve as the foundation for professional relationships. Business opportunities are typically derived from political power and often from a single individual in a powerful position. Additionally, personal networks rather than code of law are essential to business relations. People often forge long-lasting friendships in college, and college provides the necessary social capital for students as they engage in the day-to-day business of running their governments and businesses. In developing countries, social networks are increasingly important and often serve as the foundation for professional relationships.

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[59] Bodomo, Adams. 2009. Fresh faces for future Africa-China relations: A note on the experiences of newly-arrived African students in China on FOCAC funds. A paper present at the *Symposium on Reviews and Perspectives of Afro-Chinese Relations* organized by the Institute of African and West Asian Studies/Chinese Academy of Social Sciences, October 13, 2009, Beijing, China. University of Hong Kong

[60] University Grants Commission. http://www.ugc.ac.in/about/genesis.html Accessed. December 3, 2011.

[61] Lavakare, P.J. and Vidya Yeravdekar Increasing Higher Education Opportunities for African and Asian Students: Experience of Symbiosis International University in India. Institute of International Education. iienetwork.org/file_depot/0.../0.../Lavakare+$26+Yeravdekar.docSimilar

[62] Target Countries, Promotion of Indian Higher Education Abroad (PIHEAD) website http://www.ugc.ac.in/new_initiatives/targetcontries_a.html

[63] "African students favour India over Europe and US." *Daily News and Analysis.* May 2, 2010. http://www.dnaindia.com/academy/report_african-students-favour-india-over-europe-and-us_1378211

Therefore networks become a form of social capital crucial in facilitating economic activity and growth. African individuals educated abroad are "arguably more marketable and better prepared to compete in today's global labor market with a qualification incorporating elements from two systems." [64] Ultimately, however, the message is that any time spent abroad enriches students' lives academically and helps them professionally to enhance their intercultural and linguistic skills; if they return to their country of origin, they bring dividends in terms of enhanced competitiveness.

What does an education abroad mean for the future of African leaders? Research by Constant and Tien (2010) indicates that having both a tertiary education and acquiring it from abroad matters for FDI inflows above and beyond standard determinants of FDI. Human capital, social networks, connections, acquaintances, or contacts constitute resources that individuals can use to pursue interests and attain goals. When combined with leadership positions, these social resources can be used for the betterment of the nation. According to one study, social capital built abroad during the leaders' education period is often the latent link that establishes the direction of FDI from the world to Africa. In the absence of strong financial institutions and legal frameworks, social bonds provide guarantees to investors where contractual law may fail. Furthermore, educated politicians generally can ensure a high quality of government because education significantly reduces the probability that an elected official uses his power opportunistically.

Case Study: Equatorial Guinea

Equatorial Guinea is a small country both demographically and geographically. The country has a population of roughly 660,000, making it one of the least populated countries in Africa.[65] It is also one of the smallest geographically, with 28,051 square kilometers (slightly smaller than the U.S. state Maryland) spread between several small islands in the Gulf of Guinea and a mainland territory (Río Muni) sandwiched between Cameroon and Gabon.[66]

[64] Constant and Tien. 2010

[65] It should be noted that differing data circulate regarding the country's population. The government of Equatorial Guinea places the population figure at just over one million, a statistic disregarded by most international organizations, which accuse the government of inflating the actual number for political reasons. The statistic used here is from the World Bank (2010a) and lies within a range used by most international organizations (the World Bank's precise estimate is 659,197).

[66] EG Justice. 2008. "Background on Equatorial Guinea." http://www.egjustice.org/?q=background-equatorial-guinea (Accessed November 17, 2011).

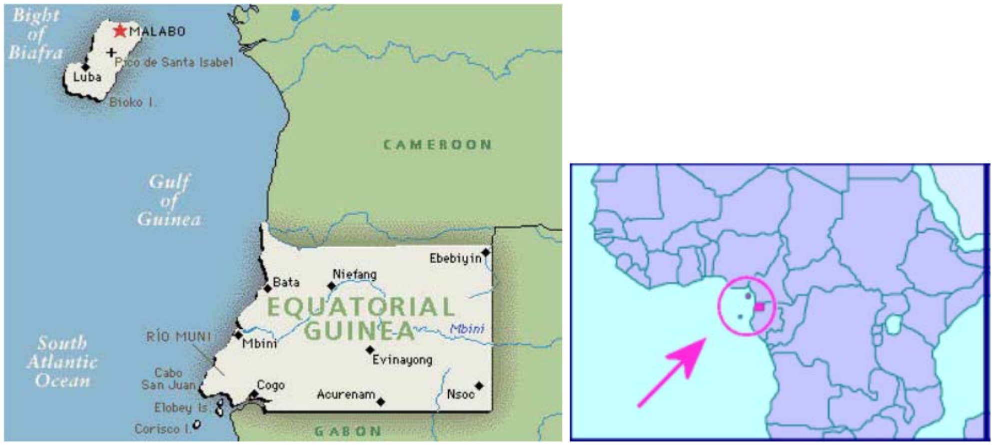

Figure 4. Map of Equatorial Guinea

Since the discovery of commercially viable hydrocarbon deposits in the mid-1990s, Equatorial Guinea has received more than $50 billion in capital deployment from American oil and gas companies alone. Equatorial Guinea is one of Africa's most important new oil producers; the long-impoverished microstate is at the center of the Gulf of Guinea petroleum industry from which more than 17 percent of U.S. net petroleum imports now come.[67] As a result of the discovery of oil, Equatorial Guinea is no longer one of the world's poorest nations. The country enjoyed one of the fasted growth rates in the world during the 1990s and 2000s, placing its GDP per capita on par with many industrialized nations; however, most of the oil wealth has accrued to a small elite class and has bypassed the majority of citizens.

Oil drives the economy of Equatorial Guinea. In 2008, hydrocarbons accounted for 99.3 percent of the nation's $14.5 billion exports.[68] In 2008, oil accounted for 98 percent of total government revenues.[69] The country has relatively limited oil reserves, restricting the window of opportunity available to the government for converting the country's newfound oil wealth into sustainable prosperity. The country has a daily production level of 346,016 barrels and proven oil reserves of 1.7 billion barrels; it is estimated that the country's oil reserves will be exhausted in approximately 20 years unless substantial new reserves are discovered.[70]

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[67] EIA. 2010. "Equatorial Guinea Energy Profile" www.eia.doe.gov (Accessed August 9, 2010).

[68] IMF. 2010a. *Republic of Equatorial Guinea: Statistical Appendix*. IMF Country Report No. 10/102. Washington DC.

[69] IMF. 2010a. *Republic of Equatorial Guinea: Statistical Appendix*. IMF Country Report No. 10/102. Washington DC. Republic of Equatorial Guinea. 2010. "Building a Nation: Investing Oil Revenue in Infrastructure." http://guinea-ecuatorial.com/initiatives (Accessed November 15, 2011). República de Guinea Ecuatorial. 2010. *Primer Informe de la Iniciativa para la Transparencia en las Industrias Extractivas, 2007-2008*. Malabo, Guinea Ecuatorial: Oficina Nacional Autónoma de Coordinación de EITI.

[70] EIA. 2009. "International Energy Statistics." http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=53&aid=1&cid=&syid=2005&eyi

Under President Teodoro Obiang Nguema Mbasogo, corruption has become an institutionalized feature of governance, with hundreds of millions (if not billions) of oil revenue dollars landing in offshore bank accounts controlled by Obiang and his close associates. In 2001, the IMF reported that government revenues equivalent to 10 percent of the country's GDP vanished.[71] The new Cabinet appointed by Obiang in January 2010 has 68 ministers and deputies, a 50 percent increase over the previous cabinet a move that effectively enables Obiang Nguema to expand the distribution of oil rents via government posts and extend his patronage network.[72]

States with oil revenues tend to be less reliant on foreign aid than non-oil-rich states because the actual oil revenues are much larger than the official development assistance. A case can be cited of Equatorial Guinea where foreign aid support almost ceased until recently. The World Bank and the IMF have had only limited involvement in Equatorial Guinea first because of corruption and mismanagement and now because the country is no longer eligible for development aid programs because of large oil revenues.[73] A health improvement program was the last major program funded by the World Bank's International Development Association (IDA), which was closed in 1999; since then, there have been no significant new Bank lending programs for the country. Oil wealth not only impacts levels of official development assistance (ODA) available to countries (often leading to a reduction or complete end to ODA) but it also affects relations between a country and the concerned donor organizations and agencies because of the appearance of self-sufficiency when a country sees itself as capable of financing expenditures on its own. The result is that international donor countries and organizations no longer have leverage to press for changes in government or human rights.

While the Obiang regime does not have to rely on the international community, there are indications that the regime is making a concerted effort to polish its international image. The government's official website is available in English, despite the fact that very few Equatoguineans speak the language, indicating that its content is intended for a "Western" audience. The government also has an active public account on Flickr, an online photo sharing website. Before May 2010, the vast majority of photos on the site displayed Equatoguinean government officials meeting with foreign government officials, particularly those from the U.S. Government. Additionally, since the U.S. public relations firm Qorvis Communications was contracted by the government in May 2010, a series of new photos have appeared that highlight the infrastructural investments

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d=2009&unit=TBPD (Accessed May 22, 2010). BP. 2010. *Statistical Review of World Energy, June 2010*. London: Beacon Press.

[71] Global Witness. 2004. *Time for Transparency: Coming Clean on Oil, Mining and Gas Reserves*. London: Global Witness Ltd.

[72] African Economic Outlook 2010

[73] Department of State website. http://www.state.gov/r/pa/ei/bgn/7221.htm (Accessed January 3, 2012)

of the Equatoguinean government. Further, Equatorial Guinea has hired a number of lobbyist, public-relations, and law firms to improve the country's image among U.S. Government officials in Washington, DC.[74] In 1995, Obiang Nguema hired the American public relations firm Black, Manafort, Stone & Kelly for a 6-month contract worth $56 million to improve the country's image in Washington, DC.[75] Between 1999 and July 2010, the Equatoguinean government reportedly spent more than $13.5 million on lobbying and public relations activities to improve its image in the United States.[76]

Further evidence of the Obiang Nguema regime's effort to enhance its international image and legitimacy was visible in the proposed UNESCO-Obiang Nguema Mbasogo International Prize for Research in the Life Sciences, a $3 million scientific grant to be awarded to up to three scientists each year in the name of Equatorial Guinea's President.[77] The irony of a developing country that still faces a number of its own development challenges, including education, donating $3 million to UNESCO (through the "Obiang Nguema Mbasogo Foundation for the Preservation of Life") to establish an annual science prize was not lost on an array of international NGOs, scholars, and exiled Equatoguineans, who petitioned UNESCO to reconsider its association with the award.[78] These activities indicate that in its relations with the U.S., the European community, and China, the Obiang Nguema regime appears willing to barter the country's oil and natural gas in exchange for favorable international standing. This is ironic because the regime receives support from China and Obiang has consistently praised Chinese official cooperation for lacking any political interference and any diplomatic compensation.[79]

Business Networks and CSR Programs

Business practices and corporate social responsibility (CSR) programs provide an arena where multinational corporations (MNCs) and international business people can

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[74] For an interesting overview of foreign countries using lobbyists to influence U.S. government officials, see Kurlantzick 2007. Kurlantzick, Joshua. 2007. "Putting Lipstick on a Dictator." Mother Jones. May 7. http://motherjones.com/politics/2007/05/putting-lipstick-dictator (Accessed January 3, 2012).

[75] Liniger-Goumaz, Max. 2000. *Historical Dictionary of Equatorial Guinea. 3rd Ed.* Lanham, MD and London: The Scarecrow Press, Inc.

[76] Narayanswamy, Anupama, and Luke Rosiak. 2009. "Adding it Up: The Top Players in Foreign Agent Lobbying." *ProPublica.* http://www.propublica.org/article/adding-it-up-the-top-players-in-foreign-agent-lobbying-718. Accessed January 3, 2012.

[77] Lynch, Colum. 2010. "UNESCO's Strongman Prize for Life Science." *Foreign Policy Online*. April 29. http://turtlebay.foreignpolicy.com/posts/2010/04/29/unescos_strongman_prize_for_life_sciences (Accessed January 3, 2012).

[78] EG Justice. 2010. "UNESCO-Obiang Nguema Mbasogo International Prize for Research in the Life Sciences." Open Letter to UNESCO. March 4. http://www.egjustice.org/?q=unesco-obiang-nguema-mbasogo-international-prizeresearch-life-sciences (Accessed January 3, 2012).

[79] Esteban, Mario. 2010. "A Silent Invasion? African views on the Growing Chinese Presence in Africa: The Case of equatorial Guinea." *African and Asian Studies* 9 (2010) 232-251

directly influence government officials. The potential of MNCs to have a developmental impact on developing countries is growing. Corporate philanthropy is on the rise; in 2007, it was equivalent to 31 percent of U.S. ODA to developing countries.[80] In some developing countries, particularly natural resource rich countries whose high GDPs makes them ineligible for substantial ODA, the philanthropic contributions of MNCs to development efforts exceed those of public development institutions. For instance, the CSR spending of MNCs in both Angola and Equatorial Guinea is greater than the USAID's budget in those countries.[81]

The Obiang Nguema regime incorporates the activities of CSR projects into a domestic campaign to improve its image. Some of these projects, such as the Unitary School Obiang Nguema Mbasogo of Cacahual, whose $410,000 cost was financed by the Atlantic Methanol Production Company (AMPCO), are even named after the President. The government has also adopted the UN Millennium Goals, which aim to eradicate extreme global poverty by 2015. The government's commitment to the UN Millennium Goals combined with its desire to achieve sustainable economic development through economic diversification, are potential motivations behind the government's effort to get MNCs to contribute to the country's socioeconomic development via CSR projects. Added to this, the government may want the local population to see visible and tangible improvements across the country. Thus, CSR projects represent a way for the government to provide visible services to local populations.[82]

The oil company-government interface occurs primarily through the Ministry of Mines, Industry, and Energy (MMIE), which coordinates most activities involving the petroleum industry and the multinational oil companies, including their social development, local content, and workforce contributions. Although the Ministry is headed by Marcelino Owono Edu, it is common knowledge that the President's son, Gabriel Obiang Lima is essentially in charge of the day-to-day operations. The office of Local Content, headed by Javier Clemente, located within the MMIE, is responsible for working directly with the MNCs to ensure compliance and effective coordination of their national content requirements. In particular, the MNCs work closely with the Director of the Local Content office. In most cases, oil companies route their social projects through the MMIE, even though most projects involve health or education. Once projects are approved, the MMIE coordinates between the oil companies and the relevant ministry, typically the Ministry of Education, Science, and Sports or the Ministry of Health and

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[80] Hudson Institute. 2009. "The Index of Global Philanthropy and Remittances 2009." Center for Global Prosperity.

[81] Cited in Krause Dissertation and based on personal interview between the author and a USAID official in Equatorial Guinea, September 2008.

[82] Ibid

Social Welfare.[83] Ultimately, the process of getting CSR projects from inception through execution indicates that there is very close interaction between high-level government officials and oil company employees.

CSR program company officials have the benefit of being in the country and having close relationships with government officials. As opposed to donors geographically far removed from the country where projects are being implemented, MNCs have a presence in the country, which creates multiple advantages over more traditional donors. MNCs have developed key contacts in the government that they can call upon to assist their development efforts. This has been particularly critical in Equatorial Guinea, where relationships with government officials are especially important for advancing one's cause – often on the same day, and involving little more than one or two phone calls or meetings. Additionally, due to their in-country business operations, MNCs already have a large support network in place that can be mobilized quickly to assist their NGO and government partners. For example, a relatively simple matter like vehicle procurement, which may take months under the auspices of bureaucratic organizations such as the World Bank or UN, is accomplished quickly and smoothly by MNCs. [84]

Overall, in Equatorial Guinea as in many African countries, relationships with local, regional, and national public authorities are important. These relationships help companies negotiate the regulatory environment. An interview with an individual who conducts business in Equatorial Guinea indicated that personal relationships are extremely important in Equatorial Guinea as well as other African countries where he conducts business regularly.[85] He noted that "building long-term relationships is virtually the only way to do business; therefore, it is important to invest in these relationships." He said that these are relationships with high-level government officials and it is not uncommon to pick up the phone and call a minister of energy or mining. The result of these close relationships is that large companies may be able to some pressure on legislation and policy making.

Another interesting finding to emerge from the Equatoguinean case is that government officials have greater trust in MNCs than in large international aid organizations such as the United Nations, World Bank, and IMF. A number of government officials question whether these organizations have the best interest of the country in mind. At least in part, lingering suspicion and resentment toward the more traditional development agencies explains why the government holds a more favorable view of working with MNCs than international development agencies on development projects.

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83 Ibid

84 This situation was relayed in a personal interview.

85 Interview with a businessman who works in Equatorial Guinea, Washington, DC, December 1, 2011.

It is, however, important to note that although there is an asymmetrical power relationship between MNCs and the government, the government, despite the economic clout of MNCs, ultimately grants international companies licenses to operate. Added to this, the emergence of powerful MNCs from Brazil, China, France, Japan, Portugal, Russia, and Spain has added to the field of competition in the petroleum sector; therefore, companies are well aware of the importance of their relationship with the government.

Due to the county's lack of reliance on official development assistance, Equatorial Guinea (as other oil rich countries) appears to be in a position of power in relation to the international community. However, the government of Equatorial Guinea – and Nguema specifically – has expressed concern about the international standing of the country. This gives the United States an entry point for negotiations with the country.

Conclusion

Foreign direct investment into Africa has risen steadily over the last decade. Developed countries continue to be the most important source of FDI flows to African countries; however, investment from emerging economies has increased significantly. Intra-African FDI has also become increasingly important, and South Africa is the most significant source of intra-African investment into the rest of the continent. The result is that new sources of foreign direct investment into Africa have reduced the reliance of African nations on traditional international partners. This means that the United States and Europe have lost some of their bargaining power in their relations with African countries.

The data presented in this study indicate that FDI from sending nations is often coupled with social, political, or other programs that could influence the internal dynamics of the receiving country or that are designed to primarily benefit the sending nation. While South Africa sees its prospects as broadly tied to the African region and specifically tied to SADC nations, through its business practices the country is taking advantage of its longstanding ties to the continent. The result is that South Africa has prioritized intra-African investment to the level of foreign policy and actively pursues market access for its corporations.

Similarly, China and India not only invest throughout Africa, but are also seeking to create markets as well as future allies. To this end, both counties increased scholarship support for students to study abroad in their countries. The result is future leaders who can conduct business and have social and professional networks within these countries. Meanwhile the numbers of international students from Africa who study in the United States and European nations continue to decline because of the difficulty with their obtaining visas. As highlighted in this study, education obtained abroad can directly affect the social networks of future political and business leaders and potentially create business opportunities in African nations.

Ultimately, as African intellectuals, politicians, journalists, and business leaders recognize that the renewed interest in the continent can be used to their advantage, they have begun to press their leaders for change. Yet, they also emphasize that civil society institutions need to be created in order to provide the checks and balances necessary to ensure that foreign investment projects are realized and to ensure that governments develop coherent strategies for economic development.

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14. ABSTRACT
There is a great deal of excitement about the investment environment across the African continent. The period between 2000 and 2008 saw a significant inflow of foreign capital investment, more focus upon Africa as a market, and higher rates of economic growth in Sub-Saharan Africa. This report examines the potential spheres of foreign influence on governance, governmental reform, and political change in Africa. The data presented in this study indicate that FDI from sending nations is often coupled with social, political, or other programs that could influence the internal dynamics of the receiving country or that are designed to primarily benefit the sending nation..

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