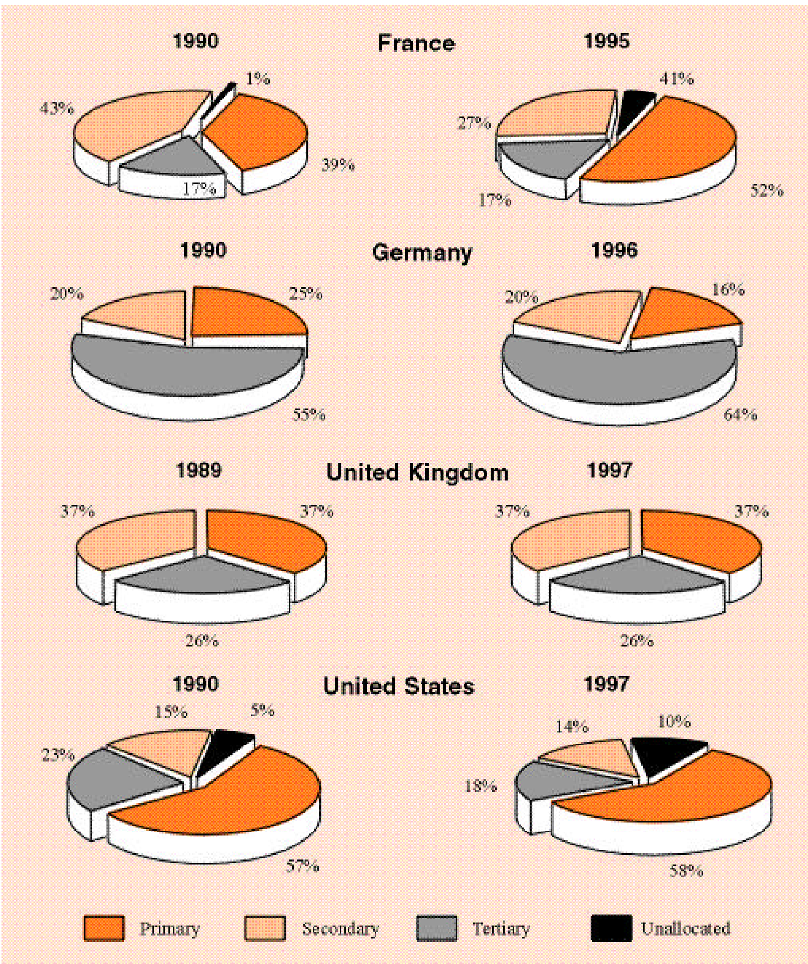
...significant investment in the services and manufacturing sectors...

Contrary to common perception, FDI in Africa is no longer concentrated in the primary sector. Even in oil-exporting countries, services and manufacturing are key sectors for FDI. For example, the primary sector accounted for only a little over 30 per cent of the total FDI stock in Nigeria in 1992, while manufacturing accounted for almost 50 per cent and services close to 20 per cent. Almost half of the FDI inflows into Egypt (48 per cent) went into services in 1995, with a further 47 per cent going into manufacturing and a mere 4 per cent into the primary sector (UNCTAD, 1997d). Mauritius is another example of an African country that has managed, particularly since the beginning of the 1980s, to increase significantly the amount of FDI going into manufacturing industries such as textiles and electronic equipment (UNCTAD, 1998b, p. 168).[7]

This new (and rather unexpected) picture is confirmed by the data for the most important home countries for FDI into Africa in the 1990s (figure 5). FDI from Germany is going increasingly into manufacturing and away from the primary sector, while more than 60 per cent of the British FDI stock in Africa are in the manufacturing and services sector. Also in French and -- to a lesser extent -- in United States FDI stocks manufacturing and services account for significant shares.[8] The importance of non-traditional sectors for FDI from some of the major home countries is illustrated by FDI outflow figures for the United States as well, which show that FDI in manufacturing was almost as important in 1996 as the traditionally most important sector, petroleum. Among industries, food and kindred products, primary and fabricated metals and other manufactures have been primarily responsible for the significant upward trend in FDI in manufacturing (United States, Department of Commerce, various years).

Figure 5. The sectoral composition of FDI stock in Africa of selected major home countries, 1989/1990 and 1995/1996/1997
(Per cent)



Source: UNCTAD, FDI/TNC database.
Note: "Unallocated" includes holdings.

France was the only major home country for which the share of FDI stock in the primary sector in total FDI stock in Africa increased significantly in the 1990s. However, it should be noted that in 1990–1995 this share was fluctuating significantly, and although the share of services declined in relative terms, FDI stock in both manufacturing and services increased in absolute terms.

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Notes

1 The relevant figures for South Africa are 1.3 per cent for 1980-1990 and -0.1 per cent for 1990-1994. In general, South Africa is included in all data for Africa published in this booklet unless otherwise stated.

2 GNP per capita for sub-Saharan Africa grew by an annual average of 1.9 per cent in the period 1995-1996 and 4.4 per cent for the period 1996-1997. For North Africa (including some countries of the Middle East) this figure stood at 4.1 per cent for the annual average 1996-1997, while for 1995-1996 no figures were available (World Bank, 1998 and 1999).

3 FDI flows are not adjusted for inflation.

4 The figure increased temporarily to 11 per cent in 1986-1990.

5 It should be noted, that the FDI per $1,000 of GDP ratio in a number of African countries is most likely inflated, because GDP stagnated or even fell for some years in the past.

6 In the finance and insurance sector, the group of the biggest African TNCs include, as of 1993, Banque Algerienne de Developpement, Nedcor Bank Ltd. of South Africa and Banque Misr of Eqypt (UNCTAD, 1997d).

7 After its success in attracting FDI into its labour-intensive manufacturing industries, Mauritius now faces the challenge of upgrading existing FDI and attracting new FDI into higher value-added production activities (UNCTAD, 1998b, p. 169).

8 For both countries the share of natural resources increased in recent years. However, at least in the case of United States FDI stocks in Africa, the relative importance of FDI in natural resources has significantly decreased since the 1980s: the share of the primary sector in total United States FDI stock in Africa dropped from 79 per cent in 1986 to 53 per cent in 1996.

9 It should be noted in this context that investors perceive, rightly or wrongly, Africa in general as a risky place to invest and that there are some factors, such as the difficulty of reversing investment decisions as a result of weak capital markets, that increase the risk for foreign companies of investing in the continent (Collier and Gunning, 1999, p. 85). However, there is no systematic evidence that FDI in Africa in general is associated with more risks than FDI in other developing regions.

10 The relatively high FDI inflows into Angola and Equatorial Guinea appear to be odd at first sight, given these countries' prolonged difficult political and economic situation. The inflows were attracted by petroleum deposits.

11 For an elaboration, and for proposals of how this can be achieved, see United Nations (1998) and United Nations (forthcoming).

12 For an elaboration and proposals of how this can be achieved, see UNCTAD 1998a.

13 Also, access problems can sometimes be aggravated by the emergence of new international standards in areas such as product quality and environmental protection. Although affiliates of TNCs are in general in a much better position to meet these standards than domestic firms, increased technical assistance for African countries to introduce these standards can help all firms in these countries to access better developed countries markets.