



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

Paris, 12 November 2003

BIAC Contribution to the OECD-Africa Investment Roundtable

- 19 November 2003, Johannesburg -

Paper II: "Enhancing Regionalism for Trade and FDI"

Africa is not attractive to foreign investors because its markets are too small.

The world economies are dominated by the US, the EU and JAPAN – giants compared to Africa. Each has well over 100 million people with a per capita GNP that exceeds \$20 000. More than 85% of the GNP in these economic blocks is generated by the domestic market. The evolution in the EU is, in that respect, very interesting: while the « export » component of the GNP was in the past around 33% for individual countries (Germany , France ..), it has fallen to less than 15%. In addition, some 80% of global foreign direct investment (FDI) occurs between OECD countries, which are characterised by political stability (predictability, state of law, governance...) and economic critical mass.

No African country is individually large enough in terms of population, GNP or purchasing power to attract most foreign investors.

In this context, business believes that enhanced regional co-operation at all levels is mutually beneficial and even fundamental to underpin economic growth and social development in the region. Intraregional development will in turn foster closer integration with world markets. BIAC proposes the following steps:

- A regional free trade zone, based on the free circulation of goods and services, is a vital first step. Industrial investment is often targeted where a company has an established market share and positive relationships. Free trade and FDI are therefore linked.
- While respecting political borders, economical regionalisation entails, at minimum, the harmonisation or mutual recognition of norms, procedures and certifications and considerable changes of customs procedures at borders. Behind such necessary simplifications, one should not see a loss of national sovereignty, but rather a way of regaining sovereignty by becoming economically successful.
- A network of business associations will be essential in defining business-friendly solutions, to be presented for implementation to the competent authorities.