

Investment in Africa rising, but US presence small

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By Diane Bartz

WASHINGTON, Nov 7 (Reuters) - Foreign direct investment in Africa has more than doubled since 1998, but few U.S. corporations have shown interest in the region except for the oil and mining sectors, say investment experts.

But major U.S. companies watching Africa's rapidly improving investment climate will be examining ways to increase their activity at a meeting in Cape Town, Nov. 14-16.

U.S. companies including Chevron (CVX.N: [Quote](#), [Profile](#), [Research](#)), Merck & Co (MRK.N: [Quote](#), [Profile](#), [Research](#)), Exxon Mobil (XOM.N: [Quote](#), [Profile](#), [Research](#)), Marathon Oil (MRO.N: [Quote](#), [Profile](#), [Research](#)), Boeing Co (BA.N: [Quote](#), [Profile](#), [Research](#)), 3M Co (MMM.N: [Quote](#), [Profile](#), [Research](#)), Cargill, General Motors (GM.N: [Quote](#), [Profile](#), [Research](#)), Chrysler, Hewlett-Packard (HPQ.N: [Quote](#), [Profile](#), [Research](#)), and Coca-Cola (KO.N: [Quote](#), [Profile](#), [Research](#)) have confirmed their participation in the U.S.-Africa Business Summit, said the event organizer, the Corporate Council on Africa.

The rise in investment in Africa has been accompanied by a drop in infant mortality, despite high AIDS rates, especially in countries where the foreign investment has been diversified, according to experts.

Foreign direct investment in sub-Saharan Africa has risen from \$7 billion in 1998 to \$18.5 billion last year, said Steve Radelet of the Center for Global Development.

The U.S. share is so small that American holdings in the sub-Saharan region total just \$19.6 billion, according to U.S. government figures.

"U.S. investment is going up," said John Simon, executive vice president of the Overseas Private Investment Corp, a U.S. government agency that helps businesses invest overseas. "It's not at a torrid pace. The U.S. is probably behind."

The United States is so far behind that it had little presence at a meeting last week of the mobile phone industry group, the GSM Association, to discuss a \$50 billion investment

in sub-Saharan Africa in the next five years. Telecommunications is considered one of Africa's most vibrant industries.

"I can't think of any American companies that are involved," said David Pringle, a spokesman for the organizers. "It's possible that American companies will win some of the contracts."

MOZAMBIQUE'S SUCCESS

Mozambique, despite an adult AIDS rate of 16.2 percent, has had an average GDP growth rate of 8 percent over the past decade and attracted \$6.5 billion in investment since 2002.

What led to this success?

"I don't think it's one specific thing. I would say that we signed a peace agreement in 1992 and we were serious about it," said Luis Siteo, commercial counselor for the Mozambique Embassy in Washington. "It brought social and political stability that we didn't have before."

Economic reforms included allowing multinationals to repatriate their profits.

While it is difficult to know if international investment in Mozambique or elsewhere has meant that Africa's poorest are less poor, infant mortality figures indicate they might be.

In the mid-1990s, 287 out of every 1,000 Mozambique children died before age five. Ten years later, that figure was a much improved but still tragic 152 per 1,000, according to the World Health Organization.

Uganda, which is best known in the United States for the brutal 1971-1979 rule of Idi Amin, has been another success story.

Outside of Entebbe, near the airport, greenhouses have sprung up where flowers are grown for flower shops in Europe, said Radelet of the Center for Global Development.

And Uganda is another country that has seen its child mortality rate drop. In the mid-1990s, 185 children died before age five out of every 1,000 born. Ten years later, Uganda's under-five mortality rate was 138 per 1,000, according to the World Health Organization.

But in Nigeria, where investment has been almost entirely in oil, 191 out of every 1,000 children born died before age five. A decade later, that figure actually rose to 197 per 1,000, according to WHO.

Radelet argues that about 20 African countries are doing well because they have become democratic, have instituted better macroeconomic policies and been the recipients of debt relief.

"Never in the history of the world have we seen so many low income countries become democracies," he said. (Editing by John Chiahemmen, Tim Dobbyn)