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Without investment, the countries have nothing to trade

By Dr Karl P Sauvant

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From Dr Karl P. Sauvant.

Sir, Paul Collier identifies "Africa's three main problems and how to fix them" (December 21) as trade preferences, standards and codes and security. I agree with him on the latter two, but not on the first. Trade preferences are important, but they only come into play once African countries have something to trade. And that requires investment, investment, investment - in the productive capacity to produce goods and services for the world market; in the human capacity (education, health) to undertake such production; and in the institutional capacity to manage the production process or, broader, a developing market economy. Trade preferences can encourage investment, but they become important only once the capacity is in place to take advantage of them.

How to build such capacity? Official development assistance is important in that it helps to provide the resources needed for building human and institutional capacity and part of the infrastructure for productive capacity. The Gleneagles Group of Eight summit has made an important contribution in this respect - the pledges made there need to be fully implemented. But productive capacity needs primarily private investment, first of all by domestic companies but also by foreign investors. It is therefore laudable that Germany intends to put the encouragement of FDI flows to Africa on the agenda of the 2007 G8 summit.

Investment may not be everything, but everything is nothing without investment.

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