BRITISH INDUSTRIAL INVESTMENT IN SUB-SAHARAN AFRICA: CORPORATE RESPONSES TO ECONOMIC CRISIS IN THE 1980S.

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SUMMARY

This paper reviews the main findings of empirical research on British transnational corporations with industrial operations in the fifteen countries of English speaking Africa. The research reveals that not only is the level of equity involvements of British industrial TNCs in these countries of very minor importance in global terms but that, as a consequence of the deep and protracted economic crisis of the 1980s in Africa, nearly one third of these TNCs have withdrawn from the continent since 1979. The possible consequences of this process of corporate disengagement are explored, especially in the light of the now universal policy objective of African governments to attract foreign capital and, in particular, transnational corporations.

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1. INTRODUCTION

The potential role and actual impact of foreign direct investment (FDI) on industrial development in sub-Saharan Africa has over the years been a highly controversial subject among both policymakers and researchers in these countries. More recently, this controversy has been fuelled by the comprehensive liberalisation of foreign investment policies and practices which has become an integral component of pervasive structural adjustment programmes. By 1988, more than twenty SSA countries were revising their foreign investment codes or introducing new ones (IFC, 1988). Thus, from positions of overt hostility towards FDI by most SSA governments during the 1960s and 1970s (which often culminated in full or partial nationalisation), the almost universal policy objective of the late 1980s is to encourage foreign investment, especially by transnational corporations.

Both the architects and followers of structural adjustment programmes see FDI as playing a potentially very significant

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role in helping to resolve the profoundly serious economic crises that still continue to afflict most SSA countries. The arguments advanced in support of FDI are not however particularly new. Indeed, they have been expounded by proponents of FDI for many years. (see Colman1976). Essentially, FDI and, in particular, foreign corporate investments is seen as providing much needed technologies and associated management and technical skills which are unavailable or in short supply in developing countries. With the increasing transnationalisation of the world economy (see UNCTC, 1989), SSA countries must gain access to these technologies or run the grave risk of remaining economically marginalised for decades to come. Another increasingly forceful argument is that for countries with mounting debt burdens, the use of foreign equity capital (rather than reliance on loan capital) is the only sensible alternative to financing this investment process. According to Tieuwl, therefore, " the question is not whether African countries need foreign investment but whether they can attract it in sufficient quantities and on acceptable terms to make a sufficient impact on development." (Tieuwl, 1986:43)

The strident criticisms of FDI and TNCs so prevalent in policy-making and academic circles in the majority of SSA countries up until the early 1980s are therefore being rapidly submerged in a tidalwave of official support for foreign investment. In short, policymakers seem to be discarding the theories of imperialism and dependence that have hitherto been so ideologically and theoretically dominant and replacing them with an essentially neoclassical paradigm that regards trade and investment between rich and poor countries as mutually beneficial rather than exploitative.

At a time when these important shifts in investment policies are occurring, it is surprising to find that so little substantive research is being undertaken on FDI in Africa, both in absolute terms (1) and in relation to what was being done during the 1970s.(2) Of particular concern, is the paucity of good quality data available that collectively could provide a clear, detailed overview and understanding of the extent and forms of FDI in Africa during the last ten years or so.

This article presents the preliminary results of research that seeks to furnish some of these missing data for a major segment of FDI in Africa, namely British corporate investment in industrial enterprises in the countries of English speaking Africa (ESA). These countries are Botswana, Gambia, Ghana, Kenya, Lesotho, Liberia, Malawi, Nigeria, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.(3) Collectively, they accounted for 54.6% of the total population and 66% of total value added in industrial production in sub-Saharan Africa in the mid 1980s and over 90% of U.K. industrial investment in Africa as a whole (excluding South Africa and Namibia).(4)

British corporate investment comprises between 50-80% of all industrial FDI in each ESA country.(5) Consequently, current trends in the level of British corporate involvement are not only highly significant in their own right but may also indicate similar trends among TNCs from other metropolitan countries (in particular, France and the United States of America) in both ESA and the remainder of sub-Saharan Africa.

The main objective of this initial phase of the research has been to answer the following basic questions concerning British industrial FDI in ESA:

* How many U.K. parent companies have on-going equity involvements and in which countries?

* What are the characteristics of these parent companies in terms of key size indicators (global turnover, employment, net assets and the total number of countries in which they have equity involvements)?

* What are the total number of equity involvements by country and type of industrial activity ? What is the distribution of involvements among the parent companies?

* What is the pattern of equity involvements by country? In particular, what is the extent of minority shareholdings in ESA countries?

* What has happened to the total number of U.K. industrial parent companies operating in ESA during the years of economic crisis in ESA during the 1980s? More specifically, to what extent have British companies disengaged from the continent?

* What have been the principal factors influencing the levels of involvement during the 1980s and what are the main constraints likely to impede increased industrial investment in the future as is hoped for by the supporters of structural adjustment programmes?

2. DATA SOURCES

In order to answer these questions, two sets of primary data have been collected and utilised. First, all British companies with industrial i.e. *manufacturing* equity involvements in ESA in 1979 and 1989 were identified using United Kingdom and ESA national company directories, lists of "British connected" companies provided by

British trade attaches in ESA countries and other relevant publications (6). All parent companies were then written to and asked to confirm whether the company had an ownership stake in one or more industrial enterprises in any of the ESA countries and, if so, to provide information on the percentage of equity held and the type of products manufactured.(7) Obtaining this information was essential because of the many errors and ommissions contained in the company directories coupled with the difficulty of ascertaining whether the companies listed were actually engaged in manufacturing rather than just trade and/or service activities in ESA. Over 80% of the 200 companies contacted provided this basic information.

Where correspondents stated that their company had no ESA industrial involvements, follow-up letters were sent to ascertain whether any relevant investments had been disposed of and, if so, when, to whom and for what reasons.

Only British parent companies registered under the U.K. Companies Act are included in this analysis. Thus, those U.K. companies with ESA investments but which are ultimately owned by foreign parents have been excluded.(8) There are also a number of industrial companies in ESA countries that are owned or have sizeable investments by individual British nationals. Investment of this kind comprises a significant component of FDI in certain ESA countries (most notably Nigeria, Zambia and, at least up until the late 1970s, Ghana).(9) Little is known about these individuals but from the names of their managing directors, many of them appear to be of Asian and Middle Eastern descent.(10) However, since they are not U.K. registered corporate entities, they have been excluded from the survey.

The second set of data were obtained from companies with confirmed industrial equity involvements in ESA countries. A short (two page) questionnaire requested information in the following three areas: (1) For each equity involvement, the name and address of the company, year of initial investment, total employment, expatriate employment, turnover, net earnings, capital employed; (2) Trends during the 1980s concerning equity holdings and other forms of involvement, most notably licence and franchise and management and technical servive agreements; (3) An ordinal ranking of the five most serious problems that their ESA companies have had to contend with during the 1980s.

Twenty companies out of the total of 96 with industrial investments in ESA fully completed the questionnaire. The low response rate is not surprising given the perceived sensitivity of much of the information that was requested.(11) Nevertheless, the data albeit only partial at this stage of the research gives important insights into the nature of British corporate involvement in ESA.

These two sets of data have been supplemented with survey data published by the Department of Trade and Industry in the United Kingdom on the net earnings, net investments and book values of British FDI during the period 1978-1987.(12) Finally, more qualitative information has been utilised from a number of publications most notably the quarterly reports of the Economist Intelligence Unit for each ESA country and the business press at both the international and national levels

3. THE GLOBAL CONTEXT

The importance of Africa as a location of British overseas investment has, in global terms, declined considerably since the mid 1970s. In fact, net industrial investment in Africa by U.K. companies has become relatively inconsequential, amounting to less than 0.5% of total industrial FDI in 1986 compared with around 4% in the mid 1970s.(see table 1) This should be contrasted with the considerably smaller but nonetheless still very significant decline in the relative importance of British FDI in developing countries as a whole- from approximately 20% of an annual investment flows in the early 1970s to just over 10% in 1978.
a whole.

The percentage of total net earnings derived from African industrial investments has declined somewhat less- from 4.7% in 1978 to 3.4% in 1986- but it will undoubtedly continue to fall in the future given the already dramatic fall in the relative size of British net investments in Africa. For British industrial capital as a whole, therefore, Africa is now of minor interest.

While investment in Africa has collapsed, British industrial FDI in the rest world has grown enormously, recording a nearly fourfold increase in annual net investment levels (in current prices) between 1978-1986. The removal of all exchange controls in the U.K. has certainly been an important short term factor. However, this very large and rapid increase is indicative of the progressive and systematic exploitation of investment opportunities worldwide by

Table 1: Africa and total overseas industrial investment by British companies: net earnings and net investment (£m), 1978-1986.

Year	Net earnings			Net investment		
	Africa	Total overseas	Africa% total	Africa	Total overseas	Africa% total
1978	55	1160	4,7	67	1520	4,5
1979	58	1466	3,9	62	1397	4,4
1980	91	1479	6,1	82	1427	5,7
1981	81	1673	4,8	68	2647	2,5
1982	91	1762	5,1	92	1579	5,8
1983	117	2145	5,4	52	2120	2,4
1984	116	2425	4,7	79	2100	3,2
1985	157	3060	5,0	29	2984	1,0
1986	115	3326	3,4	27	5663	0,5

Source: Department of Trade and Industry, Business Monitor M4 Overseas Transactions, 1978-1986.

TNCs.(13) What is clear is that the participation of African economies in this process is at best marginal.

4. TOTAL INVOLVEMENTS AND SECTORAL ACTIVITY

In mid 1989 there were just 96 British registered companies out of a total of over twenty thousand in the U.K. with active investments in industrial enterprises in ESA. Between them, these British companies had a total of 468 investments in individual companies in ESA. However, as can be seen in table 2, a group of eleven parent companies accounted for over 50% of these involvements.(14) Lonrho and Unilever alone had investments in 124 separate industrial companies in ESA, 26.4% of the total. Although the data are not available, it seems likely that the degree of TNC concentration is considerably higher in Africa than in Asia and Latin America, and will continue to increase in the future as smaller. less involved British companies withdraw from Africa (see below).

Table 3 shows that the large majority of British companies with industrial involvements in ESA are truly transnational in the sense that they generally very large corporate entities with global equity interests. Over 75% and 90% of these companies had interests in more than five and two countries respectively.

While there is a group of 8-10 relatively very small companies whose ESA operations do represent a significant proportion of their global turnover, capital and profit (e.g. Aberfoyle Holdings and African Lakes Corporation) for the remaining parent companies, their African operations are relatively very small

Table 2: Total equity involvements of British parent companies in ESA.

Number involvements	Number U.K. parent companies	Total involvements	%
1	38	38	8.2
2	18	36	8.3
3	4	12	2.6
4	7	28	6.0
5	6	30	6.4
6	3	18	3.8
7	4	28	6.0
8	5	40	8.5
9	1	9	1.9
10	3	30	6.4
12	2	24	5.1
13	1	13	2.8
18	1	18	3.8
20	1	20	4.2
58	1	58	12.3
66	1	66	14.1
Totals	96	468	100.0

Source: Survey of British company involvement in English speaking Africa, 1989.

Table 3: Characteristics of U.K. parent company global operations.

Interval value	Turnover(£m.)	Employment('000)	Capital(£ m.)	No.countries
9th decile	5939	93	3451	46
Upper quartile	2697	45	999	30
Median	704	14	357	13
Lower quartile	196	5	78	5
1st decile	7	3	15	2
Number	92	72	79	86

in global terms and their importance will probably decline still further as British TNCs continue to concentrate their overseas investments in Europe, North America and, to a lesser extent, South East Asia.

Given the serious problems involved in converting turnover and net asset data which are expressed in local currency units into pounds sterling values, employment data probably provide a better indicator of the absolute and relative size of involvement of U.K. parent companies in ESA industrial enterprises.

In only five of the twenty companies who completed the questionnaire did employment in their ESA companies exceed five percent of total company employment worldwide. Although the data are still incomplete, there are now probably no more than ten British companies where more than twenty percent of their global turnover comes from their African industrial investments and most of these companies are actively seeking new investment opportunities outside of Africa.(15)

Table 4 summarises the available data on the employment size of individual ESA industrial enterprise with U.K. company equity involvements. Nearly 50% of the 56 enterprises in the sample have less than 200 employees which is very small in global terms. Less than ten percent of them employ more than 1000 people.

The sectoral pattern of British industrial FDI in ESA has remained fundamentally unchanged during the 1980s. This is not surprising given that "there has hardly been any change in the

Table 4: Number of employees in ESA industrial enterprises with British equity involvements, 1989.

Number employees	Kenya	Nigeria	Zimbabwe	Others	Total
1000+	0(0)	2(13)	2(13)	0(0)	4(7)
500-999	3(20)	4(25)	3(19)	0(0)	10(18)
200-499	6(40)	2(13)	7(44)	2(22)	17(30).
100-199	2(13)	6(37)	1(6)	4(44)	13(23)
1-99	4(27)	2(13)	3(19)	3(33)	12(21)
Total	15	16	16	9	56

( ) percentage values. Do not add up to 100 because of rounding.

Table 5: Industrial sectoral involvements of British industrial companie in ESA, 1989 (percentages).

Country	Cement bricks	Chemicals rubber	Metal goods	Mech engin.	Elect goods	Trans. equip.	Food drink	Textiles clothing	Wood/ paper
Ghana	6.25	12.50	18.75	18.75	0.0	0.0	18 75	18.75	6.25
Kenya	6.50	29.90	10.40	7.80	3.90	2.60	13.0	5.20	9.10
Malawi	7.10	14.30	28.60	14.30	0.0	0.0	28.60	7.10	0.0
Nigeria	4.70	25.60	10.50	10.50	10.50	1.20	17.40	7.0	12.80
Zambia	15.10	20.10	9.40	15.10	5.70	1.90	22.60	9.40	0.0
Zimbabwe	4.90	21.70	16.10	11.9	7.0	3.50	23.10	4.90	7.0
All ESA	6.50	23.20	12.30	11.40	6.0	2.20	23.80	6.80	7.70

Notes: Only ESA countries with ten or more equity involvements have been separately delineated.
Food, drink also includes tobacco products.

structure of manufacturing industry in developing Africa since the early 1960s (UNECA, 1988: 95). Thus, low technology, low value added import substitution activities continue to predominate with food, drink and tobacco and chemicals and rubber accounting for nearly 50% of total company involvements (see table 5). Some ESA countries (including Ghana, Gambia, Kenya, Liberia and Sudan) are attempting to reduce the national market orientation of FDI via the creation of more "supply orientated" export processing zones but none have yet succeeded in attracting any significant investment.(16)

There has been no British investment in enterprises producing more sophisticated and advanced products particularly in the areas of electronics and information technology. While nearly 20% of British corporate industrial involvements in ESA are in mechanical and electrical engineering, with the exception of Zimbabwe, the capital goods sector as a whole remains seriously underdeveloped.

5. COUNTRY INVOLVEMENT

British industrial FDI in ESA is heavily concentrated in Kenya, Nigeria and Zimbabwe (see table 6). Between them, these three countries account for nearly three quarters of British industrial investment involvements in ESA (Zimbabwe 31.2%, Kenya 21.4% and Nigeria 20.2%). Given the serious currency distortions that have prevailed in Africa during the 1980s (including the grossly overvalued naira in Nigeria up until 1987), the number of separate company investments is probably a more accurate indicator of the extent of British company involvement in individual ESA couuntries than the total (pounds sterling) value of investments.(see table 6)

Even in the relatively large countries of Ghana, Malawi and Tanzania, the number of British parent companies directly engaged in industrial production is very small indeed. For the remainder of ESA, British industrial FDI is minimal and is generally confined to the production of basic wage goods, most notably tobacco and alcohol. The Commonwealth Development Corporation does however play a prominent role in some of the smaller ESA countries, particularly Swaziland.

6. EQUITY PARTICIPATION AND CONTROL

Data on the pattern of equity participation were collected for over 80% of the British corporate involvements in ESA. With the exception of Nigeria, Malawi and Swaziland, over 75% of the British TNCs in the other ESA countries had majority ownership of the companies in which they had invested (see table 7). Maintaining this majority ownership position appears to be a key objective for British TNCs in ESA and explains why many of those with investments in Nigeria, where over 75% of them are minority shareholders, are pessimistic about their future prospects in this country.

It is precisely in those sectors where British involvement in ESA is heavily concentrated (branded foods, beverages, tobacco, pharmaceuticals) where it has been generally observed that TNCs prefer wholly or majority owned subsidiary companies as the preferred form of involvement (UNCTC,1988).

Table 6: Total industrial equity involvements and total industrial investments of British companies in ESA countries.

Country	Total U.K. parent companies	Total equity involvements	% total	U.K. indust. investment 1984 (£m.)	% total
Botswana	5	5	1.1	..	..
Gambia	1	1	0.2	..	..
Ghana	10	23	4.9	25	2.6
Kenya	47	100	21.4	101	10.4
Lesotho	1	1	0.2	..	..
Liberia	2	2	0.4	..	..
Malawi	13	18	3.8	33	3.4
Nigeria	45	95	20.2	429	44.3
Sierra Leone	3	3	0.6	11	1.1
Sudan	2	2	0,4	..	..
Swaziland	4	9	1.9	10	1.0
Tanzania	7	7	1.5	..	..
Uganda	7	8	1.7	..	..
Zambia	27	48	10.2	59	6.1
Zimbabwe	60	146	31.2	188	19.4
Totals	96*	468	100.0	968	100.0

Notes: * Number of individual company involvements does not add up to 96 because 50% of the parent companies have involvements in more than one ESA country.

Source: See table 2 and Department of Trade and Industry, Triennial Census of British Assets Overseas 1984.

Table 7: Percentage size of equity involvements of British companies in industrial enterprises in ESA.

Country	Percentage of equity held 0-25	26-50	51-75	76-99	100	Total sample
Botswana	0.0	0.0	0.0	0.0	100.0	3
Gambia	100.0	0.0	0.0	0.0	0.0	1
Ghana	0.0	0.0	83.3	0.0	17.3	6
Kenya	6.2	18.7	28.0	3.1	43.8	32
Lesotho	100.0	0.0	0.0	0.0	0.0	1
Liberia	0.0	0.0	0.0	50.0	50.0	2
Malawi	14.3	42.9	14.3	0.0	28.6	7
Nigeria	26.7	48.9	24.4	0.0	0.0	45
Sierra Leone	0.0	0.0	0.0	100.0	0.0	1
Sudan	0.0	0.0	0.0	0.0	100.0	1
Swaziland	57.1	42.9	0.0	0.0	0.0	7
Tanzania	0.0	20.0	0.0	20.0	60.0	6
Uganda	0.0	0.0	60.0	0.0	40.0	5
Zambia	18.2	4.5	18.2	9.1	50.0	22
Zimbabwe	7.7	5.8	17.3	1.9	67.3	52

Table 8: Expatriate industrial managers and technicians employed by British parent companies in ESA.

Country	Number ESA enterprises	Enterprises with one or more expatriates	%	Average no. expats per enterprise
Kenya	6	4	66.6	2.0
Nigeria	12	9	75.0	4.1
Zimbabwe	8	2	25.0	0.25

Source: Questionnaire returns

Time series data on the percentage of ownership of British FDI in ESA industrial companies are unavailable but it is unlikely that there have been any major changes during the 1980s. With no major equity indigenisation legislation in any ESA country since the mid 1970s, British companies have retained overall ownership control wherever possible.(17)

Little is also known about the equity partners in ESA industrial companies that are less than 100% British owned. The limited data from the questionnaire returns show however that the state is often a major shareholder in Nigeria, Ghana, Tanzania and Zambia. Given the very difficult economic conditions that have prevailed in these countries during the 1980s, joint ownership with the state (frequently the national industrial development corporation) has probably been a key element of these companies survival strategies.

The extent to which expatriate, predominantly British (i.e "home country national") managers and technicians are employed by ten U.K. parent companies with equity involvements in 26 ESA industrial enterprises is summarised in table 8. Most British industrial investments in ESA service small, tariff protected national markets and are not therefore constituent parts of globally integrated production systems (as has been the case in the automobile and electronics industries). This obviates the need for tight, centralised control of production activities by subsidiaries in ESA. The employment of expatriates is not therefore based on the need to maintain control per se but rather on the assessment of the British parent company concerning the availability of high quality national managers in the necessary areas of specialisation. The questionnaire returns indicate that at least one expatriate manager is normally employed by majority owned British companies in Nigeria (with as many as 10-15 in large subsidiaries), but in Zimbabwe, with its still relatively largely number of experienced European managers, this is the exception rather than the rule. Subsidiaries in Kenya occupy an intermediate position. It would appear therefore that the expatriate employment policies of British TNCs have changed very little during the 1980s (see Abdin et. al., 1982).

7. PROFITABILTY, NET INVESTMENT AND DISENGAGEMENT

The profitability of British industrial FDI has fallen to very low levels for many parent companies and their shareholders during the 1980s and, as a result a significant proportion of these companies have disposed of their African investments.

Table 9 compares the rates of return measured in local currency units of 32 British subsidiaries in ESA with those obtained globally by their 19 parent companies in 1988. While half of these subsidiaries had RORs higher or roughly the same as their parent companies, for most of the remainder their RORs were some ten percentage points lower. The really critical issue however has been the chronic and persistent shortage of foreign exchange in ESA during the 1980s which has meant that, because subsidiaries have usually been unable to remit most of their profits (or they have been subject to long delays), the effective RORs in sterling

Table 9: 1988 rates of return* on capital employed by a sample of British TNCs in English speaking Africa.

Parent sector	Global	Kenya	Nigeria	Zimbabwe	Ghana	Tanzania
Food & tobacco						
1.	10.2	19.5	22.7	25.0	26.9	
2.	24.2		7.4	4.8		
3.	18.2		-10.0			
Textiles						
4.	21.5		19.8			
5.	11.9		11.0			
Chemicals & pharmaceuticals						
6.	21.2	9.4	8.8	13.7		
7.	18.9	19.6	-10.0			
8.	19.6			9.4		
9.	15.4			14.5	(2.3)	
Construction materials						
10.	23.2	(4.0)	(2.4)	(2.2)		
11.	5.1		16.5			
12.	11.3		-11.9	22.0		
Paper & printing						
13.	25.9			0.3		
14.	31.8			5.4		
Metal goods						
15.	20.1			17.9		
16.	23.0	21.2	26.0	16.6		25.0
17.	14.2	28.2				
Electrical goods						
18.	24.9			18.8		
19.	17.1			11.7		

Notes:

The rate of return= (local post-tax profits/capital employed).100

Source: As table 2.

terms to parent companies have been considerably less than the often quite respectable local currency RORs. Thus, in Nigeria profit remittances have been minimal for most of the 1980s while in Zimbabwe most remittances were reduced from 50% to 25% of post tax profits in early 1987. The end result has been that the rate of return from British industrial FDI in ESA has typically been two-three times less than in Europe and North America and considerably lower than from similar types of investments in developing countries in other regions of the world.

Analysis of the annual overseas transactions and triennial assets census data published by the Department of Trade and Industry reveals that, in aggregate terms, the rates of return on African industrial FDI between 1978 and 1984 were not markedly different from the RORs for all British industrial FDI and, at least up until the mid 1980s, showed no major decline (see table 10). However, with the growing inability of African companies to remit profits attributable to British shareholders during the 1980s, effective RORs have plummetted. In addition, it is interesting to note that the RORs on non-industrial FDI in Africa were nearly double those from industrial FDI between 1978-1984. If this differential persists, one would expect that British FDI in Africa will become increasingly concentrated in non-industrial activities in particular, agriculture, energy, distribution and financial services.

The decline in the profitability of British industrial FDI in ESA has led in turn to a significant drop in net investment levels both in absolute terms and in relation to to net savings

Table 10: Rates of return on British industrial and non-industrial investments in Africa and the world, 1978 - 1984

Year	Net earnings (£m)			Capital employed (£m)			Rate of return (%)		
	Africa Industrial	Africa Non-industrial	Global	Africa Industrial	Africa Non-industrial	Global	Africa Industrial	Africa Non-industrial	Global
1978	55	129	2346	463	863	19108	11,8	14,9	12,3
1981	81	185	3546	836	1076	28545	9,7	17,2	12,4
1984	116	302	7725	968	1369	75715	12,0	22,1	9,8

Source: see tables 1 and 3

(see table 1). Our data show that virtually no major investments in new companies in ESA have been made by British companies during the 1980s. Furthermore, whereas the ratio of net earnings to net investment had been approximately 1:1 in the early 1980s, it had increased to 4:1 by 1986. In other words, most British TNCs in ESA have been sitting on their existing investments trying to earn whatever returns they can from them. The widespread undercapitalisation of foreign subsidiaries in ESA is an important consequence of this.

The questionnaire returns indicate that the availability of foreign exchange to purchase inputs and remit profits has been the most critical factor in undermining the profitability of British industrial FDI in ESA.(18) Nearly 75% of respondents ranked foreign exchange availability as the most serious constraint facing their companies in ESA. Other commonly cited constraints are repeated currency depreciations, price controls, government bureaucracy and corruption, minority ownership and generally depressed economic conditions.

Interestingly, not one parent company mentioned the need for more attractive investment incentives (such as tax holidays) in order to encourage FDI in the future. This is despite the fact that most ESA governments have already or are in the process of revising and/or introducing new foreign investment codes. It would seem that most British companies remain deeply sceptical about the significance of these new codes.(19) As research has shown elsewhere, the most critical factors influencing FDI flows are the general economic and political stability of a country coupled with fundamental market and cost considerations. (see Guisinger, 1986)

The World Bank-IMF supported structural adjustment programmes that have now been adopted by most ESA governments are unlikely to improve the profitability of British FDI in the immediate future and may well in fact lead to further declines in RORs. Market liberalisation allows companies readier access to foreign exchange thereby easing input and profit remittance problems but structural adjustment has resulted in massive currency devaluations which have slashed the sterling values of profit remittances and the value of foreign investments themselves. For example, the introduction of the second foreign exchange market in Nigeria in 1986 reduced within the space of a few months the foreign exchange value of company remittances to between one-third and one-quarter of their previous levels. Even more serious is the prospect of major reductions in import tariffs and other quantitative import restrictions that threaten the viability of key industries in ESA.

For many British TNCs in Africa, structural adjustment has probably come too late. Some are so "Africa weary" (20) that they want to disengage completely or focus their overseas investment efforts elsewhere.(21) One of the most revealing findings of the research is that nearly one third of the British companies who had industrial FDI involvements in ESA in the late 1970s had already disposed of these investments by mid 1989.(22) As can be seen in table 11 this process of disengagement has taken place right across ESA.(23) However, by far the largest number of companies

Table 11. British TNC withdrawal from industrial equity involvements in English speaking Africa, 1979-1989.

Country	U.K. parent withdrawn	Total remaining	Total 1979-89	Withdrawn %
Botswana	0	5	5	0,0
Gambia	0	1	1	0,0
Ghana	5	10	15	33,3
Kenya	10 (1)	47	57	21,3
Lesotho	0	1	1	0,0
Liberia	2	2	4	50,0
Malawi	7	13	20	35,0
Nigeria	23(2)	45	68	33,8
Sierra Leone	2	3	5	0,0
Sudan	1	2	3	33,3
Swaziland	1	4	5	20,0
Tanzania	8	7	15	53,3
Uganda	7	7	14	50,0
Zambia	17	27	44	38,6
Zimbabwe	37(2)	60	97	38,1
All ESA	43(5)	96	139	30,9

Notes: Figures in parentheses are number of TNCs who were in the process of withdrawing during 1989.

Source: See table 2.

have withdrawn from Zimbabwe (37), Nigeria (23) and Zambia (17). Zimbabwe was in the grip of "disinvestment fever" in 1987-88 with leading British companies selling out to local companies and, in a few cases, to local management (see EIU, 1987) (24).

There does not appear to be any particular pattern to these disengagements with regard to specific industrial activities. Approximately half have been in the consumer goods sector with the remainder split equally between intermediate and capital goods. Only one company withdrew involuntarily when its subsidiary in Zimababwe was nationalised soon after Independence in 1980.

For the majority of British TNCs with limited involvements in ESA, disengaging is a relatively straightforward process. Some, in fact, have already written off their African investments and, as the recent experience in Zimbabwe has shown, an increasing number are prepared to accept very large discounts on their current market values in return for being able to remit the proceeds of disinvestments to their British shareholders.(25)

For a smaller group of companies with larger investments disengagement is not so simple. Many of these companies would withdraw if they could obtain what they consider to be realistic prices for their assets. For the two TNC industrial giants, Lonrho and Unilever, comprehensive disengagement is not a viable alternative.(26) If anything, their leading positions in the industrial sectors of many ESA countries may increase in the future as a result of the continued withdrawal of more British and other TNCs, some of which they may even decide to acquire at bargain prices.(27)

There are other important consequences of corporate disengagement that will require further, more detailed research at the country level. According to dependency theory (at least its cruder versions), the withdrawal of foreign capital and TNCs in particular from developing countries is an essential precondition for any viable national industrial development strategy and is therefore to be welcomed.(28) Certainly, where a relatively strong national industrial capitalist class already exists, as in Zimbabwe, then the withdrawal of some foreign capital could help to strenghten this class and thus ultimately provide the basis for a dynamic, autocentric industrial development process. However, where such a class is still very weak, as is the case in most of ESA, it is not clear precisely what the consequences of varying degrees of TNC withdrawal and/or disinterest are likely to be.

In the past, the state would have probably taken a leading role but given the wave of liberalisation coupled with privatisation that is sweeping across Africa, this does not seem very likely. With the increasingly attractive investment incentives being offered to foreign investors, Asian and Middle Eastern (mainly Lebanese) businessmen who have traditionally played key roles in the industrial and commercial sectors of East and West ESA may avail themselves of these new opportunities.(29) Increasingly powerful Third World TNCs may also be more prepared than their counterparts from the industrial countries to invest in Africa.

A third possible consequence is that nobody will step in to take the place of departing TNCs with resulting losses in national industrial capacities. With easy access to increasingly unprotected domestic markets, it is conceivable that many British and other TNCs could dispense altogether with industrial production in Africa and rely instead on the assured foreign exchange returns from direct trade with these countries. In other words, a certain amount of deindustrialisation associated with a return to colonial type mercantilism is a distinct possibility in the future.

Finally, there may be a greater preparedness by British TNCs to rely more on non equity involvements in Africa, in particular licence and management agreements as long as payments are made mainly in advance in foreign exchange. Such externalised forms of involvement have become increasingly popular among TNCs throughout the world since the mid 1970s (see UNCTC, 1987).

The exact extent of industrial licence agreements in ESA is not known. Among the twenty British companies who completed the questionnaire, licence agreements are rare but this is to be expected in overseas companies where the TNC parents have majority ownership. In general, however, licencing can be an attractive option where markets are very small and are of peripheral interest to a TNC's current market thrusts. However before agreeing to a licencing agreement, the management of the parent company must be satisfied with the general political and economic climate in the country and, more important still, be able to identify local companies or entrepreneurs capable of fulfilling the often stringent requirements of the licence. Again, with the exception of Zimbabwe, no ESA country is at present in a strong position to meet these requirements for many types of more sophisticated industrial activity.

8. CONCLUSION

Three main conclusions emerge from this study. First, the involvement of British TNCs in the industrial sectors of ESA countries is, in global terms, relatively inconsequential. While it is certainly the case that, these TNCs still play highly significant roles in what are small industrial sectors, it cannot be meaningfully argued that these involvements are anything more than of marginal significance for British industrial capital as a whole.

The demise of British industrial FDI in Africa can be mainly attributed to the prolonged and profound economic crisis that has afflicted the African continent as a whole during the last decade. With falling real national outputs in many countries, saturated domestic markets, minimal manufacturing exports and generally hostile investment climates, there has been little incentive for either existing or new TNCs to invest.

Second, the study reveals that rather than increasing their "penetration" of African economies, there has occurred, among British industrial TNCs at least, a sizeable and possibly irreversible process of disengagement during the 1980s. Whether this process will continue in the future will depend on a number of factors. In the words of the Chairman of a leading TNC, "we still have a question mark on Africa."(30) Most ESA governments are actively seeking to attract foreign investment but it seems that special incentives will in themselves have little impact in attracting large numbers of TNCs.(31) Most of these economies are too small to be of any real interest, especially to TNCs that up until now have had no involvement in the continent.

Ultimately, most industrial FDI in ESA in the future will depend on the response of existing TNCs to growth in local markets for their products. For nearly all the ESA countries, their overall economic growth will continue to be based heavily on agricultural and mineral exports, the longer term prospects for which remain poor. If in fact the considerably higher rates of return on non industrial invesments continue, it is possible that the bulk of new FDI will be attracted into these sectors, in particular where production is heavily orientated towards export markets.

Thirdly, many of the policies and actions of ESA governments during the 1980s have directly undermined the viability of a significant proportion of British TNC investment in industrial enterprise. To argue, therefore, that the state in Africa simply serves the interests of foreign capital is not only crudely instrumentalist in conception but is not borne out by much of the empirical evidence. The same is also true of the allegedly symbiotic relationship between the World Bank and the IMF on the one hand and TNCs in Africa on the other.

Certainly, the impact to date of structural adjustment programmes on industrial TNCs has not been generally favourable, and with major reductions in the levels of import protection in prospect in many countries, it is quite likely that the situation for these industrial TNCs could worsen in the future.

NOTES

1. The TNC bibliography for the period 1983-1987 produced by the New York based United Nations Centre on Transnational Corporations has only 38 separate publications specifically on TNCs in sub-Saharan Africa out of a total of 2585.(see UNCTC, 1986) Systematic searches of the relevant computerised bibliographical databases found less than thirty relevant publications. As part of the background research for this study, only 75 books and articles published during the 1980s were found. This excludes, however, official publications and articles in the business literature.

2. The bibliography compiled by Hilbert and Oehlmann for the period up until 1980 contains over 500 publications specifically concerned with FDI and TNCs in African countries and the continent as a whole.

3. British FDI in South Africa has not been included as part of this study. Cameroon, although partly english speaking, is mainly francophone in character as are the island states of Seychelles and Mauritius.

4. The ESA percentage for value added in industrial production is derived from statistics published by the United Nations Economic Commission for Africa (see UNECA, 1987). The population figure comes from World Bank data.(see World Bank, 1989). British industrial FDI comprised between 35-45% of total British FDI in Africa between 1978-1986.(see DTI, Census of British Assets Overseas).

5. Precise country level data on the composition of FDI by country of origin are not available. These estimates have been

obtained from various sources including Widstrand (1975), Cable and Persaud (1987), Clarke (1980), Stoneman (1979), and Bennell (1984). Up to date, accurate data on French and Uniterd States industrial FDI is unequally unavailable.

6. The two main British company directories are Dunn and Bradsheet's Who Owns Whom and Pergammon's Financial Data Services on-line data system. Both are up dated annually.. The United Nations Economic Commission for Africa produced a partial listing of TNCs in African countries during the early 1980s (see UNECA, 1983). Clarke's 1980 study of foreign investment in Zimbabwe is particularly thorough. In addition, the company reports of all British manufacturing companies listed in The Times 1000 Leading Companies in Britain, 1987/88 were examined for possible equity involvements in ESA.

7. Industrial enterprises covered by the survey include all manufacturing activities listed in sections 2-4 of the Standard Industrial Classification (SIC).

8. There are no more than five of these companies, the most important being British Leyland which, since 1987 has been owned by the Dutch commercial vehicle manufacturer, DAF.

9. For example, Bennell found that over 40% of all industrial FDI in Ghana during the mid 1970s was owned by individual entrepreneurs (see Bennell, 1984).

10. The names of some "British connected" companies in Kenya, Liberia, Malawi, Nigeria, Zambia and Zimbabwe were obtained from either the British commercial attaches based in these countries or the Department of Trade and Industry in London.

11. Despite repeated assurances that all information would be treated in the strictest confidence, most company chief executives were either not prepared to divulge information about their African subsidiaries or other investments or said that pressure of work prevented them or their colleagues from completing the simple two page questionnaire.

12. The DTI's annual publication Overseas Transactions contains net investment and net earnings data for British FDI by main economic sector and country. The triennial Census of British Assets Overseas gives the book values of British FDI, again disaggregated by sector and country. Unfortunately, the raw census data for 1987, the most recent census year, have still not been fully processed by the DTI.

13. To some extent, this growing internationalisation of investment is linked with the establishment of integrated production systems by TNCs throughout the world, as exemplified by the automobile and electronics industries. However, TNC investment in these truly transnational production systems probably accounts for only a relatively small proportion of total investments by TNCs outside of their home countries.

14. These companies are Aberfoyle Holdings, BAT, BTR, the Commonwealth Development Corporation, GEC, Grand Metropolitan, Lonrho, Paterson Zochonis, Tate & Lyle/Booker Tate, T & N, and Unilever.

15. This is evident from statements in their company reports and from correspondence in connection with the survey.

16. For a discussion of the record of EPZs in developing countries including those in Africa, see Kreye et. al., 1987.

17. Major equity indigenisation legislation was introduced in Ghana and Nigeria in the early-mid 1970s. This restricted the equity participation of most industrial TNCs to either 60% or 40% of total equity. The Zimbabwe government has recently stipulated that foreign companies whose shares are not publically quoted overseas must reduce their shareholdings in Zimbabwean public companies to 5%.

18. It does not seem conceivable that these low levels of profitability could be the result of a deliberate strategy of transfer pricing and, in particular, the overinvoicing of imports. No detailed studies of transfer pricing in ESA have ever been published but the scope for transfer pricing for companies engaged in relatively simple import substitution industrial activities using widely traded inputs is probably quite limited where general superintendence of imports is relatively well organised.

19. The comment of the international director of a large British TNC in response to a question about the new Investment Code in Zimbabwe is symptomatic of this scepticism: 'It is just a short term gimmick... (President) Mugabe is a committed Marxist who remains fundamentally opposed to foreign capital."

20. Telephone discussion with official at the Department of Trade and Industry 26/6/89. Apparently the expression "Africa weary" is commonly used by company representatives on the DTI's Trade Advisory Committee on Africa.

21. The following statement by the managing director of a British company with a relatively small investment in an ESA

country is typical of this weariness: " We are almost certainly in the process of selling our shares in .... We seem to get no support from the Government or from our partners, so quite frankly we really are not interested any longer.... We have got to concentrate our efforts in Europe where there is less bureaucracy and one can get things done in a much faster time."

22. The membership of the West Africa Committee which represents the interests of foreign companies in the region fell by a half from around 320 to 160 between 1986 and 1989. (Interview with the Adviser of WAC, 8/6/89).

23. A few British disengagements have simply been the result of takeovers of U.K. parent companies by foreign companies who have subsequently retained their industrial investments in ESA. However, most disengagements have involved the active relinquishment of African industrial investments.

24. Two recent studies of the ownership structure of the industrial sector in Zimbabwe estimate that the proportions of total industrial capital controlled by foreign companies (defined as owning more than 50% ot total equity) were only 25% and 33% during 1988-1989 (see Humphrey, 1989 and Maya Tongoona, 1989). The latter estimate excludes the metals sector which is known to have a high level of local ownership. Bennell found that less than half of the 436 industrial enterprises employing more than 30 employees in Ghana in 1977 had foreign majority ownership. (Bennell, 1984). Estimates for other ESA countries are not readily available but similar, relatively low levels of foreign ownership by the end of the 1980s would not be surprising.

25. The discounting of most investments was around 70% in Zimbabwe during 1988.

26. Nevertheless, the share of Lonrho's turnover attributable to Africa (including South Africa) still fell from 34% in 1978 to 17% in 1986. (see Lonrho Annual Reports 1978 and 1988).

27. This is already happening to a limited extent. For example, British Leyland sold its Rover subsidiary in Zanbia to Lonrho in 1987.

28. In the African context, Samir Amin has been the most well known exponent of this view (see Amin, 1974).

29. At present, however, this seems limited to resource based activities in West Africa (in particular, the timber industry in Ghana), which may to lead to increased tensions between indigenous and foreign industrial capital.

30. John Elliott, Chairman, Elders Corporation in a speech to the 1988 Annual Congress of the Confederation of Zimbabwe Industries. (see CZI, 1988).

31. Nonetheless, the increasing competition between African governments to attract FDI will probably considerably weaken their bargaining positions with TNCs and other foreign investors.

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