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Economics of Afro-Pessimism

The Economics of Perception in African Foreign Direct Investment

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> The main ingredient in the power of the weak state is the image it has in the minds of decision makers in the powerful states.
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> — Onwudiwe, E. and Ibelema, M. (eds), 2003, p. 4).

Afro-pessimism – briefly, the perception that 'Africa' has always been and will continue to be a scary, backward and poverty-ridden place – is a familiar perception to many in the West, most especially for any scholar of modern Africa. Comments that would be considered ignorant, if not outright prejudicial, in other fields of study are commonplace in discussions on sub-Saharan Africa. Misconceptions, stereotypes and negative images of Africa abound. Each semester, Professor Jo Ellen Fair of the University of Wisconsin, a largely liberal university renowned for its African studies, asks students to describe their images and ideas of "Africa" and "Africans":

> … I get the usual litany of stereotypical negative, and often condescending descriptions. To my students, "Africa" is: "basket case," "jungle covered," "big game, safari," "impoverished," "falling apart," "famine plagued," "full

> of war," "AIDS-ridden," "torn by apartheid," "weird," and "black." Moreover, my students describe "Africans" as "tribal," "underdeveloped," "fight[ing] all the time," "brutal," "savage," "exotic," "sexually active," "backward," "primitive" (Fair, E.F., 1993, p.5).

Afro-pessimism is largely studied by scholars of African literature, sociologists, anthropologists and media studies, not economists. Literature exploring any possible correlation between Africa's negative image in developed countries and the continent's development pace are scarce (Onwudiwe and Ibelema, M., 2003, p. 5). According to the constructivist school of political thought, however, perceptions have power, often overriding rational state interests. These state interests, most especially in the democratic OECD countries, are often determined by the general populace and their perceptions. The opinions of the population are in turn largely informed by the media. Thus, if the populace includes business people, investors, CEOs, bankers, economists, development workers, etc., then what is the impact of their perceptions on their interests? If Afro-pessimism can and does affect international political decision-making, could it not also impact international economic decision-making? Just as American inner city neighbourhoods, with the perception of high drug use and crime, do not encourage investment, "primitive" Africa populated with "savages" who are "brutal" and "fighting all the time," and probably rapists since they are "sexually active", sounds like a risky location and an equally unappealing investment (p. 7). Therefore, it does not seem such a large leap that negative images of Africa in rich and powerful countries could affect and even be retarding the continent's development (p. 7).

Foreign direct investment (FDI) is now often advocated as an important component for Africa's growth and development. Whether FDI causes growth in developing markets is debated, but many advocate that in order to cut poverty rates in half, the region must attract greater FDI flows. Since political risk is ranked as one of the most important factors when investing in Africa, clearly investors' perceptions of African politics will have an impact on foreign direct investment. Invariably these perceptions are based on investor-friendly (or unfriendly) policies but also by their perceptions of sub-Saharan Africa in general. For this reason, FDI has been chosen to elucidate how perceptions of Africa, and African politics in particular, can affect economic development and policy prescriptions. This is by no means the only way in which economics are affected by perceptions, as will be mentioned in the final section of this study, but is perhaps one of the most well-known, if not well-documented, forms. Further study needs to be done to better determine the relationship: surveys of CEO images of "Africa" similar to those in Professor Fair's classrooms, perhaps even anthropological in-depth studies. This paper, unfortunately, does not have such resources to draw upon and is thus meant only as a starting block to encourage such an avenue of future study.

The analysis will begin with an overview of the literature on Afro-pessimism, followed by a thorough definition of Afro-pessimism, its colonial antecedents and its continuation via Western mass media. A brief explanation of constructivism and the possible impact of Afro-pessimism will be discussed in section three. The fourth section will then review the literature on foreign direct investment in Africa and perceptions of risk. A brief analysis of the available data on FDI in sub-Saharan Africa and developing Asia will examine the actual flows of FDI, raising several questions. Finally, the last section will conclude as well as make some suggestions for further areas of study.

Review of Afro-Pessimism in the literature

A comprehensive review of the literature on Afro-pessimism would require an essay in itself. This analysis does not have the scope to treat the topic so broadly and will thereby be only a brief overview of what was a popular topic in academic writing in the 1990s. As mentioned, the topic of Afro-pessimism has largely been discussed within the fields of African fiction and literature, sociology, anthropology and media studies, with some mention in African history and political science. However, there has been appallingly little study of Afro-pessimism within economics or development studies. Perhaps, if Paul Krugman's prediction is correct, there will be further study of behavioural economics in the years to come (Krugman, 2009), opening the way for more focus on the impact of perceptions on irrational economic outcomes. For now, however, much of the literature will be from other fields of study and largely dating from the 1990s. Many of the articles reviewed will be used in greater detail in the proceeding section, the definition of Afro-pessimism.

Much of the debate around Afro-pessimism took place in early 1994 with both a famous article by Kaplan, published in the *Atlantic Monthly* entitled "The Coming Anarchy," and an edition of *A Journal of Opinion* dedicated to "The News Media and Africa" (2004). Though Afro-pessimism was by no means a new topic at this time, 1994 was perhaps both the culmination and the catalytic year for Afro-pessimism literature, perhaps due to the US intervention in Somalia.

Kaplan's article (1994), which received significant publicity at the time, is riddled with gross generalizations and Afro-pessimistic statements. His thesis centered around climate change's environmental effects, which he predicted would cause rifts between cultures and an eventual 'clash of civilizations'-style warfare. This spawned a number of critiques, namely Besteman's anthropologically-based essay with the title, *Why I Disagree with Robert Kaplan*. This debate, however, did not deeply analyze Afro-pessimism itself, but focused on the various ways in which cultures interact with one another.

A book edited by Beverly Hawk, *Africa's Media Image*, published in 1992, was the inspiration behind *A Journal of Opinion,* dedicating a special edition to "The News Media and Africa." This volume sparked greater critical analysis of the existence of Afro-pessimism. In this was an analysis of the coverage of Africa in *Time* and *Newsweek*

Magazine between 1989 and 1991 (Domatob, 1994). It illustrated the clearly unfair treatment, both in the number of stories and types of stories, of Africa in the media. Since then, there have been several similar studies of media attention regarding Africa and the developing world in general, which will be cited in the following section of this study.

This evolved into the debate between the 'Afro-pessimists' and 'Afro-optimists,' with each at times being equally unrealistic. The Afro-pessimists, who frequently call themselves 'realists,' cite all the terrible things that have happened on the continent. The Afro-optimists, often stating there is a burgeoning African Renaissance,[1] claim that Africa is treated unfairly in these critiques and that the achievements of Africa are inordinately ignored. David Rieff's article, "In Defense of Afro-Pessimism" (1999), is an excellent example of the list of negative information drawn upon by the pessimist school of thought. Houngnikpo's review in 2004, entitled "Africa Between Despair and Hope," illustrates the debate between the two schools from the pessimist perspective.

On the other side, "The Other Africa," written by David F. Gordon and Howard Wolpe in 1998, lists a number of achievements in sub-Saharan Africa and attempts to convince the American reader that the United States should become more involved with African development. Additionally, the book edited by Ebere Onwudiwe and Minabere Ibelema, *Afro-Optimism: Perspectives on Africa's Advances*, attempts to show a number of political achievements in sub-Saharan Africa as well as decry the idea that Africa has regressed since independence.

Meanwhile, a second school of Afro-optimists do not base their study on Africa's success stories but that where the various countries have failed, it is the fault of the international system, not Africa. Au-

1 'African Renaissance' largely referred to a dawning age of political peace and cooperation between African countries, inspired by the NEPAD as well as the ending of a number of civil wars around the same time.

thors such as William G. Martin (2008) and K. Mathews (2000), thereby fit into the school of African studies named the 'dependency and underdevelopment' school by Chazan et al. (1998, p. 16).

Regarding the economic literature, there is a very small body of literature mentioning Afro-pessimism. This comes largely from those articles with the expressed purpose of demonstrating Africa's progress with regards to largely ignored economic statistics. John Sender's article, *Africa's Economic Performance: Limitations of the Current Consensus* (1999), is perhaps the best example. Equally, Martin's article in 2008 and Austin's in 2000 also mention the various instances of improvement in sub-Saharan Africa that tend to be ignored by the economics literature. However, even in these articles, no attempt is made to suggest that Afro-pessimism may be affecting economic growth and development. Aside from the frequent mentioning that Africa's image is deterring foreign direct investment,[2] it seems that no study has attempted to delve into the matter.

The elements of Afro-Pessimism

Finding an adequate definition of Afro-pessimism is a difficult task as it is both historic and modern as well as involving various concepts based in images and symbols of what "Africa" is to Western audiences. Therefore, inherent in its definition is the role of the modern Western mass media as its primary vector of continuation. The majority of the literature defines Afro-pessimism with only a couple of the elements involved or in simple terms such as that given in the introduction of this paper. As it is the crux of this analysis, an extensive, complete definition is necessary. James Michira (2002), provides the most inclusive outline for Afro-pessimism's various elements, if not as encompassing an explanation of these elements,

2 The Preface by Secretary General of UNCTAD in *Foreign Direct Investment in Africa: Performance and Potential*, 1999, is a prime example.

and, as such, will be used as the starting point of what should be a more comprehensive definition.

The first element of Afro-pessimism is **homogeneity**. Okwui Enwezor, a photographer, describes it best as,

> … sweeping impressions whereby spatial and cultural distinctiveness and diversity become one blurry, indistinguishable thing… [for] a landmass ten times the size of Europe …(Enwezor, 2006),

'Africa' is often referred to in the manner of a country, not a diverse continent. This allows for a lumping together of all the bad qualities that can take place within nearly 50 countries. I say nearly fifty because 'Africa' refers most commonly to sub-Saharan Africa. The 'African,' as used in the Western press, does not mean anyone who lives on the African continent, but rather people who are black and live on the African continent (Hawk, 1992, p. 8). While I maintain this distinction has its utility, the by-product is that 'black Africa' becomes viewed as one homogeneous culture. Of course, my use of the term 'Western' is equally a homogenization of various European cultures and their prosperous ex-colonies. Despite that, one does not see reporters on the news saying they are in southern Europe or western Australasia reporting on a story.

The second element of Africa's pessimistic image is its **colonial mythos** as the "Dark Continent." It could be said that Afro-pessimism is as old as the invention of Africa as the darkest of all places in human history (Enwezor, 2006). Africans are lusty and promiscuous (Monroe, 2006, p.30) heathens with backward traditions, practices and superstitions (Michira, 2002, p. 3). While having ancient and immutable cultures, simultaneously, Africans are people without history, having contributed nothing to the advancement of humanity (Enwezor, 2006). This is entirely the colonial imaginary of

'Africa,' promulgated by Joseph Conrad and images of Livingstone and Stanley cutting through dense unknown jungle.[3]

The third element of Afro-pessimism involves the perception of **illness and disease**, more recently emphasized by HIV/AIDS. This too has a colonial antecedent. Given that Africa is where humans have been the longest, it is also home to the highest number of diseases that affect humans (Diamond, 1998). When European colonizers arrived, they had not developed natural immunities or decreased susceptibility to these illnesses and thereby often had high mortality rates from these new and scary illnesses (Bryceson, 2000). Schraeder and Endless surveyed articles from the New York Times between 1955 and 1995 and found that Ebola and AIDS were often topics with regards to coverage on Africa (Schraeder and Endless, 1998, p. 33). In a smaller review of several daily American newspapers during a one-week span in 2005, the mention of violence in articles on Africa was the most common, however, disease was the second most common reference, often in tandem with promiscuity (Monroe, 2006, p. 30). The connection of HIV/AIDS with Africa may be justified, given the prevalence rates in southern Africa, but rarely is it mentioned that some African countries have prevalence rates equal to places such as Washington D.C.[4] Michira points out (p. 5), however, that not only is AIDS associated with Africa but that "the media attributes the rapid spread of HIV and AIDS in Africa to ignorance, the reluctance to change sexual behavior, as well as backward cultural and religious traditions." In this way, the AIDS 'epidemic' and promiscuity are mutually reinforcing images. Lastly, it is important to note that UNAIDS has accepted that its measures of HIV/AIDS prevalence rates in Africa have been historically over-

3 This historical imagery is extensively described in Mudimbe's *The Invention of Africa*.

4 Ma, F. 'DC responds to HIV rates with push for STD tests', Private MD News, 31 August 2009. It is also interesting to note the quote itself: ' "Our rates are higher than West Africa," Shannon L. Hader, director of the District's HIV/AIDS Administration, told the Washington Post. "They're on par with Uganda and some parts of Kenya." ' Neither Kenya or Uganda are in West Africa.

estimated (Bennell, 2004). Bennell notes that the majority of African countries have rates around or below ten percent and that several countries prevalence rates have been declining. His conclusion is that rates seem to have peaked on the continent. This is hardly the image that is shown in the media nor by UNAIDS itself, however, which continues to articulate that "no turning point has been reached" (Bennell, 2004, p. 4).

Fourthly, the conception of Africa as a place of **starvation**. This is more modernly portrayed as a Malthusian situation of over-population on poor, and continually degrading, soils. Children with swollen bellies, flies around their heads and pleading looks is a well-known image in Western media portrayals. These images have even earned an appalling term of their own: development pornography (Gidley, 2005). Such images are a legacy of some of the earliest media coverage of post-colonial Africa, such as the starvation of the Biafran War, as well as an extension of the colonial idea of Africans being unable to take care of themselves: 'the white man's burden.'

In contrast, the fifth element of Afro-pessimism is **Africa as National Geographic** (Schraeder and Endless, 1998, p. 29). This involves images of the heart-breaking beauty of Africa's natural world where man is virtually absent unless there are tourists, conservationists or researchers, invariably Westerners (Enwezor, 2006). When Africans are mentioned, either it is that their traditional practices, corrupt governments or warlords are somehow threatening this untouched wilderness, or that Africans still live in small tribes and villages as in pre-colonial times (Enwezor, 2006).

This leads into the sixth element, **violent *tribal* conflict**. This is the idea that somehow Africans are naturally violent and that their 'tribes' are a constant feature, forever pitting one group against another. Besteman, in her critique of Kaplan's essay, also attributes this perception to that of Africa's homogeneity:

> This has consequences: once a culture is imagined to be bounded, distinct, and unchanging, then one can attribute all kinds of actions, behaviours,

> and beliefs to it. For example, "cultural differences" can stand in as a facile explanation of why people are at war with each other. I cannot count the number of news articles I have read in the United States that claim "the war in [name of African country] results from ancient cultural [or ethnic, tribal, clan] differences" (Besteman and Gusterson (eds.), 2005, p. 89-90).

The vocabulary used in descriptions of these conflicts is itself problematic. By using the term "tribal conflict," the message to the audience is that African events do not follow any pattern recognizable to Western reason and thus require a terminology of their own; the conflicts in Yugoslavia were not described as "tribal" (Hawk, 1992, p. 7-8). There is also a tendency to conflate culture and biology (Besteman and Gusterson (eds.), 2005, p. 90). Such ideas have been amply proven untrue by countless anthropologists (p. 90-91) but have their roots in the "scientific racism" of nineteenth century colonizing Europe (Onwudiwe and Ibelema (eds.), 2003, p. 4). Rwanda is well known for the colonial forces having designated tribal affiliations based on height, cranial size, etc. even though, due to intermarriage, such distinctions did not always hold (Besteman and Gusterson, 2005, p. 94-95). Nevertheless, the rigid 'tribal' structure that was put in place, catered to antagonistic and violent group relations, causing 'tribal violence.'

This notion of African violence leads into the seventh element of Afro-pessimism, the **African Big Man and political instability**. Interrelated to this is the impression that everywhere in Africa is in a state of civil war. While there have undoubtedly been many civil wars in Africa, there are also several countries that have never been touched by civil war. Schraeder and Endless' 50-year survey of the New York Times, however, found that the defining characteristic of whether an African country would make it into the top ten list of media attention – that is how often they are mentioned – is the existence of civil conflict (1998, p. 32). Conflict portrayed with ethnic connotations was 48 percent of all reporting in their study (p. 33).

Added to this is the often referred to case of Sierra Leone's civil war. Kaplan's infamous essay (1994) as well as movies such as Blood

Diamond and Lord of War present this stereotype: the Reno model (Reno, 1998). In this scenario, the leader controls the major material assets of the country (oil, diamonds, etc.) and sells them abroad, keeping nearly all of the money himself and giving large cuts to those he deems loyal. In addition, however, some of this money is used to fund rebel soldiers who attack the population of the country in order to get foreign aid. The leader attracts this foreign aid under the guise that, one, he will combat these rebels, and two, his population needs food, medical supplies, etc. The food and medical supplies are then of course either kept for the leader's use or again given to cronies, rebels and those whose loyalty must be bought.

Civil war is not the only stereotype of political instability. Coups, almost universally resulting in a dictatorial form of government, are also a common image of Africa.

> We all know the caricature and set-up: the despotic, corrupt "African Big Man" rules a Potemkin state (a banana republic of some sort), the kind novelist V. S. Naipaul gave us in noxious writings like "The Crocodiles of Yamoussoukro" (Enwezor, 2006)

The movie *The Last King of Scotland* (2006), a portrayal of Idi Amin and his dictatorship in Uganda, is perhaps the best caricature. He rules by whim with unpredictable actions (he is as likely to be your best friend one day as slit your throat the next) and incomprehensible decisions; a mad tyrant. Needless to say, this portrayal does not evoke a perception of political stability.

Moreover, these are not the only common negative motifs of inept African governance. The third stereotype is that of the horribly corrupt, though not necessarily psychotic, African Big Man. The phrase 'do a Mobutu' (Chang, 2007, p. 42), named after the Zairian dictator Mobutu Sese Seko, refers to a leader who steals money from their country, spends it frivolously or puts it in a personal foreign bank account as insurance for when he is inevitably ousted by another equally corrupt African Big Man.[5] The label is called a Mobutu despite the fact that he stole an estimated five billion dollars compared to Suharto's estimated three times that amount (Chang, 2007, p. 42). Nevertheless, it is not 'do a Suharto.'

Finally, there is the less malign African leadership image often epitomized by Nigeria. This is the classic corrupt leader who is neither mad nor obscenely violent, but rules through patrimonial networks and bribery.[6] This image is often presented as a reason for Africa's lack of development. This corrupt leader ensures his power by manipulation of the courts, laws and government institutions. For example, if a powerful figure in that country, a minister or judge, does not agree with the leader or refuses to bribe him, the Big Man will have this person arrested on false charges, ironically often for corruption. Such images have appeared in the recent coverage of Mugabe's Zimbabwe.

None of these political models presents a particularly positive image of African leadership and again only furthers the idea that 'Africa' is hopeless and can not rule 'itself.' Moreover, even when the media reports on democratic countries, a study by Boston University found that the language used was clearly pejorative and often used words usually restricted to describing coups and autocracies (Stith, p. 7).

Lastly, we have the perception of unrelenting **poverty**. This element is no doubt a culmination of the previous seven; however, it constitutes an element in itself due to its presence in economics literature. Economic Afro-pessimism is most characterized by a listing of various economic indicators, such as GDP or the number of landline telephones in a country, with reference to the rest of the world.

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5 It is important to note that African leaders themselves hoard much of their money abroad, an indication of the Afro-pessimism that can affect them as well as their Western counterparts.

6 This is well-documented by Chabal and Daloz (2008), *Africa Works*, as well as a Nigerian website dedicated to revealing all of the countries' governance ills, www.saharareporters.com.

However, this negative perspective is also achieved through a glass-is-half-empty use of vocabulary and indicators. Economic-based papers and books on Africa tend to begin formulaically with a listing of the various economic indicators proving that Africa is poor and underdeveloped before moving on to their analysis. Which indicators they use and how they phrase them is important though. For example, Mathews states that

> the GDP growth in the 1995-98 period averaged four per cent a year. The significance of this achievement can be gauged when one compares previous growth rates of 0.4 per cent for the entire 1980s and 0.9 per cent for 1990-94. Eleven countries had economic growth rates of 6 per cent or higher in 1997: Angola, Benin, Burkina Faso, Chad, Cote d'Ivoire, Ethiopia, Malawi, Mozambique, Rwanda, Ghana and Uganda. Such economic growth would be remarkable for any world region, let alone one so economically disadvantaged (Mathews, 2000, p. 82).

In an article in The Economist, these same facts are stated thusly:

> For a brief moment in the mid-1990s, there were signs of improvement. World Bank figures showed a clutch of African countries achieving economic growth rates of more than 6% …There was talk of an "African renaissance".
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> It was an illusion. … Sub-Saharan Africa as a whole had a growth rate of less than 3% in that period, which just about kept step with the rate of population increase. … African countries need growth rates of 7% or more to cut [poverty] in half in 15 years.
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> … Last year, sub-Saharan Africa as a whole grew by only 2.5%. Most of these countries cannot do better, says the Economic Commission for Africa, because, apart from South Africa, Botswana and Mauritius, they lack the basic structures needed to develop (*The Economist,* 2000).

The contrast could not be more blatant. The Economist illustrates the glass-is-empty vocabulary that tends to be used in economic literature and Western media. John Sender's article, "Africa's Economic Performance" (1999), is a rare counterpoint to this majority. Sender's statistics on Africa clearly show an upward trend in life expectancy and drastic decreases in child mortality rates. This is in contrast to the mass media reports of low life expectancies and high infant mortality rates in sub-Saharan Africa compared to the rest of the world. The result is the impression that nothing is improving in Africa and implies that the continent can not improve.

All of these elements add up to an overall negative image of Africa in the Western consciousness. Schraeder and Endless demonstrate that 73 percent of all articles studied provided negative images of African politics and society (Schraeder and Endless, 1998, p. 32). This is corroborated by the survey by Boston University of five influential print media, several of them with worldwide readerships (Stith). Inherent in this negativity, is the comparison of African countries to modern Western standards. Beverly Hawk, author of *Africa's Media Image*, states,

> by comparing them to our economic and technological standards, we are able to create an image of Africa in the American mind that is a chronicle of its deficiencies to Western standards (Hawk, 1992, p. 9).

This overall impression of deficiency builds an automatic attitude of disbelief in the positive image of Africa and Africans (Monroe, 2006, p. 15). In this way, even when positive stories of Africa are shown, they are rejected as anomalies in the minds of the audience because they conflict with previous beliefs about the region. Related to this is a point rarely touched upon in the literature, that emphasis is placed on the idea that the more contact one has with Africa, the better the understanding of its deficiency and its obvious backwardness (Enwezor, 2006). When reporting on the continent, national media prefer their own correspondents or Western 'experts' regardless of their degree of knowledge, instead of black Africans (Paterson, 1991). It is not the amount of years of study or the number of degrees that matters, but how long one has been in Africa that determines how much a person must know about the continent. In this way, one person's experience, regardless of their preconceived ideas before they traveled, is taken as valid but the professor in London who has studied for decades is accused of being an 'armchair academic.' This is not to say that first-hand experience is not important, as anthropology itself proves, but that the portrayal of Africa is unique for its emphasis of the personal over the professional.

But why is the media's role important in this perception? Why does its influence so strongly determine Western perceptions of Africa? The media holds a special importance as the source people turn to when they want to be informed. In turn, their interpretations most often define the understanding of events by readers and viewers. [7] Added to this is the contention that Africa is special because there is little common understanding between Africans and Westerners to provide a context for interpretation. There is little mention of Africa in school curricula and Western audiences lack contextual knowledge with which to interpret African events. Added to this, the cultural symbols and repertoire regarding Africa that exists in the minds of Westerners are primarily colonial. Most reporters do not have the time or space to give the entire historical and cultural complexities behind their story. Thus, the simplest way for the media to communicate an African story in an easily understood manner and in limited space is by the use of the colonial symbols, metaphors and terms that are familiar to their audience.

This is made worse by the lack of media interest in Africa. The sheer invisibility of Africa in the news is a foremost constraint. Meanwhile, when Africa is covered, the news usually concentrates on the sensationalist and often negative aspects of the continent (Schraeder and Endless, 1998, p. 29).

> Those aspects of African life covered by the foreign media are stories easily reported in brief dispatches and comfortably understood by the American audience. Such events are racial stories, coups and wars, famine and disease. … Although a water pump in a rural area may transform a community and

7 The following paragraph relies heavily on Hawk, B.G. (ed). (1992). Much is paraphrased or borrowed directly.

> its economy, it hardly makes good copy. Coups and wars make better copy (Hawk, 1992, p. 6-7).

This spotty and sensationalist coverage of the continent leads to a confusing barrage of events without context or continuity.[8]

According to Schraeder and Endless, the media also has an important agenda-setting role within the realm of American foreign policy (Schraeder and Endless, 1998). Thus, such inaccurate and misleading images can have a profound effect on international relations. Schraeder and Endless used the New York Times specifically because it is one of the newspapers most often read by those in the foreign policy establishment and because other media outlets rely on its reporting, due to its large international bureau and strong reputation for accuracy (p. 30)

The constructivism of Afro-Pessimism

The constructivist school of international relations argues that ideas have power. Even within an anarchic international system, international norms, common interests and common values, will constrain and direct states in their behaviour.[9] Material self-interests have meaning only within a social context. Even the concept of states, anarchy, power, and cooperation are social constructs whose meaning and context vary across time and place.

These subjective constructs affect identities, which in turn underlie interests, which then drive policy choices. These interests and identities are not constructed in isolation, but in an ever-changing "society of states" (Brysk, Parsons and Sandholtz, 2002). Equally,

8 This is not limited to the United States. A study in 1999 by the Glasgow Media Group looked at television programming in the United Kingdom and found that stories on developing countries in general were rare and limited to disasters, bizarre events and visits by prominent Westerners.

9 The following two paragraphs rely heavily on Brysk, A., Parsons, C. and Sandholtz, W. 'After Empire: National Identity and Post-Colonial Families of Nations', European Journal of International Relations, vol. 8(2), 2002. Much is paraphrased or borrowed directly.

there can exist multiple, overlapping international societies as well as interconnected sub-societies (churches, ethnic groups, diasporas, activist groups, professions, etc.). Moreover, there can be groups of states with different interests from other groups of states, as shown in the Cold War, though all of whom may also subscribe to some norms universally.

To uphold their theory, constructivists give examples of state behaviours that do not always accord with purely self-interested motives but where they can and do work cooperatively either in accordance with international norms or to uphold such norms. For example, the US sanctions against apartheid South Africa, according to Audie Klotz, also can not be explained by material or economic interests but because the international order and the American populace – who were also influenced by the American mass media portrayal of the struggle in American civil rights language and images (Hawk, 1992, p. 11-13) – believe that white oppression of black people is wrong (Klotz, 1995). Meanwhile, far worse human rights offenses have been entirely ignored because of a lack of international norms with regards to those countries and/or their ethnic compositions (Donnelly, 1988).

In this way, perceptions, ideas and images have international repercussions. Ebere Onwudiwe extends this to say that, while powerful countries can employ economic, military or diplomatic muscle as instruments of power, the weaker states depend on subtler and more intangible instruments of appeal (Onwudiwe and Ibelema, 2003, p. 5). For the weak state, their image with regard to international norms, whether they be in the UN or within a country's demographics, is one of their major means of negotiation with more powerful states. Thus, "in a bargaining situation between a weak and a powerful state, the weak state is better off (i.e. in a stronger bargaining position) if its stereotype (image) in the mind of the powerful state is positive" (p. 5).

So, given that ideas can influence political decisions at the international level, it is logical to assume that they can also affect economic decisions. Onwudiwe's statement could equally apply to trade negotiations; trade obviously having a large impact on national economies. The economic impacts with regards to FDI is especially important when one considers that investors may not have any knowledge or experience regarding Africa except for the perceptions and images presented to them throughout their lives in Western society.[10] For that reason this paper will now focus on the possible distorting effects of Afro-pessimism on FDI.

Foreign direct investment in Africa

Whether foreign direct investment (FDI) causes growth in developing markets is debated (Asiedu, 2005, p. 8). Some studies have found a positive relationship between FDI and growth, while others claim that FDI only causes growth in certain environments, such as a certain educational threshold (Borensztein, 1998), a certain level of income (Blomstrom et al., 1994), a well-developed financial sector, etc (Alfaro et al., 2004). However, a large body of literature suggests that FDI is an important source of capital, complements domestic private investment, provides new jobs and opportunities and enhances skill and technology transfers (Chowdhury and Mavrotas, 2006). Since income levels and domestic savings in Africa are low, Asiedu maintains that FDI is needed to fill an annual resource gap of $64 billion (Asiedu, 2004, p. 42). UNCTAD stands behind the role of FDI so strongly that, as early as 1999, they published a booklet for corporate executives of transnational corporations to advertise Africa's investment potential (UNCTAD. 1999). Ndikumana and Verick, find that FDI and domestic private investment are mutually reinforc-

10 Corby (1985) states people retain the stereotypes and mythical images in American published materials and media throughout their lifetimes (in Monroe, 2006).

ing, though the latter has a larger effect on the former than vice versa. In this way, FDI crowds in private investment and enhances domestic capital accumulation (Ndikumana and Verick, 2008, p. 26). Thus, while it may or may not be a cause of economic growth, its contribution to a well-thriving, growing economy is clearly important.

Meanwhile, though there has been a significant increase in FDI globally in the last two decades, very little of this is going to Africa. While sub-Saharan Africa is receiving higher rates of investment in absolute terms, Table 1 shows that, compared to the rest of the world, its share has consistently lessened in comparison to other regions. This has not changed with the new millennium. UNCTAD reports a near doubling of FDI stocks between 2003 and 2007, yet even still the numbers are far lower than in other regions of the world (World Economic Forum, 2009, p. 3). Furthermore, the investment that is going to the continent is concentrated in a handful of countries. Between 2000 and 2002, Angola, Nigeria and South Africa absorbed 65 percent of FDI flows to the region (World Bank, 2004). This is obviously due to the oil reserves of the first two and the size and significance of the South African market on the other. This shows the trend for investment in resource-rich countries, however, Ndikumana and Verick highlight that infrastructure plays an important role in attracting foreign investment in non-resource rich countries. Unfortunately, sub-Saharan Africa's infrastructure has been steadily disintegrating since the structural adjustment cut backs (Akyüz, and Gore, 2001). Lack of adequate infrastructure is now often cited as a major impediment to FDI in Africa (Griffiths, 2008; Chang, 2007). Asiedu concurs but also includes a number of other factors in which Africa has not maintained its competitiveness in the world investment market since independence (2004). While she notes there have been improvements, the improvements have simply not been enough to keep pace with competitive Asian economies (p. 47). This is despite the fact that the US government's Overseas Private Investment Corporation says that Africa offers the highest returns in the world (Macdonald, 2005) and the United Nations Economic Commission for Africa (UNECA) asserts that the average return on inward investment for Africa as a whole is four times that from the former G-7 and twice that of Asia (Shelley, 2004, p. 11).

Table 1
Annual Averages of Net FDI Inflows to Developing Countries and Selected Regions,1970-1999 ($m.)

Region	FDI net inflows			Growth rate (%)	
	1970s	1980s	1990s	1970s-80s	1980s-90s
East Asia and Pacific	749	3,967	43,347	430	993
Latin America and Caribbean	2,498	5,714	3,7480	129	556
Middle East and North Africa	-129	806	3,836	-725	376
South Asia	61	256	2,278	323	789
Sub-Saharan Africa (SSA)	773	1,102	3,509	43	218
All developing countries	4,013	12,059	10,3078	201	755
SSA's share (%)	19	9	3	–	–

Source: Asiedu, E., 2004, 'Policy Reform and Foreign Direct Investment in Africa: Absolute Progress but Relative Decline,' Development Policy Review, 22(1).

So what determines FDI? This as well is highly debated, with studies often using the same data arriving at contradictory conclusions. Asiedu and Morrisset have found that markets which are more open – that is those with higher trade to GDP ratios – attract more FDI. This is refuted by Akyüz and Gore's comparison of sub-Saharan Africa with East Asia (Akyüz and Gore, 2001). They conclude that the opening of markets during the structural adjustment policies of the 1980s and 90s even caused considerable disinvestment (p. 281). Debt, at least, is agreed to deter investment not just within the public sector but also FDI (p. 284). Sub-Saharan African countries in general have very high indebtness levels. As mentioned above, infrastructure is also considered to be a determinant of FDI. Good infrastructure facilitates production and reduces operating costs, attracting investment (Asiedu, 2004, p. 45). Akinkugbe (2003) emphasizes a high per capita income with an outward oriented trade framework, a high level of infrastructure development, and a high rate of returns on investment, in the attraction of FDI. Basu and Srinivasan (2002) look at a number of successful African case studies and conclude that their success was based on several factors: 1) political stability with macroeconomic stability; 2) being rich in natural resources; 3) having either a large enough domestic market or a high level of economic development; 4) open market; 5) minimal state intervention in markets; and 6) a supportive institutional environment including a well-functioning banking and financial system. Finally, it is possible that Africa's geographic location is hindering its ability to attract FDI.[11] Such studies are nearly endless in their prescriptions and proscriptions and as such a comprehensive review is not possible but neither are concrete conclusions as the data and evidence is not giving consistently robust results. [12]

But what about the effects of politics in sub-Saharan Africa? The policy environment for these investments has been suggested to matter heavily in a number of the aforementioned studies. Corruption is often cited in the literature to be a primary factor holding back FDI (Asiedu, 2005, p. 4). Governance has become the recent catchword in international development, with donors now making governance an important criteria for the receiving of aid. Kaufmann and Kraay (2002), as well as Rodrik et al. (2004), find poor governance to clearly be detrimental to development and welfare (p. 4). Several papers have shown that inefficient institutions, as measured by corruption and weak enforcement of contracts, deter foreign investment

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11 Sachs and Warner, 1995. Natural Resource Abundance and Economic Growth,' NBER Working Paper No. 5398. While they are speaking of economic growth and not specifically FDI, many of the constraints they mention (being landlocked, tropical climate affecting equipment, etc.) are applicable.

12 For a more comprehensive study, see Blonigen, 2005, 'A Review of the Empirical Literature on FDI Determinants,' NBER Working Paper No. 11299.

(p. 5). The issue, however, is how to measure such intangibles as the magnitude of corruption or inefficiency. Putting a number to such concepts is difficult and inaccurate but may also be affected by preconceived ideas and stereotypes. This will be touched upon again shortly.

For investors, Asiedu (2005) finds corruption ranks very high on the list of obstacles to FDI by the World Business Environment Survey, World Development Report Survey, World Investment Report Survey and the Center for Research into Economics and Finance in Southern Africa Survey. Equally, political instability is shown to strongly deter investment flows to Africa. Jaspersen et al. find that high levels of country risk have a significant negative impact on private investment (Jaspersen et al. in Collier and Pattillo (eds.), 2000, p. 71-95). Moreover, they find that private investment appears to be significantly lower in Africa than is explicable in terms of solely economic fundamentals (Collier and Ginning, 1999, p. 20). Collier and Pattillo state,

> survey evidence indicates that firms currently identify risk, and in particular the risk of policy change, as the single most important obstacle to investment [in Africa] (2000, p. 5).

There are also a number of books from investors with personal experience in Africa that laud it for potential but decry its corruption and the 'palm greasing' necessary (Shelley, 2004; Beckett and Sundarkasa, 2000; Mwakikagile, 2007). Collier and Pattillo (2000) add that not only is Africa perceived as an unusually risky environment, but firms have fewer coping mechanisms to deal with this risk.

So how are these risks determined? As mentioned, measuring such intangibles is a difficult task. Because firms attach such great importance to determining risk, however, a market of specialist services agencies has arisen to measure risk's various components (Collier and Pattillo (eds.), 2000, p. 5). Haque et al analyzed three of the major risk assessment agencies – Institutional Investor, Euromoney and Economist Intelligence Unit – for their accuracy with regards to Africa. Their findings are astounding.

> We have found that Africa's credit ratings are lower than is warranted by the fundamentals … Nonetheless, our analysis has shown that there is considerable persistence in the ratings so that a country tends to retain its rating over time unless significant adverse or positive developments occur. Indeed, the combination of the lagged value of the country's rating and economic fundamentals typically accounts for 80 to over 95 percent of the variation in credit ratings (Haque et al. in Collier and Pattillo, 2000, p. 63).

Equally surprising, while this study is over a decade old, it seems to be the only one of its kind! Given the power of these agencies' assessments, further study of possible biases in their evaluations would be prudent. It would seem for now though, that African governments suffer from a 'bad neighbourhood' effect that is retarding the impact of reforms in those that are attempting to realign policies to better attract FDI (Haque et al. in Collier and Pattillo, 2000, p. 63). Whether or not this is due to Afro-pessimistic perceptions within the risk assessment agencies is unknown though not outside the realm of possibilities. If governments, who have political advisors, diplomats and specialists at their disposal, can be inordinately affected by Afro-pessimism in the media, economists evaluating intangibles such as institutions and political risk may equally be influenced. A quick look at the list of evaluation criteria in *The Global Competitiveness Report 2008-2009*, shows just how many factors are not based on hard data.

This leads to how corruption in Africa is perceived, by comparison to other areas. After all, don't the Asian Tigers also have corruption? It is well-known that to conduct business in China requires 'palm-greasing', and in larger amounts than in Africa. Kenneth Good writes on corruption in Botswana but also has a chapter on American corruption, which he argues makes Botswana look great by comparison. Arthur Goldsmith mentions that governance in America's 'Gilded Age' had public institutions that were highly secretive, personalistic and arbitrary and yet was an era of unprecedented growth (Goldsmith, 2005, p. 11-17). Akyüz and Gore, in their comparison of the 'African failure' and the 'East Asian miracle,' note that many attribute African economic failure to a 'predatory state,' a 'rentier state,' a 'patrimonial state' (2001, p. 277), but that many of these were the policy prescriptions of the time and were similar to the many types of state intervention in the economy as occurred in the Asian miracles. Mustaq Khan and Jomo Sundaram have an entire book documenting the rampant corruption that occurred in various newly industrialized Asian countries.

Akyüz and Gore attribute the difference between why corruption was not negative in East Asia but was in Africa to four factors (p. 277). First, the governments had a tendency to regard domestic capitalists with suspicion, whereas Asian governments were often thickly involved in their major industries.[13] Second, rents provided to chosen economic sectors and industries were not contingent on performance (Khan and Sundaram, 2000, p. 50-51). Thirdly, a number of measures were implemented in Africa to counter-act colonial discrimination. In this way, many firms received privileged or monopoly access to certain avenues of capital accumulation, often meaning the economy was not oriented in a maximizing fashion (i.e. they didn't preferentially treat the right sectors of the economy). Fourthly, many African states used development policies as a central element of their multi-ethnic state-building coalitions. Such coalitions were seen as essential for national unity and stability but the redistributive measures tended to focus on government consumption, which reduced efficiency and dissipated investment funds. Akyüz and Gore also mention, however, that Asia and Africa started from very different baselines, with demographics and initial endowments being very different and much lower in the latter (2001, p. 278). Regardless, by these conclusions, it would appear that African governments were far

13 This has also been complained about in the media and among investors due to resulting favoritism.

too egalitarian (through their redistribution policies) and not corrupt enough (via their relationships with private industry)! Goldsmith concludes that, while good governance is a worthy goal in itself, it does not provide growth or development. If other conditions are favorable, he states, public institutions operating at low standards of transparency and accountability are adequate for the creation of jobs, wealth and new industries. Finally he presents an evolutionary cycle of economic development eventually causing good governance, rather than the other way round (Goldsmith, 2005, p. 26).

Could it be that corruption in Africa is so highlighted because it parallels nicely with the Afro-pessimistic images of African leadership? De Sardan's *A moral economy of corruption of Africa?* (1999), claims that corruption is inherent in African 'sociocultural logics.' But what about Chinese culture? While there is rampant corruption in China without a deleterious effect, perhaps the confluence of the many negative images associated with Afro-pessimism creates a sense of these problems being worse and more intractable in Africa. Haque et al's findings (in Collier and Pattillo, 2000) show there is undoubtedly a connection between perceptions of Africa and risk evaluations but a further analysis of investor's opinions on African governance, including vis-à-vis other areas of the world, would be needed to show the relationship. Unfortunately, no such study has been performed. Given that most investors rank political risk as one of the most important factors when investing in Africa, it is surprising that no such study has been attempted.

Data comparisons: Sub-saharan africa and developing asia

Data on foreign direct investment with regards to Western countries is easily available. The annual *Global Competitiveness Report 2008-2009* contains statistics on a multitude of various factors regarding FDI including the Executive Opinion Survey. Equally, The

World Bank's 2003 business survey, *Investment Climate Around the World*, reveals insights on the opinions of investors already in foreign markets. It is partially for this easily accessible data that FDI has been chosen as the comparison for this study.

The second reason for the choosing of FDI is the stated importance of political risk factors in investment in Africa. The 2003 World Bank report states that investors stress different factors for choosing to invest in Africa than compared to other regions of the world. Asiedu finds that corruption is a large obstacle to FDI according to investor surveys (2005, p. 4). Similarly, the Economic Commission for Africa states that one of the reasons why FDI lags on the continent is

> uncertainty: one of the reasons why foreign investors are reluctant to invest in Africa, despite its enormous profitable opportunities, is the relatively high degree of uncertainty in the region, which exposes firms to significant risks. Uncertainty in the African region manifests itself in three different ways: political instability…macroeconomic instability…lack of policy transparency (Dupasquier and Osakwe, 2005, p. 13-14).

Therefore, given the uniquely politically-based determinants of FDI to Africa, perceptions regarding African politics seem particularly relevant. This is not to say that other factors don't also affect investment, poor infrastructure being an often mentioned concern, but that those factors are less likely to be impacted by perceptions, given that hard data is available for such measures.

This section will briefly look at the various FDI statistics available, with particular attention toward perceived political stability, strength of institutions and pervasiveness of corruption. Several comparisons between countries will be made but these will be purposefully unbalanced. That is, the highest ranking African countries, in terms of institutions, will be compared to two of the lowest ranking developing Asian economies to attempt to show that even in such favourable comparisons, FDI to Africa still lags behind regardless of their governance scores or what investors already in those countries claim about corruption and political instability. The exceptions will be Nigeria and Malaysia, who are included in order to show the opposite extremes within both regions.

According to the most recent Global Competitiveness Index (GCI) rankings, some African countries are doing quite well; however, the majority remain at the bottom of the list. Out of the bottom 25 countries, 16 are in sub-Saharan Africa. But what makes a GCI score? There are twelve pillars, divided into three major categories according to what is needed in which stages of development. The first are the basic requirements, of which are institutions, infrastructure, macroeconomic stability and health and primary education. In the second category are the efficiency enhancers: higher education and training, global market efficiency, labour and market efficiency, financial market sophistication and technological readiness. The third category, innovation and sophistication factors, is made up of business sophistication and innovation. These categories are then weighted according to a country's stage of development, as shown in Table 2. Sub-Saharan African countries are largely in the factor-driven stage, with Botswana in transition and only three in the efficiency-driven stage. In general, the trend seems to be the higher the GCI ranking, the more complex the stage of development with regards to sub-Saharan African countries. Again, it is important to note that the majority of factors, including all the institutional factors, are not based on hard data. For this reason, one must ask how fair these rankings are, especially as institutions make up 15% of the total GCI ranking for most African countries. Unfortunately, surveys of the evaluators' opinions are not available, nor are they likely surveyed at all. However, given the results of Haque et al, an evaluation of these evaluations would be advisable.

Table 2
GCI Category Weighing According to Stage of Development

Weight	Factor-driven stage (%)	Efficiency-driven stage (%)	Innovation-driven stage (%)
Basic requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

Source: Porter and Schwab, 2008, *The Global Competitiveness Report 2008–2009*, World Economic Forum: Switzerland, p. 41.

How reflective is the GCI to actual FDI flows? Table 3 shows the flows of FDI to selected developing countries. The numbers show a clearly lower trend in sub-Saharan Africa, with the exception of Nigeria. This includes when comparing South Africa, ranked number 45 in global competitiveness, to Indonesia, ranked 55. Botswana and Mauritius are ranked numbers 56 and 57 respectively in the GCI rankings, right behind Indonesia. Nigeria (ranked 94), on the other hand, received nearly double the outward FDI flows as Indonesia, while Mauritius and Botswana were nowhere close to any of the other selected countries. Vietnam, ranked 70, has even received greater continuous flows of FDI than South Africa. Nigeria clearly shows the preference for resource rich countries, but the remaining comparisons all raise questions of why the GCI rankings do not accord with actual investment flows.

Table 3
Net FDI Inflows to Developing Countries ($m.)

Country	GCI Ranking[a]	1990-2000 (annual average)	2004	2005	2006	2007
Indonesia	55					
Inward		1,584	1,896	8,337	4,914	6,928
Outward		622	3,408	3,065	2,703	4,790
Malaysia	21					
Inward		4,722	4,624	3,967	6,048	8,403
Outward		1,550	2,061	2,971	6,041	10,989
Vietnam	70					
Inward		1,322	1,610	2,021	2,360	6,739
Outward		-	-	65	85	150
Botswana	56					
Inward		20	392	281	489	495
Outward		9	-39	56	51	51
Mauritius	57					
Inward		51	11	42	105	339
Outward		12	32	48	10	58
Nigeria	94					
Inward		1,477	2,127	4,978	13,956	12,454
Outward		309	261	200	228	261
South Africa	45					
Inward		854	799	6,644	-527	5,692
Outward		1,203	1,352	930	6,725	3,727

Source: UNCTAD, 2008, World Investment Report 2008, Country Fact Sheets, online.

[a] From Porter and Schwab, 2008, The Global Competitiveness Report 2008–2009, World Economic Forum: Switzerland.

So, if global investors are not aligning with GCI rankings, what do investors say are important factors? A look at the Executive Opinion Survey results, with particular attention to institutional factors, reveals interesting conclusions. Table 4 shows the following information for better comprehension. In Malaysia and Indonesia, inefficient government bureaucracy tops the list of the most problematic factors for doing business. Corruption was mentioned as the second most problematic factor in Malaysia with 14.5% of those surveyed and in Indonesia it ranked third at 10.7%. By comparison, Nigeria –

often cited as a haven of corruption – had nearly the same amount of respondents as Malaysia claim that corruption was the most problematic factor (14.0%). Interestingly, Nigeria's institutions, according to the GCI rank at 106, while Malaysia ranks 30. Infrastructure, however, was number one in Nigeria at 22.3%, with financing ranking second most problematic at 19.9%. Meanwhile, in Vietnam, inflation, infrastructure and an inadequately educated workforce were the top three factors, followed by corruption at 9.0%. Mauritius and Botswana, on the other hand, championed for their good governance, show corruption to be indicated 8.0% and 6.3% respectively.

Mauritius' institutions in the GCI were number 50, Botswana, 53, and Vietnam at 71. Despite this, Vietnam's inward FDI flows were almost twenty times that of Mauritius! At the top of the list for Mauritius is inefficient government bureaucracy and inadequate infrastructure. In Botswana, both these factors rank in the top four, just under 'poor work ethic in national labor force' and inadequately educated workforce. Finally, South Africa's most problematic factors are an inadequately educated workforce along with infrastructure and again government bureaucracy. Uniquely, crime and theft come in second with 19.8%. Corruption in South Africa was in accordance with the trend at 6.2%.

As mentioned, this is a purposefully biased comparison. Therefore, institutional scores are uncommonly high for the sub-Saharan African sample and low for the Asian developing economies sample. Even with these skewed results though, FDI flows do not appear to be in accordance to institutions or competitiveness. Even more contradictory, Vietnam, who ranks lower than all the sample African countries except Nigeria, attracts more FDI than all the sample African countries except Nigeria. This is in spite of 16.5% of its companies also complaining about inadequate infrastructure.

Table 4
Executive Opinion Survey Results for Selected Countries

Country	GCI Ranking	GCI Institution Ranking	Most Problematic Factors for Doing Business (%)
Indonesia	55	68	Inefficient government bureaucracy (19.3) Inadequate supply of infrastructure (16.4) Corruption (10.7)
Malaysia	21	30	Inefficient government bureaucracy (16.7) Corruption (14.5) Crime and theft (8.3)
Vietnam	70	71	Inflation (17.9) Inadequate supply of infrastructure (16.5) Inadequately educated workforce (10.6) Corruption (9.0)
Botswana	56	36	Poor work ethic in national labour force (19.0) Inadequately educated workforce (14.0) Inefficient government bureaucracy (11.1) … 8. Corruption (6.3)
Mauritius	57	39	Inefficient government bureaucracy (18.6) Inadequate supply of infrastructure (15.2) Inadequately educated workforce (15.2) … 5. Corruption (8.0)
Nigeria	94	106	Inadequate supply of infrastructure (22.3) Access to financing (19.9) Corruption (14.0)
South Africa	45	46	Inadequately educated workforce (22.3) Crime and theft (19.8) Inadequate supply of infrastructure (12.9) … 6. Corruption (6.2)

Source: Porter and Schwab, 2008, *The Global Competitiveness Report 2008–2009*, World Economic Forum: Switzerland.

If one looks at the 2003 World Bank survey of investors, shown in Table 5, the image is no less contradictory. Overall, the four major constraints to investment in sub-Saharan Africa are financing, corruption, infrastructure and inflation. In developing East Asia, the constraints are street crime, corruption, and a tie between inflation, exchange rate and organized crime. From this survey, it would seem that both developing Asia and Africa are deterring investment with their corrupt practices. This leads one to wonder if there are other factors causing investors to put their money in Vietnam over Mauritius by twenty times as much or if perceptions are playing a role in investors' decisions. Likely it is both.

Table 5
General Constraints on Firms

Region	Leading Constraint	Second Constraint	Third Constraint	Fourth Constraint
Africa	Financing	Corruption	Infrastructure	Inflation
East Asia Developing	Street crime	Corruption	Inflation / Exchange rate / Organized crime (tie)	

Source: Batra, Kaufmann and Stone, 2003, Investment Climate Around the World: Voices of the Firms from the World Business Environment Survey, The World Bank: USA.

The conclusion would seem to be that it is indeed factors other than corruption and institutions that are actually deterring investment in Africa. This begs the question as to whether there may be a large herding effect – that is that investors go where it is popular and not necessarily where it maximizes profit. Such an effect would undoubtedly be affected by Afro-pessimism, as herding is itself based on perceptions overruling purely rational decision-making. The problem with all the investor survey studies, however, is that they are conducted among those businesses that have *already* decided to invest in developing countries. This raises several, currently unanswerable, questions. For example, perhaps those businesses that invest in Nigeria are already aware of the stereotype of corrupt Nigerians. Because they were already expecting corruption, in the surveys they instead focus on other factors that they had not taken into account before they invested. Similarly, those investors in the 'miracle' Asian economy of Malaysia, are expecting miracles, not corrupt bureaucrats. This would mean that corruption scores of businesses in African countries would be artificially low and that 'Asian miracle' countries' scores would be unusually high. Of course, without an in-depth study, such an effect is currently unknown.

Also, by studying those already investing in developing economies, we do not know what potential investors think will be their major constraints. After all, these potential investors may not have as accurate a picture as those already invested in Africa. Put another way, if we assume that all the aforementioned various studies are correct in their observation that Africa attracts less FDI due in large part to perceptions of political risk and corruption, then these observations by companies already in invested those countries are irrelevant. What we need to know is what those who are considering investing and have not yet done so, think of Africa and what they think their most constraining factor(s) would be. In addition, we need to know how investors determine where they will invest, what agencies they use, consultants, and 'site locaters' – those who find sites for other companies to invest in abroad according to what those companies say are their major criteria. For example, if these companies and agencies rank corruption and political risk to be overly high, when compared to the business surveys in those countries and recent policy changes, then perhaps their Afro-pessimistic stereotypes are having an effect on investment.

These questions, unfortunately, are as yet impossible to answer. Thus, while anecdotal information from various sources suggests that Afro-pessimist-affected perceptions are deterring investment unfairly (UNCTAD, 1999), statistical facts to corroborate or deny this are unclear. Perhaps the most telling result is found by going back to the basics: simply, the dismally low FDI flows to African countries despite their GCI ranking and stated profitable opportunities.

Conclusion and further areas of study

Between 2001 and 2008, growth in Africa's GDP averaged 5.9% annually (World Economic Forum, 2009, p. 3). This is not due to only one or two countries bringing up the average, 24 countries in 2003 had growth rates over 5% (Macdonald, 2005). Even in the global recession, the IMF is projecting growth on the continent to the order of 2% in 2009 and 3.9% in 2010 (World Economic Forum, 2009, p. xi). Despite this, FDI in the region does not reflect the economic opportunities to be gained.

> To say that Africa has been marginalized is a gross understatement. The fact is that Africa simply does not appear on many corporations' global business plans. Africa has been left out for a variety of reasons, including strife, health, insecurity, bad press, and corrupt leadership. But the most relevant reason is that many people simply don't know enough about the continent (Shelley, 2004, p. 14).

This is perhaps most entertainingly summarized by the introduction title of Beckett and Sundarkasa's book – meant as a guide to investing in Africa – "Tarzan Does Not Live Here Anymore" (Beckett and Sundarkasa, 2000, p. xi).

The FDI data speaks for itself: even when African countries are rated highly in global competitiveness, South Africa still receives less investment than Vietnam. Jaspersen et al. concludes that investment in Africa is significantly lower than explicable by the economic fundamentals. Meanwhile, the risk assessment agencies that investors get their advice from are shown to be rated riskier than warranted (Haque et al. in Collier and Pattillo (eds.), 2000, p. 63). Finally, the news and media sources, to which investors look to be informed, are biased and woefully inaccurate in their portrayals of Africa. All of this suggests that perceptions of Africa may be having an inordinate effect in investment decisions. Africa's image is hindering its ability to attract FDI, despite the policy changes that have been put in place.

Nor is FDI the only way in which Afro-pessimism may be affecting economic development. Fairhead and Leach's analyses of traditional African farming practices on poor agricultural lands in north-west Africa, leads one to question the impact of Afro-pessimism in agricultural production (Fairhead and Leach, 2000). By treating African farmers as though they know nothing about their climate and need to be taught by white experts, trained for largely European and North American climates and soils, are we not continuing Afro-pessimistic ideas? Agriculture is by far the main occupation in sub-Saharan Africa and the base upon which industry and manufacturing must grow. Thus, perhaps Afro-pessimism's influence on agricultural research and policies is hindering African development? What about the kinds of aid that are given to African countries? Instead of giving food to 'starving' people, perhaps the Western charities should be funding malaria research? Instead of hundreds of post-graduates going to South Korea to teach English, maybe they should be going to Botswana to help develop their human resources base? In this way, the impact of Afro-pessimism may not be limited to FDI and would be an excellent avenue for further study.

All hope is not lost, however. There are attempts to change Africa's negative image. Besides the investors' guides to Africa, several organizations have been formed to try and improve Africa's image. 'Image of Africa' is one such organization in Australia. *South Africa: The Good News* is an alternate news source out of South Africa with the goal of presenting more balanced reporting about life in South Africa as well as sub-Saharan Africa in general. There is even a movie entitled *Africa: Open For Business* (2005), that was shown at the Cannes Film Festival in 2006.

Despite these efforts and slowly creeping changes, sub-Saharan Africa's positive image has an uphill battle. There are now magazines on the shelves of many bookstores with titles like *African Business*, *Africa Investor* and *Jeunes Afrique Economie*. Nevertheless, these are specialist magazines and will have a hard time competing with *The New York Times*, *The Washington Post*, etc. In the end, it is important to remember, however,

> …[that] as development specialists now celebrate the stunning economic achievements of China, Taiwan, South Korea, Singapore, and those following them, they tend to downplay the intellectual despondency that characterized development studies of Asia in the 1950s and through the Vietnam War (Chege, 1994, p. 197).

So perhaps images can change and what may have once been decried as impossible, is not as impossible as it seemed.

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