

# THE CHANGING VIEW OF MULTINATIONAL ENTERPRISES AND AFRICA

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## 5.1 INTRODUCTION<sup>1</sup>

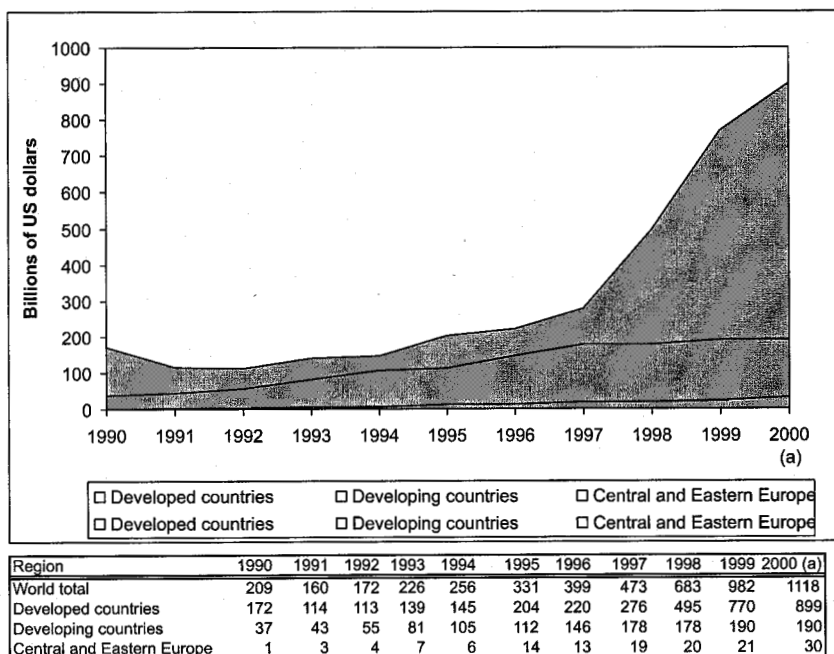
Since the seventies, international economic relations have increasingly gained importance. Presently, in addition to an increase in exports and imports, the expansion of business activities from different countries has particular importance. For example, the sales of multi-national businesses are higher than the international trade volume. According to preliminary estimates made by UNCTAD in their *World Investment Report 2000*, world foreign direct investment (FDI) inflows are expected to exceed US\$ 1.1 trillion this year, up fourteen percent over 1999, representing a doubling in just three years. More than four fifths of this year's FDI inflows went to developed countries (see Table 5.1 below and UNCTAD Press Release (7 December 2000)).

Western Europe continues to be the largest host region to FDI, receiving an estimated US \$ 597 billion. FDI flows to Africa have risen modestly - from \$8 billion in 1998 to \$10 billion in 1999 (UNCTAD (2000)). As some African countries, such as Angola, Egypt, Morocco, Nigeria, South Africa and Tunisia, have attempted to create business-friendly environments FDI has risen. In a recent survey of 296 of the world's largest MNEs carried out by UNCTAD and the International Chamber of Commerce at the beginning of 2000 South Africa and Egypt are viewed as the most attractive African locations (UNCTAD (2000), p. 9).

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<sup>1</sup>An earlier version of this chapter was presented as an invited lecture at the North-West University on the 14th March 2000. I have benefited from the comments of the seminar participants as well as from the suggestions received by Prof. Willem Naudé, Prof. Wilma Viviers, Prof. Thomas Gries, Prof. Karl-Heinz Schmidt and Norbert Bauer. Also important insights were gained from Andreas Berger of Gerling General Insurance of South Africa Ltd. The usual disclaimer applies.

As Rubens Ricupero, Secretary-General of UNCTAD, recently reported business activities of multinational enterprises (MNEs), now numbering some 63,000 parent firms with around 690,000 foreign affiliates and a plethora of inter-firm arrangements and collaborations, spans virtually all countries and economic activities, making international business knowledge a growing necessity even for small and medium sized business enterprises.



Source: UNCTAD, FDI/TNC Database

a) Preliminary estimates on the basis of 50 major host countries (22 developed and 28 developing countries) and Central and Eastern Europe as a region.

**Table 5.1. FDI Inflows by Region, 1990-2000**

As the international environment continues to change rapidly and become increasingly complex due to structural adjustments that open markets command, the demand for entrepreneurial spirits at all levels of the value-added chain of production is greater than ever.

This chapter analyzes the changing view of multinational enterprises in the New World order and their possible effects on Africa. The underlying premise is that many of the activities which are so essential for the success of the new world order implies that African growth through regional integration must be carried out by the private sector, specifically the MNE. After a brief discussion of what a MNE actually is in Section 2, coverage of some highly stylized facts