

## Opening Statement

*Yoweri Kaguta Museveni\**

Mr. Chairperson,

I was told that you wanted me to speak about why there are no investments coming to the Third World countries, especially to Africa. Well, there are a number of reasons, but let me group them in two categories. Some of the reasons are indigenous, meaning that they originate within the less developed countries themselves. There are programmes within these countries that stop investments from coming in. The other factors are exogenous. They originate outside these countries.

Let me start with the indigenous factors. In the 1960s, the main indigenous factor that denied us investment in Africa was the anti-private sector bias of our governments. Many of our governments in Africa, in the 1960s, were against the private sector. They had not thoroughly understood the meaning of nationalism and they did not understand the role of the private sector. They thought that the private sector would lead to a net outflow of resources out of Africa to the outside world.

This was, in fact, a misunderstanding because if you study private sector flows of money, you will discover that if I earn US\$ 100 million as a private company in a country, most likely 85 per cent of my gross earnings will remain in that country and I will take out only 15 per cent. Therefore, it was wrong for our leaders in the 1960s to fear the private sector. The private sector was an ally.

I can give you the example of Uganda. In Uganda we made two mistakes. The first one was made by one of our leaders called Apollo Milton Obote in 1970, when he nationalized private companies. In 1972 the second mistake happened. One of our leaders called Idi Amin went further and expelled the Asian investors who had come to Uganda. Those were the investors from the Indian subcontinent. That is one of the indigenous factors in the 1960s.

In the meantime this issue has been resolved in many countries. Many of the African countries now believe in private sector-led growth, but there are other factors: The small size of our economies, and the low spending and low purchasing power of our populations. If you take the market of Uganda, it is worth about US\$ 30 billion. If you take the economy of the United States, it is worth US\$ 11 trillion. If you take the market of China now, it is worth US\$ 1 trillion. If an investor is choosing where to go, he is more attracted by China than by this small economy. The African leaders are not paying enough attention to integration. Africa is a huge continent, with 800 million people. It is one of the biggest continents in the world, but it is not pulled together, so the investor has to decide whether to go to Uganda, to Kenya, to Tanzania, to Burundi. That is the second big problem, small markets.

Why are people rushing to China? China is a communist country. If you fear communism, then you do not go to China. But they are going to China because China has a huge market. Once you are there, you will make money. In order to overcome the second internal weakness within Africa, the small markets, we must integrate them into big regional markets.

Now, what about the external factors? There are many of them, but the major external factor is the parasitism of the West. The western countries say that they believe in Christianity but they do not practice Christianity. In the Christian belief it is said, "you shall love your neighbour as you love yourself". The Europeans believe in loving themselves more than anybody else. Because of that, the

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\* President of Uganda. This text is based on an edited transcript of the spoken presentation.

western countries – referring here to Europe, the United States and Japan - have locked us out of their markets for a long time.

Recently, however, there was some movement, on which I would like to comment. In the European Union, they initiated a policy known as the EBA, Everything but Arms. This is very important because now Uganda can export processed coffee to Europe without taxes, without tariffs, without quotas. We can export textiles; we can export anything we process. It is the same with the United States. I hear Japan is also doing something similar. What still remains to be done on the part of Europe and the United States are subsidies for some of the agricultural products. If they could get rid of those, that would be a very important stimulus for the small economies of Africa, which could then export directly to Europe and the United States because those are big markets.

Let me give a summary. Firstly, the biggest problem in Africa was the anti-private sector bias of our governments in the 1960s.

Secondly, the small size of the African economies is another big issue. They are too small because they were fragmented politically by the colonial powers. They need to be pulled together in order to attract investment.

These are the two big indigenous factors.

The main exogenous factor is the lack of access to markets. If there is access to markets, investors will come. In the last 15 years, our situation has got worse because what used to be the Communist Bloc of Eastern Europe, Russia and China has opened to capitalism. The Africans had missed their chance in the 1960s because in the 1960s, European capitalists were knocking at the door of Africa, they were begging to come in because at that time they could not go to China, they could not go to Russia, they could not go to Eastern Europe. But the Africans locked out the capitalists; they did not allow them in. Now, the Africans are begging the capitalists to come in, but the capitalists have got better and greener pastures to go to.

This is my summary. Thank you very much.