

Cape Coast, Ghana, was the center of the British colonial empire in Africa when Ghana was called the Gold Coast.

Courting a Continent

Business ventures in Africa present special challenges.

By AISSATOU SIDIMÉ
EXPRESS-NEWS BUSINESS WRITER

Charles "Chuck" C. Andrews Jr. thought he knew plenty about planning a business venture, even if it was 9,000 miles away — in Africa. After all, the San Antonio native had made millions as a developer and radio station owner in this country.

Andrews was studying phone usage in Zimbabwe and other southern African countries. He and his partners planned to set up phone booths in certain countries and they hired consultants to guide them.

Selling phone calls held the promise of nice profits, because customers were lining up for blocks to use phone booths early each morning and late each afternoon. American consultants assumed a strong work ethic kept callers from using the phones during office hours.

"We used good old American logic," says Andrews, vice chairman of Inner City Technologies and Entertainment.

Months later, while casually retelling his strategy to native Zimbabweans, Andrews learned they had made bad assumptions.

Would-be callers didn't use the phones during certain hours because the coin boxes were full, said Joy Mutare of Zimbabwe.



ROBERT MCLEROY/STAFF

Charles 'Chuck' Andrews is breaking into telecom in Africa from his office in San Antonio.

Her valuable insight blew away "several hundred thousand dollars" of budget projections, Andrews acknowledges today.

Andrews' misstep seems like a minor financial faux pas, yet it was anything but. He said his venture pumped \$30 million into the project before finally pulling the plug this year.

Andrews' expensive lesson is common among U.S. business people who decide to invest in Africa, whose nations are blank slates to most Americans.

Talks with Americans doing business in two stable African countries, Ghana and Namibia, show that culture clashes are rampant. Many investors begin with distorted images of nations with vast forests populated by farmers and herders, or seas of tin-and-plywood structures isolated from modern commerce.

They encounter government-created dollar shortages, tribal leaders who control property claims, requests for "the dash," a bribe for expedited service, and in some instances a surprising level of anti-American sentiment.

San Antonians are taking special note of



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the experiences of investors, since the city is considering forming an alliance with a municipality in Ghana to generate business opportunities for both communities.

Throughout the 1980s and '90s, the United States hounded developing African countries, urging them to democratize and privatize.

Western lenders claimed investors would flock to the countries for their significant cost advantages. And it's true that in some African countries, \$1 will buy a hearty meal.

When a U.S.-based insurance processor recently announced it would hire Ghanaian women to provide electronic data processing for less than \$8 a day, U.S. Ambassador Kathryn Robinson hailed the company as a model employer.

Foreign investment has flowed into traditional textiles, contemporary African home furnishings and telecommunications. Americans are also eyeing food processing since Congress approved a bill last fall to give tax breaks to African exporters. Ghana is especially hot because it just took the first step toward giving African-Americans citizenship.

However, African countries have had limited success attracting mid-size U.S. investors into targeted manufacturing.

Cultural biases

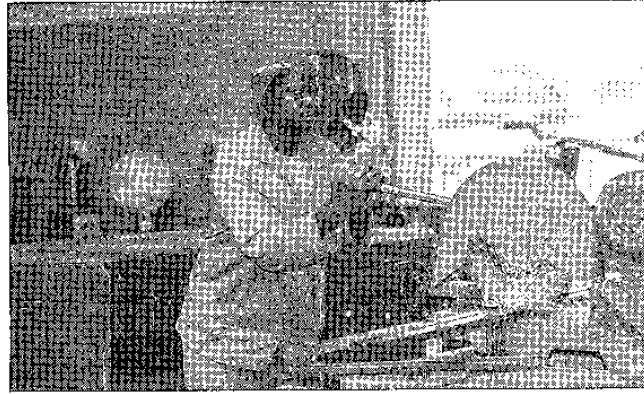
A naive American is sometimes his own worst enemy, investors say.

Without questioning phone users, Andrews' researchers had formed their own explanation of why southern Africans used phones infrequently. Andrews, who as a child had met African heads of state, overlooked the lack of input from indigenous Africans.

But American companies stumble, too. When Gerber Products Co. entered the African continent it figured substituting a brown infant on packaging for its trademark white baby would be the culturally sensitive thing to do. The baby food gathered dust on store shelves and in market stalls. Gerber eventually learned that in Africa packaging is expected to display the contents, according to author David A. Ricks.

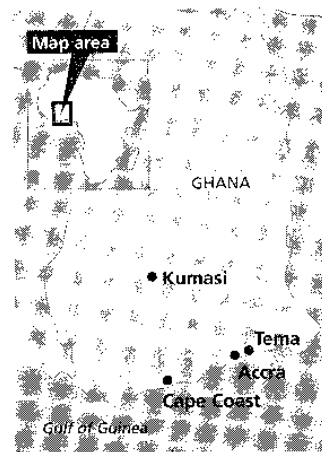
Andrews, an African-American, now advises would-be investors against making racial assumptions.

"American blacks seem to feel (because of slavery) that there is this reciprocal feeling of home and roots," he said. "This been in



AISSATOU SIDIME/STAFF

A worker cuts a metal bar at Barden Motors' Southern Africa auto plant in Namibia.



serve white people."

Colonial powers still hold sway. French-speaking countries prefer French investors. Southern countries prefer South African and German companies.

Because of its military and economic might, South Africa retains veto power over economic partnerships in the southern region.

"South Africa was considered the fatherland and source from which all goods flowed," said Kano Audley Smith Jr., whose Detroit-based employer made the largest private investment into Namibia, a \$15 million auto plant.

Anti-U.S. sentiment

And there are other cultural oddities. Namibians have a great affinity for Cadillacs. Lots of vintage 1940s and '50s vehicles are kept in smooth running condition in that nation.

So when General Motors announced it would re-enter the country after decades, Namibians rejoiced — until they heard an American company, Detroit-based Barden Motors, would have the contract instead of a German or South African company.

Despite America's help in free-

the apartheid era when all outsiders were suspect, Smith said.

In a scene from a spy thriller, Smith, who was Barden's man in Africa, began to find papers rifled through in his new home in Windhoek, Namibia. None of his pricey electronics was touched.

"It was industrial espionage," he says calmly now.

At that time, Namibian President Sam Nujoma, who personally approved Barden's first order, summoned Smith to offer his presidential guards for protection. Hoping to avoid further conflict with competitors, Smith opted to hire his own armed soldier to watch the house.

Investment barriers

Investor can be cheered by the knowledge that most African countries have removed obvious barriers to trade. Only a few industries, such as diamond and gold mining, remain off-limits to outside investors.

But tradition affects implementation of the laws. In Namibia, the government is seeking a foreign partner to boost cotton production. But the only true farmland in that arid country lies in the northeast region where all lands are communally owned and can only be leased with the approval of elders.

The countries proudly point out that they no longer impose foreign exchange limitations. But dollar flows are limited. In Ghana last year, the then-ruling party refused to raise gas prices because of an upcoming election.

Short-term interest rates shot to 40 percent as the government sucked up money to subsidize gas prices. Investors could not afford to borrow money for business needs. It also sparked a dollar shortage and speculative hoarding.

By February, British banking conglomerate Standard Charter was refusing to sell dollars to average individuals. Forex foreign exchange bureaus released some

Sharing the wealth

In many countries, well-to-do businessmen are expected to take care of the less fortunate in their families, villages and ethnic groups. This custom of shar-

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Deals are a challenge

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ing the wealth sometimes clashes with the laissez faire and strict bookkeeping of Western capitalism.

During a visit to the 11-year-old Ghana Stock Exchange, suit-clad stockbrokers from Ghana's 12 brokerage firms spent 10 minutes arguing over whether it's fair to allow the highest bidder to buy as much stock as he can.

The stock exchange had recently converted from a system of splitting available shares among all bidders to the Western system.

Sharing the wealth can become more insidious, usually as requests for bribes, known as "the dash" in Ghana, or outright employee theft, investors said.

"You definitely must bring an American manager to run your business," said Sam Safo, a Ghanaian who owns Food Processing International with New Jersey lawyer Gary Cooper. Food Processing hired Korean-American Charles Park to manage its packing plant in Tema, Ghana.

"People are paid \$10 a week and lawyers make \$50 a week," Cooper said. "So everybody in every country is grossly underpaid on the international level and trying to figure out how to make up the difference."

Investors report paying 3 percent to 6 percent of business costs in dash to bankers, filing clerks, inspectors and chiefs.

Successful investors say they relied on local people to research business opportunities, and it helps to gain the respect and approval of elders and government leaders. Of course, an investor also must make a product that's priced competitively and can be exported to bring in dollars.

Would-be investors should also expect to take on a local partner, either an individual or the government in the form of a donation to the national treasury, Charles Andrews said.

In countries with average populations the size of New York City, it also pays to know the president.

Andrews negotiated business licenses with 20 African countries, partly because his uncle,



AISSATOU SIDIME/STAFF

K. Audley Smith Jr., managing director of Barden Motors' Southern Africa headquarters in Namibia, talks about investing in Africa.

the family patriarch and radio pioneer Percy Sutton, had built relationships with many heads of state in the last 50 years.

Sutton had used his radio programs in New York to raise funds for African independence movements, gaining the respect of Kenneth Kaunda of Zambia, Zimbabwe's Robert Mugabe and Nelson Mandela's African National Congress in South Africa. He also supported Nigeria's first president Nnamdi Azikwe and others when they were students in the United States.

"No one will say or do any-

thing to hold you up if the president says yes," Andrews said.

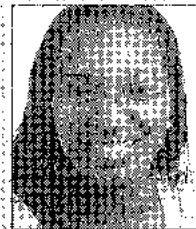
These days, after the massive financial losses, Andrews has scaled back the phone-card project. But he hasn't given up on doing business in Africa. He is negotiating agreements to offer discount international calling plans to religious groups that have congregations in rural Africa and southeast Asia.

"If we can just make one phone call, it will have been worth it," he said.

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Investing in Africa

Aissatou Sidime traveled for three weeks in February in Ghana and Namibia reporting on the business and political climates that Americans face when investing in African countries. She also interviewed an investor in Zimbabwe. Her reporting was funded by an Ethel Payne Fellowship from the National Association of Black Journalists. The fellowship honors one of the first African-American foreign and war correspondents. Two Ethel Payne Fellows are selected each year.



AFRICA

