COVER STORY

Mozambique connection

There must be something in it for SA

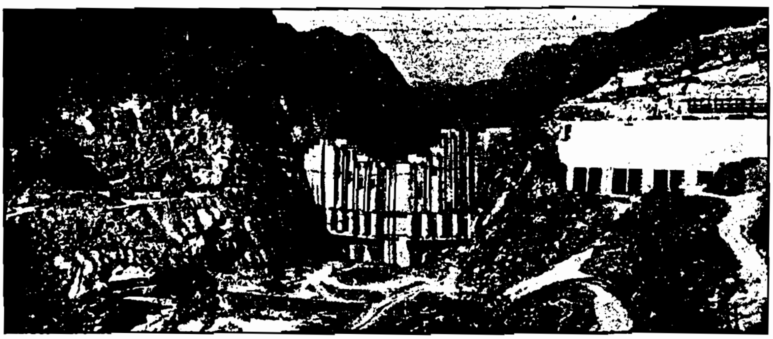
These days Maputo is a far cry from the Lourenco Marques of old. Though the air-conditioning still works at the Polana, and the service is as polite as ever, the graceful building needs paint and the well-maintained gardens lack colour. Bear in mind that this oasis represents Maputo at its best. There is no tourist trade worth mentioning. There is hardly any accommodation for ›se who may want to visit. And the nightlife is non-existent. It's not the sort of place to have fun. It is the sort of place to see third world poverty at its most desperate.

Clearly, however, SA has interests of its own which it intends to pursue. That much is evident from the opening last week of a R10m building to house the SA Trade Mission and a residential compound equipped with recreational facilities for the 20 SA families who will be staffing it. Obvious questions arise: What's in it for SA? What will a trade mission be doing all day when the locals are so poor that they can scarcely afford more than the handouts which they are given as part of aid packages? Are there real opportunities for regional economic co-operation or is there some broader strategic ploy?

The cranes and railway trucks stand rusted and unused at Maputo harbour. If SA is seriously intending to invest millions of rand in resuscitating the harbour, there should be some explanation for the rationale. Harbours generate jobs. As matters stand, there is surplus capacity at all SA's major ports. Is it purely for economic reasons — ie the proximity of Maputo to the Reef — that SA can justify creating jobs and infrastructure in a neighbouring state?

Certainly, since the 1984 Nkomati Accord, relations are thawing. This is symbolised by the recent meeting in Songo between State President P W Botha and Mozambique President Joaquim Chissano. It was followed last week by the presence at the opening of the trade mission building not only of highly-placed Mozambican officials but also by the brothers of former president Samora Machel.

Since Nkomati it's become clear that Mozambique isn't exactly the place to make a fast buck. If lack of local skills, language barriers and a shortage of foreign exchange were not enough, the problem of security has proved almost insurmountable. What infrastructure the Portuguese colonists left behind has consistently been the target of sabotage committed in the name of the shadowy Renamo resistance movement. As Eskom chairman Ian McRae has observed, Renamo is the joker in the pack when it comes to possible reinstatement of electricity supply from the Cahora Bassa hydro-electric project. More than 500 pylons carrying electricity through Mozambique to the SA border have been destroyed over the years. Problem is guarding the pylons when they are put up again.



Cahora Bassa: it's complete now, but SA isn't getting any electricity yet

At first glance it seems strange that Eskom, whose oversupply has led it to mothball electricity-generation plant in SA, should want to import electricity. That the giant electricity wholesaler has a strategic plan which involves buying electricity in the southern Africa region from outside SA as a way of combatting possible future sanctions could be part of the explanation.

Another is simply that Cahora Bassa, whose only possible major customer is SA, can supply electricity cheaply. Its five generating units can supply 1 400MW of electricity at 2,2c per kWh. The cheapest Eskom can supply electricity is at just under 3c per kWh. Importing electricity also saves SA using its own coal resources.

Italy, one of the parties to the agreement to put Cahora Bassa back into action, has agreed to put up and re-string the pylons, while Mozambique has guaranteed the safety of the pylons. No pylons are expected to be put up before 1990 which could see the first flow of electricity from Mozambique.

The advantage for Mozambique is that Cahora Bassa could earn about R270m in foreign exchange annually. Maputo harbour is also a big potential forex earner. SA Foreign Trade Organisation (Safto) chief executive Wim Holtes, who heads the SA side of the three-year-old steering committee on rehabilitating the Maputo harbour, notes the aim of the Maputo Port Masterplan is to service the 6m tons of traffic needed by Transvaal exporters.

The five-year masterplan for the rehabilitation was drawn up after Nkomati and agreement obtained from major potential exporters of, for example, coal, fruit, steel and ferrochrome. The SA government granted an initial loan of R3m to Mozambique for the project and Maputo raised finance from other overseas sources. The harbour was dredged, allowing ships of up to 40 000t into the port, and the Matola coal terminal was improved. Once the plan started to come together, security became a problem, remarks Holtes: "We had an idea that as soon as the project got off the ground it would become the target of sabotage."

So it did, with vital bridges being blown up. Now, however, phase 2 of the masterplan has commenced. From May this year security problems on the line have been resolved and, Holtes notes, traffic is moving freely: "The scene is set for a substantial improvement of cargo through the port." By last December only 1,2m tons of cargo had been moved through Maputo. "We're a long way from that 6m tons."

Much of the first R3m loan is being repaid, says Holtes, and a second loan of R3m has been granted. Most of the money for the rehabilitation has come from governments other than SA. Further, it makes sense to take high-volume, low-value goods over the shorter distance from the Transvaal to Maputo rather than, say, Richards Bay. Holtes adds that if SA decides to boost coal exports SA ports would be hard-pressed to handle all the traffic and Maputo would have to be used.

Reinstatement of Cahora Bassa and rehabilitation of Maputo harbour are just two of the facets in SA's attempts at regional co-operation. SA has gone quiet on its threat to reduce the number of Mozambican mineworkers on SA mines (about 50 000, according to the Department of Foreign Affairs) who annually remit some R200m in foreign exchange.

SA has also agreed to reschedule Mozambican debt to SA of R26m over 20 years, with a 10-year moratorium. A bilateral annual fishing agreement regulates fishing quotas in Mozambique waters, and SA helps with the repair of locomotives and rail lines, as well as maintenance of aircraft and railways.

One company with persistence, which took the initiative after Nkomati, is sitting pretty. A Premier Group subsidiary, having rehabilitated the local feed mill, set up a joint venture with Mozambique's poultry industry, Premier International also operates bonded warehouses and supplies the "Interfranca" shops, oases of consumerism where almost anything can be had for hard currency (including rands). "We're nicely established," notes marketing director Katerina Yiannakis.

Endurance has paid off in Premier being awarded the sole agency for exporting Mozambique's famed cashew nuts into SA once again, and Yiannakis promises they will soon be for sale in SA shops. Yiannakis is optimistic: "Mozambique has taken a positive turn. The shops are full of goods for sale in the local currency, meticais." Hard currency can buy most things, while those with meticais have been able to buy little.

About to invest in Mozambique is Carbon Development. "We expect shortly to be building a R10m chemical plant to make activated carbon," says

MD Mervyn Gaylard. At present total consumption of the carbon, worth some R15m to R20m a year, is imported from Europe and the Far East. Raw material is coconut shells, a "byproduct" of tl ·opra plantations in Mozambique. Gaylard says that negotiations have been under way for four years, the delay being due to difficulties faced by the Mozambicans in raising finance.

The group now has a letter of intent from a UK firm to provide money for the project. It plans to produce 2 000t of activated carbon, half the local mining industry's yearly requirement.

SA businessmen could benefit not only from importing to or exporting from Mozambique, but also from joint ventures with Mozambican companies to exploit latent natural resources. These are are vast and still in the process of being surveyed, with help from SA among others. A confidential document put known coal reserves in the Moatize region at 598m tons (of which 240m could be exploited in c. ıcast mines), confirmed deposits in the Minjova region at 450m tons to a depth of 200 metres, and an estimated potential of 3bn tons, as well as confirmed reserves in Mucanha Vuzi region of 3 551m tons.

On the trade front, Mozambique will not be in a position to buy SA goods until it can earn foreign currency. The Mozambican government is trying to promote tourism, a large potential forex earner. It's now virtually defunct, notes Sun International director Ian Heron. Again, security is a key issue. Heron, who will soon visit Mozambique to look at tourist prospects, adds: "Tourists must feel safe and there must be an attitude which welcomes them."

In the days of Lourenco Marques, a weekend trip could be made at whim. Until road and rail traffic to Maputo is completely safe, the number of tourists Maputo could attract will remain sparse. Essential services, such as water supplies, will have to be assured. Not for nothing did SA recently donate R225 000 worth of chlorine to the Maputo water authorities.

Another is issue is security of assets. For one thing, with the nationalisation which followed Frelimo's takeover, there is still no business land ownership. Thus arrangements for security of tenure need to be established. For another, those who lost assets will be wanting to hear about compensation. Sun International walked away from its interest in the Polana; though Karos Hotels MD Stan Hoffman has talked of investing substantially in the Polana, the Hoffman family, original owner of a major interest in the nationalised hotel, have heard nothing yet about compensation.

Credit Guarantee Insurance Corporation (CGIC) does provide SA government-approved investment guarantees to entrepeneurs putting money into foreign ventures against loss from political causes, such as nationalisation. But CGIC MD Jan Bouwer points out that the insurance doesn't cover losses due to the non-profitability of a venture. Doubts about profitability, he believes, are the reason for the disappointing lack of interest in the facility over the past two years.

Security impinges on all areas.

Gaylard reckons the reason the copra plantations are still operational is that the plantations afford Renamo no tactical cover. Though cities such as Beira and Maputo can well be "normalised", this will not help unless infrastructure in the hinterland is re-established.

Both political stability and foreign funding are prerequisites. Rebel activity seems to have died down and the Mozambican army does seem to be successful in protecting the railway line from the SA border to Maputo, but repeated attempts to stamp out the movement have so far failed. While green lights are flashing for trade and investment, security remains the single most important restraint.

Even so, as one ever-hopeful government source argues: "We have our presence in Maputo. We have a willingness to co-operate. Once the investors return, the tourists will follow. If we have to escourt 200 000 tourists annually in regular convoys, so what? Let's just get started". REG RUMNEY