Close ties

Despite political differences, Mozambique and South Africa are forging closer economic links

When the late Mozambican president, Samora Machel, signed the Nkomati non-aggression pact with South Africa in 1984, he lamented that "you don't choose your neighbours", and therefore the two countries had to find a *modus vivendi.* The two countries' relationship now seems to have evolved to the stage of a *modus co-operandum.* South African companies are taking the Mozambican market by storm. Zimbabwean companies for example, cited stiff competition from South African companies when they called off their participation in last year's Maputo International Trade Fair (Facim).

Maputo, Mozambique's capital, is flooded with South African products from stolen cars to smuggled beer. The years of confrontation almost seem like bygone memories as the two countries forge a new relationship. Today, South Africa is the third largest investor in Mozambique with a total of 34 projects, worth US$19 million, ranging from crocodile farming to tourism.

Last May, the Mozambican Ports and Railways Company (CFM) handed over a 15-year contract for the management of the Matola coal terminal in Maputo to the South African company CRN. And the South African breweries are seeking joint-ventures to expand and update the production capacity of local breweries.

Sources from the foreign investment promotion office in Maputo say that some South African companies have also shown interest in investing some US$136 million, in partnership with Arab capital, to modernise a giant textile complex in Mocuba, in central Zambezia province. Built with East German assistance in the 1980's, the complex has never managed to switch on the machines. There is also talk of South African involvement in the resuscitation of the Moatize coal mining complex in the northwestern Tete province.

Another major area of interest is the reconstruction of the transmission lines that used to carry part of the 2,000 megawatts of electricity from the Cahora Bassa hydroelectric dam to South Africa. There is also the multimillion pipeline which will pump natural gas from the Pande fields, in the southern province of Inhambane, to South Africa.

South African companies' growing interest has led to predictions by some observers that if the violence does not subsides in South Africa and peace holds in Mozambique, the country will be flooded with South African investors.

But the interest is not all one-sided. South Africa needs Mozambique just as much as it needs South Africa. In 1991 South Africa's formal exports to Mozambique totalled R690 million (US$230 million), making Mozambique South Africa's second largest trading partner in the region, after Zimbabwe.

A preferential tariff agreement aimed at boosting Mozambique's exports to South Africa was signed in 1989. Between 1990 and 1991, trade between the two countries grew by 49 per cent. Under the arrangement, exports of seafood, furniture, cotton and manufacturing goods such as tyres, asbestos, roofing tiles, textiles and clothing, for example, have seen their tariffs either lowered to symbolic levels or scrapped altogether.

The agreement stipulates that any product in the category that attracted tariffs of up to three per cent can enter South Africa duty free, while all products that fall above the three per

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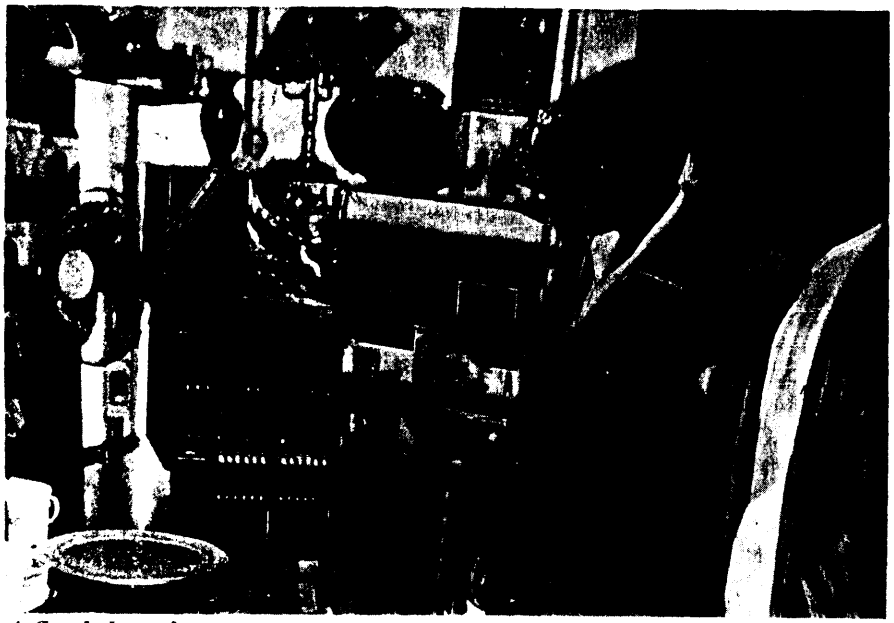

A flooded market

cent tariff band will be lowered to three per cent. Rui Camacho, the commercial attache at the South African consulate in Maputo, says that the agreement was primarily meant "to facilitate Mozambican exports to South Africa". He adds that most of the products covered by the agreement would "have never managed to make it in the South African market outside such arrangement". This agreement however is only valid for member countries of the Southern African Customs Union (SACU), with the exception of Lesotho and Swaziland.

So far the system has had little effect on boosting Mozambican exports to South Africa. In 1991, the country's exports stood at R40 million. The South African consulate in Maputo blames the lack of Mozambican exports on local businessmen not knowing that the agreement exists.

But there are other reasons. The arrangement seems to have angered the South African manufacturers who, hit by the internal and international recessions, are questioning why their government is propping up foreign manufacturers at their expense.

Tyres and tubes exported by Mabor Mozambique, which have an annual ceiling of US$1 million, are bound to become the first casualty of the South African manufacturers' lobby. They are due to be chopped off the preferential arrangement in January 1994.

With the pressure building up from local manufacturers seeking tariff protection from imports, other products - such as textiles and clothing, for example - may follow. "People have to understand that we have also been hard hit by the recession," Mr Camacho says. The advantage of the South Africans is that the chances of the Mozambican government responding in kind are very slim. In fact, it is not just the Zimbabwean manufacturers who are weary of South African competition. Mozambican manufacturers have also been clamouring for protection, but to no avail. □