

# The South Africans have arrived

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Mozambique is oft-cited as the region's best economic performer, writes **Samusha Naidu**. Since two decades of war ended in 1992, the economy has grown phenomenally. Mozambique is a favourable destination for investors, and the billboards that accompany the bumpy ride from the airport to downtown Maputo are testimony to this. Laced with ads promoting goods and services for the emergent middle class, the product range also shouts another message: the South Africans are here

Since South Africa's first democratic election in 1994 South African business has expanded in leaps and bounds across the continent. The end of apartheid made new commercial opportunities possible: South African companies do everything from running the national railroad in Cameroon and managing power plants in Mali and Zambia, to controlling banks and supermarkets in Tanzania and Kenya.

But there is a special relationship with Mozambique. South Africa is Mozambique's largest trading partner and its biggest foreign direct investor. Trade statistics for last year show that local exports to Mozambique were valued at R5,72-billion, followed by Zimbabwe at R5,38-billion and Zambia at R4,89-billion.

Among large foreign investments in Mozambique, the \$1,3-billion Mozal I (now being expanded with Mozal II) aluminium smelter near Maputo is perhaps best known. The Industrial Development Corporation (IDC), the state-owned South African financier, holds 24% of Mozal I shares alongside the 47% held by BHP-Billiton, a mining multinational with partly South African roots.

And there are indirect spin-offs for South African companies: the IDC has arranged a 10-year loan of \$250-million to help Mozal II pay for imports of construction materials and services from about 150 South African companies. The construction of Mozal I, which started in May 1998, saw local companies bring home about R1,5-billion a year in exports of

construction materials and services. The Mozal II expansion will rake in around R530-million a year of exports from South Africa.

Other large investments include:

- \$1,3-billion investment by Sasol in a gas pipeline in Sofala province;
- \$50-million investment by SABMiller in beer factories in Maputo and Beira;
- \$63-million by Illovo Sugar in Maragra sugar mill;
- \$130,5-million investment by Eskom towards integrating a power line from South Africa via Swaziland to Montraco;
- \$15,5-million investment by McCormack, a property developer, constructing one of the largest shopping malls outside Maputo, called Matola Plaza; and
- \$500-million investment by Southern Mining Corporation in the Corridor Sands project.

There are now more than 250 South African companies operating in Mozambique, representing a diverse spectrum of small, medium and large enterprises. Many of these are located within retail, tourism, telecommunications, financial services and the food and beverage industry. They include Shoprite-Checkers, Nandos, Debonairs, Vodacom, Absa and Pep Stores. Between 1997 and last year, South African companies invested R9-billion in Mozambique.

South African parastatals have also been cashing in on the investment opportunities that abound in Mozambique. The railway utility Spoornet concluded a multimillion-rand investment deal earlier this

year that will see it run trains from the border to the port in Maputo and also rehabilitate and maintain the country's rail network and Maputo harbour. The deal is part of the Maputo Development Corridor — a plan for upgrading the infrastructure, economy and living conditions for people in north-eastern South Africa and southern Mozambique.

The economic expansion is seen in business circles as consistent with the principles of the New Partnership for Africa's Development and the dream of an African renaissance.

But not everyone sees the expansion in such an altruistic way. Mozambican businessmen are quick to complain about unfair competition from South African business. Some fear that home-grown industries will be prevented from enjoying the profits of their country's market economy.

South African business executives respond by saying that, unlike their Western counterparts, they feel little trepidation about venturing into the region or the rest of Africa. They argue that they are willing to take risks that no one else will, and are seeking to invest in long-term projects that will not only yield profitable returns for their companies but also generate the necessary productive investment that is critical to Mozambique's development challenges.

Whether this is true or not, Mozambique provides useful lessons about South African business expansion. It is about market penetration. South African businesses have been quick to identify the opportunities that Mozambique's economic transition

presented and took advantage of it. Moreover, they did it by partnering with some local partners who were familiar with the terrain. This was strategic so that the bureaucratic red tape could be fast-tracked, while also keeping a pulse on the political risks.

Rupert Pardoe, a director of Absa, said in an interview: "We believe we understand African risk and can mitigate the risk. But we're not investing in Africa for altruism. We're investing in Africa to make some money."

Pardoe's statement clearly sums up what South African business expansion has been in Mozambique and the region. It is about money and long-term returns as well as access to markets in the Indian Ocean Rim and Asia because of the country's geographical position. Productive investment, therefore, becomes part of the deal.

The question remains whether the South African expansion will lead to sustainable and equitable development in Mozambique. The trip from the airport to downtown Maputo provides one clue. It is an image of crowded pavements with informal traders and empty spaces invaded by shanty-towns, while in the background lurk the palatial villas and fancy hotels of economic elites — and that is where the big deals are done. South Africa's business expansion will have served a purpose when the benefits go beyond just a privileged few.

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