

Post-Apartheid South Africa's Corporate Expansion into Africa¹

John Daniel, Varusha Naidoo and Sanusha Naidu²

That the end of apartheid era in South Africa would open up the African market to its corporates was in the early 1990s a foregone conclusion. Few, however, anticipated the rapidity with which they would seek to exploit their new market opportunity, or the sheer volume of the flow into Africa. What interested political analysts more at the time was how democratic South Africa would express its growing hegemony on the wider African stage. Would its new-found economic strength allied to its historic attitude of overlordship to Africa render the new regime even more interventionist and imperialist than its apartheid predecessor?

At the dawn of the transition, and in response to such concerns, Robert Davies, then Professor of Southern African Studies at the University of the Western Cape, sketched three possible scenarios which the new government might pursue. He dubbed them the:

- a) 'South Africa first' approach in which state and capital would blindly pursue their narrow economic interests irrespective of the damage it inflicted on the region;
- b) 'integration under South African hegemony' approach in terms of which South Africa would initiate large-scale regional cooperation and integration projects shaped essentially by its own narrow interests and aspirations to regional hegemony. These would be projects along the lines of the Lesotho hydro-electric power scheme; and
- c) 'non-hegemonic regional cooperation and integration' approach in which South African capital would sacrifice maximal accumulation in the interests of the long-term regeneration of the continent as a whole.

Even though scenario three was the one favoured by Davies, it was seen as the least likely to be pursued. In this article, we attempt both to map the extent of South Africa's post-apartheid expansion into the African economy as well as to assess how South Africa's hegemony has been, and is being, expressed. Which, if any, of the above scenarios is being realized and if none, then how can South African-African relations be defined?

Penetration of the African Market

It is important to note that it was not simply South Africa's political transition to democracy and new-found international respectability which fuelled its economic penetration of the African market. Another major push factor was the fact that the democratic transition coincided with end of the Cold War, the concomitant demise of the state-directed commandist economic model and the triumph of its neo-liberal alternative. The latter prescribed a liberal political dispensation accompanied by a deregulated market economy with minimal state/government intervention as the norm for countries intent on engaging with the global economy. With governments worldwide, and especially in

eastern Europe and Africa, having to restructure their politico-economic regimes in accordance with a new international economic order, new opportunities emerged as barriers to trade and investment were relaxed or eliminated altogether, and state corporations and parastatals were put up for sale and/or opened up to foreign parties.

In Africa in the 1990s particular opportunities were to be found in the rehabilitation and modernization of the continent's outdated and/or disintegrating transport and utilities infrastructures. But with the developed world disillusioned with, and losing interest in, Africa and turning instead to the potentially more lucrative eastern European market, South African capital was well placed to take advantage of these new trade and investment opportunities. Having been frozen out through sanctions of much of the global economy for the best part of a decade and a half, South African corporates had a surplus of investible capital available and were keen to take advantage of the weakness of the economies to the north of it. While on a world scale these corporates were relatively weak, in Africa they found an arena in which they had a comparative advantage.

Understanding the Expansion

Two sets of economic indicators highlight the extent of South Africa's post-transition expansion into the African economy. The first pertains to Africa as an export destination for South African products, while the second relates to a more direct involvement by way of mergers, acquisitions, joint ventures and new 'greenleaf' investments.

As Table One indicates, South Africa's export trade with Africa has grown significantly in the transition period. Africa is now by region South Africa's fourth largest export market and there are good reasons to believe that the volume of export traffic will increase sharply in the immediate future. Peace in Angola and the prospects of peace in the Democratic Republic of Congo (DRC) will open up massive opportunities for South African capital so that one can anticipate that Africa's share of South Africa's overall export trade will continue to climb.

Table One: South African Export Destinations by Region

| Region | 1991 | 2001 |
|---------------|-------------|-------------|
| Africa | 4% | 12% |
| North America | 0% | - |
| South America | 8% | 4% |
| NAFTA | - | 17% |
| EU | 15% | 22% |
| Far East | 57% | 40% |
| Middle East | 14% | 4% |
| Others | 2% | 1% |

Source: Engineering News 03-9.05.03

What these statistics do not reveal is the imbalance in the South Africa-African trade relationship and the extent to which South Africa dominates the African economy. With

each of its African trade partners South Africa enjoys a surplus. According to *Business Day* (17.04.02), total trade with Africa in 2001, excluding SACU, amounted to \$856 million in imports and \$3.7 billion in exports, an imbalance of nearly 5:1. Moreover as peace blows across the SADC region, South Africa is enjoying a favourable trade balance with individual countries. For example, the balance in favour of South Africa in its trade with Angola stood at some 22:1 in 2002. In 2002, South African exports totaled R2,784 billion, while imports amounted to only R127 million. This gap can only increase since South African business views Angola as a huge construction site strewn with lucrative contracts to be signed. The paradox, of course, is that much of this destruction was inflicted by the apartheid regime, yet it will be South Africans who will make huge profits from rebuilding what they destroyed – a perverse manifestation of the expression ‘reaping what one sows’.

What some have referred to as the ‘South Africanisation’ of the African economy is further exemplified by corporate South Africa’s post-apartheid record of taking over, and or joining up with, existing African operations, as well as a new ‘greenfield’ investments in the Africa market. From running the national railroad in Cameroon, controlling shares in Telecom Lesotho and being the leading provider of cellphone services in Nigeria, Uganda, Tanzania, Rwanda and Cameroon, to managing power plants in Zimbabwe, Zambia and Mali, and building roads and bridges in Malawi and Mozambique, almost every sector of the South African economy is operative in the wider African market. They control banks, breweries, supermarkets, and hotels throughout the continent and provide TV programming to over half of all African states.

A key feature of the investment drive into Africa has been the fact that the six primary sectors of South Africa’s economy (mining, retail, construction/manufacturing, financial services, telecommunications, tourism/leisure) have worked hand in hand in securing South African investment throughout the continent. For example, the expansion of major retailers such as Shoprite, Metro Cash and Carry and Pep Stores as well as food chains such as Nandos and Steers across the continent has been mirrored by an accompanying movement of South African property developers who are building shopping centers to house these chains. In addition, burgeoning business travel stemming from trade and investment from South African groups like MTN, M-NET, Shoprite, Absa and the mining conglomerates, coupled with the growth of regional tourism, has created new opportunities for hotel interests like the Protea group which has expanded a line of hotels from the east coast including Kenya, Tanzania, Zambia, Mozambique, and Swaziland to the west coast of Africa including Ghana, Nigeria and Angola

Another characteristic of South Africa’s penetration of the African economy has been the promotional role played by the state through such entities as the Industrial Development Corporation (IDC), which not only provides funding but also shares the risk by taking a direct stake in some projects. Where the IDC has not been available, other African partners have been sought. In general, South African operatives have been keen to invest new capital in refurbishing and expanding local businesses and infrastructure through joint venture arrangements with African partners. This not only helps assuage the

resource/capacity void in African countries but also mitigates against the notion of an ascendant and influential South African dominance.

Conclusion: Has the Leopard Changed its Spots?

We return to the issue raised earlier - how is the South African-African relationship being expressed in this post-apartheid era. In looking at this issue, a distinction needs to be drawn between the behaviour of South Africa's corporates and its government. Like business anywhere, the South African business sector is driven by typical corporate interests - profits, market share, elimination of competition, the urge to dominate and to monopolise. As Absa Bank's Roger Pardoe has noted Absa is 'not investing in Africa for altruism. We're investing in Africa to make some money' (*New York Times* 17.02.02). And in pursuit of profit South African capital has not always acted like angels. The opposite has been sometimes the case - witness the dubious and questionable practices of the 12 South African companies operating in the DRC accused, in a 2002 UN report, of looting mineral resources during the recent civil war in that country. Likewise, the South African investor has not always been welcomed on the continent despite the desperate need for FDI in Africa. This is not just due to the sometimes arrogance of South Africa's corporates but also because South African capital represents a real threat to the ownership and property rights of Africa's political elites.

But are South Africa's political elites seen in the same light as some of its corporate giants? Almost certainly not because there has been a sea-change from the past in South Africa's foreign relations on the continent. Since early in the post-1990 transition period, the ANC has articulated a radically different position from that of the apartheid leadership. Its early 1990s policy documents spoke of the 'fate of democratic South Africa being inextricably bound up with what happens in the rest of the continent' and that 'our foreign policy should reflect the interests of the continent'.

A decade on, the ruling ANC's position remains consistent with these early sentiments and it has consistently sought to develop a non-coercive, non-hegemonic relationship with Africa. This position is consistent with the themes that underpin the African Renaissance, and informs the African Union and NEPAD. In short, it would appear that Davies' scenario three has become the cornerstone of the South African government's relations with the continent. The South African state leopard has changed its spots from being an aggressive interventionist to becoming an advocate of quiet diplomacy and negotiated settlements. In doing so, however, this leopard has seemed at times to have more than changed its spots. It has in cases like that of Zimbabwe unfortunately lost its ability even to growl or scowl in the face of war crimes and gross human rights abuse.

¹ This article (which appeared in *Traders magazine* cited above) is an abridged version of a chapter that appears in the *State of The Nation: South Africa 2003/04*: HSRC Press. Copies of the book can be ordered from booksales@hsrc.ac.za or <http://www.hsrcpublishers.ac.za>

² The authors are both researchers with the Human Sciences Research Council in Durban, South Africa. Ms Naidoo is a lecturer in the politics department at University of Natal - Pietermaritzburg.