

# SA has marked economic footprint in Africa

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In the four years since the state of the nation project has been monitoring the South African economic presence in Africa, there have been some important changes to the African political economy.

The most significant has been the crowding of the investment arena. Whereas only a few years back, local investors were often "the only show in town", now new investors are found in some of the continent's least attractive destinations – Equatorial Guinea, Sudan, Ivory Coast and Zimbabwe.

While most attention has been focused on the entrance of the Chinese, they are only one component of a growing Asian presence in the form of Indian, South Korean, Malaysian and Japanese capital.

Simultaneously, the US has rediscovered an appetite for doing business in Africa by restoring full political and economic ties with Libya, and investing up and down the oil-rich African west coast. The result of this scramble for Africa's resources has been a boom in African commodity prices, which lifted the African economic growth rate to more than 5 percent in 2004/05.

But these positive developments need to be balanced against continuing authoritarian rule in Angola, Egypt, Morocco, Libya, Swaziland and Zimbabwe, and democratic retreats in places such as Uganda and Namibia.



MTN is the best-performing South African corporate in Africa

Corruption remains endemic and despite the commodities boom, many African economies remain as monoculturally dependent as they were at independence and vulnerable to the eventual commodity prices downturn.

So where does South Africa stand in this changed African environment and what lies ahead?

Despite the arrival of new investors, South Africa remains an important economic presence on the continent. Between 1994 and 2004, South Africa was the largest source of new foreign direct investment (FDI) in Africa and while it will inevitably be eclipsed by the Chinese and Indians, it will, nonetheless, remain a major player in the African market.

This will be particularly so in the

telecommunications area. In the past decade, the African private telecoms sector has been the most active site of South African FDI.

If there were an award for best-performing South African corporate in Africa, it would be won by MTN.

The acquisition of African oil, gas and hydro/water resources is central to the strategy to overcome South Africa's emerging energy deficit.

In the last year, this has become more difficult. South African corporates simply cannot match the kind of prices the US oil giants and the Chinese and Indian state oil firms are prepared to pay for drilling rights and other concessions. Consequently, access to Africa's natural gas and water resources will become more crucial.

As local capital has spread its presence across Africa, the financial sector has become alert to the opportunities in this market. The Absa-Barclays link-up is testimony to that while Stanbic and FirstRand are on the hunt for mergers and acquisitions all over the continent.

Thus, while it is that the Chinese seem set to grab the headlines, in a much less obtrusive way the South African economic footprint in Africa is becoming more marked by the year.

□ Professor John Daniel is a co-editor of the *State of the Nation: South Africa 2007* recently published by the HSRC Press

