SOUTHERN AFRICA AND CHALLENGES FOR MOZAMBIQUE

PAPERS PRESENTED AT THE INAUGURAL CONFERENCE
OF THE INSTITUTE FOR SOCIAL AND ECONOMIC STUDIES

EDITED BY
Luís de Brito . Carlos Castel-Branco . Sérgio Chichava . António Francisco

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Introduction

This volume includes some of the papers presented at the Inaugural Conference of the Institute for Social and Economic Studies (IESE), which took place on 19 September 2007, in Maputo. The articles contained in this volume were selected from the panel on "Southern Africa". The topics of the Conference, on "Challenges for social and economic research in Mozambique", and of the panels were broad and dependent on papers submitted. Hence, the current selection of papers does not necessarily address a common problematic in a consistent manner, or follow a common approach, and the sequence of articles in this collection does reflect any hierarchy. Not all the articles are about Mozambique, nor are those that discuss Mozambique exclusively applicable to this country. But all of them are relevant for the development debate in Mozambique.

Four of the six articles have a common thread, which is the role played by the patterns of economic accumulation and social and political transformation in South Africa in shaping regional relations and challenges, opportunities and patterns of regional development. The remaining two articles focus on two different issues, the role of India and China and the challenges posed by the negotiations with the European Union relating to the Economic Partnership Agreements (EPAs).

In *"The development of South Africa's chemical industry and the implications for chemical sector development in Southern Africa"*, Zavareh Rustomjee analyses the evolution of the South African chemical industry using an analytical framework of industrial sector/value chain linkages, agencies, corporate and industrial strategies and political economy. South Africa's industrialisation has been usefully inter-

preted using the concept of a Minerals-Energy Complex (MEC). The concept considers the interaction of a set of distinct sectors around mining, energy and energy-intensive productive activities which have acted to shape the country's industrialisation. The MEC concept also views this process as part of a system of accumulation which has involved, shaped and has been shaped by, the interaction of various public and private interests in and around the specific sector and sub-sector components of the economy. South Africa's relatively diversified chemical industry developed over a period of more than a century. Using the MEC analytical framework, the paper analyses the growth path that the sector's development followed.

South Africa's chemicals industry is diverse and made up of a number of sub-sectors which are interlinked with each other (value chain) and also with other sectors of the economy (input-output relationship).

Institutions and agencies, both private and public, have acted in various ways and at different times to shape the trajectory of the chemical sector's development. Different sub-sectors have developed over different time frames. Industrial policy has, at various times, acted positively on the growth of the South African chemical sector. The instruments used have included import tariffs, transport and logistics pricing, the provision of industrial financing and incentives and direct state creation of industries. Strong elements of economic planning have underpinned the post-war growth of South Africa's chemical industry, particularly the upstream segments.

Import tariffs played a powerful role in supporting emerging chemical industries in South Africa, in both upstream and downstream segments. Industry financing, through the IDC in particular, has been an important support for segments of the chemical sector, particularly the capital intensive segments. The IDC, more often in partnership with private industries, was the vehicle through which the state created new chemical industries and sub-sectors and through which chemical sector restructuring was affected.

The policy implications that flow from this for other countries seeking to expand their chemical sector include the analytical framework of linkages, agencies and political economy that underpins the MEC approach. The specific characteristics and linkages between any individual country's chemical value chains will be different, but this is a good pointer to the potential and the challenges that exist and, in partic-

ular, how corporate and industrial strategies may seek to build on the linkages between the chemical sector and other economic sectors.

"Mobility, migration and trade: interactive flows between Durban and Southern Mozambique", by Simão Nhambi and Jeremy Grest, investigates how well the numerous, but uncounted, Mozambicans living and working in Durban manage to integrate themselves, economically and socially, into the life of that city, and how long distance traders travelling regularly to and from Mozambique use networks created by earlier migrants. The research is based on a survey of existing published material, combined with in-depth interviews with 10 key informants, and a survey sample of 50 migrants living and working in Durban. Additionally, 25 households in Maputo, Gaza and Inhambane provinces were interviewed, as well as 25 Mozambican cross-border traders in Durban markets. Information was obtained about the flows of people, goods and resources, both cultural and economic, between these two areas. The research aimed to build a profile of the migrants, the strategies employed to insert themselves into the host society, the significance of their activities for families in Mozambique, and the effectiveness of the states on both sides of the frontier in regulating, facilitating or controlling the movement of migrants. The research uses some of the literature on the state and trans-national migration, the informal economy and migration, and the role of economic and social networks to ask questions about the appropriateness of current state policies towards foreign migrants in South Africa.

"Borderlands and Spatial Development Initiatives – the impact of regional integration initiatives in a Southern African cross-border region: the Maputo Development Corridor", by Monty Roodt, is an attempt to examine the Maputo Development Corridor (MDC) within the context of regional integration between South Africa and Mozambique. It does so by briefly outlining the concept of "borderlands" and why Mpumalanga and Maputo provinces do not conform to international trends as typical borderland areas. This leads to a discussion of the MDC as a Spatial Development Initiative (SDI) and the socio-economic and political circumstances that contribute to the particular type of development occurring within the sub-region. Further sections show that the role-players involved in the development of the corridor have succeeded in creating a number of initiatives, mainly in the areas of construction, transport and resource processing, but have not really succeeded in stimulating the development of small and medium enterprises with the concomitant job creation associated with this sector.

Darlene Miller's article, *"New regional expectations and South African retail investment in Mozambique"*, closes the series on South Africa and the relationship with the region. In Mozambique, Shoprite's arrival was an event. The store was swamped with people crushing its designer-tiled entrance to gain access to the store. Much fanfare, hype and local town gossip had preceded this event. On the day itself, celebrities were in attendance and a public rally was held at the Center. Of the two major newspapers in the country, both ran front-page coverage of Shoprite's opening. Months after the event, debates continued to rage in the newspapers and amongst Mozambicans about the benefits and disadvantages to Maputo and Mozambique of this new South African arrival. Local traders complained that the special privileges given to Shoprite by the state and the local municipality give Shoprite an unfair advantage. Consumers said they appreciated not having to go to "mosquito-ridden" markets for their groceries. About two years later a huge public furore erupted in Maputo. The agent of consumer modernisation in Mozambique, Shoprite, was caught dumping expired foodstuffs on the shelves in its new Shoprite store in Maputo. The reaction to this discovery was loud and contentious. Maputo consumers asked whether South Africans thought they could be sold rotten wares. Was this to be the *African Renaissance* declared by the South African president: South Africa using the region as its backyard for dumping?

This account illustrates the advent of a new regional moment in Southern Africa. When South Africa turned the corner from apartheid, a breath of expectation was inhaled in the rest of the continent. Post-Apartheid regionalism and regional integration in the 1990s, however, came to Southern Africa flying the neo-liberal flag of foreign investment. With democratic change came fresh attention to South Africa's role in Africa. Following the global example, regionalism became an important political and economic strategy. Out of this re-evaluation, *regional integration* emerged as the dominant approach to regionalism, both in Southern Africa and other regions of the world. Neo-liberal regionalism and neo-liberal regional integration mean that regions should be capital-catchment areas. But different political approaches to both regional integration and regionalism are possible. The politics of regions are shaped by legacies, official lies and new realities. It is the new realities that are the focus here, shaped as they are by old legacies, and the expansion of the South African retail multinational, Shoprite, into Mozambique, highlighted both past and present regional contradictions. While expectations for the continent were high, the reality

that has unfolded in the wake of post-Apartheid regionalism has brought new tensions to light.

Daniel Alvarenga, Johanna Jansson and Sanusha Naidu, all at the Centre for Chinese Studies of the University of Stellenbosh, describe, in *"China and India in Africa: an analysis of unfolding relations"*, the political and economic intricacies of China and India's unfolding parallel engagement of Africa. The two Asian powers are revolutionising the strategies used by economic and diplomatic stakeholders on the African continent while riding the current wave of change in the power relations within the international political economy. The article favours the argument that China and India's presence on the African continent constitutes a response to the current general fluidity in the international political landscape, andoffers less support for the view of a new scramble for Africa. Trade is up, investments are up, diplomatic visits and dialogues are up and the implications are vast. China and India retain a distinct modus operandi in their engagement, encouraged by their unique place in the dynamics of the global political economy, an engagement which is best understood through the mechanics of complex interdependence and constituency-economics. The analysis of these unfolding relations concludes that Africa is now at an economic and diplomatic crossroads in which broad strategic choices have to be made, a set of decisions which will significantly determine the ultimate nature of the engagements.

Finally, Richard Kamidza, in *"Can SADC-EU trade negotiations unblock development and regional integration"*, seeks to discuss the negotiations between the EU and the Southern African Development Community (SADC) configuration, which comprises Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania. The SADC-EPA negotiations were launched on 8 July 2004 in Windhoek, Namibia. Until March 2007, South Africa had an observer status in the negotiations. While the EPA negotiations assume a win-win-game, the negotiating parties are unequal in both economic and political terms. The EU is largely strong, enlarged, powerful and united on the one hand, while the SADC group is hugely weak, poor and fragmented on the other. The parties have also huge disparities in their socio-economic and political conditions. The on-going process remains complex without clear outcomes, and is set to fortify Europe's vertical links with the SADC-EPA group. The EPA process does not take into account developmental differences between Europe and the region, and within Southern Africa itself. This not only impacts

negatively on the industrial development of the SADC-EPA economies, but also frustrates and/or disrupts regional integration that has all along been bankrolled by the same partner. The EPA negotiations and outcomes have introduced challenges, fears and implications to regional integration and economic development which Kamidza's paper seeks to address.

Luís de Brito, Carlos Castel-Branco,
Sérgio Chichava and António Francisco

1. THE DEVELOPMENT OF SOUTH AFRICA'S CHEMICAL INDUSTRY AND ITS IMPLICATIONS FOR CHEMICAL SECTOR DEVELOPMENT IN SOUTHERN AFRICA

Zavareh Rustomjee

Introduction

In previous work, South Africa's industrialisation has been usefully interpreted by using the concept of a Minerals-Energy Complex (MEC)[1]. The concept considers the interaction of a set of distinct sectors around mining, energy and energy-intensive productive activities which have acted to shape industrialisation. The MEC concept also views this process as part of a system of accumulation which has involved, shaped and has been shaped by, the interaction of various public and private interests in and around the specific sector and sub-sector components of the economy.

Using the MEC analytical framework, chapter two of this paper focuses on the chemicals industry, which is diverse and made up of a number of sub-sectors which are interlinked with each other (value chain) and also with other sectors of the economy (input-output relationship). The impact of mining industry demand on the chemical sector is examined.

Institutions and agencies, both private and public, have acted in various ways and at different times to shape the trajectory of the chemical sector's development. Different sub-sectors have developed over different time frames. This paper traces the key features of South Africa's chemical industry development, examining this in terms of the role played by various private sector economic actors (domestic and trans-national) and their relationship with the government of the day, through its associated agencies.

Sections three to six consider the extent to which energy policy, industrial policy and policies towards health, science and technology have influenced the development of the chemical sector.

Section seven concludes the paper, demonstrating that the analytical framework that underpins the MEC approach is useful in understanding how the chemical sector has developed within South Africa and makes suggestions on the extent to which such an approach could be useful if extended to the analysis of the possibilities for growth of the chemical sub-sectors in other countries within Southern Africa.

Chemical sector – economic linkages

The chemical sector is significantly integrated within itself and with other economic sectors and it can be usefully sub-divided according to 11 strategic classification categories which are themselves located according to four different stages of beneficiation, as visualised according to Table 1.

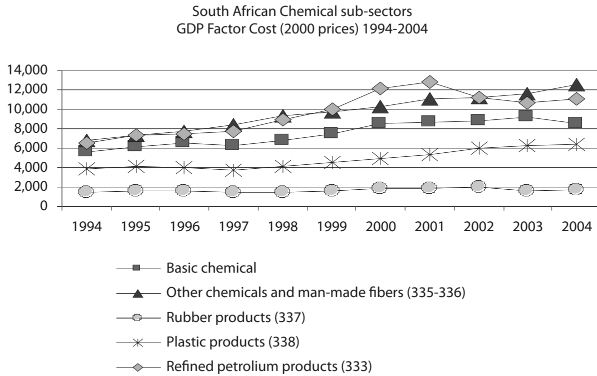
TABLE 1: Chemical Value Chain

Stage 1 **Ores / Oil/ Gas**	**Stage 2** **Processed or Refined Ore/Crude oil**	**Stage 3** **Primary Manufacture**	**Stage 4** **Finished Manufactures**	**Strategic Category sub-sectors**
• Agricultural feedstocks (biofuel) • Coal • Crude Oil • Coal • Natural Gas			Refined petroleum products Energy fuels	1 – Liquid fuels
	Basic Chemical Products	Primary Plastic Products (Polymer)	Plastic Products	2 – Commodity organics 3 – Primary Polymers&Rubbers 10 – Plastic prods 11 – Rubber prods
Minerals			Other Chemical products – Organic & Inorganic Paints, Glass Products Rubber Products, Fertiliser, Pesticides, Agro-chemical, Paints, Soap, Cleaning Compounds, Polishes, Waxes, Explosives, Adhesives, glues	4 – Commodity inorganics 5 – Fine chemicals 6 – Pure functional and specialties 7 – Bulk formulated chems 8 – Pharmaceutical 9 – Consumer formulated

The largest components of South Africa's chemicals sector, in terms of contribution to GDP, are the Refined Petroleum Products, Other Chemicals and Basic Chem-

icals sub-sectors. (Figure 1). These are capital intensive and fall within Stages 2-3 of the beneficiation value chain.

FIGURE 1: RSA Chemical subsector relative size



Source: Quantec

The various chemical sub-sectors exhibit particular linkages with other sectors of the economy. In South Africa, these relationships have evolved over decades and are illustrated in Table 1.

Policy importance of linkages

South Africa's chemical sector, which has evolved over many decades, can be considered relatively well developed in comparison with other SADC countries. Despite this, the above analysis of linkages suggests that the following aspects are important for economies with less developed chemical sectors (Table 2):

- The chemical industry is not homogeneous and the evolution of its component parts has followed different development paths which will be traced below
- Forward and backward linkages exist within the chemical sector with other chemical sub-sectors, such that a large proportion of chemical sector outputs are consumed within the sector itself.
  - A large proportion of the output of each sub-sector is, in turn, consumed by other sub-sectors of the manufacturing sector. If one considers Basic Chemicals, for example, 65% of the output of the sector is consumed as intermediate inputs into other manufacturing sector processes with the balance (35%) being exported. Consumers purchase only 1% of the output directly.

– In contrast, 78% of the output of the Soap sub-sector is purchased by consumers.

- Strong forward and backward linkages exist with other economic sectors
  – 31% of pharmaceutical products are consumed by the Government Health and Social Services sector
- Such linkages are useful guides to considering strategies for other economies. The availability of such data is extremely useful for the development of sector policy and strategy, especially if it is regularly collected.

TABLE 2: Linkages between RSA Chemical Sector and the rest of the economy

	Agriculture	Mining	Manufacturing	Building & Construction	Transport Serv-ices	Govt incl. Health & Social Services	Exports	Consump-tion Expenditure	Other Sectors + Changes in inventory
Petroleum products	5	2	18	3	17	3	14	38	– 1
Basic chemical products	0	3	65	0	0	1	35	1	– 5
Fertilisers	52	3	19	0	0	1	15	1	10
Primary plastic products	0	0	81	0	0	0	11	0	8
Pesticides	32	1	36	0	0	2	21	18	– 9
Paints	1	1	51	8	4	4	4	0	28
Pharmaceutical products	5	0	17	0	0	31	4	47	– 4
Soap products	0	1	11	0	1	1	5	78	5
Other chemical products	0	26	33	0	1	3	14	12	10
Rubber tyres	1	6	0	0	24	4	13	66	– 14
Other rubber products	2	14	63	0	6	1	11	2	2
Plastic products	1	1	60	5	0	0	6	4	23

Source : *Statistics South Africa*,2000.

Impact of the mining Industry on the chemicals sector

Explosives and mining chemicals

Large scale mining provided the first major driver for chemical industry development in South Africa. The geographic location of diamond and gold mines several hundred kilometres from any sea port in the 19th century was an important factor which drove the development of the explosives and mining chemicals industry.

In the case of explosives, apart from economies of scale, these were difficult and dangerous to transport. A number of policy-related lessons can be drawn from the history of dynamite production in South Africa, including:

- The importance of scale economies
- Impact of intellectual property/patents and competition on pricing
- Technological change

- Military security policy
- The influence of vested interests on policy
- Role of various national and provincial state-controlled institutions and agencies on policy

Dynamite was initially imported by an individual who secured a 16 year concession from the Boer Republic in 1887 and sold the product at a huge profit. After objections by the powerful Chamber of Mines in 1892, the exclusive concession was withdrawn, and the ensuing competition led to price reductions. This was also fuelled by the expiry of the dynamite production patent held by the Nobel Trust which, together with the Societe Centrale de Dynamite of Paris, controlled the world's production and trade in dynamite.

Behind the scenes, a number of other factors drove domestic manufacture. In 1893, the Boer Republic made the import, manufacture and sale of explosives a government monopoly but transferred this to an individual who had originally been a partner in the 16 year concession company. The biggest explosives factory in the world, producing 240,000 cases per year, was built in Modderfontien in 1895 in a joint-venture with the Nobel Trust. It followed the discovery of gold 10 years before. It was built largely by German engineers and skilled labourers and managed by Germans and Austrians. Even the packaging staff were immigrants from Italy, founders of the Johannesburg Italian community. The relationship between government, the Nobel Trust and domestic private business is reflected in the following observation:

> "Although the government officially owned the monopoly the plan was so designed that the profits went to individuals and companies abroad. It is obvious to anyone who has studied the documents that it could not have been established without the connivance of high officials of the State."[2]

The domestic production of dynamite, while reducing prices to the Chamber of Mines considerably compared to imports, still reflected a high import propensity. 1 ton of explosives required 4 tons of raw material including glycerine, sulphur and nitrates. Sulphuric acid and nitric acid were made from imported sulphur and nitrate of soda.

The conflict between the Boer Republic and the British also influenced government policy. Although there was a strong controlling British influence on the Nobel

Trust, the Boer Republic viewed the dynamite company as being a strategic facility, capable of supplying it with ballistite (charge for ammunition) in a possible war with Britain and thus, Cartwright (1964, p.79) argues, tended to "forgive and forget the shortcomings of the dynamite company even though it robbed the state outrageously." This proved fortuitous since the factory began ballistite production in 1900 and more than 1.5 m rifle cartridges were subsequently made.

In 1898, the major mining houses gave support to De Beers to commence construction of an explosives plant at Somerset West in the Cape Colony. Despite the high import propensity of explosives, De Beers used its influence on the Cape Government Railways to classify the output of the Somerset West factory as "colonial produce" which qualified for a lower freight rate.

The Transvaal Chamber of Mines allocated about 50% of purchases from Modderfontein under an agreement with both dynamite companies, in order to avoid substituting one monopoly for another. Each plant was capable of producing about 250,000 cases/annum, which was roughly the size of the market then. De Beers Explosive Works also changed the fixed price system to a cost plus one.

The mining industry, organised under the Chamber of Mines, was clearly powerful enough to drive the reorganisation of the explosives supply industry.

New explosive market entrants – Kynoch

Following the annexation of the Boer Republic by Britain in 1901, a third explosives factory was built at Umbogintwini, Durban, in 1904 by Kynoch, Nobel's chief British competitor. The plant quickly captured 10% of the mining market. Kynoch had briefly in 1886 taken over and run the Boer Republic's Baviaanspoort powder factory but subsequently supplied the British Army during the war. It had a reputation as an ammunition maker but needed scale economies to justify local production.

By 1911, the explosives industry was the largest sub-sector of manufacturing, the largest importer of raw materials into South Africa, the largest single source of revenue to Natal Railways and a very large source of revenues of the Cape Railways.

Diversification from Explosives

Competition between the three plants led to the beginnings of diversification but it was limited to backward integration. Kynoch began making glycerine from whale oil in 1911 but closed the plant due to explosions. Somerset West did the same by

1914 and, with the rise in glycerine prices on the eve of WWI, began to sell explosives to Australia. It even went as far as buying a ship to avoid the irregular Australian service. The shortage of glycerine led to the development and use of lower grades of explosives.

Diversification into detonator manufacture followed. By 1917, detonator technology had become concentrated in the hands of the global explosives firms. Cape Explosives built a detonator plant between 1917 and 1920. A detonator plant was built in Modderfontein in 1920 but both plants became redundant by 1924 by the development of the Briska aluminium detonator.

In recent decades, mining technologies have demanded increasingly specialised explosives and detonating techniques. The explosives industry began responding to this in the mid-1980s when AECI carried out a R100m decentralisation programme building 4 new plants at Welkom, Klerksdorp, Utrecht and Bethal so that no major customer was more than 80km from a factory (80km being the maximum permissible road transport distance allowed by Chief Inspector of Explosives and the Road Transport Board). This cut handling by 50-75%, eliminated magazines, led to just-in-time daily delivery and reduced customer and AECI inventory.

From explosives to fertilisers

In the early 1900s, although mining was a dominant and growing sector, South Africa's agricultural sector was an important contributor to GDP.

SA originally obtained guano from islands off the Cape coast, but this became inadequate for even the Western Cape's needs and superphosphates were subsequently imported. In 1921, Cape Explosives built a superphosphate fertiliser plant but the factory closed down soon after due to Dutch dumping. The Government refused to raise local prices through tariffs due to "losing ground in the country districts and was not anxious to antagonise the farmers by imposing a duty that would increase the price of fertiliser."[3]

After the first world war in 1918, the European merger of explosives manufacturers of Kynoch and Nobel contributed to the rationalisation of all three South African plants in 1924 to create AECI (African Explosives and Chemical Industries), jointly owned by De Beers and Nobel Industries. Kynoch's Umbogintwini plant was converted to fertiliser manufacture using imported Moroccan phosphates and sulphuric acid to make superphosphates in 1930.

The sulphuric acid by-product from explosive manufacture was railed to Umbogintwini-Durban and used for superposphate fertiliser manufacture. The bisulphite by-product of nitration was dumped. Modderfontein initially did this on waste land at Zuurfontein but later railed this to Durban where it was pumped into the sea through a waste pipeline at Umbogintwini. A superphosphate fertiliser plant was also built at Somerset West. Modderfontein focused solely on manufacturing explosives. Superphosphate demand grew during the second world war. Umbogintwini raised production from 90,000t/a to 120,000t/a by expanding sulphuric acid plant output. It was however, constrained by imports of phosphates from North Africa which was cut off after France fell. But supplies resumed in 1943.

The mining industry provided an important impetus to the 1924 explosives industry merger. At the time, it was experiencing poor market conditions and the merger resulted in reduced explosive prices. In Europe, international competition and scale economies also led to mergers and consolidation of chemical companies with the explosives firms. ICI was born in 1925, as the merger of Nobel Industries, Brunner, Mond Limited, British Dyestuffs Corporation and the United Alkali Corporation. ICI's creation can be viewed as a response to protect the British Chemical Industry against competition from the growth of I.G. Farben in Germany and Du Pont and Allied Chemicals in the USA.

Ammonia Synthesis

New technologies provided the basis for further diversification. The Haber ammonia synthesis from air and subsequent production of nitric acid had been perfected in Europe, dispensing with the need for imported Chilean nitrates. AECI built an ammonia plant in 1930 at Modderfontein under licence from ICI, which provided massive savings for AECI, doing away with the need to import Chilean nitrates and rail them from Durban to Modderfontein. Instead ammonia gas was generated at Modderfontein and liquid ammonium nitrate railed to Somerset West.

There followed a boom after going off the gold standard at the end of 1932. Up to 1939, some 200 new mining ventures were established and led to both Modderfontein and Somerset West factories working at maximum production. Ammonia production expanded from 5,000 t to 25,000 in 1936, 402,000 t in 1948 and 1,450,000 in 1955 of which 50,000 t were used for nitrogeneous fertiliser and urea.

In 1942, the mines accepted the efficacy of ammonium nitrate based explosives instead of the gelignites that ammonium nitrate was used to make.

The relative power of the mining industry was demonstrated by the fact that nitrogeneous fertiliser development was hampered by limited ammonia plant capacity in mid 1930s. Chemical industry growth accelerated after 1945 as follows:

- **Modderfontein.** Ammonia plants were expanded continuously between 1948 and 1960, from 25,000 t/a to 75,000 t/a in 1955. Nitric acid production was expanded and a 110,000 t/a urea plant was built in 1960.
- **Umbogintwini.** Superphosphate capacity was expanded from 120,000 t/a to 320,000 t/a in 1945 and further enlarged to 600,000 t in 1955, with an associated sulphuric acid plant.
- **Somerset West.** Paint and leathercloth factories were built together with an Ammonia/Nitric acid plant and a cyanide plant (which by 1946 was supplying 50% of South Africa's mining needs).

The 1949 sterling devaluation increased mining activity and further stimulated the chemical industry.

In the 1950s, Sasol 1's output provided additional feedstock for fertiliser production and a number of factories were established in and around Sasolburg including the Fisons and Windmill fertiliser factories (1950s), Omnia Fertilisers, which started with distribution of agricultural lime in 1953 and opened its first fertiliser factory at Sasolburg in 1967/68. Fisons also established the Bosveld factory at Phalaborwa, using phosphates.

Industry rationalisation

By 1969 the Windmill and Fisons Sasolburg and Milnerton factories had been amalgamated under the Fedmis group, which subsequently became a subsidiary of Sentrachem.

Omnia later expanded with liquid fertiliser plants at Dryden, Danielsrus and Hectorspruit, a second factory at Sasolburg and a phosphoric acid plant at Phokeng near Rustenburg.

Triomf established its factory at Potchefstroom in 1967. A phosphoric acid factory at Richards Bay followed this in the 1970s. In the 1970s, Triomf and the non-nitrogen interests of AE&CI joined forces (currently AECI Limited)

The lifting of price control on fertilisers in 1984 coincided with the severest drought in two centuries and an economic recession which resulted in rationalisation of the fertiliser industry, including:

- Absorption of Triomf fertiliser assets by AECI
- Triomf initially retained its Richards Bay and Potchefstroom factories but later sold the former to an overseas consortium and the latter to AECI
- Sasol Limited, which previously had been a supplier to other manufacturers only, established its own fertiliser company (Sasol Fertilisers) and started marketing directly to farmers in 1984
- In 1988, Fedmis was dismembered and parts taken over by Sasol, Kynoch and Omnia

In 1990, Foskor vertically integrated through the purchase of IOF. In 1992, Sasol Fertilisers decided to cease its direct marketing to farmers. In 1993, Kynoch Fertilisers took over the nitrogen interests of AECI. Chemfos (a subsidiary of Samancor), which mined rock phosphate at Langebaan, ceased its activities at the end of 1993.

Further rationalisation took place between 1999 and 2002, including:

- Foskor obtained the entire shareholding in IOF, resulting in the latter becoming a fully owned subsidiary of Foskor, and IOF was changed to Foskor Richards Bay.
- Transnational corporation Norsk Hydro obtained the controlling interest in Kynoch, AECI's fertiliser division.
- Sasol Fertiliser, which had been trading as Sasol Agri since 2000, obtained a 100 percent interest in Fedmis of Phalaborwa, which was operated as a 50-50 joint venture by AECI-Kynoch and Sasol Fertilisers.

Agricultural chemicals

The agricultural chemicals market has been more diverse and specialised than the commodity chemicals, using imported and local raw materials, the latter supplied by major local upstream chemical commodity producers.

In 1927, in partnership with established European importers, AECI further diversified its Umbogintwini plant into insecticides and dips with an agreement with

Cooper, McDougall and Robertson, and into paint manufacture in association with UK's Naylor Brothers, but the latter failed during the 1930 depression. In both cases, AECI supplied the product and left marketing in hands of an agent.

By 1991, the SA agricultural chemicals market was valued at R 700 m/a[4], 50% of which was supplied by Sanachem, a subsidiary of Sentrachem. Sanachem had been formed by the merger of FarmAg and Sentrachem's agricultural chemicals division. The sector itself underwent a consolidation during the 1980s. Sanachem manufactured 22 pesticide ingredients at 4 plants including Canelands (Durban), MSMA herbicide (Chloorkop) and Berlin (East London). It concentrated on using expired patents. Sentrachem provided the basic chemical building blocks. 20% of its production was on a toll basis for Bayer, Monsanto, ICI and other pesticide companies.

In 1995, Sentrachem purchased US-based Hampshire Chemicals and, in 1997, announced plans to increase production of glyphosate herbicide at Hampshire with the intention of manufacturing the Roundup herbicide, once its patent expired in 2000. It appears that this was an important factor that prompted Dow to buy Sentrachem in 1998.

Dow's main interest in Sentrachem appeared to be its capability to produce the glyphosate herbicide, allowing Dow to compete with Monsanto's top selling Roundup herbicide. At the time, Monsanto had an 85% to 90% share of the world market for glyphosate but its patent on Roundup was to expire in 2000.

Following the acquisition, Dow dismembered Sentrachem, retaining only the Berlin, Sasolburg and Canelands production facility under the Dow AgroSciences division. The US Federal Trade Commission allowed the merger on condition that Dow dispose of Hampshire's chelant business, which would have led to Dow and Hampshire having 70% of the $140m chelating agent market in North America[5].

Plastics

In 1955, PVC manufacture began at Umbogintwini, the first commodity plastic to be made in South Africa. As a feedstock, it utilised surplus acetylene transported from a carbide plant at Ballengeich in Natal. The PVC plant's associated chlor-alkali plant also supplied chlorine and caustic soda to the South African Industrial Cellulose Corporation (SAICCOR) at Umkomaas.

A polythene plant in a joint venture with Sasol at Sasolburg followed in 1961. A cyanide joint venture was also established using methane from Sasol. Also in 1955, methanol, formaldehyde, and urea-formaldehyde resins were produced at Modderfontein and an igniter cord plant was also built. In 1963, interests in SA Titan Products (now Tioxide SA) and SA Nylon Spinners were acquired.

In 1964, AECI opened a fourth manufacturing site, the Midland Factory at Sasolburg. Using feedstocks from SASOL, the new factory produced initially calcium cyanide and then polyethylene (1966). PVC, CFCs, and chlorinated solvents followed. Adherence to the Montreal Protocol resulted in the phasing out of CFC manufacture in 1995.

Extending coal-based production

In 1974, a 300,000 ton per annum coal-based ammonia plant was commissioned at AECI Modderfontein and the company's dependence on coal as a raw material was highlighted with the commissioning of the Coalplex project at Sasolburg in 1978. A joint venture between AECI and Sentrachem, Coalplex consisted of five linked plants: carbide, acetylene, chlorine, VCM, and PVC. Coalplex also produced caustic soda and lime hydrate.

During the early 1980s, AECI consolidated its position as the major chemical company in South Africa, expanding and diversifying its product range. Acquisition of Chemical Services in 1980 was significant, reflecting an increased emphasis on speciality chemicals. In 1985, after 82 years, explosives manufacture at Somerset West was phased out. A joint-venture soda ash plant was commissioned in Botswana in 1991, and two years later the formation of AECI Bioproducts and AECI Aroma and Fine Chemicals was announced, with plants at Umbogintwini and Richards Bay.

Chemical industry restructuring in the 1990s

In 1993, AECI and SASOL merged assets into Polifin to produce monomers, polymers, chlor-alkali products, cyanide, and peroxides. The carbide-acetylene process producing VCM was replaced with a less costly process using ethylene from SASOL.

In 1998, SASOL attempted a take over of AECI, but the deal was aborted owing to stringent restrictions imposed by the Competitions Board. Subsequently, AECI further restructured by moving out of ammonia and urea production, selling Kynoch

to Norsk Hydro and Fedmis to Sasol. Today AECI focuses on five core clusters: explosives, speciality chemicals, fibers, biotechnology, and agricultural products.

Calcium carbide

Rand Carbide started producing in 1926, and by 1930 was the Victoria Falls Power Company's (VTFPC) largest bulk industrial customer with the exception of a few gold mines. The process used lime and coke in electric furnaces. The major demand for carbide was from the mines but the factory apparently became a major exporter.

A plant at Newcastle was started in the mid 1950s by a company called South African Carbide at the Ballengeich site. From the outset, it became integrated with other components of the chemical industry. From 1955, surplus acetylene from carbide production was transported to Umbogintwini for the production of polyvinyl chloride. SA Carbide was later absorbed into AECI and production continued until 1992.

In the meantime Karbochem, an operating division of Sentrachem Ltd, was also manufacturing carbide in Newcastle as a building block for the manufacture of synthetic rubber. In 1990, the Karbochem calcium carbide operation was closed down.

In 1992, the AECI Ballengeich carbide business and the Karbochem production facility were amalgamated and production continued under the Karbochem name. In 1997 the Dow Chemical Company bought the holding company of Karbochem and the carbide business continued operations until 2003. In June 2003, the business was sold to a management consortium and now trades as SA Calcium Carbide (Pty) Ltd.

History of South Africa's paint industry

Paint manufacture in South Africa began by accident. In 1918, a clerk in the South African office of Berger paints placed an order from the South African Railways, its largest customer, but erroneously transcribed the order by a factor of 100. To avoid deterioration of the 5 year's supply that was delivered, the British parent company sent a second hand paint mill to South Africa and local production began. AECI began paint manufacture at Unbogintwini in 1925 in association with UK's Naylor Brothers but this failed by the time of the depression of 1930.

In 1946, AECI set up another paint factory at Somerset West and expanded this in 1948 in a joint venture with Berger. This was consolidated in 1954 with a single holding company, United Paints.

Impact of industrial policy on the chemicals sector

Industrial financing – the IDC

In 1940, government set up the Industrial Development Corporation to provide financing for industry. Its share capital at the time was £5m equivalent to R730m in 2002 prices. Although the IDC highlights the fact that its first loan was made to a small industry producing "Ouma" rusks, its actions from inception were centred on financing large-scale industrial undertakings.

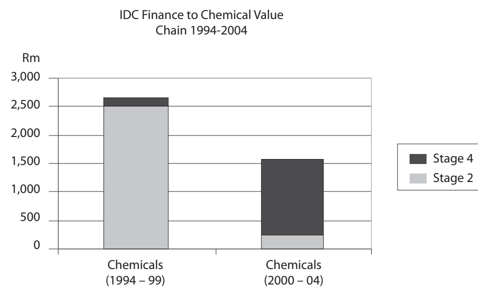
Over the decades, the IDC has been involved in financing the establishment of a number of chemicals-related industries in South Africa, including:

- Agricura animal feeds (1949), jointly financed by IDC, Bonuscor (Sanlam) and Federale Nywerhede.
- Fuel and chemicals (1950). The establishment of Sasol was funded by the IDC. IDC also financed Sasol II and Sasol III
- Insecticides – in 1950, Klipfontein Organic Products (KOP) was set up under IDC ownership to provide chlorine-alkali inputs for insecticides such as DDT and BHC. In 1962, KOP was the only local producer of these insecticides.
- Textiles – Rayon. In 1951, Courtaulds, SNIA Viscosa of Italy and AECI formed SA Industrial Cellulose Corporation (SAICOR) to process wood and produce rayon pulp at Umkomaas using Chlorine from AECI's Umbogintwini chlorine plant. Construction was completed by 1954, and in 1961 capacity was raised from 5,800t/annum to 15,800t/annum. SAICCOR was later taken over by SAPPI
- Pulp and paper. In 1951, a kraft and wrapping paper mill in Natal was financed
- Phosphates. The IDC established Foskor in 1952 to develop phosphate deposits at Phalaborwa to supply a domestic fertiliser industry
- Carbon black (1959), a key ingredient in rubber production at Port Elizabeth

- Synthetic Rubber Company founded to produce rubber from raw materials obtained from Sasol (1962)
- Soekor was registered with shareholding by the IDC and (then state-owned) Sasol to search for oil in South Africa (1965).
- Titanium minerals extraction pilot plant pilot plant from beach sand at Richards Bay – forerunner of Richards Bay Minerals (1972)

In recent years, relatively few large-scale chemical sector mega projects have been executed in South Africa. Exceptions relate to a series of integrated investments made by Sasol in its synthetic fuels and chemicals complexes at Sasolburg and Secunda. Since 2000, the IDC has focused its support on downstream chemical industries at Stage 4 of the value chain, which is in accordance with contemporary industrial policy to focus on more labour-intensive sectors.

FIGURE 2: IDC Financing of the Chemical Value Chain



Source: IDC

Chemicals and the armaments industry

As outlined above, explosives production was also used for producing ammunition. In 1937, the South African government negotiated with ICI to supply a 10 m round/week ammunition plant. ICI supplied the machinery and AECI produced cordite and percussion caps. ICI also built another munitions plant at the Mint in Pretoria and trained staff to run the plant in 1938.

In September 1938, the British War Supplies Board began planning a munitions industry with ICI, who were asked to plan plants for TNT, shell filling, bomb filling, magazine storage, ordinance cordite for heavy gun charges. The chair of ICI met with Defence Minister Pirow in 1938. The goverment provided capital for expansion but

expected the Somerset West plant to provide the TNT. Compared to the scale of production for the mining industry, the requirements were rather small and there were never any problems in meeting ammunition demands (Cartwright, 1964, p. 207). Again, during World War II, Britain's Ministry of Supply requested skilled personnel for training and supervising workers at cordite factories in the UK and AECI released 51 skilled people.

While explosives manufacture was already established, some chemical sub-sectors originated out of war production.

NCP's synthetic acetone/butyl alcohol plant, which provided raw materials for cordite manufacture, was licenced by the Distillers Corporation of Britain in 1940, the latter buying a large minority stake in NCP as part of the transaction. In 1941, the Department of Defence leased an area near Modderfontein, on the Klipfontein farm, and built a chlor-alkali plant to manufacture phosgene and mustard gas. After 1945, Klipfontein Organic Products was transferred to the Department of Commerce and Industries and the plant converted to make DDT and other pesticides. After the war, it was taken over by the Department of Commerce and Industries and production was focused on DDT, insecticides, caustic soda, hydrogen, hydrochloric acid and other chlorine by-products. In 1950, KOP was converted into a State corporation as a subsidiary of the IDC. In 1965, KOP was taken over by a consortium of companies led by FVB Federale Volksbeleggings.

During the 1980s, a capacity to manufacture lethal offensive chemical and biological warfare (CBW) toxins and biotoxins was developed with the Department of Defence. Based on reports surround the prosecution of Dr. Wouter Basson, it appears that considerable financial resources were channelled through a number of front companies, including Delta G Scientific which was established in secret in 1983, purchased by Sentrachem in 1993 and ultimately absorbed by Dow Chemical when it bought Sentrachem in 1995[6].

Atomic weapons production

Uranium oxide

Uranium oxide has been produced by South Africa for many years as a by-product of gold mining. The production of uranium oxide was apparently planned in secret by government in 1950 and implemented in 1952. Some 17 uranium extraction units were built together with associated sulphuric acid plants. AECI supplied

nitric acid and 9,000t of ammonia/a for the production process. The uranium programme was cut back from 1961 onwards and AECI absorbed surplus sulphuric acid in a new superphosphate plant at Modderfontein.

In the 1970s, the apartheid government spent billions of Rand in developing a uranium hexafluoride enrichment facility which was initially used to manufacture the nuclear fuel for the Keoberg nuclear power plant in the Western Cape. The programme was overseen by the state-owned Atomic Energy Corporation, but went further in a secret programme to construct several atomic weapons based on highly enriched uranium. The weapons were destroyed as part of the move to democracy in 1994 and the enrichment facility was shut down.

Fluorine chemicals: However, the associated hydrogen fluoride (HF), fluorine (F2), tetrafluoroethylene (TFE) and fluoro-chemical product facilities have been retained at the Pelindaba/Valindaba site near Pretoria and operated by the state-owned Nuclear Energy Corporation of South Africa (Formerly AEC)

The fuel industry

The fuel industry, the lifeblood of any economy, is an important associated component of the chemical industry (see sections of the other background papers for details of the relationship between oil refining and petrochemical production) Developments in the technology of fuel production and fuel use have been important drivers in the growth of chemical sub-sectors.

The policy-related issues that have impacted most on the development of South Africa's fuel industry, include:

- Economic/military security of supply
- Scale economies
- State-led investment in leading-edge technology
- Relationships between different segments of domestic business and transnational corporations
- Role of various national and provincial state-controlled institutions and agencies on policy

South Africa's synthetic fuel industry has two roots. The first is in the retorting and refining of shale oil deposits (torbanite), discovered and processed in the late 19th

century. The second root lies in the development of synthetic fuel from coal, which began to be discussed as early as 1927[7].

The first torbanite plant was set up by the Natal Mineral Oil Company in 1895 to extract paraffin from shale and this was followed by the Oil Shale Development Company in 1913 with oil shale mines in Natal, Transvaal and Swaziland. In 1934, the first SA oil refinery was set up in Boksburg by a joint venture between a South African firm, Anglo-Transvaal (Anglovaal), and the British Burmah Petroleum Company. SA Torbanite Mining and Refining Company, or Satmar, processed imported crude and shale oil, retorted at its Ermelo shale mine. Satmar can be regarded as a forerunner to the Sasol expansions of the 1970s, supplying the inland market with motor fuels up until the exhaustion of torbanite reserves in 1960, although it continued to refine imported crude oil until the plant's closure in 1976.

Three factors underpinned the plant in the 1930s. First, the natural protection of the inland market through railway freight rates, tariff protection for local manufacture and, during the war years, the irregular imports of crude oil. The main refined products at the time were petrol, diesel and paraffin fuels, which were initially marketed by the SA Motor Traders' Association and subsequently by transnational oil companies who also began setting up refineries on the coast in the 1950s.

Coal Based

In the 1930s, coal to liquids technology developed rapidly in Germany, being at the leading edge and an intimate part of its rearmament program. The German example of an integrated fuels and chemicals industry based on coal caught the imagination of engineers in SA as early as 1927.

A private South African corporation, Anglovaal, set up Satmar, and simultaneously investigated production of liquid fuels using the German Fischer-Tropsch process. One of Anglovaal's reasons was to be able to process the high ash coal which overlay the torbanite. Anglovaal secured two agreements with German companies. First, with Lurgi, for coal gasification technology. Secondly, Anglovaal obtained the Southern African licence for the synthesis of the gasified product into hydrocarbons from Ruhrchemie in 1937 but the planned 33,000t/a plant was never built due to the outbreak of World War II.

In 1947, the Liquid Fuel and Oil Act was passed which effectively reserved what was regarded as a strategic industry for domestic capital. Potential producers had to apply for a licence from the Liquid Fuel Oil Industry Advisory Board and had to demonstrate management by South African nationals.

Alcohol production – Impact of the sugar and maize industry on the chemicals sector

A number of speciality chemical industries evolved around the sugar industry in Kwazulu Natal and, to a lesser extent, the maize industry.

The alcohol sub-sector initially developed alongside the torbanite fuel industry. In 1935, National Maize Products built a plant in Germiston to manufacture alcohol from maize. Rapid increase in the price of maize soon forced a change to molasses as the raw material and, in 1940, the name of the company was changed to National Chemical Products (NCP). Most of the output was sold to Satmar for blending with their torbanite fuel. Benzene by-products from Iscor's steel plants were also blended into Satmar fuel at the time.

NCP was created by a South African entrepreneur, and it also produced methylated and rectified spirits, absolute alcohol, vinegar and dry ice. In 1940, the British Distillers Company bought a large minority share in NCP and provided technology for a synthetic acetone/butyl alcohol plant, which provided raw materials for cordite manufacture as part of the war effort. In 1944, NCP bought Umgeni Distilleries in Durban, which had been established to produce alcohol from sugar in the 1860s, and used this facility as a base for exports of part of its production. In 1959, NCP acquired two yeast manufacturers, Natal Organic Industries (Durban, 1959) and Free State Yeast (Welkom, 1959), yeast being a key input in the production of alcohol.

Poly-resin Products (East London) was taken over in 1956 and, in 1959, NCP began manufacture of diacetone alcohol, hexylen glycol, pentaeryrithritol , and detergent alkylate, using feedstocks from Sasol in a joint venture with Sasol, called Kolchem. Sasol later sold its interest, and Kolchem joined with Shell Chemical to form Styrochem, for the manufacture of polystyrene. By 1960, NCP's Germiston plant had diversified into the production of alcohols, ketones, acids, esters, CO2 gas, mining froth-flotation reagents, phthalate plasticisers, synthetic resins and animal feed supplements.

IDC Support for Sasol (1950)

Satmar obtained a production licence in 1949 but subsequently withdrew from the venture due to its inability to raise the necessary capital and to convince Government to guarantee a US Exim Bank loan. Instead, the Industrial Development Corporation (IDC), bought the project from Anglovaal and financed its development, creating the state-owned Sasol corporation in 1950, which was wholly owned by the IDC.

By then the global technology terrain had changed. Following the end of the Second World War, US chemical and fuel corporations plundered German synthetic fuel technology[8]. This, together with the time lapse and chaos within Germany, necessitated the revision of the Anglovaal-Ruhrchemie and Lurgi agreements. Subsequent US research indicated a comparatively high cost associated with synthetic fuel production and the easing of international oil supply led to a lack of interest in synthetic fuels by 1950.

Sasol then entered into agreements with Lurgi and Ruhrchemie for gasification and fixed-bed Arge technology, which produced diesel, lubricants, chemicals and waxes, and with Kellogg for synthesis technology to produce petrol. However, problems were encountered with the latter and Sasol subsequently developed its own Synthol process. Sasol 1 began production in 1955 at Sasolburg.

The 1973 and 1979 oil shocks, coupled with the oil boycott and apartheid sanctions prompted the Government to intervene decisively in the fuels market to ensure national self sufficiency. The rise in gold prices at the time also provided the fiscal means to do so. The Government, through its Central Energy Fund, and partly supported by IDC financing, constructed the Sasol II and III oil from coal plants at Secunda between 1979 and 1982. A regulatory system was set up to force oil companies to uplift all of Sasol's fuel production on a pro-rata basis to market share. All the crude refineries had to mothball plant to accommodate this but they were compensated for the losses incurred.

Again in 1989, a further synthetic fuel plant was built by the Central Energy Fund, this time at Mossel Bay in the Western Cape to convert offshore gas into liquid fuels.

Crude oil refining

To encourage investment in oil refining, the Government provided certain investment incentives and tariff protection at a rate of about 20% of the fuel price. The first

crude-based oil refinery was built at Durban by Mobil in 1954. This was followed in 1963 by the Durban SAPREF refinery, a joint venture between Shell and BP. Caltex constructed a refinery in Cape Town in 1966. Originally, it intended to locate at Durban, but for supply security reasons, was further encouraged to locate in Cape Town.

The Natref (National Refining Company) refinery was built between 1969 and 1971. The joint venture partners of Sasol, Total and NIOC (National Iranian Oil Company) were provided incentives to locate close to the inland markets at Sasolburg for supply security reasons, even though the economically optimal location was Durban. Imported petroleum was refined and cracked to produce ethylene for plastics, and pipeline gas was supplied in increasing quantities to industry.

A base oil plant, a joint venture between Shell, BP and Federale Volksbeleggings was built in 1967 at SAPREF to produce lubricating oil and in 1972, a second base oil refinery was commissioned at the Mobil refinery, as a joint venture between Mobil, Caltex and Total, making South Africa self sufficient in base oils for lubricants.

The crude oil refineries also produced a range of chemical feedstocks such as ethylene, propylene, benzene, toluene, xylene, sulphur and many others, further deepening and broadening the chemical sector.

Synthetic rubber

In 1960, the IDC promoted the Synthetic Rubber Development Company to investigate the possibility of manufacturing general purpose synthetic rubbers. A major study resulted in the establishment of the Synthetic Rubber Company (SRC) for the manufacture of a range of styrene-butadiene rubbers. Also involved were FVB, three tire companies (Dunlop, Firestone, and General), and the Polymer Corporation of Canada. Production started in 1964 with the Polymer Corporation as the licensor of the process.

The main chemical feedstock, benzene, was sourced from the Sasol 1 plant. In 1967, SRC was absorbed by Karbochem, a division of Sentrachem and entered into a joint venture with Uniroyal to produce rubber chemicals. By 1992 Karbochem was a producer of synthetic rubber and rubber lattices; industrial mining and rubber chemicals; water-based lubricants; and carbide, acetylene, and carbon black.

The isoprene rubber plant at Newcastle was mothballed in 1990 and adapted to produce alkyl amines. It was partly reopened in 1992 after Karbochem acquired AECI's Ballengeich carbide business and rationalised production between Newcastle and Ballengeich.

Phosphate

In 1937, phosphate deposits were found in South Africa at Phalaborwa by Hans Merensky. In 1951, the IDC provided Foskor with an interest-free loan to purchase base-mineral claims. This was repaid through a levy on phosphate concentrate sold. (see fertiliser section above)

Health policy and the pharmaceutical sector

The pharmaceutical industry is an example of a chemical sub-sector (unlinked to mining) that has developed in support of domestic consumption through two main markets, namely the state health sector (see section above on linkages) and private final consumption, as detailed in Table 3.

TABLE 3: Estimated pharmaceutical turnover 1997

Pharmaceutical Drug		Rm	% Share
Prescription		4 712	62% (of private sector market)
– Ethical	3 958		84% (of prescription market)
– Generic	754		16% (of prescription market)
Self-medication-OTC's		2 888	38% (of private sector market)
Total – Private Sector		7 600	76% (of total pharmaceutical market)
Public Medication			
– Ethical		1 200	50% (of public sector market)
– Generic		1 200	50% (of public sector market)
Total – Public Sector		2 400	24% (of total pharmaceutical market)
GRAND TOTAL		10 000	100%

Source: *Labat Africa/CMCS* (2000)

Major transnational pharmaceutical firms have been established for decades in South Africa. They do not carry out any significant manufacturing, but rather formulate and package branded drugs in the ethical (patented) market using imported active ingredients. In 1999, transnational pharmaceutical manufacturers supplied 73.3% of the total market (by value).

A growing number of South African-owned pharmaceutical firms supply the balance and are actively manufacturing generic drugs.

TABLE 4: Geographic distribution of manufacturers

Province	No. of Manufacturing Companies
Eastern Cape	5
Mpumalanga	1
Gauteng	68
KwaZulu Natal	9
Free State	1
Western Cape	10
TOTAL	94

Source: *Labat Africa/CMCS* (2000)

Important drivers in this sector include the purchasing policies of the public health sector, together with the recent approach taken by medical aid funds to reduce costs to the private health sector.

The role of the electricity industry in Chemical sector development

The electricity sector historically developed to serve the mining industry. Initially privately owned, the state subsequently took full control. Sanctions and the energy crisis of the 1970s led to the government committing considerable resources to achieve a policy objective of self-sufficiency and low electricity prices. South Africa's electricity was based largely on huge reserves of low grade coal and long-term contractual relationships were entered into between mine owners and Eskom to underpin both mining and the very large scale (then state-of-the-art) power station investments.

The Kriel power station was built in conjunction with the Sasol II and III projects, mainly to ensure a stable supply of electricity to Sasol.

Role of Science & technology policy and institutions

Science & Technology Policy

The importance of science and technology has been implicitly acknowledged in industrial policy, particularly after World War II. A number of institutions were

created after 1945 which provided support for scientific and industrial research, including the CSIR.

As outlined in other sections of this report, historically, the apartheid government had strategically targeted the defence, liquid fuel and nuclear industries and provided considerable financial, human capital and institutional resources to develop these sectors. By 1991, 1.04% of GDP was spent on R&D. By 1993, this had fallen to 0.75% of GDP as the nuclear weapons programme was dismantled and defence budgets reduced.

In 1994, science and technology was prioritised as a distinct cabinet-level post, together with a new support department. Since then, science and technology policy has further evolved. South Africa's science and technology policy, particularly its supportive thrust towards research and development (R&D), has evolved rapidly over the past decade. A process of redirecting the national science and technology effort towards economic development objectives was advanced in the 1996 White Paper on Science and Technology which was based on the concept of a National System of Innovation (NSI), which places innovation (rather than the supporting pillars of scientific discovery and technological development) at centre stage.

> "The NSI itself can be thought of as a set of functioning institutions, organisations and policies that interact constructively in the pursuit of a common set of social and economic goals and objectives, and that use the introduction of innovations as the key promoter of change. The idea of "innovation pull" as opposed to "science push" was already well developed in OECD policy forums and championed in the European Union by former French Prime Minister Edith Cresson. However, South Africa was the first country to adopt such a framework as its national policy. Many other countries have subsequently followed suit."

In 1997, a national research and technology audit was carried out, followed by a review of the science and technology institutions in South Africa. A national research and technology foresight programme was initiated in 1999 which, by 2002 had examined 12 sectors, including agriculture, biodiversity, crime, energy, environment, financial services, health, information and communication technologies (ICT), manufacturing, mining and metallurgy, tourism and youth.

Although the chemical sector was not directly covered, it enjoys indirect coverage through linkages and overlaps with some of the segments above. Other noteworthy investigative processes include NACI/NSTF report: Growth & Innovation (2000) and the Integrated Sustainable Rural Development Strategy (2000).

These dovetailed with industrial policy thinking at the time, as reflected in the 2001 Micro-Economic Reform Strategy (MERS) and the 2002 Advanced Manufacturing Technology Strategy (AMTS), which identified certain sectors/technologies such as ICT that, if adopted and adapted more rapidly, held the potential to enable improved efficiency and competitiveness in other productive sectors.

During this period, a systematic reconstruction of institutions to support science and technology was undertaken. The National Advisory Council on Innovation (NACI) was inaugurated in terms of the NACI Act (No.55 of 1997) to advise the Minister of Science and Technology and Cabinet on *"… the role and contribution of innovation (including science and technology) in promoting and achieving national objectives, namely to improve and sustain the quality of life of all South Africans; develop human resources for science and technology; build the economy and strengthen the country's competitiveness in the international sphere."* The 16-20 member Council of NACI is broadly representative consisting of "a spread of expertise and experience regarding: national and provincial interests; scientific and technological disciplines innovation, the needs and opportunities in different socio-economic fields; and research and development in all sectors".

Strategic thrusts adopted by NACI, for which specialised sub-committees have been appointed, include infrastructure for innovation promotion, human capital and the knowledge base, science, technology and innovation for competitiveness and the social dimension of innovation

The NACI is positioned in the national system of innovation alongside other national advisory committees, including the South African Reference Group on Women in Science and Technology (SET4Women), the Indicators Reference Group (IRG), and the National Biotechnology Advisory Council (NBAC). An Innovation Fund is currently offered to support sector-specific support.

The macro impact of science policy on R&D and Innovation

Regular monitoring and evaluation of the impact of science and technology policy is carried out. In July 2005, an R&D indicator was incorporated into official

national statistics. The 2004/5 R&D survey reports that some R12b was spent on R&D, equivalent to 0.87% of GDP, reflecting a real 5% growth per annum since 2001 and falling just short of the 1% of GDP target to be achieved in 2008. Table 5 lists some of the other key indicators which suggest that the policy is achieving success in all of the indicators tracked.

TABLE 5: Key research, development and innovation indicators, 2003-2005

	Value	
Indicator	**2003/04**	**2004/05**
Gross domestic expenditure on R&D–GERD (Rand millions)	10,082.6	12 010.0
GERD as a percentage of GDP	0.81	0.87
Total R&D personnel (FTE)[a]	25,185	29,692
Total researchers[b] (FTE)	14,129	17,910
Total researchers per 1,000 total employment[c] (FTE)	1.2	1.6
Total R&D personnel per 1,000 total employment (FTE)	2.2	2.6
Civil GERD as a percentage of GDP	0.72	0.80
Total researchers (headcount)	30,703	36,979
Women researchers as % of total researchers	38.0	38.3

[a] FTE = Full Time Equivalent
[b] Following OECD practice, doctoral students are included as researchers
[c] Following OECD practice, total employment is now provided by the International Labour Organisation based on the Labour Force Surveys of Statistics South Africa and is not restricted to the formal non-agricultural sectors as previously reported.

Source: Department of Science & Technology,2006.

Sector-specific science & technology support strategies

In 2001, the DST published the National Biotechnology Strategy which proposed a range of institutional, legislative, financial and human resource support measures for the sector. This strategy is being resourced and implemented and oversight is exercised by a specific sub-committee of NACI. A similar strategy to support nanotechnology was also published in 2006, which proposed the establishment of nanotechnology characterisation centres, research and innovation networks, capacity building program and a flagship project program. These examples confirm that the National System of Innovation that underpins South Africa's science and technology policy is increasingly being institutionalised and is playing an increasingly important policy support for sections of the chemical industry.

CSIR

The Council for Scientific and Industrial Research (CSIR) is South Africa's central and premier scientific research and development organisation. It was estab-

lished by an act of parliament in 1945 at Pretoria. Presently, it is the largest research and development (R&D) organisation in Africa and accounts for about 10% of the entire African R&D budget. It has a staff of approximately 3,000 technical and scientific researchers, often working in multi-disciplinary teams.

The CSIR's main areas of research are:

- Food, biological and chemical technologies.
- Building and construction technology.
- Defence technology.
- Water, environment and forestry technology.
- Manufacturing, materials and textile technology.
- Mining technology.
- Roads and transport technology.
- Information and Communication Technologies

Private chemical sector research and development

The largest known private R&D expenditure in the chemical sector is carried out by Sasol, mainly around its gas-to-liquid (GTL) and coal-to-liquid (CTL) technologies. The RSA sugar industry also pools resources to maintain the South African Sugar Research Institute. In order to further encourage R&D, Government recently announced some tax incentives for firms engaging in R&D.

Role of Industry Associations

There are a number of chemical sector industry associations in South Africa. The largest is the Chemical and Allied Industry Association. CAIA is well resourced, representing large and small firms, but with the larger firms inevitably dominating by weight and inertia.

Historically, such associations have evolved as lobby groups, particularly in the environment of heavy tariff protection of industry. In recent times, such lobbying has focused on threats of market entry by foreign industry competitors.

In the case of CAIA, it has recently played a positive role on in environmental and safety issues, particularly as the policies relating to these have evolved domestically and internationally.

Conclusions

The development of South Africa's chemical industry offers guidelines for other countries looking to grow their chemical sector under the following headings:

- Sector linkages – take account of the variation of characteristics across the chemical value chain,
- Build on linkages between the chemical sector and other economic sectors,
- Policy coherence, institutions and agencies,
- Political economy factors

Sector Linkages

Variation across the chemical value chain characteristics

The characteristics of different segments of the chemical sector value chain and their linkages with other parts of the economy are important and may require different policy instruments:

- South Africa's gold and diamond mining industry provided the first and main driver for the development of the chemicals industry (explosives) in the 1890s. Mining sector growth continued to provide the main market for the chemicals sector up to the 1960s, mainly in the form of explosives and mining chemicals,
- Mining demand also drove the diversification of the chemical sector into a range of products, including the rubber and rubber products industry,
- In parallel with this, starting in the late 1950s, the coal-based liquid fuel industry began to produce a range of bulk chemical products and intermediates initially as a by-product and, after the expansion of the synthetic fuel industry in the late 1970s, as the major supplier of bulk chemical commodities and feedstock for further chemical production,
- The above, mainly upstream sectors, were propulsive in establishing the chemical industry,
- However, significant chemical sub-sectors have emerged downstream and around these upstream sectors:
  - The growing consumer market provided a further driver for local manufacture of chemical products,

– Pharmaceutical and other speciality chemicals have also been driven by demand not necessarily linked to mining,

Economies of scale & markets

Scale economies, capital- and energy-intensity are characterisitics of the upstream segment of the chemicals value chain. Had the large-scale mining industry demand not existed, it is unlikely that the explosives industry (starting with the Modderfontein factory) would have been built.

Similarly for liquid fuels, the size of the domestic market in the 1950s supported the investment in basic crude refining capacity at the coast, and these refineries were then also configured to produce bulk petrochemical commodities.

Important synergies are shown to have been captured through the integration of petrochemical and other large-scale chemical plants, with by-products and co-products being combined as feedstock in new plants, either at the existing sites or nearby. The following examples have been discussed above:

- Excess sulphuric acid from Modderfontein railed to Umbogintwini to make superphosphate fertiliser
- Liquid ammonium nitrate from Modderfontein railed to Somerset West to make fertiliser
- Acetylene from Ballengeich to Umbogintwini to make PVC plastic
- Chlorine and caustic soda from Umbogintwini to Saiccor to make industrial cellulose
- Ethylene from Sasol 1 to AECI's Sasolburg plant to produce plastic monomers

Mega-projects

Large-scale capital intensive investments in the upstream part of the chemical sector in South Africa have had a propulsive impact on certain downstream chemical sub-sectors over the decades. In South Africa's case, the prerequisite scale economy conditions were met through linkages with other sectors that provided markets for the products. It worked for explosives and liquid fuels, although in the case of synthetic liquid fuels, it had a cost raising impact on fuel products. This was, however, justified because the project was initiated on strategic self-sufficiency grounds.

Can such an approach be emulated by other developing economies? Clearly, the size of respective domestic, regional and global markets will be critical in assessing the

viability of any such large-scale upstream mega-project. Furthermore, the establishment of upstream and downstream linkages around the respective mega-project are not automatic.

Downstream chemical industries

Once individual upstream plants were established, clustering of facilities evolved over time, in particular at Durban, Sasolburg, Newcastle and, to a lesser extent, at Richards Bay. The availability of commodity bulk chemical feedstock from these facilities created the basis for a broader range of downstream Stage 3 and 4 chemical products.

In addition, many smaller specialist chemical industries emerged independently of these upstream facilities using imported feedstock and feedstock from other domestic sources.

For example, as shown above, a broad cluster of chemical firms emerged around the sugar industry in Natal, manufacturing alcohol and other related products. Similarly, growing domestic consumption stimulated pharmaceutical industries and bulk and consumer formulated industries.

Role of policy, institutions and agencies

Coherence of policy and economic planning

Strong elements of economic planning have underpinned the post-war growth of South Africa's chemical industry, particularly the upstream segments.

The 1950s witnessed astounding economic growth across many sectors. The discovery of the Free State goldfields resulted in huge physical and demographic change in that province, with large expansion of the chemicals sector outlined above to support mining growth. Planning was not only confined to the social and economic infrastructure that mining expansion demanded. The Government consciously set up Sasol 1 at Sasolburg in the Free State and also encouraged TNC oil companies to establish crude oil refineries, with their associated petrochemical output.

Expulsion from the Commonwealth, and the increasing isolation of sanctions prompted further planned chemical industries after 1960, some of which were related to defence. Most notable was the construction of the Sasol II and III oil from coal

plants, financed by a burgeoning fiscus which was bolstered by booming commodity prices. Accommodating Sasol's output was another exercise of active industrial and energy policy. The crude oil refiners were compensated for mothballing large refining capacities until market growth in the 1980s gradually absorbed their output.

Economic foresight and planning continued to underpin the decades of 1970 and 1980, with associated road, water, power, rail, port infrastructure being simultaneously executed on a large scale.

Industrial policy

Industrial policy has, at different times, acted positively on the growth of the South African chemical sector. The instruments used have included import tariffs, transport and logistics pricing, the provision of industrial financing and incentives and direct state creation of industries. In addition to the market-led drivers outlined above, industrial policy intervention provided an important impetus to chemical sector development, particularly in the following areas:

- Defence-related chemical sub-sectors, including explosives, fluoride chemicals (linked to the nuclear weapons programme) and chemical and biological warfare weapons
- Crude oil-based and synthetic liquid fuels and lubricants
- Financial and tariff policy support for large-scale, state-led investments in various chemicals-related industries, including; phosphates and phosphoric acid, liquid fuels, cellulose and wood pulp
- Logistics – Policies and institutions

Tariff/trade policy

Import tariffs played a powerful role in supporting emerging chemical industries in South Africa, in both upstream and downstream segments. This was the mechanism used to protect the Sasol investments and the mechanism continues to be used today. However, different governments over the years have not always supported the interests being protected. The history of the fertiliser industry in RSA shows how in the 1920s, large facilities were built and subsequently made redundant because of dumping by Dutch producers. The government of the day, threatened by looming elections and the possibility of losing farming community votes, chose not to protect the new production facilities.

However, tariff policy was not applied coherently, particularly in the late 1970s and 1980s[9]. Tariff reform and rationalisation in the 1990s restored some coherence to the system, while also reducing overall trade-weighted tariffs significantly.

In future, the detail relating to chemicals in the SADC and other trade agreements, currently being negotiated, will be important in shaping chemical production activity in the region, but is unlikely to be as influential as was the case in the past.

Logistics policies and institutions

The state-owned railways controlled access to the South Africa's inland mining economy market during the 19th century and for much of the 20th century.

Railways freight rate policy has historically been an important industrial and trade policy instrument which has influenced the development of a number of industrial sectors, including particularly bulk, low-value chemical and other commodities. Some examples cited in this study include:

- How lobbying the Cape Colony government in 1898 to reduce freight rates underpinned to profitability of De Beers' Somerset West dynamite factory.
- A number of national logistics pipelines have been constructed which have supported chemical industry activity, including the Gascor industrial and domestic gas network in Johannesburg (the gas itself produced for many years by Sasol as a by-product of coal gasification), a dedicated crude oil pipeline from Durban to Sasolburg to supply the Natref refinery and by converting a crude oil pipeline (originally used to pump crude oil from Durban to the Ogies, Mpumalanga underground strategic reserves) to supply gas from Sasolburg to the coast. The line is now used to pipe Mozambique gas to Richards Bay and Durban

As shown above, the chemicals industry (mainly bulk low-value commodity chemicals) has been significantly shaped by policies that affect logistics costs, particularly between the coast and South Africa's large inland market. The profitability of Somerset West and Umbogintwini at the turn of the century balanced on the concessionary rail tariff that could be wrung from the respective colonial governments. Today, the profitability of the inland Natref crude oil refinery turns on the tariff that is charged for transporting crude oil from the coast.

In subsequent years, the state-controlled railways, ports, pipelines and airline were transferred under a holding company, Transnet. Time has not allowed a more throrough analysis of this issue, but it is important to note that there have been times when the market power held by Transnet has been used in the interest of the company, in a manner that has undermined and discouraged investment in the chemicals sector. Rail freight rates have, in some sectors, prompted a modal shift to road haulage.

In the 1970s, a very large proportion of South Africa's inland market trade was routed through Maputo port, because it was the shortest and least costly logistics route to and from the coast. Sanctions and apartheid destabilisation in Mozambique reduced such trade, but it has been growing in recent times and such logistical costs will continue to be an important supportive potential policy instrument for the chemical sector.

The ability to use state-owned freight agencies as instruments of industrial policy is significantly constrained today. Today in South Africa it is a policy concern that the freight rates charged by state-owned rail, ports and pipeline institutions are not internationally competitive and a move is underway to set up independent regulators to curb the abuse of market power.

However, it is important to note that the capacity of a central, provincial or local government to support the creation of an industry may not be sufficient to overcome the specific interests of relatively autonomous parastatal corporations, agencies, freight concessionaires and private freight terminal operators.

Industrial financing

South Africa's industrialisation, including the development of the upstream segment of the chemical sector, has been characterised by large lumpy capital-intensive investments.

While the traditional industrial policy instrument of tariff protection was effective in supporting investment in the chemical industry for much of the 20th century, it tended to favour those corporations who were in a position to finance their investments.

Norval (1962) justifies the establishment of the IDC by arguing that:

> "(Between 1925 and 1939) … the industries which developed under the stimulus of the customs tariff protection inaugurated in 1925, found very little, if any, organised financial backing on which to rely. Financial institutions such as the industrial banks in the older countries, for instance the

> four D. banks in Germany… the banques d'affaires in France, the organised industrial share and capital market and in particular the investment trusts in Great Britain and the United States of America were wholly absent in South Africa. The larger industrial concerns such as AECI, Stewarts and Lloyds, Lever Brothers, Price's Candles, Cadbury-Fry, Nestle, the motor assembly plants, the tyre factrories and many others, all South African branches of overseas concerns, were, in the main, initially financed by their parent companies, which thereafter… ploughed back their profits to finance further development and expansions… many other concerns in the industrial field in South Africa developed on the strength of financial reserves built up from within and with such other resources as could be obtained from friends or from the commercial banks by the way of overdrafts or other forms of trade credit."

Industrial financing, through the IDC in particular, has been an important support for segments of the chemical sector, particularly the capital intensive segments. The IDC, more often in partnership with private industries, was the vehicle through which the state created new chemical industries and sub-sectors and through which chemical sector restructuring was effected.

In its earlier years, the IDC went further than it does today in pioneering the commercialisation of, and support for, relatively new technologies and industries. IDC and DTI concessionary financing was also used to encourage policy goals, for example investment in export-oriented manufacturing in the 1990s.

In the case of liquid fuels, transnational oil companies were encouraged to invest in refining capacity, with the state simultaneously growing an alternative coal-based fuel industry, later intervening on strategic grounds to expand coal-based fuel production while paying the oil TNCs to accommodate Sasol's output. The cost-raising effect of synthetic fuel products was borne by consumers.

Political economy – State and private sector relationships that have influenced the chemical industry

Sections of this paper trace the growth of the South African chemical sector in technical and economic terms. The evolution of the chemical sector over the past

century can also be usefully viewed through a political economy filter which considers the particular form of corporate ownership and its relationship to Government.

In South Africa's case, industrialisation and the development of the chemical sector has been significantly shaped by large-scale capital. The largest dynamite factory in the world in 1896 at Modderfontein was created by a powerful mining industry, owned by British colonial interests, which acted to destroy a lucrative import concession granted to an individual aligned to the Boer Republic, a concession which had a major cost-raising effect on mining economics. When this factory continued to charge high prices, the mining industry reshaped the industry by building its own factory at Somerset West and later supported the amalgamation of various dynamite producers to achieve economies of scale and to lower mining costs.

Mining capital largely drove the trajectory of the chemical sector until the late 1950s through AECI, a subsidiary of the Anglo American Corporation. AECI was the dominant firm in a range of upstream chemical commodity products. It also involved itself in the more competitive downstream environment, either alone or in joint venture with a number of local producers and import agents of major international transnational chemical firms.

The trajectory of chemical sector development has also been shaped by the historic disjuncture between the economic power of "English-speaking" business and the political power of "Afrikaans-speaking" fractions of the South African capitalist class. Following the scorched earth tactics of Britain during the Anglo-Boer war, at the turn of the century, and the subsequent rampant growth of mineral extraction and associated industrialisation, by the 1930s some 20% (300,000) of white society could be categorised as "poor". Most were of Afrikaans-speaking/Boer origin.[10] In 1948, the National Party was elected to government, with significant support from Afrikaans-speaking white South Africans, and proceeded to enact policies and implement strategies that were aimed at empowering Afrikaners. Some of the policies, associated with apartheid, aimed to increase employment of poor Afrikaners, particularly in state and parastatal institutions. Other policies consciously sought to empower Afrikaner business interests. Bunting (1964) records:

> "That the income per head of the Afrikaner in 1937 was £86, compared with £142 for non-Afrikaner Whites; That of the £220 million invested in commercial banking, building societies, insurance companies and

> savings banks, only between £80 million and £100 million belonged to Afrikaners; That although the Afrikaner owned about 75 percent of the assets in agriculture, his stake in mining and industry was so small that it was impossible even to frame an estimate."

The National Party government initially sought to support the existing Afrikaner small-scale business enterprises through a variety of means, including the purchasing power of the state as well as through favoured relationships with parastatal corporations. But from the outset, there was a recognition that the key to economic empowerment was through involvement in the mining industry and through the creation of large-scale capitalist enterprises. This was expressed in the chemical sector in several ways.

First, through a combination of using the 1947 Liquid Fuel and Oil Act, buying out Anglovaal's torbanite project and using the IDC to capitalise Sasol, a new state-owned corporation producing liquid fuels and petrochemicals was created. Foskor was created in a similar manner.

Second, through the mobilisation of IDC finance and Afrikaans-controlled savings into manufacturing enterprises that, by their nature, tended to be small and medium in scale. (KOP in the herbicide sector and SBR in the rubber sector). After the 1950s, the development path of South Africa's chemical industry was dominated by large scale domestic capital in a close relationship with Government and specialist state institutions, often acting in partnership with leading multinational and transnational corporations. From 1960 onwards, South Africa's corporate structure increasingly took a conglomerate form.

Third, through the active and conscious consolidation of smaller chemical firms into larger capital structures. The creation of Sentrachem in 1967, which then became the second largest chemical company after AECI, was actively assisted by the IDC. Sentrachem was housed under the Fererale Volksbeleggings financial corporation (which later evolved into the Sanlam conglomerate). FedVolks' origins lay in decisions taken at the 1939 National Economic Conference (Afrikaner Ekonomiese Volkskongres). Bunting (1964) records:

> "An extract from the minutes of a meeting held by the executive of the F.A.K. Economic Institute in Johannesburg on 27 September 1940

> provides an interesting commentary on the principles which inspired those who were to be the leading figures of Afrikaner economic development: Federale Volksbeleggings Bpk. operates on the principle that it is a people's institution (volksinrigting), established on the mandate of the Ekonomiese Volkskongres of 1939, to serve as a means of furthering the Afrikaner's drive for economic independence. But the company is nevertheless a business undertaking which wishes to pay its shareholders in clinking silver (klinkende munt) and not just in sentiment"

Even after its creation, Sentrachem was still dwarfed by AECI in scale. Sentrachem followed a strategy of specialisation: It set up joint ventures with transnational/German corporation Hoechst (1969) to produce polyethylene and polypropylene and with Olin Corporation (1974) to produce chlorine-based water sanitisers. The acquisition of Agricura, a formulator of insecticides and herbicides, provided an entry into agricultural chemicals. Subsequently called Agrihold, this company manufactured crop-protection products, animal feeds, and a range of veterinary products. Sentrachem also invested in downstream plastics conversion under Mega Plastics. In 1993, Delta G Scientific was acquired, signalling a new emphasis on research and development. In 1995, Sentrachem internationalised through the purchase of Hampshire Chemicals Corporation in the United States.

It was only in the 1980s that the expanded Sasol behemoth truly was able to challenge AECI economically, as a notional representative of Afrikaner capitalist aspirations in the chemical sector.

During the process, the very scale economies associated with upstream chemical sectors necessitated joint venturing between English and Afrikaans chemical companies, as recorded in various sections above. This resulted in greater penetration of several industries which were formerly the preserve of English capital. The distinctiveness of English capital was further eroded in the 1960s as it bought up shares in industrial companies as foreign capital withdrew and as interpenetration between Afrikaner and English capital increased.

Liquid fuel self sufficiency was the primary motive for creating Sasol in 1950 and in expanding it in 1979. The success of Sasol's technological developments subsequently led the company to diversify away from fuels into a range of upstream chemical commodities and into downstream finished products. In the 1980s, Sasol entered

the explosives market, challenging nearly 70 years of dominance by AECI and its predecessors.

By the 1990s, the economic and political disjuncture had eroded considerably. The then lame-duck government, deep in negotiations with the ANC, had no coherent industrial policy and the environment that prevailed was one of considerable rent seeking and fragmentation of policy in which policy and regulatory institutions found themselves hostage to the powerful large-scale capitalist interests in various sectors. After 1994, the ANC government moved to reduce rent seeking behaviour through the elimination of wasteful incentives like the General Export Incentive Scheme (GEIS) and through tariff reform. The Government also introduced policies to increase competitiveness and to curb the abuse of market power. A new Competition Act was introduced in 1997 and resources were channelled into promoting small and medium enterprises.

Up until early 2000, large-scale interests (mainly in upstream chemical sectors) have continued to enjoy the traditional support of IDC, but the corporate investment decisions are not as dependent on securing concessionary finance as they might have been in the past.

While upstream competitive advantages exists in a number of value chains, it is the contention of the author that downstream competitive advantage has not been reached for a number of overlapping reasons including:

- Limited potential seen by agents of TNCs operating in the downstream sectors
- Sanctions precluded TNCs from using South Africa as a production platform for global sourcing
- Some domestic-owned downstream industries that were more dynamic did begin to leverage their economies of scale and strategic intensions, but were cut short by predatory acquisition by global TNC (for example, see Dow's takeover of Sentrachem)
- For many decades, policymakers and policy implementing institutions like the IDC, together with private vested interests, sought to achieve large scale upstream industry consolidation, rather than leveraging downstream competitive advantage using competitive upstream production facilities
- Consequently, since 1994, an important contemporary industrial policy concern has been that the dominance of large-scale upstream industries have acted to choke the development of downstream industries.

As outlined above, in developing strategies towards chemical sector development, it will be important for policymakers to consider such relevant political economy factors, the coherence of policy and to take account of the variation of characteristics across the chemicals value chain.

The policy implications that flow from this for other countries seeking to grow their chemical sector include:

- The analytical framework of linkages, agencies and political economy that underpins the MEC approach is useful in understanding how the chemical sector has developed within South Africa;
- Such an approach could be useful if extended to the analysis of the growth of chemical sub-sectors in other countries within Southern Africa;
- The specific characteristics and linkages between any individual country's chemical value chains will be different, but this is a good pointer to the potential that exists;
- In particular, corporate and industrial strategies could seek to build on the linkages between the chemical sector and other economic sectors;
- This analysis is usefully complemented with an understanding of political economy factors, which will be specific to different economies.

Notes

[1] Fine, B. & Z. Rustomjee (1996).

[2] Cartwright (1985, p. 50).

[3] Cartwright (1985, p. 163).

[4] *Business Times* 3 March 1991.

[5] *Business Times*, 30 November 1997.

[6] Available at: http://en.wikipedia.org/wiki/Delta_G_Scientific_Company.

[7] Hilsenrath, P.,1991.

[8] Krammer, A. (1981).

[9] See Joffe et al (1995) and Fine & Rustomjee (1996).

[10] For details see Bunting (1964) and O'Meara(1984).

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2. MOBILITY, MIGRATION AND TRADE: INTERACTIVE FLOWS BETWEEN DURBAN AND SOUTHERN MOZAMBIQUE

Simão Nhambi and Jeremy Grest

Introduction[11]

This chapter deals with one of the central historical themes of the social and economic development of southern Mozambique – that of cross-border migration, and movement to and from South Africa. The specific focus, however, is on the city of Durban in KwaZulu-Natal. The study aims to develop an understanding of how Mozambicans have gravitated towards economic and social opportunities there.

The research was motivated by a series of questions about how well the numerous, but uncounted, Mozambicans living and working in Durban manage to integrate themselves, economically and socially, into the life of that city, and how long distance traders travelling regularly to and from Mozambique use networks created by earlier migrants. Arising out of this, what is the nature of the flows of people, goods and resources, both cultural and economic, between the two areas? Who are these people, and how have the states on both sides of the border attempted to regulate and manage these flows, and to what effect? Are these Mozambicans prevented by their lack of formal education and foreign nationality from taking full advantage of the economic opportunities available in Durban, and the social services provided by the state? Do they, on the other hand, have some advantages over other foreign migrants from more distant parts of Africa, by virtue of cultural affinities and Mozambique's physical proximity, coupled with the long history of population movement between the two countries? What contribution do they make to the economy of Southern Mozam-

bique and how significant for their families in Mozambique is their economic activity in Durban? To what extent do the states on either side of the frontier effectively regulate, facilitate or control this movement, and how do migrants 'negotiate' the presence of these state institutions and their effects on daily living? Are the states a resource to be tapped into, or a barrier to be circumvented, as migrants go about securing their livelihoods by various means?

The chapter begins with an overview of migration to South Africa from southern Mozambique, and an investigation of the concept of 'integration' as a research problem. Integration is examined in its economic, social and political dimensions through a literature review which aims to throw light on the various forms of exclusion which have operated in the context of migration globally, and which might assist in the framing of a locally relevant research methodology. Some of the literature dealing with questions of the state and transnational migration, the informal economy and migration, and the role of economic and social networks, is reviewed for its relevance to the questions which this research seeks to address. The well-known history of Mozambican-South African migration is not covered in any great detail, but is referred to in order to provide relevant context for this study. The main body of the chapter presents the findings of the empirical study. The conclusion draws out the significance of the movement of Mozambicans to and from Durban, and raises some policy questions arising from the research.

Migration, integration and exclusion, and informality.

Migration

Migration between southern Mozambique and South Africa is a long-established tradition. This process has been the subject of a voluminous literature and is extremely well documented[12]. The key role of Mozambican migrants in the foundation of the South African gold mining industry and in colonial capital accumulation is well understood.

The integration of the peasant economy of Southern Mozambique into the mining complex of the Witwatersrand and its dependence for its continued reproduction on this cycle of exploitation was of major concern to the new Frelimo administration when Mozambique gained independence in 1975. The first major research project undertaken by the Centro de Estudos Africanos (African Studies Centre) of

the Eduardo Mondlane University (UEM) was precisely to investigate both the institutionalized migrant system and its peasant base with a view to creating policy that would lessen dependence on South Africa and usefully employ skills gained on the mines in the development of the rural economy of Mozambique (First, 1983). Mozambican policy to lessen dependence on migrant labour to South Africa was rapidly overtaken by the Chamber of Mines' strategic decision to scale down rapidly recruitment from Southern Mozambique in the mid-1970s. In the 1980s the spread of the war to the south disrupted agricultural production and created enormous social dislocation in the countryside, effectively smashing the peasant economy over large areas and creating hundreds of thousands of internally displaced people, and refugees in neighbouring states.

An estimated 5.7 million people were forced to abandon their homes between 1979 and 1992. Of those who fled, about 4 million were internally displaced. The remaining 1.7 million crossed Mozambique's borders and became international refugees in Tanzania, Zambia, Malawi Zimbabwe, and South Africa. It is believed that up to 350,000 Mozambicans, predominantly from Gaza and Maputo provinces, sought refuge in South Africa, with about 250,000 settling in Gazankulu, and the remaining 100,000 going to Johannesburg and other South African cities. The historical links with Gazankulu go back to the flight of refugees from successive conflicts in what is today Mozambique in the 1830s, 1860s and 1890s. (Steinberg: 2005). His comments on their particular status – as being refugees in a complicated and qualified sense, who "never left the invisible but no less powerful boundaries of their Shangana-speaking ethnos" provide an interesting point of entry for looking at some of the integrative mechanisms at work in the context of later, post-conflict, migrations south to Durban.

With the ending of the war in Mozambique, and of apartheid in South Africa, and with greater freedom of movement, the number of Mozambican migrants to South Africa's major cities has grown exponentially. The more 'traditional' migrants from Southern Africa have been succeeded by waves of new migrants from West, Central and East Africa. The field of Migration Studies in South Africa has been developing rapidly, since the country has become a magnet for migrants from all over the continent, and new waves of mobility caused by wars and rural poverty led to Africans seeking security and a better life to join older-established regional patterns of movement[13]. There are a few specific studies dealing with Mozambican migrants, espe-

cially to Johannesburg, (Steinberg, 2005) and some current studies are underway[14]. As yet there is no study of the activities of Mozambicans in Durban, and it is this gap which this chapter seeks to fill, at least in a preliminary way.

Integration & exclusion

The research aimed to develop measures with which to evaluate the levels of integration of migrants, economically and socially, into the life of Durban. The word *'integration'* is defined as "the act of combining or adding different parts to make a unified whole" (Collins English Dictionary 1994). This definition seems to indicate that economic and social integration aims at eradicating divisive forms and creating mechanisms allowing individuals of different economies and social backgrounds to insert themselves into the larger mainstream of economic and social life. However, the 'unified whole' is hard to find when talking about any city as large and complex as Durban, with its historically segmented social, political and economic structures. A majority of Durban's citizens live in conditions which marginalize them from the city's mainstream 'formal' structures. In this context it is evident that the idea of integration has to be understood more as a process of insertion into certain niches which present themselves as potentially available, and of overcoming the various exclusionary forces which operate powerfully in the city to prevent a large proportion of its inhabitants from full and unfettered participation in the 'mainstream' of social and economic life.

Furthermore, the question of integration needs to take into account not only conditions in the 'zone of reception' – the city, but also the context which has created the patterns of migration under study. The process of 'integration' has – as its other, complementary, side – the processes of 'extrusion' operating in the 'sending' society. The social forces creating these currents in southern Mozambique are complex, but relatively well researched and understood. The research question was thus reformulated to ask 'how well can people, who are in some quite profound ways already marginalized in their own society, hope to integrate themselves into another, which has its own powerful exclusionary mechanisms?'

It is difficult, in practice, to separate the two elements of economic and social integration from each other. For example, while a prime requirement for economic integration may be the insertion of the individual concerned into the host country's labour market, social integration may require acceptance and assimilation into the

cultural milieu of the host country. Mozambicans in the study do not actively seek social integration – they are principally concerned with the economic side of earning a living in the city. However, they readily assimilate culturally and reduce their social visibility as 'strangers' by virtue of their cultural and linguistic affinities with the majority African 'mainstream' of urban life. The notion of 'integration' in Durban, for migrants, is clearly defined by strong ideas of 'home' and 'belonging' in southern Mozambique.

The concept of economic and social integration is normative and depends on "what people regard as the necessities of a good life" (Bohnke 2004, p.12). The needs of individuals – or, in our case, whole groups – clearly differ and serve to determine what is regarded as indispensable for well-being. There is also a hierarchy of needs, with Hamilton (2003, p.23) referring to a set of indispensable vital needs, (which would include shelter, food and employment).

Some of the key elements of social integration as set out by Bohnke, (2004, p.13) in the European context, are unattainable without the key economic elements such as a job, accommodation and good education. This constitutes a major challenge for the economic and social integration of Mozambicans in Durban, since generally those who have migrated to South Africa, historically, come from rural communities and lack relevant skills and education. As Martin (1999, p.8) has shown, when discussing economic integration of new immigrants entering the European labour market, one of the challenges they face is a lack of relevant skills as a result of low education. A further disadvantage is the inability to communicate in the host language which reduces their chances of being integrated into the labour market. The dynamics of economic and social integration are determined by a complex mix of forces at work. The exclusionary tendencies operating in the formal economy are powerful and have to do with the very limited spaces provided for individuals with the levels of formal education and skills possessed by the majority of the sample in the study. The state also operates to exclude undocumented migrants through its regulation of the labour market and its demand that employers, if they are to comply with the law, have to register employees – a process that requires formal documentation.

Even with the necessary documentation, the growing intolerance against foreign nationals, as an alleged cause of rising unemployment for South Africans and as perpetrators of 'violent crime', can be taken as an example of the factors hindering the process of both economic and social integration. Xenophobia has resulted in well-

documented violent attacks on foreigners and their property (Crush 2001, p.11), (Reitzes 2004, p.349). As already indicated above, 'integration' is a two-way process, and migrants search out very specific forms of integration within the city, based on the resources which they seek there. It should be noted, however, that, in the case of Mozambicans in Durban, these problems do not present themselves in an acute form. There are no local parallels, as yet, with the conflicts in Gauteng. This may well be due to the low visibility of Mozambicans in the city due to their cultural assimilability.

According to Reitzes (2004, p.345)

> "Migration becomes a challenge of political management for the range of stakeholders, including migrants, their countries of origin and destination; citizens of the host countries; and other sectors such as business, organized labour and NGOs."

The states on both sides of the border remain the primary role players in terms of policy formulation and regulation, but it is evident that they do not have the capacity to manage migration. Trans-frontier migration is not regulated, and neither state knows about most migrants because they are 'invisible' and undocumented.

Informality

How does 'integration' happen under these conditions? The answer is that it takes place largely in the realm of the 'informal' economy. The informal economy, globally, has provided economic solutions for people, particularly minority groups, excluded by circumstances from active participation in the formal labour market. De Soto (1989, p.11), looking at rural-urban migration in Peru, argued that state polices acted as the most powerful exclusionary force, and that the informal economy became an alternative means of resisting and fighting for survival in the city.

In the present study, nearly 60% of the total sample, who were self-employed, were in the informal sector. Various studies (e.g. MacGaffey et al, 2000; de Soto, 1989; Perlman, 1976) suggest that the informal sector operates on the margins of the law and involves people who embrace it as a survival strategy. There is a fine line separating 'informal' from 'illegal'. The role the state plays, and policy towards the informal economy, will define on which side of the line informal actors will fall. In reality, the boundaries between the informal and formal economies are not always

clear-cut. The one often emerges as an alternative, and in some cases is complementary, to the formal sector. Castells et al (1989) argue that the informal economy has become an alternative means of earning a living, not only for the unskilled and marginalized or migrants, but also for those individuals in the formal sector who see it as a means of maximizing their gains.

The informal economy globally has assisted migrants in the process of economic and social integration into foreign economies, particularly in the developing world. Duffield, (2002, p.1058), when discussing the effects of structural adjustment on developing economies, had the following pertinent comments to make on the relationship between cross-border movement, informality, and illegality:

> The shadow economy that has developed in response to adjustment now constitutes the major part of the economy over much of the South. Extra-legal trans-border trade represents a lifeline and, as such, a normal way of life for many people. It draws upon and adapts resources and networks based on locality, kinship, ethnicity, religion or creed. In turn these networks inscribe their own forms of legitimacy and regulatory codes upon shadow economies.

By its very nature it is difficult to quantify the impact of cross-border trade between southern Mozambique and Durban, but what is clear is that it operates widely, sustains families on both sides of the border, and in many instances shades the boundaries of illegality and legality quite seamlessly. It may be over-dramatic to talk of a 'shadow economy' in the context of the study we have conducted, because of its limited and focused nature. But in the context of wider cross-border activities involving the smuggling of stolen vehicles, of drugs and weapons, it certainly exists in a thriving fashion. The extent of its co-existence and overlap with the focus of this study is surely limited, but the same routes and *modus operandi* seem to be used by quite different groups, with different aims and goals.

This section has asked questions about the nature of social and economic integration as a process which involves migrants, their choices, borders, states, markets and movements, and the lines between formality and informality, legality and illegality. We now turn to an examination of some of these questions in the context of the study of Mozambicans in Durban, which focuses on the largely informal world they inhabit.

Mozambicans in and around Durban

How many and where?

It is very difficult to say with any degree of certainty how many Mozambicans are living and working in Durban at any given time. Though Durban does not attract nearly as many migrants as Johannesburg and Gauteng, it hosts a significant number. Official archives at the Mozambican Consulate in Durban show that only 3,502 Mozambicans have obtained consular registration since 1999[15]. This number is insignificant given that many Mozambicans do not have any contact with the Consulate. Nearly 60% of Mozambicans surveyed did not know where the consulate was, nor were they interested in knowing. Some extrapolations of the numbers in the sample who are registered with the Consulate as a rough proportion of all Mozambicans in Durban actually registered allows us to arrive at a total figure of 8,759 as a nominal Mozambican population of Durban[16]. It is highly likely that official Mozambican information regarding the number of nationals in Durban represents a very substantial under-enumeration.

Information from the South African Department of Home Affairs in Durban was not easy to come by and even less conclusive. Local officials could not supply any significant data beyond a general aggregated SADC registration figure for the whole of South Africa of more than 100,000 where Mozambicans were the majority among all other nationalities who were granted the same exemption. It is safe to say that neither state has even a vague idea of how many Mozambicans are in and around the city.

This project found that Mozambicans live in more than 20 locations in and around the city and the metropolitan region. Given the limited sample no hard estimate of total numbers can be provided, but it is highly probable that the lowest figure is in the region of 10,000 – and it is not inconceivable that a higher estimate could easily double this figure. The majority of Mozambicans are not engaged in any meaningful sense with the official government institutions of either country, and thus remain hidden from their view.

Who are they?

Mozambicans living and working in Durban traditionally come predominantly from the rural areas of the three Southern provinces: Inhambane, Gaza and Maputo.

Only a small minority of Mozambicans surveyed in Durban came from other provinces, as illustrated in table 1 below.

TABLE NO. 1: Mozambicans in Durban – Place of origin

Number	Provinces	Frequency	Percentage
1	Maputo	32	64
2	Gaza	4	8
3	Inhambane	12	24
4	Other	2	4
5	Total	50	100

As expected, the majority sampled came from Maputo province, the closest to Durban. Of interest, however, are the greater numbers from Inhambane rather than Gaza, despite its greater distance from Durban. Factors other than physical proximity are at work in selection: only 14% of the sample gave closeness as a major factor influencing choice of Durban as a destination. It is clear that social networks, rather than territorial proximities, were at play in selecting Durban as a destination. Almost all informants, prior to their departure for Durban, knew someone who had already lived and worked in the city.

Unsurprisingly, males predominated in the sample, accounting for 78% of the total. These results can be considered as reflecting the old trend where, as pointed out by Crush, et al (2005, p.14), "the primary reasons for migration in the region have been for labour…" and males have dominated this process. Despite the fact that both internal and cross-border migration in Southern Africa has been dominated by males, there is a growing trend for women to migrate (Crush, et al 2005, p.14). In this study 22% of the sample (11 individuals) were women. Mozambican women mainly come to South Africa to join their husbands or relatives, but also become engaged in informal economic activities such as home beauty salons or selling Mozambican food products. Others manage to get jobs in Portuguese-owned restaurants, shops or butcheries.

TABLE NO. 2: Mozambican Women-Marital status

Number	Marital Status	Frequency	Percentage
1	Married	6	54,5
2	Single	3	27,3
3	Widows	1	9,1
4	Live with a partner	1	9,1
5	Total	11	100

As reflected in the table above, just over half of the small sample is married. Single women also featured in the sample, as did a widow who gave the civil war as the main reason she came to Durban in 1985. Despite the increase in female migration and cross-border movement, various factors still impede free movement. In most cases when men migrate, the women are left behind to look after the household and to secure land tenure. Additionally, migration in rural Mozambique has traditionally been conceived as a male-only activity, and the migration of single women is perceived negatively. This is well reflected in the words of a rural woman from Ndlote, in Maputo province:

> "I don't approve of women going to South Africa by themselves without their husbands. I cannot imagine any kind of work they do when they are there. We hear people saying that Mozambican single women are going to South Africa alone; they are there to practice prostitution. So I don't approve." (Interview, 26/03/07).

Similar sentiments were echoed by some of the males who were interviewed in Durban. When asked if they would marry a Mozambican woman who lived and worked in Durban, their initial response was that they would never do so because women should be in Mozambique and not in South Africa. The negative images linked to female migration, the traditional beliefs that legitimate males as potential migrants, and the fact that women are left behind to look after the households, powerfully combine to explain the minority status of women as migrants in the research sample.

The majority of Mozambicans sampled are young, as might be expected. As Table 3 below illustrates, 90% were 45 years old or younger, with just over half falling into the 25-45 age group. Given life expectancy rates in Mozambique, the sample results are not surprising. By Mozambican standards 45 years of age is 'old'.

TABLE NO. 3: Sample Age Range.

Number	Age	Frequency	Percentage
1	18-25	19	38
2	25-45	26	52
3	45-60	3	6
4	> 60	2	4
5	Total	50	100

Despite the fact that the majority of Mozambicans in Durban are relatively young, most have not completed primary and secondary education. According to Martin (1999, p. 8) education is crucial for economic and social integration in a foreign country. This study demonstrates that educated Mozambicans are economically better off than those without education. Those with primary education only (over half the sample) are less fortunate than the one third with secondary education, and the only person with a tertiary education was better positioned economically and socially than the rest of the group.

Migrants characteristically have had low levels of formal education. According to one informant,

> "Since the colonial period, education was not very important. The main thing black Mozambicans needed to know at school was how to write their names and to count. After that you could be able to go and work in the mines, like I did, without major problems. Nevertheless, most Mozambicans who came to South Africa did not even put a foot into school but they were able to work in the mines and other places because the job Mozambicans do does not require much education." (Interview: 12/02/07).

Most rural areas of Mozambique, including those in the South, lack basic infrastructure such as schools, hospitals, water, and health facilities, despite efforts since independence by the government to effect improvements. For example, in Ndlote, Manhiça district, people have to travel between 17 and 30 km to access better hospital facilities, and for pupils to attend secondary school. Many children from rural Mozambique do not proceed with their secondary education because the travelling and accommodation expenses are beyond the means of parents and guardians.

TABLE NO. 4: Educational levels of the sample

Number	Education	Frequency	Percentage
1	Primary	28	56
2	Secondary	14	28
3	Tertiary	1	2
4	None	7	14
5	Total	50	100

Therefore it is not surprising that migration from Mozambique to South Africa is associated with low levels of education and is seen as an alternative means of economic survival for those who do not have professional skills and/or higher formal education. This was highlighted by various respondents in southern Mozambique.[17] They all stated that they would prefer their husbands, children and relatives to work at home, but were forced to accept that their lack of education or professional skills forced them to migrate.

This reality is enforced by various factors. Some prefer relatives or spouses to work in South Africa where opportunities for unskilled work are greater. For others it is a 'cultural' practice. Almost every young man is expected to go and work in South Africa, like their fathers and grandfathers did. Given conditions in the rural areas of Inhambane, Gaza and Maputo, it is likely that the next generation will continue to migrate to South Africa continuing the legacy left by their older relatives. Households depend in some measure on migrant earnings for subsistence. According to one of the participants from Fondo (Inhambane Province) when the husband stopped working in South Africa, the household economic situation worsened and they decided to help one of their sons to go and work in South Africa.

How do they get there?

Mozambicans have lived and worked in Durban for many years, arriving via various official and unofficial entry points. Some have come to Durban through Komatipoort, or the Kruger National Park, with the prior aim of working in Johannesburg, and have ended up in Durban. More common entry points are through Catuana/Ndumo, Tembe, Ponta do Ouro and Lavumisa/Golela. Many make the border crossing illegally. Over 80% of our sample did so. Informants say lack of adequate policing on both sides makes this easy. When there are patrols these are easily circumvented, either with the connivance of the officers themselves, or with the help of civilians living along the borders.

Crossing the border illegally is less of an obstacle to reaching Durban than lack of finance to complete the trip in one journey. Many migrants make the journey in stages, finding work on the way. Shared languages and mutual intelligibility make this task easier, coupled with the fact that prospective employers favour illegal migrants

because of their vulnerability and exploitability. As much as six months may be spent working to earn the cash to make it to Durban. Some migrants remain on the farms where they find work and never reach Durban. Those remaining on the border zones become conduits in the pipeline down the coast, offering services such as food, accommodation and local intelligence to facilitate transit for other illegal migrants. Others gravitate to the smaller towns on the route and settle there.[18] The networks of support from friends or relatives providing finances for taxis and bribes for border guards are critical in easing the journey.[19]

The waiving of visa requirements by both governments from April 2005 allows citizens to visit for 30 days. This has allowed many Mozambicans to enter the country legally and then remain illegally after the period of grace has expired. It was very striking that survey respondents gave *saltar o arame or kufohla*[20] as a first preference method of border crossing. They only seek to legalize their status after they have entered the country illegally, that is when they have become *mafohlane or manthlula guede*[21].

On the other hand, the growing number of cross-border traders, in particular, stay 'legal' by returning regularly to Mozambique to take money or goods home and bring more merchandise back to Durban. But they then carry out their trade as street vendors without the necessary municipal permits. They are legally present in Durban, but what they do there is illegal in terms of the municipal by-laws.

Survival strategies in Durban: access and entry

Given that the majority of Mozambicans sampled for the study left southern Mozambique as a consequence of political instability and rural poverty, the act of migration in itself becomes a survival strategy. This section examines the ways in which migrants attempt to minimize the costs of entry into another milieu where they are excluded from participation in the 'formal' economy by virtue of lack of skills and/or official documentation. In this context, the creation of informal economic and social networks, based on common citizenship, language and ethnicity, become a primary vehicle of entry, integration and survival in a foreign environment.

Networks become important for migrants right from the outset, when information is needed about the intended destination, their reception there and potential economic opportunities available.[22] Ethnic linkages play a particularly powerful networking role: Xitsopi speakers from Inhambane, for example, tend to stay in the

same area and share similar kinds of jobs in Durban.[23] The overwhelming majority of the sample, (80%), also share accommodation with one or more fellow countrymen. Shared rental costs and mutual aid in time of need provide a greater sense of security for migrants. A minority, (15%), stay with people of other nationalities, such as Zimbabweans, Congolese and Nigerians.

The networks are constructed in various ways, using the multiple identities that individuals carry with them. Mozambicans of mixed race – *"mulattos"* or *"mistos"* – have created their own set of linkages, living either in the city centre or in former apartheid "coloured" group areas alongside their compatriots. They look to fellow Mozambicans of mixed race for assistance in finding accommodation and work, and once established, provide assistance for newcomers. However, these networks are also widened to include other Mozambicans, on the basis of shared citizenship. Information about employment opportunities is shared, as are emotionally significant 'community' events such as the death or imprisonment of a fellow-national, regardless of race, ethnicity or language. More importantly, inter-marriage across the diverse Mozambican 'communities' does take place.

As might be expected, very few Mozambicans in Durban were hosted by non-Mozambicans. A small minority (10%) was hosted by South Africans, including naturalized Portuguese citizens, who generally have a prior relationship with the migrants based on contacts in Mozambique, and who offer employment in Durban.

It is evident that the success of these informal networks is based on the prior experience of well-established, "long stay" Mozambicans. They constitute a significant source of support in the initial stages of life in Durban for the newcomers. However, in order to succeed the newcomers have to build trust – *"construir confiança"* – with other Mozambicans. This means that the newcomers have to expand their social and economic networks so as to be able to benefit from the economic, social and emotional resources that exist within the confines of these networks.[24]

The first six months are crucial for many first-time entrants, particularly those who enter illegally. In this period, they have the double task of learning the local languages – IsiZulu and English – and of *"construir confiança"* with other Mozambicans. Trust is earned by a display of a 'good behaviour' and willingness to help, without asking for payment, in any of the small private business owned by Mozambicans. In fact, Mozambicans believe that assisting in their compatriots' business gives them a platform to learn about the local people and to assimilate the local languages.[25]

Many of the networks in Durban reflect a continuity of prior contacts with southern Mozambique, so that friends and relatives on both sides of the frontier form an important conduit for new migrants, assisting with accommodation and the all-important search for economic opportunities.

Survival strategies: informality and work

Despite the importance of the mutual assistance networks described above, there remains the challenge for migrants of accessing the formal labour market in Durban.[26] The most crucial impediments they face are primarily their lack of formal skills or any professional training, and a lack of an officially-recognised presence in the city. The overwhelming majority of Mozambicans interviewed for this study were active in the informal economy in Durban. Thus only 4% of the sample – mainly women living with husbands – were not actually economically active. Of the rest, 58% indicated they were self-employed, and the remaining 38% were employed by someone else, who may have been a long-stay, self-employed, Mozambican. They usually only employ recently-arrived Mozambicans, their preference being based both on personal security considerations and the migrants' good work ethic.[27] It is safe to conclude, however, that very few Mozambicans living and working in Durban are involved in the formal economy. The majority sampled in this study were involved in a range of informal activities which, amongst others, included street trading, panel beating, motor mechanics, shop assistants, taxi owning, motor car drivers, restaurant assistants, domestic workers, men's barbers shops and women's beauty salons, and herbalists.

Mozambicans who employ others usually do so when they have more than one informal business, or where the nature of the business requires more than one person. The barber's shops and panel beater workshops on the peripheries of the city are a case in point. Recently-arrived male migrants tend to find their first employment in these small businesses run by long-stay Mozambicans who set them up in a patron/client relationship which provides both economic and emotional support for the newcomers. There is a broad consensus among Mozambicans on the need for mutual assistance. Being excluded makes the need for unity stronger.[28]

Identity, the state and survival in Durban

For Mozambicans, access to a South African identity provides a means of integration into the host society, with its possibilities of formal employment and access

to social services provided by the state. To be an undocumented migrant means non-recognition by the state and a form of non-existence which brings with it not only formal social and economic exclusion but also the potential for victimization and abuse.[29] The overwhelming majority (82%) of the study sample entered South Africa illegally. Only 18% entered legally, and some of these later became illegal as they continued to live and work in South Africa even after their entry permits had expired.

What is of note, however, is that the number of documented migrants in the sample now amounts to 38%, which means that since entering the country a further 20% have acquired official status in one way or another. In 1996 the South African government offered former Mozambican refugees, along with other nationals who had lived in South Africa between 1980 and 1992, a 'SADC Exemption' aimed at assisting them to legalise their migration status and obtain permanent resident status. (Handmaker and Schneider 2002). Many took advantage of this concession.

On the other hand, the fraudulent acquisition of South African IDs is a time-honoured practice, involving the inducement of Department of Home Affairs officials to accept bribes, and, more often, the subsequent change of Mozambican names to commonly-used South African ones. This latter practice occurs because most Mozambicans in South Africa do not want to be identified as such for fear of exclusion by locals, or because they are carrying and using other people's ID books.[30] The long-stay Mozambicans play a significant role in the illegal acquisition of South African documents. They are able to help the newcomers obtain fraudulent IDs because over the years they have created the necessary networks. Some have become fully integrated by virtue of their level of political and economic involvement in Durban, and as such are 'invisible' as Mozambicans to most South Africans.[31]

Despite the increase in number of Mozambicans with identification documents, the majority (62%) of the respondents still live and work in Durban as undocumented and illegal migrants. Thus, the need for South African IDs among Mozambicans constitutes one of the vital elements for full economic and social integration. It was not surprising, then, that 86% of the total sample wanted to have South African IDs. But possession of a South African ID is prized principally for the purely instrumental reason that it maximizes economic opportunities. This expectation is justified by the fact that 40% of the total sample noted that they had been denied job opportunities because they did not have a South African Identity Document.

An overwhelming majority (96%) of the sample also indicated that they still regard Mozambique as their home country and have no intention of settling in Durban for the rest of their lives. This is further evidenced by the fact that almost every participant (92%) noted that their homes are located in Mozambique. As might be expected, there are very few (6%), who regard Durban as their home and are willing to stay there for the rest of their lives. What is interesting to note, however, is that just under a quarter of the sample maintain multiple households, in Mozambique and in Durban. They intend to retire in Mozambique but meanwhile are engaging in classic risk/opportunity spreading strategies. Perhaps the most interesting case of successful straddling of the borders is one of the 'long-stay' Mozambicans who now lives in both countries. After many years in South Africa he was able to legalise his status. Now that he has retired, he lives in both countries. When in Mozambique he uses his real name, and when in South Africa, he uses a localised version which makes him 'invisible'. He comes to South Africa at least once a month to receive his old age pension money and visit his South African wife and children. But he claims Mozambique as his real home, because there he has access to land.

In the meantime the large majority of respondents (85%) find that Durban meets their expectations, mainly because they are able to work and financially assist their families in Mozambique. There is a perception that Durban deports fewer illegal migrants when compared to other major South African cities such as Johannesburg and Tshwane. This 'security' allows Mozambicans to get on with the business of daily life and survival without too many worries of unwelcome official attention. Even so nearly a quarter of the sample have been arrested and deported at some time, losing their belongings in the process. A relatively small number (16%) of respondents were not happy in Durban. They cited police hostility (xenophobia), lack of job opportunities and low wages as the main causes.

Living conditions for the vast majority of migrants sampled are not easy.[32] They live in the informal settlements on the periphery of the city, where rentals might be lower, but where running water and electricity supplies are less certain. The migrants accept the difficult living conditions because they see the present situation as temporary, and are willing to sacrifice today in order to live a better future in their home country.

Mobility as a survival strategy

Mozambicans in Durban exploit mobility as a survival strategy in order to trade, and to send money and goods between the two countries. The ease of cross-border movement allows access to goods, services and economic benefits on either side of the frontier.

The vast majority of respondents keep in touch with families and friends in Mozambique by phone, but the most important form of interaction lies in the dispatch of money and goods from Durban to assist their families at home. Friends are commonly used (22%) to send money, goods or information. Minibus taxis, known as *"chapas"* by Mozambicans, are used more frequently (by 60%) because of the greater regularity of their movement. Both sets of transactions are informal, are used by most people, and are based purely on trust.[33] Money and goods also travel to Mozambique in a more formal and structured way via the *Pantera Azul* Bus and the *Kawena* company.[34] This last method is not so widely used, however, because most of the intended recipients in Mozambique do not have documentation such as the *Bilhete de Identidade (BI)* to identify them as the rightful recipients.[35] The *Pantera Azul* bus is mainly limited to Maputo while *Kawena* services cover the rural areas of Southern Mozambique. *Kawena's* ability to deliver bulk goods such as furniture and agricultural tools over a wider area makes it a reliable service provider.[36]

Many send money and goods from Durban to Mozambique: nearly three quarters of the sample send home an average of between R200.00 and R400.00 per month.[37] Many go home at Christmas with a wide range of goods, both food and consumer durables. The receiving households in Southern Mozambique rely on the economic assistance of their members working in Durban.[38] All the above points to a well-developed and sophisticated cross-border movement of goods and people from Durban to Mozambique and vice versa, much of it undocumented and informal.

Trans-frontier traders have a specific location within this general pattern of flows of people, goods and resources. They are quite widely dispersed in Durban, with some notable concentrations in specific locations.[39] Their stock comes either from local, or Mozambican sources. Generally, those who source their stock locally are street vendors – *vendedores ambulantes*. Vendors surveyed mainly sell sunglasses, belts, wallets, ladies bags, and toys. They buy all their stock from local Chinese shops at discount prices and resell it in Durban. They prefer to sell in Durban to take advan-

tage of the stronger Rand, but they are nevertheless forced to go home at least once a month to comply with visa conditions.

Traders who get their stock in Mozambique, on the other hand, cross the border constantly. Three groups have been identified: two sets of women traders who sell three-legged pots and traditional Mozambican foodstuffs respectively, and a group of male traditional healers – *médicos tradicionais*. These groups operate in different places in Durban, each with their own niche market of customers.[40] Respondents maintain that virtually all their goods crossing the border for sale in Durban do so illegally because they do not have permits that would allow them to import and export from either country. As a result, they often enter into conflict with customs officials demanding payment of import duties. According to the respondents, the additional costs of customs duties are prohibitive and render their business unprofitable, so they resort to smuggling – *mukhero*. This is often done through bribing officials. As one of the *mukeristas* pointed out:

> "Every time, when we come from Mozambique to Durban with our products to sell here, we use the Manguzi border, particularly when we have a lot of stock. There we have policemen who assist us in getting in our products. We know that like us, they are there to help their families, so after telling them what we have, we give them something like R50.00 and they let us cross the border. If you are lucky the policemen just say to you 'when you come back bring me some fish', and they let us cross the border with our products. If our business was a legal one we would not survive because that it would mean that we pay all kind of fees from Maputo to Durban."[41]

Mutual assistance between cross-border traders is an essential part of their activities and a powerful tool for social and economic integration. When traders return to Mozambique to replenish their stock, they also buy for the others left behind in Durban. Those remaining behind in Durban will in turn mind the businesses and belongings of the absentees until their return.

Cross-border traders, in common with the majority of Mozambican migrants in Durban, have no access to a formal banking system. Money accumulated through the sale of products in Durban is advanced in S.A Rands to other traders returning to

Mozambique to buy stock. The travellers in turn pay a nominated recipient in Mozambique the equivalent in *Meticais* and this sum is eventually collected by the original owner on his or her return home. Having no access to banks, the majority of migrants keep their money concealed in their rooms in a *'banco de casa'*, and nearly half (46%) of them are members of a *xitique* or *stockvel*. None of these informal transactions would be possible without the social capital of *'confiança'*. Earnings from trade are variable; the nature of the products, the weather, the time of the month, and the fiscal activities of the Municipal Police in confiscating goods from illegal traders all affect daily takings. Informants reported putting aside money every day for the *xitique* with an additional weekly amount, grossing R700.00 in savings, to be used as remittances, with the balance of takings going into stock replenishment.[42]

Standing outside of the formal institutional structures of urban life, migrants make provision for health care, housing, savings and employment – all the essential activities for life in the host city – through a tightly woven and complex survival network of informal institutions. These have their own structure, logic and rules no less solid than those of the world from which they are excluded.

Conclusions

This project was motivated by very concrete concerns about the fortunes of Mozambican migrants living in Durban. Preliminary iterations of the research problem – that of Mozambicans' 'integration' into the city – revealed assumptions about the nature of the 'community', its rootedness in place, and its relationship to the official and formal side of Durban, which could not be sustained as the research progressed. 'Integration' was initially conceived of as a desirable end-state which would enable migrants to access formal employment, and public social services such as education and health care. Ideas about integration as a desirable state of being, involving successful economic and social insertion into the host society, and a lack of discrimination, led to attempts to devise measures which could be deployed in an attempt to provide some quantitative information about the phenomenon. Questions designed to provide some indices of 'integration' covered biographical information on age, education etc. and moved on to employment, housing conditions, access to financial institutions and possession or use of a range of domestic consumer items. Inevitably, attempts to measure 'integration' turned towards discussion of the broader literature on mecha-

nisms of marginalization and exclusion at work in cities at a global level and its usefulness for the present research. The initial focus on the state as gate-keeper to integration was modified to take into account powerful market mechanisms which also function to exclude, independently of any state regulation. It became clearer in the course of the research that it is not possible to talk about integration without a more nuanced understanding of what the target of integrative attempts should be. Discussions about integration presuppose a problem of exclusion, and a clearer understanding of its specific mechanisms in the context of the study was developed.

The research and questions about 'integration' inevitably led to a deeper consideration of the other side of the 'problem' as originally formulated. Migrants cross boundaries for a range of reasons which have to do with the forces which act to extrude them from their homes. It became evident during the course of the study that many migrants were already marginalized in their home country through lack of education and rural poverty. Their marginality in their own society does not equip them for 'integration' in the receiving country, if we only understand the concept of 'integration' in formal terms. It is in this context that it became necessary to reformulate ideas about integration in order to take account of the very real forms of insertion that have taken place, between and within the margins of the formal and legal order which the states on both sides of the frontier seek to manage, with the variable results reported.

It was evident from the study that the states on both sides of the border have no real idea of the extent of the phenomenon of migration, and their capacity to regulate it is very limited. Many migrants in Durban lack official Mozambican identity documents; the South African version is prized for the access it can provide to employment and social services. The authorities in Durban have no real idea how many migrants the city hosts, and the branch of the state concerned with migration is notorious for its inefficiency and corruption. The borders between the two states are extremely porous: people and goods seem to be able to transit without undue regard to the formalities of frontier controls.

The research shows that the migrants surveyed are mainly 'undocumented', but that they are also mainly productively employed in a range of economic activities in the informal economy which are designed to earn money which can be sent back to Mozambique in order to sustain their families and households, principally in the rural areas. The research was not able to quantify accurately the flows of transfers from

Durban, but the information obtained on both sides of the border makes it clear that the sums involved form a significant portion of individual earnings, are quite substantial when aggregated, and are an important component of the household income necessary for the maintenance of families in southern Mozambique.

A general picture emerged of a group of hard working, innovative, flexible and quite well networked Mozambicans doing their best to survive in an environment that is not at all conducive to 'integration' as originally conceived. The Mozambicans in this study live and work on the margins of the city. These margins are multifaceted, they are physical and geographical, economic and social, and in many cases involve the margins of legality as well.

The issue of legality raises a range of policy-related issues concerning the regulatory practices of the state. Most of the migrants in the study were aiming to earn an honest living through trade or other activities in and around the city. But many were already outside the law by virtue of being undocumented. Their very presence in the city constitutes a transgression of state boundaries. This is at one level a function of the incapacity of the Mozambican state to document adequately its own citizens, and the incapacity of the South African one to police its frontiers. At another level it is a matter of choice, based on calculations of the risk of detection, stemming from what is perhaps an ingrained preference for 'invisibility', given historical experiences of former attempts at population control by states in the region. Possibly the more serious issue of legality, for this study, arises out of the finding that cross-border traders almost routinely smuggle goods in order to avoid paying dues which would render their activities unprofitable (or less profitable)[43]. This activity could be legalized by policy decisions about the duty-free nature of goods in transit, which would then enable the states on both sides of the border to focus on the more serious criminal activities involving guns, drugs and stolen vehicles, which seem to use the same routes, and perhaps even the same methods of suborning the border authorities. States on both sides should be working towards facilitating the legitimate and honest activities of migrants whose efforts form part of networks of survival which span the sub-continent. There should be a clear differentiation between these activities, some of which are currently illegal, and those of the criminal networks which threaten the state itself.

Notes

[11] This research was done for Simão Nhambi's MA dissertation. It was based on a literature survey, plus in-depth interviews with 10 key informants, a sample survey of 50 migrants living and working in Durban, 25 Mozambican cross-border traders in Durban markets, and 25 households in Maputo, Gaza and Inhambane provinces.

[12] Through the work of Harries, Newitt, Rita Ferreira, Duffy, Webster, Covane, First et al and Wilson, amongst others- see the bibliography.

[13] The work of the Southern African Migration Project is a case in point.

[14] Dom Vidal, University of Lille, France, has an ongoing project.

[15] Consular registration is given to Mozambicans who live temporarily or permanently outside the country. The document is used simply to enable the government to know the approximate number of Mozambicans who live in that particular country and does not replace the passport.

[16] If we are to estimate the approximate number of Mozambicans in Durban based on the available data the following could be said: Let 3,505 correspond to 40% of the total sample registered with the Mozambican Consulate and 60% correspond those who are not registered. This would mean that 60% is equivalent to 5,257 and the total number of Mozambicans in Durban would be estimated at 8,759.

[17] From Inhambane (Quissico, Nyamajacala, Ramiro, Fondo and Chibembe), Gaza (Fidel Castro, Inhamissa, Maria Muguambi and Koka Mussava), and Maputo Provinces (Ndlote, Manhiça and Ilha Josina Machel)

[18] Thus Mozambicans live in Manguzi, Ingwavuma, Jozini, Mbazwana, Ntselene, Mkuzi, Hluhluwe, Mtubatuba, Empangeni, Richards Bay, Esikhawini and Stanger/KwaDukuza en route to Durban.

[19] In the sample, 32% were assisted by friends, 40% by relatives (this includes women who came to join their husbands), and the remaining 28% claim to have come alone.

[20] Portuguese and Ronga terms for 'jumping the border'.

[21] Ronga terms for people who work and live in South Africa as illegal migrants

[22] Nearly 90% of the sample were hosted on arrival by fellow Mozambicans. Nearly 2/3rds (64%) were from the same ethnic group, and over half (56%) were relatives.

[23] Various ethnic groupings of Mozambicans in Durban can be found in Lindelane, predominantly from Catembe, and Folweni, dominated by people from Manica. It is important to note that these groups have not been directly surveyed in this study.

[24] More than half (56%) of the total sample speaks or understands English and, as could be expected, IsiZulu is spoken by 98% of participants.

[25] More than 90% of the total sample was able to find jobs through the assistance of their compatriots, relatives and friends.

[26] This project did not survey the formal sector: no attempt was made to establish how many Mozambican-based businesses have formal links with Durban.

[27] Mr. S who runs a carpentry workshop: Interview, 03/03/07 Red Hill, Durban.
"We cannot employ South Africans in our workshops because when they see that you are now developing they will report us to the police for being illegal migrants so that after our deportation they will be left with the business. Another reason we cannot employ South Africans is that, unlike Mozambican boys, the local people are not reliable and are not hard working."

[28] Mr. JC: interview, 25/05/07, CBD Durban.
"Anyone from Mozambique in Durban is here because they are looking for a better life. Though none of us belongs to this country we need to assist each other by sharing important information regarding economic opportunities here and at home. I personally share information with people who share it with me when they have some. If we fail to assist each other we will never get assistance from anyone."

[29] Ms DM: Clermont, Durban 10/02/07
"If you are illegal it means that even when you know who killed your husband, or steals cars, and does all sorts of unacceptable things, you have no right to say a word and the authority cannot protect you. That is why most of us know criminals - but how do you tell the police if you are illegal, because instead of listening to you they will question your migration status and deport you? That is why we do not report crime."

[30] Ms. LSFCBD Durban, 25/05/07.
"I stayed in Stanger almost a year, and in that year I was learning IsiZulu so as to be able to embark on a new mission which was to look for a job. I then got a job as shop assistant in Mandeni. I got a job there because I had a friend who was working there, so she spoke to the shop owner and I was employed. However, the shop owner wanted my ID, and at that time I did not have an ID. Since I did not want to lose the job, I contacted another Mozambican lady who had a South African ID and I asked her to lend me her ID. She did not hesitate because that was a habit, that an ID could be used by more than one person […]. All this marathon, resulted in me having to change my names and I became known by my friend's name which was **Thandeka Bongiwe Gumede*" (*Fictitious name)

[31] "As a Ward Committee member, I have the necessary political connections and for that reason I can help my fellow Mozambicans obtain IDs. However, Mozambicans, in order to be able to be helped, should not show that they are not South Africans. They need to pretend to be South Africans, by adopting South African names and speaking one or more local languages. In relation to names, Portuguese names like Fernando, Simão etc. are not appropriate for someone who needs an ID. Then I get them a mother or father who are local to testify that the person is their son and they need him registered. The people with whom I work do not know about this, because I know it is illegal". Mr. FDT: Inanda, Durban, 16/11/06

[32] More than 70% still rely on public transport, 40% of the total sample do not have fridges, 94% do not have TVs, close to 90% do not have radios or any kind of sound system in their rooms. Nearly 80% of the total sample lives in a house where they rent only a single room which is usually shared with other Mozambicans.

[33] Ms J.K., "when I send anything to Maputo I give the cell number of the driver to the person who is going to receive. They keep in contact with the taxi driver until they meet and collect the parcels" (Interview, 07/07/07)

[34] *Kawena* is a South African company which sells and delivers various consumer and non-consumer goods, such as building materials, to the nearest home place of the buyers. Most illegal migrants in Durban use it because of ease of border transit. They do not have to pay import duties, and avoid the uncertainty of travelling in person without proper documentation.

[35] *Bilhete de Identidade*: Mozambican identity document issued to citizens.

[36] Kawena Durban archives indicate that Mozambicans bought and sent home products to the value of R359,428.50 between January and February 2007.

[37] Many migrants wait several months to amass a substantial amount to send home.

[38] The general point about dependence is well illustrated by Ms T.C. (Inhambane): "every man at home works in South Africa. My four brothers are all in South Africa. So our lives depend mostly on our bothers because our mealie-meal, *mandioca* and sweet potatoes are not enough to keep us alive. It is for this reason that we find it difficult to survive if they fail to send us food or money from South Africa."

[39] E.g the Beach Front 'Flea Market', Workshop 'Flea Market', West Street, Smith Street, Mansel Road "Night Market' where the long-distance buses arrive, and Warwick Junction.

[40] Pots are sold at Mansel Rd, food at the Sunday Workshop 'Flea Market' and in the peripheral areas housing migrants, and medicines at Warwick Junction 'Umuthi market'.

[41] The experience of the *Mukheristas* serves to underline the permeability of the borders, and their openness for a range of other illegal activities of a more seriously criminal nature such as the transit of stolen vehicles, drugs, guns and human trafficking. Young girls are smuggled to Durban to act as baby-sitters for women who are trading on the streets. Many of these activities cannot take place without the connivance of border officials (Durban, 08/07/07).

[42] Street vendors: West Street, 4/07/2007

[43] This information is based only on interviews with traders and has not been comprehensively cross-checked and verified.

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3. BORDERLANDS AND SPATIAL DEVELOPMENT INITIATIVES – THE IMPACT OF REGIONAL INTEGRATION INITIATIVES IN A SOUTHERN AFRICAN CROSS-BORDER REGION: THE MAPUTO DEVELOPMENT CORRIDOR

Monty J. Roodt

Introduction

Background

This paper is an attempt to examine the Maputo Development Corridor (MDC) within the context of regional integration between South Africa and Mozambique. It does so by briefly outlining the concept of "borderlands" and why the Mpumalanga and Maputo provinces do not conform to international trends as typical borderland areas. This leads to a discussion of the MDC as a Spatial Development Initiative (SDI) and the socio-economic and political circumstances that contribute to the particular type of development occurring within the sub-region. Further sections show that the role-players involved in the development of the corridor have succeeded in creating a number of initiatives, mainly in the areas of construction, transport and resource processing, but have not really succeeded in stimulating the development of small and medium enterprises with the concomitant job creation associated with this sector.

International trends in terms of borderlands developments

One way to understand the MDC is to situate it within the broader framework of what is known as "borderland studies". Clement argues that "recent changes in the structure of global economic and strategic relationships are dramatically transforming

the functions of international borders and presenting new challenges and opportunities for cities-regions located near them" (1997:47). The major changes include the long-term tendency toward increased internationalisation of the world economy, including the General Agreement on Tariffs and Trade (GATT), and the International Monetary Fund (IMF). This was reinforced by the formation of regional trade blocs in Europe and North America. Second is the dissolution of the Soviet Union, and finally the emergence of supply side economics in the United States and Mexico's debt crisis in the early 1980s which not only influenced North American economic policies, but provided added impetus to market-oriented, liberalisation, and privatisation policies throughout the globe (MCC 1998:2).

The MCC study argues that technological innovation and an open and competitive international economic environment drive this new economy. Businesses throughout the world are now experiencing changes in both structure (how they are organised) and function (how they do business). An important aspect of this process is that it is increasingly important for such firms to locate their research and development facilities in an environment that supports innovation while the production phases are located in lower cost locations throughout the world. Ganster argues that this provides new economic opportunities for regions that were previously condemned to the periphery. (1998: 5-6)

What the MCC study reveals is that, despite their many differences, border regions throughout the world exhibit many similarities. Historically, borders have operated as instruments for the maintenance of national sovereignty and for providing a space for the implementation of national policies. From an economic point of view, borders were used to regulate the entry of goods and services, and, as a result of this 'control' function, borders were often seen as an impediment to international trade and commerce. International borders are often the subject of dispute and often politically unsafe. This has led to the perception of these areas as high risk in terms of investment. According to the MCC study, "this lack of investment has in turn hindered the development of economic activities in the borderlands" (1998:3). This viewpoint is borne out by the European Charter for Border and Cross Border Regions: … the nation state developed as the predominant entity in the context of tensions between regions. Many of the new borders of these nation states, often as the result of wars, became 'scars of history' that cut through Europe's historical landscapes with their regions and ethnic groups, whereas the latter never ceased to exist. The South African–Mozambique border area prior to 1994 is a classic example of this type of situation.

The lessons from Europe are informative. Two scenarios emerge. The first is where borders continue to function as objects of conflict with the related human tragedy, or as objects of peaceful cooperation "characterised by commitment to regional integration, trans-border cooperation, and the simplification of the border" (MCC:3). Asiwaju argues that "Africa cannot respond effectively to current challenges without directly confronting the question of the borders of the nation-states, which have given rise to the need for regional integration in the first instance. There has to be a concerted effort at converting those borders from their prevailing postures as ramparts into a new function as bridges" (1998:3).

The MCC study points out that regional cooperation and integration could offer African nations distinct advantages in terms of the development of physical and social infrastructure, the mobilisation and use of scarce human and financial resources, and potentially put African nations in a stronger bargaining position. However, they concede that Africa's past record with regional economic integration is not particularly good (1998). As Barkindo pointed out in the early 1990s: "Africa's problem does not lie in fashioning well-articulated treaties or agreements but in mastering the political will to implement them. Africa's record in regional and sub-regional cooperation and integration is illusionary" (1993:21).

The emergence of borderlands development has much to do with the currency of neo-liberal economic theory, especially the emphasis on open borders, unrestricted trade and export orientation. The MCC study supports this view by arguing that, with the growing acceptance of free market policies, the new borderless global economic environment is now eroding the previous functions of borders and opening up new options for the development of border regions. More contentious is their assertion that many border regions that have traditionally been regarded as part of the economic periphery may be able to attract new investment and socio-economic development. The reasons they give is that such locations could be attractive to transnational corporations since they are relatively low cost locations, particularly in terms of labour, and environmental regulations. In keeping with other studies such as those of the International Division of Labour theorists, they point out that these factors will not on their own guarantee future economic activity. Other key determinants that will favour certain border regions and/or cities in the new economy include a diverse economic base, a well trained work force, links with research institutions, modern telecommunications and transport facilities, and a functioning system of trans-border cooperation. Unfortunately it is precisely these commodi-

ties that are in short supply in most peripheral borderland locations. Clement notes that it would be incorrect to conclude that, because of these new conditions, economic development for border regions is now assured… many border regions are likely to continue to remain on the periphery, both geographically and economically (1998:3).

The MCC study suggests that under the correct circumstances, a number of changes potentially occur: *Firstly*, increased trans-border flows of trade, investment and labour. *Secondly*, changes in the level and structure of trade, investment, output, consumption and employment. *Thirdly*, changes in the location of economic activities. In the U.S.-Mexican case, which is highly relevant for the South African-Mozambique scenario, high technology skills coupled with investment capital tend to be located on the U.S. side of the border, while relatively low wages, a large labour pool, and quick access to U.S. and Canadian markets are found on the Mexican side of the border. With Ganster, they argue that if these factors are taken together, they can constitute a competitive advantage for the border region in the global economy, relative to interior parts of Mexico or of the United States (1998:4).

Ganster's research found that in many localities international borderlands cooperation efforts are sub-national and/or local development initiatives. He found that residents of areas adjacent to international borders that were formerly isolated, under populated and poor are in many cases searching for development policies that often include collaboration with localities on the other side (1998:4). The MCC study contends that within an African context similar trends exist, and economic cooperation at the intergovernmental level normally results, according to Asiwaju, from the formalisation of the informal network of relations that have existed for decades and, in some cases, centuries at the level of communities or cultural areas astride bi-national boundaries. Asiwaju maintains that such communities have suffered more than their counterparts in other sub-national areas from the obstructionist effects of borders; they are, therefore, better situated to appreciate the value of trans-boundary socio-economic planning and development (in MCC study 1998:4). Certainly the Southern African Regional Development Corridors and Spatial Development Initiatives program is based on this premise:

> *"… the selected regional corridors are not new creations. In all cases there is a particular emphasis placed on the rehabilitation and/or expansion of existing transportation and economic infrastructure, and on enhancing the operational efficiency and effectiveness"* (SATCC, Vol. 1, 2001:2)

The MCC study contends that the increasingly dominant role of local and sub-regional players as opposed to central government authorities is one of the effects of the global economy. They argue that the so-called new economy, heavily influenced by conservative neo-liberal ideology that stresses the benefit of market mechanisms, has also meant a diminished role for the central state in generating employment and economic growth. Thus, as is the case in South Africa at present, devolution of powers has meant that local/regional governments are increasingly forced to accept more responsibility for the economic development of their own jurisdictions. However, due to the relative weakness of the small and medium enterprise sector in Southern Africa, not much economic development has occurred at this level. This trend is especially true of the SDI initiatives. According to a MCC Policy Research and Capacity Building Program document (1998):

> *"The number of upstream and downstream businesses that have materialised via the SDI processes is disappointingly small. The inability of market forces to spontaneously generate local upstream and downstream entrepreneurial opportunities has prompted the establishment of linkage programmes in both the Maputo Development Corridor and the Richards Bay SDI."*

A survey profiling SMMEs in the early days of the MDC found that there were a number of obstacles inhibiting participation in the corridor for these entities. The main issues were a lack of information on business opportunities, a lack of finance, competition from large business/contractors and a lack of expertise (Tustin and Ligthelm, 1998:26).

Most public and private sector investment has gone into a small number of resource-based industries. According to a Common Market for Eastern and Southern Africa (COMESA) study (De Beer et al, 2001:41), "these industries are predominantly capital intensive, and relative to the size of the investment have created relatively few jobs". This reflects the dominance of what Castel–Branco (2004) describes as the "minerals-energy complex" that dominates the Southern African economy:

> *"Under the economic expansion and globalization of South African large corporations, FDI and unidirectional trade have replaced labour migration and services as dominant vectors of economic linkages between Mozambique*

and South Africa. South Africa has become the main trading partner of Mozambique and the main driving force for FDI."

Case study: Impact of Ressano Garcia/Komatipoort borderlands area

Ressano Garcia and Komatipoort are towns that straddle the border between Mozambique and South Africa. Both are small, 8,500 inhabitants in the former and 12,500 in the latter. The MDC runs through the towns and the border post lies between them.

The population of Komatipoort is growing at a rate of 5% per annum, substantially higher than the national and provincial average. Local authorities ascribe this to real and perceived economic growth and employment opportunities in the area. The demand for commercial and residential land has increased by 50 % over the last few years. Within the town, growth is being driven by anticipated tourism, commercial and industrial developments. Many Mozambicans drive from Maputo and Matola to do their shopping here and in Nelspruit.

Ressano Garcia by contrast continues to be depressed. Unemployment is estimated at 80%. Local infrastructure development is limited and water and sanitation are a problem. It is estimated that over 100 vans cross the border from Ressano Garcia a day. The flow of trade is one way. Many skilled Mozambicans who are prepared to work for lower wages than South Africans enter the country illegally every day.

The increased flow of traffic and people is placing increased strain on the existing physical and social infrastructure in both towns. (Source: De Beer et al 2001:64-65)

Analysis of the Maputo Development Corridor

The MDC: A Spatial Development Initiative

Lefakane (1999:1) sees the SDI program as an attempt by the government of South Africa to engender sustainable economic development and attract investment. He argues that the rationale for these strategies is to stimulate "global competitiveness, job creation, infrastructural development and socio-economic upliftment". For him, the aim of the SDI program is to "identify areas with potential for substantial economic growth and to unlock this potential with a combination of government and

private investment in both infrastructure and projects" (Ibid). The SDI program started off as an interdepartmental investment strategy led by the national Department of Transport (DoT) (later the Department of Trade & Industry (DTI)) and involved strategic initiatives by government aimed at: crowding in of investment; public-private partnerships (PPPs); inherent economic potential; rapid planning and delivery; restructuring the 'apartheid' space economy; generating sustainable employment; maximizing private sector investment and exploiting South Africa's under-utilized locational and economic advantages.

An important stated objective is the economic empowerment of the apartheid-disadvantaged through the impact of new investments on the develop-ment of the small, medium and micro-enterprises (SMME) economy. Finally, the exploitation of under-used local resources in SDI areas that might provide the basis for modern industries and export-orientated growth, is touted as an objective (Crush and Rogerson 2001:86).

Another aspect of the SDI program that is worth mentioning is the concept of Industrial Development Zones (IDZs). This is defined as "a specialized industrial area within an SDI" (Lefakane 1999:2). IDZs are based on best practice internationally. This involves a change from traditional Export Processing Zone strategies with their enclave status to the development of zones with a closer integration with the local productive sector. Lefekane, quoting a source in the Department of Trade & Industry (DTI), states that the South African government believes that shifts in the international economy have changed the nature of global production in such a way that investors now seek a very different set of advantages than mere wage and other regulatory discounts. They now seek an advantage in the speed, quality and cost of production in a continually innovating business and manufacturing environment. International development zone strategy has shifted in response to these changes in global production, from a mere processing for export activity to strategies aimed at integrated manufacturing activity (1999:2).

Crush and Rogerson (2001:86) point out that in statements on the principles govern-ing the SDIs, considerable stress is placed upon their wider importance in the SADC region and on issues of "regional co-operation and economic integration in the African sub-continent". De Beer et al state that the approach is increasingly being pursued by the members of the Southern African Development Community (SADC) "as a priority policy and strategy for the promotion of development corridors (based

on the rehabilitated regional transportation routes) and to a lesser extent in the context of certain resource rich areas that the participating governments believe have a high inherent but as yet under-utilised development potential for mining and related processing activities, and for tourism and agriculturally led development".

The SDI approach being pursued within the SADC region is an attempt to develop a more competitive regional economy, in the fashion of the European Union, within the global economy. Member states share a number of common socio-economic problems. Foremost among these is the need to increase the rate of economic growth and job creation. In addition, there is the need to develop the regional economy in a way that would make it more diversified, stronger, and internationally competitive. Priority is being given to the creation of sustainable low-cost employment and the identification and development of viable business opportunities for small and medium scale entrepreneurs (De Beer et al. 2001:1).

Nowhere within the SADC/COMESA approach are the institutional implications for sustainable partnerships with local communities spelt out. In fact, in Volume 1 of the SATCC document setting out an overview of Southern African Regional Development Corridors and Spatial Development Initiatives, no mention is made of local communities – the focus being primarily on transport investment opportunities and project profiles.

It is difficult to state categorically that the MDC has acted as a catalyst for development, that many of the investments in Mpumalanga and southern Mozambique associated with the MDC would not have happed anyway. As David Arkwright MDC SDI Project Manager in the early 2000s said: "Much of the investment may have taken place without the intervention of a special investment promotion initiative such as the MDC. However, there can be no doubt that the processes instituted by the initiative have significantly influenced not only the logistics of the region; but also the overall attractiveness of the area for investment" (DBSA 2000:6). The MDC was a nationally driven infrastructure and investment program with a narrow focus and an emphasis on speed of implementation.

A report on the MDC completed in November 2000 sets out the nature of the process:

> *"The vision of the initiative is to achieve accelerated rehabilitation of the core transport infrastructure through public/private partnerships, thereby opening*

up an underutilized economic opportunity. Underlying this vision is the desire to see this initiative contribute to other key policy areas, notably regional economic integration, international competitiveness, and a broadening of the ownership base in the economy of the corridor. The planning process adopted reflected the unique elements of the MDC, namely its transnational character, the short time frame, and the project driven approach." (Mbenyane 2000:4)

It is clear that the SDI program (and by definition the MDC) has undergone conceptual changes from when it was first mooted in 1995. Initially it was conceived as primarily an investment mobalisation initiative rather than a comprehensive development approach (De Beer et al 2001:9). Further changes occurred when the SDI process was adopted by SADC, with the emphasis on transforming transport-based corridors into "multi-sectoral economic development corridors", combined with the "planning and investor mobilisation approach embodied in SDIs" (SATTC Vol. 1, 2001:20). Within South Africa there was also pressure to make the SDI program part of a "broader and formal development approach", pressure that resulted in the SDI process being enhanced by the "addition of industrial cluster processes as a mechanism to overcome SDI shortcomings" (De Beer et al. 2001:9). Academics and researchers were especially critical of "the speed at which the processes were pushed, the top-down (nature of the) process without participation, the focus on resource-based mega projects … and the fact that the SDI program was not acknowledging the important issues variously referred to as 'social capital', 'institutional capacity', or 'rules of the game' " (Ibid: 9).

From the Mozambique side the emphasis was primarily on the "flow of goods and services" between itself and South Africa, the upgrading of the Maputo harbour and the establishment of the Mozal aluminium smelter and the proposed Maputo iron and steel plant. The Mozambican Minister of Transport and Communications, Paulo Muxanga, described the MDC as follows:

"Corridor development must, of course, work in all directions, and we look forward to developing with our neighbours strong ties that promote multilateral trade, maximize the use of our port and rail facilities and encourage cross-border joint venture investments" (Muxanga in Carlson 1997:3).

The original importance given to infrastructure and investment was in no small part due to the fact that the process was conceived of and driven by the transport ministries of the two countries, then subsequently (in South Africa) by the Department of Trade and Industry when the larger SDI program came into being.

In 1995 the Department of Transport established a technical team drawn from the Development Bank of South Africa (DBSA), the Industrial Development Corporation (IDC) and the Council for Scientific and Industrial Research (CSIR) that worked with an inter-departmental committee at national government level. Mozambique developed a similar inter-departmental working committee, but drew on consultants for the technical work and interface with South Africa. Not much has changed in the new millennium. The current driver of the MDC, the Maputo Corridor Logistics Initiative (MCLI), is primarily focused on logistics issues, on improving the efficiency of the MDC as a transport import/export corridor.[44]

In spite of the nationally driven and infrastructure and investment focus of the MDC, there has been some effort to integrate it with provincial and local development planning initiatives. There was, on the South African side, an attempt to involve the provincial government, albeit at a technical level, in the MDC process. In 1996, the Department of Transport assisted in establishing a technical unit in Mpumalanga, providing funding for a technical support program. Mozambique did not pursue a similar process. The Northern Province (now Limpopo) became involved through a forum known as the Joint Technical Committee. The forum allowed the national departments to inform provinces about the processes and about the progress. The establishment of the Maputo Corridor Company (MCC) in mid 1997 gave additional impetus to involving local government and disadvantaged communities. This will be discussed in more detail below.

However, the real business of the corridor as an investment and infrastructure initiative continued to dominate as its *modus operandi*. At the same time as the MCC was set up, the broader SDI program, both within South Africa and within SADC, was taking off. This coincided with the shift of the program from the Department of Transport in South Africa to the Department of Trade and Industry (mid 1997). The Department of Trade and Industry in developing a centralised administrative, financial and technical support capacity, based at the DBSA, took “a hard line and non-negotiable stand on the planning of SDI projects, particularly when it comes to issues of grassroots participation, given the fast-track nature of the SDI process” (Schneider

2000:9). Clearly, no direct attempt was made to create local capacity to manage the process or to involve the broader community. Mozambique set up a dedicated unit to manage each of their corridors, as well as a centralised technical support in the Department of Transport and Communications for all of them. However, Soderbaum and Taylor (2004) point out that the Maputo Corridor Unit in the department is not really functioning effectively and is battling with inadequate resources.

The Maputo Corridor Company

In 1997 South Africa and Mozambique agreed to establish the Maputo Corridor Company (MCC) as a facilitating entity, comprising the public and private sectors of South Africa, Mozambique and immediate SADC neighbours. The MCC did not develop as originally planned but became instead a largely public sector driven facilitating process – based mainly but not exclusively on the South African side of the initiative after Mozambique decided not to participate in the exercise. It seems that there was a difference in approach between Mozambique and South Africa as to the purpose of the MCC. For South Africa, with an initial R1.2 million startup committed to the company, the purpose was "a three year program of training and investment promotion". According to the deputy CEO (in 1997), David Arkwright:

> *"Some of this activity will be purely facilitative, such as working with Trac. In other cases we will commit funds to specific activities. For example, senior management training and training in public finance for Mozambique and Mpumalanga government officials"* (Carlson 1997:59).

Mozambique on the other hand saw its role as working with the private sector in promoting investment. This sentiment was expressed clearly by Minister Muxanga: "It will be important for the private sector to feel that the MCC is their thing … right now we need the visibility and leadership of a corridor company" (Ibid: 59).

Although there had previously been general references to participatory community-based development projects and to gender issues (MDC Interim Coordinating Committee 1996:64), this aspect had never really been part of the SDI MDC process.

With the establishment of the MCC and the appointment of David Arkwright as deputy CEO (Mozambique was supposed to appoint the CEO) the MDC for the

first time articulated a specific commitment to integrated development, participation and disadvantaged communities. Arkwright expressed this through three objectives (apart from the aforementioned ones of infrastructure development and private investment). The first was to ensure that the development impact of the investment is maximized, particularly for disadvantaged communities; to ensure sustainability by developing policy, strategies and frameworks encompassing a holistic, participatory and integrated approach to development (DBSA 2000:6); and finally, building institutional structures and programs in support of long-term sustainability for the initiative (Mbenyane 2000:2; De Beer et al. 2001:76).

The MCC initiated a number of projects. These included a Public Sector Support Program. After the departure of Premier Mathews Phosa (Mpumalanga), this program was put under a new head in the DTI, a Mr B. Sibisi. A Policy Research and Capacity Building Program with funding from DFID of R2,594 million. This comprised an applied research, pilot project and applied training program that ran on both sides of the border from the beginning of 1998 to the middle of 1999. However, it appears that because of possible disagreement between MCC and SDI leadership in South Africa, DFID funding was withdrawn. The MCC also assisted with the setting up of the Borderlands Committee. This committee involved Mpumalanga, Mozambique and Swaziland. KwaZulu-Natal is also involved in the broader initiative. This is an ambitious attempt to set up a tourist-driven trans-national project that involves a bio-diversity corridor, the Songimvelo Circle and the Royal Route stretching from Barberton in Mpumalanga, through Swaziland, Mozambique right down to Richards Bay in KwaZulu-Natal. It includes the Lebombo SDI that is now virtually part of the MDC. An interesting aspect for this study is that this initiative involved the beginnings of cross-border collaboration (Barberton, Badplaas, Bulembu, Pigs Peak, Mananga. and Namaacha).

The MCC also lent support to the Mpumalanga Management Centre (MMC), which under the leadership of Professor Christo de Coning, with the support of the Mpumalanga government and the University of the Witwatersrand's Graduate School of Public and Development Management, aimed to develop management skills to run government more efficiently and to facilitate development along the MDC. Courses included a Master's Degree in Public and Development Management, a six-month program for senior government managers, an 8-month management course specifically designed to meet the needs of public servants involved in

MDC projects, and sector specific courses. These courses were attended by both Mpumalanga and Mozambique government officials, giving them a good opportunity to develop cross-border ties. The company also commissioned research on "borderlands" and asymmetric economies by researchers from the United States of America – research that has contributed to a better understanding of the problems and promises of cross-border collaboration. This involved an attempt by the MCC leadership to move the MCC in the direction of a Trans-border institute. It seems that stronger political will was needed from both South African national departments and the Mpumalanga government for such a venture to materialise. The MCC closed down in the early 2000s.

The Role of the Provinces and Local Government

The Mpumalanga Provincial Inter-departmental Technical Committee, established in 1996, developed a comprehensive program to make possible a number of projects aimed at maximizing development opportunities along the corridor. These projects were aimed at the province's key economic sectors and with a focus on disadvantaged communities. These projects included: a strategic environmental management plan; a capacity building in local governments program with a focus on local economic development involving 23/26 local authorities; a small, medium and micro enterprises (SMMEs) study by the Bureau of Market Research at UNISA to assist the Mpumalanga government to ensure optimum participation of SMMEs in business opportunities emanating from the MDC initiative; and the development of private sector investment packages in tourism and agriculture.

The Provincial Technical Committee continued through to the beginning of 2000, when it was decided to transfer the South African SDIs to the provinces "for further development" (DBSA 2000:2). As Dr Miriam Altman put it: "SDIs are a spatial development program, introduced by national government. The idea had always been to "hand over" the program to the regions. Hence, local and regional capacity would be essential to the sustainability of SDI initiatives" (Ibid 65). Mpumalanga scrapped its original inter-departmental structure, the Provincial Technical Committee, and set up a full time Dedicated Project Unit (DPU) in government. With the growth of the Corridor, the Technical Committee had become bloated and lost its focus. It had completed its original mandate of policy formation

and the supervision of research work into local economic development. Through this process a number of anchor projects had been identified.

The DPU was formed following a Cabinet Memorandum that required a total number of twelve members seconded from relevant departments. The idea was that these people would be provided with training that would enable them to deal with the packaging of projects in totality. The institutional arrangements were not well worked out, mainly due to the uncertainty surrounding the conditions of service for those seconded to the DPU. This has resulted in very few members moving to the unit.

This incapacity of the DPU largely resulted from a need for stronger political will on the part of the provincial government since the second election when Mathews Phosa, the first Premier, was replaced by Ndaweni Mahlangu. Phosa, who had been in exile in Mozambique during the apartheid era, was a major supporter of the MDC, and his personal connections in Mozambique were invaluable in establishing and maintaining cordial relationships to speed up the process. It is common currency in Mpumalanga that after his election Mahlangu had a negative impact on the project. In this regard Schneider (2000:4) concludes that Mahlangu's infamous statement that it is sometimes acceptable for a politician to lie "poured scorn on a province which needs good governance to raise its image as one of Africa's most desirable investment destinations". In addition, it seems that competence and support for the MDC declined, and subsequently there has been a lack of interest and vision in regional integration on the part of government (Ibid: 4). This was confirmed by many of the people I interviewed in 2002 as part of ongoing research leading to this study.[45]

Private sector initiatives post MCC

By 2003, the closure of the Maputo Corridor Company and the lack of governmental support for the project had led to problems developing in a number of areas. These impediments to increased cross-border trade and investment were identified by the Lowveld Chamber of Business and Tourism (LCBT) (LCBT 2003:3) in seven main areas: the border post, rail and road links, visa requirements, port/harbour infrastructure in Maputo, cross-border trade and investment between Mpumalanga and southern Mozambique, lack of socio-economic development of communities along the MDC, and the lack of promotion of tourism and investment in the region. Concern over lack of progress in tackling these problems led to a "stakeholders forum"

being convened at the end of 2003, at which meeting the LCBT presented a draft business plan to set in motion plans to work towards eliminating these perceived bottlenecks and to set up what it called the Maputo Corridor Initiative (MCI) (Mommen 2004:1). The objective of this initiative was to open up the trade, transport, tourism and export route between Maputo and Southern Mozambique and the Mpumalanga lowveld (LCBT 2003:2). These "stakeholders" met again early in 2004 at a workshop to consider the LCBT business plan, to give substance to the problem areas outlined above and to agree on a methodology and process to take the initiative forward (Mommen 2004:1).

At present the promotion and development of the corridor has become largely the preserve of the Maputo Corridor Logistics Initiative (MCLI), which, although billed as being "… established in the true spirit of public–private partnership" (MCTK, 2004:24), was originally funded by and established by private infrastructure investors, service providers and other MDC users from South Africa and Mozambique to promote and develop the MDC. The driving force behind this initiative is Brenda Horne, formerly Logistics Manager for the Manganese Metal Company, now the Chief Executive of the MCLI. The MCLI has two strategic objectives (MCTK 2004: 25). These are to coordinate the views of service providers and users of the Maputo Corridor and to promote development and change in order to make the Corridor the first choice for the region's importers and exporters; and to market the strategic benefits and opportunities offered by the Corridor.

The focus of the MCLI is primarily to make the MDC a cost effective and efficient transport route. According to Brenda Horne, the prime areas of concern are the lack of capacity of the Komatipoort/Lebombo border post and the Maputo harbour, and the fact that the railway line is primarily geared towards the transportation of coal.[46]

Mozambique and Maputo Province

In Mozambique the arrangements appeared to be more *ad hoc*. In 1997 Minister Muxunga outlined plans to bring the Maputo Province structures into the MDC process in a support role, with responsibility for small projects at provincial level, and for the first stages of environmental impact assessments (EIAs). A special publication on the MDC reports that a considerable amount of training and dialogue was needed

to make this a reality. A meeting at provincial headquarters in Matola of district administrators revealed the need for intensive training and the establishment of guidelines and responsibilities to bring the provinces more fully into the process.

Part of the problem is the dual system of the mixture of decentralised and centralised structures of government, and the lack of coordination between the devolved city municipalities and the deconcentrated provincial/district government. Mr. Victor Antonio, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, states that one of the many issues deserving attention is the misunderstanding between the municipalities and the state organs at various levels.[47] At the same time, Mr. Paulo Tarmamade, the MDC Project Manager in Mozambique, was of the same opinion:

> *"The provincial level in Mozambique does not have the same autonomy as the provinces do in South Africa. Policy is defined at the central level. There is a need for harmonization. There is no consensus at local level, and people do not have the means to implement projects at a local level."*[48]

The majority of the initiatives to promote investment and small business opportunities in Mozambique have thus occurred at national level, mostly in collaboration with the South African national government or with the Mpumalanga provincial government. Three initiatives are illustrative:

- The Mozambique Investment Promotion Centre (CPI) has entered into a partnership with South Africa's Department of Trade and Industry (DTI). The DTI will work with Mozambique to attain international industrial accreditation standards. In turn CPI will facilitate partnerships between Mozambique and South African companies to set up supply and service industries for the Mozal aluminium plant in Matola. Two to three hundred small business opportunities have been identified, mainly upstream of production, as virtually all production has been sold forward into the market. A support program set up by CPI, Mozal and the Africa Project Development Facility (APDF) will develop work packages, training and mentorship to support local entrepreneurs in Mozambique (De Beer et al 2001:63).
- The Mpumalanga Investment Initiative (MII) signed a five-year agreement, that may be extended, to work together to promote investment opportunities.

- The Mozambique government has agreed to work with the Mpumalanga Department of Economic Affairs to develop the "cluster" process in the South African province, where they could possibly be developed on a regional basis. The cluster process is designed to develop industries that will add value locally to primary products produced in the province. Mpumalanga has started cluster developments in stainless steel, tourism, wool, forestry and in the agricultural sector.

As has been pointed out above, it is difficult to say with certainty whether developments in Mpumalanga and Mozambique occurred as a result of the MDC or whether they would have occurred anyway as a natural outcome of the end of apartheid and the civil war in Mozambique. However, there are some initiatives, such as the MCC and TRAC, which were/are an integral part of the MDC.

Trans African Concessions

The governments of South Africa and Mozambique, as part of the SDI commitment to encouraging private investment in infrastructure provision, decided that the reconstruction of the Witbank – Maputo road (N4 Toll road) should be realized as a build-operate-transfer (BOT) concession. They awarded the 30-year concession to Trans African Concession (Trac) in 1997, with a total anticipated investment of US $ 250 million. The project's contribution to SMME development (710 contracts in construction to a value of US $ 35 million), to job creation (approximately 5,000 permanent, temporary and casual) and to training (some 8,500 people through various training programs to date) has already been significant (SATCC 2001:24; Mbenyane 2000:5).

There have been a number of criticisms with regard to the development (training) centres at Matsulu and Machadodorp, as well as the Trac SMME process in general. The two development centers trained local people both in technical and life skills. In fulfilling the requirement on black empowerment, TRAC appointed Silulu Investment, an empowerment company, to assist the SMME contractors financially and with technical backup. They also set up the Mpumalanga Trust which was to benefit local communities from a portion of the profits from the toll fees.

Mbenyane argues that the centers were only set up once the road construction was already underway. The training program was discontinued at the end of 2000 (at the end of the construction term). In line with the general lack of support from the Mpumalanga

government for the MDC at present, there is no certainty on how these facilities will be used by the provincial department that has inherited them. According to Lydia Pretorius, the Mbombela Municipality Councillor for LED and Tourism in the early 2000s, the training centers had very little directly to do with the MDC. People learnt skills such as welding, carpentry, baking: "it was mainly a social responsibility initiative".[49]

Trac was also required to award up to 20% of the value of work to SMMEs. This work was divided into about 710 manageable work packages of which only about 20% went to women contractors. The National Gender Commission has completed a study that is highly critical of the lack of benefit for women. Due to the speed of implementation of the building of the road, SMME contracts were mainly on guardrails, kerbing, channeling, road signs, road marking and cleaning.

A promised socio-economic impact study on the local community in the vicinity of the toll road, that was to be financed by the DTI, took a long time to materialize. Justice Mbenyane, the Provincial MDC Project Manager, points out that the issue of maintenance work has to be followed up at a political level as "hundreds of jobs would emerge from this as well as the empowerment process could be strengthened" (2000:4). The project has, because of its top-down implementation and the fact that it benefits certain areas and communities more than others, resulted in a number of concerns from communities along its length.

The success of the stated objectives is difficult to assess accurately as opinions vary not only between insiders and outsiders, but also between those further away from the centre of the MDC project, for example people in Witbank and Middleburg, and those close to the centre ie. the Nelspruit/Maputo axis. There is a marked difference between official publications promoting the Corridor and the opinions of local government officials who feel that the project has largely passed them by. Issues of concern include constitutionality, toll fees, affordability and impact on the local economy. This is not surprising, given that it is the first true public private partnership on a road in South Africa and Mozambique.

Cross-border Initiatives between National, Provincial and Local Governments

Mbenyane (2000) points out that the MDC has produced two areas of constitutional uncertainty. The first relates to national versus provincial competencies and the

associated legal frameworks, capacities and resources. The essence of the issue is that the MDC international profile often requires the province, and in some cases local municipalities, to operate or respond in areas beyond their constitutional capacity.

The second relates to transboundary relations between Mpumalanga Province, Swaziland and Mozambique. Mpumalanga is required to deal across international borders on many day-to-day issues, but without sufficient mandate or capacity. Mbenyane (Ibid) further argues that this situation is common to other border regions in the world, and that most have gone through similar periods of tension on these issues. International best practice suggests that transboundary dynamics in a globalising situation are better handled at a sub-national level – but obviously with the requisite mandate, capacity and resources.

In spite of these limitations a number of cross-border initiatives at provincial and local government level have occurred. Most of these attempts at regional cooperation have been tentative and of recent origin, but mark an important step in the direction of more fully-fledged integration for economic development. The following initiatives, ranging from national down to local, are some examples of the type of interaction that has happened/is happening.

National

The national governments of South Africa and Mozambique have in place a high level regular bilateral to discuss issues pertaining to key projects concerning the MDC and related issues. There is also a General Agreement of Cooperation between the Republic of South Africa and the Government of the Republic of Mozambique for the establishment of a permanent Joint Commission for Cooperation between the two states. The latter has been established. A number of Sectoral Agreements are in place. The Presidents of the two countries also meet regularly to discuss issues of mutual interest in the region.

Provincial

A Memorandum of Understanding (MOU) was signed in November 2001 between Mpumalanga Province and the Province of Maputo. It replaces an older MOU signed in 1995 between the Eastern Transvaal Province and Maputo Province. This MOU has a number of articles covering objectives, areas of cooperation, the establishment of a Joint Provincial Committee, including its constitution and func-

tioning, meetings between the Governor and the Premier, financial arrangements, liaison and the status of the MOU. The objectives are:

a) Developing a joint effort in order to enhance the economic potential of the Maputo Development Corridor;

b) Maximizing the investment opportunities on the Maputo Development Corridor itself as well as in other areas within the two Provinces, through the creation of an enabling environment that promotes and encourages partnerships between investors of both Provinces;

c) Promoting and encouraging capacity building of Provincial Government Institutions through exchange Programs, Private Sector Organizations, Non-Governmental Organisations, Associations and Communities within both Provinces.

Article 2, which discusses areas of cooperation, states:

1. The Parties agree to prepare mutual co-operation programs comprising not only, but mainly, the promotion of Small, Medium and Micro Enterprises (SMME) within the two Provinces, in the following areas: transportation, environmental conservation and tourism development, agriculture, cattle-breeding, forestry and wild fauna, trade and industry.
2. Other principal areas of co-operation between the Parties shall be in the fields of provision of health services, HIV/AIDS, education, culture and sports, public administration and water management.

The Joint Provincial Committee is responsible for the "development, harmonization and monitoring" of the action plans in Article 2 above. The Joint Provincial Committee consists of two delegations representing the respective Parties to the agreement, as well as the Project Managers of the Maputo Development Corridor. Each delegation consists of not more than five members, as well as an alternate for each of the delegates.

In terms of its functioning, the Joint Provincial Committee is supposed to meet quarterly with the venue alternating between the Province of Mpumalanga and the Province of Maputo, "or otherwise as may be agreed upon by the Parties". The Head of the host delegation is responsible for chairing the meeting and is also responsible for all logistics, the preparation and timely distribution of the agenda, the recording

of proceedings, and the distribution of minutes to both delegations. The Head of a delegation may co-opt any number of persons as advisers in order to assist his or her delegation in the performance of its duties. All decisions of the Joint Provincial Committee are taken on the basis of consensus, but in the event that they fail to agree, the matter under discussion is referred to the Parties by the Heads of the respective delegations for "further discussion and guidance" in order to reach consensus. In terms of the agreement, the Premier and the Governor are to meet at least once a year in order to "evaluate the progress on the implementation of the cooperation program and to raise issues of common interest or mutual concern". Costs will be borne and the venue organized by the hosting party.

The agreement requires the Parties to consult each other in respect of specific implementation of projects and programs emanating from the Memorandum of Understanding. The Office of the Governor of the Province of Maputo and the Office of the Premier of the Province of Mpumalanga, act as Liaison Offices in respect of the implementation of the understanding.

Local Government

Cooperation has occurred between municipalities both within Mpumalanga (on a limited scale and with little success), as well as between municipalities in Mozambique and Mpumalanga. Some examples have already been mentioned, such as the Borderlands initiative centered around Barberton. The following examples are pertinent.

Matola Municipality and Mbombela Municipality

A more positive example of cooperation between Local Municipalities in South Africa and Mozambique is the "Memorandum of Agreement of Cooperation" signed between Mbombela Local Municipality (Nelspruit) and the Municipal Council of Matola (the town adjacent to Maputo and site of the Mozal aluminium smelter) in February 2002. The fairly simple agreement notes the geographical proximity of the two municipalities, the friendly relations between the countries, the cultural links between the citizens and "the need for economic growth, the promotion of prosperity and health to address the challenges of poverty in both areas" and the economic potential presented by the MDC project. The agreement further promotes cooperation (sharing of information, experience and knowledge) in order to promote educa-

tion and culture, youth and sport, health and environment, tourism and recreation, water and sanitation, economic development and urbanization, and the promotion of joint enterprises and ventures. Importantly, if perhaps a little understated, the agreement also commits the parties to working in partnership with local organizations to achieve their objectives.

AWEPA – Nkomazi District Municipality – Mozambique

In September 2001, a delegation of mayors and councillors from Mozambique met a delegation of the Nkomazi Municipality at Malelane Council Chambers. The Association of European Parliamentarians for Southern Africa (AWEPA) office in Maputo organized this exchange visit meeting. The main objectives of the meeting were to exchange experience in areas of common interest on decentralization and municipal governance, between South African municipalities in Mpumalanga and Mozambican municipalities, around issues such as community participation, the relationship between municipal, provincial and central government and to review the impact of decentralization and municipal governance on the development of local communities. Part of this process was the intention to learn from each other's development strategies, especially those "which can successfully and quickly improve the life and overcome difficulties of local communities", as well as to organise visits to relevant places where development has been successful. The intention was also to discuss possible cooperation between South African Municipalities in Mpumalanga and Mozambican Municipalities; and to arrange a visit by the Mozambican councillors and mayors to the Provincial Association of Mpumalanga Municipalities.

It was also suggested that the Office of AWEPA in Pretoria be consulted to consider the possibility of assisting the Nkomazi Municipality to visit the municipalities in Mozambique on an exchange visit. The Acting Municipal Manager of Nkomazi was also requested to draw up a "letter of intent"

Conclusion

This study has revealed a number of positive and negative aspects of the implementation of the MDC and the level of involvement of provincial and local authorities. At face value the SDI process, of which the MDC is not only a part but also the prototype, was a top-down nationally driven process primarily aimed at developing infra-

structure and capital-intensive anchor projects with private investment. Local government on the other hand, in both South Africa and Mozambique, is undergoing what will clearly be protracted restructuring to implement complex processes of demarcation, decentralization, cooperative governance and integrated development planning/local economic development in a situation of chronic lack of both resources and capacity. While Mozambique has the advantage of a far less complex legal framework and implementation program than South Africa, it has greater problems in terms of the dual decentralised and centralised system, as well as a greater capacity problem.

A closer look however, at both the SDI program in general and the MDC in particular, shows that they have undergone considerable refinement since the early days of implementation, refinement that in the case of the latter reached its apex during the era of Premier Phosa and the MCC under David Arkwright's leadership. The perception of all but those involved in the top-end of the investment process (Mpumalanga Investment Initiative and the Mozambique Investment Centre and the Mozambican Ministry of Transport and Communications) is that now that the toll road is complete the MDC is dead. This perception is particularly acute amongst those municipalities and communities at the western end of the corridor. The lack of political momentum in promoting the MDC and regional integration and the public perception of a provincial government tainted by the former Premier's infamous statement that it is sometimes acceptable for a politician to lie, allowed an air of pessimism to creep in – even in the provincial capital. Under the present Premier, Thabang Makwetla, the project has once again been designated a "flagship project" intended to play a role in growing the province's economy. This initiative has as its declared objective the implementation of industrial infrastructure projects, and a freight logistics project.

These declarations of intent will have to be monitored to separate political spin doctoring from real implementation. In both South Africa and Mozambique, much exists on paper. Everywhere one goes, particularly in Nelspruit, wonderful glossy publications litter reception coffee tables. Reams of investment possibilities and mind-boggling projections of their worth in rand and dollar terms, are bandied about. These possibilities and fiscal projections are uncritically reproduced, often word for word, from MDC, SDI, SADC, right up into COMESA publications.

The benefits that have sprung from the MDC implementation process have been outlined in some detail above. These include the projects undertaken by the

Mpumalanga Provincial Technical Committee, the MCC, Trac and others, as well as the increase in cross-border trade and tourists afforded by the new road. On the deficit side is the frequent claim (but one which has yet to be studied scientifically) that expensive toll fees have an effect on local communities and short distance tourism and commerce. At the 2002 unveiling of the Mpumalanga Integrated Spatial Framework (ISF), development planning officials from the Premier's office conceded that the MDC has had little impact on Mpumalanga towns to date.

With regard to local government, the MDC has made a nominal input into the LED planning process in Mpumalanga and provided the beginnings of an impetus towards regional cooperation and economic development integration. Some of the agreements between provincial and local authorities outlined above are of relevance here. However, it is not clear to what extent the MDC has been directly responsible for many of these initiatives. There is no doubt that it has, as David Arkwright put it, affected the logistics of the area significantly. The overall effect of the MDC on the municipalities along the way is basically to say that it may not have done anything for us materially (other than make it more expensive to travel along its route), but we'll use it anyway as a publicity measure to promote our town or area.

If the essence of the problems, promises and challenges as outlined above is extracted, it emerges that the main focus and achievement of the MDC has been infrastructure development (the toll road, Maputo port, electricity and the railway line) and the Mozal aluminium smelter (large-scale capital intensive with limited employment). Due to the transformation process and lack of capacity, the involvement of provincial and local government and institutions of civil society in local economic development and poverty alleviation as part of the MDC has been minimal; and a number of cooperation agreements have been signed between national, provincial and local governments across the border of the two countries.

Notes

[44] Interview, Brenda Horne, Nelspruit, April 6, 2006.

[45] Interviews with David Arkwright, ex-MCC; Ettiene Garnett-Bennet, Lowveld Info editor, Lidia Pretorius, LED and tourism Councillor - Mbombela Municipality, Kirsten Walker, Mpumalanga Tourism Authority, Nelspruit, 24 January 2002.

[46] Interview, Nelspruit, April 6, 2006.

[47] Interview, Maputo, 8 February 2002.

[48] Interview with Mr. Paulo Tarmamade, MDC Project Manager along with Ms. Francisca Soares, Director, Department of Transport and Communications, Maputo, 8 February 2002.

[49] Interview Lydia Pretorius, Mbombela Municipality Councillor, Nelspruit, 24 January 2002.

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List of Interviewees

DAVID ARKWRIGHT, deputy CEO of the Maputo Corridor Company and later Project Manager of the Maputo Development Corridor SDI.

MUSI SKOSANA, Mpumalanga Investment Initiative.

JUSTICE MBENYANE, Project Manager, MDC Mpumalanga Province.

FRANCISCA SOARES, Director, Department of Transport and Communication, Mozambique.

PAULO TARMAMADE, Maputo Development Corridor Project Manager, Mozambique.

ETTIENE GARNETT-BENNET, Lowveld Info editor, Nelspruit.

LIDIA PRETORIUS, LED and Tourism Councillor Mbombela Municipality, Nelspruit.

ROELF KOTZE, Deputy Municipal Manager, Mbombela Municipality, Nelspruit.

KIRSTEN WALKER, Mpumalanga Tourism Authority, Nelspruit.

VICTOR ANTONIO, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, Maputo.

PAULO DE RENZIO, Program Officer, Governance Unit, UNDP office, Maputo.

ERIC PARKER, Chief City Planner

DEAN JACOBS, Senior Town Planner, Witbank Municipality.

H. S. MALESELA, Chief Administrative Officer, Nkomala District Municipality, Middleburg.

JONATHAN MITCHELL, European Union, Pretoria.

CHICO MAFOLO, Chairman, National African Federated Chamber of Commerce (NAFCOC), Witbank.

CARLOS MANYETE, Community Development Foundation, Maputo.

BRENDA HORNE, Chief Executive, Maputo Corridor Logistics Initiative, Nelspruit.

Barbara Mommen, Lowveld Chamber of Commerce and Tourism, Nelspruit

Professor Teresa Cruz de Silva, Eduardo Mondlane University, Maputo, Mozambique.

Professor Yussuf Adam, Eduardo Mondlane University, Maputo, Mozambique.

4. NEW REGIONAL EXPECTATIONS AND SOUTH AFRICAN RETAIL INVESTMENT IN MOZAMBIQUE

Darlene Miller

Introduction

On 27 August 1997, Shoprite supermarket opened its doors in Maputo, the capital of Mozambique. In most cities of the United States, the opening of a food store would elicit only minor attention, perhaps a side-column in the local news. In Mozambique, Shoprite's arrival was an event. The store was swamped with people crushing its designer-tiled entrance to gain access. Much fanfare, hype and local town gossip had preceded this event. On the day itself, celebrities were in attendance and a public rally was held at the Center. Of the two major newspapers in the country, both ran front-page coverage of Shoprite's opening. Months after the event, debates continued to rage in the newspapers and amongst Mozambicans about the benefits and disadvantages to Maputo and Mozambique of this new South African arrival. Local traders complained that the special privileges given to Shoprite by the state and the local municipality give Shoprite an unfair advantage. Consumers said they appreciated not having to go to "mosquito-ridden" markets for their groceries.

About two years later a huge public furore erupted in Maputo. The agent of consumer modernisation in Mozambique, Shoprite, was caught dumping expired foodstuffs on the shelves in its new Shoprite store in Maputo. The reaction to this discovery was loud and contentious. Maputo consumers asked whether South Africans thought they could be sold rotten wares. Was this to be the *African Renaissance* declared by the South African president: South Africa using the region as its backyard for dumping?

Shoprite management frantically explained that the expiry dates had not been intentional but due to the way that Shoprite organises its distribution. Large retailers buy goods wholesale and get discounts on bulk stock with short expiry dates. While this system was fine for South African stores, this regional distribution system was not working in Mozambique where stock came from Gauteng and encountered delays at the border. Turnover was also slower on some items and so the expiries caught management by surprise. But Shoprite's explanations did not fly with many Maputo consumers, with those who could afford it heading back to the Shoprite in Nelspruit, the nearest large South African town to the border (and also called "Thank you, Maputo" by locals because of all the Mozambican custom.) More forgiving customers or those with less choice argued that Shoprite needed to be given a chance.

This account illustrates the advent of a new regional moment in Southern Africa. When South Africa turned the corner from apartheid, a breath of expectation was inhaled in the rest of the continent. South Africa had a political responsibility to the region and the continent, (what may be called an *apartheid debt*). Anticipating a central role for democratic South Africa, President Thabo Mbeki declared that growth and development in the continent would be generated by South Africa's liberation and that South Africa was perfectly poised for leadership of an *African Renaissance*. Post-Apartheid South Africa represented an economic hope for Africa, increasingly marginalised in the world economy. New regional expectations emerged out of this new political moment in the region, the moment of South Africa's democratisation.

These regional expectations rested on a number of assumptions. First, that political democracy would enhance South Africa's economic position in the global economy. Second, that economic growth in South Africa would benefit the continent as a whole. Third, that South Africa would definitely have the option of fundamental socio-economic transformation under the helm of the ANC and the great leader Mandela. South African companies seized this political opportunity and forged upstream, opening up new hotels, buying up old mines, transforming old breweries, building new supermarkets and clothing stores. Many countries in Africa welcomed the transition to a continent free of white settler domination and waited for the 'trickle-up': as a leading economy on the southern tip of Africa, South Africa's reintegration into the continent could open up a new era of economic prosperity and growth. The flagship shopping mall, *Centro Commercial*, where the Shoprite super-

market was the anchor store, symbolised the dawn of a new era for South Africa and Mozambique who could now break with past hostilities between the white Apartheid rulers of South Africa and the nationalist Frelimo government.

Post-Apartheid regionalism and regional integration in the 1990s, however, came to Southern Africa flying the neo-liberal flag of foreign investment. With democratic change came fresh attention to South Africa's role in Africa. Following the global example, regionalism became an important political and economic strategy. Out of this re-evaluation, *regional integration* emerged as the dominant approach to regionalism, both in Southern Africa and other regions of the world. Governments, policy analysts and trade unionists present regional integration, like global integration, as a necessary good. The primary stated objective of regional integration is the cooperation of countries to create the best investment conditions for foreign capital. Neo-liberal regionalism and neo-liberal regional integration mean that regions should be capital-catchment areas. But different political approaches to both regional integration and regionalism are possible. The politics of regions are shaped by legacies, official lies and new realities. It is the new realities that are the focus here, shaped as they are by old legacies, and the expansion of the South African retail multinational, Shoprite, into Mozambique, highlighted both past and present regional contradictions. While expectations for the continent were high, the reality that has unfolded in the wake of post-Apartheid regionalism has brought new tensions to light.

This article discusses South African investment and the retail environment historically in Mozambique, emphasising the central role played by multinationals in the integration of the Southern African region.

Surveys and semi-structured interviews were conducted with twenty-seven workers from Shoprite-Maputo between 1999 and 2001. The workers in the sample were chosen through snow-balling. However, with the help of the workers themselves, an effort was made to attain a sample that was stratified by gender and occupational status. In order to facilitate a comparison with the Zambian case study, the same methodology was applied to research at Shoprite-Maputo. The sample was smaller because of interview translations from Portuguese to English. Shoprite-Maputo had created 169 jobs at their Maputo store (at the time of doing the research), a small number in a primarily agricultural economy where one third of the urban population lack employment opportunities (Department of Trade and Industry, Mozambique, 1996: 21).

South African Investment in Mozambique

With the lowest South African investment from the Apartheid era compared to other countries of the region, liberalisation of the Mozambican economy since 1985 has allowed a dramatic increase in South African investment. A new wave of investment, led by Portuguese and South African companies, has come into the country. Large flagship investments such as the Mozal aluminum smelting project tied to the Spatial Development Initiative (Maputo Development Corridor/SDI) have seen huge capital inflows tied to these specific projects in the last few years (Business Map, 2009).

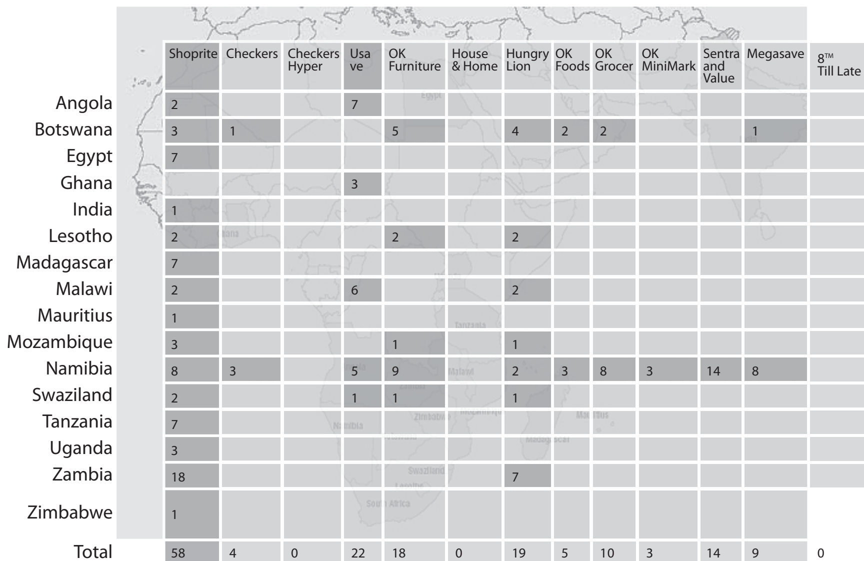
One of the frameworks for national development in Mozambique is the Maputo Development Corridor (MDC), a public-private initiative for development (Pretorius, 1999). The MDC is one of a host of SDI's launched by the South African government. Consisting of industrial and construction enterprises clustered around the N4 road that stretches from Johannesburg directly to the port of Maputo, the MDC was jointly launched two years ago by the Presidents of Mozambique and South Africa.[50] The project seeks to identify potential port/rail/EPZ complexes in underdeveloped target areas that could attract investors and promote local business. The partnership would entail significant outlays of public funds by the state joining up with private investors.

Retail expansion is another significant South African investment trend in Mozambique. As one of the largest retail multinationals in South Africa, Shoprite made R70m/$10m available for reinvestment in Africa in 1999 (Shoprite Company reports, 1999 – 2005, www.shoprite.co.za.). With an overtraded local market, it leveraged its powerful conglomerate towards an African expansion.[51] General Equity unit trusts at seven per cent make up the third biggest slice in South African retail behind banks, financial services and mining resources, the same sectors expanding in Africa. The Shoprite group's historical experience in Africa since the 1960s through their clothing chain, Pep Stores, and their supermarkets in the black-run 'homelands' (nominally independent states) of South Africa gave them some organizational advantages. This experience with black consumer markets, their surplus capital and bold organizational leadership in the company's upper echelons positioned them to best penetrate a consumer market perceived as 'high-risk' and with low consumer savings. Their absorption of other retailers like OK Bazaars added to this sense of 'African know-

how' (Interview, Fritz, General Manager of Zambia Shoprite, November 2000; *Financial Mail*, 11 July 1997; Macmillan 2005; Makoka 2005; Meyer 2002; Portes 2003; Weatherspoon & Reardon 2003).

The retail sector in South Africa has been in a long-term low for a number of years. Competition is tough and South African retailers have used strategies of consolidation, new kinds of retail stores and expansion into other parts of Africa to cope with these challenges. Managers describe the domestic market as "sluggish and capricious" while marketing directors say they have never seen such "deep lows and high peaks" of consumer spending. Financial analysts argue, however, that the eighty-five percent rise in the Retail Index since its September 1998 low, suggests a continued recovery in the retail sector. Over the past few years, competition has narrowed to three large players, Shoprite, Pick 'n Pay and Spar (Tiger Foods) as consolidation of the retail industry has occurred. As Shoprite lost market share in South Africa to large competitors like Pick 'n Pay and Spar's flexible, new 'action stores' , Shoprite, along with other South African retailers like Game, Steers, Debonairs, Engen, ProFurn, the J D Group and Wimpy have used expansion into other African companies as a response to heightened competition. Shoprite has taken its excess cash and headed for the African countries north of South African borders, extending as far as Egypt in North Africa ((Shoprite Company reports, 2004, www.shoprite.co.za).

TABLE: Stores in Shoprite Group in Foreign African Countries



	Shoprite	Checkers	Checkers Hyper	Usa ve	OK Furniture	House & Home	Hungry Lion	OK Foods	OK Grocer	OK MiniMark	Sentra and Value	Megasave	8™ Till Late
Angola	2			7									
Botswana	3	1			5		4	2	2			1	
Egypt	7												
Ghana				3									
India	1												
Lesotho	2				2		2						
Madagascar	7												
Malawi	2			6			2						
Mauritius	1												
Mozambique	3				1		1						
Namibia	8	3		5	9		2	3	8	3	14	8	
Swaziland	2			1	1		1						
Tanzania	7												
Uganda	3												
Zambia	18						7						
Zimbabwe	1												
Total	58	4	0	22	18	0	19	5	10	3	14	9	0

Retailing historically in Mozambique – a brief overview

Like other less developed regions, retailing in Southern Africa is highly diversified, ranging from informal street traders to small outlets with low turnover to larger shopping complexes (Findlay, 1990). Limited purchasing power, low outreach and poor infrastructure are some of the common factors that have restricted the growth of retailing in poorer countries (Paddison in Findlay, et al 1990). In the Mozambican retail sector, the Indian diaspora played a major role in the development of the retail sector. Despite this diversity and prevalence of small traders, the influence of large multinational corporations is writ large in Mozambique's history, despite its small economy.

Newitt (1995) traces the crucial formative impact of the commercial networks established inland and along the coastline by both Portuguese traders and Indian settlers since the seventeenth century. Originating from Goa (a Portuguese colony) in the seventeenth century, the East African coast linked Mozambique to global trade networks. Second and third generation Indians built small retail outlets that traded in agricultural products and consumer items such as cooking utensils and clothing in both the rural areas and in towns. In Maputo, and in smaller cities such as Beira, Quelimane and Nampula, Indians dominated retail trade Portuguese settlers established an administrative presence in retail through import and export businesses and rural retail outlets (Pitcher, 2003: 28-30). In the twentieth century, retail infrastructure clustered in some places and failed to penetrate others, the urban-rural divide being the most graphic illustration of this uneven clustering of money and resources.[52]

One common element in the development of retailing in Africa was the colonial pattern of indigenous exclusion. Credit extended more easily from the British metropole (or Portuguese metropole in the case of Mozambique) to the European entrepreneur. Combined with racial municipal legislation, white-run businesses dominated the formal retail market in many African cities. As settler cities grew in the 1930s and 1940s, central business districts (CBDs) expanded. African businessmen, however, were prohibited through municipal legislation from retail activities in the towns. African townships were typically served with cheap imitations of "white" goods with "for natives only" emblazoned on them. They were kept away from white stores and confined to the "truck trade" (Burke, 1995: 100).

Three kinds of national economic ownership prevailed in the colonial period: (1) foreign, (2) metropolitan Portuguese; (3) local Mozambican (Portuguese and Indian).

Foreign multinationals controlled key sectors of the economy (see Tables 3.1 and 3.2). The crucial agricultural export sector (e.g. sugar, tea, copra) was owned and controlled by foreign investors from Norway, South Africa, Switzerland and the United Kingdom. Metropolitan-based companies exported capital surpluses from Portugal to Mozambique after the Second World War. Cashew-processing, tourism, cement and banking were controlled by large foreign Portuguese monopolies such as the Champalimaud Group, Espirito Santo, the Portugues do Atlantico Group and the Companhia Uniao Fabril (Pitcher, 2003: 28).

Local Portuguese capitalists invested in both Mozambique and Portugal, drawing on local capital surpluses. These capitalists were second generation British and Mozambican immigrants, with a more distinctly Mozambican identity. Their development was facilitated by state restrictions on foreign investment and weak metropolitan capital in the early twentieth century. These included companies with powerful interests in agriculture, light industry and trade, tourism, insurance, pipelines, cotton, rice, sisal, finance and transport.

TABLE 1: Multinationals in Mozambique under colonial capitalism

Country	Products
UK	Tea, lint, metal fabricators, breweries, banana
South Africa	Banking
Italian	Petroleum
Germany	Glass
China	Textiles
India	Engineering
Portugal (metropolitan)	Cashew processing, tourism, cement, banking

Source: Pitcher, 2003

TABLE 2: Local Mozambican companies under colonial capitalism

Country	Sector
Mozambique (Portuguese-local)	agriculture, agro-industry, light industry and trade, tourism, insurance, pipelines, cotton, rice, sisal, finance and transport, wholesale
Mozambique (Indian-local)	Retail, trade
Mozambique (African-local)	Informal trade (by women) in groundnuts, fruits, firewood, beer

Source: Pitcher, 2003

The state exercised an important influence on banking through the Banco Nacional Ultramarino (BNU), financing large private and public development initiatives. This developmentalist role of the colonial state in Mozambique continued into the 1950s and 1960s, particularly in the wake of nationalist challenges to colonial rule.

Mozambique's industrial base developed under Portuguese colonial rule, with most of its textile, beverage, flour, beer and cement factories built in the 1960s and 1970s. By 1973 there were 1,675 companies registered in Mozambique, making Mozambique the eighth most industrialized country in Africa with a diversified manufacturing base (Pitcher, 2003: 31-32). Despite this diversified economic ownership, most of the country's revenue historically was derived from migrant workers' remissions and trade with South Africa (Pitcher, 2003:28).

The 'chibalo' (forced and super-cheap Mozambican labour) developed the plantation economy of cashew, copra, cotton, sugar and tea in the north, the base of the country's agricultural exports. In the south, the coal and gold mines of South Africa tied Mozambique's workers into a system of migrant labour that enriched the metropole, Portugal, and South Africa's mining and finance houses, most notably Anglo-American. African workers also had wage-labor jobs in urban areas (Penvenne, 1995: 5). Many African males were part of the skilled workforce and professionals in the urban areas. The non-agricultural workforce comprised around a half-a-million workers, the majority of the 5.5 million economically active population. This included 75,000 women and 100,000 workers in the mining sector (Pitcher, 2003: 32). Work in these waged sectors was low-paying and labor-intensive, characterized by the labor supply questions of industrializing African economies.

> *"Furthermore, through legislation, the colonial state taxed rural and urban Africans and, up to 1961, compelled them to seek work or to engage in public works projects under the hated chibalo (forced labor) system."* (Pitcher, 2003: 31).

The colonizers surrendered their territories in Southern Africa in the face of nationalist liberation challenges. Mozambique attained political independence in 1975, having launching their guerilla movement (Frente de Libertacao de Mocambique) in 1962.

> *"We shall be a country free of hunger and wretchedness, a people learned and creative in science and culture, a country that will bring mankind still greater conquests. Our country will be a reference point of humanity and civilisation, of high standards of living and morality. Great but glorious is*

the responsibility that falls to us…" (Exhortation, Out of Underdevelopment to Socialism, Frelimo IV Congress).

State control over the economy dominated during this heyday of Independence, with the systems of forced labor and capitalist exploitation coming under sustained political and economic attack. Government took control of key economic sectors such as the banks, industry and agriculture. Land and property were appropriated by the state. The dominant form of ownership in the economy by the early 1980s was state ownership. Most workers thus worked in state-owned enterprises where a strong ideology of worker participation and cooperative forms of governance prevailed.

By 1985, Mozambique had run into severe economic problems. The ruling Frelimo turned to the World Bank and the IMF for help. Severe hardship continued for the people of Mozambique, bombarded by the military of Apartheid South Africa and brutalized internally by the armed bandits of Renamo (Saul, 1985; Hanlon, 1986). While the socialist rhetoric continued, the miseries of daily life hollowed out the hopes of improvement. In the 1990s peace, democratic elections and relative economic stability stilled the trauma of war and transition in Mozambique and introduced a phase of expanded retail accumulation. Coupled with liberalisation policies and the pro-foreign investment stance, the retail sector was opened up to foreign investors. South African multinationals have been one of the principal retail investors in this period.

Shoprite in Mozambique: Centro Commercial in Maputo

"Shoprite is a filthy-rich multinational, (with) billions of US dollars in property. Shoprite has had the chance to grow with Apartheid. Mozambican traders have had to fight war and the competition of the informal sector… Many people were very happy when Shoprite opened. People went there in their droves. I was the only one objecting… What kind of regionalization is this?" (Interview, Carlos Cardoso, Editor of Metical, August 1999).[53]

Shoprite has opened three branches in Mozambique – in Maputo, Xai-Xai and Beira.

The Shoprite store is situated on the edge of the Maputo CBD. It is located in an L-shaped, single-storey mall of shops, many of them South African-owned

(Truworths, Pep stores). To access the store by car, one often has to cross large "dongas" (huge holes in the road), with construction work-teams competing with cars. Once in the enclosed and guarded parking area of the mall, neat cobbled stones cover the parking area. The mall's entrance is made of beautiful modern paving, and the welcoming entrance to Shoprite is the wide, brightly-lit doorway characteristic of many "First-World" supermarkets. Once inside, fresh dairy products, rows of fresh fruit, signs denoting "specials" on promotion and aisle demarcations, rows (about 8) of neatly-attired black women cashiers, black male floor managers in corporate-style shirts and dark pants, race around with clipboards monitoring the shop-floor. Cashiers speak English if requested: in short, everything you would expect if you walked into a well-run, American supermarket. Given the generalized context of reed shacks, ailing infrastructure, "chibalo" labor relations between Portuguese expatriates and subservient, multi-tasked locals, entering Shoprite is like crossing a boundary in space and time, a truly breath-snatching experience.

Like Southern Africa, the contours of uneven development are starkly visible at this local scale as well. The "First World" shopping experience belies the "Third World" urban degradation beyond the paved parking lot of the *Centro Commercial* (Commercial Center). Flanked by a diversity of housing, the Center is sandwiched between beautiful houses and middle-range apartments on its east – what Mozambicans have called the "cement city". To its north and west there is a sprawling, high-density township abuzz with people, informal markets, and stalls selling second-hand clothing. Old and dilapidated formal structures of stone or brick township housing are hemmed in by informal cane housing in the fronts and backs while the roads are sandy and pot-holed.

Modeled on the US shopping mall, the Shoprite Center – *Centro Commercial* – takes up about 12 500 sqm for the shops, and entailed an initial capital outlay of R5.4m (less than US$1m). To a statistical observer, this event carries little meaning. To local residents, however, this store has changed the nature of their lives as consumers dramatically. No longer limited to shopping in open, "mosquito-infested markets", as one resident described them, shopping at Shoprite marks a new consumer era for Maputo citizens. This includes those with very little money who make regular use of the promotional sales at the store. For many Mozambicans Shoprite's investment is 'um bom investimento', a good investment. There are new jobs where there were no jobs. Shoprite has built new infrastructure and imported new consumption

patterns. Consumers have access to a range of commodities that they had limited access to in the recent past – fruit juices, processed meats, different kinds of cleaning detergents, etc. Maputo residents who aspire to modern 'cultures of consumption' may find new commodities and services in cell-phone shops, CD stores, banks and clothing shops that are increasingly accessible through television and other visual media (Interviews: Jose Cabaco, Investment Advisor; Carlos Cardoso, Editor, Metical; Shoprite workers, local residents; Shoprite Mozambican managers; Sept. 1999).[54]

Workers at Shoprite in Maputo

The Shoprite supermarkets represent a new phase in South Africa's relations with the region. The new Shoprite *Centro Commercial* heralded a new era in retailing for many ordinary Mozambicans who in the past were excluded from the hotels and stores developed for the tourists and foreign aid communities. Shoprite-Manda Hill has had a similarly dramatic effect on urban lifestyles and consumer choices in Lusaka, Zambia. This confers an enhanced status on workers outside of their workplaces, a status that does not correspond to their conditions within the workplace.

TABLE 3: Local Mozambican companies under colonial capitalism

	Female Perm	Male Perm	Femal Casual	Male Casual	Total Perm	Total Casual	Total Femal	Total Male	TOTAL
Clerks (admin.)	4	22	0	2	26	2	4	24	28
Dept. controllers	3	6	0	0	9	0	3	6	9
Shelf packers and assistants	17	31	24	30	48	54	41	61	102
Till packers	6	6	5	4	12	9	11	19	30
TOTAL	30	65	29	36	98	65	59	110	169

Mozambican workers enjoy an enhanced status as workers at a powerful, South African multinational company with branches all over Africa. In these poor environments, their smart uniforms and appearance set them apart from poorer citizens. Unlike workers from the older mining and manufacturing sectors, these retail workers work in a modern shopping mall environment that is cleaner and smarter. Despite this "foreign enclave" status, almost ninety percent of workers in both cities responded that there was nothing about work at Shoprite that they loved. They had to be coaxed to find something positive to say about their work environment. Once they were coaxed, they were able to find positive elements in their work, but their embittered feelings made their initial response to this question a highly negative one.

Workers at Shoprite-Maputo found their work conditions degrading because of low wages, long hours and multi-tasking. These conditions were offset for more skilled workers (clerks and controllers) who felt that they had benefited from multi-skilling. The ravages of unemployment were also avoided through work at Shoprite. Even if their work conditions were unsatisfactory, it was better than the insecurity of life without a job. They felt that the extent of South African control over the shop-floor undermined the autonomy and efficiency of local management for whom they had little respect, with only one or two exceptions. Workers at Shoprite in Maputo all looked to South Africa as the standard-bearer of the region, based on its higher levels of industrialization and their knowledge of better conditions for workers. They ignored the internal heterogeneity of South African retail workers, creating an idealized notion of retail work in South Africa based on some inaccurate assumptions.[55] While their views are correct about better conditions overall for workers in South Africa, the declining conditions and growing insecurities of South African workers were something they were largely unaware of.

The Shoprite company magazine and transport workers in the regional firm emerged as important sources of information for these workers. The newspaper is distributed regularly on the shop-floor from head office and workers circulate amongst themselves the copies that they receive and what they have read. Images such as the festivities attached to particular social occasions, such as weddings, engagements and birthdays, had a profound impact on workers in countries where these crucial social occasions are becoming an unattainable luxury. High levels of local poverty and unemployment and illness and death due to AIDS and other causes stretch workers' wages across extended family and friendship networks, causing stress and high levels of responsibility for these relatively younger workers. Porous regional borders also allow information about South Africa to circulate amongst Southern Africans.

Enhanced regional expectations were linked to the perceived profitability and success of this large, South African multinational. Regional claims were strongly evident based on the idea that all workers in a company should get not equal pay but the same pay for the same work. The right to profit-making and economic expansion was acknowledged by workers, but decent treatment of workers was a corresponding outcome that they expected from this economic success. Workers attributed uneven standards between themselves and South African workers to the effect of regional discrimination by South Africa against poorer countries that South Africa could take

advantage of. Notions of regional geometries of power were thus prevalent amongst workers.

Exploitation of Shoprite workers through the use of casual labor appears to be the pattern in Mozambique. Shoprite-Maputo workers are also paid well below average for formal sector workers in the national labor market. Casual workers in South Africa are paid around 1.7 times more than their Zambian counterparts. Casual workers in Mozambique, although they earn more per month, earn less in real terms as they are working a full week of 49.7 hours. The category of casual worker ("eventuais") is being used in violation of the Mozambican Labor Law through the repeated renewal of these contracts. The embryonic Workers Committee formed at the Shoprite store was unable to get the majority of votes needed for a Recognition Agreement. The company was thus able to restrict wage increases and abuse labor legislation restricting the renewal of contracts for casuals.[56]

The Mozambican workers that I interviewed in Shoprite were still infused with the "expectations of modernity" that new foreign investment could bring, comprehensible perhaps against a backdrop of civil war, urban breakdown and restricted capitalist development. The suggestion is that there are still perceptions that capitalist modernity and South African investment will lift the country out of its devastated national state. The increasing growth rate in Mozambique and the rapid urban development under way reinforce these perceptions. Mozambican public discourse still points to the need for neo-liberal privatization and they are still very uncritical about the intervention of new foreign investors.

There was a suggestion from Shoprite-Maputo workers that, while the status of workers has been elevated in South Africa after democratic transition, their status as workers in Mozambique has been downgraded. They expressed feelings of betrayal and abandonment by the country as a whole and by the government. These differences could play an important role in the morale of workers and their capacity to strike, with frustrated hopes and demoralization weakening their capacity for collective action. There was a greater ambivalence amongst Mozambican workers about the positive impact of foreign investment for the country. They were almost unanimous that the foreign investors were a good idea. The workers felt that they had to suppress their separate, sectional interests for the sake of the country. As workers, their problems were subordinate to the larger problems of the country's economic growth. The supermarkets appeared to benefit the country in a variety of ways, including that

they embodied development for Mozambique. Their exploitation was one unfortunate outcome of a process that was essentially good for their country.

They did not cite racist attitudes amongst South African predominantly white management as a reason for their exploitation. This is perhaps because their contact with senior white management was mostly with Portuguese expatriates.[57] For Mozambique, this is their first round of "expectations of modernity", given a past of civil war and limited capitalist development. There are still illusions that capitalist modernity will lift the country out of its devastated national state, and the increasing growth rate in Mozambique and rapid urban development underway reinforce these illusions.

Mozambican public discourse still pointed at the time to the necessity of neo-liberal privatization and they were still very accepting of the need for foreign investment.

Within their workplaces, interviews with workers showed a high level of dissatisfaction. Workers made comparisons with South Africa workers and regional claims were emerging. Different conditions and different national realities, however, create different capacities for resistance and the assertion of regional demands. National differences in the responses of workers seem to suggest defeatism amongst the Mozambican workforce. While workers articulated regional claims, these claims were leading to feelings of disempowerment and alienation. The regional claims of workers can therefore have different regional outcomes, depending on a range of contingent and historical factors.[58]

The suggestion is that there are still perceptions that capitalist modernity and South African investment will lift the country out of its devastated state. The increasing growth rate in Mozambique and the rapid urban development underway reinforce these perceptions. Mozambican public discourse still points to the need for neo-liberal privatization and they are still very uncritical about the intervention of new foreign investors.

Regional implications: Post-Apartheid regionalism and South African corporate expansion in Africa in the 1990s

The opening of Shoprite was part of what was called a 'new scramble for Africa' in the 1990s. While Southern African countries were privatising and liberalising in the 1990s with far more conviction than the tentative structural adjustment of the 1980s,

South African companies aggressively stepped into the markets opened up by these changes. While for many of these companies investment outside South Africa was nothing new, the sheer scale and voracity of this 'new scramble' was different, extending beyond historical Southern African economic partners into North and Central Africa. Some of the new investments were also very large (Anglo American invested $590m and R1400m respectively in Mozambique; McCarthy Retail invested R420m in Namibia).

South African-based or South African multinational corporations have played a central role in constituting Southern Africa as a regional entity. Much of this capital flowed through or from South Africa, allowing part of the regional surplus to fuel South Africa's economic development. Regional development has in many instances implied South African development in the region's past. The regional omnipresence of South Africa as well as the integrating role of its multinational corporations is an important feature of post-Apartheid Southern Africa.

South African (or South African-based) capital historically, through the agency of the multinational firm, has integrated the countries of Southern Africa in an uneven way. South Africa's ability to command capital and labor flows in the region through these powerful multinational corporations accelerated South Africa's economic growth, creating tremendous regional unevenness. South African capital has established a strong claim to the regional space of Southern Africa, both in the present and in the past. The historical geography of capital accumulation in Southern Africa has placed South African capital, through its multinational corporations, at the center of these accumulation processes.

Notes

[50] Four years were allocated for the construction of the wide N4 road. At this stage of the project, the smooth, tarred freeway begins in Johannesburg and ends in Maputo. The border posts are still narrow dust-bowls. The road is swiftly traversable by the luxury coaches that carry the frequent human traffic between Johannesburg and Maputo. For the Frelimo Minister of Information turned Investment Advisor, regionalization is Mozambique's answer to globalization. (Interview, Maputo, August 1999). Returning to South Africa on a Saturday, the South African border post entry to Mozambique had a long queue of cars and many trucks that were carrying construction materials (mostly steel posts and cement) for use in Mozambique. Along the N4 on the Mozambican side, there were small pockets of construction work on the road, with high-tech trucks and machines manned by black, male workers. Small tent-sites in adjacent veld with no infrastructure seemed to provide the temporary housing for workers on these sites.

[51] Other retail multinationals faced with a similarly crowded local market have employed expansion strategies in other global regions such as Europe and Australia.

[52] Sometimes referred to in rather static terms as 'enclave economies' (Mhone, 1992).

[53] Cardoso was assassinated in November 2000. His murder was linked to his investigation of the privatization of Mozambique's largest bank, the Commercial Bank of Mozambique (BCM).

[54] Cardoso, the Editor of Metical, a local faxed newspaper, estimated that the land cost $2.20 per sqm. Land in the downtown area normally costs $100 per sqm. The cheapest land in that area is $30per sqm.

[55] This is similar to the disposition of Zambian workers at Shoprite in Zambia. For more on the Zambian case study, see Miller 2005.

[56] The stores were opened within a year of each other, so neither store is significantly older than the other – *Manda Hill* in 1996 and *Centro Commercial* in 1997.

[57] A limitation in the research is that the focus on relations with South Africa failed to sufficiently explore the peculiarities of the Portuguese-Mozambican relationship.

[58] The stores were opened within a year of each other, so neither store is significantly older than the other – *Manda Hill* in 1996 and *Centro Commercial* in 1997.

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5. CHINA AND INDIA IN AFRICA. AN ANALYSIS OF UNFOLDING RELATIONS

Daniel Alvarenga, Johanna Jansson and Sanusha Naidu

Introduction

China and India are often described as the next engines of world economic growth. The amplified presence of the two countries on the African continent is now widely noticed, and although India's presence might have been less popularly exposed than China's, it is nonetheless of substantial and increasing importance. Popular and academic accounts of this phenomenon range from viewing it as a new scramble for Africa (see for example Lee 2006) to seeing it as a relationship that is beneficial to all parties. This paper seeks to outline and put into context the origins and salient features of the engagements, as well as interpreting what the implications might be for Africa and for the international political economy.

It is important to mention at the start that the effects of China and India's trade and investment in Africa are context-specific. Although this piece explores issues of trade between developing countries at the macro-level, it is important to remember that any generalization is no substitute for a detailed analysis of the complex and multi-layered impact of China and India's engagement in countries' trade regimes and development.

The article favours the argument that the Chinese and Indian presence on the African continent constitutes a response to the current general fluidity in the international political landscape, and offers less support for the view of a new scramble for Africa. In conclusion, we will argue that, in the context of the current features of the

global economy, what Africa needs is African agency. The Chinese and Indian stakeholders are, in contrast to the notion of "scrambling", playing according to the rules of the global economy. We will therefore argue that African stakeholders at all levels need to embrace the situation and advance Africa's governance and international relations' interests. If only to bear in mind that in global politics and economics there are no permanent friends, only permanent interests.

The paper starts out by providing an outline of China and India's economic and political exchanges with the African continent at the turn of the century. Thereafter, these developments, the challenges and opportunities for Africa, China and India, are discussed and interpreted.

China and India are also two countries with important differences. The characteristics of their engagement with Africa certainly differ, as do the different strands of interaction. This article is therefore structured so that both opportunities and threats are discussed. Since the aim of the article is to provide an overview of the engagement, it will not seek to provide a detailed discussion around plausible impacts and possible solutions. Instead, it will present a brief argument suggesting possible ways ahead.

What are the main features of the current engagement?

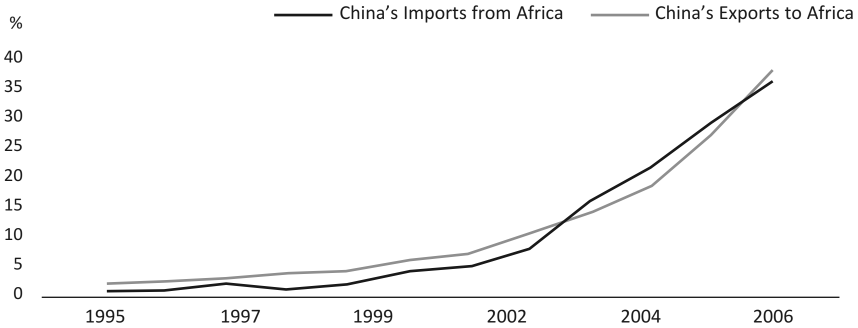
The relationship between China and India is complex. Throughout history it has encompassed collaboration and extensive trade as well as hostility and border disputes (Price 2007). Their economic growth and current strength were built on different industrial strands: the state-engineered Chinese development process focused on manufacturing and on foreign trade while India's economic reform was driven largely by the private sector (Zhao 2007).

The two emerging powers have recently turned to engage with Africa, and the volume of trade between the two countries and Africa has witnessed an exponential increase over the last decade, with the value of trade between China and Africa increasing by an average 24 per cent between 1995 and 2007. Total trade now stands at approximately US$ 74 billion in 2007 (TRALAC 2008).

Bilateral trade between India and Africa rose from $967 million to $9.14 billion between 1991 and 2005 and over the period 1997-2005, exports from Africa to India doubled. (Biswas 2007: 10). Before running the risk of overplaying its significance, it should be noted that part of the explanation as to why the numbers illustrating the

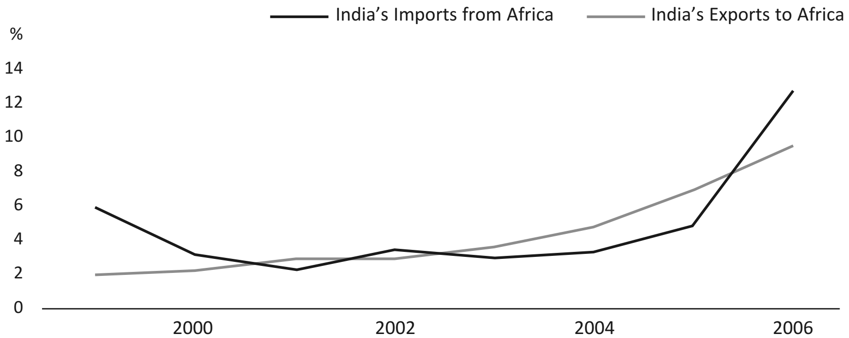
growth of India and China's trade with Africa are so dramatic is because the development started from a low base. Nevertheless, looking at the historical records of the actors, the volume and pace are unquestionably unprecedented.

FIGURE 1: CHINA TRADE WITH AFRICA



Source: World Trade Atlas

FIGURE 2: INDIA TRADE WITH AFRICA



Indian and Chinese activities on the continent have three primary channels; trade, aid and FDI. These are interrelated; trade is closely linked to the integration of African, Chinese and Indian investments into global value chains, and often Chinese and Indian aid offers are underpinned by market-seeking purposes (Kaplinsky et al 2006:23).

Both China and India remain developing countries but are currently modernising and growing at a fast pace. The Indian economic reform started in

1991 and encompassed a gradual liberalisation of markets and removal of industrial regulations. Private enterprises were encouraged to take on a more important role, and software and biotechnology industries recorded important growth (Biswas 2007).

The reform and opening up of the Chinese economy started in 1978. Hussain et al identify three salient institutional features of Chinese development; decentralisation, reforms of the rural economy and moving from old to new enterprises (2006:56). When the economic reform of China started, around 80 percent of Chinese labourers were active in rural areas. When privatisation of Chinese agriculture was introduced, its output was raised dramatically. As rural income increased, the market for rural enterprises expanded and rural industrialisation came about to an extent unseen in any other developing country – village and township enterprises were important elements of growth in the 1980s and in the early 1990s (Hussain et al 2006:65 and Chow 2000). Chow notes that "[t]he secret of success of China's economic reform is to allow the non-state actors to develop in the setting of a market economy" (2000:427). In 2001, the Chinese government initiated its 'Going Out' strategy whereby the corporate sector was encouraged to invest abroad (Kaplinsky et al 2006: 15).

The success in the accumulation of capital by China in the last couple of years has been tremendous. As Callinicos (2005:362) puts it: "where would the world economy be today without the prodigious accumulation process under way in China, a process that is made possible by a very tight set of linkages between the state, the banking system, and both publicly and privately owned firms?". Heterogeneity in the modes of accumulating capital is important amongst the current players in the global political economy; particularly regarding how equally productive and functional capitalist societies can have highly diverging socio-political setups. There is no greater example than the current ascendancy of China and India in the architecture of international political economy. Although their growth rates and competitiveness are telling, they could not be more apart in terms of political systems and the current social sources of power. India is a federal, decentralized system characterized by the prominence of centripetal forces, while China presents a much more centralized and state-controlled economic model. Both seem to be doing reasonably well in adapting to the international capitalist mode of production on an unprecedented scale.

It has been argued that one of the conditions that stimulates growth generally is the "experience of linking new ideas of science and technology to a home-grown path of reconstruction" (Chidaushe 2007: 122). The argument holds that this constitutes a model of development that bears a seemingly important lesson for Africa, and that China and India's engagement provides an opportunity for Africa to learn how to organize trade policy, move from low to middle-income status and educate for quick pay off (Chan-Fishell 2007:139). Such a lesson can however be markedly double-sided; China's growth in recent decades has at times been at the expense of high labour flexibility, regional inequalities, initial low labour standards and lenient environmental norms. In the case of China's development of businesses and companies, the Chinese State has begun to address and overcome these issues only when they develop into a higher-end productive apparatus (Moran 2002). Africa needs to be aware of such problems as the flows of investment keep growing.

Several aspects in the architecture of the global political economy have acted as "incubators" for China and India's engagement with Africa. Most importantly, the economic boom both countries are currently experiencing has raised strong demand both to source resources and to find new markets for their products. Improvement of transport and financial systems, and supply chains as well as in information and communication technology (ICT) are other important vectors allowing for the scale of current engagement and for an increase in FDI from both countries with India investing around US$1.8 billion by 2004 and China US$1.3 billion by 2005 (Broadman 2008). This is however still negligible when compared to FDI flows from the industrialised economies of the North which still account for a greater share. Africa only accounts for about 3% of China's global outward FDI flows while for India the figure is higher, at around 18%; these are calculated with 2004 and 2005 figures respectively (UNCTAD 2007).

Perhaps a significant factor for the increasing footprint of Indian and Chinese investments in Africa is that most states had adopted Structural Adjustment Programmes (SAPs) under World Bank and IMF austerity measures, which have created the correct market conditions for their entry and market traction. It is also worth mentioning that both recognize that Africa is undergoing increased political stability and widespread growth, an ideal trend for motivating their expansion.

The nature of the relationship

India and China have distinct historical relations with the African continent. In the period following decolonisation, linguistic issues made entrepreneurs from India establish themselves mostly in Commonwealth countries such as Nigeria and Ghana. In many cases China's ties with African countries date back to its support for African anti-colonial struggles in the 1960s. Following the establishment of the People's Republic of China in 1949, relations were founded with post-colonial Africa through "moral and material support for different generations of national liberation and independence movements" (Le Pere & Shelton 2007:18).

Both countries have Diasporas in Africa. The historical presence of the Indian Diaspora, especially in Eastern and Southern Africa, has become an important platform which Indian traders from the sub-continent can engage with to help develop on-the-ground knowledge and expand their market share. It is argued that the Indian government mostly chooses to engage with African countries that have a considerable Indian Diaspora (Council of Foreign Relations (CFR) 2007). The Indian Diaspora in general is important for Indian economic growth. Biswas notes that the overseas Indian community has repatriated more than $24 billion in remittances annually in recent years, more than any other Global Diaspora Community. (Biswas 2007)

Chinese migrants have been entering Africa in waves for decades. Corkin notes that "[m]any Chinese communities were established in African countries before the latter's independence. Having settled for several generations, some have naturalised and are a recognised minority group in many countries" (2008:5). However, the Chinese Diaspora in Africa is generally not as deeply rooted as the Indian, although there are a few exceptions, such as in Gabon, where Chinese migrants have been rooted since the early 20th century (Corkin 2008).

In the period immediately after independence, India's Africa policy was rooted in the Non-Aligned Movement and the anti-apartheid struggle, the polemics of the Cold War and New Delhi's own position vis-à-vis the Superpowers and China, resulting in the focus on Africa being pushed to the periphery of its foreign policy and diplomatic engagements. Although this did not entail a complete withdrawal from Africa, India remained committed to supporting the liberation struggles of anti-colonial movements. The changing political and economic global geography after the fall of the Berlin Wall in 1989, saw India's relationship with Africa gain importance. Over

the last 10 years, India has become one of the major players in Africa – together with China and other Asian powers (Biswas 2007:1). Biswas notes that "Africa is considered an important neighbour by India, with oil rich African countries being regarded as a high-priority area in India's foreign policy" (2007:4). Furthermore, India has written off debt owed by African countries, restructured commercial debt and also established an India-Africa Fund of US$ 200 million offering credit to projects that promote Indo-African integration.

One difference between the two countries' activities in Africa is that, like their patterns of economic growth, the Indian investments are largely driven by the private sector whilst many of the Chinese business initiatives are state-owned or state-supported with low-interest loans and massive infrastructure projects (CFR 2007). Furthermore, China's engagement is different to that of India in that it is more capital intensive, while India's is labour intensive. Another important distinction, acknowledged by Broadman (2008), is the way Chinese and Indian firms integrate themselves in the African market. Indian firms tend to be less vertically integrated, procure supplies from local or international markets and conduct more sales with private African entities than their Chinese counterparts. Chinese corporates tend to privilege their economic interactions with African states.

Furthermore, China and India have also become major players in the field of infrastructure in Africa through projects such as roads, railways, stadiums and power plants (Kaplinsky et al 2006:18 and Biswas 2007).

With the objective of situating Sino-Indian relations with Africa in a wider perspective, Pham (2007) notes that "India's advances in Africa are driven by many of the same motivations as China's, including quests for resources, business opportunities, diplomatic openings and strategic alliances. What is different, however, is that, given the dynamics of the emerging US-Indian strategic partnership, New Delhi's increased African engagement, unlike Beijing's, ought to be welcomed in Washington". Like China, India also stresses that it is a developing country but with a functioning democracy. Although the latter is a moot point given the complexities of India's social fabric, which sometimes makes it seem a chaotic democracy.

Accounts of Chinese engagement with the African continent are rife and contradictory. Notions of benign engagement with mutual benefits often put forward by African leaders are contrasted with fears of a new era of colonialism and scramble for resources by the "Yellow Peril of the East". India's engagement

with Africa has not faced the same international interest and critique. Millward (2008) notes that "India has serious separatist problems, likewise stemming from an imperial legacy. But despite some heavy-handed tactics, India does not suffer the kind of international criticism over its approaches to Assam or even Kashmir that China does over Tibet or Xinjiang. One reason for that difference is Indian openness and the wide-ranging discussion of these issues in its own lively press". Millward further suggests that China could win important recognition in the international community by being more open: "Be confident and honest, not defensive and secretive". In this view, a country's image and reputation is determined to a greater extent by the management of its public relations than by the contents of the country's policies.

As this article is written, Beijing is facing serious criticisms over the Tibet issue and its engagement with the Khartoum regime over Darfur. These tensions are being played out in the global public space by international civil society groups calling for a boycott of the Olympics, which China hosts in August 2008. Such global domestic opinion has seen China face a serious public relations backlash that impacted on the Olympic torch relay which had a highly bumpy ride across the globe (Taylor 2008). It has also brought into focus some of the issues that China has to deal with regarding its investments in domestically unstable environments in Africa where there are intra-state conflicts. Conversely, China is, for example, not the only country that is economically active in Sudan. In 2003, India's Oil and Natural Gas Corporation, Videsh Limited, acquired a 25 percent stake in Greater Nile Petroleum Company, a conglomerate also including the China National Petroleum Corporation (CNPC) (Beri 2005:13). Biswas notes that "the Government of India went for the deal and helped the Government of Sudan develop its oil industry in spite of threats from Sudanese rebel groups, on the one hand, and US sanctions against Khartoum over the crisis in Darfur, on the other" (2007: 8). In effect, not much is reported on India's investments in Sudan nor is there any criticism levelled at Delhi for doing business with Khartoum. Perhaps it is China's permanent Security Council status that puts it in the firing line, because it has to be responsible. But this is not a good indicator of global responsibility, as the US invasion of Iraq demonstrates or Washington's own strategic interests in Sudan.

Furthermore, Sudan is an important producer of gum Arabic, supplying more than half the world output of this commodity used to make foodstuffs, pharmaceu-

ticals and sodas, of which the most well-known is the soft drink Coca-Cola (Cecil 2005). The US currently imports gum Arabic from Sudan worth several billion dollars each year. Moreover, more than half of the oil that China extracts in Sudan is sold on the international market (Downs 2007). Hence, the Sudanese oil is sold to many of the countries that criticise China's presence in Sudan. The above examples seek to put the critique against China in context. The aim is not to excuse the behaviour of any superpower, but to contextualise the current debate so as to 'call a spade a spade'.

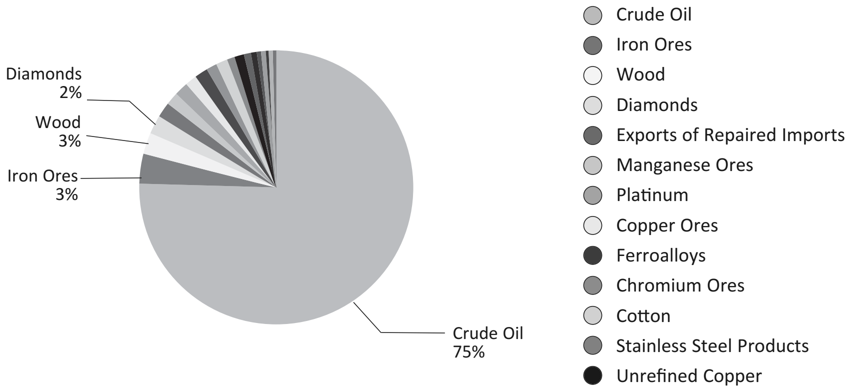
Trade between China, India and Africa

China and India's growth trajectory has affected the world economy in two major ways. First, it has boosted prices of primary commodities, and second, the two countries have become the 'factories of the world' by making and exporting cheap consumer goods as well as services. This development replicates itself in the engagement by China and India with Africa. On the one hand, Africa exports raw materials such as oil, metals, diamonds and agricultural products to China and India, and on the other it imports consumer goods from the two countries.

China and India importing commodities from Africa

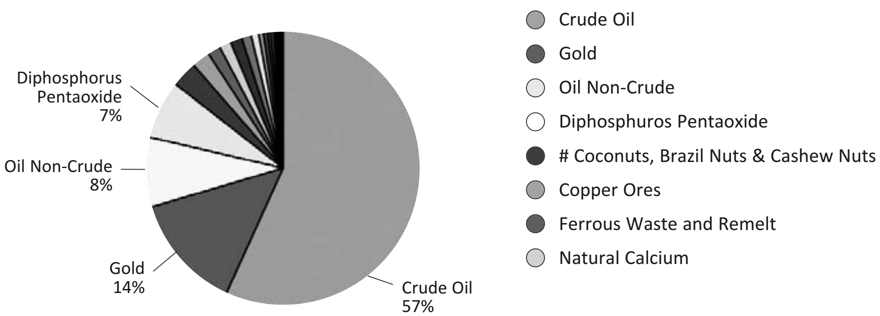
"Booming" is a word often heard in relation to the current developments in China and India. The two economies are growing at a rapid pace with India at 9.6% in 2006/7 and China 11.4% in 2007 (CIA 2008), fuelling their need for raw materials. Singh notes that since India has "more than 1 billion people, or one-fifth of the world's population, India ranks sixth in the world in terms of energy demand" (2007:7). In 2020, 91.6 percent of India's oil is projected to be sourced via imports (Singh 2007:7). In 2006, India's global trade deficit stood at US$ 5.5 billion (Biswas 2007:5). In light of this, countries such as Nigeria have become strategic trading partners for India, and important deals have been struck between the two. In addition, the EXIM Bank of India has extended a line of credit of US$ 50 million to Sudan to contribute to the development of the country (Biswas 2007:7). This engagement fits with the Indian EXIM Bank's historical leaning towards engaging preferably with eastern and southern Africa (Broadman 2008).

FIGURE 3: CHINESE IMPORTS FROM AFRICA 2007



Source: World Trade Atlas

FIGURE 4: INDIA IMPORTS FROM AFRICA 2006



Source: World Trade Atlas

While there seems to be no visible end to China's growth, its demand for energy is also going off the charts. China is now the world's second largest energy consumer with its consumption almost trebling since 1978 (RICS 2008). China's strategy now consists of diversifying its energy interests in different baskets. In the internal market, it recognizes the problems of dominant energy production through coal and will seek to have its Research and Development departments to, in the medium-term, find "greener" and more efficient options for coal production and alternative renewable energies. According to the "China Sustainable Energy Program" (2008), China has "established the world's most aggressive energy efficiency target, calling for a 20 percent reduction in energy intensity (which is a

nation's energy consumption per unit of GDP) between 2005 and 2010". Externally it has no choice but to try and keep up with demand by securing deals in the Middle East, Central Asia, South America and Africa as its limited domestic reserves deplete.

China and India's demand for raw materials has been rising over the last decade. At the same time, demand for primary commodities is likely to remain volatile, as has been observed by the OECD (Goldstein et al 2006). This might engender strategies that over-rely on mono-commodity export and cash crops as an enduring threat for the future of African economies.

This means that synergetic ties between economic stakeholders and the diplomatic corps are essential and that well-coordinated economic diplomacy from the African side needs to be up and running as soon as possible. For instance, South Africa needs to care, know and enter into dialogue with Mozambique about the strategic implications of a dam being built on the Zambezi with Chinese involvement. Similarly, more at a micro-level, Ugandan small business owners and trade unions should be conversing with Ethiopian small businesses and trade unions as well as with the Chinese in order to come up with methods, arenas, ideas and projects forming a platform towards growth. The next frontier is for Africa and China to put together projects providing incentives for Small and Medium Enterprises (SMEs) from China to partner with African SMEs. These are the sort of synergies and initiatives that need to be stimulated. China is pragmatic and very practical in its engagement with Africa and Africa needs to be pragmatic as well. The continent should be one step ahead of China's actions, pushing China to become more reactive to Africa's needs, wishes and actions than the other way around. Assertiveness and organized pro-activeness from a wide range of African economic agents will go a long way. And the same should apply to Africa's Indian engagements.

Uranium is another important commodity that raises the interest of China and India in Africa since it is used as an alternate source of energy, in the shape of nuclear power. The danger is that because African countries do not form part of the Nuclear Suppliers Group they are not bound by the Nuclear Non-proliferation Treaty (NPT) to refuse to sell uranium to India or China. Besides, the uranium extracted from African soil is in its raw form and technically does not constitute a threat. Indian and Chinese companies have been active in this sector in Niger

which has some significant uranium deposits. With China being a member of the NPT this does not contravene the rules of the international nuclear regime. Of course the issue is that China could use this uranium to strengthen its nuclear capabilities, which some policy mandarins in Washington are concerned about. But India represents an interesting case in this regard. Since it has not ratified the Nuclear Nonproliferation Treaty (AAC 2008), it does indeed pose a threat to the global nuclear architecture and the rules of the NPT. At the same time, some argue it could lead to a nuclear arms race with China. Yet the real issue of India's procurement of uranium must be seen in the context of its civilian nuclear deal with the US, which gives Delhi a backstage pass to the NPT and, in effect, makes China very nervous.

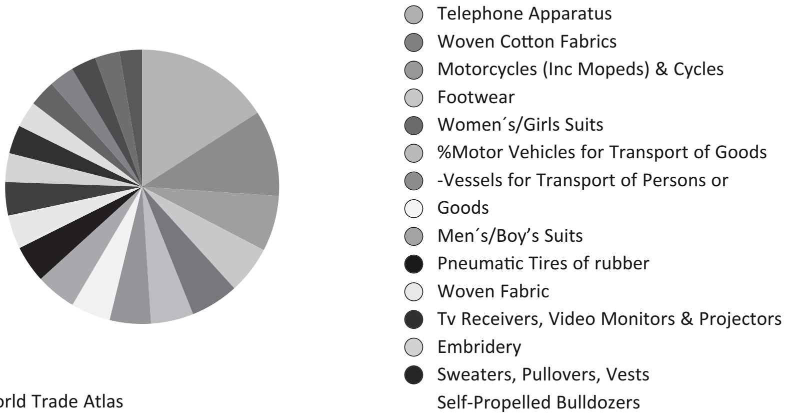
This demand for African resources will naturally have important implications for the continent's growth. According to an April 2007 IMF report (2007), developing countries in general and Africa in particular are expected to keep growing strongly thanks to benign global financial conditions and high commodity prices. Africa's purchasing power, except perhaps for South Africa, still remains minimal although the situation is slowly changing as is evident from recent economic reports about the continent (UNDP 2007). Nevertheless, given the current global recession, Africa's growth rate is predicted to slow down over the coming years, albeit not significantly.

Exporting consumer goods to Africa

The patterns of African import of Chinese and Indian products fit squarely within the logic of the global political economy. In the 1990s, as tariff protection was being reduced in Africa and the lucrative location for business from the 'North', Europe and North America, rapidly became unsustainable, FDI to the continent started to change shape. Henley et al notes that at this point in time "supplying many of these African markets through exports was becoming more attractive as liberalisation began to drive down trade barriers" (2008:1).

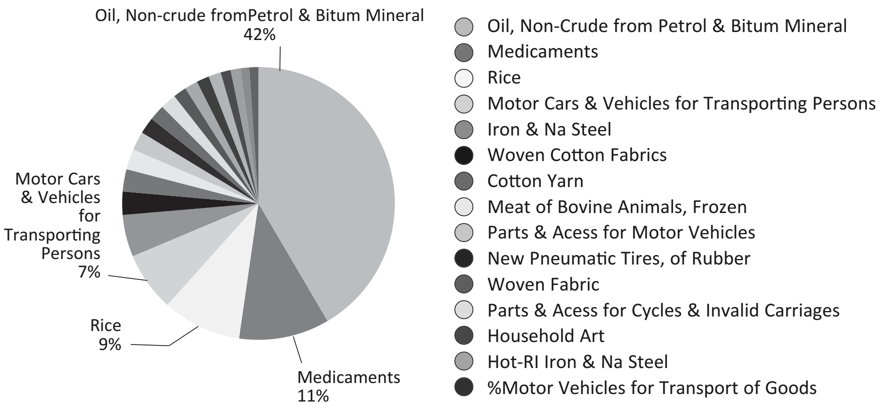
Currently, India's exports include manufactured goods, technology-based services and pharmaceuticals (Africa-Asia Confidential, AAC 2008). The low cost imports from Asia of pharmaceuticals have seen off much of existing local pharmaceutical manufacturing since these have no possibility of competing on price.

FIGURE 5: CHINESE EXPORTS TO AFRICA 2007



Source: World Trade Atlas

FIGURE 6: INDIA EXPORTS TO AFRICA 2006



Source: World Trade Atlas

However, there are exceptions to the pattern. Singh notes that "West Africa's exports to India are much more diversified and labour-intensive than those to China" (2007:5). Also, the exit of TNCs of the "North" from the African arena opened up a window of opportunity "for smaller, more nimble investors able to serve local markets from a lower cost base" (Henley et al 2008:1) Interestingly, investments by entrepreneurial family or kinship based companies such as small Indian and Chinese firms are rarely recorded as foreign direct investment. The reason for this is that most of the time these will not be registered as subsidiaries of companies in their home countries. Hence, their activities do not form a part of the trade balance so often

argued to be to Africa's disadvantage because of exports of non-processed goods and import of manufactured goods. But they constitute a significant component of the trade relationship because of the impacts that they have on the micro economy of most African countries whether in displacing local producers or causing disruptions to supply value chains.

Another argument predicts a shift towards a higher share of value-added products on export from Africa. Basic economics tells us that "market-seeking FDI seeks large populations with rising incomes" (Meyer & Estrin 2004). As such, many African countries now fit this bill, even if there are still conditions in the local economies which do not offer the most inviting absorptive and institutional contexts. Geda (2008:13) notes that:

> *"… the long-term might hold a very different picture: the pace at which the drivers are changing the technological structure of their production and exports, rising costs of locating export oriented production in China, Africa's proximity to European and Middle Eastern consumer markets and a host of other factors might help Africa to become the next 'goose' in the long run. There are signs that such combination of factors have already began to appear."*

Although potential returns through investment in Africa also introduces risks, Chinese and Indian investors are willing to underwrite such risks since their presence in Africa's manufacturing sector is notable, especially in the case of the Chinese (Henley et al. 2008:5). Hence, in the near future we will plausibly see more economic integration arriving through localized hubs such as the Copper Belt in Zambia, southern DRC, Ethiopia and Nigeria's Niger delta as these are able to connect to the international value chain (Broadman 2008). Already the Special Economic Zones (SEZs) identified by the Chinese in Zambia (metals hub), Tanzania (shipping hub), and Mauritius (trading hub) are going to facilitate this process.

Implications of trade

From 1999 to 2004, Africa's terms of trade rose by approximately 30 per cent, an increase far greater than for any other developing region (Biswas 2007). Kaplinsky

et al (2006) discuss how trade can affect Africa. It can either be complementary or competitive. Competitive in cases where African products compete with the export products of China and India, a situation which often affects African export-oriented industries. In the complementary trade situation, Africa's exports fit China and India's profile of import demand, or the Chinese and/or Indian goods function as part of a global value chain as intermediary goods needed in African manufacture.

Both complementary and competitive trade patterns can have either direct or indirect consequences. Direct consequences such as trade data and immediate job losses are easily quantified. Indirect effects are more difficult to measure, but have nonetheless important implications. Kaplinsky et al note that "there is a great danger of focusing on the present, the known and the measurable impacts" (2006:23), while the unknown remains more potent and can have much more embedded consequences. Exports from India or China can crowd out similar African products in third markets such as in Europe and the US while their dominance in regional markets of Asia would pose challenges for African suppliers to penetrate. A complementary indirect effect on the condition for African trade might be, for example, when global prices for commodities rise as a result of increased Chinese and Indian demand. This demand in turn generates greater revenues for resource rich African countries, but again this is short-term and based on a highly volatile international commodities market, as African countries experienced in the 1970s on the back of the oil shocks.

Not only can industries in Africa be affected directly by the import of cheap consumer goods from India and China, but a further indirect effect is on potential industries where competition against their establishment might have serious implications for African development (Kaplinsky et al 2006:26). However, it must be remembered that direct effects such as job losses due to competition from cheap Chinese consumer goods can also come as a result of other intervening factors, such as for South Africa in 2005 when AGOA quotas where removed (Kaplinsky et al 2006:19).

In macro economic terms, Africa has thus benefited from the rising demand for exports to China and India. However, we know that revenues from extractive industries do not always translate into development for the masses of the population. Kaplinsky et al note that "the benefits of this resource boom will not follow automatically – they need effective management" (2006:28). Riches in natural resources might

otherwise strengthen authoritarian tendencies and lead to instability or even civil war – the so called 'resource curse' (Beri 2005:373).

Solutions to the potential trade-related problems can be suggested from various points of view. China and India can be encouraged to take responsibility for the impact that their exports might have for Africa. However, as this article focuses on Africa and possibilities to develop an African agency, the solutions that we will analyse will focus rather on that. Kaplinsky et al note that "there is scope for improving the productivity of existing industries, often by working with value chains (…) rather than individual firms or subsectors" (2006:26). Kaplinsky et al suggest that competitiveness could be improved via industrial policies (2006:27).

Also, the impacts on the environment and on labour regulation from trade and resource extraction have to be dealt with. Furthering policies for environmentally friendly resource extraction and labour regulation could possibly take place through the formulation and ratification of continent-wide conventions regulating the behaviour of foreign investors. This raises a set of significant questions from the African side: Is this being considered by African governments? How will this be managed? Should it be ratified within the African Union (AU) as a continental charter to regulate the behaviour of foreign investors active in fragile states lacking ability to enforce such regulations themselves? Would national governments allow their sovereignty to be limited in favour of the AU jurisdiction? Some African governments are signatories to programmes such as the Extractive Industries Transparency Initiative (EITI), which seek to promote transparency in revenues originating from the export of commodities. However, it is seen by some as contentious and 'Western-biased' as it was initiated in 2003 by the then British Prime Minister Tony Blair, while for African states it is more an exercise to attain legitimacy without executing its terms in a serious manner.

Sino-Indian rivalry on the African continent?

Both China and India seek to present themselves as equal partners promoting mutual interests in their interaction with African leaders. However, there is a perception that China has been more proactive in its relationship with Africa, and that this is difficult for India to match since it does not have "the command economy where state-owned companies can be ordered to pursue the government's directive regard-

less of their own bottom-line" (Sirohi 2008). Similarly, Singh argues that the Chinese aid-for-oil strategy is difficult for India to compete with: "Indian officials admit India does not have the resources to compete barrel for barrel with China in West Africa" (2007:10). Singh goes further to state that India has to develop other strategies in the relationship: "to work the politics better, keep people on the ground on a long term basis, […] [and] courting local politicians etc" (2007:10). Thus while it certainly seems that competition is unfolding between China and India in the African continent, the question is whether it actually reflects a 'rivalry'? Some point to India feeling the pinch of China's economic largesse across the continent. In this regard the Angolan example may have some relevance.

In 2004, India made a bid to buy an Angolan oil concession for US$ 620 million. Concurrent with the Indian bid, the Chinese were also negotiating with the Angolan government for the same concession and offered more than double (US$2 billion). The Chinese offer had however very important sweeteners to it, namely it promised development assistance to the Angolan authorities. This resulted in Angola's state-owned firm Sonangol exercising its anticipatory rights and blocking the Indian bid (Singh 2007:10, Biswas 2007: 9, Kaplinsky et al. 2006:30). As Sirohi (2008) notes, "India may boast of historical links but China wields more influence". He also suggests that it is not just in influence that China has an advantage, but also in service delivery. "China delivers before it announces a project while India announces and often doesn't deliver for years". This, is exemplified by the 2002 promise made by the former Prime Minister Vajpayee of US$ 500 million in lines of credit for Africa that to date has not been completely delivered.

It has previously been argued that India is probably not one of the major players in Africa because of close ties nurtured by African countries with former colonial powers. But while the US and China are major actors in the continent's extractive industries, India can play an important role in the areas of services and small-scale industries, and India is already de facto one of the top investors in countries such as Ghana and Tanzania. (Rediff News 2006).

The FOCAC (Forum for China-Africa Cooperation) meeting in November 2006 in Beijing was a grand milestone in China's strategy towards Africa. The inaugural ministerial conference that took place in Beijing in October 2000 was attended by Chinese and African ministers and representatives from international and regional organisations. During the meeting the Beijing Declaration of the Forum on China-

Africa Cooperation was established, and since then, two Ministerial Conferences have been held – in December 2003 and in November 2006. During the 2006 FOCAC meeting, substantial amounts of cooperation agreements were signed. China promised, among other things, to double its assistance to Africa by 2009, provide preferential loans to a value of US$ 3 billion, establish a China-Africa Development Fund of US$ 5 billion for the support of Chinese companies operating in Africa and cancel extensive amounts of debt owed by HIPCs (highly indebted poor countries) maturing at the end of 2005 (Marks 2007:2). FOCAC represents an important platform for China in its interactions with African leaders.

Indian attempts to rectify this apparent imbalance in influence soon followed. Vines and Oruitemeka note that "[i]n recent years India has strengthened its involvement in the African Indian Ocean Rim considerably. This shift in policy comes in part because of India's desire to compete with China's growing influence in the region" (2008:2). In 2004, India launched the Techno-Economic Approach for Africa-India Movement (Team-9) with eight energy- and resource-rich collaborative partners, including Senegal, Mali, Cote d'Ivoire and Ghana to whom it extended lines of credit totalling US$500 million (Singh 2007:6). This engagement, is indeed strategically aligned to India's resource security and to develop closer ties with energy rich countries in West Africa where its presence has been negligible. Its biggest trading partner in the region is the Ivory Coast. In a similar fashion, Delhi has recently also being making overtures to Angola.

In April 2008, India hosted an India-Africa Partnership summit where "a model of friendship of equals" was presented, aimed to be markedly different than "the Chinese template of 'money for minerals'" (Sirohi 2008). The Indian Prime Minister Manmohan Singh stated at the conclusion of the meeting that "India is not aiming to compete with China vis-à-vis its influence on Africa", and that "India is not in any race with China" (Rediff News 2008).

Yet, whatever importance Indian and Chinese leaders attribute to the belief that they are not competing with each other on the African continent, Africa's resources remain limited and there is clearly a competition to access these. As for the claim that China is pursuing more aggressive strategies in Africa, expressed by Arun Sahgal, Senior Fellow of the United Service Institute in New Delhi (quoted in Africa-Asia Confidential 2007), it will only be determined once we have seen how both countries are behaving in their interactions with African countries and peoples. In order to

discuss this, we have to ask ourselves what Africa needs in its collaboration with external partners. We hold that the success or failure of Chinese and Indian relations with Africa can only be decided by whether or not African countries benefit from their interactions and how well African stakeholders are empowered in the process. The responsibility for this lies partly in the hands of the Chinese and Indian actors, which can choose to enforce or ignore local environmental and labour regulations as well as integrate more transparent methods in their transactions with African governments. A great part of the outcomesof the relationship will however be determined by the success or failure of measures to strengthen African agency and the responses to the process from the African side.

China and India in the African political context

This section seeks to analyse and position the engagement of China and India in Africa within the context of the complex interdependence in international relations. We find that the patterns are diverging. In its engagement with Africa, China is at times challenging the sovereignty and the traditional moulds of inter-state relations, and at times cementing it. The challenge to sovereignty occurs for example when China focuses its engagement with private companies or particular stakeholders within particular regions within sovereign states. This is the case for example with the Niger Delta areas and the private oil companies operating in Nigeria as well as the example of the oil-rich area of Southern Sudan. In such cases, although China is on the side of the sovereign governments as it deals directly with the capitals (Abuja and Khartoum), its concrete interests actually reside in areas which have been in conflict with their central governments (such as Southern Sudan). China's expressed interests, involvement and investments make these areas ever more appetizing for central governments to hold on to, but at the same time strengthen the will of those groups that have been economically and socially oppressed by central governments and engage in conflict to retake what they perceive to be rightfully theirs. The case of the Niger Delta region in Nigeria illustrates this point. The Movement for the Emancipation of the Niger Delta (MEND) sees no socio-economic dividends from the oil revenue that is paid by MNCs to the central government, and protests that nothing is reinvested in improving social and economic conditions in the area.

In some of Africa's most politically fragile states neopatrimonialism, whereby leaders use the realist state template of the international order as a platform for sustenance by corrupt behaviour, is rife (Herbst 2004). In such cases, China and India have to design their strategies by taking into account the workings of neo-patrimonialism.

In a handful of African countries there are successive stories of political instability or of chronic autocracy that show how regime-seeking factions tap into a template of sovereignty that is discursive but also institutional. In patrimonial networks, resources flow from a top-down patriarchal-pyramid of hierarchy, on whom the rest of the networks are dependent. If these persons lose their resource bases or positions of power, large numbers of people are negatively and dramatically affected at once. The result is a situation of perpetuated structural insecurity and unpredictability (Vigh and Whyte 2003:148) that China and India now have to deal with. So far China has shown better skill at navigating these political waters, doing so with pragmatism but also an obvious willingness to take risks and that has given her an edge over India. This is something that India is also bound to discover over time.

It is not clear to what extent the added importance that China's engagement brings to these actors and sub-state geographical units is subversive. It does however give "food for thought" on how to understand the unit of the state, international relations and most importantly the meaning of today's acceleration in economic exchanges for Africa.

On the other hand, China generally prefers high level diplomacy to set up their aid, trade and investment. As a rule of thumb, the public and the "corporate" private sector tend to be one and the same in the African state given the tendency for the appropriation of the state by patrimonial networks of patronage (Chabal & Daloz 1999). Indeed, because the use of the state as an instrument for the accumulation of wealth is particularly prominent in some African states, top private sector companies of those countries sometimes lack the efficiency and the will to seek markets and expand. The Chinese and Indian engagement therefore tends in some cases to reify the sovereignty and the political leverage of patrons in the state apparatus. This connection between African elites and external actors via the international global economy puts the spotlight on what is a drastically different interaction of regions and states with the current accelerated processes of economic exchanges.

China and India as global actors – implications for Africa

In the current conditions of the global political economy, interdependence is the central phenomenon that brings about a diffusion of power in international relations (Simmons & Elkins 2004). In this view, the global political economy might create a more suitable environment for multilateralism, the emergence of international institutions and cooperation by means of a socialization process of states through evolving norms, rules and communication. Relating this to China and India's engagement with Africa, and given the recent nature and pace of this wave of engagement, both countries are just now starting to define what these norms, rules and forms of communication are.

The globalisation concept sheds limited light on the power exchanges and on how relations of causality have been changing at the international level today. As Rosenberg (2005) articulates, the concept is rather rhetorically 'abused' and offers insufficient help in explaining these events. It provides less in terms of understanding the 'political' in the political economy of international relations. It struggles with the origins, distribution and the forms of maintenance of the current modes of economic organization and it has difficulties in shedding any light on the concrete sources of social power. However, what 'globalisation' does hold is the ability to describe colourfully the pace, scope and visibility of the accelerated products of these power exchanges, offering a useful term for describing the marvels of time and space compression.

Instead, we opt for the idea of complex interdependence as a preferable explanatory concept in this context. It addresses what the current conditions bring about: multiple channels of access between the societies we are analyzing.

Except perhaps for the issues of arms trade and peacekeeping, there has been a low salience of security issues in influencing relations between China, India and Africa. At least when it comes to conventional military power-play, force has played a small role in defining the current relations. Complex interdependence is therefore better at theorizing why there has been a clear fluidity and variance when it comes to the matters of a hierarchy of issues in the relationship we are analysing. Although the one-China policy has usually been an overarching conditionality in the diplomatic agenda, this issue starts to lose importance as interest rises in other economic issues. Trade, resource security or other international diplomatic issues have become more

salient and any 'issue-area' can now be at the top of the international agenda at any given time (Keohane & Nye 1989:24)

However, if one looks closer at the recent tangible behaviour of both China and India one can acknowledge some important trends. China's accession to the World Trade Organization (WTO) in 2001 is proof of how international institutions and the will to join such international institutions can affect and alter the behaviour of states. These international institutions have brought about reputation costs, allowed for issue decomposition and issue linkages, reduced transaction and information costs as well as brought some forms of enforcement measures. China is growing while making active use of international institutions to promote the country's development of global power status. Michael Komesaroff (2008) argues that China is now relying on the International Chamber of Commerce in Paris to safeguard its massive investments in the Democratic Republic of Congo. China also wants the protections that the systems' rules and institutions provide (Ikenberry 2008). There are many cases in which institutions do matter. They can: provide information; reduce transaction costs; make commitments credible; establish focal points for coordination, and in general facilitate the operation of reciprocity (Keohane & Martin 1994). Something which must also be viewed in the context of India's role in the WTO and the Doha Development Round.

Regarding the latest developments in the international trade regime, particularly the strength that Brazil, China and India now wield at the negotiation table, it is notably evident that there is a latent tendency for the bigger emerging economies to become more pro-active in diplomacy and concerted political economy engagement with Africa. Evidence of this can be found in China's cooperation with India in the Doha Round negotiations (Narlikar 2004) and the recent Standard Bank deal which has been seen as a "strong show of faith in South African companies' ability to profit from growth prospects in this country and elsewhere on the continent" (Orr 2008). This comes about within the current wave of South-South cooperation and exchanges and is evident at several levels. Most obviously, there have been substantial increases in aid, trade and FDI. There are an increasing number of activities that reflect reorganization and strengthening of the emerging South with greater discursive support, dissent within multilateral organizations such as the WTO and also preparation of a wider diplomatic engagement. The latter will be a result of a broader engagement of both powers with civil society and opposition parties in Africa, something that is

more and more an essential pre-requisite for the state stability and protection of vested investments in the medium to long term. Many developing countries in Africa are on the cusp of a significant economic upturn such as Mauritania, Angola and Mozambique. This is positive news, but one should bear in mind the old and truthful cliché that, although a 'precondition for it', growth does not automatically translate into development. Another frequently mentioned problem with the current outlook is that a considerable part of growth is based on primary commodities, which can be problematic in the longer term (Farfan 2005).

Conversely, the inevitability of what we call "constituency-economics", originally reflected in Putnam's two-level game theory (Putnam 1988), also plays a role when traders, investors and policy-makers allude to their home constituencies as having insurmountable interests they need to uphold and defend on the international stage. The term "constituency-economics" alludes to the persistence of a "zero-sum" game in the politics of international trade, whereby home constituencies press governments to sign off to trade deals that provide them with relative gains in relation to the other signatory. Such phenomena have been illustrated, for example, in the work of Krugman (1997). This is important for understanding China and India's engagement of Africa, as it explains why some developed countries have been "shying away" from multilateralism and pushing on their bilateral and Preferential Trade Agreement Agenda. The problem of "constituency-economics" can be used to explain why South Africa imposed import quotas on cheap Chinese clothing and textiles products.

Are China and India actually set to challenge ideology and consensus and create an alternative engagement to the current status-quo? It seems to be the case that China's diplomatic behaviour is actually not as free-floating as is portrayed. At the same time, its pragmatism is evident as China is able to carry out the most difficult of achievements for a superpower: simultaneously keeping overall positive ties with crucial pairs of regional rivals around the world – Venezuela and Brazil, Saudi Arabia and Iran, Kazakhstan and Uzbekistan, India and Pakistan (Khanna 2008). After 1945, the United States arguably dictated the codes of power relations. Now, as its influence waxes and wanes, the international trading system it helped set up endures. The integration of markets and economic actors has locked international agents into a system and set of rules now deemed good and natural by, not only the US and its western partners, but also by emerging powers such as China and India. Coerced, as was the case during the opium wars, or seduced, China is now part of this economic global

polity (Ougaard & Higgot 2002). It has entered the development game by agreeing to rules that had been previously defined by others but is now taking these rules and is actively seeking to reinvent them. Similarly India is doing much the same.

Implications for, and response from, Africa

The unprecedented rise of China and India as emerging market forces presents a large set of simultaneously delicate, complex and comprehensive challenges and opportunities for the African continent. An effective divide in the developing world becomes obvious when the characteristics of these two massive economies are viewed in relation to some African countries. China and India first and foremost advance their particular interests and play the game of constituency-economics at the international negotiation table. This means that because some African economies are particularly sensitive to tremendous competition from these "giants" they will now tend to try and find a more concerted bargaining position in trade negotiations vis-à-vis the developed world. Africa is not as dependant on IMF agreements as before, as has also been the case for example in South America. The shift in the global political architecture of power, in great part pushed by India and China, has allowed for this situation and provided developing countries with greater autonomy when designing their particular economic policies. Simultaneously it has brought about challenges demanding greater agency from African economic stakeholders and concerted clarity in the strategies that will design Africa's response.

If Africa seeks to use China and India's engagement to "move beyond traditional reliance on single-commodity exports" (Broadman 2008), it will have to design strategies that will allow it to do so. This means that lethargic and passive governance can still result in a repeat of previous structural mistakes. A mishandling of this engagement can still have other malign ramifications in terms of a negative reaction from labour markets, commerce and industries. African economic stakeholders ranging from small to big businesses and to regional organizations need to rethink their approaches by taking into account China and India's engagement. African businesses need to have the capacity to effectively lobby China and India to open up their protectionist trade policies (Broadman 2008) and, at the same time, have the autonomy and space to experiment with innovative and value-added projects.

As India and African countries gathered in New Delhi for the first India-Africa summit in April 2008, African leaders were keen to welcome India's tariff cuts and doubling of financial credit to the continent but they also quickly warned India to drop mere "words and speeches" and advance with "immediate visible projects" (Roche 2008). African countries are thus being increasingly demanding and have every reason, as they hedge their bets and rely on different actors that seek to deepen economic relations with Africa. This can form part of a strategy to promote African interests in the interaction with powerful external actors.

Conclusion

This paper has provided an overview of China and India's engagements with Africa and outlined the possible opportunities and risks that shape this engagement. We have analysed this, not so much within the current discourse of the Scramble Debate, but have rather tried to frame it within what we interpret as the nature of the contemporary global political economy and how this is influencing the China-India-Africa relationship.

But this does not mean we discard all insights from the Scramble argument. Rather we opt for a discourse that is more reactive to Africa's interaction with China and India. While there may be certain inherent characteristics similar to the previous Scrambles, the discourse remains limited in that it is contextualised within a Western-centric framework which is in itself flawed since it takes as its main reference point the behavior of Western powers vis-à-vis Africa. What is missing in the discourse is trying to find an intellectual framework that assesses the rise of China and India within the context of the East's dominance in the period before Christ and whether what we are now witnessing is China and India re-emerging as powerful economies in the global system and a return of history. Consider the following quote by David Smith: "… 2000 years ago China and India between them held a 59 per cent of the world economy (of which India had 33 per cent, China 26 per cent… Their current rise is mainly just a return of the status quo" (2007:9).

Yet, having said this, it is our view that Africa must not overplay this return of history nor what most African government's are engendering as a new 'Look East' policy. It would be easy for African political and economic elites to fall into the same trap of becoming overly dependent on China and India as alternative partners to the

West. Instead we caution that China and India play by the logic of constituency-economics like all other sovereign states, which are seeking permanent interests and not permanent friends.

To this end the promises being made to Africa through the FOCAC Commitments and now with the India-Africa Summit provide Africa with a significant opportunity to break through the bottlenecks in infrastructure development and other structural weaknesses. But these are short-term solutions. African governments must understand that China and India are not going to be the panacea of their development challenges. Instead they need to shape the engagement as well. In his magnus opus, The Wealth of Nations, Adam Smith talked of an 'enlightened selfishness' that states need to entrench to become globally competitive. China and India have understood this and are moving towards this 'enlightened selfishness' with great speed. But what is Africa's 'enlightened selfishness'?

The threats of China and India's engagement are not only felt at the macroeconomic level but also behind the market at the micro-level in the informal sector where most petty African traders earn a livelihood. Understanding how China and India impact on the livelihoods of these traders is critical because in Africa the informal sector is a survival sector. Thus, as China and India integrate further into the global value chain, this will pose significant considerations for those living in the informal sector, not least because China and India are also dealing with massive socio-economic inequalities. How African governments respond in protecting the interests of their own marginalised constituencies is important. Already we are witnessing such tensions becoming apparent whether in the Niger Delta region, on the Zambian Copper Belt or in remote parts of the continent.

Therefore, for Africa's engagement with China and India to be a sustainable strategic partnership, it has to be a pragmatic engagement that pushes beyond the current bilateral relations to include a multilateral framework that endorses the AU and NEPAD as primary actors in this regard. At present, it seems that the permanent interests of African states is to keep these institutions weak, which does not bode well for the favorable conditions that African leaders point to when assessing their engagements with China and India i.e. that it facilitates the continent's greater integration into the global economy. Nor should African leaders see China's increasing presence in multilateral institutions or that of India as a means to this end. While it should be acknowledged that at the recent India-Africa Summit

African delegates urged that India should be a stakeholder in the continent's development, this does entail that Africa must be the CEO that shapes this process. Hopefully such signs are indications that Africa is awakening and will not remain a passive agent in the China-India rise.

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6. CAN SADC-EU TRADE NEGOTIATIONS UNBLOCK DEVELOPMENT AND REGIONAL INTEGRATION?

Richard Kamidza

Introduction

The European Union (EU) and the African-Caribbean-Pacific (ACP) countries are currently negotiating the Economic Partnership Agreements (EPAs) meant to replace the thirty-year-old Lomé non-reciprocal trade regime by 1 January 2008. While no country in the ACP community should be worse off under the EPA outcomes, the process has split African countries into four configurations[59] for the purposes of negotiating an EPA. This paper seeks to discuss the negotiations between the EU and the Southern African Development Community (SADC) configuration, which comprises of Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania. The SADC-EPA negotiations were launched on 8 July 2004 in Windhoek, Namibia. Until March 2007, South Africa[60] had an observer status in the negotiations. As shown in the Table I, the SADC-EPA region is currently trading with the EU under the Cotonou Partnership Agreement[61], Trade and Development Cooperation Agreement (TDCA)[62] and the Everything but Arms (EBA) Initiative[63]. The Cotonou Agreement and EBA initiative offer SADC-EPA products duty-free and quota-free access into the EU market without the requirement for reciprocity while TDCA is a reciprocal agreement that legally binds South Africa's products only.

While the EPA negotiations assume a win-win-game, the negotiating parties are unequal in both economic and political terms as reflected by the EU, which is largely

strong, enlarged, powerful and united on the one hand and the SADC group which is hugely weak, poor and fragmented on the other. The parties have also huge disparities in their socio-economic and political conditions. The on-going process remains complex without clear outcomes, and is set to fortify Europe's vertical links with the SADC-EPA group. The EPA process does not take into account developmental differences between Europe and the region, and within Southern Africa itself. This not only impacts negatively on the industrial development of the SADC-EPA economies, but also frustrates and/or disrupts regional integration that has all along been bankrolled by the same partner.

TABLE I: Economic and trade status of the SADC group

Country	Economic status	Trading status
Botswana	Non-LDC	Cotonou Partnership Agreement
Namibia	Non-LDC	Cotonou Partnership Agreement
Swaziland	Non-LDC	Cotonou Partnership Agreement
Angola	LDC	EBA
Lesotho	LDC	EBA
Mozambique	LDC	EBA
Tanzania	LDC	EBA
South Africa	Non-LDC	TDCA

The EPA outcome to-date reveals challenges, fears and negative implications to regional integration and economic development in the SADC-EPA group in particular and southern Africa in general. Emerging EPA outcomes entail huge adjustment costs to individual member-states of the group, which, if not taken into account, hampers the industrial growth and development necessary to stimulate regional economic integration. The outcomes are likely to worsen the supply-side constraints thereby discouraging both the domestic and foreign investment necessary to stimulate industrialisation, export diversification and competitiveness. Furthermore, loss of fiscal revenue is likely to negate socio-economic development, thereby worsening the already unimpressive human development situation of some member-states. Already there are doubts that EPAs would provide additional resources for socio-economic development; open new economic productive frontiers and opportunities; and enhance local entrepreneurial competitiveness. The risk to the group remains that of perpetuating the unhealthy post-colonial dependence on Europe for developmental aid and fiscal support, which unfortunately leads to further neo-liberal market integration, trade liberalisation and privatisation of state-owned-enterprises. Indeed, debate at consultative sessions so far have failed to

demonstrate political commitment to transform the group's productive structures which largely export raw materials while consuming manufactured and capital goods from other regions – mainly the EU.

The EPA negotiations and outcomes have introduced challenges, fears and implications for regional integration and economic development which my paper seeks to address. Beside the introduction, the rest of my paper is divided as follows: chapter two provides the economic performance of this configuration; chapter three articulates trade relations between the group and Europe; chapter four shares the state of negotiations; and chapter five analyses emerging challenges, fears and implications for regional economic development and integration. The paper concludes by suggesting policy recommendations that are necessary to ensure a pro-developmental trade regime with Europe.

SADC-EPA Group

Economic profile

SADC-EPA is a diverse group of countries facing various development challenges. There are large differences in economic size, development, trade patterns and factor endowments. South Africa, the latest member to join the group, has the largest, most sophisticated and highly diversified economy which offers a wide range of benefits to other members of this group. The country not only has high offensive and defensive interests in its relations with the EU, but also dominates the rest of the group's economies. Indeed, these economies are not only small, weak, vulnerable and inward looking, but also least developed[64], highly indebted poor countries[65] and land locked[66]. Furthermore, these economies procure more South African goods and services than from elsewhere while exporting their products to the same economy, which has a relatively large and diversified market. However, as is the case with the Southern Africa Customs Union (SACU), which in addition to South Africa, comprises of Botswana, Namibia, Lesotho and Swaziland (the BNLS countries), the development locks these economies into a high costs growth model, a situation which is a major incentive for countries to introduce external competition into their markets (Draper, 2007). While this benefits SACU member-states which have already an inbuilt compensation mechanism to offset potential indus-

trial relocation effects, it is certainly going to negatively impact on Mozambique, Angola and Tanzania (MAT).

External performance

Minus South Africa, the group's major exports include raw materials such as oil, diamonds and fish, which attract low value at the international market. Most countries are mono-export commodity producers including Botswana (diamonds); Tanzania, Namibia and Mozambique (fish); and Swaziland and Mozambique (sugar), and therefore generate low foreign currency. For instance in 2003, the seven member-states of the group (minus South Africa) have five products which accounted for more than 86% of the total SADC-EPA exports to the EU (Masiiwa, 2005). These are precious stones and metals (diamond and gold), oil, aluminium and fish which account for 47.3%, 19.1%, 10.4% and 10%, respectively. Minus South Africa, the group's trade with the EU is extremely skewed in favour of Angola (41%), Botswana (22.5%) and Tanzania (13.7%). Over the same period, the three economies together accounted for 77% of the configuration's total trade with Europe. Minus South Africa, the group is currently benefiting from the sugar protocol[67] (Swaziland, Mozambique and Tanzania) and beef and veal protocols (Botswana, Namibia and Swaziland). For instance, Namibia have benefited from a 13,000 tonnes beef quota and an 800 tonnes grapes quota, annually. There is therefore high expectation that the EPA trade regime will sustain significantly these protocols. However, the group (excluding South Africa) has foreign currency constraints due largely to their narrow and undiversified industrial base. As a result, the countries are net importers. For instance, in 2003 the group imported from Europe plant and machinery (29.5%), transport equipment (24.3%), food and beverages (8%), non-precious metals (7.7%) and chemical products (6.8%). The countries also have significant debt servicing obligations, which divert resources away from investing in industrialisation; export diversification; research and development; higher learning and skills training; and technological advancement. This raised the bar for a pro-development and regional integration EPA outcome. Failure to achieve that gives credence to the perception that EPA outcomes may continue to tie the group's economies to Europe in an unbalanced fashion that undermines national and/or regional producers of goods and services and overall socio-economic conditions.

Agriculture not only dominates economic activities, but is also the source of food security. While a few cash crops, such as cashew nuts, sugar and tobacco, generate foreign currency, food security remains critical, especially to vulnerable households, most of whom are experiencing undernourishment. Although the sector provides employment opportunities to over 70% of the population, most agricultural activities have remained largely subsistence or small-scale in nature. The same weak and poorly funded sector is currently competing with subsidised agricultural products from Europe. As a result, most SADC-EPA agricultural products fail to compete against EU products on the national, regional and global markets.

There are four countries which dominate the fisheries sector. These are South Africa, the new member, Mozambique, Namibia and Tanzania, which are well endowed with abundant marine resources. Namibia and Tanzania have significant inland fisheries activities. Namibia leads in large-scale fishing activities followed by Angola and Mozambique. Tanzanian and Mozambican fishing are dominated by artisanal activities. On the global market, the demand for fish and fish-products has been steadily growing. Correspondingly between 2005 and 2006, Mozambique shrimp output rose from 9,000 to 9.300 metric tonnes; and Namibia's output jumped from 20,000 to 25,000 metric tonnes, while Mozambique's export of assorted fisheries produce[68] increased by 10%. This mirrors production and export potential in some countries, though there is growing concern over rapid depletion of fisheries stocks in the above countries, a development that requires a just trade regime between EU and this group, proper management of fisheries resources and curbing of illegal fishing activities.

SADC-EPA-EU Trade relations

EPAs are essentially "free trade areas" between partners that are both economically and politically unequal. The process remains complex without clear indicative outcomes. Expectations are that the new trade regimes would synchronize SADC-EPA relations with the EU which is currently defined by TDCA, EBA and the Cotonou Agreement. EPAs are conceived within the neo-liberal policy agenda of "one size fits all" trade liberalisation and market integration, which has authored downsizing, de-industrialisation, de-agriculturalisation, regional disintegrative processes and unimpressive socio-economic indicators in many countries of this group in particular and

African economies in general. South Africa, a relatively advanced and diversified economy which not only has an existing trade pact with Europe, but also both offensive and defensive interests with that market joined the group on 7 March 2007. But, as the rest of the SADC-EPA economies continue to be marginalised on the regional and global markets, the economic prospects remain bleak, and poised to support Europe's concerns of solving its overproduction and profitability crisis by opening up more markets for its products and services.

The EPA outcomes are likely to promote Europe's interests at the expense of Southern Africa's long-term sustainable development and regional integration. EPAs are linked to multilateral trade negotiations, which have continued to collapse, mainly due to trade distorting measures from Europe, the United States and other industrialized economies. The negotiations seek to introduce a World Trade Organisation (WTO) compatible trade regime between Europe and this group. As such, there is no political will to explore options to circumvent the waiver argument that is whipping the group's negotiators towards the 31 December 2007 deadline. But, as feared on many occasions by civil society groups, it appears that EU is unwilling to foster politically an alliance with the ACP group thereby neutralising potential opposition towards the waiver extension. While EPAs speak of vertical integration of the group's economies with that of Europe, emerging short- to medium-term outcomes are certainly going to worsen the plight of industrial producers, small-holder farmers and consumers in this group. It is also going to negatively impact on regional integration and overall economic growth and development in respective member-states. This is despite supporting Europe's interests of securing more market access for products and services as well as her interests at the multilateral level.

Europe has assumed greater control over the development agenda including regional integration of southern Africa, and hence continues to set frameworks and/or conditions that facilitate further capitalist exploitation, expansion and hegemony. Europe is able to protect her producers (industrialists and farmers), service providers and consumers through negotiating trade regimes covering such aspects as tariff escalations, quotas, rules of origin, patent legislation, subsidies, and export credits. However, in many instances, the negotiations have undermined the sub-regional industrialization thrust including regional integration while introducing a new generation of issues, a development that requires capacity depths in the group. This worsens the existing socio-economic underdevelopment, limited industrial output and export

competitiveness situation of the SADC-EPA economies. Thus, through development aid and debt control, Europe continue to exert strong influence in the internal affairs of the respective countries; regional events, processes and developments; and policy formulations and implementation. The EU wields tremendous power and influence over the weaker SADC-EPA group which ends up not only complying with her interests, but also fails to prepare and articulate offensive and defensive positions and/or interests necessary to shape the future trade regime.

TABLE II:EC support to selected SADC-EPA countries

Country	Project	Budget	Period
Angola	Trade policy general (Technical Cooperation Facility)	Eu 3.6 m	April 2006 – December 2013
Botswana	Trade policy general (Technical Cooperation Facility)	Eu 1.385 m	Mid 2004 – September 2007
Lesotho	Trade policy general (Technical Cooperation Facility); and	Eu 1.9 m	2006-2008
	Customs valuation (Asycuda)	Eu 1.0 m	
Namibia	Trade facilitation (Namibia trade and regional integration programme)	Eu 3.0 m	2005-2009
SADC[69]	TBT/SPS (Foot and mouth disease)	Eu 12.6 m	2006-2011

Source: compiled from www.sadc.int/english/tifi/trade/documents/inventory/TRAsector-table1Aug06.pdf.

Europe is a strong trading partner and a significant donor to the countries of this configuration, where it is currently bankrolling a number of initiatives including the implementation of various national and regional developmentl programmes or projects; regional integration efforts; the fiscal expenditures of some countries; and bilateral trade negotiations. Indeed, most countries in this group get aid and fiscal support from the EU, which in many instances become instruments to achieve its trade agenda. As Svensson (2006) shows, financial support induces aid dependence syndrome, which in the case of Tanzania and Mozambique, is projected to rise to 27% and 47% of gross national income (GNI), respectively by 2010. Table II illustrates how the EU as a donor is bankrolling the implementation of national and/or regional development programmes and/or projects; regional integration efforts; fiscal expenditures of respective countries; and bilateral trade negotiations. The support is in the form of both direct financial flows and/or technical assistance covering a wide range of mandates including the on-going EPA trade negotiations. Already the EU has supported Swaziland's fiscal restructuring which enabled the country to diversify its tax base; Namibia's public financial management; harmonization of Lesotho's value-added tax system with that of South Africa; and fiscal adjustment of Mozambique, Angola and Tanzania. Furthermore, the EU is sponsoring[70] the on-going SADC-EPA

negotiations in which its institutions have remained influential at both the national and regional preparatory processes. The strategy is to entrench the EU's capitalist exploitation, expansion and hegemonic agenda towards this group in spite of growing rates of poverty, unemployment and other social ills.

The EU, as a donor, is known to apply various threats to trading counterparts including withdrawing development assistance, investments and budgetary support; and re-imposing trade barriers even during the negotiation processes. The threats have in the past contributed to desired outcomes and the fear of the same is expressed through regional disintegration, adjustment costs and revenue losses. It appears clear now that the EU with the support of the global neo-liberal agenda of the WTO, the International Monetary Fund (IMF) and the World Bank (WB) seeks to entrench trade liberalisation, privatisation and market integration agenda in this configuration.

Although EPAs seeks to promote poverty alleviation, sustainable development and gradual integration of the group's economies into the global economy, there are indications of profound implications for local production; competitive investment and trade; welfare provisions and employment opportunities; and government revenues. Significant negative impacts would be felt by impoverished communities such as farmers, small producers, people with disabilities, fishermen and informal traders while loss of government revenues negates the economic human rights of citizens. The EC is aware that the group's economic production and trade structures are certainly going to satisfy the medium- to long-term interests of the EU's global trade agenda.

SADC-EPA activities reflect busy schedules for member-states in spite of the expressed commitment by both sides to meet the tight deadline (SADC-EC Joint Road Map). This entails rationalising the negotiations by clearly structuring the preparatory meetings taking cognisance of the limited capacity of the group. This also means stretching existing capacity, especially now that the TDCA review has to be adjusted in order to take into account the direct interests of BLNS countries. Capacity stretching is also clear given that the institutional mechanism has to ensure full participation of the BLNS countries in the TDCA review. It is possible that the TDCA review has to consider indirectly the interests of the non-SACU members of the group – MAT economies, which may demand observer status during this process. The capacity stretching was reflected in June 2007 when the EC organised

different meetings in Windhoek (for non-state actors) and Walvis Bay (state actors), simultaneously, despite knowing very well that both state actors and non-state actors have been participating equally in the Regional Negotiating Forum (RNF). This resulted in the SADC EPA Unit desk, the intellectual advisor to this process, failing to interact with non-state actors while the European Commission (EC)'s objective of "we came and consulted" was rightly recorded. This also means that the non-state actors could not only participate at the RNF process, but also follow the proceedings.

SADC Group state of play in the negotiations

The negotiating roadmap

The SADC EPA-EC Joint roadmap expressed commitment to meet the deadline of 31 December 2007 by outlining the objectives, principles, organisation, main targets and time-frame of the negotiations. Both parties committed to redefine the scope of negotiations as well as reorganise the work plan in order to facilitate successful completion of the negotiations by the deadline. The roadmap defined the negotiating principles and identified priority areas including development dimensions; regional integration; market access in non-agriculture, agriculture and fisheries products; trade in services; rules of origin; trade facilitation; technical barriers to trade (TBT); and sanitary and phytosanitary standards (SPS). As such, group activities reflect busy schedules for member-states and the region. This means that the negotiations have to be rationalised in terms of clearly structuring the preparatory meetings taking cognisance of the limited capacity of the group and the review of the TDCA whose adjustment becomes necessary so as to take into account the interests of the BLNS economies.

The negotiating structures

The SADC-EPA roadmap agrees to conduct these negotiations through a three-tier structure, that is, at the Ministerial, Senior Officials and technical levels. In this respect, the Botswana Minister of Trade and Industry has been designated to lead at Ministerial level; a Chief Negotiator at Senior Official level; and the EPA Unit of the

SADC Secretariat at the technical level. The group agrees that at national level, government and non-state actors (the private sector and civil society organizations) develop strategies, synergies and options through wide consultations and deep involvement of all the key stakeholders (such as farmers, producers, and exporters) that advance the respective countries' offensive and defensive interests, positions and concerns into the regional framework. Furthermore, non-state actors form part of their respective government delegations to Regional Negotiating Forums (RNF). In addition to the national and RNF in which all the stakeholders participate, albeit at different levels, there is the Regional Preparatory Task Force (RPTF)[71] comprising development experts of the SADC Secretariat and SADC member states; and the EC officials from Directorate General Trade, Directorate General Development, EuropeAid Cooperation Office and the EC Delegation in Botswana. The main objective is to ensure the link between trade and development as well as to support the identification of EPA related technical assistance needs. Indeed, RPTF is expected to enforce strategic linkage between EPA negotiations and development cooperation, that is, ensure that the process supports trade and economic cooperation provisions and the development component of the Cotonou Agreement as well as efficient delivery of support to this group during the preparatory stages of the negotiations. Further, SADC set up a specific EPA Unit within its Secretariat to coordinate the negotiation processes with member states as well as prepare negotiation positions. The EPA is headed by a Chief Technical Adviser and is staffed with officials seconded from SADC-EPA member states.

The negotiating sequence

The joint roadmap agreed to sequence the negotiations in three stages. As shown in Table III, the group allocated six months to set its priorities for negotiation; two years and six months to engage in substantial negotiations, that is, developing positions and interests; and one year and six months to conclude the process with the EC.

TABLE III: Sequencing of negotiations

Phase	Time Frame	Subject matter of negotiations
Phase I	July to December 2004	Setting priorities and preparation for negotiations
Phase II	January 2005 to July 2007	Substantive negotiations
Phase III	July 2007 to December 2008	Finalisation of negotiations

Source: SADC-EC Joint Road Map

The negotiating principles

Both parties agreed to prepare these cluster negotiations at the technical level and guided by principles that have been derived from SADC-EPA Unit documents and other sources. These principles include:

- *Instrument for Development:* This takes into account specific socio-economic, environmental and structural constraints of the countries concerned; the capacity to adapt their economies to the EPA process; and the developmental objectives of SADC as spelt out in its Regional Indicative Strategic Development Programme (RISDP).
- *Regional Integration:* This premised the SADC–EC EPA process on regional integration initiatives of SADC member-states in terms of its design and sequence; and is intended to complement and support regional integration process and programmes; harmonise regional rules; and consolidate the SADC regional market.
- *WTO Compatibility:* This ensures that the SADC–EC EPA shall be compatible with the prevailing WTO rules and principles, taking into account the context of the Doha Development Agenda.
- *Preservation of the Cotonou Trade benefits:* This ensures that the SADC–EC EPA not only preserves, but also improves the current ACP and EBA preferences into the EU market for SADC exports. The outcomes should therefore ensure that all SADC-EPA member-states are better off.
- *Special and Differential Treatment:* Both sides concur that the SADC–EC EPA outcome provide special and differential treatment to all SADC countries, taking into account the particular needs of LDCs and such situations of vulnerability as small and single commodity countries; landlocked countries; natural disasters such as drought and floods; and countries emerging from conflict.
- *Sustainability:* This entails that the SADC–EC EPA have both negative and positive significant implications for the socio-economic fabric of group member-states in terms of welfare maximisation and adjustment costs minimisation.
- *Legitimacy and Transparency:* This entails that the SADC-EC EPA establishes its legitimacy in the eyes of all the parties to the agreement through its contribution to sustainable development. Furthermore, this calls for both parties to

involve widely and deeply all relevant stakeholders in the negotiations as well as mobilising public support for the process and the outcomes.

- *Resources and Support for Adjustment:* The implementation of the EPA process entails adjustment costs, a development that calls for adequate fiscal revenues to upgrade productive structures, human resources and institutional capacity. Resources are therefore needed to assist member-states in meeting EPA-related adjustment costs.

The negotiating processes and outcomes

After the launch of the EPA negotiations in 2004, the group religiously followed the road map in its quest to meet the given deadline (31 December 2007). As a result, intense discussions occupied a large part of 2005 resulting in the "Framework for EPA Negotiations between SADC and the EU" document that was adopted by the SADC-EPA Ministers of Trade on 12 February 2006, in Luanda, Angola and subsequently submitted to the EC on 7 March 2006 at a joint SADC-EC-EPA meeting in Gaborone, Botswana. The proposal by this group combined the agreement for the five SACU countries based on the TDCA provisions, but with modifications to accommodate products that are sensitive for BLNS and the EU, plus market access for MAT economies on the basis of EBA. Thus, the framework document sought to: (i) lay the foundation and to develop an approach which would be compatible with the existing negotiating capacity in the group and ensure that negotiations are completed before the expiry of the WTO waiver for the Cotonou Agreement on 31 December 2007; (ii) create a single trade regime between the EU and SADC by merging the Cotonou Agreement, EBA and TDCA; and (iii) retain the impetus for regional integration among the SADC member states while using the EPA to support integration efforts in the region. Its key proposals and the EU's response are summarised in table IV.

The document takes cognisance of the existing production and trade structures which invariably are basically commodity based as agriculture and mining account for an average of over 50% of the total GDP. These sectors not only have linkages with the rest of the national and/or regional economy, but also sustain the livelihoods of the majority of the population. The document also takes cognisance of the prospects for further growth and export diversification given the group's weak and relatively

underdeveloped manufacturing sector currently protected by high tariff walls. High tariff regimes significantly apply to sensitive[72] and special products.

TABLE IV: SADC-EPA proposals and EC responses

SADC-EPA proposals	EC responses
The BLNS countries should use the TDCA as a basis for their market access offers to the EU.	The EU has accepted the use of TDCA as a basis for market access offers but proposed a differentiation between South Africa and the rest of the SADC-EPA member-states. This effectively means that there will be two treatments for EU exports to the SADC-EPA region and for imports into the EU market from the region. There would not be any technical problems regarding exports to the EU as opposed to imports where close monitoring would be required.
The three LDCs in this configuration (Angola, Mozambique and Tanzania) should not be required to reciprocate the concessions from the EU.	The EC insists on some form of reciprocity for the LDCs with respect to tariff concessions. Tanzania has indicated to the Senior Officials that they would also like to reciprocate because EBA does not help them to develop. Mozambique and Angola have not yet made clear whether they would also like to reciprocate or would prefer EBA.
South Africa should be accepted as a substantive member of the SADC-EPA configuration.	The EU has accepted the inclusion of South Africa in the group.
There should be no binding commitments on new generation issues under the EPA but the issues should be discussed for purposes of cooperation only.	The EC insists on the inclusion of new generation trade issues in the EPAs. The EC's argument is that the issues are necessary to achieve development and would also provide certainty to investors about the region. The EU also insists on linking the inclusion of these issues in the negotiation and development assistance to be offered under the EPA.

Source: Botswana Ministry of Trade and Industry/NCTPN/12th/2007/9

The framework presents a strategic approach that navigates the complexity of trade relations in the SADC-EPA group. In this respect, the framework document seeks to lay the basis for harmonizing three existing trade arrangements[73] with the EU; co-ordinate and align the TDCA review process with the EPA negotiations; develop an approach that is compatible with existing negotiating capacities in the group with the view to conclude an EPA within the set limits; retain the impetus for regional integration amongst the SADC member states; and ensure that the EPA process supports existing integration efforts in the region, that the SADC-EPA arrangement with the EU is WTO compatible, and that proper alignment exists between trade related technical assistance in the EPA process with the programming of EU development support.

The framework further notes that the BLNS already offer reciprocity to the EU through SACU of which South Africa is a member, hence may consider the TDCA as the basis for tariff negotiations taking into account all their sensitivities, especially that of Lesotho and Swaziland. Already the BLNS countries are suffering revenue losses and adjustment costs due to the TDCA, a development that calls for specific compensation from the EU (See Table V on page 18). Angola, Mozambique and Tanzania as LDCs

– are not required to offer market opening to EU under the EBA initiative, a position that has been protected by the Doha Development Round processes. Based on the above, the SADC-EPA group through this framework hopes to provide the EU with a differentiated or variable geometry offer based on the EU's current access to the SACU market with appropriate adjustments to accommodate BLNS sensitivities; and a non-reciprocity offer for Angola, Mozambique and Tanzania. The above satisfies WTO disciplines while allowing SADC-EPA the time and policy options to define a regionally determined approach to harmonize tariff structures necessary to sustain economic growth and development in a globally competitive market.

As from 7 March 2007, the EC accepted South Africa as an active participant of the SADC-EPA group. This means adopting the TDCA template. However, this creates challenges relating to differential treatment of sensitive sectors, including agro-processing industrial activities. Indeed, the dilemma of the EPA process centres on how to differentiate group countries, that is, South Africa, other SACU member-states and non-SACU economies. Is the EPA outcome therefore ready to give equal treatment in spite of huge economic differences within the group? The above negates the spirit of a 'united group voice' and has potential negative impacts for weaker and vulnerable economies.

Furthermore, the SADC-EPA group aims for more liberal and simplified "rules of origin"[74] that allow greater access to the EU market. However, this poses challenges, which the group ought to monitor tightly. There is a possible risk of giving different treatment to BLNS and MAT countries. Therefore, porous borders between and/or among group member-states coupled with absence of tight intra-regional controls could allow imported products from the EU to evade duty charges. This requires MAT countries to vigorously inspect imports from SACU that could have originated in the EU..

The configuration seeks to build capacity on SPS and TBT standards which are necessary to secure better market access. Already both parties have produced technical reports to continue guiding discussions on the levels of technical and financial assistance. Though the framework notes the importance of trade facilitation which seeks development support from the EU, no binding obligations will be entered into under the SADC-EPA. Similarly, the group not only wants to construct a set of conditions to protect fisheries resources, but has also commissioned a study to assist in on-going sector consultations.

The framework dismisses negotiating new generation trade issues such as services, intellectual property, environment, investment, competition, procurement and labour. The group has rightly observed its limited institutional and negotiating capacity. The group also observed that currently the SADC bloc has no common policies covering these issues, a position that not only poses serious policy dilemmas, but also possibilities of delivering unbalanced outcomes which may negatively impact on national development objectives and prospects for deeper integration.

While the framework focuses on the technical exchange and cooperation necessary to develop institutional, policy and legislative infrastructure, the group wants the EU to provide significant levels of financial and capacity building support. The financial support is necessary to redress supply-side constraints; compensate for fiscal revenue losses and the costs of trade diversion and other related socio-economic adjustment costs; and build infrastructure for trade facilitation. Similarly, support for capacity building enables SADC-EPA member-states to upgrade their respective productive structures in ways that promote export diversification; enhance export capacity; redress non-tariff barriers such as SPS and TBT imposed by the EU; facilitate technological transfer and efficient use of information and communication technology; and promote small and medium-sized enterprises and foreign direct investment. It is therefore imperative to speed up the disbursement of the financial assistance, especially the European Development Funds (EDF), as well as properly align the funds with the development component of the EPA negotiations. But the EU has been accused[75] of psychologically applying undue pressure through the 10th EDF with the view to force some countries to switch configurations. This has been the case with Swaziland which was prevented from negotiating under the ESA group; the DRC which switched from ESA to CEMAC; and Tanzania which switched from this group to initial an EPA with the East African Community (EAC) group, a bloc that was not negotiating an EPA (e-comesa Newsletter No. 96). While countries are experiencing difficulties in accessing the promised resources, the same editorial noted that "the EC has linked as well as preconditioned programming of 10th EDF to specific configurations", a move perceived to achieve the goal of switching countries.

However, the framework proposals required a change in the negotiating mandate of the EC thereby resulting in a lengthy consultative process with EU member-states, Commission Services, producers, consumers and other constituencies. This explains why the EC took a year to respond to their counterpart's proposals[76]. But there was

no corresponding lengthy consultative processes involving all the constituencies in the SADC-EPA group. Indeed, the SADC-EPA intellectual leadership who are leading the negotiations at the technical level failed to meet with civil society groups, exporters, producers and Members of Parliament with a view to brief these important constituencies on the processes and outcomes. On more than four occasions, the civic bodies were unsuccessful in their efforts to bring the SADC-EPA Unit to its regional dialogue sessions. Indeed, lack of consultation involving all the constituencies in this configuration is worrisome for it is likely to produce unbalanced future trade pacts between the two regions. Furthermore, civil society groups which have not interacted with both the negotiators and the SADC-EPA Unit desk since 2004 remain outside the EU-led processes. Their interaction remains limited to NDTPF and RNF dialogue sessions only. Proactively, civic bodies organised a number of meetings in 2006[77] hoping to interact with the SADC-EPA intellectual leadership *(see Box 1)* who are leading the negotiations at the technical level, but alas, those initiatives went begging. Equally, there was no interaction with the SADC-EPA Unit desk during the annual SADC Summits where both parties were present though at different venues. This not only fuelled perceptions of secrecy, lack of transparency, legitimacy and marginalisation of the above constituencies to the process, but also illustrates a lost opportunity to collectively shape future trade relations with Europe.

Box 1: How SADC-EPA Unit failed civic bodies in Southern Africa

SADC-EPA Unit officials failed to attend (i) a regional EPA meeting organised by the Trades Centre in Harare, Zimbabwe on 7-9 September 2006; (ii) a regional civil society dialogue organised by the Consumer Unity and Trust Society – Africa Resource Centre (CUTS-ARC) based in Lusaka, Zambia, whose theme was "EPAs and Economic Development in ESA Countries" on 19-21 October 2006; (iii) a roundtable discussion organised by the Southern Africa Regional Poverty Network (SAPRN), based in Pretoria, South Africa, whose theme was "EPA negotiations: Challenges and Opportunities for Poverty Eradication in Southern Africa" on 23 October 2006; (iv) though presented to the 21st Plenary Assembly of the SADC Parliamentary Forum meeting in Johannesburg, South Africa on 10-17 November 2006, under the theme "Enhancing the role of Parliaments in Governance and Development at Regional Level: Trade and Development Issues relating to the ACP – EU Trade negotiations", the two SADC-EPA Unit officials left immediately without interacting with MPs who had expressed concerns about the process, substance and expected outcomes.

Although the joint meeting of 2006 committed to redefine the scope of negotiations and reorganise the work plan in line with the set deadline including the extension aimed at concluding a "comprehensive EPA", the EU was/is aware of SADC-EPA group's institutional capacity deficiencies in comprehending the task at hand. A further split of this group following the initialling process in December 2007 is a major set-back to a balanced future trade regime crafted in conformity with existing regional trade protocols and indicative strategic plans.

Unresolved challenges and fears

Introduction

A recently completed joint EPA review has noted a number of challenges which are not only likely to negate sustainable socio-economic development, but also race against the set date. These relate to institutional and negotiating capacity; and divergent views between negotiating parties. As a result, various stakeholders, especially those outside the negotiations mandate have expressed fears that the EPA outcome may entrench donor dependence syndrome thereby surrendering national and/or regional development initiatives and fiscal needs to external funders. These challenges are likely to dilute robustness in formulating offensive and defensive interests, position and offers. They also point to negative implications for economic growth and development and regional integration.

Supply-side constraints

Meyn (2005) notes the failure to provide development aid necessary for the SADC-EPA countries to improve their export capacities. Indeed, the SADC-EPA countries face huge physical, human and institutional barriers which limit their production potential and market competitiveness. They have erratic, expensive and inefficient systems of economic and physical infrastructure, which damage their ability to produce with as much speed, variety and cost-efficiency as the EU. Indeed, most countries have weak supply capacities, which inhibit their potential to exploit the benefits from current EU trade preferences. The major supply-side bottlenecks include unreliable public utilities (electricity and water); poor public infrastructure

(run down roads, bridges and railways); weak institutional policy frameworks (fluctuating exchange rates, high inflation rates and poor fiscal measures); low labour productivity (arising from deficient education, poor health and inadequate housing); and an unattractive investment climate. The above shows that the frequent dangling of the "development envelope of recycled resources", which effectively authored the present negotiating configurations is likely to produce a non-developmental EPA outcome.

Production capacities and export competitiveness

SADC-EPA states have yet to develop their production structures in line with the dictates of global industrialisation, export diversification and market competitiveness. Invariably, the level of industrial production and the export base have remained very weak, narrow and highly oriented in favour of primary and unprocessed commodities. Pessimists note that EPA outcomes are likely to provide limited options to individual countries' industrial strategies and development; and may prohibit discrimination against 'foreign investment' thereby forcing SADC-EPA economies to lose their option to protect national 'infant' industries or to promote investment policies that encourage upstream and downstream industrial growth. This not only inhibits efforts towards building national and regional industrial capacities, but also limits market competitiveness and export diversification efforts.

The above indicates constraints on economic development, which an EPA outcome may fail to redress and/or take a much longer time to resolve. There is fear that EPAs are intensifying further opening up of national and regional economies to international competition thereby firmly entrenching the neo-liberal policy project of the 1980s and 1990s. The negative perceptions are strong in those countries which had bad experiences of the "one-size-fits-all" economic reform blueprints, which fear that the EPA outcome may result in loss of industrial competitiveness, expansion and/or sustenance; and employment opportunities. They also fear that cuts in tariffs immediately translate to revenue losses which further undermine industrialisation in terms of skills training and innovation, research and development as well as the diversification efforts that not only generate competitive products, but attract foreign investment capital.

Regional dis-integration

SADC, with the financial support of the EU and other international cooperating partners, has established trade protocols seeking to facilitate intra-regional and/or inter-regional trade and beyond. The region has embraced a regional free trade area (FTA) agenda to be launched in August 2008 and has expressed its desire to become a customs union by 2010. In spite of this good work, the EU is sacrificing the very regional integration agenda it has been bankrolling for decades in order to conclude a new trade regime with the countries of Southern Africa. Due to the EPA process, the EU has created conditions for it to easily pluck and regroup countries in ways that suit its long-term goal of establishing FTAs and its agenda at the WTO trade architecture. This is against the EU's argument that EPAs can only deliver if supported by a strong regional integration impetus. But SADC-EPA negotiating countries belong to several regional integration initiatives (see Table V below). For instance, Angola and Swaziland are a members of COMESA, which has formed a free trade area (FTA) and plans to implement a customs union in 2010; Angola is a member of the Economic Community of Central African States (ECCAS); five countries belong to the Southern African Customs Union (SACU); Tanzania belongs to the East African Community (EAC), which formed a customs union in January 2005; and all countries are members of SADC, which is expected to launch its FTA in August this year (2008) and customs union in 2010. The above suggest that countries must comply with various tariff reduction schedules, rules of origin and other liberalisation requirements. This further suggests various trade agreements offering different trade preferences in the group. However, no country can belong to more than two different customs unions, unless these unions have equivalent trade policies (including a common external tariff, in which case the two could be merged). Thus, the SADC-EPA countries must juggle several regional integration processes, each involving a different common external tariff.

Regional trade is characterised by a combination of cooperation and competition. But South Africa, without consulting its neighbours – mainly SACU countries – signed TDCA with the EU. Furthermore, as the EU and South Africa signed TDCA, they were both aware of the inherent negative implications the new trade regime would entail for BNLS counties and non-SACU economies in this group and beyond. Now that SACU member-states have revoked article 31 of the SACU Agreement of

2002 which stipulated that "no member-state shall negotiate and enter into new preferential trade agreements or amend existing agreements without the consent of other member-states". this has paved the way not only for South Africa to become an active participant to this group's process, but also the realignment of the SADC-EPA process with the existing TDCA template. Kamidza (2007) expressed fear that the on-going EPA process may compromise SADC member-states' collective ownership of the impetus, direction and time-frames for deeper regional integration as stipulated by RISDP. It is feared that the negotiation outcome may fail to harmonise not only existing multiple free trade negotiations with the EU, but also timeframes and resources targeted at a single trade regime to govern SADC-EU future trade relations.

The process is systematically hurting and undermining existing regional integration efforts. It is further dampening efforts to reconcile multiple memberships of configurations despite serious inherent future contradictions within respective countries, and between and/or among countries. In the case of SADC-EPA, this means re-orienting countries which also belong to other economic integration blocs[78]. While this points to small, weak and fragmented regional integration frameworks, it also shows total disrespect for existing regional integration efforts. The fear is that the process has negative implications for regionalism, long perceived as a necessary stepping stone for integrating regional economies into the global economy. The fear is also that the EPA process is increasingly becoming a backward trajectory to regional integration and completely out of touch with the reality of the development challenges facing Southern Africa in general and SADC-EPA in particular. Indeed, weak and vulnerable regional negotiating configurations such as this configuration cannot withstand the pressure and negotiation prowess of the EU.

EPAs have re-oriented SADC countries into new regional trade groupings, in spite of the politico-socio-economic realities of member-states. Judging by the rate of meetings, emerging literature and stakeholders interaction processes, EPA configurations are increasingly assuming the status, roles and functions of existing regional economic communities (RECs) in Africa. Indeed, the EPA political framework and process runs contrary to medium- to long-term goals of existing SADC trade and investment portfolio. There are fears that formulation of offensive and defensive common negotiating positions may suffer from commitment to many regional efforts, low level of trade integration, divergence of economic interests, missing convergence in tariff levels and existence of 'special and differential' treatment for LDCs. Further,

there is fear that the future of intra-SADC trade relations will be more complex leading to the possibility of splitting the countries permanently into four blocks – namely:

- SATDCA, that is in existence already;
- SACU-SADC-EPA countries that are already locked into the trade liberalization scheme of a 12 year TDCA;
- Non-SACU-SADC-EPA countries which are all LDCs (Angola, Mozambique and Tanzania) and have the potential to retain their non-reciprocal trade relations with EU. With the exception of Mozambique, these countries are hardly economically integrated into SACU economies; and
- Non-SADC-EPA countries that are negotiating an FTA with the EU under the ESA configuration (Madagascar, Malawi, Mauritius, Zambia and Zimbabwe); and CEMAC (DRC).

However, regional integration has so far received considerable attention in the negotiations. This is due to two factors: (i) multiplicity of regional memberships, which somewhat slowed down negotiations as countries had to find ways of navigating the complex and numerous trade arrangements in the Southern African region while maintaining coherence within the region and with the regional integration agenda; and complexity arising from the simultaneous existence of three trade arrangements in the configuration, namely, the Cotonou Agreement, EBA and TDCA. Proponents of EPAs argue that agreements of this sort will strengthen regional integration while acting as a driving force for the gradual integration of individual economies into the global economy. An obverse view holds that the EPAs have created the right conditions for the EU to split the regional blocs, particularly those members negotiating under different coalitions, a development that saw few countries initialling the EPAs[79]; two refusing to initial[80]; and one initialling in another grouping[81].

Ngwenya (2007) questions the ability of EPAs to facilitate regional intra-trade when EU products are likely to displace regional production, especially in higher value-added sectors. Indeed, regional trade will decline in favour of imports from the EU, thereby making it difficult for firms to compete well on the local and regional markets. Likewise, subsidized agricultural products will be dumped into the region thereby forcing farmers to abandon production due to unfair competition. As a result,

sectors which contribute to livelihood, food security and rural development get threatened as reflected by losses in entrepreneurial profits, jobs and incomes.

There is a growing perception that consultation of constituencies being undertaken by the EC[82] is focusing on the politics of SACU at the expense of MAT countries. This exposes the process as anti-configuration unity of purpose in terms of developing interests, positions, concerns, fears and offers for negotiations. This is further worsened by the fact that DG Trade, which is currently leading negotiations, is only concerned with opening markets, regardless of size but at the expense of development. This shows that EPAs are not for development, but market integration. The process has clearly displayed neo-liberal perspectives while no reference is made to existing regional integration policy documents, treaties, programmes and protocols; and SADC's commitment to existing objectives, timeframes and programmes and/or projects. For instance, SADC's RISDP, the objective of which is that SADC should become a single macro-economic entity responsible for regional policy harmonisation, promoting regional infrastructure and consolidating common institutions, has been put on ice until the conclusion of the EPA processes.

Trade and development cooperation agreement and adjustment costs

Europe negotiated TDCA with South Africa, the dominate economy of the SACU region. However, SACU as a single trading and negotiating entity for all the member-states, was not involved when South Africa negotiated an FTA with Europe. The TDCA between South Africa and the EU among other things calls for total liberalisation of the services and goods sectors. Specifically, under the TDCA, South Africa is to liberalise her agricultural and industrial market by 81% and 86%, respectively, in order to allow the EU's subsidised commodities to enter the SACU market duty-free for a period of 12 years. While TDCA provides greater access of South Africa's products to the EU market, as well as positioning its competitiveness on the international market arena, the new trade regime has huge cost implications to the economies of BNLS. This exposes the BNLS economies to the EU competitive environment thereby destabilising existing production structures, resulting in more unemployment and poverty. TDCA lowers tariff levels thereby reducing significantly SACU's customs revenue, and invariably reduces the overall share of revenue accruing to BNLS countries which are not party to the new trade regime. For

instance, prior to the new trade regime, the EU accounted for 40% of all SACU imports, a revenue source that guarantees that Swaziland, Lesotho, Namibia and Botswana receive 45, 42, 28 and 17% respectively. Now with TDCA in place, there is a drastic implication for the common revenue poll, which significantly affects Swaziland and Lesotho which traditionally draw over 40% of the total common poll revenue. Bertelsmann-Scott (2006) estimated that revenue losses to BNLS ranges between R1.9 billion and R3.5 billion a year thereby translating into significant decline in BNLS fiscal expenditures, especially social services (health, education, housing, and civil servants employment) and infrastructural development. Table V shows an annual revenue loss to BLNS countries of R2 billion, which translate into more loss to BNLS countries than to South Africa. Lee (2001) notes that BNLS countries would suffer losses arising from trade diversion by importers from non-European markets to the EU because of the FTA regime.

TABLE V:Distribution of revenue losses from a R2 billion reduction in duty collections

	SACU revenue (R Million)			% Share
Country	Before reduction	After reduction	% Change	of revenue loss
Botswana	4,008	3,423	– 15%	29%
Lesotho	1,984	1,709	– 14%	14%
Namibia	3,228	2,753	– 15%	24%
Swaziland	2,795	2,371	– 15%	21%
South Africa	13,027	12,787	– 2%	12%
Total	25,042	23,042	– 8%	100%

Source: Bertelsmann-Scott, 2006

Although TDCA is signed only by South Africa, the lifting of all border controls within SACU allows European goods duty-free access to BNLS markets as well as non-SACU regional member-states. Thus, the new trade regime undermines the agricultural and industrial sectors in many of the SACU, SADC-EPA and non-SADC-EPA economies whose markets risk being flooded by cheaper products from Europe. This is further worsened by porous borders which are difficult to police, especially in those economies experiencing rapid shrinking of the formal economy leading to growing unemployment and informal sector activities including cross boarder trading. The above promotes easy entry of EU products beyond the South African economic boundary. Within the framework of SADC-EPA, the negative impact falls heavy on Angola, Mozambique and Tanzania rather than on other SACU member-states which at least directly benefit from tariff revenue that goes into the common revenue pool.

TDCA violates existing agreements among members of the regional customs union to which all countries belong. Even though the group adopted the TDCA template, they are opposing any 'attempts to require South Africa to allow more market access for EU products' which could potentially displace their exports to South Africa. While efforts to harmonize SACU's trade relations with the EU under one trading regime is appreciated, serious consideration ought to be accorded to MAT countries' interests in the EPA outcomes. This requires proper scrutiny by all national and regional constituencies, especially non-state actors[83] with an oversight function in economic justice activities. But as noted by the EU Ambassador to Namibia[84], "the non-state actors have been ignored in the process". This is imperative in the spirit of 'configuration unity' as emphasized during the launch of EPA.

Although South Africa is now a member of this group, other SACU member-states will continue to suffer adjustment related costs. The review of TDCA and the finality of EPAs is a process that takes considerable time before implementation of outcomes. Meanwhile, negative implications of TDCA will continue to be felt. Another emerging fear relates to the possibility of South Africa's dominance in the process driven by the desire to renegotiate offensive and defensive interests albeit at the expense of other members of the group, especially the LDCs. This seems to favour the EU's political game plan since any objection from the group is viewed as that of South Africa, yet negotiation is with the group. The EU is stepping up demands for the inclusion of services in the negotiations, a proposal that is certainly going to hurt South Africa and few other members of the group. The fear is that other group countries through psychological warfare (part of 10th EDF) (see page 13) are being pressured to accept the inclusion of services in the negotiations. There is fear that such proposals risk dividing the group in ways that have serious future ramification for the economies of the respective countries.

Expected revenue losses

The EPAs are associated with adjustment costs for countries of this group. These have been estimated to cover the following: fiscal adjustment; trade facilitation and export diversification; production and employment adjustment; and skill development. From Table VI below, leading losers include Tanzania, Swaziland and

Mozambique (fiscal adjustment costs); Mozambique, Tanzania and Angola (trade facilitation and export diversification); Mozambique, Angola and Tanzania (employment adjustment); and Mozambique, Tanzania and Angola (skills and productivity enhancement). Further, the total adjustment cost shows that the most likely losers are LDCs.

TABLE VI: Estimated EPA related Adjustment Costs of ESA and SADC configurations, Million Euros

Country	Fiscal adjustment	Trade facilitation & export diversification	Employment adjustment	Skills and productivity enhancement	Total adjustment cost
Angola	40.0	45.0	40.0	45.0	170.0
Botswana	30.0	12.0	25.0	15.0	82.0
Lesotho	40.0	25.0	25.0	35.0	125.0
Mozambique	60.0	90.0	50.0	65.0	265.0
Namibia	40.0	12.0	12.0	15.0	79.0
Swaziland	60.0	12.0	25.0	15.0	112.0
Tanzania	70.0	65.0	40.0	65.0	240.0
Total: SADC	340.0	261.0	217.0	255.0	1,073.0

Source: "The European Development Fund and the Adjustment to Economic Partnership Agreements", Commonwealth Secretariat, November 2006 http://ero.at10.be/content/documents/trade_negotiations-01/pdf/1.1.epa-general/Costs-EPA-Related-Adjustments.pdf.

Disunity in the Interim Economic Partnership Agreements

By the end of December, six countries had initialled the EPAs at different stages as per the long-term set redline. In this respect, Botswana, Swaziland, Lesotho and Mozambique initialled first in late November 2007. followed by Namibia the following month. Namibia signed under protest insisting that the EU pay particular attention to her concerns. Tanzania signed as part of the EAC, which means effectively that the country is no longer a member of this configuration. Two countries of this group did not sign, and these are South Africa which reverted to the TDCA, and Angola which indicated that it would accede only when ready to do so. The initialling of EPAs illustrates that governments have different positions, offers and interests which the EC has exploited to its advantage. This can also be viewed as part of a divide-and-rule strategy of skillfully using, exacerbating and creating divergences between negotiators in the region. IEPAs have now paved the way for engagement in the "Comprehensive EPAs" which is currently underway. Initially, the end-game was scheduled for June 2008, but the indications are that the redline might be pushed to December 2008.

Conclusion and policy recommendations

SADC has two groups – the SACU countries and non-SACU SADC economies. In the negotiations, the former act as one group of countries and are bound by the common external tariff while the latter act as individual customs territories though they are all LDCs. SADC-EPA countries are expected to reciprocate, a development that entails not only reduction in both tariff and non-tariff obstacles, but also massive cuts in government revenues. It is important to always ensure that member-states' interests are well taken care of and adequately represented in the negotiations.

National and regional negotiators, activists, policy makers and other stakeholders should strategically work towards defining the final EPA content in line with the dictates of industrialisation initiatives, export diversification options, regionalism efforts and the socio-economic development agenda. Such commonly defined pointers should properly harness all opinions, perspectives and suggestions. Only Africa in general and SADC-EPA in particular lacks such strategic networking. This explains why the group negotiators have, since the launch of the EPA process, failed to interact publicly with other constituencies beyond the "diplomatic spaces" of NDTPF and RNF.

A proposed offer by the EC does not address the real problems of market access for ACP countries in general and SADC-EPA in particular, which are the standards and rules of origin. In addition, the EU made four offers to the region, that is, 'SACU offer', 'Mozambique offer', 'Angola offer' and 'Tanzania offer' yet the negotiations are a corrective effort of the configuration as clearly defined by the negotiation road map. It is thus strange how these separate offers are emerging when the negotiations are between the EC and the group. Already, the initialling of the Interim EPAs, in which five countries initialled under the configuration framework, one country confirmed in another community that was not party to any of the proposed configurations, and two countries refused to endorse the agreement illustrate the vulnerability of this group to the "tactics", "recycled developmental envelope" and "political manipulation" of the EC.

The language of the EC has always been "configuration process and stakeholders", why then formulate separate offers when the configuration submitted a composite proposal? Negotiators would be naïve if they accept separate offers, which should be contemptuously dismissed as a "divide and rule" tactic that the EC has relentlessly

employed since the launch of EPA negotiations with all the ACP configurations. Negotiators should be reminded about the slippery "development envelope" which authored the split of the ACP into six (6) regions at a time when "territorial enlargement" was on the EU's agenda. Therefore, the group's citizens should question the motives for such separate offers. In addition, why is the EU treating South Africa as a major competitive threat each time the group shows boldness on certain views on the table? Why is the EU using threats of loss of market access for exports from this region if EU-led EPAs are not concluded by 31 December 2007? This is both a threat and a manipulation tactic.

The development dimension was explicitly included in the Cotonou Agreement to the point of being the main mover of EPA negotiations, but now it has been restricted to the periphery of the negotiations. Instead, the EU has allowed DG Trade to negotiate with regions while DG Development remains in charge of "the development envelope" of recycled money which crops up only if certain objectives are to be met. It is imperative that the group's negotiators, stakeholders and citizens question the EU's political commitment to release the 'development resources' and the rationale of allowing both DG Trade and DG Development to continue employing confusing signals. The EC has thus argued that members of the group, just like in other configurations, failed to "detail exactly what they want in the development dimension beyond uncosted requests for additional support". However, this is increasingly viewed as an excuse by the EU for the failure to deliver the promised resources since 1975.

The review of the EPAs has highlighted delays in the negotiations, capacity constraints, and limited human and resource capacity in the negotiations. It is therefore imperative to remind the EU that commitment to sign by 31 December 2007 has to be weighed against "late commencement of these negotiations" due to factors beyond the responsibilities of the group's negotiating machinery ,including elections in Europe and the USA. It is therefore imperative to dismiss with contempt the DG Trade notion of a "new trade regime first with Africa before other regions such as China". Moreover, the review was not an all inclusive stakeholders' consultative process, as regular and consistent consultations among stakeholders remain elusive in this group thereby fuelling negative perceptions about the process.

The EU is demanding openings in high growing core services sectors and/or infrastructural related services including telecommunications, transport, energy, construction and finance. The EU Parliament report notes "these services contribute

to deeper regional integration while stimulating growth and competitiveness". This needs to be contested by the group. Since June 2007, the EU-led consultative aimed at soliciting views of non-state actors, not only lacks transparency, but also excludes radical views, especially those calling for "Stop EPAs", from participating in the dialogue sessions. It is imperative to demystify the notion that the civic bodies in particular are "noise makers" when the road maps as well as respective national regulations affirm their role in economic justice and the governance structures of the proposed trade regime. The EC-organised June regional meeting for non-state actors deliberately confused the concerns of the people's sector with those of the profit sector. In addition, all constituencies are not yet actively involved in the process due to lack of resources, as the EU totally failed to bankroll non-state actors' activities on this process the way they engage with governments and regional bodies. But the EC knows very well that those financial windows available to governments exclude non-state actors, hence the call for assistance in order to facilitate robust engagement in the process before the "ink is on the paper". Failure to consider seriously views and submissions of non-state actors – moderate and radical – risks leading to underdevelopment, poverty, socio-economic instability, and above all, "selling the region to profit principals, especially Transnationals and Multinational Corporations in Europe".

It is also imperative for the SADC-EPA Unit desk (see Box 1) to interact with the civic bodies at every stage. Unfortunately, since 2006, this Unit desk has constantly snubbed civil society's organized dialogue sessions. despite being funded in terms of per diems, accommodation and tickets (just the way the EC funds all the EPA related processes). In addition, the Unit desk should organise similar consultative sessions with the private sector and other constituencies. Such wide and deep consultations entail analysing and publicising emerging issues, concerns, positions and interests with the view to share them with all the stakeholders. This enables the Unit to harness resources from civil society including critical analytical views, publications and databases in ways that benefit networking on the process.

Similarly, group negotiators should immediately start consulting all the relevant constituencies by holding dialogue sessions; and sharing notes, publications and policy briefs. It is instructive to note that the EC took a year to respond to the group's proposals. The proposed consultative should therefore focus on substantive issues rather than the desire to meet the set deadline. Why sacrifice content of the negotia-

tions for timelines, which should only act as a barometer to focus the process? After all, history shows that a number of multilateral trade rounds for instance fail to respect set timelines. As TWN (June 2007) noted "It is more important to get agreements right than to meet deadlines."

Group negotiators should also not worry about the waiver since the African Growth and Opportunity Act (AGOA) was implemented without recourse to a waiver, yet the scheme remains in place. In fact, the Doha Round trade negotiations continues to miss the pre-determined deadlines, which should act as guidelines to the negotiations. Why should the waiver argument whip negotiators to sign when all the constituencies are not satisfied with the proposals on the table? Why not solicit the right political will from the EC to extend the waiver window? Both sides should therefore develop the right political will to push for the extension of the waiver, especially given that the two regions together constitute 104 members plus possibilities of trade-offs with other developing countries, a statistic that matters during voting onf proposals.

Notes

[59] The Economic Community of West Africa (ECOWAS), the Eastern and Southern Africa (ESA), Communaute Economique et Monetaire de l'Afrique Centrale (CEMAC) and the Southern African Development Community (SADC).

[60] The EU has agreed to the proposal that South Africa be part of the SADC-EPA group.

[61] For developing countries

[62] South Africa

[63] For Least Developed Countries

[64] Angola, Mozambique, Lesotho, Swaziland and Tanzania

[65] Angola, Mozambique and Tanzania

[66] Botswana, Lesotho and Swaziland

[67] The sugar protocol grants a group of ACP sugar producers preferential market access to the EU. This came into force in 1975 as a replacement for the Commonwealth Sugar Agreement of 1950 which gave quota provisions with regard to white sugar. However, production of beet sugar has steadily expanded.

[68] Fish: fresh, chilled or frozen, dried, salted or smoked, canned, and crustaceans.

[69] Figure includes support for other SADC countries which are negotiating in other configurations.

[70] The EU funded impact assessment studies and national workshops; and participation of 3 people (both government and non-state actors) at the Regional Negotiation Forum.

[71] RPTF was set up in December 2004

[72] SADC-EPA sensitive product lists include agricultural and agro-industrial products; chemicals; petroleum and petroleum products; articles made of plastics, rubber and rubber products; machinery and parts thereof; transport equipment and selected building materials; textiles and clothing, rubber and rubber products; and glass and glass ware.

[73] Creating a single trade regime between the EU and the SADC-EPA group by merging the Cotonou Agreement, EBA and TDCA

[74] Rules of Origin are designed to ensure that the benefits of free trade accrue to member-states of the group that is negotiating an agreement.

[75] The E-COMESA Newsletter No. 96

[76] SADC-EPA proposal that was submitted to the EC on 6 March 2006, was responded to on 7 March 2007.

[77] The most crucial period in terms of formulating negotiating collective positions, offers and interests as well as raising concerns and issues.

[78] The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Southern African Customs Union (SACU)

[79] Botswana, Lesotho, Mozambique, Namibia and Swaziland

[80] South Africa and Angola

[81] Tanzania

[82] Regional Information Consultative Meeting organized for non-state actors by the EC officials in Windhoek, Namibia, July 2007 focused totally on SACU economies in terms of programme thematic coverage, participation, presentations and discussions, but marginally touched on MAT countries.

[83] Non-state actors include civic bodies, private sector, Members of Parliament, media and social movements.

[84] Elisabeth Pape is the current EU Ambassador to Namibia who noted failure to involve non-state actors in the process during the opening of 'Regional Information Seminar organized by the EC and attended by representatives of the non-state actors, researchers and other organised groups.

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On September 19, 2007, the Inaugural Conference of the Institute for Social and Economic Studies (IESE) took place. IESE is a Mozambican research institution undertaking inter-disciplinary, heterodox and independent research. The generic theme of the Conference was "Challenges for Social and Economic Research in Mozambique". This Conference involved, besides the public inauguration of IESE, reflecting broadly on where we are with respect to social and economic research, to what extent this research is linked with and seeks answers to key development challenges in Mozambique, and what the results of this research are showing us about the many issues we don't know enough about and the directions along and around which we need to continue to investigate. More than 40 papers were submitted to the Conference, all of which are published on IESE's Web site, www.iese.ac.mz. Of these Conference papers, 18 were selected to form the three volumes that are now published by IESE, namely "Reflecting about Economic Questions", "Cidadania e Governação em Moçambique (citizenship and governance in Mozambique)" and "Southern Africa and Challenges for Mozambique". Each volume is initially published in the original language of the majority of the its articles.

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