INVESTMENT

BUTTER BEFORE GUNS

South Africa seems to have concluded that trade with Mozambique makes more sense than conducting a proxy war, while Maputo has liberalised its economy. Businesses have not been slow to exploit the new possibilities. ■

At the poolside of Maputo's five-star Polana hotel, one is as likely to hear conversations in Afrikaans as in Portuguese or English. South African businesspeople, on the lookout for trade and investment opportunities, are coming to Mozambique in their droves.

A few years ago, when relations between Mozambique and South Africa – which has been sponsoring a brutal rebel war in the former Portuguese colony – hit rock bottom, the number of flights between Maputo and Johannesburg dropped to two a week.

With the recent thaw in political and economic relations, the number of flights between the two cities has increased to six a week. Even so, "it is almost impossible to get a seat," says South Africa's trade representative in Maputo, David Laubscher.

Although Maputo is transport headquarters for the nine-member Southern African Development Coordination Conference (SADCC), which is trying to ease the region's economic dependence on Pretoria, a South African company is busily helping to rehabilitate the port.

Businesses from South Africa's eastern Transvaal province are pushing ever larger quantities of cargo through Mozambique's port capital. Some 60 South African companies have re-established themselves, or are setting up shop for the first time, in Mozambique. Anglo American Corporation, the giant South African conglomerate, is waiting in the wings with big potential investments in mining and agriculture. It will step in as soon as the Renamo rebels lay down their arms.

One reason businesspeople cite for this new interest is the country's three-year-old IMF and World Bank-sponsored economic reform programme, which has helped correct macroeconomic distortions and led to the introduction of one of the most favourable investment codes in Africa.

Political changes are also significant. Mozambique's first President, Samora Machel, used to say that you can choose your friends but not your neighbours. President Joaquim Chissano has continued Machel's policy of dialogue with South Africa, and struck up a cordial – if not warm – relationship with South Africa's new, more reformist President, F W de Klerk.

Chissano says he thinks South Africa is serious about withdrawing official support for Renamo, although private South African and Western funding continues.

● **Push for business:** *new bustle in Maputo docks*

Improved economic relations, says Rob Davies, a political analyst at Maputo university's Centre of African Studies, "are seen by Mozambique as a way of encouraging the less bellicose forces in South Africa in the hope that these will block the militarists who have been involved in destabilisation".

Long torn between offering a carrot and employing a stick in its regional relations, South Africa seems to be increasingly opting for the former. Sanctions have reduced Pretoria's ability to compete in overseas markets, forcing it to look closer to home.

As pressure mounts internally, a good neighbour policy is also seen as a way of buying credibility overseas. At a recent seminar, South African trade minister Kent Durr told Johannesburg businessmen: "We have often been told that South Africa's path to political acceptability by the outside world runs through Africa, and this may equally apply when it comes to economic bridgeheads." As a result, he said, "we are now laying new stress on neighbouring countries as potential trade partners".

Fears in Africa that the West will soon shift its aid and capital to Eastern Europe, as well as become more inward-looking after 1992, provide a useful springboard. "Greater economic cooperation seems to be the tendency globally," David Laubscher says.

Mozambique is a useful test case for Pretoria's new approach. During colonial times, business ties were strong. Maputo was built primarily to service the trade needs of South Africa's Transvaal province. At its peak, the port handled about 6-million tonnes of South African cargo a year. That dropped to about 250,000 tonnes in the mid-1980s as a result of Renamo attacks on the railway line and a deliberate shunning of Maputo by the South African government and businesses.

Since 1987, however, South Africa has provided US$3-million in loans to a South African company, Techni Multidiscipline Services, to help improve the port. Western donors have invested about US$50-million in the same project through SADCC.

Since De Klerk promised to cut support to Renamo, and peace talks started between the two sides in mid-1989, the number of attacks on the Maputo-Transvaal railway line is reported to have halved – although attacks continue in other parts of the country.

Largely as a result of increased coal exports, South African traffic through the port shot up to a million tonnes last year.

To encourage balanced trade between the two countries, South Africa last July agreed to preferential import terms for US$19-million per annum of fish, cashew nuts, citrus fruit, coconuts and furniture. Pretoria has also rescheduled US$14-million of debt, and lifted a ban on migrant workers, who now number 60,000.

Business has responded accordingly. Premier International, a South African food and general merchandise chain, started a joint venture with a state poultry concern in late 1985. The company has moved into the lucrative business of supplying and delivering basic commodities, bought by migrant workers in South Africa, to their families in Mozambique. Premier is also marketing cashew nuts from Mozambique.

Metro Cash and Carry, a South African supermarket chain, is exploring market prospects. The parastatal South African paper manufacturer Sappi is interested in a forestry plantation near the border, and other companies have expressed interest in fishing, tourism, mining and wildlife.

The most significant investor in the future, however, is likely to be Anglo American Corporation. The group's chairman, Gavin Relly, visited Mozambique in mid-1988. According to Anglo's local representative, Carlos Esposti, the company has been looking at a range of possible projects, from natural gas in the southern Inhambane province to gold, forestry and agribusiness countrywide. "Right now, it's all desk work," Esposti says. "As soon as a minimum of security can be provided, we'll be out in the field."

Anglo has hinted at a possible investment of US$200-million. Such a figure, political analyst Rob Davies says, will mark a new scale of South African investment in Mozambique which, he believes, could either be good or bad. "It will all depend," Davies says, "on whether the terms fit in with Mozambique's development plans and its orientation toward SADCC. If that happens, it will be an acceptance of reality, a fact of life."

On the other hand, Davies warns, "if Anglo's investment becomes part of a process where a South African corporation gains a greater influence over economic policy in Mozambique, then I think it could become a Trojan Horse". ■

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