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Vol. 8 (May-October 2008)

SOUTH AFRICA IN AFRICA

No. 1 - May 2008

SOUTH AFRICAN INVESTMENT IN AFRICA: RESTRUCTURING AND RESISTANCE

By Richard Saunders Direct investment by post-apartheid South Africa in other countries of Africa has so altered the economic landscape it has been likened to a tsunami. From traditional areas of engagement such as mining and mineral processing to newer areas, including banking, insurance, retail, tourism, telecoms and transport, the strength of South African capital is penetrating deeply and broadly—and having a significant impact socially and politically as well. This new series will examine specific examples of South African investment in several countries and shed light on the dynamic between "sub-imperialism" and "local subversion", which Richard Saunders presents in his editorial, and possible future directions.

No. 2 - June 2008

MILKING THE REGION? SOUTH AFRICAN CAPITAL AND ZAMBIA'S DAIRY INDUSTRY

By Bridget Kenny & Charles Mather At the heart of this examination of South African investment in Zambia's dairy industry is the question: Is this a clear case of "sub-imperialism" or is it something else? Authors Kenny and Mather show that, while South African companies have emerged as clear industry leaders in the processing and retailing components of the dairy chain in Zambia, the combination of dairy business dynamics and action by local interests has resulted in some "disciplining" and "embedding" of foreign investment ... and some intriguing, unexpected implications for a variety of stakeholders, including local farmers, Zambian companies, foreign companies and, potentially, other sectors of the political economy.

No. 3 - July 2008

FOOD FRONTIERS IN ZAMBIA: RESISTANCE AND PARTNERSHIP IN SHOPRITE'S RETAIL EMPIRE

By Darlene Miller South Africa's regional re-engagement after 1994 was expected to strengthen political, social and economic solidarity in Southern Africa – as well as in other parts of the continent and the South. What people did not foresee, however, was the degree to which South African capital would surge into neighbouring countries, creating new tensions and prompting "a highly ambiguous set of responses". This article probes the nature and import of these tensions and responses with respect to the operations of South African retail giant Shoprite in Zambia – and, in particular, to Shoprite's presence in the Zambian district of Chipata, where forces of both resistance and partnership are apparent.

No. 4 - August 2008

PAINFUL PARADOXES: MINING, CRISIS AND REGIONAL CAPITAL IN ZIMBABWE

By Richard Saunders Zimbabwe's mining sector has been catastrophically impacted by government failure to develop coherent policy, properly regulate foreign capital and encourage local investors. As this article shows, despite strong global demand for minerals which Zimbabwe has, much of the country's mining production has collapsed. Moreover, despite the government's militant advocacy of indigenous black empowerment, most black mining investment has come from South Africa, not Zimbabwe. Going forward, the author argues that a healthy mining sector beneficial to Zimbabweans at large will require the reconstitution of the State as well as critical learning from regional neighbours on policy engagement from below.

No. 5 - September 2008

SOUTH AFRICAN CAPITAL IN THE LAND OF UJAMAA: CONTESTED TERRAIN IN TANZANIA

By Richard A. Schroeder This article offers important insights into the problems involved in Thabo Mbeki's vision of an African Renaissance led by South Africa. Tanzanians' attitudes towards South African investments, however successful, are still influenced by the apartheid past. Many do not see neo-liberal corporate South Africa as that much different from what it was under apartheid.



Murder at Sharpeville, 21 March 1960
by Godfrey Rubens/ CC Wikimedia

No. 6 - October 2008**SOUTH AFRICA'S SUBIMPERIAL FUTURES: WASHINGTON CONSENSUS, BANDUNG CONSENSUS OR A PEOPLES CONSENSUS?**

By William G. Martin Growing resistance to neo-liberal policies together with the rise of East-South relations over North-South ones have introduced a "radical shift" in the global economic and political order. They have also introduced fundamental questions about the sustainability of the post-apartheid expansion of South African capital and influence into the rest of Africa. In this final article of our series on "South Africa in Africa", William Martin outlines some possible future scenarios involving South Africa.

SOUTH AFRICAN INVESTMENT IN AFRICA: RESTRUCTURING AND RESISTANCE

by Richard Saunders

The defeat of apartheid in 1994 liberated not only South Africa's internal political processes but also its economic relations with neighbouring countries in SADC (the Southern African Development Community). A key outcome was the surge of South African capital northward after years of dampened large scale investment because of legal sanction and more informal regulation. By the early 2000s, South African mining and industrial corporations, financial institutions and even some medium-sized enterprises, had emerged to become significant players in SADC Foreign Direct Investment (FDI).



The northward surge of South African capital is evident on the signs for this mall in Zambia.

© Etienne Nel

Since then, the region's foundational economic structures have been reshaped by South African-led regional economic "integration" against the backdrop of globalisation, neoliberal reforms and the local policy rendering of the Washington Consensus, the New Partnership for Africa's Development (Nepad). Yet the precise direction and implications of this process remain unclear for either South Africa, the investment-receiving or "host" countries or the economic coherence of the SADC bloc as a whole.

"South Africa's economic expansion is sometimes portrayed as a one-way process... But evidence increasingly suggests that penetration of the region is highly contested by host countries... elements of both 'sub-imperialism' and local subversion are at play."

South Africa's economic expansion is sometimes portrayed as a one-way process, where local environments and communities are passive recipients of South African-led interventions. But evidence increasingly suggests that penetration of the region is highly contested by host countries, and sometimes actively and effectively resisted at local level. In other words, elements of both "sub-imperialism" and local subversion are at play.

In this context, easy characterisations of all-encompassing regional re-colonisation by the powerhouses of Gauteng (the industrial and financial heartland of South Africa) capture neither the diversity of FDI experiences, nor the lessons for strategic engagement and policy making which flow from them. From protests over flawed privatisations on the Zambian Copperbelt, to the defensive posturing of ruling party "indigenisation" policies in Zimbabwe, to consumer and local producer resistance to the imposition of South African commodities on regional markets – communities, workers, businesses and government officials are developing mechanisms to discipline incoming capital and engage it around issues of local benefit and accountability.

The success and extent of these efforts vary widely, and reflect the diverse configuration of power and weakness in business and regulatory spheres. In all cases, the disruptive, destabilizing impact of new capital flows is clear, as is the recognised need within host countries to respond to the changing terrain. The growing presence of China as a trade and investment partner in Africa, and the rapidly diminishing credibility of neoliberal development models – especially in the face of emerging southern alternatives that

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draw on the experiences, capital, skills and markets of China, India and Brazil – are changing the scope of the "politics of the possible" in the field of investment and business. Traditional forms of cross border economic engagement – both in the region and in South Africa – will be challenged in the period ahead. Is this cause for a new round of "Afro-pessimism", or will it generate something more constructive and strategically viable?

"Traditional forms of cross border economic engagement will be challenged in the period ahead. Is this cause for a new round of 'Afro-pessimism', or will it generate something more constructive and strategically viable?"

1994: Incentives and opportunities emerge

A potent mix of factors led to the explosive growth of northward investment after 1994. While the end of apartheid political and economic isolation brought down important barriers to capital flows, higher home production costs and stagnant profit margins in a saturated domestic market provided incentives for producers and traders to move cross border. The neoliberalised and deregulated consumer and labour markets found in SADC, though smaller in size and diversity than their South African counterpart, offered the promise of lower competition and higher returns – ranging from 30-60% said some reports, compared to typical South African rates of 14-20%.¹ Marginal production costs founded on appalling wage and benefits packages were also a strong "pull" factor. In the regional agricultural sector, for example, sugar producing companies like Illovo and Tongaat Hulett identified low-cost production opportunities and moved rapidly to clinch privatisation deals.

Foreign currency and follow-on investment also emerged as important factors. Regional profits could be realised in foreign currency, and flexible repatriation conditions often meant these could be retained outside South Africa. For retailers and service providers, this presented the opportunity of transforming substantial Rand-denominated production costs into US dollar income, at healthy profit rates, while retaining flexibility over the investment parking of that income. According to some observers in the region, it also enabled South African business to flog uncompetitive, poor quality or otherwise surplus goods and services in regional markets at unrealistically high prices, to the detriment of regional consumers.



Entrance to a South African style mall with South African retail shops in Zambia.

© Etienne Nel

At the same time, the introduction of lease-hire schemes into poorer urban and peri-urban areas across the region wrenched open new and profitable markets for low-end consumer goods. Here, highly skewed regional consumer credit schemes, in tandem with high inventories of devalued goods in South Africa, were key. Lusaka, seen by many South African businesses as a typical regional city, became a testing ground of sorts: the first new big South African-modeled malls, retail chains, food and entertainment franchises were established there, and their performance was monitored closely and used to extrapolate operational models for

elsewhere.

Regional governments also played a role in creating space for the South African invasion. Pressured by the World Bank, IMF, donors and, increasingly, by a neoliberalising South African state, SADC governments led restructuring in the form of privatisation, reformed investment regulations and finance markets. They opened new large terrains to private sector speculation that had previously been closed by parastatal-dominated monopolies. Opportunities emerged in areas such as mining, banking and insurance, telecommunications, agriculture and dairy, transport (railways, airlines and ports), and utilities.

"Pressured by the World Bank, IMF, donors and, increasingly, by a neoliberalising South African state, SADC governments led restructuring in the form of privatisation, reformed investment regulations and finance

markets."

The South African government also directly facilitated capital outflows to the region. In March 1997 it initiated the relaxation of exchange controls for investments into the region and further offshore, with preferential terms given for the former. Regional investment limits were increased in subsequent years as other financial restrictions and tax disincentives were diminished. By 2004, South African firms were allowed to invest up to R 2 billion *per project* in Africa (half that for outside Africa), dramatically up from a lowly R 50 million in 1997.²

The ANC government was clearly responding to a shifting reality on the ground encountered by its own transnational corporations: a significant number of South African transnationals were becoming increasingly dependent on offshore assets and income for their overall viability. By 2002, mining house AngloGold Ashanti and telecommunications player MTN each derived more than half of their group worth from their African activities.³ Other companies showed similar levels of exposure to – and gain from – the region.

Meanwhile, a regional peace dividend also surfaced in the business sector. This was especially important for mining, where the cessation of conflict in Mozambique and Namibia enabled the launching of exploration using modern techniques. There was also new and substantial exploration in Tanzania, Zambia and Zimbabwe fuelled by liberalised investment regimes and rising commodity prices. Telecoms, transport and energy distribution reconstruction also benefited.

An old player resurfaces

Although South African capital has been active in neighbouring countries since the first scramble for Africa in the late 1800s, its offshore investment since the transition to majority rule reflects a number of critically new features. Even as the bulk of South African offshore FDI has drifted away from Africa towards developed countries – in 2005 the EU took 76% of South Africa's outgoing FDI, Africa only 8.8%⁴ – the market share of South African FDI into Africa has risen, with the sector and country spread of new investments expanding rapidly. The significance of recent intra-regional FDI for host countries is underlined by the relative scarcity of new or follow-on FDI overall. While there is emerging evidence that Asian and, to a lesser extent European and US investors, are developing an interest in African non-petroleum resources, new FDI expressions of interest remain limited to a few sectors. It is likely that South African investments will continue to count among the largest in the region for the medium term.

"By the late 1990s South Africa had emerged as the dominant source of the SADC's FDI, overtaking established leaders Germany, the UK, US and Japan."

By the late 1990s South Africa had emerged as the dominant source of the SADC's FDI, overtaking established leaders Germany, the UK, US and Japan. According to the BusinessMap Foundation, an independent investment tracking think tank, 25% of all dollar-denominated FDI into SADC in the decade after 1994 came from South Africa, reaching nearly 40% in some years.⁵ Over this period South Africans became the top ranking foreign investors in seven neighbouring countries, taking second place in one country, and third place in three (see Table 1).

Source: BusinessMap Foundation
Table 1: SA Investment in other SADC countries (1994-2003 cumulative)

Country	SA FDI as % of total FDI	Ranking
Angola	1	6
Botswana	58	1
DRC	71	1
Lesotho	86	1
Malawi	80	1
Mauritius	-9	3
Mozambique	31	1
Namibia	21	3

At the same time, South African companies pressed further north, sometimes using SADC as a regional platform for expansion. In the late 1990s the number of companies operating offshore in Africa doubled. This invasion was spearheaded by larger companies: according to one survey, 34 of the top companies listed on the Johannesburg Stock Exchange made 232 investments in 27 African countries in the first decade after apartheid.⁶

South African private investors were joined by public companies and government-controlled development agencies, and soon consolidated a significant presence continent-wide in a range of key industrial,

Swaziland	71	1
Tanzania	35	2
Zambia	29	1
Zimbabwe	24	3

financial, agricultural and services sectors. By 2004, some estimated South Africa had become the second-largest source of FDI in the whole of the continent, anchored by neighbourhood operations that continued to absorb 80% of the country's offshore African investments.⁷ Loan finance and portfolio (stock market) investment into the region also rose. (See table in Appendix.)

In SADC, South African companies moved steadily beyond traditional sectors like mining and minerals processing. While the latter still accounted for the largest overall investments, there was significant new FDI into banking, telecoms, retail, tourism and other areas.

The major South African banks each opened or substantially expanded operations in the region, partly in response to the extended cross border activities of larger South African corporates, and typically in competition with established international regional players Barclays and Standard Chartered. By the early 2000s most SADC countries

were host to at least one South African retailing or merchant bank, and follow-on investments were in progress.

Telecoms FDI into the region was even more explosive, fuelled by rapid sector deregulation, woefully inadequate fixed line infrastructures, very high unmet demand and ease of installation. A massive regional investment programme led by junior South African player MTN was followed by local market competitor Vodacom. Strategic partnerships with international and regional players saw South African telecom companies spread their operating footprint as far as the huge and lucrative West African market and beyond into the Middle East. By 2006, telecoms surged temporarily into the lead position among South African FDI into the continent, reaching about R 17 billion overall, on the back of continuing consumer demand and comparatively high rates of profit from non-South African sources.

Retail and tourism brands – from supermarkets and clothing stores; to electronic goods distributors, cinema complexes and fast food franchises; to hotel chains, safari companies and airlines – have increasingly served as icons of South African business expansion on the ground in SADC. While their widespread presence is not matched by their overall FDI dollar value, their market significance and impact have been profound. New retail and tourism ventures have often displaced (and sometimes absorbed) the activities of local market players, while providing vertically structured commodity chains for South African producers into the region. The upmarket Woolworths franchise represented one example of this combined effect: its local franchisees paid in foreign currency for licensing rights and standard branding fixtures, and were compelled to purchase the bulk of retail stock directly from Woolworth's South African inventory catalogue. In this way risk was transferred into the region and South African supply chains were privileged. (See Table 2 for further examples.)



Tourism in Zambia: South African investment extends to safari companies and hotel chains.
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Table 2: Major South African FDI into SADC and Uganda
Source: BusinessMap Foundation SADC FDI Database, press releases

Year	Target Company	Target Country	Source FDI	US\$m	Type of Project
2001	Pande & Temane Gas	Mozambique	Sasol	581	New
2001	Skorpion Zinc	Namibia	Anglo-American	454	New
2001	Mozal Smelter	Mozambique	IDC (24% of \$1.3bn project)	312	New

2000	Geita Gold Mine	Tanzania	Anglo Ashanti	205	Acquisition
2000	Motraco Power	Mozambique	Eskom	130	New/Expansion
2000	Uganda Cell	Uganda	MTN SA	128	New
2000	Vodacom Cell	Tanzania	Vodacom SA	90	New
2003	Zimplats Mine	Zimbabwe	Implats	85	Expansion

Multi-country investments in several sectors afforded transnationals a competitive edge in single country markets, in terms not only of production and marketing economies of scale but also of brand recognition, transportability of clients and intra-firm management of assets. For example, the South African transnationals could boast a scope and reach of services beyond the reach of single-country players, in the coordination of mobile phone network connectivity, cross-border banking access or inter-country transferable insurance schemes. Standard Bank's local presence in 17 African countries, including 10 SADC neighbours, provided clear advantages that were replicated by many other firms.

Trade imbalances between South Africa and the region also helped consolidate this competitive advantage. This imbalance was 9:1 in South Africa's favour by the early 2000s (and 5:1 with Africa overall).⁸ This skewed trade pattern was strengthened by the regional expansion of vertically-integrated South African retailing chains that competed directly with local retailers and producers. Shoprite, for example, reportedly contributed R 2 billion to South African exports by the early 2000s through its sourcing of retail inputs from its home base.⁹

In some instances – such as the Mozal aluminium plant outside Maputo, Mozambique – it is likely that increased FDI helped to deepen the existing trade imbalance by fuelling higher levels of capital and consumable imports needed to service the new investment.¹⁰

Sub-imperialism or subverted power?

With the settling-in of new FDI in the late 1990s, new questions surfaced about its longer term impact on local economic sovereignty and business development. Many saw recent investments as predatory, displacing existing local enterprises and production through a mix of aggressive and unfair intra-firm trade, pressurized merger and acquisition bids, politically-leveraged access to large scale privatisations and cheap financing from South Africa, and skills poaching.¹¹ The unemployment effects, service disruptions and costs, national revenue shortfalls and diminished local accountability of FDI operators became glaringly apparent, and the subject of increasing public scrutiny.

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In South Africa and SADC there is wide-ranging debate among government, business, labour and local communities about the aims, benefits and long term implications of the changing patterns of regional investment. There is similar diversity in the kinds of practical local level responses to that FDI which has taken root. Both are changing the context and to some extent the terms, of South Africa's evolving economic relationship with the region.

One view situates South African FDI within the broader dynamics of neoliberal globalisation, and sees the northward push by Pretoria and South African capital as part of the recolonisation of SADC and the continent by western dominated interests.¹² Here, South Africa acts as an active proxy for international capital, multilateral financial institutions and governments, helping to soften legal and political resistance to foreign capital, and open up access to extractive resources, business and consumer markets. The ANC government's championing of Nepad, its own trade pact with the EU and growing role within multilateral institutions – along side its skewed bilateral trade and investment deals with neighbouring states, for example – are cited as evidence of a new sub-imperialism, orchestrated from Pretoria for the benefit of South African and international capital.

In this view, new FDI is seen mostly as negative: parasitic, opportunistic, displacing of local capacity and employment, and resulting in profits going to South Africa or overseas, rather than to host country markets. And the "African Renaissance" –

heralded by the ANC government in the late 1990s and enthusiastically endorsed by northward-looking South African corporations – becomes an ideological excuse for white business' return to its former colonial-era stomping grounds.

Others portray northward FDI in less negative – although not unambiguously positive – terms for both sides of the border.¹³ They cite the relative neglect of African consumer and services markets by non-African FDI, the perilous state of capital-starved regional infrastructure, and the benefits of investments that are more exposed to regional consumer, economic and political leverage due to their local regional roots. The shared conclusion is that growing interdependence, however uneven, among key southern African regional economies is likely, even if the political implications for regional integration are less certain.



South African FDI is changing the profile of commercial products, like this fine food available in Zambia for those who can afford it.

© Darlene Miller

But parallel to these debates, local businesses, labour, communities and policy makers are developing new ways of dealing with – and "disciplining" – incoming capital. While the power of new FDI in the region is displayed in national accounts, diminished workforces and in the changing street-level profile of commercial districts, malls and products, the residual power of host country interests is also increasingly evident. Just as some kinds of FDI disrupted local business and labour markets over the past 15 years, local communities and business stakeholders are finding new ways to engage with, contain and place other sorts of demands on foreign companies. A

process of critical and reflective engagement is under way.

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At ground level across the region, the *mediated* presence of FDI is becoming a fact of life. The unilateral power of intra-regional FDI is being challenged, raising important questions about the potential for and future shape of SADC, as an integrated economic region. Witness Zambia: it was among the first countries in the region to decisively (if disastrously) implement neoliberal reforms leading to large scale privatisations in which South African firms featured prominently. But it has also been an incubator for multiple forms of resistance aimed at changing the terms of local engagement with FDI, and challenging, more broadly, neoliberalism's established models of local development.

Zambia: Privatisation and popular responses

Privatisation began in earnest in Zambia in the mid 1990s, with key components of the parastatals sector put on the bloc for sale. In all, more than 250 enterprises representing more than 85% of the Zambian economy were sold. These included not only the state-run mining sector, but also agricultural operations, transport and electricity grids, national retail chains, banks, hotels and game parks. South African investors would play a central role in the bidding, amid widespread allegations of corruption and bribery, insider trading and mounting pressure for a quickening of sales by the IMF, World Bank and other donors.¹⁴

The profoundly negative impacts of privatisation soon followed: spiralling unemployment and reduced security of employment, asset stripping, declining production, and increasingly secretive policy making and implementation by government.

The disaggregation and subsequent sale of the massive state-owned Zambia Consolidated Copper Mines (ZCCM) was the centrepiece of government's privatisation programme in the late 1990s. However, it was not long before protests from local communities surfaced around the terms of sale – including the shedding of social assets and responsibilities like pension benefits, housing, health care and schools by the new mine owners. While this kind of resistance was repressed, sometimes violently, by the state, a new culture of civic resistance and demands for accountability slowly took root.

Today, there is widespread popular debate in the civic movement, trade unions and political parties about the consequences of the 1990s neoliberal reforms and the mistakes associated with privatisation. There have also been practically-oriented forms

of resistance that have resulted in creeping concessions from foreign investors to Zambian businesses, workers and communities. The privatisation of the national grocery chain and its takeover by South Africa's Shoprite is one such example; Zambia's privatised dairy sector, in which the new South African owners came under pressure to demonstrate local responsibility and "embeddedness", is another example—both of which will be examined in more detail in the articles of this series.



Miners in Chingola, Zambia, receive HIV/AIDS counselling at work: protests over the shedding of social responsibilities by new mine owners engendered debate over terms of privatisation.
© 2007 Fotodan, Courtesy of Photoshare

"Today, there is widespread popular debate in the civic movement, trade unions and political parties about the consequences of the 1990s neoliberal reforms and the mistakes associated with privatisation."

While Zambia's recent experience of FDI has been characterized by the familiar negative features of diminished control and unfulfilled expectations, current popular and business responses – and increasingly, political party ones as well – reflect a concern with finding strategic ways forward. In particular, there is growing recognition of the vulnerability of foreign enterprises to local business, consumer and political pressure, and of the need for increased assertive engagement of foreign investors leading to the enabling of local stakeholders. There are strains of resurgent nationalist, anti-globalisation sentiments in all this, replete with political energy as well as alternatives that are perhaps too-narrowly focused. But it is also clear that there has been no easy sealing of any sub-imperial compact in the post-privatisation era.

Old models, new environments and emerging questions

In recent years, the unmistakable decline in the credibility of neoliberal development models in the Global South has been exacerbated by the growing presence of China and India as alternative trade and investment partners in Africa. This represents something of a double-edged sword: while southern alternatives for foreign development capital are now more readily accessible, it is not clear that they will be more transparent, accountable and socially responsible than recent waves of FDI; nor is it certain that their impact on local trade and investment patterns will be any less disruptive and destabilizing.

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Indeed, some suggest that the growth of Chinese trade and investment involvement in the region's resource and industrial sectors could profoundly undermine the fragile coherence established under the current domination of South Africa, without putting in place a regionally-grounded alternative. Beyond the extractive sectors and basic processing, the fear is that there will be little regional FDI under a future trade-dominated economic regime.

All the more reason, then, to pay close attention to the experiences and positions emerging from production places, labour markets and communities of the region, as they seek to redefine the rights and limits of foreign investment on new terms. Is it possible to democratically "embed" foreign and local capital within national economies? What role might the state have in this process, and what rules of engagement should be considered at the regional level? In various ways, these are the sorts of questions that are now being posed by SADC citizens, businesses, civil society and governments, in response to the post-apartheid FDI tsunami.

Notes:

1. Naidu and Lutchman (2004), p. 12.

2. UNCTAD (2005), pp. 16-17.
3. UNCTAD (2005), p. 14.
4. UNCTAD (2005), p. 4.
5. BusinessMap (2005).
6. UNCTAD (2005), p.5, citing figures from the South Africa Institute of International Affairs and "Africa Inc.", published in *Who Owns Whom 2005*, Dun and Bradstreet, 2005.
7. Naidu and Lutchman (2004), p.13.
8. Daniel, Lutchman and Naidu (2005), p. 545.
9. Naidu and Lutchman (2004), p. 14.
10. Castel-Branco (2004).
11. See Daniel, Naidoo and Naidu (2003); BusinessMap (1999); and BusinessMap (2000).
12. See for example, Bond (2004), Bond and Kapuya (2006).
13. See a series of studies carried out under the auspices of the South African Institute for International Affairs, including Games (2004); and annual reviews by South Africa's Human Sciences Research Council, published in the State of the Nation series.
14. Larmer (2005), p.30.

(Richard Saunders teaches in the Political Science Department at York University in Toronto, Canada. He is the author of Never the Same Again: Zimbabwe's Growth towards Democracy, 1980–2000 (2000) and Dancing Out of Tune: A History of the Media in Zimbabwe (1999).)

Appendix:

Source: HSRC Corporate Mapping Database 2004

Major SA Corporations & Parastatals

Sector	Corporation	Locations in rest of Africa
Aviation & Airport Services	Airports Company of South Africa	9 countries
Airlines	South African Airways	2 joint ventures (JVs); SAA reaches 20 African cities
Banking & Financial Services <i>(i) Private Enterprises</i>	Stanbic ABSA Stanlib (Standard/Liberty Bank JV) First Rand & Rand Merchant Bank Nedbank Investec Ltd Metropolitan Life	9 countries 4 countries 9 countries 3 countries 7 countries 4 countries 5 countries
<i>(ii) State Enterprises</i>	DBSA IDC	7 countries 20 countries
Construction	Murray & Roberts Group 5 Concor	Offices in 3 countries; contracts in 13 countries Contracts in 13 countries Contracts in 9 countries
Energy	Sasol	Contracts in 4 countries. Planned merger of liquid fuels with subsidiary of Malaysian Petronas to establish presence in 14 countries.
Manufacturing	Nampak Sappi SABMiller Illovo Sugar Tongaat Hulett Barloworld AECI subsidiaries AEL & Dulux	10 countries 3 countries 13 beer breweries in 10 countries; 35 sorghum breweries in 5 countries 5 countries 3 countries 7 SADC countries AECI registered in 7 countries; Dulux producing in 5 countries
Media & Broadcasting	Multichoice	TV & subscribers in 21 countries
Mining	De Beers	3 countries

	Anglogold Ashanti Goldfields Randgold Resources	8 countries Operations in 1 country; exploration in 3 countries 3 countries
Retail	Shoprite Massmart (Makro, Game, Dion, Cash & Carry, Builders Warehouse) Metcash Wooltru/Woolworths Steers Holdings Pepkor (Pep Stores, Ackermans) Ellerine Holdings (Ellerines, Town Talk Furnishers, Furn City, Rainbow Loans, CPI, Foreign, Wetherlys, Osiers, Roodefurn) JD Group (Abra, Barnetts, BoConcept, Bradlows, Electric Express, HI-FI Corporation, Joshua Doore, Morkels, Price & Pride, Russells)	100 outlets in 15 countries 300+ outlets in SADC & Uganda 3 countries 52 stores in 19 countries Food franchises in 22 countries 6 countries 94 stores in 5 countries 28 stores in 4 countries
Research & Development	V&A Waterfront	Contracts in 3 countries for shopping feasibility studies.
Telecommunications <i>(i) Private Enterprises</i> <i>(ii) State Enterprises</i>	MTN/M-Cell Vodacom Transtel (a division of Transnet) Eskom Enterprises Telecoms	Celular & fixed line contracts in 5 countries; bidding for additional contracts Cellular contracts in 5 countries; bidding for additional contracts Manages telecoms network with SA multinationals in Africa (banks, retail stores, civil & security networks) Cellular/fixed contract in 1 country
Transport	Transtel (State Enterprise with 9 divisions involved in Africa, including Spoornet Joint Ventures and its subsidiaries Comazar, Transwerk and Transtel) Unitrans	Contracts in 20 countries 7 countries
Tourism & Leisure	Protea Hotels Southern Sun Sun International Imperial Car Rental	Resorts in 9 countries Resorts in 6 countries Resorts in 4 countries 110 locations in 8 SADC countries
Utilities <i>(i) Power</i> <i>(ii) Water</i>	Eskom Enterprises Umgeni Water	3 management contracts; 1 JV; 28 country contracts 3 country contracts
Information Technology	Arivia.com (State Enterprise) Mustek (Mecer brand)	Offices in 3 countries; JV in 1 country; contracts in 4 countries Dealerships in 8 countries

Select bibliography:

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MILKING THE REGION? SOUTH AFRICAN CAPITAL AND ZAMBIA'S DAIRY INDUSTRY

by *Bridget Kenny & Charles Mather*

The Zambian dairy sector is currently undergoing a phase of dynamic change and development. Foreign Direct Investment (FDI) by South African companies in the processing node of the dairy chain, combined with significant developments in the retail sector, have led to rapid changes in both the production and consumption of dairy products. While the structural adjustment programme in Zambia that underpinned the dairy and retail privatisations has been widely criticized for its negative impact on labour markets, industrial capacity, living standards and overall economic sovereignty, the case of the dairy sector raises important questions around strategies for engaging FDI.

"While the structural adjustment programme in Zambia that underpinned the dairy and retail privatisations has been widely criticized ... the case of the dairy sector raises important questions around strategies for engaging FDI."

Are there ways of "disciplining" FDI to ensure local production and consumption benefits – even in poorly resourced countries like Zambia? Can foreign investment be channelled to fuel local development? Are local accountability and inclusion consistent with commercial viability? In each case, the Zambia dairy sector raises new and perhaps unexpected answers to old questions.

Zambia's Dairy Sector

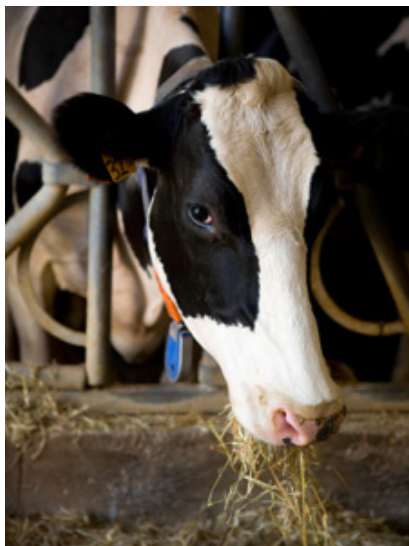
National dairy sectors are typically organised around integrated primary production, milk processing and commodity retailing chains. In Zambia, commercial components of the industry have been in place since the 1920s, when a small group of white settler farmers introduced dairy cows to the country. A modest dairy industry was established by independence in 1964. Following independence, the departure of many white dairy producers and new primary production development schemes instituted by the Zambian government, the sector was substantially restructured. The results were distinctly mixed.

A decline in commercial milk production from the mid-1960s into the 1970s coincided with increases in dairy consumption, especially in the growing urban centres of Lusaka, Livingstone and Copperbelt towns like Kitwe and Ndola. Government responded by establishing parastatal dairy operations on former white settler owned farms. Production on these farms, heavily subsidised by the state, began in the late 1960s. Within a decade they were supplying over 30 percent of processed milk. However production bottlenecks limited further expansion, and the country remained dependent on imports to meet local consumption needs.

Meanwhile, the government launched various donor-backed schemes to increase milk

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Commercial components of a dairy industry in Zambia have been in place since the 1920s when dairy cows were introduced.

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production through encouragement of smallholder farming. A Dairy Settlement Scheme saw the identification of land in peri-urban areas suitable for dairy cows and the training of farmers in dairy husbandry and management. A Rural Milk Production Scheme, supported by the World Food Programme, involved the identification of smallholder farmers, who were provided with cows on loan and support in marketing milk; and the Smallholder Dairy Development Project, a World Bank funded initiative, aimed at establishing 1800 farmers with soft loans for the purchase of animals and equipment, producing milk for the government's own Dairy Produce Board (DPB).

These schemes were largely unsuccessful from the 1970s, and very little of the total milk processed in Zambia today originates from these initiatives. The reasons for failure were characteristic of such approaches: insufficient extension work around dairy cattle management, a complete absence of financial

management support to individual beneficiaries, and continuing dependence on external inputs like manufactured feed (which exposed farmers to volatile swings in exchange rates), all contributed to stagnation in the smallholder sector. Meanwhile the DPB, which controlled milk processing from the mid 1960s and had several processing plants across the country, was afflicted by financial and management problems. Distribution chains, too, were inefficient and often unprofitable. Growing demand moved ahead of local production and supply chains.

"(Government dairy) schemes were largely unsuccessful from the 1970s... Growing demand moved ahead of local production and supply chains."

Restructuring through Privatisation

In the 1990s, Zambia's embarkation on a wide-ranging structural adjustment programme had a dramatic impact on the dairy sector. Central links in the parastatals commodity chain, including the DPB and the dominant state-owned national supermarket chain, were earmarked for restructuring and privatisation. The prospect of a sudden influx of dairy sector FDI amid the loosening of import controls on commodities raised fears by some that local production would be effectively marginalised, a new case of "deindustrialisation" by adjustment. The reality would be less bleak and more ambiguous, with some positive signs – however unexpected – of local development in the sector.

The cornerstone of the parastatal dairy sector, the DPB, was privatised in the mid 1990s when its majority stake was sold to South African-based Bonnita for US\$800,000. Zambian commercial farmers were guaranteed 28 percent of the shares in the new company, and Bonnita committed to retaining the DPB's 130 employees. In the late 1990s, Bonnita South Africa was itself bought by Parmalat, the Italian dairy multinational, making Parmalat the new direct investor in Zambia via South Africa.

Parmalat remains the dominant player and now processes almost 50 percent of the raw milk produced in Zambia by commercial farmers and smallholders. There are at least 30 other smaller processing plants that are involved in a range of fresh and processed dairy products, with several of these linked to local dairy cattle farms. One, the Livingstone-based Finta Dairy, has processing capacity to match Parmalat's but its production output is far lower, with its efforts focused on capital intensive long-life milk products – much of which relies on imported powdered milk inputs.

In the same period as the DPB deal, government privatised its national grocery chain, selling its 17 store network in 1996 to South Africa's multinational supermarket corporation, Shoprite. As a parastatal, the chain had been poorly managed and resourced, and its shops were mostly uncompetitive and loss-making. As a result, Shoprite was able to negotiate substantial concessions during the privatisation process, including tax holidays and customs waivers, which benefited the new owner over competitors – including the South African franchised Spar chain (currently has 4 stores

but plans for 30), the local Melissa network and many independent grocers (see Table below). In the context of experiences in other countries, where the influx of multinational retail businesses had led to restructuring and decimation of local food commodity chains, there was considerable anxiety about the impact of the Shoprite privatisation on domestic dairy farmers, processors and competing retail businesses.

Table: Supermarkets selling food products in Zambia, 2004

*4 stores by 2006 (Source: *Emonger 2006: 804*)

Supermarket	No. of Stores	Urban (Lusaka)	Rural Towns	Origin
Shoprite	18	4	14	South African
Spar	2*	2	0	Franchise – South African
Melissa	3	3	0	Zambian
Independents	Several	Several	Several	Zambian

New Dynamics Emerge

The arrival of Parmalat and Shoprite as dominant players in two key components of the dairy commodity chain, processing and retail, fundamentally changed the Zambian dairy industry – but without shaping it entirely to the interests of the new market leaders. Confronted by international and domestic production constraints, local competition, and rising local demands for linkages with local production and distribution networks, the FDI ventures were forced to engage with the complex changing realities of the local business terrain.

One reality involves the sources of local primary production. Parmalat, the country's largest milk processor, receives 70% of its raw milk from large commercial farmers. But it also processes milk from approximately 400 smallholder farmers who are organised into cooperatives, or who supply the processor individually. Indeed the number of larger commercial farmers has remained static or has declined since the early 1990s, while the amount of milk produced and processed by smallholders has been increasing. Faced with rising demand, the dairy processing sector – including smaller local players in Zambia – now sees a revitalised smallholder producer sector as the only viable way of increasing raw milk production in the medium term. Instead of marginalisation of small-scale dairy producers, Zambia has seen a different dynamic: in the case of Parmalat, the company (in cooperation with the Zambian government) is consolidating sourcing strategies from smallholders by investing in infrastructure to assist them in improving the volumes and quality of raw milk. Support is also being provided for the transportation and collection of raw milk, which historically has been a serious problem for smallholders.

**"Instead of marginalisation of small-scale dairy producers,
Zambia has seen a different dynamic:
... investing in infrastructure to assist them in improving
the volumes and quality of raw milk."**

Further down the production chain, Parmalat's linkage strategies have led to improvements in the quality and variety of dairy products overall, with positive effects on local processors and the growth of the industry. A range of small scale operations making a variety of dairy products, including butter, cheese, yoghurt and long life milk have survived by improving production standards and better matching the needs of a growing local market. Fresh products like milk and yoghurt, which have a shorter shelf life and are more costly to transport, have provided clear advantages to locally based processors. While Zambian retailers and dairy processors continue to source cheese, butter and other processed products from South Africa and further afield, this practice is currently the subject of intense debate within the national Dairy Processors' Association. The association has been increasingly successful in limiting dairy imports particularly when they can be sourced locally.

The changing terrain of retailing has also had important knock-on effects in the dairy industry. There are four main retailing channels for dairy products in Zambia: large and medium supermarket chains, smaller retail shops mostly in urban compounds and smaller towns, Parmalat-owned metal shipping containers in urban compounds, and informal vendors. Additionally many processors sell to wholesalers who in turn sell to smaller retail shops and informal vendors around the country.

Shoprite, the country's largest retailer, sources many dairy products locally— fresh milk, yoghurt, and some cheese and butter (though it also continues to import processed items from South Africa, Ireland and Denmark). However most of its locally sourced

goods come from large scale processors, including Parmalat and Finta. Shoprite also has a “strategic partnership” with Zambeef (a medium-sized local producer) to run its in-store butcheries, and it stocks Zambeef’s butter and fresh milk. Importantly, the partnership ensures that Shoprite does not compete directly with Zambeef’s own network of retail shops.

For the most part, local smaller processors have been excluded from Shoprite’s supply chain by the latter’s high sourcing standards for product volumes, reliability, and quality. Shoprite generally requires processors to supply all of its branches, and small-scale processors generally cannot meet these volume requirements; nor do they have the transport infrastructure to deliver to all branches, or the capacity to meet the extended credit cycle which Shoprite often expects of suppliers. In addition, Shoprite also insists on standards of quality, packaging and presentation that are uneconomic for smaller processors. For example, having invested heavily in refrigeration capacity, the chain demands ten-day shelf life of its fresh milk, where smaller processors may have only one-day shelf lives. High standards around weight packaging and labelling, including automatic bar coding and sell/buy date information, also pose challenges for small scale suppliers.

Other dairy retailers, like South African franchised Spar and the Zambian-owned Melissa chain, have been more accessible to smaller processors. Evidence suggests that the growth of dairy retail competition is forcing Shoprite to be more flexible in its product sourcing, and rethink strategic links with suppliers. Spar stores do not buy dairy products centrally, and evidence suggests that this has enabled Spar to source from some smaller milk and cheese processors who could not meet Shoprite’s volume or quality standards. The Melissa chain sources from large and small local and international suppliers depending on price.



The accessibility of Spar (top of the sign for this mall in Zambia) to smaller dairy processors has forced Shoprite to be more flexible in sourcing.

© Etienne Nel

While it has short term and sometimes erratic sourcing arrangements with suppliers, it too serves as an alternative client in a growing market. So do smaller independent retail stores, often located in compounds and small towns where consumer markets are competitive, highly price sensitive and not easily reached by the bigger chains and stores. Parmalat also has its own distribution networks of metal shipping containers in compounds. The company appoints agents who sell the milk, and Parmalat owns the containers. The agents are paid by commission on the amount of milk sold. Smaller processors who focus mainly on producing the least capital intensive products, like yoghurt and sachets of milk, often use mobile vendors to sell their products on the street in compounds.

Sub-imperialism or Something Else?

While it is clear that recent South African investments have inspired new dynamics in the Zambian dairy sector, their implication for national development, local businesses and ordinary Zambian consumers is open to debate. But the argument that larger commodity-focused FDI brings with it destructive “sub-imperial” strategies for displacing local producers – a view associated with sub-imperialism – does not adequately explain Zambian dairy dynamics. Instead, the last decade demonstrates not only the complexity of production restructuring in practice, but also the opportunities for host countries to discipline incoming foreign investors. While the dairy sector has specific dynamics that facilitate constructive interaction with external companies, the Zambian case also provides broader lessons about the “politics of the possible” for holding FDI accountable by local states.

"While the dairy sector has specific dynamics that facilitate constructive interaction with external companies, the Zambian case also provides broader lessons about the 'politics of the possible' for holding FDI accountable by local states."

In Zambia, the peculiarities of dairy production have afforded special leverage to local players. The bulkiness and perishability of raw milk products like fresh milk and yoghurt means that these products are not normally traded internationally or even regionally, and are instead locally produced and sourced. At the same time, several dairy products including butter, cheese and long life milk, are more easily transported over distance,

and also can be manufactured using milk powder – which is a globally traded commodity. Ironically, this currently works in Zambian producers' favour: a global shortage of milk powder has pushed up its costs to uncompetitive levels in the Zambian milk market. Nonetheless, internationally traded processed products remain heavily subsidised in places like the European Union. Meanwhile, international health and hygiene standards associated with raw milk production and processing enable a degree of local market protection, under the banner of consumer protection.

This evolving mix of production factors presents opportunities for a range of interests and agents in the Zambian dairy chain, which continues to change. There is growing evidence that the simple categorisation of capital as either "foreign" or "local" provides little help in predicting the actual behaviour of companies in Zambia. Indeed, the way in which companies identify themselves has changed over time, partly because some agents have become increasingly "embedded" in the Zambian political economy, for both "push" and "pull" reasons. This especially, adds new complexity to any efforts to identify a company as being a sub-imperial agent; and raises important questions about the scale at which sub-imperialism as a concept can be used. The experiences of Parmalat and Shoprite both point to important lessons involving FDI, market discipline and local accountability.

Embedding as Good Business Practice: Parmalat

By engaging with foreign producers in the different contexts of a changing local market, Zambian dairy producers have developed increasing capacity and skill to defend local interests while consolidating local commodity chains.



Senior Parmalat officials at a 2005 shareholder meeting in Italy: the market strategy in Zambia of Parmalat's South African branch suggests some commitment to growing the local dairy sector.

© Reuters / Daniele Ia Monaca

At first glance, Parmalat and its strategies could be interpreted as sub-imperialist. It is a subsidiary of a South African branch of a large multinational corporation, and continues to import processed dairy products from South Africa. Although it imports mostly processed products, it occasionally brings in products at higher cost that can be produced locally for less using local suppliers of raw milk.

That said, many of Parmalat's market strategies suggest a perceived need to demonstrate a commitment to the Zambian political economy by making concessions to local interests. For instance, in negotiations with the Dairy Processors Association, Parmalat came under strong pressure to discontinue imports of dairy products that could be sourced locally. It

responded by restricting these imports, agreeing informally to bring in only products that could not be produced locally, such as speciality cheeses and flavoured butters.

Parmalat also agreed to upgrade its Zambian UHT plant in order to boost local production and reduce the need for imports. Significantly, no legal compulsion was put in place to force Parmalat's shifts; it did so voluntarily and in the spirit of growing the local dairy sector.

At the same time, it seems clear that Parmalat recognised the political leverage and production gains that came with its local embeddedness. Support to the local small scale sector both lends the company a developmental image and makes economic sense in a period of high international prices for powdered milk. In addition, the overall shortage of raw milk due to increasing domestic consumption means that Parmalat has had to move beyond its traditional supply base of large-scale commercial farmers. Within the company, there is another strong motive for nurturing linkages with the domestic industry: by the original privatisation deal, 33 percent of the company is held by local farmers and employees.

Ironically, Parmalat's local linkage strategies contrast with those of Finta, Zambia's leading locally owned dairy processor. Finta sources all of its raw processing material from Brazil. Moreover, its partnership with South Africa's Clover company sees Finta serving as a key conduit for South Africa dairy products into the local market. The location of company ownership, therefore, is not a reliable guide to market practice.

"Ironically, Parmalat's local linkage strategies contrast with those of Finta, Zambia's leading locally owned dairy"

processor. Finta sources all of its raw processing material from Brazil."

The situation with retailers is equally complex. Locally-owned Melissa, which runs a chain of retail outlets, appears to have no specific commitment to local dairy processors and seeks out international products, particularly when they are cheaper. But while Shoprite was initially not strongly supportive of Zambian dairy suppliers, there is evidence that local pressure for higher levels of local sourcing has resulted in strategy changes. The Zambeef partnership is one example; the allotment of greater shelf space to local ice cream producers following lobbying from the Dairy Producers Association is another. The arrival of retailer Spar also added to pressure on Shoprite, as Spar franchise stores tend to source locally with lower-end competitive products. As a result, the proportion of locally sourced dairy products at Shoprite is higher than the chain's average 30 percent share of Zambian-sourced foodstuffs.

Trade regulations have also been used by Zambian dairy producers to protect their market from predatory pricing and competition by external producers, including Kenyan dairy companies. In the latter case, the Dairy Producers Association responded to cheap imports by mobilising government to apply World Trade Organisation sanitary and phytosanitary standards to block Kenyan milk imports. Illegal imports from Zimbabwe have also been targeted in the past.

New Dynamics, New Questions

International dairy commodity chains are complex, globally-linked and highly dynamic. Since the buy-in by South African capital in the 1990s, it has become increasingly clear that this also applies to the Zambian case, where expansion of production, processing and retailing capacity has led to dynamic changes in a commodity chain that had been in decline for nearly 25 years. But the question is: to whose benefit have these changes been, and at what cost to local development priorities? Here, perhaps the Zambian case provides food for thought and lessons for future strategies in engaging regional FDI.

The transformation of the dairy sector cannot be adequately explained by straightforward arguments associated with sub-imperialism. That perspective typically points to FDI's displacement of local capital and impoverishment of invaded labour markets, and its objective of expanded repatriation of profit. In less nuanced versions, notions of sub-imperialism also entail unidirectional swamping or subordination of host country political-economic sovereignty.

The experience of dairy FDI into Zambia suggests a much more dynamic and ambiguous form of foreign-local interaction. While processor and retailer FDI has established South African companies as local industry leaders, the terms of engagement with local components of the commodity chain have helped to discipline the activities of these companies and ensure the emergence of positive participation in the sector. The Parmalat and Shoprite ventures have improved the national supply and quality of dairy products, and created new opportunities for small and medium sized dairy primary producers, processors and retailers. Zambia has become less dependent than ever on powdered milk and dairy imports, while expanding production capacity to record levels for a growing consumer market.



New opportunities for smallholder farmers: foreign investment in Zambia has been disciplined through interaction with local dairy interests.

© Suhasini Dharmalingam

One key factor in extracting higher local participation in the re-energised sector involves the specificity of the dairy industry; another relates to the political strategy of local player interests.

Unlike most processed foods – for which Zambia remains overwhelmingly dependent on imports – important dairy products like fresh milk and yoghurt can only be competitively produced locally. In the context of currently high costs for powdered milk in global markets, this has forced Zambian processors to pursue strategies to increase local raw milk production for a range of production needs. The challenge now for Zambian primary producer networks is to lock large-scale processors and retailers into local commodity chains, to ensure longer-term growth, coherence and stability in the sector.

More broadly, the "embedding" of foreign companies is actively being pursued by a range of local players, with some success. Political lobbying by dairy industry interests backed by government has created strong pressures on foreign companies to demonstrate their commitment to the Zambian economy through constructive interaction and market concessions. This kind of creative engagement has identified the commercial gains behind local embedding, not just the political benefits associated with good corporate citizenship. And there is now evidence that pressures for embedding are reaching beyond foreign businesses, to include Zambian-based enterprises that have traditionally sourced commodities outside the country.

"There is now evidence that pressures for embedding are reaching beyond foreign businesses, to include Zambian-based enterprises that have traditionally sourced commodities outside the country."

This final potential twist in the commodity chain – the prospect that local capital may be disciplined according to the same ethical standards applied to foreign investors – raises additional critical questions about the evolving repercussions of South African FDI in Zambia. If FDI has provoked engagement and resistance from local business interests, it has perhaps helped to reopen wider debates about the accountability, responsibility and social embeddedness of national capital, too.

(Bridget Kenny and Charles Mather teach at the University of the Witwatersrand, in Johannesburg, in the Department of Sociology and the School of Geography, Archaeology and Environmental Studies respectively.)

FOOD FRONTIERS IN ZAMBIA: RESISTANCE AND PARTNERSHIP IN SHOPRITE'S RETAIL EMPIRE

by Darlene Miller

Introduction: A new regional moment¹

The end of official apartheid in South Africa in 1994 opened up a new regional moment and space, where the "definition of the possible" for Southern Africa changed and South Africa was reintegrated into the region (Simon 2001).

South Africa's democratic transition conferred a new respectability on the region's policies and projects, catapulting South Africa from pariah to regional liberator. While President Thabo Mbeki declared his "African Renaissance" in the early 1990s, many Southern African countries deepened economic liberalisation and privatisation and released state enterprises for sale to mainly private, foreign investors (BusinessMap SA 2000, 2001, 2003, 2004; Soderbaum 2002; Daniel, Habib and Southall 2003; Miller 2005; UNCTAD World Report 2005). Restless South African retail businesses that were increasingly constrained by an oversupplied domestic market with limited profit margins were keen to explore new possibilities for accumulation in neighbouring countries and the rest of Africa.



Part of South African-owned Shoprite's Manda Hill complex in Zambia: a new regional solidarity?
© Etienne Nel

"Restless South African retail businesses that were increasingly constrained by an oversupplied domestic market with limited profit margins were keen to explore new possibilities for accumulation in neighbouring countries and the rest of Africa."

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The expansion of South African multinationals into other parts of Africa provided opportunities for new regional solidarities. In the retailing sector, for example, the appearance of large scale investments via shopping malls and food retailing chains encouraged different forms of consumption and raised a new set of positive expectations about South Africa's regional development role. However, the process of regional re-engagement also led to many unintended and unanticipated outcomes.

Regional retail patterns

The history of cross-border retailing goes back to the frontier activities of European traders from the 19th century. For more than a century, colonial traders and wholesalers generated profits through an African expansion in tradable food and goods that both widened spheres of capitalist accumulation and intensified patterns of local exploitation.



A typical mid-level shop in Zambia: retailing has been restricted by limited purchasing power, low outreach and poor infrastructure.

© Darlene Miller

Like other less-developed regions, retailing in Southern Africa is extremely diversified, ranging from informal street traders to small outlets with low turnover to larger shopping complexes (Findlay, Paddison and Dawson 1990). Limited purchasing power, low outreach and poor infrastructure are some of the common factors that have restricted retailing growth and produced the clustering of retail infrastructure, typically in terms of an urban-rural divide. In poor countries like Zambia, post-independence nationalisation of most foreign businesses, including retail, failed to restructure the stark geography of retail development, which had been typically racialised on white-black divides

under colonial constraints. Nationalised production hampered commodity production and distribution, reducing much of the retail sector to a stuttering system of tatty commodities (Ariyo and Afeikhena 1999).

In apartheid South Africa, lucrative central business district operations were reserved for European and white South African companies that targeted white consumers. In the mid-1960s, South African retailers studied the Canadian model and saw the benefits of drawing a large number of consumers to the same place, where they became a critical shopping mass. The target areas of new shopping centres were white suburbs. White suburban shopping centres became centres for new accumulation in the 1970s, and soon profit-hunting financial institutions fuelled the rapid development of mega-shopping malls. Meanwhile retail accumulation in the black townships was stunted, and the growing underdevelopment of these areas restricted their market capacity. The poverty of black township residents and the lack of infrastructure development made these areas less attractive to retail property developers.

Successive phases of retail development in South Africa have agglomerated resources, infrastructure, technical know-how and capital for reinvestment within powerful corporate entities. Further consolidation of the industry over the past few years – for example, Shoprite's acquisition of OK – has narrowed competition to three large players: Shoprite, Pick 'n Pay and Spar (part of Tiger Foods). This narrowing of competition has been a key factor pushing retailers into the region.

"About four times more is exported from South Africa to other parts of the continent than is imported... (This) surge of South African capital into Africa was an unanticipated outcome of a democratic South Africa."

Since democratic elections in 1994, the economic expansion of South African retailing and wholesale multinationals into Africa has increased significantly. About four times more is exported from South Africa to other parts of the continent than is imported. South African investment has increased from R9bn to R30bn between 1997 and 2002. While many observers expected stronger economic links between South Africa and Africa as one consequence of democratic transition, the surge of South African capital into Africa was an unanticipated outcome of a democratic South Africa.

In the last decade, new shopping malls have been opened in at least 15 African cities where none previously existed. While shopping malls and department stores are not a new phenomenon in Africa, the new shopping centres have extended the reach of such malls in the continent. In the midst of Africa's economic and social decline, the shopping

mall materialises with all the glitz of a Manhattan mall - marble-tiled entrances, bright neon lights, wide aisles and thousands of new commodities from which to choose. These malls follow the contours of uneven regional development, creating sites of "lumpy capitalism" where dynamism and change co-exist with stagnation (Cooper, 2000).

In the investment-starved countries of the region, the significance of new capital is enormous in social terms. New ventures often represent the only sites of formal sector job opportunities and careers, albeit limited, against the background of persistent formal sector employment decline. For consumers, new "bricks and mortar" retail investments represent for many a substantial transformation, bringing in a consumer-friendly environment and expanded consumer choices. Evidence suggests that comparatively small investments are having a disproportionately qualitative impact.

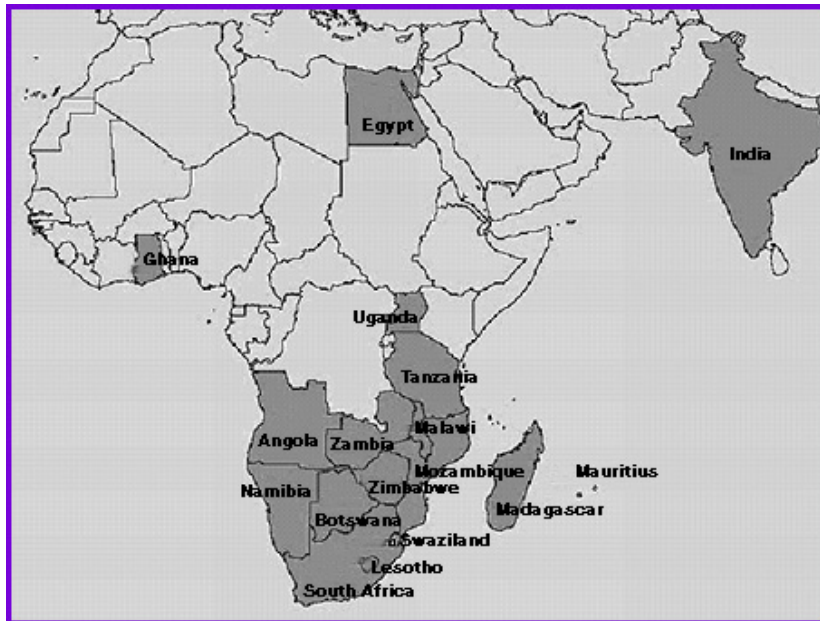
South African companies have a high level of social visibility, particularly in the retail and services sectors, and contribute to changing consumption patterns and social imagination – even for those who are unable to afford newly available products.

"In the investment-starved countries of the region... South African companies have a high level of social visibility, particularly in the retail and services sectors, and contribute to changing consumption patterns and social imagination – even for those who are unable to afford newly available products."

Shoprite in Africa

The Shoprite company grew from a small chain of supermarkets in the Cape area of South Africa in the 1960s. Shoprite's philosophy was to operate a chain of no-frills supermarkets where customers could pay the lowest prices for their basic food and household requirements. The company expanded rapidly. More recently, however, Shoprite found itself losing market share to large competitors like Pick 'n Pay and Spar. With a strategy of supplying a customer base in the broad middle to lower end of the market and with previous presence on the ground in Southern Africa through an associated retail clothing chain, Shoprite was in an excellent position to expand into the wider African market. Armed with surplus capital, Shoprite joined several other large South African retailers – including Game, Steers, Debonairs, Engen, ProFurn, the J.D. Group and Wimpy – and shifted its investment focus into the region. In 1999 alone, R70 million was earmarked for retail investment in Africa, reaching as far as Egypt. (www.shoprite.co.za).

The Shoprite group of companies is now Africa's largest food retailer, operating 827 outlets in 17 countries across the continent, the Indian Ocean islands and southern Asia, with a reported turnover of R16, 621 billion for the 26 weeks ended December 2005. Shoprite has stores in Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe in Southern Africa. In East Africa it has stores in Tanzania and Uganda, in North Africa in Egypt and in West Africa in Ghana. It has also opened a store in Mumbai, India, its first foreign operation beyond Africa.



Countries with stores in the Shoprite group in Africa and Asia

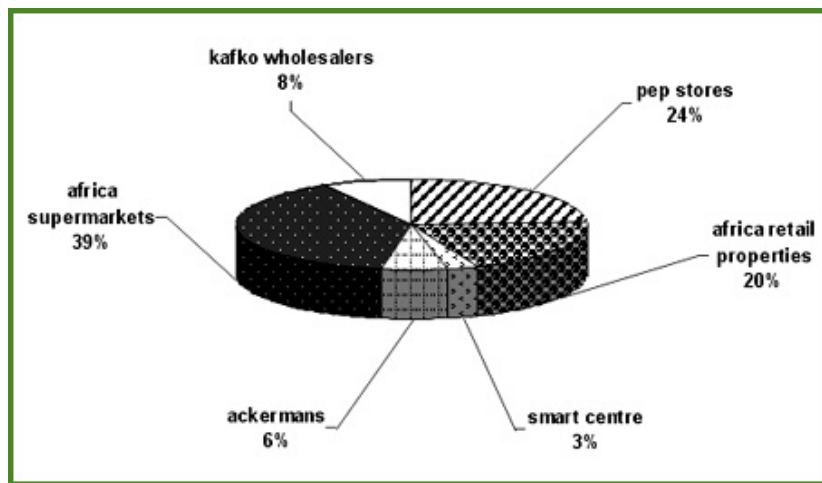
Shoprite models its cross-border investments on its shopping centre developments in South Africa, featuring a Shoprite supermarket as the anchor store. These shopping malls change local consumption and urban environments dramatically. Locally-owned internet stores and music outlets often make up part of this cluster. In a number of cases, the Shoprite Group establishes partnerships with a local group.

The expanding African market is absorbing surplus capital in South Africa, surplus labour in the host countries, and commodity surpluses from South Africa, expanding the manufacture of goods inside South Africa. South African companies are benefiting from regional economies of scale, rather than just national economies. Regional distribution chains centralised in South Africa also expand the number of outlets supplied by South Africa. This marks a crucial step in South Africa's global expansion. But at what cost – and for whom?

Shoprite's Zambia shopping spree

Shoprite's expansion plan into Zambia started in 1995 with the purchase of six buildings in a privatization deal.² By 1996, a full chain of state-owned retail stores were under Shoprite control. The first refurbished Shoprite retail store opened in Cairo Road, Lusaka. A further two stores opened later that year in Ndola and Kitwe. Then, in a short time, four stores were opened in Kabwe, Chingola, Mufulira and Livingstone and between 1997 and 1999 a further six stores opened.

Shoprite Zambia currently operates 18 retail supermarkets (trading as "Africa Supermarkets") together with seven Hungry Lion outlets, Shoprite's fast food initiative. Freshmark, the company's distributor of fresh fruit and vegetables, also operates depots in Lusaka and Kitwe. With 39 percent of the domestic retail market (Zambia Investment Centre), it is the largest retailer in the Zambian market, ahead of other South African retailers such as Ackermans, Smart Centre and Kafko, Pep Stores and Africa Retail Properties.



Retail percentage per store in Zambia 1993 - 2005

The Manda Hill Complex in Lusaka is Shoprite's centrepiece Zambian investment. The mall cost US\$20m and covers 22 260 sq m, of which more than 20 percent is taken up by the Shoprite store. Eighty percent of the complex's financing came through Shoprite, in tandem with a 20 percent Zambian junior partner, leveraged on anchor store installations by Shoprite and South Africa-based Game (a general merchandising retail multinational). In total the complex hosts 56 stores, most of them Zambian-owned and managed.

The impact of Shoprite in Zambia has been as diverse as the various urban and rural settings in which it is situated. A highly ambiguous set of responses from local consumers, workers and business-people has emerged. Many consumers have welcomed the availability of a greater variety of higher quality goods, as well as the presence of more modern and efficient shopping facilities. Local informal market retailers and rural traders have drawn heavily on Shoprite as a wholesale supplier, and at least one Lusaka store has been converted mostly into a wholesale operation in response. At the same time, much of the product line in Shoprite stores is beyond the purchasing power of the urban poor, and informal sector producers have often experienced displacement in local markets for basic foodstuffs.

"The impact of Shoprite in Zambia has been as diverse as the various urban and rural settings in which it is situated. A highly ambiguous set of responses from local consumers, workers and business-people has emerged."

The potential for rising tension and hostility by consumers and producers has necessitated sensitivity by Shoprite Zambia managers to local needs and interests. Many have seen mounting pressures on Shoprite as being congruent with the company's own official development strategy, which recognises the need for engagement with local suppliers and communities. As Shoprite's *Mission Statement* proclaims:

Management's goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices. At the same time the Group, inextricably linked to Africa, contributes to the nurturing of stable economies and the social upliftment of its people.

Shoprite's policy is to establish and support local supply chains. The commercial rationale is that this helps stimulate the local economy and improve Shoprite's ability to meet specific local demands. Local supply can also reduce the in-store cost price, eliminating additional overheads such as transport, tariff and exchange-related costs. At the same time, the company's policies emphasise the importance of supporting broad-based local economic empowerment. In practice, however, the highly centralised form of sourcing and distribution within the chain, along with weaknesses on the part of local producers in Zambia, have undermined the "fit" between foreign retailer and local suppliers.

Shoprite Zambia's distribution is centrally organised from a mammoth 200,000 sq metre supply operation in Brackenfell, outside Cape Town. Individual outlets in Zambia are directly supplied through a system which includes web-based ordering over its intranet and the shipment of containers to specific stores. The company has eschewed the development of a trans-shipping warehouse in Lusaka in order to avoid high fuel and



Shoprite officials on the move in Zambia: a norm of highly centralised sourcing and distribution.

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handling costs. Marketing manuals, human resources information, catalogues for the purchasing and marketing of goods, training schedules, internal job openings, etc., are distributed on the intranet. Stock-taking, ordering and buying are highly computerised.

The centralised form of sourcing directly affects the regional supply chain. In Zambia, in 2001, Shoprite estimated that about 65 percent of its products originated in South Africa, with some perishable items coming from Zimbabwe. In contrast, Zambian sourcing of inputs was

constrained by these goods' perceived lower quality and quantity, and the unpredictability of local supply chains. Packaging standards were also a problem for local suppliers. Local producers often used packages that were insufficiently durable, and they had low capacity to meet the Shoprite's weighting, quality and bar-coding needs.

Case study: resistance and partnership in Chipata

In 1998, an academic at the University of Zambia sent students from the Department of Philosophy and Applied Business Ethics to conduct research in the rural town of Chipata, adjacent to Malawi and Mozambique in Zambia's Eastern Province. Their mission was to investigate poverty among local villagers. When students interviewed farmers, they picked up on bitter complaints about Shoprite from local farmers. These farmers warned that they would burn down the company that had robbed them of their livelihoods. Shoprite had stolen their market, they alleged. Vegetables that they had regularly sold at the local town market were now being supplied from South Africa at the local Shoprite supermarket, opened in 1998. Because the Shoprite supermarket had a better distribution system and a nicer store, the farmers could not compete with this multinational. Previous sources of cash income through the sale of vegetables at the market were now disrupted and, as a result, villagers couldn't pay for the things they needed. Their only solution was to threaten to obliterate this new supermarket that was redirecting resources away from the local farming community.

In a pre-emptive move, however, a collaborative initiative was set up in which the villagers would supply Shoprite with five agreed-upon vegetables: cabbage, green beans, onions, tomatoes and lettuce. This initiative took place under an arrangement called the Luangeni Partnership Forum. The threat of direct action was thus redirected into a joint economic initiative with Shoprite.



Zambian farmers near Chipata: an agreement to grow five kinds of vegetables for Shoprite.

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Background

There are eight administrative districts in the Eastern Province of Zambia. Chipata is the largest with a population of 367 539. It is 567 km from Lusaka. Access to finance is expensive and the province has a generally poor business environment. While there are few commercial farms, smallholder farmers have generated significant agribusiness, including tobacco and cotton. Estimates for annual farm incomes from the sale of cotton are more than US\$15m. It is also estimated that 50 to 60 percent of Zambia's cotton and tobacco exports come from Eastern Province. Tourism (four national parks) and gemstone mining are the other two important sectors in the province's economy. One of the country's largest transporters, Sable Transport Ltd., is also based in Eastern Province.

The Eastern Province Chamber of Commerce and Industry (EPCCI) argues that goods imported from Lusaka or other countries could be produced locally. The institutional vacuum left after liberalisation also left no market infrastructure. Many intermediary functions that could aggregate and organize supplies and improve prices and productivity for producers have thus been reduced through the effects of liberalisation. Branding, promotion and certification would allow for profitable marketing of a range of agricultural products in the province, contends the proposed business plan of the EPCCI (Webber et al, 2003: p10). Key development in the province, however, would need to be addressed, namely, road infrastructure, power supply, irrigation infrastructure and communications services. So far Zamtel and Celtel have launched cellular phone

services in Chipata, ZESCO has started erection of poles for more electricity supply lines, two dams have been rehabilitated and the government has released funds for repair to certain sections of the Great East Road.

The Luangeni Partnership Forum

The Luangeni Partnership Forum was formed to act as a broker between the village farmers and Shoprite. The steering committee for the Forum included two non-governmental organisations (Society for Family Health and World Vision), the Department of Agriculture and local farmers.

Initially, Shoprite management aimed to provide villagers with a local market for their produce. It had a spare venue for marketing fresh produce next to the store. Villagers were given access to this venue on Fridays and Saturdays. However, local farmers were unhappy with the situation and wanted a better link to the company. It was suggested that a relationship between Freshmark and local farmers might be the answer. Support was then given to local farmers in the form of farming methods and the provision of seeds and fertilizers. Although improvements occurred, there were still several hurdles to overcome:

- Shoprite introduced scanning in Chipata in 2004. Scanning is centralised with fixed prices. Farmer's prices change, however, and when computers register this variance it creates administrative problems.
- Farmers were unable to compete with the prices and packaging of Shoprite.
- Farmers were unhappy with an arrangement where all the risk is put onto them for poor quality produce and produce that is returned when it is not sold.

Local managers indicated that they continued to train villagers by explaining to them what the company's requirements were. They also made provisions for the cleaning, processing and packaging of produce. A workshop between the key stakeholders was also attempted to address the issue of quality produce.

"Local managers indicated that they continued to train villagers by explaining to them what the company's requirements were... Despite some positive results, the Luangeni Partnership Forum was characterised by conflict and power struggles..."

Despite some positive results, the Luangeni Partnership Forum was characterised by conflict and power struggles and showed some of the typical problems of NGO development initiatives. These include leadership problems and lack of sustainability so that when the funds are removed the initiatives struggle to survive.

Over time, half of the initial 92 farmers in the cooperative dropped out because of a lack of resources. In a follow-up research visit in January 2007, the numbers in the cooperative had grown again to 60 active members and 90 members altogether. The villagers expressed a desire that the Partnership Forum be resuscitated with the key problems identified earlier being addressed.

While the Luangeni Partnership Forum appeared a promising initiative for social dialogue, the lack of political support by key institutional actors such as the government resulted in its struggling for survival. The company's immediate interests took precedence over the long-term goal of community sustainability. No additional resources are being given to make sure this initiative is sustainable.

Lessons Learned

Local informants including the manager and the agricultural extension officer credited the students and the academics with this initiative; however, senior Shoprite management claimed it as their own. This rival claim for ownership of the Partnership Forum is indicative of the importance to Shoprite of demonstrating a commitment to fostering the development of local suppliers. Although a stalemate was reached, due in part to incompatibilities between the highly organised and efficient culture of multinationals and the more time-consuming methods of communication amongst local villagers, the initiative is a good example of the potential for a system of free trade labels. It demonstrates some of the dynamics and challenges encountered by the company and local communities in building partnerships.

While Shoprite's management in Zambia emphasises the need for efficiency at the level of retailing, the company's policy statement emphasises the importance of supporting broad-based local economic empowerment. If such support only benefits organised and



Zambian farmers near Chipata: incompatibilities between the efficient culture of multinationals and the more time-consuming culture of villagers.
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urban black elites and does not assist the development of local farmers, then the company's policy objectives are not being attained in relation to less developed communities.

Conclusion

Strong South African multinationals such as Shoprite need to make a political and practical commitment to local farmers to assist them with effective supply of goods to the company. This assistance needs to come from both national and head office levels of Shoprite.

Resources have to be designated for training and development of local communities to improve the efficiency of production amongst the villagers. Local farmers, for example, need to be accommodated in Shoprite's inventory system and local managers trained in this aspect. While Shoprite demonstrates in some instances (such as the Luangeni Partnership Forum) that the company can respond to local initiatives, rhetorical support for local suppliers needs to go together with the necessary resources. Good communication mechanisms need to be encouraged in building relationships with local communities. This may include the involvement of government and non-governmental organizations to restore support for local farmers removed by neo-liberal economic restructuring.

The new regional imaginaries that emerge out of the new shopping malls introduce new possibilities and contradictions. Growing regional contradictions are evident in the disputes between the multinational South African retail company, Shoprite, and its foreign workplaces (Miller, 2005). If the relations between South African companies, on the one hand, and host country workers or consumers, on the other hand, are fractious, this will undermine South Africa's proclaimed leadership role in post-Apartheid Southern Africa.

"Charges of 'Yankees of Africa' and South African 'sub-imperialism' point to an unanticipated fault-line of political struggle in Southern Africa – a new tension between democratic South Africa and the countries and working classes who were to benefit from this political unity at the regional level."

Charges of "Yankees of Africa" and South African "sub-imperialism" point to an unanticipated fault-line of political struggle in Southern Africa – a new tension between democratic South Africa and the countries and working classes who were to benefit from this political unity at the regional level. A new imprint has been left on the continent: one that potentially reproduces the global relations of Empire at the regional level. If South Africa is perceived by other Southern African countries as the primary beneficiary of post-apartheid regional economic development, with deepened regional inequality as the outcome of South Africa's expansion, new regional resistance become both possible and likely. New cases of local resistance, such as that in Chipata, point to new regional claims in the demands of local communities, where South Africa becomes the focal point for new regional demands.

Notes:

1. This is a shortened version of an article that will appear in a forthcoming issue of *Labour, Capital and Society*.
2. The Zambian government established a privatisation agency to oversee the sale of state-owned enterprises (SOEs). The Zambia Privatisation Agency (ZPA) was established under the Privatisation Act of 1992. The ZPA carried out the privatisation of dairy boards, parks, milling factories, sawmill assets, hotels and wholesalers. By the end of 2003, 258 out of 282 parastatals had been privatised. As part of this privatisation process, the national state wholesale stores were sold off in a deal with South Africa's Shoprite Holdings in 1996.

(Dr Darlene Miller is a Senior Lecturer at Rhodes University in Grahamstown, South Africa.)

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PAINFUL PARADOXES: MINING, CRISIS AND REGIONAL CAPITAL IN ZIMBABWE

by Richard Saunders

Introduction: Painful Paradoxes

Zimbabwe today confronts an unhappy paradox: despite several years of a commodities boom for minerals in which the country enjoys an advantage, much of the country's mining production has effectively collapsed in the 2000s. Only ten years ago Zimbabwe was a key player in African gold and ferrochrome production, among other minerals, but foreign investment into the once-thriving sector has since crashed. Several international miners have mothballed operations, or pulled out entirely. Only a handful of operations in the important platinum and diamond sectors have been spared.

Equally jarring is the reality – in the face of the ZANU-PF government's militant rhetoric around "indigenisation" or black empowerment – that remarkably little transformation of ownership in the mining sector has actually taken place. The transferral of ownership to Zimbabweans by legal or violent means, seen in some other sectors, has not happened in mining. Foreign mining houses, led by South African-based companies, continue to dominate the local industry. The key recent change, instead, is that regional investors now include a significant number of black-owned mining firms. Thus a second paradox: if there has been black empowerment in Zimbabwean mining in the 2000s, it has typically involved *non-Zimbabweans* based outside the country.



African gold production: Zimbabwe has gone from key player to collapse.

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"Remarkably little transformation of ownership in the mining sector has actually taken place... if there has been black empowerment in Zimbabwean mining in the 2000s, it has typically involved *non-Zimbabweans* based outside the country."

What kinds of new investment opportunities emerged for regional players *along with* the worsening crisis in mining, and how have these openings been mediated by the Zimbabwean State, local business and civil society? What has been lost and gained, and by whom, in the dynamic of cross-border investment in the crisis years of the 2000s? Is the current political-economic tragedy cultivating a new form of opportunistic, parasitic economic domination by external forces in the region?

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The dilemma of mining in Zimbabwe also raises broader questions around the engagement and disciplining of large scale foreign investments by national interests that are comparatively weak in financial and technical resources: namely, what kinds of institutions, instruments and policy initiatives might be most effective in sustaining investment *and* greater shared local beneficiation?

A Golden Age, Found & Lost

Zimbabwe's mining sector has been beset by a deepening crisis for more than a decade. Initially based in declining production efficiencies and investor wariness due to the country's worsening economic climate, the sector's continuing deterioration has since been punctuated by political faction-fights over divested public and private assets, murky deals involving the takeover of mineral producers by quasi-state organisations and, more recently, mounting allegations of corruption and smuggling in the diamond and gold sectors.

The key factors in mining's decline lie outside the economics and logistics of the sector, in the security-driven restructuring of Zimbabwean politics and business in the late 1990s and early 2000s. The ensuing economic instability and growing political unpredictability deprived the potentially high-growth sector of the kind of investment needed to sustain and expand existing operations. In this dynamic both local mining entrepreneurs and mineworkers and their communities have been among the most profoundly and negatively affected.

"The key factors in mining's decline lie outside the economics and logistics of the sector, in the security-driven restructuring of Zimbabwean politics and business in the late 1990s and early 2000s."

In the 1990s Zimbabwe was poised to become a significant force in African mining. With competitive mineral resources, a well-maintained infrastructure, skilled workforce, professionally-managed state regulatory institutions and liberalised, relatively stable fiscal and monetary regime, the country held key ingredients for a resurgence in mining growth.

Foreign dominated mining houses, including global giants like Anglo American and Rio Tinto, responded favourably. Investments in the gold sector lifted Zimbabwe into third place among African gold producers and into the world top ten. New interest in ferrochrome, and a large greenfield investment in platinum – the second largest foreign direct investment since independence at more than half a billion US dollars – helped boost capital inflows into mining exploration, mine commissioning and production expansion.

Reflecting the new optimism, plans for other major investments in coal and thermal power generation were also developed, including a US\$160 million Sengwa Coal Field project envisaged by Rio Tinto. With growing support for larger projects, Zimbabwe appeared to be on the verge of a breakthrough as an international mining investment destination.

Source: BusinessMap SADC FDI Database, Johannesburg. (Figures do not include follow-on investments.)

ZIMBABWE: NEW MINING INVESTMENT 1990-2001

Investment	Source Company	Source Country	US\$m	Year
Hartley Platinum Mines	BHP	Australia	500	1998
Selous Platinum Mine	Zimplats	Australia, SA	80	2001
Mimosa Platinum Mine	Implats, Aquarius	SA, Australia	30	2001
Turk Mine	Casmyn Corporation	Canada	30	1995
Eureka Gold Mine	Delta Gold	Australia	24	1998
Indarama Gold Mine	Trillion Resources	Canada	15	1998
Jena Gold Mine	Trillion Resources	Canada	12	1991
Rio Tinto Zinc Corporation	Rio Tinto	UK	5	1994
Chaka Processing Plant	Delta Gold	Australia	3	1998
Bubi Gold Mine	Anglo American	SA	2	1997

This promise was shattered by the economic and political crisis that emerged in the late 1990s and exploded into a direct challenge to ZANU-PF by a resurgent opposition in the

2000 constitutional referendum and parliamentary elections.

The ZANU-PF leadership responded to mounting revelations of elite corruption and deepening economic decline under structural adjustment policies by militarizing the ruling party, State and broader terrain of national politics. This trend was reflected in the rising prominence of so-called "war veterans", state security personnel and later, party-affiliated militias, in the senior ranks of ZANU-PF and black business. The immediate and longer term consequences for political and economic stability were soon evident.

Within government, State institutions were subordinated to the dictates of party chiefs. Government was increasingly hostile to demands for participation from a range of labour, business and other community interests. During the 2000 and 2002 parliamentary and presidential elections, ZANU-PF's nationalist posturing reasserted the need for claiming sovereign rights over strategic natural and economic resources. The combined impact of these dynamics was sharply negative not only for political participation and governance, but also for the wider economy. An economic downturn was immediate and pronounced, and worsened in subsequent years.

"Government was increasingly hostile to demands for participation from a range of labour, business and other community interests."

Production and foreign earnings in most industrial and commercial agricultural sectors plummeted after the 2000-2002 "fast-track" land redistribution exercise, which undermined investor confidence, destabilised the supply of agricultural inputs into an array of local processing industries, and was followed by intermittent threats against and attacks on urban commerce and industry. Inconsistent fiscal and monetary policy amid declining macroeconomic indicators played havoc with cost management, and increasingly unstable power supply, rising fuel costs and skills flight made production planning precarious. As foreign currency reserves dwindled amid continuing draw-downs for fuel, electricity, plant and spares, production went into a deep slide. A 7% decline in GDP in 2000 was compounded by drops in following years. By 2005, Zimbabwe's economy was ranked the world's fastest-shrinking. Fiscal and monetary policy became increasingly *ad hoc* and unpredictable, designed – unsuccessfully – to suppress exploding inflation, domestic interest rates and prevent exchange rate collapse.

While a parallel market in foreign exchange blossomed, private sector exporters and others within the regulatory reach of government were compelled to trade mostly at impossibly low official exchange rates – while local input costs inflated rapidly. For exporters the rising shortage of foreign exchange therefore spelt disaster, not opportunity.



Helmets without heads: the mining sector was a critical casualty of foreign exchange problems.
© Daniel Froese

The mining sector, a key consumer and generator of foreign exchange and domestic employment, was a critical casualty. The gold sector was particularly hard hit, buffeted by complicated and unpredictable foreign exchange regimes managed unpredictably by the Reserve Bank. Several producers were pushed to the brink of collapse in 1998-2000, prompting slowdowns and closure of a number of key operations. In 2000-2001, 14 gold mines were closed or placed on care and maintenance, and gold production fell sharply from 27 tonnes in 1999 to 18

tonnes in 2001, 12.5 in 2003 and only about 8 in 2007. The consequences for the broader economy would be critical: after the collapse of commercial agriculture, gold mining accounted for one-third of foreign currency earnings and more than 50% of mineral production.

Production of several other key minerals also fell off, affected by the same combination of rising production costs, materials shortages, degraded infrastructure, skills flight and low realised returns due to distorted exchange rates. Copper production collapsed from about 15,000 tonnes in 1990 to barely 2,000 in 2001; and ferrochrome, which peaked in 1995 at nearly 300,000 tonnes, fell to 218,000 tonnes ten years later.

Exploration spending, a critical indicator of future investment intentions, declined sharply after peaking in 1996. Since 1999 there has been no new internationally financed exploration even though the same period has seen high growth in exploration spending

in neighbouring mineral-bearing countries. Apart from the booming platinum sector, represented by the Ngezi Selous mine operated by Zimplats (an Australia-listed company with a majority shareholding held by South Africa's Impala Platinum-Implats) and the smaller Mimosa Mine (jointly owned by Implats and Australian mining house Aquarius), large new investors have been warned off by the deteriorating investment climate.

"Since 1999 there has been no new internationally financed exploration even though the same period has seen high growth in exploration spending in neighbouring mineral-bearing countries... large new investors have been warned off by the deteriorating investment climate."

In the 2000s, foreign mining investments have primarily involved mergers and acquisitions and wholly new projects have been the exception. Overall, the Chamber of Mines and industry observers have pointed to the *absence* of new project implementation as the worrying dominant trend in a sector which had seen a range of liberalisation measures designed to encourage new foreign investment.

Indigenisation: Low Grade Participation

If a vibrant minerals sector was a short-lived legacy of the 1990s, a more problematic and enduring one was the pattern of mine ownership. Here, the persistent exclusion of local participation in large scale mining, with the exception of government's own ill-fated interventions through the parastatal miner, the Zimbabwe Mining Development Corporation (ZMDC), helped prompt sporadic but mostly unsuccessful initiatives for mining empowerment. In reality, processes of restructuring and empowerment in large scale mining have been dominated by larger mining houses, with the result that patterns of domestic participation in large scale mining have not changed significantly since the 1990s – or at least not through any publicly-acknowledged, transparently structured means.

The need for sustained black empowerment was recognised by the Chamber of Mines (the main representative body for mine owners) in the 1990s. A few examples of empowerment were in place by 2000. Mutumwa Mawere, a "self-made" indigenous mining magnate with links to the ZANU-PF leadership, used creative financial restructuring to become the controlling shareholder in Shabanie Mashaba asbestos Mines in 1998. His deal was celebrated by government which called on other aspiring black entrepreneurs to take control in the commanding heights of the mining sector. At the time, Mawere spoke of expanding his interests via financing facilities designed to act as an indigenisation trust for privatised state assets and other targets. However the murky politics of competing ruling party players and financing issues soon intervened, and his acquisitions soon fell into financial problems following the withdrawal of political support from the State. The one-time indigenisation hero, recast by government as a suspect businessmen, later chose self-imposed exile in South Africa under threat of arrest in Zimbabwe, while government seized his Shabanie assets.

Other smaller-scale efforts at indigenisation were more successful, and involved extensive artisanal works in different locations. However, none of these grew into large operations and occasionally their operators too were harassed by government officials, who accused miners of violating exchange control regulations by smuggling gold and other minerals; of operating illegally without permits; and other offences. "Bottom-up" empowerment by the small-scale sector therefore met with continuous challenges and in its public profile was typically trashed, rather than celebrated and encouraged, by government.

"'Bottom-up' empowerment by the small-scale sector ... met with continuous challenges and in its public profile was typically trashed, rather than celebrated and encouraged, by government."

Beyond a small elite of aspiring mining entrepreneurs and a larger grouping of small scale and informal sector miners, government and empowerment groups failed to mobilise a popular base among a wider constituency – and particularly among mineworkers and mining communities. To the contrary, the latter were victims in the early 2000s of a double assault from the economic downturn and politically-motivated violence.

In ZANU-PF's increasing militarization of politics, workers and workers organisations were identified by government and the ruling party as potential "opponents". The ruling party was determined to prevent its rural political base from being occupied and reorganized by its political critics, and soon violence and intimidation were unleashed on mineworkers, their union (the 10,000 strong Associated Mineworkers of Zimbabwe-AMZ), mining compounds and surrounding communities. Mineworkers who were already hard-hit in the 1990s by mechanisation and restructuring – which saw mining employment drop from 83,000 in 1995 to less than 50,000 in 1999 – soon suffered more direct and unambiguous forms of injury.

In 2001, workers on several mines were physically assaulted, harassed and otherwise strong-armed by members of the self-styled Zimbabwe Federation of Trade Unions, a ZANU-PF-inspired "trade union" led by war veteran Joseph Chinotimba, whose members seemed to consist mostly of "war vets", youth militias and unemployed party-linked youths. These attacks, unpunished by the State, led to the extortion of funds from workers and mine owners; displacement of the AMZ's organising capacity and access to its dues-paying members; and the disabling of the MDC's political and organisational support in mining compounds.



Knocking-off time for Zimbabwean gold miners: already hit hard by restructuring, they soon suffered more direct forms of injury.

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Many mining communities were left to limp along without further investment in the context of slowed-down or closed operations, a rapidly declining social economy and threats of further violence from government-aligned pseudo-unions. Since then, there have been no meaningful or sustained efforts by government and State-backed empowerment activists to incorporate mineworkers or mining communities into mining indigenisation policies or projects.

Empowerment Exported

In the 2000s, government's approach to empowerment investors took a new direction in response to the changing political environment. After 2000, black business groups' empowerment deals were increasingly tied with, and dependent upon, powerful political factions in the party – especially those with military and security connections who were in the ascendant in this period. Since the securing of new economic assets was perceived as having direct bearing on these factional struggles, empowerment initiatives became increasingly hotly-contested, *ad hoc* and unstable. Despite heightened focus by government on the imperative of indigenisation, in practice the door would be opened to the expanded involvement of new foreign investors from southern Africa.

"Despite heightened focus by government on the imperative of indigenisation, in practice the door would be opened to the expanded involvement of new foreign investors from southern Africa."

Early targets of renewed indigenisation efforts in the 2000s included the gold, nickel and platinum projects of Anglo American, Implats' platinum operations and Metallon Gold's five gold mines. Each of these South African-rooted mining houses have faced demands to take on substantial local partners – but with little effect.

Anglo American, having signalled its intention of divesting from most of its Zimbabwean assets to concentrate on larger projects, was an early target for local investors – yet most of its more expensive nickel and gold assets on sale ended up going to non-Zimbabwean companies. An exception was its Zimbabwe Alloys group of chrome mines, where production had levelled off and was downward by the early 2000s, which was sold in 2005 to a "broad-based indigenous consortium" of Zimbabweans. In the case of Anglo's Unki platinum project, the company sought to hold on to its undeveloped assets. However, wrangling with government over the reported imposition of unnamed local partners to take up a 15% - 20% stake in the project, contributed to lengthy delays in the US\$90m project. Despite record high platinum prices and continuing interest by Anglo American Platinum, the project is on a go-slow basis.

At Zimplats, 87% owned by South Africa's Implats, engagement with three successive sets of local partners nominated by government all collapsed as the company required

bankable financial commitments from future partners and this was not forthcoming. In lieu of suitable local project partners, Zimplats negotiated terms for the recognition of "empowerment credits" through partial ceding of its land claim and recognition of current and future social investments. A deal was concluded with government in 2006 that enabled the company to shut out significant local investment.

Meanwhile, South African-based empowerment gold producer Metallon bought a controlling stake in Zimbabwe's Independence Gold mines from SA's Lonmin in 2002 and immediately ran into empowerment problems of its own. At the time of the acquisition Metallon negotiated with a local consortium of three prominent business figures for a 30% local stake in Metallon's local operations. But the agreement soon collapsed and resulted in a flurry of law suits from each side. Metallon's plans for expansion of its Zimbabwe activities, projected to triple its gold output over five years through an investment of up to US\$100m, were placed on hold.

One notable successfully engineered empowerment deal involved the Murowa Diamonds project, which is 78% owned by Rio Tinto plc with junior partner RioZim, a Zimbabwe-listed company whose 56% majority shareholding held by Rio Tinto was ceded to local investors as part of the Murowa deal. However the market-leverage empowerment option pursued by Rio Tinto in 2004-2005 has not been favoured by government or empowerment activists – probably because it has tended to favour established (not politically-dependent) business interests in the country.

In reality, since Mawere's asbestos deal in the 1990s – which predated the international financial boycott – few significant empowerment deals have been concluded that involve contractually structured, transparently implemented partnership transactions involving local consortia.¹

"The only substantial 'empowerment' investor in Zimbabwe in recent years has been the South African-based empowerment mining group, Mwana Africa. Mwana has links to powerful business and political interests in the DRC, South Africa and Zimbabwe."

Significantly, the only substantial "empowerment" investor in Zimbabwe in recent years has been the *South African*-based empowerment mining group, Mwana Africa. Mwana has links to powerful business and political interests in the DRC, South Africa and Zimbabwe. The company has acquired important assets from international players, including Freda Rebecca Gold Mine (AngloGold Ashanti), Bindura Nickel (AngloAmerican), Cluff Mining Zimbabwe (gold assets) and Gravity Diamonds (based in the DRC). However, Mwana's profile, with its heavyweight international financing and mining pedigree – its CEO Kaala Mpinga and some of his team were formerly at Anglo-American in South Africa – is distinct from that of most aspiring empowerment dealmakers in Zimbabwe. This is not the kind of empowerment that government had promised its loyal empowerment lobby.



Platinum bars: an eventual 51% for government and gov't-nominated Zimbabwean investors.
© Paul Fleet

Sweeping new empowerment legislation, the Indigenisation and Economic Empowerment Act of 2007, addresses these shortcomings in principle but falls short in practice, particularly when it comes to capital-intensive sectors like mining. It calls for the acquisition a 51% stake in foreign-owned mining operations in the strategic platinum, diamonds, gold and emerald sectors, including an uncompensated expropriated stake of 25%. Twenty percent of the stakes in question would be acquired within two years, with the state's holding rising to 40% after five years and reaching 51% by the end of seven. Unnamed government-nominated

Zimbabwean investors would benefit from access to government's newly acquired shareholdings, and future new investments would be required to include state or indigenous participation from the outset. Similar sector-specific proposals had been announced by the Mines and Minerals Development ministry in 2006.

Local mining houses and the Chamber of Mines, both of which had engaged government on indigenisation policy over an extended period, were not the only ones surprised by the proposals. South African empowerment figures and their home

government were also caught unawares. The ANC government had earlier initiated negotiations with Zimbabwe around financial and technical cooperation to help formulate and implement a transparent, well-managed, gradual empowerment transformation of the local industry – perhaps in response to new South African mining investments in the country in the early 2000s. As part of the bilateral engagement, Zimbabwe and SA had reportedly discussed an empowerment-related exchange programme in which SA would assist in the development of an indigenisation charter. But by 2006 the scramble for elite-based, ZANU-PF-led and untransparent "empowerment" had relegated more systematically structured and codified approaches.

Yet the new dispensation has also failed to deliver greater empowerment via the disciplining of foreign mining capital. State engagement with foreign investors remains case-by-case and bilateral, and has been complicated by feuds among the Ministry of Mines, Ministry of Empowerment and Indigenisation and the Reserve Bank of Zimbabwe. Government in its various incarnations exhibits several competing sets of expectations around indigenisation – from private accumulation for new businesspeople and the reigning-in of foreign companies exploiting Zimbabwe's mineral wealth, to the development of local infrastructure, rebuilding of metals exports industries and provision of foreign exchange to the State. Both foreign mining houses and prospective local community beneficiaries and market players, have struggled to understand and engage with this changing thorny complex of personalities and power interests. On the ground, partisan indigenisation regulations have *marginalised* the participation of previously disadvantaged communities and legitimate local market participants, while failing to coherently and positively shape future foreign capital flows into mining.

"Both foreign mining houses and prospective local community beneficiaries and market players, have struggled to understand and engage with this changing thorny complex of personalities and power interests."

State Crisis, Regional Capital and Deferred Development

The recent decline of foreign investment in Zimbabwe's richly endowed minerals sector has been overdetermined by the country's high-risk political environment. But this risk factor alone does not sufficiently account for the parlous and uneven fall in inward capital flows – or for the heightened activity of regional investors in the local industry in the 2000s. To understand the tragic trajectory of mining development and the failure of "indigenisation", we also need to track the impact of State restructuring under neoliberalism in the 1990s and later, ZANU-PF's rearguard defence of power in the face of the democracy movement. Structural adjustment in the 1990s and partisan militarization of national institutions in the 2000s gutted much of the professional bureaucratic capacity of the state, and made policy making and implementation more *ad hoc*, reactive, elitist, unpredictable and vehemently partisan. The State's policy making and regulatory institutions have been subsumed, and with them the capacity to develop and implement coherent strategies aimed at disciplining foreign capital and asserting sovereignty over key national resources.

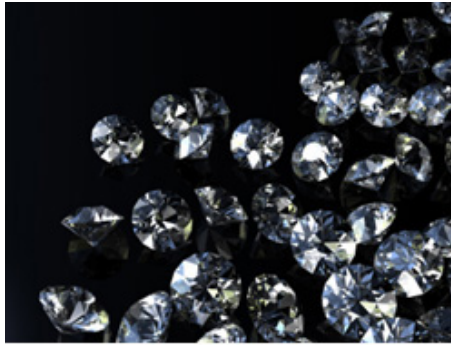
The erratic development of an indigenisation policy for the minerals sector is an important reflection of this broader trend. Recent policy and practice in mining starkly reflects government's precarious capacity and equivocal will to pursue a transparent approach to indigenisation. It also points to the wider, profoundly negative consequences for the national economy, local communities and indigenous entrepreneurs, and raises questions around the options for State and civil society interventions aimed at leveraging greater local participation in the foreign-led sector. The collapse of key parts of the mining sector mirrors the collapse of the State's own capacity to manage the economy. At the same time, the survival and expansion of some operations – dominated by South African players and including platinum, diamonds and some gold – reflects both a regional appetite for seizing opportunities emerging from crisis, and a corresponding capacity to mobilise political assets to diminish investment risk.

"The survival and expansion of some operations ... reflects both a regional appetite for seizing opportunities emerging from crisis, and a corresponding capacity to mobilise political assets to diminish investment risk."

Is a new pattern of cross-border investment emerging? If so, who are the primary beneficiaries and what roles have governments in Zimbabwe and the region played in

enabling the new dispensation? Are we seeing, in fact, a resurgence of intra-regional mining imperialism?

Inside Zimbabwe, government's policy engagement with both the established black business community and most sections of civil society has turned profoundly negative since the late 1990s. Notions of economic participation linked to systematic redistribution have been dropped, and along with them, opportunities for building a broad social coalition and strategy for reclaiming economic and social rights in the mining sector. "Empowerment" is now widely understood to mean the enrichment of the political and military elite from both Zimbabwe and neighbouring countries; and redistribution entails the sharing of spoils through corrupt secretive deals. The fiasco of intra-elite faction fights and regional diamond smuggling that emerged from a state-regulated diamond rush in eastern Zimbabwe in 2006-07 underlined the exclusive, chaotic, regionalised and destructive nature of the State's management of the mining sector.



Diamonds: underlining the exclusive, chaotic,

Recent government policies have left ownership in much of the sector untransformed. Large scale mining remains relatively undented by demands for local inclusion. The largest and most lucrative new investments in the past decade, the Zimplats and Mimosa platinum mines and Rio Tinto's Murowa diamond project, have successfully deflected indigenisation challenges. Other regional mining newcomers have withstood similar tests; for example, Mwana Africa has continued to operate despite being at the centre of perhaps the messiest, most chaotic – and failed – empowerment deal with aspiring Zimbabwean indigenisation investors.

If there has been transformation in the sector, it has involved the strengthened and continuing presence of South African and regional players – and the slamming of the window of opportunity in the face of traditional market-based Zimbabwean investors. In reality, there has been much less indigenisation in the mining sector (not counting secret, unverifiable changes of ownership) in the militantly nationalist period of the 2000s than in the previous two decades of independence.

"In reality, there has been much less indigenisation in the mining sector in the militantly nationalist period of the 2000s than in the previous two decades of independence."

The continuing role of South African and regional mining houses in Zimbabwe raises questions over the linkages between regional political elites and cross-border investors. Some Zimbabwean industry insiders insist that attractive SA-controlled assets, such as the Zimplats platinum operations, are afforded protection by their parent company's links with the SA government. Such protection is difficult to measure and assess, and it has not prevented the making of claims against Zimplats, Anglo American and others, and various forms of regulatory and legal intimidation, particularly around issues of foreign exchange access and shifting taxation rules. Still, the fundamental security of South African and regionally-controlled mining investments has not been jeopardised.

Regular signals sent by South African industry and government officials concerning the rights of foreign companies in Zimbabwe suggest that regional political muscle has been a critical factor in keeping spaces open for South African and regional business, in Zimbabwe's otherwise profoundly hostile economic terrain. Is this sign of a new politically-facilitated regional imperialism, or fire sale bargain-hunting by opportunistic elites? Will such activity be sustainable in the face of a stronger, more legitimate State backed by a consensus-driven policy on national resources, foreign investment and local participation? The evolution of the broader Zimbabwean crisis in the near term might begin to provide answers to these questions.

"The way back to alternative forms of empowerment and the assertion of national sovereignty over core resources must begin with the reconstitution of the State, and the recovery of earlier notions and practices of civil society and indigenous entrepreneurial inclusion."



Surveying at an open-pit copper mine in Zambia: struggles in neighbouring countries can help guide future policy engagement from below.

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In the meantime, the crash of mining production and the failure of government-led restructuring efforts underline the critical importance of State capacity for developing both policy vision and social coalitions in support of change. ZANU-PF's partisan withering attacks on state institutions in the 2000s have severely eroded such capacity, and helped set the stage for production chaos leading to a new role of foreign players in a key sector. The way back to alternative forms of empowerment and the assertion of national sovereignty over core resources must begin with the reconstitution of the State, and the recovery of earlier notions and practices of civil

society and indigenous entrepreneurial inclusion. In this regard, Zimbabwe's past – as well as current debates and struggles in neighbouring countries like Zambia and South Africa – can help serve as critical guide for future policy engagement from below. For the moment, the first step in the regulatory disciplining of foreign mining capital must entail the disciplining, restructuring and enabling of the State itself.

(Richard Saunders is Associate Professor in the Department of Political Science at York University, Toronto.)

Note:

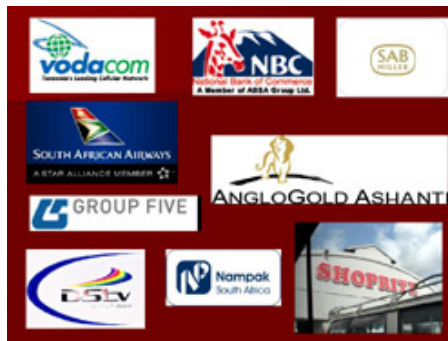
1. Mining projects acquired by legally disputed means – for example, occupation or seizure – are harder to track, although they are few and to date do not include larger mines. Also difficult to assess are new business stakes acquired through silent shareholdings that are not publicly acknowledged, and whose ownership is typically cloaked from scrutiny by means of proxy shareholders, numbered companies, offshore holding vehicles, etc. These latter forms of empowerment include investment vehicles of the ruling party, of which many are documented, but in which individual or institutional control and benefit are difficult to detect.

SOUTH AFRICAN CAPITAL IN THE LAND OF UJAMAA: CONTESTED TERRAIN IN TANZANIA

by Richard A. Schroeder

Introduction: Reforms, Returns, Remembering

In the decade and a half since the dismantling of apartheid, the economic geography of sub-Saharan Africa has been radically reconfigured, with South Africa assuming the role of one of the continent's leading investors. In few places has the growth of South Africa's regional influence been more evident than Tanzania. Well-endowed with exploitable natural resources, and having recently implemented a sweeping set of economic reforms designed to reduce the role of the state in production and to facilitate foreign investment, Tanzania has experienced a rapid increase in capital inflows from South Africa, as well as higher levels of trade with Pretoria. More than 150 South African firms have entered the country since 1994, with virtually every major South African firm active in the region now operating in Tanzania. (Bandawe 2006; HSRC 2004; Gibbon 1999.)



South African companies: more than 150 have entered Tanzania since 1994.

While the influx of capital has been hailed by the Tanzanian government as a boon to economic growth, others have expressed deep concerns about South Africa's economic expansionism. Issa Shivji, an internationally prominent Tanzanian scholar, legal expert, rights activist and social critic, has likened the South African capital invasion to a "second wave of primitive accumulation" (Shivji 2006: 169-177). Increasingly, the South

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African corporate presence has emerged as an important wedge issue in a protracted and painful national debate centred on Tanzania's economic reform process.

"The South African corporate presence has emerged as an important wedge issue in a protracted and painful national debate centred on Tanzania's economic reform process."

Many Tanzanians, whose political consciousness was shaped under the socialist government of the country's first president, Julius Nyerere, have objected to the rapid privatization of nearly 400 parastatal concerns, including some of the country's most prized economic assets. Others have bemoaned the dumping of cheap goods on national markets, and the extraction of valuable natural resources on concessionary terms by foreign nationals. In each of these areas, the insult added to injury has been the leading role of South African companies – many of them white-owned and managed, and banned from Tanzania during the long struggle against apartheid in which Tanzania played a leading and costly role. In the eyes of many Tanzanians, the fact that South African companies have now become so centrally involved in their economy effectively de-legitimizes the Tanzanian reform process itself.

Difficult Histories

For much of the 20th century bilateral relations between South Africa and what is now Tanzania were strained and uneven. In the early 1900s following the Anglo-Boer War, several groups of Afrikaners trekked to German-held Tanganyika, where they were granted up to a thousand hectares of land by the colonial government in the hopes of spurring agricultural production (Du Toit 1998; Spear 1997). These land use privileges were reaffirmed in the 1920s when the British assumed control of Tanganyika after World War I, and it was only the prospect of black majority rule that pushed thousands of Afrikaner families to leave East Africa on the eve of Kenyan and Tanganyikan independence in the 1960s. The early Afrikaner presence in Tanzania therefore exists within living memory – along with local resentment at the colonial preference afforded Afrikaner land rights over those of natives.

After independence and the merger of Tanganyika and Zanzibar to form the Republic of Tanzania, Tanzania became one of the staunchest opponents of the apartheid regime, playing a major role in supporting national liberation movements in South Africa, Zimbabwe, Mozambique, Angola and Namibia. Diplomatic ties with apartheid South Africa were cut and were not re-established until the arrival of majority rule in Pretoria in 1994. In the extended struggle against apartheid waged by neighboring African states, former Tanzanian President Julius Nyerere played a leading part in the formulation of anti-apartheid policies and strategies by the Organization of African Unity (OAU). The Executive Director of the OAU's Liberation Committee, Brigadier Hashim Mbita, was also Tanzanian. Throughout the 1970s and 1980s, Tanzania provided invaluable support to the South African liberation movements, sheltering senior officials, offices and training facilities, hosting key high-level meetings and conferences, and providing crucial international diplomatic and logistical support.

"Until the release of Mandela from his apartheid jail in 1990, the national political discourse was one vehemently critical of and opposed to white South Africa's role in sub-Saharan Africa – political or otherwise."

A retired civil servant shared his memories of the period in an interview in 2005. In his view, the leadership of the Nyerere government and the active presence of South African comrades in their midst had a profound impact on Tanzanians' sense of national identity, and the liberation struggle itself became deeply ingrained in the popular Tanzanian political consciousness. As he put it, "When we think of South Africans, we do so inevitably against the apartheid backdrop. We always think of this period and the impact this had on our way of thinking....We paid dearly in terms of both support from abroad, and in terms of the drain on the few resources we had" (Interview with the author, 28 Oct. 2005). Until the release of Mandela from his apartheid jail in 1990, the national political discourse was one vehemently critical of and opposed to white South Africa's role in sub-Saharan Africa – political or otherwise. In this context, the epithet "*kaburu*," the Kiswahili term for *Boer*, carried tremendous pejorative force.

Suddenly, in the 1990s, with the advance of freedom in South Africa, the "rules of the game changed....This was not just a new chapter, but a whole new book" (Retired civil servant, interview with the author, 28 Oct. 2005). Now, instead of honing the knife's



Former President B. W. Mkapa: open to even more South African investment; urging Tanzanians to set aside historical animosities.

© UN Photo / Mark Garten

edge of Tanzanian national identity on the rough politics of the southern African liberation struggle, Tanzania's government actively sought to rehabilitate South Africa's image and curry favor with the post-apartheid regime. Through speeches and impromptu remarks reported in the press, government officials exhorted the Tanzanian body politic to set aside their historical animosities and stop calling the South Africans *kaburus* (Mahwi 2004). Former President Mkapa went so far as to announce, "I wish we could have *more* South African investment in this country. The old apartheid South Africa was our enemy...The new independent South Africa is a friend and partner in development" (Moses 2002, emphasis added).

Old Enemies, New Partners?

If Tanzania and South Africa are in "partnership", it is a notably lop-sided one. In little more than a decade, South African capital has acquired controlling interests in Tanzania's largest banking chain, the national airline, and the national brewery. South African companies have purchased or built hotels, mined gold and gemstones, and accumulated important stakes in hunting and photographic safari businesses. They managed the national electric utility, and they have established the country's largest cellular telephone and television distribution networks. They have acquired factories producing sugar, plastics, cement, and fertilizer. South African companies have set up grocery and fast food chains, and established market connections resulting in the importation of diverse products, from furniture and ceramic tiles to clothing and fine wines. A pastoralist community activist summed up his frustration at this growing influx, commenting bitterly that, "We now live in the United States of South Africa".

The motivations driving these investments have been varied. Some of the most important investors in the mining and tourism sectors followed the country's rich local resource endowments, while other ventures arrived in the context of broader continental expansion by Pretoria.¹ Tanzania also presented regional opportunities for developing new revenue streams, for example through the construction of an inland port facility linking the otherwise incompatible southern and east African rail networks. (Robertson 2005.)



Tourists in Tanzania's Ngorongoro Crater: South Africans have major stakes in safari businesses.

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Measures taken by the Tanzanian government to make the country more "investor friendly" have also been important. The Tanzanian Investment Center, the main state agency for promoting Tanzanian investment opportunities to outside investors, stresses that at least fifteen major new legal reforms have been enacted since the late 1990s, all aimed at streamlining the investment process (TIC, 2005).² For some investors these steps have buoyed business confidence, resulting in Tanzania being listed as a *preferred* investment target in a number of surveys of South African corporate heads (Anonymous, 16 Feb. 2000).

"Given local political sensitivities to the presence of South African businesses, government officials have at times been at pains to downplay recent trends."

Given local political sensitivities to the presence of South African businesses, government officials have at times been at pains to downplay recent trends. In 2001 and again in 2006, the Tanzanian Investment Center released data showing that the country's leading foreign investor was not South Africa, but rather the United Kingdom (see Table 1). However, these data were misleading. In presenting *cumulative* totals dating to 1990, the statistics failed to reflect changing historical trends, and notably obscured the peaking of South African investments in the early 2000s. Government statistics also failed to adequately capture a critical pattern of recent investments involving the privatization of government parastatals. Through numerous parastatal

acquisitions, South African capital has assumed a central role in the imposition of fiscal discipline on Tanzanian workers, including a sharp reduction in the ranks of state employees. Thousands of public servants have lost their jobs, and bitter battles over retrenchment and pension compensation have resulted in strikes, as well as other forms of protest including arson.

(Source: Machumu 2001: 4; Sebastian 2006: 11)

TABLE 1: SOURCES OF FOREIGN DIRECT INVESTMENT IN TANZANIA, 1990-2004

Source of FDI	No. of projects 1990-2000	Amount (bn Tsh) 1990-2000	% incoming FDI 1990-2004 (rank)
UK	255	325	23 (1)
US	59	194	8 (6)
South Africa	42	142	10 (3)
Kenya	92	109	9 (5)
China	47	90	na
Canada	na	87	6 (7)
Germany	na	47	1 (9)
Netherlands	na	43	10 (3)
Italy	na	38	2 (8)
India	60	32	18 (2)

Meanwhile, powerful negative sentiments against South African companies remain strong among the broader Tanzanian citizenry. There is ample evidence of continuing, if unorganized and individualized, consumer boycotts against South African-owned cell phone providers, fast food restaurants, grocery chains and other goods and services that have arrived since the mid 1990s. Popular hostility has been stoked by a series of well-publicized controversies involving South African companies, extending back to the 1990s (see **"BOERISH BEHAVIOUR"** box at end of article).

Political Fault Lines: Debating SA Investment

The practical impact of negative public incidents and antagonisms has been to keep the issue of South Africa's expanded role in the national economy highly visible, and make it the centre of national debate. Here, differences over the government's economic reforms have revealed deep cracks or political "fault lines" (Goodman 1999) within the Tanzanian body politic along lines of race, class and generation. Different forms of the South African corporate presence – including investment targets, trade effects and on-site management practices – have affected the debate in specific ways.

Many in the Tanzanian business community have wholeheartedly embraced the goals of the government's neo-liberal reforms and are sympathetic to South African investors. They see the arrival of South Africans as the inevitable outcome of competition fostered in the context of the country's post-socialist transition, and point to the benefits of inflows of entrepreneurial capital, technology and business skills into sections of moribund state-owned production. As one local commentator observed, " *South Africa* is not an issue. The issue is: there is an investor who was willing to come... The issue is people and work. People who want to work, be regulated as they work, be rewarded for working hard." (Businesswoman in Dar es Salaam, interview with author, 24 Mar. 2006.)

Some in the business community argue that Tanzanians had a chance to run their own affairs but failed. They lay the blame for that failure squarely at the doorstep of Tanzania's government:

The National Bank of Commerce was *gone*. And it was the *National Bank of Commerce*, with *full* monopoly. I've never seen in the world, read anything about, a bank that has full monopoly, and made a loss! [The South Africans have] turned it around. I never could borrow in those days... Loans were being given on the basis of little notes coming from politicians...But [today] I borrow. So if it's a South African bank that is facilitating my business...do I care? I mean, would that matter to you? (Businesswoman in Dar es Salaam, interview with author, 24 Mar. 2006.)

Such views have been bolstered by the fact that several parastatals acquired by South African investors have performed well in recent years. Tanzanian Breweries, for example, has seen its market share increase from roughly 20% when SAB Miller first acquired controlling interests in the firm in 1993, to over 80 % by 1997. Similarly strong economic performances have been recorded at Kilombero Sugar and Tanga Cement, among other businesses.

"Others cast a more jaundiced eye on South African management practices, and dispute the notion that South Africans have 'saved' businesses run into the ground by local operators."

Others cast a more jaundiced eye on South African management practices, and dispute the notion that South Africans have "saved" businesses run into the ground by local operators. Critics of the government's open door investment policies argue that prior to privatization, parastatal managers were often hamstrung by state policies, patronage practices and corruption. These impossible conditions for management were only eased with the privatization fire sales of the 1990s and 2000s – and so it should have come as no surprise that the performance of the relaunched companies would improve.

For many detractors of the privatization process, the problem was not the state's divestment of public corporations per se, but rather the kinds of investors accepted as buyers:

If government had first handed these firms over to the Tanzanian private sector, and then seen the Tanzanian private sector fail, *then* it would have made sense to seek out a foreign buyer. But not under these circumstances... I say, let a Tanzanian run Breweries. Then invite SAB in and let them invest on their own and build up their own plants and come and compete. (NGO representative, interview with author, 25 Nov. 2005.)

They also note that firms entering the economy were often in a position to strip existing parastatals of their assets, applying the proceeds as reinvestments in the privatized firms in the process. As one commentator explained in the case of Tanzanian Breweries:

They came over and grabbed up all the plums where they were available... One of the Breweries' chief assets was actually the land they sat on. And the South Africans acquired all those real estate assets along with the physical plant. So the first thing SAB did was liquidate all the houses, and generated a bunch of working capital. So the cost of acquiring the brewery was actually minimal... And then they go on and talk about *efficiencies* as if that were the reason for all of their success. (Retired civil servant, interview with the author, 28 Oct. 2005.)

"There is a widespread view that South African investors have had limited success in generating beneficial knock-on effects, such as encouraging secondary investment, nurturing new production and creating jobs."

By extension, there is a widespread view that South African investors have had limited success in generating beneficial knock-on effects, such as encouraging secondary investment, nurturing new production and creating jobs. There are popular concerns over South African companies' long-term commitment to Tanzania, and calls for greater regulation and supervision of foreign enterprises. Regulation, according to some, should require firms to undertake more substantial and beneficial reinvestment in Tanzania beyond the immediate concerns of production. As one prominent gemstone trader put it,

How long have the South Africans been in the country? And what have they done for Tanzanians? They earn 200 million dollars from gemstone mining and what have they done with it?... They repaired the road *once* ; they built a dispensary *once* ; they built a school block *once* . What is that when you have taken millions of dollars of profits out of the country? (Gemstone dealer, interview with author, 15 May 2006.)

Changing trade patterns with South Africa, which have been strongly skewed by the arrival of supermarket, retail and services chains that sell South African sourced products, have also led to public debate on the impact of Tanzania's "reformed economy". Shoprite, the South African supermarket chain which entered Tanzania in 2000, looms especially large in the popular imagination. The initial expectations of small scale farmers, petty commodity producers and traders – that Shoprite would provide new platforms for reaching local markets – proved woefully misplaced. As in other countries in the region where Shoprite's South African-focused product sourcing system was put in place, tensions soon emerged around issues of local retail displacement. As one representative of a small scale farmer cooperative noted,



Our members could supply Shoprite if they were given the proper training. So I've told Shoprite that they should do some training... But they are continuing to get their supplies from South Africa. There is no reason in the world that they should be getting eggs from South Africa. Or dairy. I can understand that maybe they need to get some of their horticulture from South Africa, their tangerines of a certain size, and their grapes... But tomatoes and onions? (Schroeder, R. Field notes, 2006.)

There have also been consumer complaints around quality and costs of services provided by new companies. Vodacom subscribers, for example, had anticipated that rates would decline as the number of subscribers skyrocketed (to more than four million by 2005). However costs continued to rise, as profits were partly redirected into promoting additional subscriptions.

Inevitably, complaints surrounding the influx of South African capital have also returned to the historical question of apartheid, race and nation. Many of the *Ujamaa* generation see echoes of the old South Africa in widely publicized local incidents involving post-apartheid investors, including maulings by security team dogs, and the locking up of "trespassers" in storage containers. Such actions prompted the Minister of Energy and Minerals to warn South African mining companies against such "apartheid acts", and remind them of the local resentment such practices evoked.

"There is a popular perception among local business people that South Africans close ranks amongst themselves when it comes to sourcing materials, capital and skills."

Many have also complained about the insularity of the South African business community. There is a popular perception among local business people that South Africans close ranks amongst themselves when it comes to sourcing materials, capital and skills. Local bidders for South African supply contracts often feel unfairly excluded primarily on the basis of nationality. The general consensus is that tensions around such issues are building. The Director of the Tanzanian Investment Center, whose job it was to promote foreign investment, has gone on record citing the need for foreign investors to "spare a little time to study Tanzanian culture". (Rwambali et al. 2000.) At the same time, some locals see a different form of discipline emerging in the future:

We aren't going to stand for this indefinitely. People are going to fight back. This mentality of approach where you segregate yourself, you play your own games, set up segregated schools... this will cost them... If you make a situation where people feel desperate in their own country, this is a recipe for a disaster. (NGO representative, interview with author, 25 Nov. 2005.)

Tanzania – South Africa: A New Struggle for Liberation?

For many Tanzanians these days, it seems very much as though the only source of foreign direct investment in the country is South Africa. This has been deeply unsettling on a number of levels. The fact that the long-anticipated South African invasion has come in economic rather than military form, is seen by many as deeply ironic. And many find it difficult to reconcile the influx of South African capital, imports and neo-settlers, with residual animosities towards all things "southern" born of the liberation struggles of the past forty years. The lines of political solidarity between Tanzanians and the South African public, once so strong and clear, have grown increasingly complicated.

In this context, it matters a great deal which face the "new South Africa" presents when it arrives as an investor: is it that of an historical comrade in arms, espousing the goals of the progressive wing of the ANC; or that of white-dominated corporate capital, which has survived the transition from apartheid, mostly intact? Or are both representations possible? These questions remain in play and are directly linked to broader Tanzanian debates around neoliberal reforms and the future direction of development in the country.

Currently, South African actors are deeply implicated in government reform policies, which have ushered in a new set of social and political-economic realities that are themselves heavily contested within Tanzanian civil society. In this regard, the moral economies of the past and the present have come together to reinforce one another. This leads many Tanzanians to condemn outright both the moral bankruptcy of the Tanzanian neo-liberal regime and South African capital's central role in the implementation of Tanzania's ongoing economic reforms. Once again, perhaps, South Africa might serve as a key foil in Tanzania's ongoing popular struggles for liberation.



South African investment in Tanzania: which face is the 'new South Africa' presenting?

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Boerish Behaviour

While many South African companies claim to be at home in Tanzania, their insensitive and at times offensive behaviour has raised questions about the larger costs of welcoming them to the country. Incidents leading to friction have included:

- 1997 ConsCorps Africa, one of the continent's largest tourism companies with 40 properties in six different African countries, made a splashy debut in Tanzania by purchasing several key sites on the lucrative northern safari circuit. It proceeded to raze a well-known hotel on the rim of the Ngorongoro Crater and replace it with an ultra-luxury facility which it marketed to the world under the dubious rubric of "Maasai meets Versailles" (<http://www.ccafrica.com>).
- 1997 In the gemstone sector, hundreds of small scale miners were forcibly removed from the core of a lucrative tanzanite mining site in the mid-1990s, clearing the way for acquisition by a South African mining firm. In the ensuing decade, South African security personnel at the mine were implicated in numerous shooting incidents which resulted in several fatalities and the wounding of dozens of small scale miner "trespassers". The corporate miners later established an exclusive tanzanite brand which was then used to discredit unbranded gems (like those produced by the small scale sector) as potentially illegal and unreliable.
- 1999 South Africa's cellular operator Vodacom was granted a license in Tanzania in the late 1990s and quickly became the country's leading network. This growth was matched by an aggressive publicity campaign, which included securing the rights to re-paint a number of prominent buildings in downtown Dar es Salaam and other larger urban centres. In Dar, giant renditions of the garish bright blue-and-white signage of Vodacom became a fixture of the urban landscape, creating jarring sight lines along main thoroughfares, and sometimes enveloping government buildings as well.
- 2000 Tanzanian Breweries, Ltd. (which was acquired by South African Breweries, now SAB Miller, in 1993) caused an outcry when it erected a public fountain in the shape of a giant beer bottle on a well-traveled site in Arusha, where a memorial statue to former president Nyerere and his famous "Arusha Declaration" of socialist principles had been proposed (Anonymous June 17, 2000). The new installation also outraged local residents because it spewed water at the height of a severe drought.
- 2000 ABSA Bank tendered a bid to purchase the National Bank of Commerce, the state-owned and largest banking chain with 35 branches, when it was listed for privatisation. ABSA's initial purchase offer of US \$18 million was, however, rescinded in the eleventh hour after it was discovered that NBC had accrued huge debts. Tanzanian observers were subsequently mystified when NBC ended up effectively paying ABSA US \$18 million to assume the bank's unresolved debts and take over management of its operations. (Rwambali 2000.)
- 2001 Two groups of South African researchers were expelled from Tanzania for testing ersatz anti-AIDS medications on Tanzanian soldiers, allegedly without their consent or knowledge. One of the compounds – virodene – was based on "a highly toxic industrial solvent banned in South Africa for use on humans" several years earlier; the other was a coal-derivative (Economist Intelligence Unit 2001).
- 2002 After failing in earlier attempts to establish partnerships with the local carrier, South African



That garish blue-and-white ...

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Tanzania's 'national' airline with a stylised South African flag.

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Airways (SAA) acquired a 49% stake in the parastatals Air Tanzania Corporation (ATC). SAA promptly repainted the ATC fleet, replacing the Tanzanian national symbol of a giraffe with a stylized version of the SAA logo, itself based on the South African national flag. It also stopped booking tickets using the ATC flight code which, critics alleged, rendered ATC "non-existent" as far as the International Air Transport Association was concerned. By late 2006, amid rising losses and antagonism between government and SAA, the airline's privatization contract was cancelled and control of ATC reverted to Tanzanian authorities. (Kizigha 2006.)

- 2002 The energy management corporation, Netgroup Solutions, assumed control of TANESCO, Tanzania's national electric utility. Following a serious drought in 2005, the country experienced

massive power shortages throughout the country, and the Netgroup contract was discontinued on the grounds of poor managerial performance.

- 2003 The Group Five Construction company began work on a major contract to build a new headquarters for the Bank of Tanzania. Five years later, the original budget of \$80 million for the as-yet-unfinished project had ballooned to \$340 million. The cost overruns for the building's "twin towers," which dominate the Dar es Salaam skyline, generated heated debate in parliament, where they were decried as being "at least four times higher than similar buildings in some of the world's most expensive cities like London, New York and Tokyo" (Anonymous, July 18, 2007).



- 2006 The head of South Africa's central bank, Tito Mboweni, created a considerable stir in Tanzania when he announced that the 14-member Southern African Development Community, which includes Tanzania, would gradually "converge" around use of the South African Rand and Botswana Pula, and discontinue the use of existing national currencies such as the Tanzanian Shilling (Anonymous July 13, 2005).

(Return to article text.)

(Richard Schroeder is a professor in the Department of Geography at Rutgers University)

Notes:

1. The CEO for SAB Miller, for example, which currently brews beer in 16 different African countries including Tanzania, was recently quoted as saying: "If there were more of Africa, we would invest in it." (Anonymous, 22 July 2005: 1.)
2. These include the following: National Investment Act (1990); Loans and Advances (1991); Banking and Financial Institutions Act (1992); Foreign Exchange (1992); Public Corporation Act (1992); Public Corporation Act Amendment (1993); Capital Market and Securities Act No 5 (1994) and amendment 1997; Tanzanian Investment Act (1997); Financial Laws (1997); Privatization Trust (1997); Mining Act (1998); Land Act (1999); Labor Institutions Act (2003); Employment and Labor Relations Act (2003); Land Act Amendment (2003).

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SOUTH AFRICA'S SUBIMPERIAL FUTURES: WASHINGTON CONSENSUS, BANDUNG CONSENSUS OR A PEOPLES CONSENSUS?

by William G. Martin



Expansion across the region and continent:

South Africa has long dominated its neighbours. Moreover, as the articles in this series indicate, the post-apartheid epoch has certainly not brought about the withering away of the power of South African firms or the South African state. Indeed this series shows how new relationships have been formed as South African firms have expanded across the region and continent. How these relationships coalesce and where they are heading remains very much an open question. It is easy to make imprudent projections of the South African-African relationship. Over fifteen years ago, a group of us (Martin 1991, Davies and Martin 1992,) laid out three plausible scenarios. The first marked out a potential path of regional

restabilisation, complete with ties of uneven development, accompanied by falling contract labour migration but enhanced South African capital expansion. The second scenario suggested a break-up of the region as individual states re-oriented to the North under conditions of structural adjustment. A third alternative entailed the de-centring of South Africa with continuing, and potentially more rewarding, regional relationships.

However, what was unforeseeable back then is now not only discernible but quite critical: a radical shift in the world economic and political order. I am not referring here to any generalized 'globalization' or 'empire' phenomena, but rather two quite concrete transitions: (1) the rise of East-South relationships over North-South ones, and more specifically the demise of Europe's and North America's dominion over Africa, and (2), due to growing resistance, the end of the neoliberal Thermidor and the emerging search for a stable, post-liberal, social world.

These twin processes will shake and remake imperial networks across Africa, including South Africa's pivotal position. Yet there is little sign that either the South African state or South African capital, focused as they are on short-term calculations and policies, recognize the depth and implications of these ongoing transformations. Both remain dedicated to the continuation of the apartheid regime's commitment to Europe and North America, and in particular the policies and practices of neoliberalism. This posture stands in sharp contrast to the stance of similarly-situated Asian and Latin American states, and promises over the

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long-run to considerably undermine South Africa's dominant position in the region and the continent.

"There is little sign that either the South African state or South African capital ... recognize the depth and implications of these ongoing transformations."

From North-South to East-South?

South Africa's pivotal role as an intervening node on North-South relationships—as indicated by the unwieldy concepts of a 'sub-imperial' or more precisely 'semiperipheral' position in the world-economy—was constructed through conscious state action in the interwar period. It was in this chaotic period that South Africa emerged as an industrializing and polarizing centre by diverting trade, investment, and political flows that had previously run directly along bilateral, North-South lines. Creating centre-hinterland ties across southern Africa was very much a South African state-led endeavour against open, underdeveloping ties to the regional colonizer Britain on the one hand, and the countervailing creation of underdeveloping relationships with surrounding colonial territories on the other hand (Martin 1990a, 1990b). Only South Africa's singular status as an independent white state, operating amidst a world depression and the sharp demise of Britain, made this possible. Apartheid, the post-war economic boom, and an open alliance with the US-led world order supported (but did not advance) this new region through the last half of the twentieth century.

This world order and the complacencies it has sustained were shaken apart in the last quarter of the twentieth century. Over twenty-five years of structural adjustment, the collapse of US hegemony, and attacks on the developmental state across Africa have shattered the legitimacy and structural pillars of the post-war liberal order. As the Afropessimists keep reminding us, there doesn't seem to be much place for Africa in today's chaotic world-economy except as a supplier of primary products. Fifteen years ago policymakers talked of Africa 'falling off the policy map' and the disappearance of any development, much less industrialization, agenda. Today the discussion of Africa in Europe and the US, particularly in business and foreign policy circles, is largely limited to oil and raw materials, terrorist havens, and celebrity and charity aid most often targeted at quelling, in the words of Western analysts, the continent's 'tribal', 'fundamentalist', and 'genocidal' wars.

"Over twenty-five years of structural adjustment, the collapse of US hegemony, and attacks on the developmental state across Africa have shattered the legitimacy and structural pillars of the post-war liberal order."

What *has* startled and unnerved Northern business and government observers is the unheralded arrival of a new challenger to Europe's and the US' domination of the continent: East Asia. As the opening pages of the World Bank's 2007 study on *Africa's Silk Road* put it,

Since 2000 there has been a massive increase in trade and investment flows between [sub-Saharan] Africa and Asia. Today, Asia receives about 27 percent of Africa's exports, in contrast to only about 14 percent in 2000. This volume of trade is now almost on par with Africa's exports to the United States and the European Union (EU)—Africa's traditional trading partners; in fact, the EU's share of African exports has halved over the period 2000–05 (Broadman 2007:2).

Broadman's statement indicates that the long-term trend is the demise of the centrality of Europe and, except for oil, the United States (Klare and Volman, 2006). What has *not* changed is the nature of Africa's external trade: Africa with few exceptions continues to produce what it cannot consume and consumes what it does not produce. South Africa, however, is the major exception.

South Africa Faces East

In contrast to the rest of the continent, South Africa possesses industrial, commercial, infrastructural and financial power. It also has witnessed a steady reorientation from the North to the East as a number of early studies have suggested (Taylor, 2007; Naidu, 2006, 2007). As Figure 1 illustrates, South Africa's imports from China over the 1998-2006 period more than doubled (from 4% to 11%), and increased 50% from all of Asia to reach 30% of South Africa's total imports. Exports to Asia and China, comprised mainly of primary products (and more recently machinery and transport equipment) more than doubled as figure two charts (from 14 to 30% for Asia and from less than 2% to over 5% for China).

South African investment in China has also been growing from a very low base, although we lack a comprehensive survey or data (see among others Broadman 2007; Naidu, 2007:470-73).

Where South Africa stands apart from other African states, of course, is that it has long been situated at the heart of regional and increasingly continental networks. As the case studies in this series suggest, these have expanded in recent years—but not with such strong results as might have been expected prior to the fall of the apartheid state. South Africa's imports from Africa over the period 1998-2006 doubled from 2 to over 4 percent of total imports, but this has largely been due to increases from oil producers Nigeria and Angola. Exports to Africa as a percentage of total exports have barely changed since 1998 (at around 13-14%). Exports to SADC states have actually *declined* to around 10% of South Africa's total exports. As these figures suggest, industrialized South Africa faces potential competitive pressures from the industrialized East that are unlike those of Africa's primary producers.

Regional and continental investment and trade may be a small proportion of total South African ex/imports and investment, but these aggregates hide the fact that African markets have long represented a significant market for South Africa's more advanced industrial, financial, commercial and mining firms. For South Africa's manufacturers the SADC region is still key: it takes between 10 and 20 percent of manufactured exports as Table 1 illustrates.

Table 1: South African Manufactured Exports, 2005

Source: UN, 2007

(SITC) Manufactures Category	SADC % of total
Chemicals	19.2%
Manufactured Goods	5.1%
Machines, Transport Equip.	12.0%
Misc. Manufactured Articles	17.1%

Other African states are rarely competitors here, but this is not the case for China and India. As Europe and the United States de-industrialized, Asia and particularly China have become, like South Africa, exporters of both low- and middle-range industrial goods—and produce these goods with much larger and lower-cost labour reserves. South African advantages in the mining and commercial fields may be more enduring than in consumer manufactures, but are, in the long-run, equally vulnerable to expanding Asian investment. Studies of Latin America manufacturing in the face of

the Asian challenge are not reassuring: like South African manufacturers, Latin American firms face higher labour costs while lacking Chinese firms' access to low-cost human capital and technology, generous government assistance, and a state able to constrain labour and civil society demands (Moreira 2007).

The competitive pressures are no less present in relation to investment: Asia and China in particular are the major destinations of global inward foreign direct investment, and are also increasingly a source for outward foreign investment for the South, including most notably Africa (Kaplinsky and Messner, 2008). China's pursuit of a level, 'free trade' playing field, shorn of European and US protectionism, can nevertheless have real advantages for African producers of cotton, rice, groundnuts, etc. Yet as has been seen in Lesotho and South Africa, manufacturers of clothing and even processed food stuffs can easily be displaced as manufacturers (including Asian-owned firms) shutter their doors and often move to China (Kaplinsky & Morris, 2008). Chinese competition in the construction field, Asian competition in retail trade, and growing Asian financial and banking investments indicate the breadth of the challenge for South African firms.

It thus bears stressing that the effect of the gravitational pull of East Asia is qualitatively different for South Africa by comparison to almost all African states in two fundamental ways. One, while South Africa like other states and regions is re-orienting from North to East, this shifts not just primary-product export markets, but poses a fundamental challenge to much more advanced industrial, financial and commercial producers. Growing African ties with the East are likely to bypass or be at the expense of South African capital. Second, these shifts can displace, as can already be seen in the commercial, mining, and financial sectors, South Africa's historically privileged, and underdeveloping, ties with the region. It is thus not simply that the hold of the North is declining as the East rises: it is clearly the case that the region as an integrated social and economic formation may well break apart—at South Africa's expense.

"It is thus not simply that the hold of the North is declining as the East rises: it is clearly the case that the region as an integrated social and economic formation may well break apart—at South Africa's expense."

Against these trends it is possible to hold out the possibility of a more complementary relationship with East Asia and China in particular. The emergence of an East Asian zone founded on dense networks circulating around China offers one such hope, based as it is on China's imports from neighbours of both primary products *and* sophisticated electronic components and capital goods. There is little evidence to date however of such a relationship emerging between South African industrial producers and China, notwithstanding several South African licensing and direct investment deals in China. The contrast of Western capitalist development with an ostensibly less or non-exploitative Asian pattern of development—as in Giovanni Arrighi's (2007) account of the Chinese path of 'development without dispossession' utilizing equitable links between the national economies of East Asia—offers yet another prospect to consider. As with the hopeful projection of a 'Bandung' of progressive Southern states and elites, there is little evidence to date, however, of such even and mutually beneficial relations emerging on the basis of a radically new pattern of national, regional, or transnational accumulation. Certainly increasing inequality and social protest in China itself points toward quite different processes at work.

Regional Scenarios: Washington Consensus, Bandung Consensus, or a Peoples Consensus?

Caught between powers to the North and East, what might be the future of South Africa's historic subimperial role in the region? Taking into account the nature of local elites' and movements' responses suggests three, long-term possibilities.

The first might be termed a 'Washington-Pretoria Consensus'. This would be defined by a continuation of South African regional hegemony, based on the historic alliance with Europe and North America. This is the most plausible, short-term projection. This neoliberal alliance between the North and African states and their ruling elites has been forged over the course of the last generation, as structural adjustment, privatisation, and export-oriented policies were adopted across the continent in the 1980s. The emergence of an ANC government in the mid-1990s only cohered this trend, as the South African state committed itself to neoliberal orthodoxies. The benefits were to be two: development by invitation as a junior partner of Europe and the US, and an open door to the region. This permitted, as Richard Saunders (2008) and others (Games 2004) have documented, a surge of South African investment in the region after 1997. African states' privatisation of state enterprises and the relaxation of controls on foreign investment proved particularly timely for South African expansionism.

The key forces militating against this scenario are quite straightforward. It assumes above all a continuation of the power of the US, Europe, and international financial institutions. As indicated by the fate of AGOA and trade with the EU on one hand, and the competitive expansion of Chinese and Indian networks on the other, there are strong forces pulling Africa states and markets away from the North and towards the East. Neoliberal policies may have secured wider regional and continental operations for South Africa, but they have also done so for China, India, and East Asia as a whole. As Africa tilts East, South Africa may thus become increasingly isolated, a process propelled by the South African government's continuing commitment to its relationship with Europe and the United States. For both African states and movements—for very different reasons—South Africa may become a less and less attractive partner. For movements, South Africa may easily come to represent an intractable promoter of rigid neoliberal policies and autocratic governments, while for individual states and their elites far more attractive opportunities may be offered by Eastern (if not Northern) firms and states. The dilemmas, to put it mildly, of South African leadership of the African Union, the African Parliament, and NEPAD document these centrifugal forces very well. For many African elites and leaders from Sudan in the North to Angola and Zimbabwe in the South, China offers an attractive alternative. Under these conditions one could easily envisage a dissolution of the region as we have known it.

These tendencies suggest a second, long-term alternative: a 'New Bandung Consensus'. This requires one to accept, which is all I can plausibly do here, that the Washington Consensus is dying and the search is on for a new, social regulatory world that can incorporate increasingly frustrated elites and unruly populations across the South (see e.g. Porter and Craig, 2004, Cammack, 2004, Goldman 2005). The indicators of this process are widespread, from the collapse of the Doha round of the WTO and the IMF after the 1997 Asian crisis, to the remarkable election of populist and even 'anti-globalisation' governments, particularly in Latin America. Seen from the Asian perspective, such a prospect offers China and India the means to secure their geopolitical and geoeconomic rivalry with the North through an alliance with the Global South. State elites are key here, as they were with the original Bandung: can such an alliance secure their position and minimal levels of social peace and development?

"For South Africa, it is not too difficult to see a movement toward ... the emergence of a more populist leadership less tied to alliances with the North and more attentive to growing grassroots discontent."

The obstacles are legion. For South Africa, it is not too difficult to see a movement toward such an alliance through the emergence of a more populist leadership less tied to alliances with the North and more attentive to growing grassroots discontent. Despite this, neoliberal policies may well continue, as they would benefit both Chinese and South African businessmen. There are also clear advantages to the South African state if it could secure a position as a leading power in this group—as has often been raised in various discussions of a Brazil-Russia-India-China-South African axis in representing the Global South in world trade fora. One doesn't have to be triumphalist about the prospects for a new Bandung (see Palat 2008 for a negative assessment) to perceive that China, India, Brazil, Venezuela, Russia, and Bolivia, among others, have begun to lay the basis for a social and economic order beyond neoliberalism by implementing new social programs and asserting control over natural resources. For some this portends a new version of Polanyi's analysis of the mid-twentieth century countermovement to free trade and the self-regulating market (Silver and Arrighi 2003). Ideologically one might expect a considerable emphasis on Africa's and Asia's shared history of suffering under European colonialism and neo-colonialism.

Such a path would do little to lessen growing inequalities and indeed protest across southern and continental Africa due to the deregulation of local markets, the privatisation of state operations, and polarizing, uneven development. To the extent that African as well as worldwide 'antiglobalisation' movements accelerate, the alliances underpinning scenarios one and two become increasingly fragile. Under these conditions a more chaotic and even nationalist environment could witness the break-up of the region and South Africa's semiperipheral role in relation to either the North (scenario one) or the East (scenario two). This raises in turn the possibility of a 'Peoples Consensus', with the policies of state and regional organizations being driven by increasingly unruly, popular discontent. Anti-capitalist and trans-nationally linked movements—as can be seen in current land, anti-privatisation, AIDS, squatter, and other movements in the region—could well accelerate their attack on neo-liberal and corrupt governments, opening up the possibility of not only alternative developmental initiatives but also greater cooperation in confronting underdeveloping and undemocratic forces from either the North or East. Today's Latin American examples offer signs of such possibilities.

One Last Radical Transformation

The forces pushing both this last scenario and the New Bandung Consensus scenario raise the prospect of one last radical transformation: a significant disruption of the racial hierarchies through which regional and global accumulation operate. These have long been formed, even in their latest multicultural guise, around a white North-black South continuum. The emergence of East-South hierarchies, explicitly posed in opposition to past North/South colonial-racial relationships, disrupts this essential feature of daily life and daily accumulation across the region and the continent. South Africans are all too aware of this problem despite a growing black elite; appeals to class solidarity cannot obscure the continuing, lived experience of racial and ethno-national hierarchies, including accelerating ethno-national and xenophobic conflict. How past hierarchies, so essential to North/South inequalities, will be recast as African-Asian relationships deepen and North/South ones recede is a critical question that has hardly been posed. Unlike past African-Asian relations, where both partners have shared a subordinate position within the North/South colonial frame, global racial hierarchies will in the near future entail the inclusion of rising Asia's own racial constructions in relation to Europe and the US as well as within Asia itself (Dikötter 1992, 1997; Dirlik 2008; Tanaka 1993).

"How past hierarchies, so essential to North/South inequalities, will be recast as African-Asian relationships deepen and North/South ones recede is a critical question that has hardly been posed."

Each of these scenarios offers a very different path for the states, firms, and peoples of southern Africa and indeed the continent. If South African subimperialism was built through alliances among white supremacist states and Euro-American capital, the conditions to maintain such a system are, for the many reasons charted above, rapidly disappearing. As we look toward the future, the prospect of a very different regional, continental, and world order is in front of us. The very uncertainty of what might emerge to replace today's social and economic order, given the continuing social costs of apartheid and Neoliberalism, is, in itself, to be welcomed.

(William G. Martin teaches in the Sociology Department at Binghamton University.)

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