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Darlene Miller, Richard Saunders and Olajide Oloyede

South African Corporations and post-Apartheid Expansion in Africa – creating a new regional space

The defeat of Apartheid in 1994 liberated not only South Africa's internal political processes but also its economic relations with neighbouring countries in the Southern African Development Community (SADC). 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 have once again asserted their role as a dominant force in the SADC region. 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.

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 South Africa, the investment-receiving countries and the economic coherence of the SADC bloc as a whole.

In this context, the prevailing depiction of South African domination over African countries who are host to South African corporate expansion by the powerhouses of Gauteng (the industrial and financial heartland of South Africa) does not always capture the diversity of Foreign Direct Investment (FDI) experiences nor the lessons for strategic challenges which flow from them. From protests over flawed privatisations in Tanzania, 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 in host countries are developing responses to discipline incoming capital and challenge South African corporates 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 class politics in the region. In all cases, the contradictory impact of new capital flows is clear, as is the impetus 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 economic policies are changing the scope of the politics of the possible' in Southern Africa. Understanding how internal class contestations in African countries that are

host to foreign investors is crucial for an analysis of how both South African companies and regional relations more generally are being reconfigured by local challenges and responses.

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 across borders. 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 percent said some reports, compared to typical South African rates of 14-20 percent.[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 South African 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.

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-modelled 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.

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 R2 billion *per project* in Africa (half that for outside Africa), dramatically up from a lowly R50 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 percent of South Africa's outgoing FDI, Africa only 8.8 percent[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. According to the BusinessMap Foundation, an independent investment tracking think tank, 25 percent of all dollar-denominated FDI into SADC in the decade after 1994 came from South Africa, reaching nearly 40 percent in some years.[5] Over this period South Africans became the top ranking foreign investors in seven neighbouring countries. 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, 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 percent of the country's offshore African investments.[7] Loan finance and portfolio (stock market) investment into the region also rose.

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 R17 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 tourist ventures have often displaced (and sometimes absorbed) the activities of local market players, while providing vertically structured commodity chains for South African producers in 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.

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 R2 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.

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, alongside 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's 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.

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. 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 block for sale. In all, more than 250 enterprises representing more than 85 percent 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.

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. 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.

Post-Apartheid Southern Africa as a new regional space

It seems appropriate to reflect on the nature of the post-Apartheid Southern African region, and we pause to make a theoretical digression at this point. We start with a brief summary of our discussion so far. Drawing on an article published by Miller (2004) in an earlier issue of the *African Sociological Review,* the contention here is that post-Apartheid Southern Africa is *a new regional space* opening up within Africa. South Africa's democratisation has opened up a new era for the Southern African region. As the region's economic powerhouse, South Africa has asserted its regional political leadership, immediately assuming a major role in the SADC and the African Union (AU), key institutions for regional economic and political collaboration. At the same time, South Africa's huge conglomerates have initiated a new round of investment that extends beyond their traditional sectors and trading partners into areas north of Sub-Saharan Africa, including some of the largest direct foreign investment into the region. The international prestige attached to South Africa's transition has conferred a new respectability on the region's policies and projects. What follows analyses this territorial expansion of South African capital into Southern Africa in the post-Apartheid period. We attempt in the discussion to foreground the role of this capital in integrating the Southern African region.

Critiquing the narrow conceptual framework of regional integration, this paper attempts to foreground the role of multinational corporations as agents of regional integration. Regionalism entails social contestations over how capital accumulation proceeds in Southern Africa, both in terms of capital's material practices and its styles of representation. Regional integration framework located within the International Relations perspective focuses on the role of states in making geographic regions cohere or fragment. Spatialised notions of geographic regions privilege a variety of social actors in regional formation. This approach draws on concepts developed in human geography that see physical space as socially contested, where regions are implicated in a 'politics of scale', with different social classes making claims on the post-Apartheid region. Capital accumulation in post-Apartheid Southern Africa is not a disembodied process of foreign direct investment represented in technical terms.

These flows of capital have consequences for how class politics works in this new regional space. The prevailing emphasis on regional integration is part of a global resurgence of regionalism in the 1980s. Coinciding with a neoliberal emphasis within globalisation, regionalism was tied to the goals of attracting foreign direct investment.

Meanings attached to regionalism bear the mark of global power. The supranational region today is imagined as a global gateway – an entry-point – to the 'information highway'. The inward protectionism of earlier regionalisms was superseded by the 'port of entry' vision (Omae, 1995). What we imagine to be politically possible for regions reflects such dominant discourses about globalisation in which the goal of regional integration is the creation of regional havens for capital. Such supra-national regions are envisaged as prisms for capturing capital. If a nation aligns itself with other countries, it has a better chance of being an economic winner, rather than a loser, stepping up the global hierarchy of nation-states (Oman, C., 1994). Through regionalism it is hoped that global competitive advantages will be enhanced (Storper, 1997: 4). The geographic region thus became a further strategy for global inclusion; an additional lever in the quest for global competitiveness.

While regions have had different hegemonic and counter-hegemonic meanings over time and space, Eurocentric concerns of regional integration in the European Union have cast a long shadow over perceptions of a new regional order today.[15] Looking over their shoulders at the consolidation of regional power-blocs in the global order, less developed countries have been scrambling to form or revive regional institutions such as SADC and MERCOSUR, or to seek accommodation within dominant regional arrangements such as the European Community. Regionalism has become a catchword for nation-states who act as chief executives of capital. These states intervened with large amounts of money to subsidise all new private capital projects; opened up new sites of investment through privatisation; cut loose protectionist exchange controls over national currencies and industrial sectors. The disenchantment with the political capacity of the nation-state and the global turn towards regionalism as a geographic lever in global competition is echoed in the advice of the Frelimo ex-Minister of Information turned Investment Advisor that 'the true future of the world is not Globalisation. The future of the world is regionalisation. With Frelimo we put all our faith in the nation-state. We have reached the end of the nation-state'. (Interview, Investment Advisor and ex-Frelimo Minister of Information, Maputo, August 1999).

Critiquing the statist emphasis of regional integration, this emphasis on 'society-centred regionalism' advances an alternative conceptual framework for regionalist analyses. The argument is that geographic spaces embody dynamic social relations that are contested by a variety of social agents. This approach insists that geographic spaces are social in nature and are formed through political contestations of competing social classes. While nation-states are key actors in these social contestations, regional formation and regional integration are by no means reducible to the actions of nation-states. Space is a contested terrain in the manufacture of consent. In a novel application of the French geographer Lefebvre, Niemann (2001) seeks to free Southern African regionalist analyses of the Eurocentric precepts of regional integration theory. Conceptualising regions as socio-spatial entities that transcend the static, statist

assumptions of traditional International Relations (IR), he argues that supra-national regions are spaces that embody more than physical distances to be overcome.

> It is my purpose in this article to challenge this discourse and, instead call for a radically open dialogue about regionalization and the meaning of regions with a specific focus on Southern Africa (Niemann, 2001: 59).

The consequence of state-centred analysis for regions is three-fold, argues Niemann (ibid.). It marginalises other non-state actors and gives the state a monopoly on relations between countries. It places emphasis on the state's role in shaping conflict or making contracts and it focuses on how states are integrated by means of free trade areas, customs unions and policy coordination. This analysis of the state excludes the spatial dimension of power relations.

Applying his revision of International Relations theory, Niemann (2001: 67-72) provides a historical account of the production of spaces in Southern Africa since the 1800s and shows how a perception of the region as a coherent entity emerges through particular spatial practices. Out of a physical landmass at the southern tip of the African continent, a notion of a coherent geographic entity, a social space,[16] emerges over time that is intimately tied into the contests for economic control. Race formed one crucial demarcation in representational spaces of the region, with a corresponding set of segregated spaces of representation.

> Spaces were identified by the skin colour of those who were permitted to live through them. It was possible to read off the body of an individual whether or not that individual was in the proper space and the pass laws in South Africa, the housing of labour in hostels and compounds adjacent to mines and, later, manufacturing facilities all reflected this racialization of space in southern Africa (Niemann, 2001: 74).

The bounded national entities that dominate the regional space are contradicted by the spatial flows of commodities, people and labour that create mutual dependency amongst the different societies within Southern Africa. There is a porosity in the borders of the region's countries that overflows the boundaries of nation-states and creates a societal level of interaction. In this sense, the region is also a 'counterspace' to inter-state relations.[17]

> We can therefore imagine regions not only as spatial constructs which facilitate the exploitation of the subcontinent; we can also imagine them as counter-spaces, as sites of resistance to such processes. One such imagination is to think of *regions as spaces of rights* (our italics) rather than spaces of flows or spaces of places. A region so conceptualized constitutes an integrated space not because of trade flows or institutional apparatuses but because its inhabitants share a commitment to struggle for the same enforceable protections against abuses be they committed by states or corporations. To conceive of regions as spaces of rights represents a direct challenge to the hegemonic consensus of liberalism. Such efforts transcend the traditional spatial organization by insisting that rights of persons be recognized outside and independent of the national state. They reject the position of the state as the sole arbiter of the rights of 'its' citizens and therefore create new spaces of reference (Niemann, ibid: 75).

Contesting rights has a regional dimension that is shaped by the way space is produced and represented in the region. This entails a social process that is much wider than the purview of state foreign policy or regional practices. Niemann's discussion thus prises open narrow interpretations of regionalism to 'make space' for social actors beyond

their position as national citizens. While Niemann's revision represents a critical widening of the debate on regionalism, understanding the region as a 'space of rights' both opens up and closes down different possibilities for understanding regionalism. On the one hand, it opens up regions as social spaces that may be contested. The role of civil society as a competing regional agent and a central force for alternative regionalisms is illuminated in his discussion. Hidden dimensions of regional working class formation and the racialised contours of Southern Africa that evolve out of its systems of wage labour are elaborated historically. On the other hand, he locates this discussion back within liberal theory and the framework of 'rights'. This political emphasis keeps the social dimensions of regional identities and perceptions opaque. The relational processes that shape regional integration still require elucidation.

Seeing regions as 'spaces of rights', however, ignores the spatial and scalar problems that regionalisation poses for regional identities against particularistic identities. Xenophobia, for example, may be analysed as a desperate clinging to place and locality in the face of destabilising regional and global forces. Such particularistic or place-bound identities contrast with and oppose the regional and pan-African universal claims of the *African Renaissance* project. Attachments to place and localities or sub-regional identities can become stronger as spatial barriers crumble and local areas are subjected to global forces in a more direct way. While global forces seem out of reach and more difficult to control, communities attach more vociferously to local places (Harvey, 1996). Extending the discussion of 'rights' to the spatial claims of different social classes allows for a more expansive discussion of regionalism in Southern Africa.

To expand Niemann's (op. cit.) discussion, we represent the region as a 'space of claims'. In the same way that globalisation is a 'societal construct' (Keet, 1999), regionalism and the formation of regions is a social process, entailing institutional power, a shared geographic identity, regional labour markets and always relentlessly driven by capitalist accumulation and framed by the power and command of money. Power relations are also spatialised. Who is to be integrated, how and on what basis is not simply a question of contractual regional arrangements but a question of the spatial 'geometries of power' (Massey, 1992). Space is produced through the constant 'reworking of the geographies of capital circulation and accumulation' (Swyngedouw, 2000). These changes in the spatial configurations are accompanied by changes in the scales of governance. A group of nation-states, sometimes geographically contiguous but not always, combines to form a particular geometry of power. Multilateral agreements are not simply an arithmetic agglomeration of inter-state arrangements. If South Africa is the dominant power in the region, then any regional integration arrangement will reflect this uneven geometry of regional power.

Powers of inclusion, exclusion and disciplinary power will cohere in any formal regional arrangement, irrespective of how egalitarian the terms of such an agreement might be. As social power relations reconfigure, these changes produce new meanings about a specific geographic scale, marginalising some while thrusting others onto centre stage.

> Most importantly, however, these scale redefinitions alter and express changes in the geometry of social power by strengthening the power and control of some while disempowering others (Swyngedouw, in Cox, 1997: 142).

Workers in Southern Africa, for example, are devalued socially as a regional 'cost' rather than a regional 'benefit', while those engaged in regional trade and investment are eminently respectable regional agents (Mhone, 1997). Forums for discussing future regional arrangements will thus reflect the social dominance of the regional 'insiders'. What is significant here is not that social inclusion and exclusion processes happen, but that these processes take spatial forms.

A new meaning is given to a particular social scale – the nation, the region, the global system – in line with shifts in power relations. Regions, then, are more than physical demarcations. They entail a social claim to a geographic space between the scale of the nation-state and the global system. Against the Euclidian notion of 'space-as-container' or space as fixed, regions are dynamic entities, not just static groups of contiguous states. Social space according to Lefebvre's conceptual 'triad' is constituted by 'the perceived, the conceived, and the lived' (Lefebvre, 1991: 39). The foreign investment of South African companies in post-Apartheid Southern Africa can be understood as a claim on the region. Capital's ability to command power over space and social relations is a central dimension in the way that the region is integrated, how regional power is accumulated and which regional forces are marginalised. We now turn to the regional role of South African multinationals.

South African capital has established a strong claim to the regional space of Southern Africa, both in the present and in the past. The historical geography of capital accumulation in Southern Africa has placed South African capital, through its multinational corporations, at the centre of regional accumulation processes. South African-based or South African multinational corporations have played a central role in constituting Southern Africa as a regional entity. Much of the capital flows through or from South Africa allowed part of the regional surplus to fuel South Africa's economic development. Regional development has in many instances implied South African development in the region's past. The regional omnipresence of South Africa as well as the integrating role of its multinational corporations is an important feature of post-Apartheid Southern Africa. South African (or South African-based) capital historically, through the agency of the multinational firm, has integrated the countries of Southern Africa in an uneven way. South Africa's ability to command capital and labour flows in the region through these powerful multinational corporations accelerated South Africa's economic growth, creating tremendous regional unevenness.

While invoking notions of justice, the geographic moment of spatial claims goes beyond a liberal sense of rights. Unlike the abstract universalism of rights discourses, such claims assert a definite geographic moment that give definition to the strategic political choices that competing classes elect to make at any given moment.

Empirical Case Studies

This special issue of the *African Sociological Review* derives from a research project that aimed to conduct a deeper theoretical and empirical analysis of South African investment in Africa in the post-Apartheid period. The articles in this special issue were the product of fieldwork conducted by a multi-disciplinary, international research team. Based at Rhodes University and the Human Sciences Research Council (HSRC), the research project examined the expansion of South African corporates in the post-

Apartheid period, comparing a range of countries and sectors. The project challenged the notion of host countries as passive recipients of South African economic intervention. The project was supported with funding from CODESRIA, Rhodes University, HSRC and the Rosa Luxemburg Foundation.

We sought to understand how internal class contestations shape the way that South African companies conduct their activities in foreign African locales. The project was based on the following hypothesis: Dynamic internal contestations shape the terms of the engagement between South African investment and the African host countries/economies. Each case study thus aimed to gather more information on the host terrain and key social classes, as well as how they positioned themselves in relation to the new South African investment. The significance of these effects was discussed in relation to the regional perceptions produced by these engagements, and the relationship between perceptions and practice for post-Apartheid regionalism in Southern Africa. A brief outline of the chapters in this special issue is provided below.

Like other countries in the Southern African Development Community, Tanzania implemented a programme of economic reforms in the last decade that was aimed at attracting foreign investors. Subsequent developments in response to the country's liberalisation demonstrate trends that are discernible throughout the Southern African region. A deluge of South African investors took advantage of the privatisation and liberalisation of the Tanzanian economy, leading to a 'protracted and painful national debate' about the role of foreign investors in Tanzania, particularly the new South African presence. Beginning with an overview of the historical geography of relations between South Africa and Tanzania, Schroeder argues that South Africa has been one important factor in the shaping of Tanzanian national identity, firstly as an opposition to the Apartheid regime in South Africa, and then through the state's attempt to rehabilitate South Africa's image under the post-apartheid regime. With the deluge of South African investment, the recent perception amongst Tanzanians, contends Schroeder, is that 'South Africans have taken over everything of value in the Tanzanian economy'.

While the state tries to downplay South African dominance, the negative impact of retrenchments after South African take-overs, the loss of livelihood to small scale gemstone miners, the diminishing of Tanzanian cultural symbols in favour of the assertion of South African branding and a range of controversial actions by South African firms have deepened negative perceptions of South Africa in Tanzania. While some in the Tanzanian business community welcome the South African investors as superior and competitive enterprises, the 'perceived loss of national assets' counters this sentiment with the contention that South Africans have benefited from the earlier developmental efforts of the Tanzanian state. This perception is especially pronounced amongst older Tanzanians who lived under the Nyerere government. Economic profits from South African investment in Tanzania do not accrue to Tanzania, and the country's infrastructure remains in a state of disrepair. These negative perceptions are deepened by the perceived racialistic practices of South Africans and their corporations.

Miller, Nel and Hampwaye argue that the conventional thinking on South Africa in Africa, which implies an overwhelming dominance or hegemonic role of South Africa, is flawed. This, according to the authors, is because the region's 'geographies speak of

a region integrated since colonial times; of people who, for a long time, traversed the region with labour and goods even when Independence initiatives marked the regional territories in the SADCC. New traders follow old traders. South Africa and Africa have inter-dependent historical geographies that shaped the region then and now'. While South Africa is indeed a hegemonic power in the region and Africa more broadly, this perspective presents the region as a 'tabula rasa', with no sense of the internal class contestations that shape and reshape the South African presence in host countries.

What is particularly significant in their study of the retail sector in Zambia is that the generally-held view that South African firms are juggernauts that roll over local business is only partially true. They concede that while the expansion of South African retail corporations has been dominant in the region since well over a decade, local investments mimicking South African firms also show their muscle. They provide evidence of this in the retail sector in which such a big South African retailer, Shoprite, is emulated by smaller Zambian retailers who have also opened up shopping malls in Lusaka. Not only are local retailers putting up a challenge to South African retailers, the expansion of Shoprite has also been confronted with resistance from workers, farmers and even their own South African shareholders.

In fleshing this point out, the authors explore the complex relationship between race and multinational expansion in the region. The key point is that urban trading patterns in Southern Africa spread in a racially uneven way, dividing black African consumers and businessmen in mining towns and townships or 'locations' from white European traders and consumers in central business districts. The common element in the development of the retail sector is the colonial pattern of indigenous exclusion. During the colonial period, they note, credit extended more easily from the metropole to the European entrepreneur. With a racial municipal legislation, white-run businesses dominated the formal retail market in many African cities. The dominance manifested itself in the central business district (CBD), which expanded as settler cities grew. African businessmen were prohibited from the CBD by municipal legislation. The expansion of retailing in Africa, they argue, thus followed the racialised contours of colonial economic development. The authors illustrate this argument by looking at retailing in Zambia.

Shopping malls, they show, are a phenomenon of the liberalisation of the economy in Zambia. Based primarily in the capital of Lusaka, these malls are clones of South African malls. With few or no restrictions on foreign companies, the incentives for foreign investors were significant, which South African retailers have used to their full advantage. When Shoprite tried to sell its assets to a private equity fund, both workers and shareholders successfully resisted this restructuring. Similarly, the attempt at an economic supply arrangement between Shoprite and local producers in Chipata was not something the company actively sought out but evidence of its vulnerability to local resistance. What the authors conclude from their study is that 'South Africa in Africa' is more about 'South Africa and Africa'. The current framework of analysis needs to be revised in favour of a more historically accurate, relational understanding of the region. Regional analyses need to be informed by an understanding of how various social classes at the national level reshape regional relations and contest South African hegemony.

Kenny and Mather locate their study within the sub-imperialism 'debate'. The main organising question of their study was stated simply: 'How are we to understand Foreign Direct Investment (FDI) by South African Companies in Zambia's dairy chain?' The answer that this question begs, they point out, is that South African capital is engaged in a deepening process of 'sub-imperialism' in the region. They took issue with this approach, arguing that an examination of the Zambian diary sector in which South African companies have large investment, reveals otherwise. They noted that the dairy sector in Zambia is now healthier than it was between 1970s and mid-1990s when neo-colonialism impacted negatively on the economies of most African countries. In the dairy sector, government-owned dairy processing units were sold off as a consequence of privatisation. The two bidders were South African companies: Clover and Bonnita, which was later bought by Parmalat, an Italian, South African-based multinational firm. What would seem implicit in their argument is that Parmalat, other private processors and non-governmental organisations provided the condition for the sector's revival because of their support for small-scale farmers. Indeed, the brief history of the industry they provide shows that 'turn-around' in the industry started with privatisation.

However, foreign investors were not able to take a strong hold of the sector because of the power of the Zambian Dairy Association which was successful in its actions to limit dairy imports (suggesting some degree of protectionism in the industry). Related to this is the fact of the nature of the industry with its two sectors: the fresh milk products (milk and yoghurt) and the processed products (butter and cheese). Larger processors are involved in both, whereas smaller ones are focused on fresh products – understandably produced with inexpensive technology. For the processors, the global shortage and high price of powdered milk means they have to source locally to produce. The prevailing presence of local producers in the Zambian dairy industry challenges the notion of the sub-imperial South African juggernaut in the region, a point further buttressed by the authors who show that South African capital and imports are not the only external factors shaping the industry because they are not the only foreign suppliers. Kenyan and Irish firms play a significant role in the industry too.

Saunders's study of the Zimbabwean mining industry reveals the political character of South African investment in the industry. He points to the South African government's 'quiet diplomacy' towards Robert Mugabe as part of an economically enabling political strategy. Saunders sees South Africa's approach to Zimbabwe as 'an important component of a co-ordinated strategy aimed at enabling political hegemony and economic occupation'. However, in general, foreign investment in Zimbabwe is complex and affected by 'short-term crises and attendant market opportunities, and long term dynamics of state institutional decay, policy weakness and political vulnerability'. Saunders points out that, despite being an industry imbued with proven valuable resources of valuable commodities, capacity in infrastructure and comparatively good mining skills, significant growth in mining production has not occurred. In Saunders's view, the Zimbabwean government is to be held accountable because it nurtured chaos. 'Its apparent toleration if not involvement in massive corruption and its inability to provide predictable political and regulatory leadership,

only raised new questions around the role of the State and ruling party in the exploitation of national resources for public benefit.'

Saunders presents the chaos nurtured by the government in his history of the mining sector starting from the golden 1990s when there was considerable foreign investment in the sector because of the well-maintained infrastructure, skilled workforce and professionally-managed state regulatory institutions. The economic policy shift informed by the IMF-imposed structural adjustment created a climate for new mining investors and helped transfer a growing proportion of national income from working and rural communities to the strengthened business elite. South African mining firms were unperturbed by the economic and political crises in Zimbabwe. In fact, as Saunders states, they led the way in restructuring ownership in the large and medium scale mining sector.

As trade increases, so does the mobility of goods, people and information. Consequently, the intertwined processes of globalisation, the emergence of global production networks and new corporate strategies articulate a specific demand for appropriate infrastructure. The response to this has been to concentrate sufficient infrastructure in locations that are directly part of the flow. Consequently, large scale infrastructure policy at the transnational and metropolitan levels is often committed to provide and expand capacity in major nodes within the wider Global Production Networks (GPN) such as seaports and border towns with trading-hubs. Yet, such measures are increasingly limited because they involve considerable expense and occur in a contested political environment. It is within this context that Roodt's study of the state-led investment in the Spatial Development Initiative (SDI) of the Maputo Development Corridor Maputo corridor becomes significant. He suggests that the initiative acted as a conduit in facilitating cross-border flows and created a dynamic set of social processes within Nelspruit in South Africa and Maputo in Mozambique and the respective provinces in which both cities are.

Roodt points out that the SDI between the Mozambican and South African governments emerged from an agreement in 1995 to re-establish the transport axis between Maputo and Johannesburg as part of 'an attempt to revitalise southern Mozambique'. The SDI concept, he adds, grew to encompass a range of targeted interventions by 'central governments, initially within South Africa, but soon extending into the whole of southern and east Africa, with the stated intention of unlocking economic potential and facilitating private investment and job creation in localised area or region'. The Maputo Development Corridor, which is his main concern provided, he argues, the political and economic framework for the flow of foreign direct investment for South Africa into Mozambique and also new opportunities for business investment by large South African companies, especially construction, retail, services and finance. The conventional thinking that, like all such initiatives, the corridor serves as a catalyst for development, is one difficult to sustain, Roodt argues. He points to all the difficulties that militate against the corridor and concludes that it failed to generate local economic development.

As Miller, et al., and Martin (below) show, South Africa is a powerful regional economy. It attracts foreign investment far more than any other country in the region. It is thus not unexpected that is serves as a launch pad for multinationals that want to invest in the region. It is this relationship that concerns Sanchez who presents a case

study of Ericsson, a Swedish multinational telecommunications firm that has a substantial operation in South Africa. Sanchez sees the political and economic developments in South Africa after 1994, and the liberalisation of the mobile phone market across Africa since 2003, as significant for Ericsson's expansion from South Africa into other parts of the continent. Both Saunders and Sanchez highlight the introduction of legislation to bring black shareholders on board. Ericsson restructured its operations in South Africa to respond to these challenges. Under 'the new setup the regional company – not bound by the same BBBEE (broad-based black economic empowerment) restrictions – will not invest resources and time complying with South African requirements that do not provide a direct benefit to other African business'. While aligning their operations to comply with BBBEE requirements in South Africa, a parallel strategy is being developed for other African operations where legislation is absent or weak. South Africa is thus used as a conduit in the operation of multinationals in the continent, but local South African conditions also impact on the nature of these firms' African operations.

What is evident in all the case studies is how South African firms are increasingly making their presence felt in Africa, an expansion that reinforces South Africa's role as one of the fulcra around which political and economic life in Africa revolve. This point is taken up by Martin who argues that how these relationships coalesce and what their future trajectory may be, remain open questions. A salient factor is the 'radical shift in the world economic and political order'. His concern is the '(1) rise of East-South relationships over North-South ones, and more specifically the demise of Europe's and North America's domination over Africa and (2) due to growing resistance, the end of the neo-liberal Thermidor and the emerging search for a stable, post-liberal world'. South Africa's position in the continent within the North-South relationship, which has been seen as sub-imperial, Martin argues, was consciously constructed through state action in the interwar years.

This is a reiteration of his argument of well over a decade ago. As he posits in the present issue: 'Creating centre-hinterland ties across southern Africa was very much a South African state-led endeavour against open, underdeveloped ties to the regional colonizer Britain on one hand, and the countervailing creation of underdeveloping relationships with colonial territories on the other'. Though South Africa is still committed to the North, a gradual re-orientation to the East is taking place. The degree of this reorientation is not as great as the reorientation of many African states to the East. For Martin, there are three long-term possibilities: a 'Washington-Pretoria' consensus; the 'New Bandung Consensus' and a 'Peoples' Consensus', 'with the policies of state and regional organisations being driven by increasingly unruly, popular discontent'.

Old models, new environments and emerging questions

In recent years, the unmistakeable 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.

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.

Notes

1. Naidu, S. and Lutchman, J., 2004, 'Understanding South Africa's Engagement in the Region: Has the Leopard Changed its Spots?', Paper presented to Stability, Poverty Reduction, and South African Trade and Investment in Southern Africa, a conference organised by the Southern African Regional Poverty Network and the EU's CWCI Fund.
2. UNCTAD, 2005, 'Case study on outward foreign direct investment by South African enterprises', Paper produced by Trade and Development Board, Commission on Enterprise, Business Facilitation and Development, for Expert Meeting on Enhancing the Productive Capacity of Developing Country Firms through Internationalization, Geneva, pp. 16-17.
3. UNCTAD, ibid, p. 14.
4. UNCTAD, ibid., p. 4.
5. BusinessMap Foundation (2005) Foreign Direct Investment Database, Johannesburg.
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, S and Lutchman, J., 2004, p.13.
8. Daniel, J. Lutchman, J. and Naidu, S., 2005, 'South Africa and Nigeria: two unequal centres in a periphery', in Daniel, Southall and Lutchman, eds., *State of the Nation 2004-2005,* Cape Town: HSRC Press.
9. Naidu, S. and Lutchman, J., 2004, 'Understanding South Africa's Engagement in the Region: Has the Leopard Changed its Spots?', Paper presented to Stability, Poverty Reduction, and South African Trade and Investment in Southern Africa, a conference organised by the Southern African Regional Poverty Network and the EU's CWCI Fund.
10. Castel-Branco, C. N., 2004, 'What is the Experience and Impact of South African Trade and Investment on the Growth and Development of Host Economies? A View from Mozambique', Stability, Poverty Reduction, and South African Trade and Investment in Southern Africa, a conference organised by the Southern African Regional Poverty Network and the EU's CWCI Fund.
11. See Daniel, Naidoo and Naidu, 2003, BusinessMap, 1999, and BusinessMap, 2000.
12. See for example, Bond, P., 2004, 'Bankrupt Africa: Imperialism, Sub-Imperialism and the Politics of Finance', *Historical Materialism* 12:4, 145-172 and Bond, P. and Kapuya, T., 2006, 'Arrogant, disrespectful, aloof and careless: South African Corporations in Africa', *OpenSpace,* OSISA, Johannesburg, 1: 4 (June).
13. See a series of studies carried out under the auspices of the South African Institute for International Affairs, including Games, 2004, 'The Experience of South African Firms

Doing Business in Africa: A Preliminary Survey and Analysis', South African Institute of International Affairs, Johannesburg; and annual reviews by South Africa's Human Sciences Research Council, published in the State of the Nation series.

14. Larmer, M., 2005, 'Reaction and Resistance to Neo-liberalism in Zambia', *Review of African Political Economy,* 32: 103, 29-45.
15. Mattli, 1999, surveys the various phases of integration fever in Europe. Regional integration today is more evidently regional and global reintegration.
16. Other authors also emphasise the 'social construction' of the region. Wallerstein refers to the 'social construct' of Southern Africa (Vieira, Sergio, Wallerstein, I., and Martin, William G., 1992, *How fast the wind?: Southern Africa, 1975-2000,* Africa World Press. Trenton. N.J.; Leysens, 1998, similarly refers to this social dimension of regionalism through a 'Coxian approach'. The theorisation of space is the specific innovative dimension of Niemann's contribution to this debate.
17. See Bond, Miller and Ruiters, 2001, for how the space of regional working class formation is shaped by the region's political economy.

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Richard A. Schroeder

South African Capital in the Land of Ujamaa: Contested Terrain in Tanzania[1]

Introduction: Reforms and remembering

In the decade and a half since the dismantling of apartheid in the early 1990s, the economic geography of sub-Saharan Africa has been radically reconfigured, with South Africa rapidly assuming the role of the continent's leading economic power. The percentage of South Africa's overall exports sent to Africa tripled between 1991 and 2001, for example, producing substantial trade surpluses with several neighbouring countries and an overall balance of trade with the region that was tilted 5:1 in South Africa's favour (Naidu and Lutchman 2004; Daniel, et al. 2005; Rumney and Pingo 2004). South Africa's dominance as a source of foreign direct investments (FDI) is even more dramatic. Investments by South African companies in the thirteen countries that share its membership in the Southern African Development Community (SADC) averaged over $800m per year between 1994 and 2004 (UNCTAD 2005). South Africa ranked among the top three sources of inward FDI in ten of those countries, and accounted for roughly a quarter of all FDI into the SADC region over this period (UNCTAD 2005; Rumney and Pingo 2004).

Tanzania is one place where the growth of South Africa's regional influence has been especially evident. 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 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, including most of the major corporations with holdings on the continent, have entered the country since 1994 (Bandawe 2006; HSRC 2004; Gibbon 1999).

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 invasion' into Tanzanian territory (Rwambali, et al., 2000). Issa Shivji, an internationally prominent Tanzanian scholar, legal expert, rights activist and social critic, has likened the South African exansionism to a 'second wave of primitive accumulation' (Shivji 2006: 169-177). Increasingly, 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 privatization of nearly 400 parastatal concerns, including some of the country's most prized economic assets (see below). 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 the injury has been South Africa's leading role in the process. In the eyes of many

Tanzanians, the fact that South Africans have become so centrally involved in the Tanzanian economy has effectively de-legitimized the reform process itself.

My purpose in this paper is to explore exactly how the national debate over Tanzanian economic policy has been inflected by the heavy South African presence. I underscore the degree to which the aggressive pursuit of investment opportunities by South African firms threatens to re-animate old tensions and give rise to reconfigured forms of resistance grounded in national pride, economic sovereignty and political principle. I suggest that popular memory of the anti-apartheid struggle will play a key role in shaping current and future economic linkages, as the ideology and sacrifices of an earlier political generation resonate on the terrain of its successor.

The data presented here were gathered during a year of field research in Tanzania from July 2005-June 2006, and a series of shorter (4-8 week) research trips to Tanzania in 1996, 2000, 2004 and 2007. My research was primarily conducted in the cities of Arusha and Dar es Salaam. Ethnographic methods included participant observation; semi-structured interviews; focus group discussions; and oral histories. Research subjects included Tanzanians, South Africans and other expatriates who are directly involved in economic sectors affected by South African investments, as well as individuals encountered in social settings such as schools, recreation centres, shopping centres, hotels, bars and restaurants that are frequented by South Africans. I also conducted content analysis of government documents, press reports and trade publications.

Difficult histories

For much of the twentieth 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, as does the resentment locals felt at the colonial government's decision to protect Afrikaner land rights over those of natives (Spear 1997).

After independence and the merger between 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 (Khadiagala 2007; Mwakikagile 2007; International Conference on Peace and Security in Southern Africa 1986; Nyerere 1978; Hatch 1976; Shaw 1976; Mittleman 1976). 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 neighbouring African states, former Tanzanian President, Julius Nyerere, played a leading role. His influence was especially evident in the formulation of anti-apartheid policies and strategies by the fledgling Organization of African Unity (OAU). The

OAU's Liberation Committee was also headed by a Tanzanian, Brigadier Hashim Mbita. Throughout the 1970s and 1980s, Tanzania provided invaluable support to the South African liberation movements, hosting key high-level meetings and conferences, and providing crucial international diplomatic and logistical support. It also sheltered an African National Congress (ANC) training centre, the Solomon Mahlangu Freedom College (SOMAFCO), on its national territory. This 'showpiece of the liberation struggle', which was launched in Tanzania's Morogoro District in 1978 and continued training exiled South Africans until Nelson Mandela called for their return in 1992, was perhaps one of the more enduring symbols of the long-standing bond between the ANC and the Tanzanian people (Morrow, et al. 2004: 3).

These activities on the part of Nyerere's government, and the active presence of South African comrades in their midst, had a profound impact on Tanzanians' sense of national identity and became deeply ingrained in their political consciousness vis-à-vis South Africa. As one interviewee put it:

> When it comes to South Africans, Tanzanians will always react with emotions ranging from the violent to the ambivalent. For us, South Africans are always Afrikaners. 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 .... To be serious, at least initially, the liberation struggle was a Tanzanian show .... And we paid dearly in terms of both support from abroad, and in terms of the drain on the few resources we had, to go out and bankroll the liberation struggle. But we never asked ourselves the question: okay, we brought independence to Rhodesia, South Africa – what did we get from it? We had a one track mind. We didn't think about how we might recoup our losses. Back in those days there was the PAC, the ANC, Frelimo, and Mandela, Sobukwe, Mondlane ... It was us against them, and the 'them' was Pretoria, Lorenzo Marques and Salisbury. Those were the 'them', and they had to be pushed off the seat of economic power. There was no possibility whatsoever for dialogue. The ethos was clear. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005)[2]

In an effort to create a civil defence mentality, for example, Tanzanians were repeatedly exhorted by their government in the 1980s to remain alert to the possibility of a South African incursion into Tanzanian national territory. Speculation was rife that the South African Defence Force would invade Tanzania from across the Mozambican border in the south, that SOMAFCO would be bombed from the air, or that key pieces of Tanzania's infrastructure such as the bridge that links the core business district of Dar es Salaam to its northern suburbs would be blown up by South African commando units (Tanzanian journalist, interview with author, May 29, 2006; retired white farmer born in colonial Tanganyika, interview with author Nov. 13, 2005; cf. Morrow, et al. 2004: 115-118):

> There was always this cat and mouse game. We were a bit too far away to bomb, and the international community would have objected if South Africa had come to bomb us in any case. But it was fortunate for us that we were that far away because otherwise South Africa would have been *mincing* us. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005)

Middle-aged Tanzanians vividly recall the days when they were secondary school students, cadets in the national youth service corps or serving in the military; how they marched to the cadence of chants that called for the violent death of any white South

African found within Tanzanian borders. In this context, the epithet 'kaburu', which is the Kiswahili term for *Boer*, carried tremendous pejorative force.

> I remember how in National Service, the discourse was all about: 'Our friends in Mozambique, and Rhodesia, and Angola need us'. *Kaburu* was: '*Kaburu chinja*!' [lit.: 'Slaughter the Boers!'] Cut off their necks, bloody hell! Until Mandela came out of jail ... all of a sudden the rules of the game changed. This was not just a new chapter, but a whole new book. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005)

To this day, Tanzanians describe the civil defence alerts, the camaraderie of national service, etc., as being absolutely critical in shaping an enduring antipathy towards white South Africans. A programme officer for a local NGO squeezed her head between her hands as she explained that it was 'impossible to erase these [anti-South African] feelings from my brain'. A supermarket employee in Dar es Salaam, claiming that her government had taught her to hate South Africans, expressed her distaste at having to serve them biltong at her workplace. A elderly retiree in Arusha acknowledged that he refuses to buy Vodacom, the most widely used cell phone service in Tanzania, and a middle aged community activist stated emphatically to a friend that she would not dine at the Steers fast food restaurant chain, both effectively carrying on the old economic boycott of South African goods and services (Schroeder, R., field notes, 2005-2006).

While such powerful negative sentiments against South Africans remain strong among the Tanzanian citizenry, the terms of the *official* bilateral relationship between Tanzania and South Africa have undergone a profound sea change. Now instead of honing the knife's edge of Tanzanian national identity on the rough politics of the southern African liberation struggles, Tanzania's government has actively sought to rehabilitate South Africa's image, and curry favour with the post-apartheid regime. Through speeches and impromptu remarks reported in the press, government officials have exhorted the Tanzanian body politic to set aside their historical animosities and stop calling the South Africans *kaburus* (Mahwi 2004). In an answer to critics charging South African companies with 'colonizing' Tanzania, 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 indeed relations between Tanzania and South Africa can be considered a 'partnership' at all, it is one that is notably lop-sided. In little more than a decade, South Africans acquired controlling interests in Tanzania's largest banking chain, the national airline, and the national brewery. They purchased or built hotels, mined gold and gemstones, and set up hunting and photographic safari companies. They won a contract to manage the national electric utility, and established the country's largest cellular telephone and television distribution networks. They acquired factories producing sugar, plastics, cement, and fertilizer. They set up grocery and restaurant chains, and established market connections resulting in the importation of everything from furniture and ceramic tiles to clothing and fine wines (Anonymous Feb. 28, 2000; Daniel et al. 2003; Gibbon 1999; Rwambali et al., 2000; Njau 2001; Schroeder, R., field notes, 1997-2006).[3]

The motivations driving these initiatives were varied. Some of the most important investors in the mining and tourism industries moved to Tanzania because of its rich endowment of natural resources. Others were simply pursuing comprehensive corporate expansion strategies. The CEO for SAB Miller, for example, which currently brews beer in sixteen different African countries including Tanzania, was recently quoted as saying: 'If there were more of Africa, we would invest in it' (Anonymous July 22, 2005: 1). Tanzania also presented opportunities for gleaning windfall profits from initiatives aimed at promoting regional integration, for example through the construction of an inland port facility linking the otherwise incompatible southern and east African rail networks (Robertson 2005; cf. Swarns 2002).

Measures taken by the Tanzanian government to make the country more 'investor friendly' have been similarly important. The Tanzanian Investment Centre, 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).[4] These steps have buoyed investor confidence, resulting in Tanzania being listed as a *preferred* investment target in a number of surveys of South African corporate heads (Anonymous Feb. 28, 2000; cf. Njau 2001; Anonymous, Feb. 16, 2000).

The net impression left by recent events is that South Africans have taken over everything of value in the Tanzanian economy. A store clerk in 2004, for example, summed up his frustration at this prospect with the statement: 'Some people are saying that if our first president could come back to life today, he would die again to see what has happened. You can't just keep selling everything!' A pastoralist community activist echoed this bitter sentiment, commenting that: 'We now live in the United States of South Africa' (Schroeder, R., field notes, 2004).

The political sensitivity of South Africa's presence is not lost on the Tanzanian government, which has been at pains to downplay South African dominance. Thus, both in 2001 and again in 2006, the Tanzanian Investment Centre released data showing that the country's leading foreign investor was not South Africa, but rather the United Kingdom (See Table 1). These data were misleading, however. In presenting *cumulative* totals dating back to 1990, the statistics failed to reflect changing historical trends, notably obscuring the peak 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 acquisitions, South African capital has assumed a central role in the imposition of fiscal discipline on Tanzanian workers. Thousands of former public servants have lost the government sinecure they once enjoyed in a wave of retrenchments launched by private employers. Bitter battles over these job losses and inadequate pension payments have resulted in a number of strikes, arson, and other forms of protest.

Controversies swirling around South African presence have extended well beyond layoffs and delayed pension payments, however. A partial list of some of the more sensational story lines follows:

> 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 northern safari circuit. It then 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 order to clear the way for South African mining investors, hundreds of small scale gemstone miners were forcibly removed from the core of a lucrative tanzanite mining site in the mid-1990s. In the ensuing decade, South African security personnel at the mine were implicated in numerous shooting incidents. Dozens of small scale miners were wounded, several of them fatally, when they were caught 'trespassing' on company territory. The corporate miners went on to establish an exclusive tanzanite brand which was used to discredit unbranded gems mined by small scale miners as potentially illegal and unreliable (Kondo 2001a, 2001b).

1999 – South African cellular operator, Vodacom, was granted a license to operate in Tanzania 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 large urban centres. In Dar es Salaam, giant multi-storey renditions of the bright blue-and-white Vodacom logo became a fixture of the urban landscape, creating jarring sight lines along main thoroughfares. At least one major government building, the Tanzanian Commission on Science and Technology, was initially included in this effort, but has since been repainted.

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-travelled 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 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 country's largest banking chain with 35 branches, which was listed for privatization. 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 Airways (SAA) acquired a 49 percent stake in 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 the Tanzanian government and SAA officials, the airlines' 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 (Anonymous May 25, 2006).

> 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 Botswanan pula, and discontinue the use of existing national currencies such as the Tanzanian shilling (Anonymous 2005).

This steady drum beat of controversy can be traced in part to the heightened sensitivities the Tanzanian national press corps developed toward South Africa during the years of the anti-apartheid struggle. The practical impact of the inflammatory acts themselves 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.

Political fault lines

The debate over Tanzanian economic reforms has revealed deep cracks, or political 'fault lines' (Goodman 1999), within the Tanzanian body politic along lines of race, class and generation. Different forms of South African presence – including investment targets, trade effects and on-site management practices – have inflected the debate in specific ways.

(a) Investments

Many in the Tanzanian business community have wholeheartedly embraced the goals of the government's neoliberal 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 the moribund parastatal sector: 'Privatization has been a very good process. It has meant that tenders have been granted to the most qualified firms. As far as South Africans are concerned, they grabbed the opportunities. We didn't. So more power to them' (Gemstone dealer, interview with author, May 24, 2007). According to this view, South African capital filled a void, and it did so, not just because South Africans had economic clout, but also because they supposedly possessed a superior work ethic:

> Because the thing is, they are the people who have the capital. They are the people who have the technical know-how. They are the people who came in at the time when we were saying, 'We give up! We want to sell. This government is no longer a good businessman. Government will step aside ... You do the business. Pay us our taxes. Create jobs. And that's it.' And the economy is doing well in that policy ... It doesn't matter *who* is doing it. [Former President] Mkapa said: 'I couldn't care who skins the cat; I want a skinned cat. It doesn't matter if it is South African, or black, or white, yellow, green; I don't give a damn.' And I agree with him … South Africa is not an issue. The issue is: there is an investor who was willing to come. South Africa will go all the way to Libya! Why? During their isolation they knew how to work and they worked very

> hard. So the issue is not South Africa. The issue is people and work. People who want to work, be regulated as they work, be rewarded for working hard. That is the issue. (Businesswoman in Dar es Salaam, interview with author, Mar. 24, 2006)

The implication here is that Tanzanians had a chance to run their own affairs, but failed. And the blame for that failure was laid squarely at the doorstep of Tanzania's socialist 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. But [now] I borrow. Loans were being given on the basis of little notes coming from politicians ... 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, Mar. 24, 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 percent when SAB Miller first acquired controlling interests in the firm in 1993, to over 80 percent by 1997. Similarly strong economic performances have been recorded at Kilombero Sugar and Tanga Cement, among other businesses.

Sentiments in favour of foreign investment have not gone unchallenged, however. A basic critique stems from the perceived loss of national assets built up through the sacrifice of Tanzanian blood, sweat and tears: 'What I don't understand is when South Africans come in and buy up something that is already in place, like one of our banks or our utilities. When they take something that others made, *that's* what I don't understand ...' (Schroeder, R., field notes, 2005). The deep sense of pride in the accomplishments of the socialist government, which are represented in retrospect as having come about in spite of active resistance by the western capitalist powers, is especially notable among Tanzanians who experienced the independence struggle first hand. And in this connection, the notion that South Africans have 'saved' businesses run into the ground by poor local management has been difficult for some to accept. Critics of the government's open door investment policies point to the fact that prior managers were hamstrung by state policies, patronage practices and corruption, and thus not in any position to run their operations effectively:

> The government's rationale is that we have had these businesses, but we have failed to manage them ourselves, so we need to sell them to foreign investors. But these were *public* [i.e. state-run] firms. And it is a public mess-up. Punishing the private sector in Tanzania doesn't make sense. They put the blame on Tanzanians in general. If they 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. Besides, [Tanzanian] Breweries has a monopoly, so they don't even have to compete. 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. Otherwise it's not [a] fair [comparison] because of the monopoly situation. (NGO representative, interview with author, Nov. 25, 2005)

They also note that firms entering the economy under the privatization program were often in a position to strip existing parastatals of their assets and use the proceeds of those sales to support their ongoing operations:

> They came over, and grabbed up all the plums where they were available. Take Breweries. I mean you have to be a total fool if you can't make a profit with a brewery. But the Breweries were losing money before because they were being bled to death by bureaucracy. If somebody's son was being married, 100 crates of beer were hauled off, and that had to be absorbed as a cost of doing business. The government set the price of beer, so the managers' hands were tied in that regard. And any time the government couldn't pay salaries, they simply grabbed cash from Breweries ... It was a cash cow for the government. One of [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 ... [Scornfully] And then they go on and talk about *efficiencies* as if that were the reason for all of their success. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005).

The idea that South African investments are not 'true' investments in the sense of helping to produce viable socioeconomic change in Tanzania also surfaced in several interviews:

> I look at an investment, and I prefer to see it as something that has a meaningful residue. Whereas the South Africans, they just come and grab and run. They're likely to be here for awhile, but let them tread carefully. This unconditional support for investment is not tenable. There has to be some regulation. Yes we need expertise, exposure, experience, but what price do you pay for all of that? ... Are [the South Africans] adding value? If they are seen to be making a contribution to the welfare of the country, I don't think anyone would be against their presence. But that is the question. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005)

Indeed, the perception that South African investments had not generated more substantial and immediate returns to Tanzanians was accompanied by feelings of deep bitterness. As a 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, May 15, 2006)

(b) Imports

The debate over South African imports into Tanzania is similarly split. On the one hand, observers often expressed blind trust in the principles of a free market: 'If someone comes and shows you something that he wants to sell to you, you can decide if you want to buy it. That's fine. That's a fair exchange' (Schroeder, R., field notes, 2005). On the other, they voiced deep concern about the impact imported commodities had on local producers. The South African supermarket chain, Shoprite, which entered Tanzania in 2000, loomed especially large in the popular imagination. Judging from the expectations expressed by small scale farmers, petty commodity producers, and traders, all roads to lucrative markets would seem to pass through Shoprite's doors. Indeed, the proprietors of Shoprite have been excoriated for sourcing locally grown products from outside the country:

> [South African] investment ... does not benefit Tanzanians; that everything should come from South Africa – that is not investment at all. In most cases they have come to kill our

> businesses. Even when a business woman wants to sell tomatoes, she can't do so because tomatoes have already been imported from South Africa. Through such investment, they are trying to fool us. In the beginning we thought they had come to Tanzania to cooperate with us in the selling of our goods so that they would benefit us. Only to realize that they had come to establish shops and sell goods from their *own* country, not even wanting to look at domestic produce. That isn't friendship at all. It is like someone coming to practice segregation in your own country. When someone comes to your own country and doesn't even want to look at your goods, it's like he's insulting you. And that's not investment. It's humiliation. (Development worker 1, focus group conducted by the author, October 21, 2005)

> I represent [a farmer's cooperative], and our members, many of them are into horticulture. And dairy. They could supply Shoprite if they were given the proper training. So I've told Shoprite that they should do some training. All they need to do is say, 'Here are our standards'. And then train Tanzanian farmers to supply them. They should set some goals. In one year, you source X percentage locally. In year two, you add more goods to your list. In year three, you add more. And by year five, you are meeting the goal of sourcing 50 percent of some articles locally. But they are continuing to get their supplies from South Africa. I mean there is no reason in the world that they should be getting eggs from South Africa. Or getting dairy from South Africa. 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? Unh uh! (Schroeder, R., field notes, 2006)

A different sort of complaint emerged with respect to Vodacom, the South African cell phone giant which dominates the Tanzanian market. In a focus group session with development workers organized in 2005, participants explained that when the number of Vodacom subscribers grew so quickly (in less than a decade, the firm had enrolled over four million subscribers in Tanzania), consumers expected that costs to subscribers would go down. Instead, they continued to rise. The group was especially angry about a sweepstakes promotion Vodacom had organized, in which the prospect of winning a new house was used to entice consumers to purchase more pre-paid phone vouchers. Participants argued that the cost of the house being raffled off came from *their* money. Rather than waste money on a promotion, they felt Vodacom should just return those costs back to subscribers in the form of cheaper rates. This is what the investors would do '*if* they were genuine and *if* they were for the people' (Development worker 2, focus group conducted by the author, October 21, 2005).

(c) Investors/in-migrants

Invariably, the complaints surrounding the influx of South African capital turned to the question of race and nation. In an interview regarding violence directed at small scale gemstone miners (see above), for example, I asked a mining activist why nationality seemed so important in the case of South Africans when it was not a significant issue in similar cases involving Canadian and Australian mining investors. His reply was revealing:

> To locals, it doesn't matter if it is South African or not. It doesn't. I mean for them it is an economic crisis, forfeiture of land rights, forfeiture of their cultural rights, and that's it. But at the same time, to the older generation who have been living longer than I, who've been living in [the socialist period of] *ujamaa*, etc., who've been involved in … anti-apartheid things, to them it means a lot. A lot. … The South African connotation is just

> terrible. And every time [the South African corporate miners] do these acts…the dog mauling, and the use of chains, the [locking of trespassers in] closed [shipping] containers, [the older miners] just link these things to apartheid…The Minister [of Energy and Minerals] called the stakeholders to a meeting in Arusha and said the [corporate miners] should stop these apartheid acts, because it reminds Tanzanians of what their [South African] brothers went through…And even if you should go to [the area] at the moment and ask anybody about [the South Africans], the name they use is *kaburu*. The fact is they will use *kaburu*, and *kaburu* is a name we used during the apartheid regime. So we don't regard it as the new South Africa; we regard it as the old *kaburu* regime. (Small-scale mining rights activist, interview with the author, Nov. 25, 2005)

Part of the problem from the perspective of Tanzanian critics is the attitude South Africans have brought with them to Tanzania:

> Many of them … have that old Pretoria attitude … are building up anger among some of us who are wondering how things could go so far with so little to show for it. I find the South African generally abrasive. They do some things well. They know their cows by name. Khaki shorts and socks. All big men. They work hard. But I think they have possibly imbibed too much of the apartheid thing, and they have a difficult time letting go of it here in Tanzania. (Retired Tanzanian civil servant, interview with the author, Oct. 28, 2005)

Commentators also complained about the insularity of the South African business community. A woman from a relatively wealthy Asian Tanzanian family with multiple business interests voiced her frustration with South African business practices in general. Her perception was that South Africans close ranks amongst themselves when it comes to sourcing materials for any kind of investment project:

> If you are bidding for a tender for some job with a South African firm, it's like there's a secret handshake that they do – some sort of oath that they take that: 'I will only do business with South Africans.' Because it is impossible to win those bids. Your bid could be thousands of dollars less than the South African bidder, but he's still going to get the contract. It's only when there is absolutely no alternative that they will offer bids to other bidders ... This is true of even the international firms – as long as there is a single South African working there, they will always look for another South African when it comes time to award contracts. The South Africans could be here for a hundred years – I mean, this is an exaggeration, but still – they could be here for a hundred years and they would *still* not become Tanzanian. They would still be South African. They would *never* change. (Schroeder, R., field notes, 2005)

There is a growing consensus that tensions and contradictions spawned in the wake of the recent rounds of investment by South African firms are on the rise. Even the Director of the Tanzanian Investment Centre, whose job it is to promote foreign investment, went on record as saying:

> Both Tanzanians and South African investors should be careful because we are in a situation where working styles in South Africa could be translated as harassment in Tanzania….Most South African investors are white. When anything happens at a working place, Tanzanian workers are reminded of (apartheid) South Africa. I think we need to educate our people and investors should spare a little time to study Tanzanian culture. (Rwambali et al. 2000)

Another well-informed observer laid stress on the possibility that continued insensitivity to cultural norms and the sovereign rights of Tanzanians to manage their

own economy could result in more organized forms of resistance being launched against the South African business community.

> 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. It won't necessarily be me who will come after them, but somebody will. 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, Nov. 25, 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 has led many Tanzanians to condemn outright both the moral bankruptcy of the Tanzanian neoliberal regime and South African capital's central role in the implementation of Tanzania's ongoing economic reforms. Once again, perhaps, South Africa could emerge as a key foil in Tanzania's ongoing popular struggle for liberation.

Notes

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2. In the interest of protecting confidentiality, I have masked or changed some identifying details and omitted the names of all research subjects, including those with whom I conducted formal interviews and those encountered in the course of participant observation.
3. The airlines partnership and electric utility management contract were subsequently dissolved.
4. 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); Labour Institutions Act (2003); Employment and Labour Relations Act (2003); Land Act Amendment (2003).

Table 1: Sources of Foreign Direct Investment in Tanzania, 1990-2004

Source of FDI	Number of projects 1990-2000	Amount of investment (bn Tsh) 1990-2000	Percentage of total 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)

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

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Richard A. Schroeder
Department of Geography
Rutgers University

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Darlene Miller, Etienne Nel and Godfrey Hampwaye

Malls in Zambia: Racialised retail expansion and South African foreign investors in Zambia

Introduction

Urban areas in both the North and the South have always had some degree of minor retail element present in their residential areas, either in the form of the corner convenience store or the local spaza shop. However, since the 1960s, and primarily in the cities of the North, there has been the conscious development of planned retail and also business centres in suburban areas. This has come about in response to CBD congestion, traffic problems, the desire to be accessible to consumers, increasing affluence and new investment opportunities (Reimers and Clulow, 2003; Kaplan et al., 2004). What has been witnessed is the 'phenomenal growth of ever-larger suburban shopping malls with more and more diversified selections and endlessly varied, upscale, and niche-targeted merchandise (which) has curtailed and severely diminished CBD retailing' (Kaplan, et al., 2004, 143). From the 1970s, large, regional malls started to emerge in the USA and from the 1980s they started to acquire leisure and entertainment functions which once again often had negative effects on CBD areas (Pacione, 2001). Recent, more diversified retail and business centres have been describe by Hall (2001) as constituting a new phenomenon by becoming 'edge cities'.

Despite the evident Northern bias, largely as a result of wealth differences, as Erkip (2005) notes, shopping malls now appear to be part of a global trend. In the cities of the South, there is evidence of decentralization and suburbanization, but it is not yet happening on a major scale (Potter and Lloyd-Evans, 1998). The increasing resurgence of the market mechanism/private sector in land markets of the cities of the South since the 1980s is clearly playing a role in this trend (Devas and Rakodi, 1993). While it does seem incongruous that in cities characterised by mass poverty that post-modern, up-market retail and leisure complexes are emerging, this is the reality of the commodification of urban space and services globally. In one of the most detailed critiques of retail decentralization in the South, Marks and Bezzoli (2001) offer a critique of the artificiality of the Century City complex in Cape Town which they see as occupying 'fictitious space, insulated from the troubles beyond its borders' (Marks and Bezzoli, 2001, 27), creating 'a new city state within the city, a space of exclusion and privilege' (Marks and Bezzoli, 2001, 37). Given the mass poverty which prevails in Cape Town, they correctly identify the existence of a 'contradiction between public discourses on urban integration and equitable development and the reality of hard-nosed capitalism' (Marks and Bezzoli, 2001, 43). Over time and with the bedding of fixed investment, it is inevitable that 'through the production of fixed and immobile spatial configurations (transport systems, and so on)' (Harvey, 2001, 327), greater levels of apparent inequality will be impressed upon urban societies in the South.

When the era of neo-liberal regionalism descended on Southern Africa in the 1980s and 1990s, a motley quilt of trading relations stretching across the region beckoned its reinvigoration from foreign investors. Active agents of this new wave of African 'modernization' were South African retail multinationals. Wittingly or unwittingly, the South African retailers followed the path of European colonial traders who inscribed the earlier geographies of retail in the region. Unlike the little trading stores of the earlier colonials, however, the post-Apartheid retailers brought in their wake a more recent retail phenomenon – the shopping mall. Extending these malls to fifteen foreign African countries, the South Africans superimposed these new centres on the decayed urban infrastructure of older African cities. The 'cathedrals of consumption' (Jaumain and Crossick, 1999) had arrived in Africa, catapulting the old department stores, the little trading shops and the larger state-owned wholesale stores into the competitive new global world of food retailing. Sporting these new retail conglomerations, African cities now unevenly mirrored the consumptive environments of the 'North'. These shopping malls enmesh the region in Ferguson's 'African connect', where foreign investments connect the continent to the global economy but do so in a 'globe-hopping' way, producing an extractive neo-liberalism that fails to effectively integrate most Africans into the world of goods and services (Ferguson, 2006, 49). The Southern African region has embraced a new kind of regional development, namely the expansion of South African retailing. However there have also been a variety of local responses that challenge the overwhelming presence of South African investors in African retailing since the 1990s.

What does this new era of retailing mean for Zambians and the region more generally? In this article we try to show that, while South African capital's expansion is a powerful, regional manoeuvre that dispossesses as it accumulates; it is by no means rolling over the torpid remnants of a post-Independence battlefield. Class contestations shape and reshape the South African economic expansion in retail. Local entrepreneurs, investors, workers and farmers resist the imperial impetus in South Africa's post-Apartheid regional expansion. Workers, farmers, local entrepreneurs and even local investors, in the form of minority share-holders, have contested the South African-led retail expansion. Regional and continental contestations around retail and other expansions abound, ranging from Nigerian local farmers who want to burn down Shoprite stores, to Egyptian retailers who eschew a company that will not play Arabic prayers during Friday prayer time, to the Shoprite workers who claimed equal status with their South African counterparts (Miller, 2005).

While the retail and shopping mall expansion helps to create an overwhelming South African presence on the continent, we suggest that the region is not South Africa's to claim. Following on earlier work on Zambia (Miller, ibid; 2006; 2008), we explore the historical geographies of South African retailing, arguing that the post-apartheid region needs to be understood as a contested social space. What the region is and how accumulation proceeds, is shaped and made by these multiple class contestations. The second section in this paper examines the themes of race, region and multinationalism. The third section provides a brief account of trading patterns in colonial and post-colonial Africa, while the fourth examines the development of the city of Lusaka. The fifth section is an empirical overview of the new shopping mall expansion in Zambia. Two cases of local contestation and resistance (the Brait buy-out

and the Luangeni Partnership) by both Zambians and South Africans draw on accounts of people who have engaged or stopped the South Africans in their expansionary tracks are examined in the final section of the paper.

We conclude that the narrative of 'South Africa in Africa' is a flawed one: the region's geographies speak of a region integrated since colonial times; of people who, for a long time, traversed the region with labour and goods even when Independence initiatives marked off regional political territories in the SADCC. New traders follow old traders. South Africa and Africa have interdependent historical geographies that shaped the region then and now. Post-Apartheid Southern Africa demonstrates new forms of regional class struggle that happen beneath the surface of FTAs and regional development initiatives such as SADC and SDIs (spatial development initiatives; for example, Roodt in this issue). Delineating the contours of post-Apartheid regionalism requires, indeed demands, an interrogation of these political-economic processes and the social relations that occur at the regional level. Such regional analyses, however, need to be informed by an understanding of how various social classes at the national level reshape regional relations. The story revolves around 'South Africa and Africa'; but the post-Apartheid conceptual framework needs to be revised in favour of a more historically accurate, relational understanding of our region.

Race, region and multinational expansion

Post-Apartheid regionalism in Southern Africa has actively promoted investment by foreign multinationals. This active embrace of foreign direct investment has also helped to promote foreign retailers as African governments shifted away from state-owned industries. Regionalism and regional integration have been seen as state-driven policies (Lee, 1989; Davies, 1991; Gibb, 1997).

In an earlier article (Miller, 2004), Miller suggested that a society-centred approach to regionalism was necessary to break out of the overwhelming state-centrism in regional analyses of Southern Africa. She (Miller, 2004) pointed to Niemann's (2001:67-72) revision of International Relations theory in which he provides a historical account of the production of spaces in Southern Africa since the 1800s and shows how a perception of the region as a coherent entity emerged through particular spatial practices. Out of a physical landmass at the southern tip of the African continent, a notion of a coherent geographic entity, a social space, emerges over time that is intimately tied into the contests for economic control. Race formed one crucial demarcation in representation spaces of the region, with a corresponding set of segregated spaces of representation.

> Spaces were identified by the skin colour of those who were permitted to live through them. It was possible to read if the body of an individual was in the proper space and the pass laws of South Africa, the housing of labour in hostels and compounds adjacent to mines and, later, manufacturing facilities all reflected this racialization of space in southern Africa (Niemann, 2001: 74).

The bounded national entities that dominate the regional space are contradicted by the spatial flows of commodities, people and labour that create mutual dependency amongst the different societies within South Africa. There is a porosity in the borders of the region's countries that overflows the boundaries of nation-states and creates a

societal level of interaction. In this sense, the region is also a 'counterspace' to inter-state relations.

We can therefore imagine regions not only as spatial constructs which facilitate the exploitation of the subcontinent; we can also imagine them as counter-spaces, as sites of resistance to such processes. One such imagination is to think of 'regions as spaces of rights' rather than spaces of flows or spaces of places. A region so conceptualized constitutes an integrated space not because of trade flows or institutional apparatuses but because its inhabitants share a commitment to struggle for the same enforceable protections against abuses be they committed by states or corporations. To conceive of regions as spaces of rights represents a direct challenge to the hegemonic consensus of liberalism. Such efforts transcend the traditional spatial organization by insisting that rights of persons be recognized outside and independent of the national state. They reject the position of the state as the sole arbiter of the rights of 'its' citizens and therefore create new spaces of reference (Niemann, 2001:75).

While Niemann's revision represents a critical widening of the debate on regionalism, understanding the region as a 'space of rights' both opens up and closes down different possibilities for understanding regionalism. Seeing regions as 'spaces of rights' ignores the spatial and scalar problems that regionalization poses for regional identities against particularistic identities. Attachments to place and localities or sub-regional identities can become stronger as spatial barriers crumble and local areas are subjected to global forces in a more direct way. While global forces seem out of reach and more difficult to control, communities attach more vociferously to local places (Harvey, 1996). Extending the discussion of 'rights' to the spatial claims of different social classes allows for a more expansive discussion of regionalism in Southern Africa.

To expand Niemann's (2001) discussion, we need to present the region as a 'space of claims' by exploring the concepts of social scale and geometries of power. Scales are a basic way of differentiating human activity from the local scale, such as the household, the workplace, the city, the globe. In daily, lived experience, multiple scales exist simultaneously: '... scale is a set of abstractions through which we make sense of social processes making and remaking these material landscapes' (Smith in Jonas, 1994).

Geographic spaces are produced by abstractions that form these entities into a particular scale-global, national, regional or local. Scale is also political, a way of 'fixing power' within institutions.

> Scale distils emancipatory and oppressive possibilities of space and provides a distilled expression of spatial ideologies, racism, xenophobia ... The representation of scale lies at the centre of spatialised politics (Smith, 1990:173).

Limited by a specific geographic scale or level of accumulation such as the nation-state, a rescaling process ensues at the local, sub-national, multilateral regional or global scale, for example. Spatial representations and material practices exist in a dialectical relationship (Smith, 1990; Lefebvre, 1996; Harvey, 1996).

> The social relations of capitalism invariably take on a geographical expression ... What is often less clear is the precise way in which spatial form is related to social forces (Wolch, 1989: 5).

In the same way that globalisation is a 'societal construct' (Keet, 1999), regionalism and the formation of regions is a social process, entailing institutional power, a shared geographic identity, regional labour markets, and is always relentlessly driven by capitalist accumulation and framed by the power and command of money. Who is to be integrated, how and on what basis is not simply a question of contractual regional arrangements but a question of the spatial 'geometries of power' (Massey, 1992). Shifting power geometries and their spatial representations are underpinned by the spaces of production and reproduction. Capital's constant re-territorialisation and expansion is driven by over-accumulation (Harvey, 1999), and these internal contradictions have geographic consequences.

Regionalism invokes a claim over a bounded geographic space that is also a social space.

Bounding the region as a group of historically and economically tied countries that should act together for a particular economic strategy produces a spatially determined power structure that demarcates the region. As social power relations reconfigure, these changes and produce new meanings about a specific geographic scale, marginalizing some while thrusting others into centre stage.

> Most importantly, however, these scale redefinitions alter and express changes in the geometry of social power by strengthening the power and control of some while disempowering others (Swyngedouw, in Cox, 1997:142).

What is significant here is not that inclusion and exclusion processes happen, but that these processes take spatial forms, and have spatial consequences. A new meaning is given to a particular social scale – the nation, the region, the global system – in line with shifts in power relations. Regions, then, are more than physical demarcations. They entail a social claim to a geographic space between the scale of the nation-state and the global system. Against the Euclidian notion of 'space-as-container' or space as fixed, regions are dynamic entities, not just static groups of contiguous states. Social space according to Lefebvre's conceptual 'triad' is constituted by 'the perceived, the conceived, and the lived' (Lefebvre, 1991:39). The foreign investment of South African companies in post-Apartheid Southern African can be understood as a claim on the region. Capital's ability to command power over space and social relations is a central dimension in the way that the region is integrated, how regional power is accumulated and which regional forces are marginalized. Geographic claims have important consequences for the way that the regional role of South African multinationals plays out.

South African-based or South African multinational corporations have played a central role in constituting South African as a regional entity. Much of this capital flowed through or from South Africa, allowing part of the regional surplus to fuel South African growth as well as enhancing the role of its multinational corporations as an important characteristic of post-Apartheid Southern Africa.

South African (or South African-based) capital historically, through the agency of the multinational firm, has integrated the countries of South Africa in an uneven way. South Africa's ability to command capital and labour flows in the region through these powerful multinational corporations accelerated South Africa's economic growth, creating tremendous regional unevenness. South African capital has established a

strong claim to the regional space of Southern Africa, both in the present and in the past. The historical geography of capital accumulation in Southern Africa has placed South African capital, through its multinational corporations, at the centre of these accumulation processes. Currently comprising 14 countries that are members of SADC (the Southern African Development Community), Southern Africa is dominated by South Africa, the region's economic giant (Martin and O'Meara, 1995; Seidman and Makgetla, 1980). Capital accumulation develops the most profitable sectors of the economy to the detriment of other sectors, creating uneven capital flows. South Africa is a region of unevenness in regional flows of capital accumulation, generating $130bn of the region's $160bn in output in 1998.

Global accumulation processes centred on South Africa have shaped the boundaries of the region.

> If we are to understand how the social construct 'Southern Africa' came into existence, we must place it in the context of the cyclical rhythms of capitalist world-economy (Vieira, Wallerstein and Martin, 1992: 5).

The notion of Southern Africa as a coherent geopolitical entity can be traced back to the first 'Scramble for Africa'. As cycles of world hegemony have evolved, Africa has been the site of renewed scrambles and reterritorialization of capital. South Africa's regional domination goes back to the phases of early mining and finance accumulation under colonial expansion. The initial expansion that centred on South Africa, Zimbabwe and Zambia occupied a central place within this new formation. Combining with this territorial expansion were also the imperialist expansion of the capitalist type (Harvey, 2003: 33-36), entailing large investments in rail and road networks. This phase of Southern African accumulation coincided with the period of the Great Depression, initiating a new phase of capital's reterritorialization in Africa (Vieira, Wallerstein and Martin, 1992).

The period from 1873-1920 saw the British, the global hegemon of the time, consolidate political control over the areas of mineral wealth in Southern Africa and form political boundaries that endure today. Gold mining in Southern Rhodesia (Zimbabwe) and Johannesburg's Reef (South Africa), copper mining in Northern Rhodesia (Zambia), and Kimberley's diamond mining absorbed capital surpluses from London financial and commercial and corporation and commodity surpluses of British manufactures. Despite this regional economic integration through London and South African-based capital, political divisions inscribed regional fault-lines. White settler regimes in South Africa, Rhodesia and Mozambique were isolated internationally in the period during the two World Wars and after the World War II, bequeathing to the region a racially divided historical geography.

Ideas of developing intra-African export markets and 'delinking' from the dominant 'North' animated post-colonial Africanist programmes. The NIEO (New International Economic Order) perspective inspired many Africanist programmes in the 1960s and 1970s. 'Collective self-reliance' was a strong principle in the programmatic perspectives for Africa at the time. One example was the Lagos Plan of Action, adopted by the Organization of African Unity (OAU) in 1980 and proposed by the UN Economic Commission for Africa (ECA). Throughout this period of national self-determination in some parts of Southern Africa, however, multinationals continued to use Apartheid South Africa as a base of their investment activities in

Southern Africa. Some of the capital surpluses that flowed through South Africa during this period were trapped in South Africa, partly through the protectionist policies of the Apartheid state, allowing South Africa's economy to expand faster than other countries in the region.

In the 1960s and early 1970s, there was a new scramble in Africa, this time led by the trans-national corporations who sought new sites of investments for over-accumulated capital. As countries became politically independent, South Africa was a stable launching-pad for investment into the region (Seidman, 1980:45). Protected by Apartheid, global multinationals formed joint ventures with South Africa companies. In the 1960s, eight of South Africa's top eighteen industrial companies had major ties with transnational firms. (Seidman, 1980). Regional economic integration proceeded despite the political barriers. While political geometries demarcated the region into white settler states, on the one hand, and Frontline (independent) black states on the other, the territorial independence of African nation-states after national liberation struggles interrupted but did not halt continued capitalist expansion. Nationalization operated unevenly in economies that allowed multinational investment often via and from South Africa. These racialised patterns of regional development were replicated over time in the retail sector, as discussed below.

Trading in colonial and post-colonial Africa

One common element in the development of retailing in Africa was the colonial pattern of indigenous exclusion. During this period, credit extended more from the metropole to the European entrepreneur than to any other community. Combined with racial municipal legislation, white-run businesses dominated the formal retail market in many African cities. As settler cities grew in the 1930s and 1940s, central business districts (CBDs) expanded. African businessmen, however, were prohibited by municipal legislation from retail activities in the towns. African townships were typically served with cheap imitations of 'white stores' and confined to the 'truck trade' (Burke, 1995: 100).

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 et al., 1990). Limited purchasing power, low outreach and poor infrastructure are some of the common factors that have restricted the growth of retailing in poorer countries (Paddison in Findlay et al., 1990). In the twentieth century, retail infrastructure clustered in some places and failed to penetrate others, the urban-rural divide being the most graphic illustration of this uneven clustering of money and resources.

Race politics in retailing was not only along white-black fault lines. There was a lot of anti-semitism amongst the company officials from the controlling British Company of South Africa (BCSA). Racial politics manifested itself between Jewish traders and Chartered Company officials in these early days already. The district commissioner for Lealui in 1901 went on a tirade against the Jewish traders, calling them of 'undesirable character' (Findlay et al., 1990, 27). He charged that the Jewish traders were successful because they were willing to include ammunition in their deals with local. The dispute between European traders also caused a loss of prestige for whites, in the view of the commissioners.

> There is I regret to say a certain insolence about the natives towards traders, other than Jews, making it difficult to maintain the peace and the respect for the white man is not what it should be (Findlay et al., 1990, 28).

Traders kept close relations with ruling group in order to keep their trading lines open. Competition amongst small traders with limited capital resources was vicious. ‘Legitimate’ traders were seen by a larger retailers like Susman – the founders of which came from the Baltic region – as those who operated from substantial stores and built large camps, unlike the small traders who traded from their wagons and operated with lower cost and profits. These small traders regularly undercut prices and moved their wagons to the nearest markets. ‘Hard work, good credit, efficient trading and a superior understanding of the market’ helped the Susman become the dominant traders in the area, argues Macmillan (ibid: 48). This was aided by the liberalization of trading licences by the colonial government which recognized their important commercial role.

King Lewanika summed up the racial politics of the time in the following way:

> There are three types of whites: those of the government, traders and missionaries. Those of the government, fear them, they have the power; traders, eat them, for they have come to eat you. As for the missionaries they are ours, they are at home with us – chez nous (King Lewanika, 1898, p.52).

From 1910 the Susman brothers expanded outwards into Livingstone. The Susmans used the cold storage facilities of the North-Western Rhodesia Cold Storage plants set up by the railways contracts, then under the Chartered Company. After the war, Werners was the main Copperbelt business of the Susman Brothers & the Wulfsohn Group. There was constant diversification in the Susman’s activities into the post-war years which included transport, timber, saw mills, textiles and expanding cattle sales as South African demand grew. This provided the basis for the Gersh and Susman brothers. In keeping with colonial practices, wages for their African workers were low and working conditions were poor. While the Susman brothers colonized the area north of the Zambezi, Apartheid-South Africa developed its own racial geographies. The lucrative central business districts were reserved for European and white South African companies like Stuttafords, Greatermans, John Orr’s and OK Bazaars. White consumers were the target shoppers in these towns.

As the cities grew, local white and foreign (mainly European) investors built shops, shopping centres and infrastructure in white suburbs and CBDs with government support. A host of racial municipal by-laws restricted the growth of African entrepreneurs and the retail sector in black residential areas. Local black consumers had to rely on informal trading markets and visits to white CBDs for their requirements. The poverty of black township residents and the lack of infrastructure development made these areas less attractive to retail property developers. Retail accumulation in the black townships and locations of Southern Africa was therefore stunted, with the growing underdevelopment of these areas restricting their market capacity. The geography of retail accumulation during the colonial phase became racially segregated in most parts of Southern Africa, favouring local white and Europeans investors (Colclough, 1989; Findlay et al., 1990).

Planning the segregated city: Lusaka 1929-2002

As with cities throughout the South, Lusaka, now the capital of Zambia, is a place of wealth contrasting with extreme poverty and deprivation. The harsh economic conditions which have prevailed since the 1970s in Zambia saw the city's unemployment rising from 13.7 to 26 percent during the 1990-2002 period. In 1998, 52 percent of Lusaka's population was rated as poor and 34 percent as extremely poor (Central Statistics Office, 2003). Lusaka, started from humble beginnings as a minor railway siding in 1905 and in 1913 was accorded Village Management Status. In 1931, Lusaka was selected as a new potential capital based on its altitude, underground water supply and transport accessibility and in 1935 became the capital. The initial plan provided for a city of only 13,000, primarily European people and was subsequently noted for its under-provision of land for African people (Williams, 1986). With its current population estimated at over 1,7 million (IDP, 2002), the contrast between the planned mini-capital designed for colonial officials and the reality of what is now a vast and often poorly planned metropolis, could not be more stark.

By the late 1940s, many of the oversights of the 1930s plan were becoming evident. These included the lack of provision for low density 'sprawl' and its associated costs, a failure to adequately accommodate the African population and the faster than expected economic and employment growth which had been experienced (Mulenga, 2006). As an initial response to the housing shortage for both dominant race groups, new European suburbs were laid out along the Great East Road and African housing was provided to the north of the city, with the Matero area following in 1951 (van den Berg, 1984). Despite being only 14 years before independence, it is remarkable the degree to which racial bias, prejudice and alien planning notions persisted and further shaped the pre-independence city form. The plan was based on the following principles:

- The 'associated and parallel development of Europeans and natives' (Jellicoe, 1950, 6).
- To cater for 'a car-owning European population and an African population that would be walking' (Jellicoe, 1950, 6).
- The 'need to create for the European landscape as stimulating and vivid as that of his native land and to retain for the native something of his own background of sky and forest' (Jellicoe, 1950, 9).

In terms of applied planning, the central focus on the government reserve at Ridgeway, and the planned Cathedral in particular was reinforced with the area being seen as 'distinguished and somewhat classical in character' (Jellicoe, 1950, 12). The urban boundary was delineated, separate residential areas were laid out and provided the basis for the now important eastern settlements areas, the current the road layout and associated traffic roundabouts (Williams, 1986). In 1951 the new development plan was adopted as a 'Statutory Development Plan' (as adapted in 1985), and with its inherent planning of a racially/socially separate city, it remained the basis for planning till 1978, well into the post-independence period. The focus on up-market developments to the east, since World War II and along the Great East Road transport corridor in particular laid the basis for what in the twenty-first century has become the zone of investment, privilege and social distancing, centred in recent years, on the new up-market retail centres which all lie to the east of the city. This plan led to the start of

major, segregated African housing developments at Chilenga, Matero and Kamwala (Williams, 1986), while 'European areas continued to be laid out as "garden suburbs" at low densities, based on the reliance on the private car for transport, to accommodate ... a settler population' (Rakodi, 1986, 208).

> The legacy of the Adshead and Bowling plans remains the government and residential development along the ridge, scattered low density residential development to the north and high density residential development to the South (Rakodi, 1986, 207).

With racial segregation, this produced the basic urban form of Lusaka. Independence came in 1964, and as far as the city was concerned, the legacy of garden city planning, racial (now class) bias and the provision of a city in which wealth was concentrated in the centre and east were perpetuated, as previous urban planning legacies went unchallenged.

On a positive note, independence brought about a 'new lease of life' for the city with the construction of embassies, the university, airport and national assembly – however all of these were constructed to the east of the city, with all major developments being in the proximity of the Great East Road. In parallel with these changes, the population rose from 107,000 to 246,000 between 1963 and 1969 (Mulenga, 2006). Rapid housing development followed, both in terms of serviced sites and informal settlements – but there were no corresponding changes in the town planning schemes (William, 1986), leading to rapid peri-urban development, such that by the late 1970s, 80 percent of population were living in informal settlements (Rakodi, 1986; Mulenga, 2006).

In 2002 the Lusaka City Council commissioned an Integrated Development Plan (Lusaka City Council, 2002; Mukwato, pers comm., 2007). The plan was drafted by South African consultants called v3 Consulting Engineers, once again perpetuating foreign bias and dependence. At the time of writing, the plan had not been sanctioned, apparently because of problems of cost and restricted land access. The plan introduces what have become accepted principles in South African planning such as Local Economic Development and informal sector support. However, its support for nodal development and development corridors to concentrate development in a linear fashion along transport corridors (IDP, 2002) will reinforce class-based differences and decentralization to elite nodal areas, if it is applied. When shopping mall development therefore came to Lusaka, it was in a development pattern that reinforced past geographies of race and class. As Van den Berg observes:

> The town planning efforts of Lusaka have all along contributed to its racial segregation and excessive sprawl, by separating the old town from the new town, by usurping the space at the ridge and other attractive areas for urban growth and by ignoring space requirements for most African town dwellers (van den Berg, 1984, 18).

South African retail expansion in Zambia

The new South African retail sector expanded as the regional hub grew, confronting the limits of Apartheid accumulation when excess cash for investment dammed up in the 1980s. This section traces this growth in the South African retail sector, showing that Zambian liberalization coincided with the liberation of South African capital from its Apartheid constraints with the elections of 1994.

In the mid-1960s, retailers in South Africa 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. Their shift away from the CBD and to the suburbs was also informed by the US model of highway development with shopping centres located at the interchanges of these highways. The target areas of new shopping centres in South Africa were the white suburbs. Enterprising white property developers began by opening Darragh Centre and Hyde Park Centre, both in Johannesburg. These white suburban shopping centres became targets for new financial accumulation by South African finance capital in the 1970s. As the interest rates rose, South Africa's large MNCs such as Liberty Life, Sanlam, Old Mutual and the Eskom Pension Fund gobbled up the small-scale developers. The (largely women) shoppers were less important to them. What they really coveted were the blue-chip tenants and the high rentals that they paid. Soon, the mega shopping mall replaced the smaller shopping centre.

According to G. Fritz, Shoprite-Zambia's General Manager at the time, the Shoprite group's historical experience in Africa since the 1960s through their clothing chain, Pep Stores, and their supermarkets in the black-run, nominally independent 'homelands' of South Africa gave them some organizational advantages. This experience with black rural and working class consumer markets as well as their surplus capital and bold organizational leadership in the company's upper echelons, positioned Shoprite to penetrate a consumer market perceived as high-risk and with low consumer savings. Their absorption of other retailers like OK Bazaars added to this sense of 'African know-how'. Consolidation of the industry over the past few years, for example, Shoprite's acquisition of OK, has narrowed competition to three large players in South Africa: Shoprite, Pick 'n Pay and Spar (part of Tiger Foods).

Other retail multinationals faced with a similarly crowded market have employed expansion strategies in other global regions such as Europe and Australia. Losing market share in South Africa to large competitors like Pick 'n Pay and Spar, Shoprite – along with other South African retailers like Game, Steers, Debonairs, Engen, ProFurn, the J. D. Group and Wimpy – opted for a 'spatial fix' (Harvey 1982) to address their crises of accumulation. As one of the largest retail multinationals in South Africa, Shoprite made R70 million available for reinvestment in Africa in 1999 (www.shoprite.co.za).

Shoprite now 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 it has stores in Egypt and in West Africa it has stores in Ghana and of late, Lagos, Nigeria. It has also opened up a store in Mumbai, India, its first foreign operation beyond Africa. The primary business of the Shoprite Group is food retailing. It claims to be the largest fast moving consumer goods retailer. Shoprite models its cross-border investments on its shopping centre developments in South Africa, featuring a Shoprite supermarket as an anchor store. These shopping malls change the 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. For example, Egyptian Kuwait Holdings has a 30 percent share in the Egypt investment.

But for this foreign expansion to enjoy any success, it needed local markets in host countries. Consumer markets in Zambia, like many other countries, are highly diverse. Despite high levels of general poverty, white expatriate and black Zambian elites have significant savings and consumptive capacity, sometimes generated by earnings in foreign currency (dollars, rands). Such expatriates, government elites and middle class professionals are significant customers for the new supermarkets. Some of these internal markets have local peculiarities. For example, company management reported that Angolan diplomats and international community workers cross the border for olive oil, bakery items and other specialist items at the rural supermarket in Solwezi province, a market which Shoprite management in Zambia have learnt to cater for in this branch (Interview, General Manager, Zambia, August 2003). Trade unionists also argued that there was pent-up demand as there had been no outlet as long as the retail and services sectors were run as poorly stocked, state-owned enterprises. People had money, but had to go to South Africa to buy commodities that they now can find inside Zambia at South African companies. (Interviews, NUCIW officials, Lusaka region, August 2002). Working class consumers have made use of Shoprite's promotional activities to buy basic consumer items such as fish, oil, eggs, washing powder, rice, bread and milk (although these promotions appear to be less now as the company is more established and tax breaks for the company's first years in both countries are over). The expanding tourist sectors have also boosted consumption capacity in the region.

The informal market sources some of its goods from Shoprite in Zambia, hence the conversion of one store in Lusaka into a primarily wholesale store, catering for small shop owners from rural areas as one of their key markets. In rural areas where Shoprite has outlets, informal traders buy from Shoprite and resell to local consumers, sometimes just outside of the company's premises. In the Copperbelt province of Zambia, Anglo-American's pull-out in 2001 led to smaller businesses going under and Shoprite's capture of local market share that had previously gone to these competitors (Telephone Interview, Zambian Regional Manager, April 2002). While it may be more efficient in some ways if Shoprite adopted a style of wholesale stores rather than shopping mall supermarkets, Shoprite is wedded to its brand image and the new consumer environment that this brand creates in less developed African locales outside of South Africa.

In Zambia, nationalization policies attempted to restructure the racialised geographies of retail development. These efforts were reflected in the Africanisation initiatives of the government which created a tier of black Zambian management who were in charge of the state-owned wholesale stores. Larger economic difficulties restricted these efforts at restructuring for national economy, copper prices collapsed on the global market, dooming the prospects of the nascent nationalist experiment and a typical African debt trap ensued. In Zambia, Anglo-American was paid full compensation in American dollars for the state's purchase of ZAMANGLO and with no restrictions of profits abroad (Innes, 1984: 24). Designed to trap profits for national development, therefore, nationalization often benefited MNCs through the large compensation paid to these companies by newly independent states when they expropriated the companies. A host of problems relating to nationalized systems of ownership and control, hampered commodity production and distribution, reducing

the retail sector to a stuttering system of tatty commodities by the time of Shoprite's arrival in the late 1990s (Ariyo and Afeikhena, 1999).

> Anglo used this money to establish MINORCO in Bermuda through which it became a major global player in mining in Latin America, Canada and the United States (Innes, 1984: 235, 236).

Reflecting the regional emphasis on FDI, Zambia's democratic, union-led government embarked on a vigorous programme for attracting foreign investors when they took office in 1991. Since 2002 the country has recorded positive economic growth, averaging five percent each year. It was in the 1990s, therefore, that major sectors of the Zambian economy went up for sale to private investors, including the strategic copper mines. The government privatized more than 200 state-owned enterprises in the 1990s (Kolala, 2000:15). Like many other countries in Southern Africa, Zambia formed a Zambian State Privatization Agency to oversee the sale of state-owned enterprises (SOEs). The Zambia Privatization Agency (ZPA) established in 1992 by an Act of parliament carried out the privatization of inter alia dairy boards, parks, milling factories, sawmill assets, hotel and wholesalers. Multinational firms from the UK, Italy, Germany, China and India bought many SOEs and by 1997 over 200 of 326 parastatals had been sold (ZPA Privatisation Status Report, July 2002). No limitations or conditions applied to foreign investors and their capital exports from profit (Torres, 1998: 214). Critics of the state's liberalization attribute the subsequent contraction of the Zambian economy to the privatisation policies. During the period of intensified structural adjustment under Chiluba's regime, the mining industry's contribution to the overall economy declined while the service sector grew.

The Zambian economy only recently emerged from a decline of three decades, where per capita Gross Domestic Product (GDP) decreased from $700 in 1970 to $390 in 1998. Since 1999 a 3.7 percent increase per year has been registered each year to 2003. Loans in Zambia are difficult to acquire for local capital with prevailing annual interest rates of around 28 percent and collateral of three times the loan size is required. Between 1980 and 2002, however, FDI increased from US$61.7m to US$197m. (African Inc. Report, p.6). Other investors have also taken advantage of the new environment.

An Investment Climate Assessment conducted in 2003 showed that areas such as services and tourism have been important for recent new Chinese capital in the country. There have been mixed responses to this growth in foreign investment in Zambia. Zambia is one of a number of African countries (Angola, Botswana, Democratic Republic of the Congo, Egypt, Gambia, Kenya, Liberia, Mauritius, Nigeria, Uganda), that has no controls on outward FDI, making its economy more vulnerable. At some level there has been an improvement in Zambia's links to global production and distribution systems; at other levels there has been evidence of asset stripping through foreign direct investment. FDI often displaces local capital and undermines the growth of local suppliers (Miller, 2008).

While state ownership placed nationalized retail out of private capital accumulation during Independence, the post-Apartheid region combined political change in South Africa with wholesale sectors that became a new phase of retail development in Zambia and Southern Africa more generally. South African retailers

were the principle investors talking advantage of retail liberalization in Zambia. South Africa's influence in the Zambian retail sector has grown significantly. South Africa is now the largest foreign investor, dominating 39 percent of the retail market (Zambia Investment Centre).

As part of Zambia's privatization, the national state wholesale stores were sold off in a deal with SA's Shoprite Holdings in 1999. Now, in an era of slow economic growth, global connections are being re-established, but such connections are based on wealth and privilege. As we illustrate below, creating zones of exclusivity in Lusaka is an expression of inequality, social distancing and privilege which is expressed spatially through the investment choices of local and international capital investment.

Malls in Zambia and challenges to South African expansion

From the preceding discussion it is clear that, at an economic level, there has been a fundamental socio-economic transition over the last 40 years in Zambia and in Lusaka more specifically. This has been from an era of imposed colonial/British town planning, investment and control, through a period of economic disconnection (Ferguson, 1999) to the present era of post- and neo-colonialism. The present is marked by increasing South African investment or at least the presence of their differing degrees of 'connectedness' to global capitalism, a gradually exploration of South African urban planning policies and an evolving urban form which, in the wealthier areas, is starting to mirror the retail decentralization of western and South cities, with the associated reinforcement of a zone of privilege. While the cause of this shift cannot be levelled solely against South African capital interest, as local entrepreneurs are in fact often key drivers in the process, the former none the less either directly through investment, or indirectly through franchising opportunities are influencing both investment and upmarket retail behaviour in Lusaka.

Since 2000, retail (and to some degree leisure) opportunities have been radically transformed for Lusaka's upper income residents with the building of three new, large, out-of town retail centres. The three centres are Manda Hill [1] opened in 1999, Arcades [2] opened in 2003 and Crossroad [3] opened in 2006 (Interviews: Banage, 2007; Ferrier, 2007; Mubita, 2007). In addition, the city's first major decentralized business park was under construction at the time of writing. All four of these developments are located in the wealthier eastern section of the city, three of which lie on the key Great East Road transport corridor. The third, Crossroads [3] lies on a secondary transport corridor.

There are significant variations in the ownership profile of the three centres which reflect differing local histories and control. Manda Hill was initially established by Manda Hill Centre Limited, a property development agency with three local directors and one South African (Patents and Companies Registration Office, 1999). The complex was 20 percent owned by Zambia Venture Capital and 80 percent by Commonwealth Africa Investment. In 2005 Manda Hill Centre Limited were bought out by a South African (Manda Hill is currently owned by HBW Group consortium, Knight Frank Property Developers (Interview, Banage, 2007). The centre itself has South African and Zambian directors. Arcades was established by Arcades PLC formed by a group of local Zambian businessman. Crossroads is owned by Ganesh Properties which is under the sole ownership of a single Zambian businessman. Capital

may have been raised internationally but this has not been verified (Interviews, Ferrier, 2007; Interview, Mubita, 2007).

Only Manda Hill is South African owned – and then only since 2005, after six years of joint ownership with Zambian investors (Interview, Banage, 2007). Arcades, Crossroads and the new business park are Zambian-owned. The Zambian-led mall expansion also extends beyond the capital of Lusaka. Arcades PLC (Platinum Gold group) has just opened a shopping centre in Livingstone and is planning a major development in Kitwe on the Copperbelt (Interview, Mubita, 2007). The Shoprite supermarket in the Manda Hill complex is the largest of Shoprite's 18 outlets in Zambia and also houses Shoprite's Zambian headquarters. Spar is another key South African supermarket chain in Arcades which has provided competition to Shoprite since their arrival (Interview, Regional Manager, Shoprite, 2007).

Expansion continues at the malls, suggesting that the retail development in the city is not static. As noted above, a luxury hotel is being built at Arcades (Interview, Mubita, 2007); in April 2007 Manda Hill announced a multi-million dollar expansion plan to upgrade existing shops, provide a covered central retail area, a cinema complex and new parking facilities valued at US$30 million (Interview, Vassilopoulus, 2007). This will place Manda Hill in direct competition with Arcades for leisure market activities and will also significantly increase the size by at least 50 percent to over 30 000 sq. metres, double the current size of Arcades and in line with some of the medium to larger centres globally.

While at one level the development of the new shopping centres has expanded retail choice in Lusaka and diverted activity away from the congested CBD, it is inevitable that such centres provoke local responses, particular in the case of the local workers employed by foreign corporates. Studies (Miller, 2005) have shown that South African shops place South Africa and their regional multinationals at the centre of a new post-Apartheid regional imagery. South Africa becomes a focal point for the claims of workers and farmers who deal with the major South African retailer, namely Shoprite. Fuelled by South Africa's regional strength and dominance, worker and farmers locate their claims with the regional multinational given their disillusionment with their nation-states (Miller, 2008). If Zambian workers and farmers no longer trust their government, they will direct their claims at the strong multinationals which appear to be benefiting most from the country's liberalization policies. In Chipata, a town in the Eastern Province of Zambia, for example, local farmers accused the new Shoprite in their town of the displacement of their local livelihoods and threatened to burn down the store (Miller, 2008). Fears of deindustrialisation and foreign pull-outs have seen Shoprite workers resist the company's proposed buy-out by a private equity fund, Brait, in 2007. This led to acrimonious exchanges and a court injunction, including resistance from South African minority shareholders that ultimately scuttled the deal. These examples indicate the relations with their country. These case studies of local resistance are discussed below.

Resistance has not only emerged from likely *resisters* around predictable issues – wage exploitation and the presence of workers at the foreign supermarkets. Two unanticipated sites of struggle have impeded South Africa's retail expansion, emanating from two less likely quarters: shareholders in South Africa along with workers in Zambia, firstly, and secondly villagers in the rural Eastern Province in

Zambia. An attempt by South Africa retailer, Shoprite to sell off shares to a private equity fund, Brait Ltd., was resisted and ultimately failed. In the second instance, villagers in the rural province forced a supplier partnership on the company which did not succeed but provided an important example of an economic partnership between the South African multinationals and disempowered local communities.

In April 2006 Brait, a private equity fund, placed a buy-out offer before Shoprite. This deal involved restructuring the company and terminating its Johannesburg Stock Exchange listing. A new private subsidiary called New Retail and Shoprite Holdings would be liquidated. Shareholders could cash in or re-invest in New Retail. Shoprite motivated this private equity model as a move that would improve BBBEE (Broad Black Economic Employment) by allowing mangers and workers a bigger stake in the company through share offers and the creation of a Shoprite workers' trust. Brait had raised R6.1bn from local and overseas investors which it needed to spend within the ensuing five years (Interview, J. Gnodde, Brait Executive Director). After its initial offer was rejected by shareholders, Brait raised its offer by 7.7 percent from R13.2bn to R14.2billion and again to R15bn. Shareholders were dissatisfied with the way the bid was structured. In terms of the proposed buy-out, Brait would have become a majority shareholder in Shoprite. Coronation, as one of the larger shareholders, also challenged the deal. Ultimately, the deal fell through as the price that shareholders demanded was higher than Brait was willing to pay.

Like the Shoprite shareholders, Shoprite workers in Zambia were also not happy with the deal. They filed an interim court injunction against Shoprite (which trades as Africa Supermarkets in Zambia). There were 771 workers involved in the injunction led by an individual called Vasco Mainza. They wanted an assurance that the company's assets and bank accounts could not be moved abroad until their terminal benefits had been settled.

They charged that the workers had R5 billion with the company and, in the light of the proposed buy-out, they wanted reassurance that their benefits would not be negatively affected. The Zambian manager of Shoprite, Stefan Krantz, argued that the company was not in the process of going into a voluntary liquidation. The proposal from Brait came through Maxwell 107 Investments. Krantz argued that the proposal that Shoprite Holdings change to New Retail would not affect the subsidiaries in any way. While top ownership structures might be affected, this would not extend to the subsidiaries. The Zambian operation would therefore not be affected in any way by the restructuring at the apex of the group. If there was any impact on workers' conditions, provision had been made in the company's accounts for this eventuality. The court injunction was granted on 27 December 2006. Both parties agreed that the injunction should be discharged after negotiations. In terms of the negotiation, Shoprite agreed to open a Citibank account with ESCROW in which they would deposited Kwacha 5,012,649,980.

In the case of the villagers from Chipata in the Eastern Province, University of Zambian students conducting research in the village of Luangeni, Chipata, had learnt that villagers were threatening to burn down the local Shoprite store. These local farmers claimed that their regular sales at the village market had been undermined by the presence of the new Shoprite supermarket. They needed cash for privatized services such as education and health care, and the village market was an important

source of such cash income for their vegetable crops. Shoprite dispatched their managers to liaise with Luangeni farmers.

Partnership structures were set up which included non-governmental organizations operating in the area as well as the local Agricultural Extension Officer and representatives of the company and the farmers. Some donors stepped in and provided seed funding for the newly-formed Luangeni Cooperative Community Project (LCCP). A corresponding structure called the Luangeni Partnership Forum (LPF) was formed in Lusaka. This structure has five directors and a officer that liaised with the local supplier structures. The LPF was meant to function as a liaison between the village co-op and the company. Other similar initiatives were launched in the Chamba Valley region. The villagers agreed to supply the company with five vegetables – lettuce, tomatoes, green beans, onions, cabbages. Shoprite structured its supplier relationship with the villagers around a 'green market' that operated on a Saturday in a specially assigned venue adjacent to the Shoprite store. With the help of the donors, support was given to local farmers in the form of advice on farming methods and the provision of seeds and fertilizers. Although improvement occurred, there were still several hurdles to overcome.

Conclusion

This paper has illustrated a number of key themes. These include the intersection of race, space and retail in the evolving manifestation and operation of retailing in Southern Africa over the last 100 years. In the case of Lusaka, Zambia, retail growth in recent years has been led by South African multi-nationals, who have grafted their spatial and retail planning on to the historically segregated profile of the city, reinforcing class division in the post-independence era. South African growth has not gone uncontested as the case studies quoted above show. In addition, it is particularly noteworthy that retail growth in Lusaka is not solely a South African led phenomenon but rather it is an area in which local capital interests are taking an active part. Retailing clearly has become a point of class conflict, spatial differences and economic change in post-Apartheid Southern Africa.

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Darlene Miller
Human Sciences Research Council, Cape Town, South Africa.

Etienne Nel
Department of Geography, University of Otago, Dunedin, New Zealand.

Godfrey Hampawe
Department of Geography, University of Zambia, Lusaka, Zambia.

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Bridget Kenny and Charles Mather

Milking the region? South African capital and Zambia's dairy industry

Introduction

How are we to understand Foreign Direct Investment (FDI) by South African companies in Zambia's dairy chain? One prominent explanation has been that South African capital is engaged in a deepening process of 'sub-imperialism' in the region. This perspective argues that FDI displaces local capital and invests for the purpose of repatriation of profit. South African firms are shown to gain market share to the detriment of local firms, including the 'de-industrialisation' of local producers and manufacturers (Ahwireng-Obeng and McGowan 1998; Iheduru 1996; McGowan and Ahwireng-Obeng 1998; Miller 2004; Bond 2004). Sub-imperialism also implies the subordination of the political-economic sovereignty of the host country, and debate has also focused on the role of the South African state in directing sub-imperialism in Africa (Bond 2004; Daniel et al., 2004; Davies 1992).

Our argument in this paper is that the transformation of the Zambian dairy sector cannot be understood in terms of sub-imperialism. First, far from 'de-industrialising' the sector, investment in the retail and processing sectors has re-invigorated the local commodity and production system that had been in a state of decline for almost 25 years. In the last decade dairy production in Zambia has increased from around 138 million litres to over 190 million litres, which represents a dramatic increase by dairy standards (Valeta 2004). This increase is more impressive when considered in the context of a dairy sector that experienced stagnating or declining production levels between the 1970s and mid-1990s. A significant proportion of the increase in dairy production is attributable to smallholder farmers who have received extensive support from both non-governmental organisations and private processors, including Parmalat, an Italian dairy multinational. Indeed, in the context of declining numbers of large-scale commercial farmers, small-scale producers are now regarded as the solution to meeting the increasing demand of dairy products in Zambia. The growth of the dairy market in the country has also led to the establishment of many small and medium sized Zambian dairy processors that now serve niche markets in Lusaka and elsewhere in Zambia.

Second, although South African imports of dairy products continue to represent a threat to the local sector, there are strong pressures by both retailers and processors to demonstrate their embeddedness within the Zambian economy. Although Zambian based retailers and dairy processors continue to source dairy products from South Africa, including butter, cheese, long life milk and some yoghurt products, this is currently an area of intense discussion and debate within the industry. The Zambian Dairy Processors' Association has, significantly, been successful in limiting dairy imports particularly when they can be sourced locally. In their political strategy, local and foreign processors have acted to discipline each other's and retailers' foreign

sourcing strategies. These choices involve ongoing political struggle and negotiation, but this paper demonstrates that presently the pressure to establish local links is strong for reasons of political and economic expediency.

Our third point is about the specificity of the dairy industry. Dairy may be divided into fresh milk products (for example, milk and yoghurt) and processed products (butter and cheese). While the larger processors tend to be involved in both fresh and processed products, smaller processors tend to focus on fresh products, especially fresh milk, yoghurt and drinking yoghurt, which can be produced using relatively inexpensive technology. Dairy can be examined in terms of the political economies of two commodities: fresh milk products and processed products (Fine et al., 1996). Retailers and especially processors are more likely to consider sourcing locally because their options for producing dairy products with imported powdered milk have become difficult. The global shortage and high price of powdered milk means processors have little choice but to explore local sourcing options.

Finally, when considering the Zambian dairy sector we need to stress that South African capital and imports are not the only external factors shaping this industry. South Africa is not the only potential foreign supplier in the Zambian dairy chain. The Kenyan dairy sector, which is significantly larger than Zambia's, is potentially more of a competitive threat than South African imports of butter and cheese. Another factor is the situation in Zimbabwe, a source of cheap illegal imports. The Irish dairy sector also continues to find ways to supply Zambian retail outlets with highly subsidized cheese and butter, which is seen as a direct threat by Zambian cheese manufacturers. All these external factors make it difficult to sustain the sub-imperialism argument.

In the first section of the paper, we consider the history of the dairy sector in Zambia from the 1960s up until market liberalisation in the 1990s. This section of the paper also explores various initiatives to encourage smallholder and cooperative milk production in the regions around the major processing centres. In section two we examine the investments in the retail sector and their impact on the distribution of dairy products of different scale processors. In section three we explore the idea of sub-imperialism in more detail using the material from the Zambian dairy case study.

The paper is based on secondary material relating to the dairy industry in Zambia and interviews with representatives or employees of most of the country's large, medium sized and small dairy processing companies in Zambia. We also draw on interviews with representatives of the Zambian Dairy Processors Association, a sample of small-scale dairy retailers, and non-governmental organisations involved in the dairy sector.

Zambia's dairy sector

Primary production

The origins of Zambia's commercial dairy sector are traced to a small group of white settler farmers who introduced dairy cows in the 1920s (Kaluba, 1993). When Zambia gained independence in 1964 many of these farmers either left for Southern Rhodesia or moved out of milk production into other agricultural commodities. The result was a decline in commercial milk production from the mid-1960s and into the 1970s (Bwalya, 1997). This decline in milk production coincided with increases in dairy consumption within Zambia, especially in the growing urban centres of Lusaka,

Livingstone and Copperbelt towns like Kitwe. The Zambian state responded to these increases in demand by establishing parastatal dairy operations on former white settler owned farms (Kaluba, 1993). Production on these farms, which were heavily subsidised by the Zambian government, began in the late 1960s and by the late 1970s these farms were supplying over 30 percent of processed milk. The production on these farms did not, however, meet demand and increases in dairy consumption were met through imported dairy products. Although the ratio between local production and imports has varied over time, Zambia has always had to depend on imports to meet consumption demands.

Following independence the new democratic government of Zambia established a dairy board – the Dairy Produce Board (DPB) – to coordinate milk production and processing. The DPB was also tasked with increasing milk production through initiatives that were more in line with the developmental priorities of the Zambian government. The first of these strategies was called the Rural Milk Production Scheme and was supported by the World Food Programme. It involved identifying smallholder farmers who were located outside of the Dairy Board's normal operating area. The beneficiaries of the scheme were provided with cows on loan and the farmers themselves were involved in the marketing of the milk. In order to improve the supply of milk for commercial sale, the DPB was also involved in establishing the Dairy Settlement Scheme (Bwalya, 1997). This involved identifying land near the urban settlements of Lusaka, Kabwe, Ndola and Mpika for dairy cattle. Farmers participating in these projects were trained at Palabana in dairy husbandry and management. The third strategy for increasing milk production was the Smallholder Dairy Development Project, which received support from the World Bank and the Government of Zambia. The plan was to establish around 1800 farmers who would be provided loans to purchase cattle and other farming equipment. Unlike the earlier initiatives, milk would be collected by the Dairy Board and processed for sale in urban markets (Kaluba, 1993).

These schemes were largely unsuccessful and very little of the total milk processed in Zambia originated from these initiatives. The reasons for the failure of the programmes are common to many other smallholder development schemes of the 1980s and 1990s in Africa and other developing countries. In all of the schemes, there was insufficient extension support for dairy cattle management and a complete absence of financial management support to individual beneficiaries. In most cases farmers depended on external inputs, especially in the form of manufactured feed, which exposed them to dramatic changes in input costs. Bwalya's (1990, 520) assessment of 20 years of smallholder development showed that the 'results have been disappointing ... the number of small-scale indigenous farmers who are engaged in commercial milk production is minute and their contribution to output negligible'.

Since the mid-1990s there has been an increasing prevalence of smallholders in milk production and processing. Although it is difficult to estimate the total amount of milk supplied by smallholders to various processors, it is possible to draw some tentative conclusions from the sourcing practices of individual processors. The largest processor in the country is Parmalat which receives 70 percent of its raw milk from several large commercial farmers. It also processes milk from approximately 400 smallholder farmers who are organised into cooperatives or supply individually.

According to one estimate, a 70-30 split between commercial farmers and smallholders is representative of the national situation, although it is difficult to verify these figures (Interviews: dairy processors). The smallholder farming sector has benefited from the interventions of a joint Land O'Lakes – Zambia Agribusiness Technical Assistance Centre initiative that involves the establishment of milk collection centres. These centres supply raw milk to various processors (see also Land O'Lakes 2004; Mukumbuta and Sherchand 2006). Since the number of larger commercial farmers has remained static or has declined since the early 1990s, the dairy processing sector now sees the smallholder sector as the only viable way of increasing raw milk production (Interviews: dairy processors).

Milk processing

Milk processing in Zambia was controlled by the Dairy Produce Board from the mid-1960s to the mid-1980s when the country began a process of restructuring the economy through a World Bank-IMF led structural adjustment programme. In terms of dairy processing, the Dairy Produce Board, which was experiencing its own internal financial problems, faced competition from smaller independent dairy processors often linked to larger commercial dairy enterprises. Many of these smaller operations became involved in pasteurized milk production or specialised dairy products including cheese and butter.

Zambia's structural adjustment programme opened the way for the sale of the Dairy Produce Board (DPB). A report commissioned and undertaken by the Danish development agency, Danida, advised the Zambian government on how to dispose of the various processing units located mainly in Lusaka but also in other smaller urban centres in Zambia. The report recommended selling the DPB's assets in a way that guaranteed ownership by commercial farmer members and employees of the organisation. They also recommended selling the Lusaka and Mazebuka plants to one company, while the other plants would be sold as individual entities. When the sale of the DPB was announced, two offers were considered. The first was a joint bid from Clover of South Africa and a large scale Zambian commercial farmer (Galaunia farms). The second was a bid from Bonnita, a South African company that had transformed itself from a dairy cooperative into a privately owned dairy enterprise. Bonnita won the tender on the basis of a purchase price of US$800,000. Commercial farmers were guaranteed 28 percent of the shares in the new company and Bonnita committed itself to retaining the DPB's 130 employees. In the late 1990s, after protracted negotiations, Parmalat bought Bonnita South Africa. By purchasing Bonnita, Parmalat became a direct investor in the Zambian dairy industry (Mather and Kenny 2005).

There are currently around 30 dairy processors in Zambia. Parmalat is the dominant player and processes almost 50 percent of the raw milk produced by commercial farmers and smallholders. As noted earlier, Parmalat sources from both large scale commercial farmers and smallholders. There is evidence to suggest that most of Zambia's larger commercial farmers supply Parmalat. Finta Dairy is a processor based in Livingstone and although it has a processing capacity that matches Parmalat, its production has been far lower. In addition, Finta has focused its efforts on long-life milk products and has until recently relied mostly on powdered milk imports

as its raw material, rather than locally produced fresh milk. There are at least 30 other smaller processing plants that are involved in a range of fresh and processed dairy products. Several of these processing plants – including Zammilk, Diamondale and Maplehurst – are linked to dairy cattle farms. These enterprises tend to rely exclusively on their own herds for raw milk and are not involved in sourcing from smallholders. The remaining smaller processors rely on smallholder farmers, many of which are organised through cooperatives or milk collection centres that have been supported by Land O'Lakes through United States Agency for International Development (USAID) funding.

Only two processors, Parmalat and Finta, are involved in long-life milk. Producing long-life or ultra high temperature (UHT) milk involves very large capital investments. There are several small processors involved in the production of specialty cheese products that are sold to game lodges, hotels that cater to tourists and to Spar and Shoprite retail outlets located in Lusaka's new malls. Producing cheese and butter also requires considerably more skill and capital investment than is the case with fresh dairy products.

Dairy retailing

Before liberalisation, the Zambian state controlled and operated a number of food retail outlets. These state-owned shops were loss making. The process of privatisation, which started in 1995, led to the government selling these outlets to Shoprite, the South African multinational. Shoprite gained concessions such as tax holidays which gave it an advantage over local stores (Emonger et al. 2004). The role played by multinational retail capital in restructuring food commodity chains has been widely discussed (Weatherspoon and Reardon 2003; Reardon and Berdegue 2002; Wrigley and Lowe 1996; Hughes 2005). Much of this literature has focused on the extent to which foreign retail expansion has displaced local production (Miller this issue). According to Emongor and Kirsten (2006:806), 80 percent of all processed foods sold in supermarkets in Zambia are imported from South Africa. Certainly, the introduction of a large corporate chain has changed the landscape of the Zambian dairy complex, but this process has also been dynamic.

Table 1: Supermarkets selling food products in Zambia, 2004

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

(Source: Emonger and Kirsten 2006:804) *At the time of our visit, this was up to 4.

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 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.

The largest supermarket in Zambia is Shoprite, which operates 18 stores across Zambia. Profits and turnover have improved steadily in the retail chain's Zambian operations (Shoprite Annual Report, www.shoprite.co.za). Shoprite imports cheese, butter and specialty dairy products from South Africa, as well as Ireland and Denmark.

It also sources dairy products locally-fresh milk, yoghurt, some cheese and butter – but mainly from large processors, such as Parmalat and Finta, as well as medium-sized processors like Zambeef. The Zambian food company Zambeef has a 'strategic partnership' with Shoprite to run its in-store butcheries, and Shoprite stocks its butter and fresh milk. Zambeef secured this relationship with the retail multinational before Parmalat had entered the country. According to Zambeef, 'The first time [Shoprite] came to Zambia, they looked to bring in everything from South Africa. We stood up to them. At the time, no one had capacity to supply them. They tried us, and we passed the test, and the relationship has gone on and on. We've been the envy of others who've come late' (Interview: Zambeef). While Zambeef also operates its own retail outlets throughout the country, this strategic relationship has ensured that Shoprite does not compete directly with this local company's retail shops.

Since Shoprite requires processors to supply all of its branches, small-scale processors generally cannot meet volume requirements nor do they have the transport means to deliver to all branches. They cannot meet the extended credit cycle which Shoprite often expects of its suppliers. In addition to volume requirements, Shoprite insists on standards of quality, packaging and presentation. Shoprite demands ten-day shelf life of its fresh milk, where smaller processors' products may have only one-day shelf lives. Shoprite demands this length because of its investment in refrigeration, something the company introduced on a larger scale to the Zambian market, but it also sources from processors who can meet the quality standards. One local cheese processor could not supply Shoprite until it was able to pack its cheese in standard weights, with uniform packaging and labelling, including bar coding and 'sell-by' dates (Interview: dairy processor). It was looking to purchase the machinery from South Africa that would enable it to meet these standards and gain access to Shoprite's market. The standards of volume, reliability, and quality have excluded many local smaller processors and given Shoprite a reputation for sourcing mainly from large suppliers.

Spar entered Zambia in December 2003. It presently has four stores nationally and intends to extend to thirty stores (Emonger et al. 2004). It operates as a franchise. Currently it does not buy centrally but each franchise sources dairy products individually. This buying structure enables smaller local processors to distribute more easily through Spar than through Shoprite (cf. Mather and Kenny, 2005). Indeed, Spar sources from several smaller milk and cheese processors that could not meet Shoprite's volume or quality standards.

Melissa, a local supermarket chain, is privately owned by a Zambian national. It sources from large and small local and international suppliers depending on price. It seems to have short term, and in some cases erratic, sourcing arrangements with its suppliers. One processor claimed that the owner would terminate shelf space quickly and without notice if he felt that the processor was giving discriminatory specials to

other retailers (Interview: dairy processor). Several smaller local processors found it easier to supply Melissa because of lower volume and quality requirements (Interviews: dairy processors).

Shoprite and Spar compete directly with each other for market share. The entry of Spar into the market has 'helped moderate' what a smaller processor called Shoprite's 'bully' attitude (Interview: dairy processor). Parmalat gave the example of getting a new product introduced into Shoprite, which had to go through numerous market exercises before launching it: 'It could take up to two months to introduce a new product in Shoprite. Now it will take days. They know that if they don't list the product, we will take it to Spar' (Interview: dairy processor).

In addition to these supermarket chains, dairy products are also sold through smaller stores. As mentioned above, Zambeef sells its branded milk and butter through its own outlets. It has ninety-two shops around the country, located mainly in 'compounds' and small towns 'where the people are'. It specialises in selling small quantities at low prices to differentiate its market from the larger supermarkets: 'We give people according to their pocket' (Interview: Zambeef). Other small supermarkets in the compounds stock both large and smaller processors' products. One of these outlets mainly sells Parmalat long-life and fresh milk. According to the owner of this shop, his customers prefer to buy long-life milk because it lasts longer, and they like Parmalat milk because of its higher quality. He buys directly from Parmalat at a wholesale price. He stocks a wider range of local cheeses because his customers prefer choice. The owner of another small retail outlet explained that he buys wholesale from Parmalat on a daily basis when it delivers stock to the area. This shop has no refrigerator, and if the milk goes sour, the store owner bears the cost. One smaller processor said that it concentrated on selling in supermarkets 'deep in the compounds' where Parmalat was less likely to reach (Interview: dairy processor).

The strategy of supplying milk products outside of Parmalat's range may not work as the company distributes milk into the compounds through a network of containers. Parmalat appoints agents who sell the milk through company owned containers. The agents are paid by commission on the amount of milk sold. These containers are open from 7.30 in the morning to 19.00 at night. The containers list two prices, a retail price and a wholesale price. People off the street can buy amounts ranging from a small sachet of 250 ml to multiple 500 ml sachets of fresh milk. UHT milk is also for sale through this network of containers.

Smaller processors which focus mainly on producing the least capital intensive products, like yoghurt and sachets of milk may also use mobile vendors to sell their products. These informal vendors go into compounds to sell dairy products in the street. This method of distribution accounted for twenty percent of one smaller processor's business (Interview: dairy processor). Finally, wholesalers located in rural areas also distribute Parmalat and Finta UHT milk to more remote markets. They buy at wholesale prices from the processors.

Sub-imperialism in Zambia's dairy sector?

An argument which suggests that FDI in the Zambian dairy industry is simply one of sub-imperialism fails to take into account adequately the specificity of the dairy sector, the pressures towards accommodation with existing interests, and the contradictory

outcomes of investment. Each of these is contingent and cannot be predetermined in the abstract.

Dairy products may be divided into both fresh and processed products (Fine et al. 1996). Fresh products include milk and yoghurt and are produced using raw milk. The bulkiness of raw milk and its perishability means that these products are not normally traded internationally or even regionally and are instead locally produced and sourced. In contrast, other processed dairy products including butter, cheese and UHT milk can be manufactured using milk powder, which is a globally traded commodity. The result is that powdered milk imports can be used to manufacture butter, cheese and UHT milk, which can undercut the local production of raw milk. In addition, these processed dairy products are easier to transport over longer distances and the importation of butter, cheese and UHT milk can displace local production. Overall then, we have an industry (dairy) that requires local production, but which can also be undercut by imports.

Another aspect of the industry is the health and hygiene standards associated with raw milk production and its processing into dairy products. As in other parts of the world, raw milk and dairy products are subject to a range of sanitary and quality standards that are used to ensure consumer safety (Valeta 2004), but also can be used to differentiate or to protect local markets from external competition (see Banks and Marsden 1997). Organised processors have been able to use the space created in the market around quality to reinforce their position in the market. The aim of the Zambian Dairy Processors Association (ZDPA) is to promote the consumption and export of dairy products produced in Zambia. In addition they are involved in establishing grades and standards that are aimed at improving demands for quality and food safety. The ZDPA has been particularly active in the promotion of milk consumption through an ongoing promotional effort that focuses on the health of nutritional benefits of drinking milk. Besides encouraging local production, they have also played a key role in ensuring that milk imports, especially from Kenya, were stopped. The basis on which the ZDPA has been able to challenge Kenyan imports is interesting: the organisation was able to demonstrate that the Kenyan dairy sector's standards for raw milk were lower than those accepted in Zambia. The government was, as a result, able to use the World Trade Organization's sanitary and phytosanitary standards to reject imports from Kenya until their standards are 'harmonized' or standardized with those existing in Zambia.

A final aspect of the industry is the structure of the global trading environment. While most of the trade in dairy products occurs in the form of powdered milk – for which there is a current global shortage – processed products including butter and cheese are also traded globally. This latter trade can occur due to the high subsidies for dairy farmers in the European Union.

The second argument concerns the way in which various agents in the chain have become embedded in the local Zambian context. FDI is constituted in these very processes. As noted earlier, the processing sector is dominated by Parmalat. There are other local medium sized processors and small scale specialised processors of fresh dairy products. At first glance, Parmalat's strategies could be interpreted as sub-imperialist. It is a subsidiary of a South African branch of a large multinational corporation. Since its investment in Zambia it continues to import processed dairy

products from South Africa. Although its imports have been mostly in processed dairy products like butter, cheese and UHT milk, it has also imported products that can be produced locally using local suppliers of raw milk. In other words, it has in the past imported products that are damaging to local processors and primary producers. The local sector has been vulnerable to these imports due the relatively higher costs of production in Zambia.

At the same time, many of its other strategies suggest Parmalat's perceived need to demonstrate a commitment to the Zambian political economy. For instance, in negotiations within the Zambian Dairy Processors Association, it found itself under strong pressure from local processors to discontinue imports of dairy products that could be produced locally. These included fresh yoghurt, which requires raw milk for its production, as well as UHT milk, for which there are local production facilities. Parmalat responded to this pressure by agreeing to stop these imports; in a 'gentleman's deal', it agreed only to import products that could not be produced locally such as speciality cheeses and flavoured butters. It also agreed to upgrade its UHT plant in order to produce this product locally rather than importing it from South Africa. Significantly, Parmalat was never placed under legal compulsion to adapt its strategy and invest in the local industry, but because of its understanding of the 'political' character of the market, the company chose this path. In unpacking Parmalat's role we need to acknowledge that 33 percent of the company in Zambia is owned by farmers and employees and so there are good reasons for it to be acting in a way that supports the local sector.

With regard to its sourcing strategies we noted earlier how Parmalat sources around 30 percent of its raw milk from smallholder farmers. This is certainly unusual given that liberalisation usually leads to the marginalisation of small-scale dairy producers, as has occurred in South Africa and elsewhere (Mather and Kenny 2005; see also Staal et al., 1997). Parmalat is following up its sourcing strategies from smallholders with investment in infrastructure to assist them in improving the volumes and quality of raw milk with the support of Land O'Lakes and the Zambian government. In addition, it is providing support in terms of transportation and collection of raw milk, which historically has been a serious problem for smallholders. In an interview with Parmalat, we were told that the company 'believes that small scale farmers are the future of the country'. With regard to consumption, our interviews suggest that Parmalat's 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. This strategy has, then, facilitated the introduction of capitalist technologies into Zambian dairy, particularly through the introduction of concern around 'quality', which has expanded the local market and also secured Parmalat a position of dominance.

These initiatives also bring political leverage to a company which understands the importance of being locally embedded in the Zambian economy. Its support of the small-scale sector provides the company with a developmental image. At the same time, we need to recognise that its support of the small-scale sector is economically rational: the high price of powdered milk means that it makes more sense to stimulate local production rather than importing a costly input. In addition, the overall shortage of raw milk due to increasing domestic consumption has meant that Parmalat has had

to move beyond its traditional supply base of large-scale commercial farmers.

Parmalat's strategies as a multinational company may be contrasted with the strategies of Finta, which is a locally owned processor based in Livingstone and currently sources all of its raw material from Brazil rather than sourcing raw milk from local Zambian producers. In addition, Finta's partnership with South African company Clover involved it acting as a conduit for South African produced dairy products to the detriment of the local dairy sector. Hence, it is not always possible to read a company's strategy and effects from its position in the global economy.

The situation with retailers is equally complex. Melissa, as noted earlier, is a locally owned chain of retail outlets. It sources widely and appears to have no specific commitment to local dairy processors. Although it stocks locally produced milk, yoghurt and cheese, it also seeks out dairy products produced internationally, especially when they are cheaper. Indeed, they also sell Irish cheese and butter. With regard to Shoprite, our interviews suggest that its sourcing strategies have been an issue of debate and discussion since its initial entry into Zambia. Although we were unable to confirm this, our interviews suggested that Shoprite was initially required to source 70 percent of its product locally and the rest could be imported. In practice, according to one interview, Shoprite sources only 30 percent of its products locally. In terms of dairy products, the company sources a range of locally produced and imported commodities (South Africa, Denmark, Ireland). Overall, the ratio of local to imported products is more even than the average for all food products due to the bulky nature of the dairy industry. In addition, the case of ice-cream suggests that there is space for the local industry to influence to Shoprite's sourcing practices. Several years ago, Shoprite was sourcing ice-cream from South Africa at the expense of local producers, despite the fact that the local product was of a higher quality. Through the Zambian Dairy Processors Association, processors lobbied government to intervene and Shoprite agreed to extend shelf space to local ice cream producers.

A more compelling argument on Shoprite's complexity with relation to the Zambian dairy sector is its partnership with the Zambian listed company Zambeef. As noted earlier, this is a diversified and integrated producer of beef, dairy and poultry products. The partnership between the two companies operates at a number of different levels, including the preferred supplier arrangement discussed earlier. According to Zambeef, their relationship with Shoprite has facilitated growth of its own retail shops from 58-60 outlets when Shoprite entered Zambia to 92 outlets today. Perhaps most significantly is the new agreement that Zambeef will also run Shoprite butcheries in new retail outlets in Nigeria and elsewhere on the continent.

Shoprite is a fully owned South African company and its sourcing practices have not generally been in support of local producers (see Miller this issue). However, we have seen that local dairy processors and producers have been able to pressure the company into changing sourcing practices. In addition, its new strategic relationship with local Zambian capital indicates the way in which its relationship with Zambia cannot be seen as crudely sub-imperialist.

The entry of Spar into the Zambia in 2003 has added complexity to the retail environment. Unlike Shoprite, which is controlled from South Africa, Spar runs as a franchise operated by local Zambians. In addition, at present it does not operate through a centralised buying system, which does not discriminate against smaller

suppliers. Each franchise sources individually and has the reputation of sourcing locally rather than importing from South Africa. Our research suggests that the entry of Spar into the Zambian market has moderated Shoprite's dominance over processors. Thus, our third point is that multinational companies dominate the market and impose certain practices, but at the same time, their involvement in the local market can open up space for others, and may ironically reopen wider debates about the accountability, responsibility and social embeddedness of national capital, too.

Conclusion

The impact of South African investments in dairy processing and in food retailing cannot be said to have had a simple destructive impact on Zambia's local dairy industry. Nor can the dynamics described be explained in terms of a unidirectional model of South African political and economic dominance. While the 'sub-imperalist' argument used to describe the visible expansion of South African capital into Africa plays a polemical role in critiquing a simplistic and optimistic 'renaissance' brought by a democratic South Africa, it does not assist us to describe the full effects of dynamic and uneven development in Africa under contemporary capitalism. As a number of scholars of Africa have recently noted, political economy is precisely that, uneven, and reliant on the specific local, regional and global processes of connection and disconnection (Cooper 2001; Ferguson 2006).

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Bridget Kenny and Charles Mather
University of the Witwatersrand

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Richard Saunders

Crisis, Capital, Compromise: Mining and Empowerment in Zimbabwe

Introduction: Painful Paradoxes

The minerals and mining sector in Southern African has experienced a revival in the past decade, with heightened levels of international, regional and occasionally domestic investment coming in the wake of a long commodities boom, new and promising exploration, the privatisation of some state holdings and liberalisation of mining investment codes. Zimbabwe, a leading African gold and ferrochrome producer in the 1990s and home to world class deposits of platinum, relatively good infrastructure and a large pool of skills, seemed on the verge of a minerals breakthrough. Yet less than a decade later, the Zimbabwean mining sector confronts a hard reality: despite buoyant markets for minerals, with few exceptions local production fell off sharply. The collapse of production in this key sector was prevented only by a handful of new and important platinum and diamond operations – though projects in these areas, too, moved ahead slowly given high demand.

The reality of a production crisis in the midst of boom times is the first of several paradoxes confronting Zimbabwean mining. A second is equally unlikely: despite the production downturn and disinvestment by several major mining houses, foreign investment into the minerals sector actually *increased* over the course of the 2000s, involving both a small number of new projects and multiple mergers and acquisitions. Indeed as the economic and political crisis deepened after 2002, the number of new players entering the troubled sector grew. A third paradox involves the nature of new market players: while government claimed to have enabled greater black empowerment (or 'indigenisation') in the sector, in practice this was rarely been achieved in the larger documented deals. Rather, empowerment has tended to feature non-Zimbabweans and especially South Africa-based players.

These mostly unhappy paradoxes of Zimbabwean mining are complex in their origins and closely linked with broader changing dynamics of regional cross-border investment, political power and state policy making. In each instance South African business and political actors have played prominent roles, their influence extending beyond mining into diverse sectors. Some observers argue that the worsening political-economic crisis after 2000 has disproportionately benefited South African business, and see the South African government's 'quiet diplomacy' towards Robert Mugabe's ZANU-PF as an important component of a coordinated strategy aimed at enabling political hegemony and economic occupation.[1] Others suggest that South Africa is emerging as a 'sub-imperial' power through such processes.[2] Mainstream business analysts, too, have noted the obstacles and opportunities for capital in Zimbabwe, and acknowledge the steadfast presence of dozens of South African companies despite the deepening crisis; they recognize, too, a certain residual protection for South African subsidiaries by the possibility of appeal to headquarters in Johannesburg for political

help.[3] It is clear for most commentators that political and economic inequities are deepening, and are increasingly unfavourable for the large majority of Zimbabweans and for the prospect of good public accountability around key national resources. But the countervailing forces and factors are less sharply drawn, the longer term implications less certain and the potential for effective policy interventions inside Zimbabwe much less apparent. In brief, most assessments portray the experience of incoming investment from the point of view of power without recognizing the points of resistance to it – actual, or potential. Moreover, they do not look sufficiently beyond the boundaries of the current extraordinary, unique crisis to consider the regulatory controls imposed on foreign capital in the past – and perhaps in the future – by the state, local business, working people and communities.

This research on the minerals sector aims to provide a more historically grounded and reflective account of the evolving, complex and ambiguous experience of foreign investment in Zimbabwe. It explores the dynamics that have shaped the restructuring in local minerals production, and seeks to explain the contradictory tendencies seen in investment flows and outcomes. It looks at the investment opportunities that emerged for regional players along with the worsening sector crisis, and considers how these openings were mediated by the Zimbabwean State, local business and civil society interests. What emerges from the evidence is the importance of both short-term crises and attendant market opportunities, and longer term dynamics of state institutional decay, policy weakness and political vulnerability in the shaping of foreign investment dynamics. While aspects of South African business-state power linkages are seen, there is also evidence of more widely dispersed capital-state influence at regional level. At the same time, the unmet needs of Zimbabwean stakeholders – and the unrealised potential of the local state – emerge as factors that need to be taken into account when assessing the durability and potency of foreign investment interests.

A Golden Age, Found & Lost

In the 1990s Zimbabwe was poised to become a significant force in African mining. With its competitive mineral resources, well-maintained infrastructure, skilled workforce and professionally-managed state regulatory institutions, the country attracted considerable new foreign investor interest in the decade. Zimbabwe's appeal was strongly enhanced by the liberalisation of mining and investment regulations, which came against the background government's introduction of structural adjustment policies at the start of the decade. Mining houses responded favourably.[4] New investment 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 greenfields 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 led by mining major Rio Tinto. Though not matching the rapid pace of mergers and acquisitions, exploration and new plant installations seen in regional miner Zambia and Tanzania, Zimbabwe nonetheless seemed on the verge of a mining breakthrough nearing the end of the 1990s.[5]

ZIMBABWE: MINING INVESTMENT IN THE 1990s

Investment	Source Company	Source Country	US $m	Year
Hartley Platinum Mines	BHP	Australia	500	1998
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

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

But 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 parliamentary elections. The same policy shifts associated with structural adjustment that had helped sweeten the business climate for new mining investors had simultaneously helped transfer a growing proportion of national income away from working and rural communities, towards a strengthened business and political elite. The response from a range of popular organisations in civil society was swift, and was emboldened by growing revelations of elite corruption and the deepening decline of ordinary Zimbabweans' living standards. Besieged by criticism, the ZANU-PF leadership embarked on a path of internal political realignment. This included the rapid militarization of the ruling party, State and broader terrain of national politics, a trend 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, a rapid erosion of bureaucratic professionalism compounded emerging 'rule of law' problems as the ruling party subordinated State institutions to the priority of its political survival and the consolidation of its leadership elite. Government was increasingly hostile to demands for participation and dialogue from a range of labour, business and other community interests with whom it had previously engaged in Zimbabwe's home grown version of social democracy. In the place of consultative processes, renewed nationalist posturing by ZANU-PF asserted the need for government to reassert sovereign rights over strategic natural and economic resources. The combined impact of these dynamics was sharply negative for not only political participation and governance, but also for the wider economy.[6]

An economic downturn was immediate and pronounced, and worsened in subsequent years. 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 seven percent decline in GDP in 2000 was compounded by increasingly dramatic drops in following years, so that by 2005 Zimbabwe's economy was the world's fastest-shrinking (a dubious honour it retains at time of writing in 2008).

Government's fiscal and monetary policy became increasingly ad hoc and unpredictable, designed to suppress exploding inflation, domestic interest rates and 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.

The mining sector, a key consumer and generator of foreign exchange and domestic employment, was an early casualty in this emerging crisis. Currency fluctuations, policy vacillation and skyrocketing costs were especially damaging. The pegging of the Zimbabwe dollar exchange rate to the US dollar in a period of upward spiralling inflation, coupled within increasing restrictions on access to foreign exchange earnings, immediately put many mining houses' short term viability under pressure. The gold sector was particularly hard hit, buffeted by complicated foreign exchange regimes managed unpredictably by the Reserve Bank. Several producers were squeezed by this regime in 1998-2000, prompting slowdowns and closure of several operations. These included Delta Gold's US$24m Eureka gold mine, commissioned in 1998, which was expected to become the country's second largest gold producer but was mothballed after only one year in production.

In 2000-2001, 14 gold mines were closed or placed on care and maintenance.[7] Gold production plummeted, with critical consequences for the broader economy: after the collapse of commercial agriculture in the early 2000s, gold mining alone accounted for one-third of foreign currency earnings and more than 50 percent of mineral production. Having risen steadily after 1990 to peak at 27 tonnes in 1999, production slumped to 18 tonnes in 2001 and 12.5 tonnes in 2003, driven by chronic shortages of power, fuel, capital inputs and skilled labour.[8] Short term state interventions such as special subsidies and re-jigged foreign exchange arrangements failed to halt the overall downward trend. Other traditional mineral sectors also fell back, 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.[9] Meanwhile, exploration spending, a critical indicator of future investment intentions and production potential, also suffered. It peaked in 1996 but then dried up, with no new significant internationally financed exploration materialising into the first decade of the new century – a period in which neighbouring mineral-bearing countries witnessed high growth in exploration spending.[10]

Obstacles and Opportunities

For many established foreign mining houses the emerging indicators of economic crisis, reflected in extensive operational challenges arising from weakened infrastructure and unpredictability of revenue streams, severely eroded investor confidence. Questions hanging over the security of tenure rights and the rule of law, and the ruling party's championing of 'national economic sovereignty' and the need for greater 'indigenisation' or black empowerment, also loomed large.[11] Meanwhile, a capital boycott of Zimbabwe led by international financial institutions and governments in response to government's effective abrogation of lending agreements, was soon reinforced by the introduction of financial sanctions against the ruling party and government leadership, and companies associated with them. These measures, which also posed threats to foreign enterprises that did business politically-connected companies in the country, further constrained mining investment capital at a time when a sustained commodity boom – notably in minerals like platinum in which Zimbabwe was a potential leader – was starting to take off.

Several of the larger established mining houses, as well as a number of junior players, slowed or shut down their operations temporarily as they considered the options for divesting and leaving the country. In the latter regard, the immediate opportunities for Zimbabwean entrepreneurs and particularly those connected to the political elite were mediated by the reality of western sanctions and severe local shortages of foreign exchange. There were few options for getting around local shortages of funding, such as offshore financing and lease-to-buy share shedding by foreign mining houses: the kind of politically-acceptable businesspeople who would be allowed to take up a shareholding by ZANU-PF were also likely be blacklisted by the sanctions register – or risk such blacklisting in the future. On the other hand, it was increasingly clear foreign companies involved in share deals benefiting blacklisted Zimbabwean partners would be liable to penalties in home markets overseas. Such barriers raised by sanctions to larger-scale domestic investments inside the country were critical in opening the way for new foreign players who had both the political and financial resources needed to ensure investment security – an arrangement which did not preclude, in any case, a less than transparent approach to elite accumulation in a key sector.

Into this opportunity gap stepped an array of regional players, most of them based in South Africa and operating in neighbouring countries. A new wave of foreign mining investment emerged, fuelled by a potent mixture of capital raised in South African and international finance markets; the political protection (real or imagined) afforded by the South African government and other regional political elites; a declining appetite for non-core assets held by major mining houses; and the availability of both established and recently developed mineral resources, particularly some large and mostly untapped platinum deposits. Undeterred by the worsening economic and political crisis that unfolded after 2000 and especially following the flawed 2002 Presidential elections, new South African-led capital flows quickly led the way in restructuring ownership in the large and medium scale mining sector.

INVESTMENT IN A TIME OF CRISIS: KEY DEALS AFTER 2000

Investment	Source Company	Source Country	US $m	Year
Mimosa Platinum Mine	Implats, Aquarius	SA, Australia	30	2001
Zimplats Selous Mine	Implats	SA	225	2002-05
Independence Gold Mines	Metallon	SA	15	2002
Unki Platinum Mine	Anglo Platinum	SA	300	2003
Bindura Nickel Corporation	Mwana Africa	UK/SA	8	2003
Murowa Diamonds	Rio Tinto plc	UK	61	2004
Freda Rebecca Gold Mine	Mwana Africa	UK/SA	2.5	2005

A notable development was the rapid growth of platinum production with the injection of large financial and technical resources by South Africa's Impala Platinum (Implats), the world's second largest platinum producer, into the Zimbabwe Platinum Mines (Zimplats) venture formerly controlled by Australia's Delta Gold. Anglo American's platinum division developed plans for the major Unki project, which grew in projected costs from US$90m to more than $300m as the plans were scaled up. The smaller Mimosa project was also funded. Partly in attempts to deflect financial risk costs associated with working in the increasingly unstable country, industry players actively marketed Zimbabwe as home to the world's second largest, relatively low-cost and untapped platinum resources. South African platinum miners' enthusiasm for their new Zimbabwean operations was reflected in the regular revision upwards of project scale and costs – as well as the actual delivery of committed funds.[12]

But the platinum sector, as well as a new venture in diamonds developed by UK's giant Rio Tinto plc, was the exception in an emerging pattern involving new investment deals. In the 2000s, mining restructuring by means of investment focused mainly on mergers and acquisitions that involved the transfer of asset ownership *without* an accompanying renewal and boosting of production. Wholly or substantially new projects resulting from foreign investment were the exception, and Chamber of Mines and industry observers pointed to the *absence* of new project implementation as a worrying dominant trend since 2000.[13] If the fire sale of assets by divesting mining houses had seen the arrival of new occupants, the latter undertook little renovation of their new real estate. For the most part, the injection of new capital into existing projects was aimed at covering mounting losses and sustaining below-capacity production, a trend that continued to 2008.[14]

The profile of the new owners was also notable. Few of the assets traded in the 2000s directly involved Zimbabwean businesses as leading or major partners – at least not in any transparently structured, openly contracted manner. And here it is important to specify: in this study, mining projects acquired by legally disputed means – for example, occupation or seizure – are not considered, although they are few and to date do not include larger mines; nor are new 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 partially documented, but in which individual or

institutional control and benefit are difficult to detect. In these cases, precise documentation of ownership has tended to take second place to speculation and rumour in the realm of public perception. While it is widely acknowledged that individual participants in transactions have derived a good deal of their influence from their political links, it is often difficult to establish whether they are acting primarily as proxies for wider interests (including political parties and their commercial holdings) or in their individual capacities – indeed, this attribute may change over time.

Even in this context, and especially in the prevailing political environment characterised by nationalist claims to historical assets and resources, the relatively junior role assumed by Zimbabwean businesspeople in the new mining investments of the 2000s has been notable. Beyond the new platinum and diamond ventures, key investors have primarily included South African-based blacks working in collaboration with white South African interests, international financial support and in one important case, regionally-based black businesspeople including a smattering of Zimbabweans. Regional 'black empowerment' figures have figured prominently. South Africa's high profile empowerment entrepreneur Mzi Khumalo became a Zimbabwean player when his Metallon mining group acquired Independence Gold Mines in 2002, in a deal that saw the marginalisation of Metallon's prospective Zimbabwean partners and led to a series of bitter lawsuits by the Zimbabweans against Khumalo.

More significant have been the linked investments by Mwana Africa, a company that started as a consortium of businessmen from the region and brought together politically-connected interests in the Democratic Republic of the Congo (DRC), Zimbabwe, Kenya, Ghana and South Africa, with elements of white mining and finance capital. London-registered, South Africa-based Mwana bills itself as a 'Pan-African resources' company and 'the first African-owned, African-managed' mining business to list on the prestigious Alternative Investments Market at the London Stock Exchange.[15] Among its founding directors was Oliver Chidawu, a wealthy Zimbabwean businessman with strong political connections to the ruling ZANU-PF.[16] Headed by DRC national and former Anglo American executive, Kalaa Mpinga, Mwana's growth strategy depended heavily on asset acquisition, often in locations where good relations with government were key to securing access. This included Zimbabwe, where the company bought a 53 percent stake from Anglo American in 2003 in the large Bindura Nickel operation in the wake of simmering conflict among local business factions for control of the nickel miner.[17] Some speculated that Mwana acted as a leveraging peace broker at Bindura, bringing onto the reconstituted Bindura board a ZANU-PF stalwart, Retired Air Chief Marshall Josiah Tungamirai, and prominent state-linked businessman, Muchadeyi Masunda. In 2005 Mwana added AngloGold Ashanti's Freda Rebecca mine to its stable and took over Cluff Mining Zimbabwe, part owner of a dormant mine and undeveloped nearby ground. As part of the Freda Rebecca sale agreement approved by government, Mwana undertook to sell a 15 percent stake to a Zimbabwean investor, although this had still not happened by 2007.[18] More recently, Mwana sought to raise working capital and bridge financing for the troubled Bindura and Freda Rebecca operations through a £25m share placement in London.[19] A significant new venture under Bindura Nickel was planned to extend the life of the operation.

Meanwhile, other South African-based 'empowerment' focused companies hunted for deals. Mmakau Mining, headed by Bridgette Radebe, wife of South African Transport Minister Jeff Radebe, took over Eureka gold mine from Placer Dome SA and promised to bring in a Zimbabwean black empowerment junior partner.[20] African Rainbow Minerals, controlled by Patrice Motsepe – reputedly South Africa's first black billionaire, and brother to Bridgette Radebe[21] – announced it was considering opportunities in coal and platinum. In addition, many smaller operations indicated they were considering finding Zimbabwean partners to open up access to the faltering or mothballed assets that had become undervalued.

More recently, China emerged as a key minerals player. In 2006 a $1.3bn contract for coal mining and thermal generation construction was negotiated with China Machine Building International, and a chrome mining partnership was established between Zimbabwe's failing state owned Zimbabwe Mining Development Corporation (ZMDC) and Beijing's Star Communications, bankrolled by Chinese funds.[22] Then in 2007 a controlling stake in the Zimbabwe Mining and Smelting Company (Zimasco), the leading Zimbabwean ferrochrome producer and fifth largest in the world, was sold to Sinosteel for $200m in cash.[23] Other Chinese deals, including Duration Gold's takeover of tailings and older gold mines in 2005, also emerged. All have been oiled by China's relative ease of access to substantial finance and technology, higher tolerance for political risk in a country whose government increasingly has depended on Chinese diplomatic support, and growing hunger on the part of Chinese production for industrial minerals. Public encouragement by the Zimbabwean government of Chinese investment as an alternative to the politically-constrained markets of the west signalled the appearance of a new pattern of mine financing. However the local implications of such flows and the resulting deals – for other sector producers and potential investors and suppliers, professionals and workers – were unclear; as were the performance criteria, royalty and other payment conditions that may have been imposed by government as part of the agreements of sale and contract.

Similar questions over the degree and direction of local benefit as well as the public accountability of foreign investors, apply to most of the market entrants who arrived in the 2000s. A deepening pattern of marginalisation of mining communities, independent business entrepreneurs and indeed state regulatory and producer agencies themselves, has seemingly become entrenched. There is scant evidence of a state-based strategy to systematically encourage and extract public value from new foreign mining investment. In contrast, recent policy-making focus has typically been devoted to the question of individual ownership stakes, rather than matters of performance, production, reinvestment and other crucial, more broadly developmental issues that are vital to the revival and growth of the mining sector.

Empowerment: Low Grade Participation

ZANU-PF's high-risk mining investment strategy has in some ways been the outcome of a deeply flawed approach to empowerment – or 'indigenisation', in the Zimbabwean political lexicon – that emerged in the market reform years of the 1990s. Elite-driven partisan 'indigenisation' measures have fuelled intra-elite conflict, clouded the transparency of transfer agreements, pre-empted public debate on

redistribution and employment strategies, and raised both foreign investor risks and local investor financing costs. Another key casualty has been the state's own regulatory institutions. In a painful paradox, the most recent attempts to rein-in the mining sector have involved the consolidation, not the reforming and restructuring, of policies that actively *disempowered* the majority by removing from public access and accountability the proceeds of mineral resources. In more literal terms of ownership 'indigenisation' according to citizenship, the results have been no less disappointing.

If a stable and growing minerals sector was a short-lived legacy of the 1990s, a more problematic and enduring one was the pattern of mine ownership. The persistent exclusion of local participation in most large scale mining, with the exception of government's own ill-fated interventions through its parastatal ZMDC, prompted sporadic but mostly unsystematic initiatives by government aimed at mining empowerment. The need for empowerment had been recognized since the 1990s by the Chamber of Mines, the main representative body for mine owners. But few cases of empowerment were both enabled and tolerated by government. One initiative involved Mutumwa Mawere, a 'self-made' indigenous mining magnate with links to the ZANU-PF leadership. He used creative financial restructuring to become the controlling shareholder in Shabanie Mashaba asbestos Mines in the late 1990s. His deal was anointed and celebrated by government – indeed Mawere was seen by some commentators as closely linked to senior government officials, who may have facilitated his sudden rise in the wake of little experience – and President Mugabe and other ZANU-PF leaders called on aspiring black entrepreneurs to take control in the commanding heights of the mining sector, albeit with little apparent response.

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 intervened, and the mining magnate's acquisitions soon fell into financial problems, its collapse ensured by the withdrawal of political support from the State. The one-time empowerment hero, recast by government as a suspect businessmen, later chose self-imposed exile in South Africa under threat of arrest in Zimbabwe, where government seized his Shabanie assets.[24] Some saw Mawere's fall from grace as a sign of a 'crony capitalist' deal gone wrong.

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. Small scale miners like gold panners were typically trashed by government, rather than celebrated and encouraged, an approach that would later be embodied in a wholesale state-led attack on small scale operators labelled 'Operation Chikorokodza Chapera'.[25]

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 – particularly among mineworkers and mining communities. To the contrary, in the early 2000s the latter

were victims of a double assault from the economic downturn and politically-motivated violence. With ZANU-PF's intense militarization of politics in the early 2000s, workers and workers organisations were identified by government and the ruling party as potential enemies. 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 was unleashed on mineworkers, their union (the 10,000 strong Associated Mineworkers of Zimbabwe-AMZ), mining compounds and surrounding communities. Mineworkers, already hard-hit in the 1990s by mechanisation and restructuring (mining employment had dropped from 83,000 in 1995 to less than 50,000 in 1999[26]), 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, encouraged by government, led to the extortion of funds from workers and mine owners; the 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.[27] Reports of violence, destruction of property and theft were common during these incursions, which thoroughly destabilised industrial relations and community life in several different mining areas in 2001-02, and set the stage for the collapse of a number of small and medium-scale mining operations in subsequent years. Many mining communities were left to limp along without further investment in the context of scaled-back or closed operations, a rapidly declining social economy and under threat of further violence from government-aligned pseudo-unions. In succeeding years, mineworkers and mining communities have not been meaningfully included in State-backed processes of empowerment policy making.

Party Power and Policy Outcomes

In the early 2000s, government's approach to empowerment took a new direction in response to the changing political and economic environment. The commercial farm invasions and subsequent breakdown in enforcing the rule of law – particularly around property rights – opened up the promise of new avenues for asset acquisition by aspiring, politically-connected entrepreneurs. At the same time, competition over these assets was fuelled and mediated by conflict among factions within the ruling party leadership which emerged to vie for the right to succeed President Mugabe in the medium term. After 2000, black business groups' empowerment deals were increasingly tied in 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.

The mining sector became a critical battleground for the hearts, minds and pocketbooks of key business and political constituencies related to ZANU-PF's internal struggle for power. This unsettled period was punctuated by increasingly

public intra-elite disputes, sometimes mediated in contradictory ways by different institutions of the State and ruling party. Where politically-affiliated businesspeople fell foul of the dominant party faction around President Mugabe – for example, Mutumwa Mawere – they were sometimes harshly treated, their assets expropriated and their legal, financial and personal security called into question. In other instances, including prominent businessman and former Army Commander Solomon Mujuru (and husband of Vice-President Joyce Mujuru), President Mugabe struggled to contain his colleagues' business and political aspirations, and used divide-and-rule tactics among aspirant political businesspeople to keep rivals in check. But none of this provided the vision needed for rethinking and reordering the beleaguered mining sector in ways that both sustained production and benefits flow from it, and attracted new, sufficiently resourced investors. While government invited public discussion with mining industry stakeholders on a black empowerment policy in 2004, there was little subsequent progress despite interest from mining houses, the Chamber of Mines and even the South African government, which offered to play a supporting role in the development of laws, regulation and support mechanisms for small scale and empowerment-focused deals.[28]

Instead, there was an effective competitive stalemate within political and business circles that was reflected in the failure of several empowerment efforts under government. Targets in this ad-hoc campaign involved some of the larger foreign mining houses, including the platinum projects of Anglo American and Zimplats, and gold miner Metallon, responsible for about fifty percent of the country's annual gold output. Each faced demands that they take on local partners whose key assets appeared to include local political connections and influence. But without a clear and enforceable policy and state supervisory capacity, and with government rendered vulnerable by its desperate need for foreign exchange-yielding mineral exports, even the limited goals of the state's empowerment demands were largely deflected.

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 its valuable Unki platinum project, however, Anglo sought to hold on to its undeveloped assets in the face of government insistence that it cede a 15-20 percent stake to government-nominated locals. The project moved ahead, albeit slowly, with Anglo continuing to resist government pressure and insisting on ownership autonomy, while scaling up its promised investment from an initial estimate of $92m, to $300m. By 2007 it was stockpiling ore on-site in advance of building up a production plant – thereby providing another incentive to government for approval of the project's terms of investment.[29]

At Zimplats, owner Implats' engagement with three successive sets of local partners nominated by government each collapsed because the company required bankable financial commitments from any future partner. In lieu of suitable local partners, Zimplats proposed domestic participation by means of the listing of some shares on the Zimbabwe Stock Exchange, but government rejected this. Finally the

company chose to negotiate terms for the recognition of 'empowerment credits' through partial ceding of its land claim and recognition of current and future social investments.[30] While a deal was struck with government in 2006, empowerment activists continued to call for additional concessions from the local mining sector's star performer. At the same time Implats moved ahead with substantial new investment into Zimplats and was quietly supported by the South African government, which sought to protect a leading South African mining house in one of its primary production locations.

In a third case, Mzi Khumalo's Metallon immediately encountered empowerment problems of its own after taking over Independence Mines from Lonmin in 2002. Having courted a Zimbabwean joint venture empowerment partner, Stanmarker Mining, leading up to the acquisition, Metallon later sidelined Stanmarker and acquired Independence directly. It later sold a 30 percent share to Manyame Corporation, a new empowerment partner, but that deal also ended in conflict over the terms of sale. Each spurned empowerment group launched a lawsuit against the South African company; but the Metallon shareholding was not diluted by incorporation of local partners.[31] 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 put on hold.

In contrast, one notable successfully engineered empowerment deal involved the Murowa Diamonds project in 2004-05. The new mine is 78 percent owned by Rio Tinto plc with junior partner RioZim, a Zimbabwe-listed company whose 56 percent majority shareholding held by Rio Tinto plc was ceded to Zimbabwean investors as part of the Murowa deal. But this market-leverage empowerment option was not favoured by government or its empowerment activist allies – likely because it favoured the established, non-partisan business interests which retain good access to domestic financial markets. For the State, empowerment driven by the market risks undermining strategies that focus primarily on consolidating patronage and political power in the process of asset transfer.

In reality, following Mawere's asbestos deal in the late 1990s, very few new significant empowerment deals involving contractually structured, transparently implemented partnership transactions with local consortia were successfully concluded. When it did take place, black empowerment primarily involved regional African players, not an established coterie of Zimbabwean miners. For the most part, Zimbabwean mining empowerment interests saw the State – not the market – as the key route to asset acquisition. The State, however, was also an increasingly divided, conflicted, and bankrupt entity; with its pathology exhibited in increasingly alarming, and potentially destructive, ways.

Diamond Diversions

In 2006, a dramatic diamond rush in eastern Zimbabwe highlighted the reality of irregular state intervention, growing high-level corruption and a swelling crisis in the State mining sector. The focus of attention fell primarily on the Marange district near Mozambique, where diamonds were discovered in mid 2006; and on the politically contested River Ranch mine near the southern border with South Africa. Soon there were allegations of violations of legal land claims, government-inspired chaos in

mining operations, and a rise in unregulated diamonds sales that possibly fed into an emerging 'blood diamonds' trade. In the case of River Ranch mine, some speculated about the role of Zimbabwe's political and military elite and its DRC counterpart in enabling a conduit for DRC diamonds through Zimbabwe to diamond factories and international traders in South Africa.

By December 2006 the World Diamond Council (WDC) called for an investigation of the Zimbabwean industry, citing allegations of smuggling and unclear certification procedures of exported diamonds. In response, in early 2007 the Kimberley Process (KP) announced that some diamond exporters in Zimbabwe were under investigation and that the Zimbabwe government was cooperating with KP efforts. On its part, government adopted different and sometimes seemingly contradictory approaches, both alleging smuggling and corruption by Zimbabwean officials and foreign traders, and denying irregularities involving leading players and government members. But soon familiar patterns of interlinked state and ruling party involvement and intrigue emerged. Important questions were raised around the controlling interests and the main beneficiaries of Zimbabwe's flourishing undocumented 'grey diamonds' sector.

The diamond rush of 2006 was chaotic from the outset, beset by land invasions by informal miners, repeated legal challenges by claim title holders who had been pushed aside by the state, the effective crumbling of mandated state structures tasked with dealing with mining development and marketing, and the increasingly murky involvement of illegal traders, dealers and ruling party and state officials. In Marange, Africa Consolidated Resources (ACR), a UK-based mining house with local shareholders, was the claim titleholder of the largely undeveloped diamond fields. But when new discoveries by local residents became known in mid 2006, ACR's claim was quickly overrun by thousands of local and regional fortune hunters, following government encouragement. The State had publicly disputed ACR's claim rights, and then refused to restore security and order through the removal of invading informal diggers – who grew to as many as 20,000 in a short period of time. Instead, government invited invaders to occupy the land on condition that uncovered diamonds would be sold to the Minerals Marketing Corporation of Zimbabwe (MMCZ), the state institution entrusted with overseeing most minerals sales. In September 2006 Deputy Minister of Mines Tinos Rusere personally visited the digging sites, urging on the informal miners.[32]

Government was laying the conditions for potential disaster. On the ground, the buying prices offered by MMCZ were very uncompetitive with those paid by foreign buyers who had descended on the area. MMCZ also appeared to be short on funds with which to purchase stones. As a result there was a flood of sales into the unregulated black market and its associated trading networks, with no benefit whatsoever accruing to the State, and a collapse of controls on the origin of stones circulating in the country. Government itself speculated that as much as US$300m in stones could not be accounted for through legal marketing channels; others put the sum much higher.[33] The scale of the chaos was reflected in the fact that no one knows for certain the real extent of the loss.

In a bid to stop further haemorrhaging, state security forces moved onto the fields in November 2006, brutally evicting the diggers and imposing a seal on the area. There were soon allegations that soldiers, too, were digging in the secured zone, and that

senior government and military people were implicated. At the same time, ACR was formally deprived of its claim by MMCZ (which also seized diamonds held by ACR), prompting an ACR court challenge, demands for return or compensation of seized diamonds, and a complaint to the KP about the chaos that had ensued at Marange. Government was undeterred. In January 2007 Minister of Mines Amos Midzi granted the ZMDC a license for the Marange fields, despite public objections from independent and senior government officials (including Reserve Bank Governor Gideon Gono) that the ZMDC entirely lacked the capacity for the undertaking. Speculation was rife that the ZMDC's low capacity could be used by government as an excuse to permit politically-connected private firms, rumoured to include Chinese investors, to take over the Marange operations in partnership with government. Government's decision to directly undertake diamond mining operations was especially troubling given the ZMDC's failed record in previous ventures including gold, copper and tin mines – several of which had closed under allegations of mismanagement. Importantly, the authorisation of state-managed ZMDC's mining license came in the context of new high profile criminal cases of diamond smuggling involving senior government officials and politically-connected individuals. Those arrested and charged included a government department director (since deceased), and the son of the CEO of Zimbabwe Defence Industries, a security-dominated firm active in the DRC and allegedly involved in illegal resource exploitation there.[34]

Allegations of smuggling and corruption at Marange were compounded by separate questions over River Ranch mine, owned by former Zimbabwe National Army General Solomon Mujuru and other figures linked to senior ruling party circles. River Ranch – seen by the WDC as potentially being in violation of KP certification rules – refuted the allegations and denied exporting diamonds. But in a further twist which highlighted the ruling party factional disputes underlying mining sector empowerment, a competing set of empowerment interests alleged in May 2007 that the United Nations Development Programme and World Bank were facilitating diamond smuggling at the mine. The two agencies had recently assisted River Ranch in a capitalisation exercise. The allegations were made by Bubye Minerals, whose directors included senior ZANU-PF-linked rivals to the Mujuru group.[35] Explicitly adding politics into the business mix, Bubye disingenuously argued that the impact of international sanctions could be offset by legally-sanctioned diamond sales managed by Bubye. On its part, the UNDP denied complicity in smuggling and launched its own investigations.

In January 2007 the Parliament of Zimbabwe's Committee on Mines, Energy and the Environment and the KP initiated separate investigations in the wake of the WDC's allegations. The parliamentary committee, under the chairmanship of an opposition party member, held in camera sessions in April. The activities of senior politicians and officials would be included in its work, the committee insisted, and not only small-scale miners whom government had chastised for flocking to the black market. A KP review team visited Zimbabwe in May and June, and reported good cooperation from government and industry stakeholders. The review team later cleared the government diamonds sector regulators of allegations of improper documentation and potential wrong doing, in a report which failed to deal adequately with either widely reported instances of continuing illegal mining and trading in Marange, or more importantly,

the role of government-linked individuals and security agencies in illegal mining practices.[36]

Some domestic observers argued that at least one critical lesson from the diamond rush fiasco was made clear. Wrote one commentator: 'our government will console itself with the thought that diamonds extracted from Marange have not been used to finance conflict. That does not make them clean because the gems have become a means by which senior government officials and their cronies have continued to acquire illicit wealth'. The source of the diamond fields mess, the writer continued, was government itself, and even if the State had 'mobilised to clean up the mess in an exercise meant to portray government as working for the betterment of the country', it was a mess of its own making, created in the tarnished name of indigenisation and empowerment.[37]

Government's response to the unfolding investigations and reports was contradictory. While acknowledging media reports of public and private diamonds corruption, President Mugabe later insisted that the strategic value of the diamond sector necessitated that government alone should mine and market diamonds. In April 2007 he called for tighter government control over both the diamond and gold sectors. Crucially, he did not specify the means by which weak and allegedly corrupt public institutions overseeing mining could be strengthened to enable more positive outcomes. There was clear need for this, according to State industry sources.

Continuing feuds among the Ministry of Mines, Ministry of Empowerment and Indigenisation and the Reserve Bank complicated the terrain of regulation and particularly, the implementation of 'empowerment from above'. Policy was often enforced on an unpredictable, case-by-case basis. In practice, different sections of government exhibited competing sets of expectations around indigenisation – from private accumulation for new businesspeople to the development of local infrastructure, rebuilding of metals exports industries and provision of foreign exchange to the State. Mining houses and prospective community beneficiaries struggled to understand and negotiate a way through a thorny complex of personalities and power interests, while state officials themselves sometimes sought to undermine colleagues in other public sector institutions.[38] New steps taken towards regularising state administrative control over indigenisation only threatened to institutionalise and exacerbate these problems.

New Interventions, Old Obstacles

In May 2007 government announced it would introduce an 'Indigenisation and Economic Empowerment Bill' to guide indigenisation objectives and procedures in all productive sectors. Following its fast-tracking in parliament where it was passed in September 2007, the Act was signed into law by President Mugabe in March 2008. This act of legal closure failed to subdue swelling controversy, which first erupted with the surprise announcement in early 2006 by Mines and Minerals Development Minister Amos Midzi that government would move quickly to acquire a 51 percent stake in foreign owned mining assets. The 51 percent, he said, would include an uncompensated expropriated stake of 25 percent. Twenty percent of the stakes in question would be acquired within two years, with the state's holding rising to 40 percent after five years and reaching 51 percent 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.

Local mining houses and the Chamber of Mines, both of which had engaged in consultations with government around empowerment issues, were not the only ones surprised. South African miners and their home government were also caught unawares. As early as 2005, reports indicated, South Africa had pledged to support Zimbabwean small and medium-scale miners with the long term objective of nurturing a basis for later expansion into larger mining operations requiring greater financial and managerial inputs. As part of the bilateral discussions Zimbabwe and South Africa mooted an empowerment-related exchange programme in late 2005 in which the latter offered to assist with policy making inputs, leading to the implementation of a mining indigenisation and empowerment charter.[39]

But by 2006 the priority of elite accumulation, not sustainable policy making leading to integrated growth in the sector, had been reasserted in the form of government's new empowerment draft amendments. Any progress towards a more redistributive, inclusive approach achieved in discussion with the Chamber of Mines or through bilateral negotiation (for example, Zimplats' 2006 'social credits' agreement with government) was called into question. Industry insiders spoke of a collapse of investor confidence, and the certainty of new punitive risk premiums on project capital raised in foreign markets.

Soon after the *Indigenisation and Economic Empowerment Act* was promulgated on 7 March 2008, politics again seemed to overtake the practice of policy implementation. On March 29, 2008 Zimbabweans voted in landmark elections which resulted in the electoral defeat of ZANU-PF by the opposition Movement for Democratic Change (MDC). Although a period of extreme instability ensued, leading to a series of settlement negotiations that will likely result in an uneasy government of 'national unity', it appeared that the political ground underpinning recent empowerment policy making had shifted once again. There was little doubt by industry and political observers that a government including MDC members would dispense with the new empowerment regulations; indeed, it was reported that MDC officials had secretly met in July 2008 with representatives of Anglo American, to discuss new threats against the company's platinum assets coming from foreign mining players with links to the ZANU-PF government.[40] The MDC publicly warned that questionable investment deals of recent years would be reviewed – and overturned if discovered to be prejudicial to the national interest. There was no mention of how such deals would be scrutinized and contested; by which legal means; and through which force effect would be given to findings. Neither was there recognition of the growing presence of new regional players with powerful political allies in neighbouring countries – and of the need to develop new ways of disciplining their activities for new, mutually-beneficial outcomes. These could well be the tasks of the next phase of policy making around mining and empowerment in a restructured political environment.

Conclusions: Old Patterns of Power, New Questions

In the midst of a resurgence in international minerals prices and rising interest in African mining, Zimbabwe stands as a rare case where proven resources of valuable commodities, capacity in infrastructure and comparatively good mining skills do not necessarily result in significant production growth. Rather, the opposite has occurred: most key sectors, including gold, ferrochrome and copper, and with the exception of platinum group metals, fell off in the early 2000s and currently show little sign of recuperation. The diamond rush of 2006 further undermined confidence: government's strategic nurturing of chaos in the diamond fields, its apparent toleration if not involvement in massive corruption and its inability to provide predictable political and regulatory leadership, only raised new questions around the role of the State and ruling party in the exploitation of national resources for public benefit.

Zimbabwe's mining sector provides an important perspective on the changing patterns of foreign investment in the country during a period of crisis. In important ways, mining in Zimbabwe represents an atypical investment scenario in the region in the 2000s, because of the country's relatively negative risk profile and the multiple high barriers to entry for local capital and the State, due to mining's high capital intensity. At the same time its dilemma raises critical questions concerning the engagement and management of large scale foreign investors by the state and national actors who are comparatively vulnerable in terms of financial and technical capacity. Which institutions, instruments and policy initiatives, for example, are critical – or corrosive – for sustaining investment and enabling greater local benefit?

A series of public policy failures played a key role in dampening growth and in distorting the nature of restructuring and investment that did take place in the crisis years after 2000. Mining investment in the past decade has been overdetermined by a high risk political and economic environment that was compounded in more recent years by weakened State policy making and regulatory institutions, and the heightened impact of ruling party elite factional conflict in shaping economic and particularly empowerment interventions. Structural adjustment in the 1990s and militarization in the 2000s gutted much of the professional bureaucratic capacity of the state, and made policy making and implementation more ad hoc, reactive, unpredictable and narrowly partisan. With regard to the critical question of empowerment and participation, for example, Zimbabwe saw the emergence of elite-driven approaches rather than the articulation of a policy seeking the sustainable transfer of strategic production into accountable hands. The recent changes to the mining indigenisation and empowerment policy starkly reflected government's precarious capacity and equivocal will to pursue a transparent, more widely beneficial approach to indigenisation.

The decline of the State's central regulatory and market role, built up in the first decade of independence through institutions like the ZMDC and Minerals Marketing Commission, and the economic crisis's impact on access to capital and investment, rendered the Zimbabwean mining sector vulnerable to externally-driven asset trading in the local market. Government's elite-driven, seemingly *compradorial* approach to empowerment was poorly designed to confront and discipline new activity in the sector, as some established players divested and new entrants sought bargains. In the context of the regional political and economic prominence of South Africa, and that

country's willingness to provide political, technical and financial support for its companies' cross-border activities, the Zimbabwe government's control over a key remaining productive sector appeared imperilled.

The capital intensive, long-term nature of investment and production in the mining sector has also been a critical factor shaping the restructuring process in recent years, and has limited the effectiveness of legal and other empowerment measures. Perhaps more than any other sector, large scale mining is dependent upon access to large capital stocks and continuing capital flows for high-cost skills, imported inputs, processing and marketing; moreover, most of these costs are denominated in hard currency. Since the late 1990s, neither the State, nor local finance markets, nor domestic business have had access to sufficient funds to either buy into larger mining operations or maintain them efficiently if they were acquired. Western economic sanctions on leaders of the state-linked empowerment business sector have been highly effective in blocking access to capital for deployment inside the country. On the other hand, in a period of severe and worsening foreign exchange shortages, mining's prominence as a foreign exchange earner has risen, and it has been in government's strategic economic interest to ensure that minerals exports are encouraged, even if this has meant that private sector beneficiaries of mineral production remain primarily foreigners. The door was opened to the arrival of new players with both access to capital and sufficient political resources to resist local factional demands for inclusion.

State empowerment strategies that assumed a scenario of low-cost transfers of ownership, such as happened in the commercial agricultural sector, therefore failed to recognize the specificity of production in the mining sector. Empowerment by prescription alone would not be feasible. The ironic outcome for aspiring local entrepreneurs soon became clear: in reality, there was less effective indigenisation in the mining sector (not counting secret, unverifiable changes of ownership that may be politically linked) in the militantly nationalist period of the 2000s, than in the previous two decades of independence.

Other more inclusive approaches to mining development, which might have helped build consensus leading to the establishment of more effective constraints on mining investors, required a less autocratic approach to policy making and investment than seen in the past decade.

Since the late 1990s, government's policy engagement with both the established black business community and most sections of civil society has been profoundly negative. Notions of economic participation linked to systematic redistribution were 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' became widely understood to mean the enrichment of the political and military elite from both Zimbabwe and neighbouring countries.

In sum, government failed to develop a clear and inclusive strategy for class formation beyond a very narrow (and probably shrinking) politically-linked elite. The prospects for the development of a broader political front that could confront the issue of foreign asset transfers evaporated.

Partly as a consequence, large scale mining operations have remained relatively undented by pressure and demands for inclusion and accountability. The largest mining investments in the past decade, including those led by Implats, Unki, Rio Tinto,

Mwana Africa and Metallon – and more recently, various Chinese companies – have deflected most demands emerging from government-linked individuals and investor groups. The decline of cooperative consultation with government has diminished the state's flexibility and transparency in dealing with a changing sector and positively influencing developments within it. By extension, this dynamic has also further marginalised community and labour stakeholders from policy making and processes. International investors have remained in control of the roll-out of restructuring, which has witnessed the simultaneous shedding of local assets and the 'cherry-picking' of preferred projects, on sale at cut-rate prices. The recent wave of Chinese merger and acquisition investment, the precise terms of which are not entirely clear, is the latest reflection of a worrying trend in finance-led asset shifts in which local stakeholders have been marginalised.

Do these trends amount to a form of mining sub-imperialism, led by South African capital, as some researchers have argued more broadly with regard to a range of sectors? Or is this more simply a case of parasitic, opportunity capitalism, fuelled by a high tolerance for risk in backyard markets that has been somewhat softened by protective support from the South African government? Further evidence is required to make an assessment concerning Zimbabwean mining's systematic incorporation into regional circuits of capital, and the durability of foreign capital's control in the changed context of voiced demands from local stakeholders, in a post-crisis era. Here, a key factor in the restructuring of the mining sector – a weakened, disembedded state – seems likely to undergo significant changes in the near term. Perhaps the most important questions which confront researchers in the coming period, therefore, will revolve around the rehabilitation of the state and its capacity to ensure that national interests are asserted on the terrain of the minerals sector. In this regard, the prospects for continuing foreign asset control are confronted by the possibilities of local resistance and new, more popular forms of empowerment.

Notes

1. See for example, S. Hattingh, 'South Africa and Zimbabwe: the vultures have descended', Centre for Civil Society, UKZN, October 2007; Solidarity Peace Trust, 'A Difficult Dialogue: Zimbabwe-South Africa economic relations since 2000', 23 October, 2007; and Dale T. McKinley, 'South African Foreign Policy towards Zimbabwe under Mbeki', *Review of African Political Economy* 31:100 (June 2004).
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8. In 2008, estimates suggest that production will fall to 4.5 tonnes. 'Setbacks For Gold Production', *Zimbabwe Standard,* 30 August, 2008.
9. Figures from Zimbabwe Chamber of Mines, Presentation by Chamber of Mines President Jack Murehwa to the Annual General Meeting, May 2007.
10. Zimbabwe Chamber of Mines, 'President's Speech, Sixty Eighth Annual General Meeting', 18 May, 2007.
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13. Zimbabwe Chamber of Mines, 'President's Speech, Sixty Eighth Annual General Meeting', 18 May, 2007.
14. New capital injections of more than US$20m announced in 2008 by Mwana Africa into its Bindura Nickel operations and Freda Rebecca gold mine are earmarked to cover loss-making production, as well as renovate and expand the scale of production. (see 'Mwana seeks £25m for projects across Africa', *Mining Weekly,* 11 July, 2008).
15. See www.mwanaafrica.com. In addition to Zimbabwe, Mwana currently holds major stakes in projects in Angola, Botswana, the DRC, Ghana and South Africa.
16. Zimbabwean Ngoni Kudenga was also said to be a Mwana director. See 'Mining boss shot dead', *Daily Mirror* (Zimbabwe) 12 May, 2004.
17. George J. Coakley, 'The Mineral Industry of Zimbabwe', 2003 *Minerals Yearbook.* US Geological Survey, US Department of the Interior, December 2004, p.343.
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19. 'Mwana's Zimbabwe mines continue to operate despite "difficulties"', *Mining Weekly,* 25 July, 2008.
20. 'Bridgette Radebe's company buys Zim gold mine', SAPA, 18 July, 2005.
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24. The assets were the subject of a lawsuit, settled in London in Mawere's favour in 2007.
25. 'Operation stamping out of illegal exploitation of resources' in 2006-07 included the harassment and arrest of more than 27,000 small scale miners by March 2007. Lloyd Sachikonye, 'Diamonds in Zimbabwe: A situational analysis'. *Resource Insight,* Issue No.1. Braamfontein, Southern African Resource Watch, May 2007, p.6.
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27. Within weeks several mines that had been targeted saw union leadership harassed or ejected, and more than 1500 workers forced to hand over dues to the bogus, unregistered ZANU-PF 'union'. Interviews with AMZ leadership and mine branch stewards, September and October 2001.

28. 'Mining Policy Worries SA', *Zimbabwe Independent,* 10 March, 2006.
29. See, "Sticking around in hope", *Financial Mail,* 8 April, 2005; zim2day.com, 29 June, 2008.
30. Zimplats' 2006 bilateral empowerment agreement with government led to it ceding undeveloped ground equalling 36 percent of its total land claim to the State in exchange for indigenisation 'credits'. Also included in the deal were parts of Zimplats' built-in infrastructure, including 80 km of road, electricity supply, housing and social amenities for the mining community on site, for which the company was given dollar-for-dollar credits. Interview with Zimplats officials, 2007.
31. In March 2006 Metallon was ordered by the Zimbabwe High Court to pay US$7.4m damages to Stanmarker, however the judgment was overturned on appeal in March 2007. Manyame claimed that its shares, which it did not take up, were unreasonably over-priced, and that the dividend deferments to cover most of their cost were insufficiently accounted for. See, *Mail and Guardian* (Johannesburg), 27 March, 2006; and, www.highbeam.com, March 2007.
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33. 'US$300 million feared lost in diamonds scam', *Zimbabwe Independent,* 1 December, 2006.
34. 'Diamonds seized from ZDI boss's home', *Zimbabwe Independent,* 2 March, 2007.
35. Philip M. Mobbs, 'The Mineral Industry of Zimbabwe', *2005 Minerals Yearbook.* US Geological Survey, US Department of the Interior, December 2006.
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Richard Saunders
York University
Toronto, Canada

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Monty J. Roodt

The impact of regional integration initiatives and investment in a southern African cross-border region: The Maputo Development Corridor

1. Introduction

1.1: Background and Context

Much of the debate on South Africa's new wave of post-Apartheid investment in Africa centres on the impact on host countries, namely, its beneficial or deleterious nature. While these concerns are important, the sub-national regional effects of this investment are less well researched. Provinces within national boundaries are affected in significant ways by the cross-border flows of South African and other investment, particularly the cross-border cities and towns that benefit from the increased interaction.

The cities of Nelspruit in the Mpumalanga region of South Africa and the Mozambican capital Maputo are examples of cross-border cities whose character has been dramatically transformed by their connections with their neighbours. State-led investment in the Spatial Development Initiative (SDI) of the Maputo Development Corridor (MDC) has acted as a conduit in facilitating cross-border flows and has created a dynamic set of social processes within the cities and the sub-national region (Mpumalanga and Maputo Provinces). Even though many of the grandiose spin-offs promised in the early days of the MDC have not materialized, there is no doubt that it has acted as an economic catalyst for the local economy. For example, in December 2006 there was a 44 percent increase in passenger flows through the Lebombo/Ressano Garcia border post and a 10 percent increase in traffic volume on the MDC toll road (N4) compared to December 2005 (MCLI, 2006:1).

The Spatial Development Initiative (SDI) programme between the Mozambique and South African governments emerged from an agreement in 1995 to re-establish the transport axis between Maputo and Johannesburg as part of an attempt to revitalize southern Mozambique. The SDI concept grew to encompass a range of targeted interventions by central governments, initially within South Africa, but soon extending into the whole of southern and east Africa, with the stated intention of unlocking economic potential and facilitating private investment and job creation in a localised area or region. The Maputo Development Corridor was the prototype SDI development corridor, and to date the most advanced in the region.

The Maputo Development Corridor SDI was the first of the SDIs to be implemented in 1995, following the peace agreement in Mozambique and the election of a democratic government in South Africa. The transport ministers of the two countries, Mac Maharaj and Paulo Muxanga, set in motion the MDC initiative as a

joint undertaking of the governments of South Africa and Mozambique, within the framework of SADC.

The Maputo Development Corridor is an economic corridor linking the Gauteng province in South Africa, and the city of Maputo in Mozambique. Gauteng province is the economic heartland of the South African economy and Maputo the closest port city. In common with the other SDI initiatives in the SADC region, the MDC is based on an existing transport axis, albeit one that due to the civil war in Mozambique had been in a state of decline for a number of years. Peberdy and Crush state that central to the success of the MDC is strengthened links between Gauteng and Maputo – 'reinventing connections which were destroyed during the apartheid years' (2001: 115). Before the troubles in Mozambique, in the 1970s, 40 percent of exports from Gauteng went through Maputo and some 300,000 South African tourists visited Mozambique annually (SATCC Vol. 2, 2001:8). While it is clear that the MDC has the potential to bring advantages to both South Africa and Mozambique, prevailing trends show that much of the benefit has accrued to South Africa.

Two main tendencies have emerged. It can be argued that SDIs such as the Maputo Development Corridor have largely provided the political and economic framework for increasing the flow of foreign direct investment (FDI) by South Africa to countries in the southern African region, in this case Mozambique, as well as providing new opportunities for business investment by large South African companies, especially in the construction, retail, services and financial sector in the cities and towns adjacent to the Mozambique border. In addition an increasing number of Mozambicans are streaming across the border into Mpumalanga to buy commercial goods and services.

2: Analysis of the Maputo Development Corridor

2.1 The MDC: A Spatial Development Initiative

The SDI programme started off as an interdepartmental investment strategy led by the national Department of Transport (DoT) (later the Department of Trade & Industry (DTI)) and involved a number of strategic initiatives by the South African government in conjunction with the government of Mozambique.

Crush and Rogerson (2001: 86) point out that in statements on the principles governing the SDIs, considerable stress is placed upon their wider importance in the SADC region and on issues of 'regional co-operation and economic integration in the African sub-continent'. De Beer et al., (2001) state that the approach is increasingly being pursued by the members of the Southern African Development Community (SADC) 'as a priority policy and strategy for the promotion of development corridors (based on the rehabilitated regional transportation routes) and to a lesser extent in the context of certain resource rich areas that the participating governments believe have a high inherent but as yet under-utilised development potential for mining and related processing activities, and for tourism and agriculturally led development'.

The official purpose of the SDI approach being pursued within the SADC region is an attempt to develop a more competitive regional economy, in the fashion of the European Union, within the global economy. It is argued that member states share a number of common socioeconomic problems. Foremost of these is the need to increase the rate of economic growth and employment creation. In addition there is the need to develop the regional economy in a way that would make it more diversified, stronger,

and internationally competitive. Ostensibly priority is being given to the creation of sustainable low-cost employment and the identification and development of viable business opportunities for small and medium scale entrepreneurs (De Beer et al., 2001: 1). But it is precisely in this area, where the focus should be, given the massive unemployment and underemployment in both South Africa and Mozambique that these SDIs are the weakest, as will be shown below.

The Maputo Development Corridor (MDC) process focused on the rehabilitation and upgrading of the traditional trade and transport links, supposedly as a basis for broad economic development of the corridor area. The main focus was on private sector participation and included as core elements the upgrading and construction of a toll road linking Johannesburg in South Africa to Maputo in Mozambique and the improvement of rail and port operations in Mozambique to re-establish competitiveness of the transport route.

The governments of South Africa and Mozambique, as part of the SDI commitment to encouraging private investment in infrastructure provision, decided that the reconstruction of the Gauteng-Maputo road (N4 Toll road) should be realized as a build-operate-transfer (BOT) concession. They awarded the 30-year concession to Trans African Concession (Trac) in 1997. Trans African Concessions, a consortium of mainly South African, but also including French and Mozambican companies, was appointed to implement the R3,5-billion contract to build and upgrade the N4 toll road. This project, the largest undertaken in sub-Saharan Africa, involved a toll road stretching from Gauteng to the Maputo harbour in Mozambique. Trac consortium members include Basil Read, Stocks & Stocks, the French construction group Bouyges, HSBC Investment Bank, Letabe Consultants, Msele Corporate and Merchant Bank, Investec, Equator Bank and Mozambique Gestores. (*Sunday Times Business Times* 1996.12.08).

As I have shown, the official view is one of a benign attempt to integrate the regional economies of South Africa and Mozambique and to stimulate investment and trade. According to David Arkwright, the ex-Deputy CEO of the Maputo corridor Company, 'people saw it as a set of integrated development initiatives'.[1] In another interview he stated that the MDC had a number of key objectives. These included the rehabilitation of the core infrastructure along the Maputo Corridor with minimum impact on state coffers. This objective involved the awarding of long-term concessions to the private sector for the development of new infrastructure including the upgrading into a modern toll road of the N4 linking South Africa's landlocked northern provinces to their nearest port in the Mozambique capital of Maputo as well as the upgrading of rail links between the two countries. An important aspect of this process was the upgrading of the Lebombo border post between Mpumalanga and Mozambique, the modernisation of Maputo port; and improvements to the electricity supply lines between South Africa and Mozambique. The purpose of all these infrastructural upgrades was to maximise investment in both the inherent potential of the Corridor area and in added value opportunities that the infrastructure rehabilitation would create.

Lefakane (1999: 1), in much the same vein, sees the SDI programme as an attempt to engender sustainable economic development and attract investment. He argues that the rationale for these strategies is to stimulate 'global competitiveness, job creation,

infrastructural development and socio-economic upliftment'. For him the aim of the SDI programme is to 'identify areas with potential for substantial economic growth and to unlock this potential with a combination of government and private investment in both infrastructure and projects', including the crowding in of investment; public-private partnerships (PPPs); exploiting inherent economic potential; rapid planning and delivery; restructuring the 'apartheid' space economy; generating sustainable employment; maximizing private sector investment and exploiting South Africa's under-utilized locational and economic advantages (Ibid).

However given the one way flow of the investment and trade it is clear that the initiative has played a major role in reproducing the structural inequalities that have existed historically, albeit in a different form. Whereas in the apartheid era the state and the big mining houses integrated Mozambique into its ambit of influence largely for the purposes of securing migrant labour, the emphasis in the post-1994 period has switched to foreign direct investment and unidirectional trade (Castel-Branco, 2004: 2-3). Castel-Branco argues that from a South African point of view, 'Mozambique is interesting for specific investment projects that strengthen the regional role of the MEC (Mineral Energy Complex) and the regional expansion of oligopolistic industries, and at the same time promote exports from South Africa' (2004: 12).

The flow of capital both ways, although different in nature, is considerable. South Africa is Mozambique's biggest foreign investor, accounting for 58 percent of the foreign direct investment in the country in 2005. This represented a 34 percent increase in total foreign investment over 2004, amounting to $164.5 million (BuaNews 2006). Mozambicans in turn spend approximately R70 million a year in on goods and services purchased in South Africa, most of it in Mpumalanga (LCBT 2003: 2). There has been no significant investment in businesses in Nelspruit, the capital of Mpumalanga, by Mozambicans. Apart from investment in the booming property market, only two businesses of significance stand out: a Portuguese style restaurant and a fish import and processing factory.[2] South Africa is also Mozambique's biggest trading partner, providing over 40 percent of its neighbours imports which amounts to eight times the amount of goods Mozambique exports to South Africa. According to Castel-Branco, the trade deficit vis-à-vis South Africa has increased three fold over the last decade, reaching over US$ 500 million in the early 2000s (2004: 12).

Arkwright claimed that the MDC initiatives were also intended to ensure that the development impact of the investment is maximised, particularly for disadvantaged communities; and to ensure sustainability by developing policy, strategies and frameworks encompassing a holistic, participatory and integrated approach to development. An important stated objective was the economic empowerment of the apartheid-disadvantaged through the impact of new investments on the development of the small, medium and micro-enterprises (SMME) economy. The exploitation of under-utilized local resources in SDI areas that might provide the basis for modern industries and export-orientated growth, was also touted as an objective (Crush and Rogerson 2001: 86).

The latter objectives are ones that have been least implemented. As Castell-Branco points out: when the focus is vague (such as multiplier effects and linkages derived from assumptions about trickle-down effects emerging from development corridors), then very little happens and implementation is slow or non-existent (2004: 9). In fact,

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

It is difficult to state categorically that the MDC has acted as a catalyst for development, or that many of the investments in Mpumalanga and southern Mozambique associated with the MDC would not have happened anyway. As David Arkwright, MDC SDI Project Manager in the early 2000s said, 'Much of the investment may have taken place without the intervention of a special investment promotion initiative such as the MDC. However, there can be no doubt that the processes instituted by the initiative have significantly influenced not only the logistics of the region; but also the overall attractiveness of the area for investment' (DBSA 2000: 6). The MDC was a nationally driven infrastructure and investment programme with a narrow focus and an emphasis on speed of implementation, aptly symbolized by its most visible product, the humming tarmac of the N4 toll road.

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

> The vision of the initiative is to achieve accelerated rehabilitation of the core transport infrastructure through public/private partnerships, thereby opening up un-and underutilized economic opportunity. Underlying this vision is the desire to see this initiative contribute to other key policy areas, notably regional economic integration, international competitiveness, and a broadening of the ownership base in the economy of the corridor. The planning process adopted reflected the unique elements of the MDC, namely its transnational character, the short time frame, and the project driven approach (Mbenyane 2000: 4).

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

From the Mozambique side the emphasis was primarily on the 'flow of goods and services' between itself and South Africa, the upgrading of the Maputo harbour and the establishment of the Mozal aluminium smelter and the proposed Maputo iron and steel

plant. The Mozambican Minister of Transport and Communications, Mr Paulo Muxanga, described the MDC as follows:

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

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

In 1995 the department of Transport established a technical team drawn from the Development Bank of South Africa (DBSA), the Industrial Development Corporation (IDC) and the Council for Scientific and Industrial Research (CSIR) that worked with an inter-departmental committee at national government level. Mozambique developed a similar inter-departmental working committee, but drew on consultants for the technical work and interface with South Africa. Not much has changed in the new millennium. The current driver of the MDC, the Maputo Corridor Logistics Initiative (MCLI), is primarily focused on logistic issues, on improving the efficiency of the MDC as a transport import/export corridor.[3]

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

However, the real business of the corridor as an investment and infrastructure initiative continued to dominate as its modus operandi. At the same time, as the MCC was set up the broader SDI programme, both within South Africa and within SADC was taking off. This coincided with the shift of the programme from the Department of Transport in South Africa to the Department of Trade and Industry (mid 1997). The Department of Trade and Industry in developing a centralised administrative, financial and technical support capacity, based at the DBSA, took ‘a hard line and non-negotiable stand on the planning of SDI projects, particularly when it comes to issues of grassroots participation, given the fast-track nature of the SDI process’ (Schneider 2000: 9). Clearly, no direct attempt was made to create local capacity to manage the process or to involve the broader community. Mozambique set up a dedicated unit to manage each of their corridors, as well as a centralised technical support in the Department of Transport and Communications for all of them. However, Soderbaum and Taylor (2004) point out that the Maputo Corridor Unit in the department is not really functioning effectively and is battling with inadequate resources.

Initially the projects made a contribution to SMME development (710 contracts in construction to a value of US $ 35 million), to job creation (approximately 5000 permanent, temporary and casual) and to training (some 8500 people through various training programmes to date) (SATCC 2001: 24; Mbenyane 2000: 5). Subsequently, there have been a number of criticisms with regard to the development (training) centres at Matsulu and Machadodorp, as well as the Trac SMME process in general. The two development centres trained local people both in technical and life skills. In fulfilling the requirement on black empowerment, TRAC appointed Silulu Investment, an empowerment company to assist the SMME contractors financially and with technical backup. They also set up the Mpumalanga Trust which was to benefit local communities from a portion of the profits of the toll fees.

Mbenyane argues that the centres were only set up once the road construction was already underway. The training programme was discontinued at the end of 2000 (at the end of the construction term). In line with the general lack of support from the Mpumalanga government for the MDC at present, there is no certainty on how these facilities will be used by the provincial department that has inherited them. According to Lydia Pretorius, the Mbombela Municipality Councillor for LED and Tourism, the training centres had very little directly to do with the MDC. People learnt skills such as welding, carpentry, baking: 'it was mainly a social responsibility initiative'.[4]

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

A promised socioeconomic impact study on the local community in the vicinity of the toll road, to be financed by the DTI, has not as yet materialized. Justice Mbenyane, the Provincial MDC Project Manager, pointed out that the issue of maintenance work has to be followed up at a political level as 'hundreds of jobs would emerge from this as well as the empowerment process could be strengthened' (2000: 4). The project has, because of its top-down implementation and the fact that it benefits certain areas and communities more than others, resulted in a number of concerns from communities down its length.

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

2.2 The Maputo Corridor Company

In 1997 South Africa and Mozambique agreed to establish the Maputo Corridor Company (MCC) as a facilitating entity, comprising the public and private sectors of

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

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

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

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

With the establishment of the MCC and the appointment of David Arkwright as deputy CEO (Mozambique was supposed to appoint the CEO) the MDC for the first time articulated a specific commitment to integrated development, participation and disadvantaged communities. Arkwright expressed this through three objectives (apart from the aforementioned ones of infrastructure development and private investment). The first was to ensure that the development impact of the investment was maximized, particularly for disadvantaged communities, the second to ensure sustainability by developing policy, strategies and frameworks encompassing a holistic, participatory and integrated approach to development (DBSA 2000: 6); and, lastly, to build institutional structures and programmes in support of long-term sustainability for the initiative (Mbenyane 2000: 2; De Beer et al., 2001:76).

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

beginnings of cross-border collaboration between the border towns of Barberton, Badplaas, Bulembu, Pigs Peak, Mananga. and Namaacha.

Another initiative of the MCC was to assist the Mpumalanga Management Centre (MMC), which under the leadership of Professor Christo de Coning, with the support of the Mpumalanga government and the University of the Witwatersrand's Graduate School of Public and Development Management, aimed to develop management skills to run government more efficiently and to facilitate development along the MDC. Courses included a Master's degree in Public and Development Management, a six-month programme for senior government managers, an eight-month management course specifically designed to meet the needs of public servants involved in MDC projects, and sector specific courses. These courses were attended by both Mpumalanga and Mozambique government officials, giving them a good opportunity to develop cross-border ties.

The MCC also commissioned research on 'borderlands' and asymmetric economies by researchers from the United States of America. Part of this project was an attempt by the MCC leadership to move the MCC in the direction of a Trans-border institute. It seems that stronger political will was needed from both South African national departments and the Mpumalanga government for such a venture to materialise. The MCC closed down in the early 2000s.

2.3 The Role of the Provinces and Local Government

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

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

The DPU was formed following a Cabinet Memorandum that required a total number of twelve members seconded from relevant departments. The idea was that

these people would be provided with training that would enable them to deal with the packaging of projects in totality. The institutional arrangements were not well worked out, mainly due to the uncertainty surrounding the conditions of service for those seconded to the DPU. This has resulted in very few members moving to the unit.

This incapacity of the DPU was largely as a result of a need for stronger political will on the part of the provincial government since the second election when Mathews Phosa, the first Premier, was replaced by Ndaweni Mahlangu. Phosa, who had been in exile in Mozambique during the apartheid era, was a major supporter of the MDC and his personal connections in Mozambique were invaluable in establishing and maintaining cordial relationships to speed up the process. It is common currency in Mpumalanga that after his election Mahlangu had a negative impact on the project. In this regard Schneider (2000: 4) concludes that Mahlangu's infamous statement that it is sometimes acceptable for a politician to lie 'poured scorn on a province which needs good governance to raise its image as one of Africa's most desirable investment destinations'. In addition, it seems that competence and support for the MDC declined, and subsequently there has been a lack of interest and vision in regional integration on the part of government (Ibid: 4). This was confirmed by many of the people I interviewed in 2002 as part of an ongoing research process leading to this study.[5]

2.4 Mozambique and Maputo Province

In Mozambique the arrangements appeared to be more ad hoc. In 1997 Minister Muxunga outlined plans to bring the Maputo Province structures into the MDC process in a support role, with responsibility for small projects at provincial level, and for the first stages of environmental impact assessments (EIAs). A special publication on the MDC reports that a considerable amount of training and dialogue was needed to make this a reality. A meeting at provincial headquarters in Matola of district administrators revealed the need for intensive training and the establishment of guidelines and responsibilities to bring the provinces more fully into the process.

Part of the problem is the dual system of the mixture of decentralised and centralised structures of government, and the lack of coordination between the devolved city municipalities and the de-concentrated provincial/district government. Mr Victor Antonio, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, states that one of the many issues deserving attention is the misunderstanding between the municipalities and the state organs at various levels.[6] At the same time, Mr. Paulo Tarmamade, the MDC Project Manager in Mozambique, is of the same opinion:

> The provincial level in Mozambique does not have the same autonomy as the provinces do in South Africa. Policy is defined at the central level. There is a need for harmonization. There is no consensus at local level, and people do not have the means to implement projects at a local level.[7]

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

The Mozambique investment promotion centre (CPI) entered into a partnership with South Africa's Department of Trade and Industry (DTI) in the early 2000s. The idea was that the DTI would work with Mozambique to attain international industrial accreditation standards. In turn CPI would facilitate partnerships between Mozambique and South African companies to set up supply and service industries for the Mozal aluminium plant in Matola. Two to three hundred small business opportunities were identified, mainly upstream of production, as virtually all production has been sold forward into the market. A support programme set up by CPI, Mozal and the Africa Project Development Facility (APDF) has been tasked with developing work packages, training and mentorship to support local entrepreneurs in Mozambique (De Beer et al., 2001: 63).

The Mpumalanga Investment Initiative (MII) signed a five-year agreement, that may be extended, to work together with Mozambique to promote investment opportunities. The Mozambique government has also agreed to work with the Mpumalanga Department of Economic Affairs to develop the 'cluster' process in the South African province, where they could possibly be developed on a regional basis. The cluster process is designed to develop industries that will add value locally to primary products produced in the province. Mpumalanga has started cluster developments in stainless steel, tourism, wool, forestry and in the agricultural sector.

As has been pointed out above, it is difficult to say with certainty which developments in Mpumalanga and Mozambique occurred as a result of the MDC or whether they would have occurred anyway as a natural outcome of the end of apartheid and the civil war in Mozambique.

2.5 Private sector initiatives post MCC

By 2003 the closure of the Maputo Corridor Company and the lack of governmental support for the project had led to problems developing in a number of areas. These impediments to increased cross-border trade and investment were identified by the Lowveld Chamber of Business and Tourism (LCBT) (LCBT 2003: 3) to be in seven main areas: the border post, rail and road links, visa requirements, port/harbour infrastructure in Maputo, cross-border trade and investment between Mpumalanga and southern Mozambique, lack of socioeconomic development of communities along the MDC, and the lack of promotion of tourism and investment in the region. Concern over the lack of progress in tackling these problems led to a 'stakeholders forum' being convened at the end of 2003, at which meeting the LCBT presented a draft business plan to set in motion plans to work towards eliminating these perceived bottlenecks and to set up what it called the Maputo Corridor Initiative (MCI) (Mommen 2004: 1). The objective of this initiative was to open up the trade, transport, tourism and export route between Maputo and Southern Mozambique and the Mpumalanga lowveld (LCBT 2003: 2). These 'stakeholders' met again early in 2004 at a workshop to consider the LCBT business plan, to give substance to the problem areas outlined above and to agree on a methodology and process to take the initiative forward (Mommen 2004: 1).

At present the promotion and development of the corridor has become largely the preserve of the Maputo Corridor Logistics Initiative (MCLI), which although billed as being '... established in the true spirit of public-private partnership' (MCTK, 2004:24),

was originally funded by and established by private infrastructure investors, service providers and other MDC users from South Africa and Mozambique to promote and develop the MDC. The driving force behind this initiative is Brenda Horne, formerly Logistics Manager for the Manganese Metal Company, now Chief Executive of the MCLI. The MCLI has two strategic objectives (MCTK 2004: 25). The first is to coordinate the views of service providers and users of the Maputo Corridor and to promote development and change in order to make the Corridor the first choice for the regions importers and exporters. The second is to market the strategic benefits and opportunities offered by the Corridor.

The focus of the MCLI is primarily to make the MDC a cost effective and efficient transport route. According to Brenda Horne the prime areas of concern are the lack of capacity of the Komatipoort/Lebombo border post and the Maputo harbour, and the fact that the railway line is primarily geared towards the transportation of coal.[8]

3: Conclusion

This study has revealed a number of positive and negative aspects of the implementation of the MDC and the level of involvement of provincial and local authorities. At face value the SDI process, of which the MDC is not only a part but also the prototype, was a top-down nationally driven process primarily aimed at developing infrastructure and capital-intensive anchor projects with private investment. Local government on the other hand, in both South Africa and Mozambique, is undergoing what is clearly going to be a protracted restructuring process to implement complex processes of demarcation, decentralization, cooperative governance and integrated development planning/local economic development in a situation of chronic lack of both resources and capacity. While Mozambique has the advantage of a far less complex legal framework and implementation programme than South Africa, it has greater problems in terms of the dual decentralised and centralised system, as well as a greater capacity problem.

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

These declarations of intent will have to be monitored to separate political spin doctoring from real implementation. In both South Africa and Mozambique, much

exists on paper. Everywhere one goes, particularly in Nelspruit, wonderful glossy publications litter reception coffee tables. Reams of investment possibilities and mind-boggling projections of their worth in rand and dollar terms, are bandied about. These possibilities and fiscal projections are uncritically reproduced, often word for word, from MDC, SDI, SADC, right up into COMESA publications.

The benefits that have sprung from the MDC implementation process have been outlined in some detail above. These include the projects undertaken by the Mpumalanga Provincial Technical Committee, the MCC, Trac and others, as well as the increase in cross-border trade and tourists afforded by the new road. On the deficit side is the often voiced but as yet to be scientifically studied effect of the expensive toll fees on local communities and short distance tourism and commerce. At the 2002 unveiling of the Mpumalanga Integrated Spatial Framework (ISF), development planning officials from the Premier's office conceded that the MDC has had little impact on Mpumalanga towns to date.

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

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

Notes

1. Interview, 22 January 2002, Nelspruit, South Africa.
2. Interview with representative of the Mpumalanga Economic Growth Agency (MEGA), Nelspruit, September, 2007.
3. Interview, Brenda Horne, Nelspruit, April 6, 2006.
4. Interview Lydia Pretorius, Mbombela Municipality Councillor, Nelspruit, 24 January 2002.
5. Interviews with David Arkwright, ex-MCC; Ettiene Garnett-Bennet, Lowveld Info editor, Lidia Pretorius, LED and tourism Councillor – Mbombela Municipality, Kirsten Walker, Mpumalanga Tourism Authority, Nelspruit, 24 January 2002.
6. Interview, Maputo, 8 February 2002.
7. Interview with Mr. Paulo Tarmamade, MDC Project Manager along with Ms. Francisca Soares, Director, Department of Transport and Communications, Maputo, 8 February 2002.
8. Interview, Nelspruit, April 6, 2006.

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List of Interviewees

David Arkwright, deputy CEO of the Maputo Corridor Company and later Project Manager of the Maputo Development Corridor SDI.

Musi Skosana, Mpumalanga Investment Initiative.

Justice Mbenyane, Project Manager, MDC Mpumalanga Province.

Francisca Soares, Director, Department of Transport and Communication, Mozambique.

Paulo Tarmamade, Maputo Development Corridor Project Manager, Mozambique.

Ettiene Garnett-Bennet, Lowveld Info editor, Nelspruit.

Lidia Pretorius, LED and tourism Councillor Mbombela Municipality, Nelspruit.

Roelf Kotze, Deputy Municipal Manager, Mbombela Municipality, Nelspruit.

Kirsten Walker, Mpumalanga Tourism Authority, Nelspruit.

Victor Antonio, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, Maputo.

Paulo de Renzio, Programme Officer, Governance Unit, UNDP office, Maputo. Eric Parker, Chief City Planner and Dean Jacobs, Senior Town Planner, Witbank Municipality.

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

Jonathan Mitchell, European Union, Pretoria.

Chico Mafolo, Chairman, National African Federated Chamber of Commerce (NAFCOC), Witbank.

Carlos Manyete, Foundation for Community Development, Maputo.

Brenda Horne, Chief Executive, Maputo Corridor Logistics Initiative, Nelspruit.

Barbara Mommen, Lowveld Chamber of Commerce and Tourism, Nelspruit

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

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

Monty J. Roodt
Department of Sociology
Rhodes University
Grahamstown
South Africa

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Diana Sánchez

Transnational Telecommunications Capital Expanding From South Africa into Africa: Adapting to African Growth and South African Transformation Demands

Since 1994, Multi-National Corporations (MNCs) operating in post-Apartheid South Africa have encountered exciting economic opportunities in a democratic country eager for foreign direct investment (FDI). They also discovered a country that was reconciling with the world after years of isolation, thus offering great opportunities to expand their operations elsewhere in Africa. But while the booming telecommunications market opened doors for new growth in South Africa and beyond, the new democracy also placed regulations aimed at advancing the goal of racial and socioeconomic transformation on all companies operating in the country.

With the liberalization of mobile markets across Africa, investment opportunities for fast-moving local and international telecommunication companies have also opened up. This growth in telephony has been largely fuelled by mobile cellular communications firms, as well as foreign capital's drive to tap into new cellular markets. In 2003, revenues in the African mobile communications sector broke the US$10-billion barrier, with profits estimated at more than US$1 billion. (ITU 2004) The remarkable growth of telecommunications in the region has generated immense benefits for the operators (such as South Africa's MTN, France's Orange, Middle East's Celtel) and their major international suppliers of technology (such as Sweden's Ericsson, Germany's Siemens and China's Hua Wei).

Key issues that confront the expansion of businesses from post-Apartheid South Africa are, firstly, the kind of impact South Africa's transformation is having in Africa through the expansion of foreign MNCs, and secondly, what can be learnt from this renewed economic engagement. Focusing on a single case study, this paper examines the way that the African expansion of Ericsson, a Swedish telecommunications multinational, has been shaped by post-Apartheid transformation imperatives in South Africa. Using South Africa as a regional hub, Ericsson has expanded from South Africa into the African telecommunications market. I chose to highlight this firm for several reasons: its major global market share as telecommunications infrastructure provider; its return to post-Apartheid South Africa after being forced to leave in the 1960s; its position as the leading provider of infrastructure for the South African – now Pan-African – operator, MTN; and its fast-growing market share in the continent. It is my contention here that the story of Ericsson in post-Apartheid South Africa is illustrative of how MNCs are responding to South Africa's Broad-Based Black Economic Empowerment (BBBEE) strategy. The BBBEE[1] objectives that characterize the post-Apartheid transition have affected the way this multinational operates in the continent. By looking at Ericsson's regional growth in post-Apartheid South Africa, my aim is

twofold: to examine the dynamics of international telecommunications capital expanding in Africa from South Africa, and secondly, to understand how this company is responding to South Africa's transformation demands.

In the first part of the paper, Ericsson's expansion is contextualized in terms of the burgeoning telephony industry in Africa. The second part shows how Ericsson's re-entry into South Africa is part of the larger flows of FDI into SA in the 1990s. As a key element in South Africa's economic transformation, (BB)BEE is an important imperative placed on foreign MNCs by the South African government, discussed in the third section. This part of the paper also makes the historical link with other attempts at black empowerment on the continent, particularly in Nigeria and Ghana. The fourth section reports on the case of Ericsson – its experiences and challenges encountered in this combination of localization and expansion.

I argue that, in terms of black empowerment, the company distinguishes between its South African and its other African operations, and presents a different rationale for the way it operates in these divergent contexts. For most managers, South Africa, given its history, needs racially-based transformation in ownership while other African countries do not. A different strategy is therefore required in these different contexts, with transformation being a priority in the South African context. This approach has organizational implications for the way the company expands, operates in South Africa and is illustrative of the dynamics of international telecommunications capital in the region. The final section of the paper reflects on how regional dynamics are also influenced by the organizational strategies of foreign, not only South African, multinationals.

Drawing on secondary information on empowerment initiatives in Africa, this paper provides background information on the expansion of mobile telephony on the continent. Primary data were also collected from representatives of Ericsson, through semi-structured interviews with fifteen international managers or directors. Six were women, nine were men, ten were Europeans and five were Africans. I interviewed managers based at the Johannesburg head office, as well as those based at the regional hubs and country offices in Senegal, Kenya, Nigeria, Zambia, Botswana and Ghana. Managers based in South Africa had a broad regional exposure as they spent at least 50 percent of their time constantly on the move managing their accounts and costumers around sub-Saharan Africa. Only two of the interviewees manage only South African business. This information as well as the secondary data on Ericsson illustrates the company's regional expansion and its responses to the BBBEE strategy in South Africa. These interviews focus on the perceptions and experiences of managers and they illuminate the Ericsson story and its relevance to the pivotal role played by foreign multinationals operating out of South Africa.

FDI and Telecommunications in Post-Apartheid South Africa

According to the United Nations data, South Africa is amongst the leading recipients of foreign direct investment (FDI) in Africa. Notably, it is also one of the largest investors in many other sub-Saharan countries.[2] While post-Apartheid South Africa has followed a pattern of liberalization of its economy, government emphasis on FDI can be explained not only by the changing nature of the global economy, but also by the political economy of transition, since attracting capital from overseas has become an

attractive strategy for the state.[3] With this intersection of FDI and transformation within South Africa's post-1994 political economy, the role of MNCs in the country's development has become increasingly relevant. Although there is very little analysis of the role of FDI in the racial transformation of societies, the abundant literature looking at the links between FDI and development that includes socioeconomic improvements, provides a framework to examine the role of MNCs in South Africa's transformation.

According to the Organization for Economic Co-operation and Development, the flow of FDI to developing countries worldwide now overshadows official development assistance by a wide margin, highlighting the need to address the use of FDI as a tool for economic development.[4] Both the 2006 Economic Report on Africa by the United Nations Economic Commission for Africa and NEPAD (New Partnership for Africa's Development) advocate that FDI is a key to solving Africa's economic problems and a major stimulus for economic growth.[5] But investment flows to Africa have declined steadily. In the 1970s, Africa accounted for 25 percent of foreign direct investment to developing countries. In 1992 it only accounted for 5.2 percent whereas in 2000 it received 3.8 percent of the total FDI to the developing world.[6] FDI triggers technology spillovers, assists human capital formation, contributes to international trade integration, helps create a more competitive business environment and enhances enterprise development, according to these agencies.[7] All of these factors are seen as contributing to economic growth and considered a potent tool for alleviating poverty in developing countries.[8]

However, whether and to what extent MNCs facilitate such positive spillovers varies according to the specific context and from sector to sector. According to Mwalima, in many situations MNC's activities reinforce dualistic economic structures and acerbate income inequalities as they tend to promote the interests of a small number of local factory managers and relatively well paid modern-sector workers against the interests of the rest of the population by widening wage differentials. Similarly, they tend to worsen the imbalance between rural and urban economic opportunities by locating primarily in urban export enclaves and contributing to the flow of rural urban migration.[9] As Klein, Aaron and Hadjimichael explain, even some expected benefits may prove elusive if, for example, the host economy, in its current state of economic development, is not able to take advantage of the technologies or know-how transferred through FDI.[10]

Acknowledging that MNCs could use their economic power to influence government policies in directions that usually do not favour development, Mwilima emphasises the responsibility of governments to set the appropriate conditions for FDI to contribute to development goals rather than just generating profits for the foreign investor (Mwilima).[11] Fundamentally, the magnitude of the benefits from FDI depends on the efforts of host countries to put in place appropriate frameworks, according to authors such as Klein, Aaron and Hadjimichael.[12]

A more recent and controversial debate within the literature is on the role of MNCs in alleviating poverty. For instance, C. K. Prahalad defends the idea that by designing and developing products and services specifically catered for the needs of the poor, and investing in poor countries, such companies contribute to poverty alleviation. Prahalad

argues that although the world's poor are low in income, they are high in number – and therefore represent a huge market opportunity for MNCs.[13]

The idea of promoting socioeconomic change by reaping profits from those at base of the economic pyramid may sit uncomfortably with more developmental social goals. However, the expansion of mobile telephony into rural Africa demonstrates that as the big telecommunication companies develop products and adapt services to cater for the needs of the poor – Africa's majority – they are providing a much needed service. Major operators attending the 2007 AfricaCom conference agreed that their growth potential in Africa lies in making mobile telephony more accessible and affordable for the huge untapped market of lower-income consumers, particularly those in rural areas. Safaricom's rapid expansion of mobile network coverage in rural Kenya since 2000 is a case in point. The private operator, driven by profits, is providing telephony to a broader section of the population.[14] As an IT research company explains, operators in developing markets have successfully developed strategies and business models enabling them to make healthy profits on low margin costumers.[15] Although theirs is clearly a profit-driven strategy to increase market share, MNCs simultaneously provide an important service to Africa's poor communities – through mobile communications, banking for the un-banked, and community phones. Although the provision of these services needs to be scrutinized and regulated by governments, they are certainly responding to a need amongst African citizens.[16]

MNCs are active in the most dynamic sectors of Africa's economy. They control significant employment, capital and technology which in turn gives them tremendous influence on development. Many MNCs are active in extractive industries, and therefore are often heavily scrutinized in Africa and elsewhere. However, the telecommunications sector is generally perceived as having a positive impact on the development of host economies. This perception places a telecommunications MNC such as Ericsson in a comfortable position within the African FDI landscape.

According to Gray, it is not enough to look at the spread of mobile telephony to understand the impact that the mobile phone has made. Besides providing many rural areas with communications technology for the first time, the mobile phone has enabled some users to participate in the broader economy. In Uganda and Kenya, for example, farmers can now use their mobile phone to find out about the latest crop prices in related markets. Instant and direct access to market prices increases their revenues, provides them with valuable information to negotiate, and protects them from being cheated by middlemen. In Tanzania, two thirds of a survey sample said the use of mobile phones has meant a large saving in travel time and cost, and has helped small businesses operate more effectively. In South Africa, 62 percent of small businesses affirmed that they had increased their profits as a result of the mobile phone.[17]

Telecommunication MNCs will play a major role in Africa's connectivity, access and use of information and communications technologies (ICT) over the coming years. Although according to *The Economist,* Africa currently accounts for around only one percent of multinational companies' global sales – mostly from key markets like South Africa – the continent also represents the 'last frontier' for companies to achieve high growth and enjoy good return on investment.[18] Therefore, the continent's ICT development will depend greatly on the ways in which these resources are used and controlled by both private and public capital. The way in which major operators

implement business strategies, and African governments regulate both national and foreign telecommunications capital, will be particularly important.

Access to ICT has historically been very limited in Africa. By the beginning of 2001, the continent – home to around one in eight of the world's people – had just under one in 50 of the world's fixed line subscribers, one in 60 of the world's mobile cellular subscribers, one of 70 of the world's personal computers and only one in 80 of the world's Internet users.[19] However, the African telecommunications landscape has been rapidly changing over the last two decades, transformed by new investments in mobile telephony. While it took more than a hundred years to install 28 million fixed telephone lines in Africa, this technology has since been overshadowed by the stunning growth of the mobile industry. The number of mobile phones on the continent overtook that of fixed lines in 2001 and now outnumbers fixed lines by nearly five to one, with 137.2 million mobile subscribers in 2005. In 2003, almost 70 percent of all African telephone subscribers used mobiles. The ratio is even higher in Sub-Saharan Africa, where nine out of every ten subscribers with access to a phone use a mobile. This is the highest ratio of mobile to total telephone subscribers of any region in the world.[20] It is estimated that by the end of 2004, over 60 percent of the population in Africa was within range of a mobile signal.[21] For many Africans today, mobile is the only form of telephone communications they know – and perhaps may ever know.

However, and notwithstanding the benefits of the mobile boom, the high amount of money that households put into mobile services remains problematic. According to the ITU research, persons in countries such as Namibia, Ethiopia, and Zambia spend more than 10 percent of their monthly household income on telephone services. Households in South Africa and Tanzania spend 6.8 and 5.9 percent, respectively. This compares to an estimated three percent in most developed countries.[22]

South Africa boasts a number of attractions for foreign investors. According to Business Map Foundation data, the country has a long history of investments by foreign MNCs which are an important source of new capital flows in recent years. BusinessMap's findings show that the country compares reasonably well in institutional aspects of the investment climate. The factors 'scoring' the best in terms of positively affecting investment decisions were the quality of South Africa's infrastructure, the stability of the business environment, the economic policy framework, political stability and the rate of economic growth.[23] However, companies operating in South Africa also expressed concerns over the country's transformation process, specifically the strategy for Black Economic Empowerment (BEE).

Transformation and BEE in South Africa and Africa

The 1994 elections in South Africa marked the end of minority rule and the beginning of a new era of political, economic and social transformation. While political power shifted from white to black hands without any systemic collapse, the economy remained widely dominated by the white minority.[24] Racial socioeconomic transformation post-Apartheid has proven to be an enormous challenge, and has remained a major commitment for the ANC government. The Broad-Based Black Economic Empowerment (BBBEE) strategy is the cornerstone of this process, and it directly affects both national and international companies operating in South Africa. The central aim of this empowerment strategy is to overcome the racial and social

divide left by Apartheid by promoting the advancement of blacks within the economy. Specific aims of the strategy include the development of a visible black middle class, the improvement of skills within the black population, and increasing black ownership and management of business and property.

Discussion about increased black participation in the mainstream South African economy surfaced in the mid-1970s. After the 1976 riots, 'black advancement' was formulated as a set of measures to be implemented by multinational corporations to improve the conditions of employment of their black employees through the so-called Sullivan Code. From 1990, the term 'affirmative action' was used to refer to strategies to restore 'historic imbalances' in the South African economy, but it was soon replaced by the concept of 'empowerment'.[25] Since then, there have been a few such race-based empowerment initiatives. The initial emphasis (early 1990s) of black empowerment (then known as BEE) was overwhelmingly on equity transfer through government-sanctioned BEE business transactions. However, these 'BEE deals' were criticized for benefiting only a handful of individuals. Growing criticism and dissatisfaction with BEE policies provoked a re-examination of the strategy and of the true meaning of Black Empowerment.[26]

What emerged was the concept of BEE as a broader process of involving black people in the economy, rather than simply transferring assets. This approach is encapsulated in the government's current Broad Based Black Economic Empowerment Strategy (BBBEE). The revised strategy entails a scorecard system and returns 'empowerment' to its true meaning, namely to encompass: affirmative action (or 'employment equity'); skills development; training; encouragement of small black business through targeted procurement polices; and social investment.[27] The (BB)BEE Codes, first released in 2005, serve as guidelines for the implementation of the BBBEE Act (2003) and identify three kinds of components and beneficiaries. (See Table 1).

Table 1: Components and Beneficiaries of BEE

Component	Beneficiary
Direct Empowerment	Equity holders, executives and other owners and managers of economic resources
Human Resource Development	Employees and job seekers
Indirect Empowerment	Suppliers, communities and other relevant external stakeholders

Source: Department of Trade and Industry. The Codes of Good Practice on Broad-Based Black Economic Empowerment. 2004

The measurement of empowerment across all sectors is guided by the so-called 'Generic Scorecard', which identifies seven elements of transformation. Each element is weighted and allows companies to score points by reaching certain targets. A company's score out of 100 determines their level of BEE contribution; so a 'Level One' company is one that meets 100 percent or more of the elements, while a 'Level Eight' company earns just over 30 percent of the total possible score, and is the lowest level before being considered non-compliant in BBBEE standards. However, because no institution has been yet recognized as an accreditation agency, a uniform and consistent scoring process makes verification of a company's status difficult.

Table 2: The Generic Scorecard

Element	Weighting
Ownership	20 percent
Management and Control	10 percent
Employment Equity	15 percent
Skills Development	15 percent
Preferential Procurement	20 percent
Enterprise development	15 percent
Residual (Social Economic)	5 percent

Source: DTI Codes of Good Practice

While South Africa's government plays a central role in providing a framework for (BB)BEE, each company is responsible for its own implementation and compliance. Enforcement has been left mainly to the forces of the market, with the private sector playing a leading role particularly through the formulation of industry transformation charters. Since one set of rules cannot cover all circumstances in all industries, sectoral charters cater for the variety of empowerment requirements, depending on sectoral business environments and government priorities. The sector charters gave more certainty to the process and have enabled companies to measure their own progress in BEE terms by establishing more specific benchmarks per industry.[28]

Indeed as Businessmap explains, empowerment is primarily driven by government's enormous buying power through the procurement of goods and services, particularly in ICT, health, education and construction. Companies that do not satisfy certain empowerment requirements will not secure contracts to supply the State. Although the scorecard and charter apply also to foreign companies, enforcement is somehow more flexible. In the past, where government has sought to bring (usually international) equity partners into what it regards as strategic assets, such as ICT, the empowerment requirements on the partner have been constrained. For example, when 30 percent of State telecommunications utility Telkom was sold off, the bidders were not under any obligation to have empowerment companies as equity partners in their consortia. Rather, the State took responsibility for transferring some of the equity ownership to disadvantaged South Africans through a retail offering. The empowerment obligations on the buyers in the Telkom deal centred on training and affirmative action, with a small percentage (three percent) set aside for an empowerment entity.[29]

Although the empowerment path chosen by the ANC in South Africa is particularly responsive to the country's history, similar initiatives have been tried elsewhere in Africa. A similar process emerged two generations ago in decolonising West Africa. At that time, as Decker explains, foreign companies encountered rising pressure to change the composition of their workforce and to promote local ownership and management of their operations.[30] In 1960s Nigeria, according to Amao, the government's perception of foreign MNCs was laden with distrust. Leaders perceived the process of *indigenization* as a way of asserting the nation's right to exercise sovereignty over natural resources in their territory, regulate foreign participation, and

exercise the right to naturalize such investments.[31] From 1969, the government forced Nigerian equity ownership as a mechanism to retain profits in the country and also mandated Nigerian ownership and management control, particularly over manufacturing firms. It was a policy designed essentially to 'promote an indigenous capitalist class'.[32]

But in reality, these indigenization efforts did not broaden the basis of Nigerian participation in the economy. Technical, entrepreneurial and managerial expertise among average Nigerians remained relatively limited, while an élite of Nigerian businessmen and the Nigerian government benefited from that transfer.[33] As admitted in the 'Report on Vision 2010 Economic Direction', the process of indigenisation did not generally shift broad economic control to Nigerians, even as it did reduce foreign direct investment and interest in Nigeria.[34]

A similar process was evident in the Ghana. As Decker explains, the lack of representation of Ghanaians in high-ranking positions in a private sector dominated by foreign firms made companies vulnerable to public criticism and regulation. The process of *Africanisation* – training and promoting black African staff to managerial levels – became the key theme of staff development and recruitment from the 1950s up until the 1970s in the region.[35]

Contrasting with other African experiences of economic transformation, (BB)BEE in South Africa has not been aimed at terminating foreign control of business. I would argue the role of the state has also been limited. The South African strategy, according to Verhoef, has entailed a collaborative approach to empowerment, and foreign or 'alien' investors have not been driven out of the economy by means of timetables for implementation. Also, numerous attempts have been made to sustain confidence and cooperation internationally and from within the South African business sector, including foreign MNCs. The crux of South Africa's empowerment policy has not been the expulsion of foreign and white investors, but rather the integration of the black majority into the mainstream economy by facilitating the transfer and control from white South Africans to black South Africans.[36]

However, from the beginning of South Africa's (BB)BEE rollout, the lack of a clearer regulatory framework for transformation affected the confidence and cooperation with MNCs. The MNCs' initial reservations towards the BEE strategy soon translated in a lack of support for this policy. Business Map interviews with 25 MNCs in South Africa illustrate these firms' confusion and concerns about BEE compliance. Resistance existed particularly in relation to the transfer of equity, as foreign companies did not want to 'give away' shares in their companies. While BEE did not involve actually giving away part of the company, in most cases when undertaking a BEE deal, the full economic value of the percentage sold was not to be received. There was either an actual discount, or shareholders were required to subsidise the deal, most often through financing structures facilitated by the firm selling the equity.[37]

So while the collaborative and consultative nature of the implementation of new broad-based black empowerment efforts could set the programme in South Africa apart from the general trend in African states,[38] it remains problematic for an MNC to be fully compliant and contribute meaningfully to development and transformation through BEE, as we hope to illustrate in the case of Ericsson.

From South Africa to Africa: Getting the 'South African Way' Into Ericsson

> My role has been to get the 'South African way' into the company – (Ericsson's manager for (BB)BEE)

While post-Apartheid South Africa has been eager to welcome international capital, it is also fully committed to the country's transformation, and expects businesses to comply with its Broad Based Black Economic Empowerment (BBBEE) strategy. Ericsson has re-structured its local operations to better respond to the challenges of dealing simultaneously with the continuous market growth in Africa, while also participating in South Africa's transformation. In 2008 the company divided its operations into two entities: Ericsson South Africa (ESA) and Ericsson Sub-Saharan Africa (ASL). The split of the company apparently responded to two main issues: one, to improve their BEE profile so that they can access more business within South Africa; and two, to have separate structures for their South African and regional businesses outside of South Africa. Under the new setup, the regional company – not bound by the same BBBEE restrictions – will not invest resources and time complying with South African requirements that do not provide a direct benefit to the African business. The regional business will also be better positioned to return more of its profits to its global shareholders.

According to the company's official announcement, the restructuring of Ericsson South Africa responds to the need to establish a dedicated team to support its South African market within a context of growth and increasing competition. This approach has been also implemented in Nigeria, Senegal and Kenya. The local company is to focus entirely on the South African market and will continue to be an entity driven by local skills, wholly embracing (BB)BEE and transformation. In parallel, Ericsson sub-Saharan Africa will provide support to costumers across the rest of the market unit as well as costumers in South Africa. Both entities will continue to reside in the current Johannesburg offices.[39]

Ericsson's operations in South Africa generate an annual turnover above R35 million. Under South African (BB)BEE regulations, this means the company must comply with all seven elements of the scorecard, be verified once a year (according to the codes), and follow the ICT Charter as a guideline. As of September 2008, the company's BEE score stood at 73,72 percent, which placed them on a 'Level Four' of BBBEE recognition. Ericsson scored the maximum score on Preferential Procurement, Enterprise Development and Socioeconomic Development. Ownership is also high (18,56 out of 20), followed by Employment Equity (10,76 out of 15). However, the company scored poorly in Management Control (5,44 out of 10) and particularly in Skills Development (2,09 out of 10).

Ericsson is a global organization which dates back to 1876 and operates in over 140 countries, of which 43 are in the Sub-Saharan Africa Market Unit (MUSA). Its development as a multi-national corporation with subsidiaries in other countries dates back to its early years of operation. Today, the company serves more than 600 customers in over 175 countries. Their main sales by business activities for 2007 were Mobile Networks, Professional Services and Fixed Networks. According to the company's annual report, in 2006 it deployed several rural networks – bringing its technology to more people in more parts of the world than ever before. Net sales for the

year 2007 were US$2.6 billion with a global employee headcount of 74,011. The company divides its reporting by five regions: North America; Latin America; Asia; Western Europe and Central/Eastern Europe: and, finally, Middle East and Africa.

Ericsson's history in Africa dates back to the nineteenth century. The company began operations in South Africa around 1897. While it continued some operations elsewhere in Africa during the twentieth century, the company's presence was interrupted in South Africa in 1960, when the Swedish government prohibited companies from doing business in the country during Apartheid. In addition, the company's business model changed dramatically since the 1980s – when its operations throughout Africa were managed from offices in Sweden, Spain and Italy – as the telecommunications boom called for a more active local presence on the continent. When Swedish and international limitations on business in South Africa eased in the 1990s, Ericsson returned to the new market of a democratic and post-Apartheid environment. South Africa's advanced infrastructure, emerging economy, and corporate footprint were all central for Ericsson's success in the country, and for its regional expansion in Africa.[40]

Its breakthrough started in 1994, when South Africa licensed cellular telephony. Ericsson became then the sole supplier of GSM network infrastructure to MTN South Africa. Ericsson quickly launched operations in Johannesburg and soon after the company fanned out into the rest of sub-Saharan Africa. Customers in Africa now include major pan-African mobile operators such as MTN Group, Celtel, Vodacom, and Econet Wireless Group; large cellular networks such as Safaricom in Kenya; and fixed-line operators such as Namibia Telecom, Botswana Telecommunications Corporation and South Africa's Telkom. Currently, 25 percent of the company's business in South Africa is held by local entities: The Sisa Bikitsha Family Trust owns five percent, while 8 Mile Investments (another small entity) owns 20 percent plus one vote/share. Two out of the five members of Ericsson's local board are so-called previously disadvantaged individuals (PDIs).

After Ericsson re-entered South Africa in 1994, the focus of its Johannesburg office was on operations within South Africa, particularly to building MTN's local network. However, MTN's African expansion and other business opportunities in the region meant Ericsson secured five new contracts between 1996 and 1997: two in Botswana, one in Zimbabwe and one with MTN Uganda and one with MTN Rwanda. In 2002, the Market Unit for Sub-Saharan Africa (MUSA) was established in Johannesburg. The Market Unit manages a growing number of countries in Sub-Saharan Africa with operations concentrated on sales, marketing and services. There are now four hubs: Kenya (servicing East Africa); Nigeria (servicing English West Africa): Senegal (servicing French West Africa); and South Africa (servicing the Southern Africa region).[41] Although Ericsson's hub in Senegal is smaller and less structured than the office in South Africa, it has grown quickly: it opened with five staff in 2007 and in 2008 will hire about 100 employees to support 18 countries in that region. South Africa is also the head office of the Market Unit for all of Sub-Saharan Africa, serving as a regional hub, and hosting a pool of specialists who constantly move around countries.[42]

MTN provided the major local business opportunity for Ericsson, but the company has not been as successful with other South African customers. According to some managers of the Telkom account, this has been a complex customer both in the early

and late stages of transformation. Initially, as Telkom's white management structure remained tied to international companies who were not forced by their governments to leave South Africa during Apartheid (such as Siemens), Ericsson found itself in a disadvantaged position. More recently, as management became more (BB)BEE driven, actively pushing for a more representative managerial work force, Ericsson's transformation achievements (such as ownership) have fallen short.

The company also remains very active in countries such as Botswana, Tanzania and Mozambique, and is busy opening new country offices such as Zambia, Madagascar and Uganda. The opening of Ericsson's new office in Madagascar was driven from South Africa and responds to the need to be closer to customers. In this case, it also responds to the need to provide additional support to emerging operators, such as Madagascar's Telma. As explained by two key account managers in Madagascar, this has been a challenging experience due to the speed of the market growth; for the first six months of Ericsson's presence in the country, 50 people stayed at a hotel in Antananarivo working from the Telma office. It is also challenging due to the relative immaturity of the client company. As Ericsson's managers explain, while in other markets Ericsson's role ends when the equipment is sold, in Madagascar, as with many other operators in Africa, the company often has to go step further constantly helping operators to run the networks.

Similarly, the mid-2007 opening of the Zambia office was motivated by the need to be closer to the client company, Celtel. Managers in Zambia also support the company's business in Malawi and facilitated the opening of the Uganda office in early 2008. The speed and dynamics of this expansion are illustrative of the flexibility and rapid growth of the sector and the company itself.

Managers' perceptions, managers' realities

The experience and perceptions of managers working across the region speaks to the complex location of South Africa within Africa and the mixed ideas and representations of race and nationality. Managers were perceived differently on the grounds of being – or not being – Africans. As four managers highlighted, often the perceptions were contradictory; while local customers expected Africans represented within the company's workforce and at certain customer meetings, they preferred Europeans to discuss core technical issues and expected Europeans to provide solutions, as white faces inspired trust in the quality of the products and services of the company.

All managers hesitated to define South Africa as part of Africa, while 11 out of 12 agreed that the country, as an economic power in the region, needs to play a leading role in the development of its African neighbours. South African managers were particularly supportive of this approach, and indicated that they saw their country as an example to be followed in the continent. All managers were proud to work for the company and to be part of the telecommunications industry, particularly in Africa, and 11 out of 12 believed that their company was a better corporate citizen than their competitors in Africa. All managers interviewed had a good knowledge on the concept and importance of Corporate Social Responsibility (CSR).A full 10 out of 12 believed that MNCs had a role to play in the development of host African economies, most pointing out that their business already contributed to developmental efforts.

Over the last few years, as Ericsson's regional structure has been transformed into an integrated system, the regional hubs serve as resource centres, allowing Ericsson's business to be closer to customers. While the hubs are independent, they are fairly integrated with the head office in Johannesburg. According to Ericsson's managers, the establishment of the Market Unit for Sub-Saharan Africa (MUSA) in Johannesburg was a rational decision based on the availability of infrastructure, good connecting flights, a skilled workforce and a friendly environment for expatriates in the city.

Some managers calculated the company's growth at about 300 percent between 2003 and 2007. The company opened with 70 employees, had a headcount of 240 employees in 2002 and now 627 employees sit in South Africa. This does not include the more than 700 employees working at the other countries within the Market Unit. As the company has been rapidly expanding, all managers highlighted the overwhelming increase of workload; some even noted the growth probably surprised top management, as the company sometimes struggles to keep up with business. Most of the international managers who came to South Africa temporarily have had to extend their contracts unexpectedly and expand regions of operations at an incredibly fast pace. Managers are required to be constantly on the move in between different countries and dealing with an increasing number of accounts.

Although the expectation of all managers is that the office for the market unit will remain in South Africa, a top manager of the regional business said this has been questioned following past frustrations with the way certain aspects of the South Africa's (BB)BEE strategy have been managed. A main frustration was the lack of ICT knowledge and business commitment demonstrated by some of the new shareholders. The fact that meetings were often used to discuss empowerment administrative issues and not business concerns frustrated some members of the board and management. Managers pointed out that South Africa became a marginal source of profits, with the opportunities for the fastest growth located elsewhere in Africa. This put Ericsson and its Market Unit for Sub-Saharan Africa in an odd situation as the country office clearly became the resource centre for the rest of the region with most business activities and income coming from accounts in other African countries and not from South Africa. Although any relocation seems improbable in the near future, the company is indeed transforming, both as a response to market needs in the region and more increasingly to South Africa's transformation demands.

According to most managers, the company's (BB)BEE strategy has not been replicated in its operations elsewhere in Africa, since it is not required nor enforced elsewhere. Importantly, more than half the managers interviewed said they saw no reason for the application of such a strategy in other African countries. Even if all interviewees strongly agreed that (BB)BEE was the right thing to do, they also emphasized that it was only applicable to South Africa given its particular history of Apartheid. Remarkably, South African managers were much more supportive of the need to apply (BB)BEE in other African countries.

Under the scorecard's assessment, Ericsson's weakest showing is in its skills development programmes. A clear link between (BB)BEE and skills development was only identified by two managers, and although all managers agreed on their personal power to contribute to skills development, all of them said they lack the time to embark on such development. The managers were all critical of the lack of leadership from the

company's Human Resources department in this regard, even if they also pointed out that it is ultimately up to them to make any skills transfer possible. The company has embarked in 2008 on a Skills Development Project. They hope to develop a better strategy and find better mechanisms to capture and report on this element. Even if they spent major resources the previous years they did not have the mechanism in place to track and monitor this expenditure. They have now appointed a Skills-Development Coordinator and started collaborating with the Skills Education Training Authorities (SETA).

Employment equity is a second (BB)BEE element that Ericsson needs to improve, according to the scorecard, though the company's score has improved since the division from 7,63 to 10,76 out of a possible 15. Some of the managers surveyed said the company is committed to this element, but also feels committed to follow corporate policy. One top regional manager pointed to 'the Swedish way' of selecting the best person for the position based on their personal capacity, regardless of their colour.[43] Some managers added that complying with this Employment Equity element has been challenging, due to South Africa's scarcity of skills and heavy competition between existing companies for the small number of qualified individuals. As the BEE manager explains, it is challenging to get the right numbers of employees and to plan for skills development around these resources when poaching between companies is so common. In her view, compliance with employment equity is something good, but without a strong skills development foundation it will fail and only a small pool of 'untouchables' who are always on the move will be created.

Most challenging for Ericsson in the employment equity element has been the effect of the rapid growth of telecommunications in Africa, as this has been managed from their previously unified office in Johannesburg. As many expatriates managing the growing regional market are housed in the South African offices – even if they are not dealing with the SA business – they automatically affected the statistics on previously disadvantaged individuals (PDIs) employed at Ericsson before the division. Furthermore, their overall EE score is set to worsen, as a growing number of international experts are being brought in to South Africa to manage the company's growth in the region. Although the company's recent regional growth has benefited from its location within South Africa, Ericsson's compliance with empowerment regulations is not having a direct impact outside South Africa's borders.

Notwithstanding the company's good score for BBBEE indicators on business ownership, this element remains problematic. According to a top manager, the transfer to local ownership remains a challenge due to the lack of resources from blacks, as well as so-called 'fronting' practices that have been created to exploit the (BB)BEE policies. These 'fronting' businesses make it hard for companies like Ericsson to find shareholders who could both add value to the business while truly contributing to broad-based empowerment. In some managers' view, the broader black population of South Africa is not benefiting from the transfer of ownership because very few people have the money to invest in the industry.

Furthermore, while BBBEE entails a more comprehensive approach to black economic empowerment, perceptions of (BB)BEE among the company's managers – and the business's response – still concentrate on ownership issues. All managers interviewed identified the transfer of ownership as the cornerstone of the strategy.

Only four out of 12 identified the strategy as a programme to address the imbalances of the past and to distribute wealth in a more fair way. Notably, only two managers interviewed included the broader elements of BBBEE, such as preferential procurement, in their definition.

Conclusion: Ericsson's BEE transformation and regional implications

Under Ericsson's newly divided South African and regional structure, the Sub-Saharan Africa office managing the African market will still remain a South African registered company, and will need to comply with Department of Labour requirements on employment equity and skills development. However, it will not need to meet the requirements of the five other elements of the scorecard. Consequently, because local shareholding applies only to the company doing business in South Africa, the profits for the BEE shareholders will most certainly be reduced significantly, as dividends will now exclude the fast growing African market.[44] Under this new structure, local shareholders will be under greater pressure to improve business within South Africa if they want to keep benefiting from high dividends, while Ericsson could send more profits back to Stockholm for distribution to global shareholders.[45] Overall, as the BEE profile of the regional entity will be irrelevant to their customers outside of South Africa, the pressure to comply will be minimal for this entity.

Although Ericsson could certainly be criticized for the decreased dividends for the local shareholders, this is not likely to have much impact on their contribution to broad empowerment within South Africa. Although South African shareholders will no longer reap the benefits of the African telecommunications growth, they will still gain from the South African operations. Furthermore the company is now looking at increasing the local ownership for the South African entity through an employee shareholder scheme[46] and has increasingly become more consistent with its skills development strategy. As the South African entity is under greater pressure and now greater freedom to improve its BEE score, it could be expected that they will be more committed to local empowerment. Nevertheless, at this point in time these are just assumptions and the real impact of the split could just be evaluated in the years to come.

Concluding remarks

The combination of African growth in the telecommunications sector, the power of an ICT multinational, and the (BB)BEE regulations within South Africa are not providing financial gains for regular Africans, are not affecting the operations of MNCs in a significant way, and have not provided broad economic transformation within South Africa. South Africa boasts a number of attractions for foreign investors, placing it in an advantage position in the African context. The dynamics of telecoms in Africa and of Ericsson's regional operations in and operating from South Africa suggest that there are several links between South Africa, international capital, and Africa's development that require further research. A thorough evaluation of (BB)BEE's impact – especially of local ownership, and the resultant generation of profits for a small group of shareholders – is required, particularly for MNCs based in South Africa and rapidly expanding into Africa.

Although the economic importance of MNCs has been identified by several African governments over the last decades, governments seem to be failing in the implementation of mechanisms that envision a broader contribution from these companies to the positive transformation of host economies. Neither indigenization nor Africanization experiments seem to have provided a broader framework to facilitate transformation through the systematic transfer of knowledge, development of smaller enterprises and contributions to social and economic upliftment as the BBBEE does in South Africa, even if not specifically aimed at MNCs. As transformation initiatives seem to be broadly supported when there is a clear justification for it, like South Africa's history of Apartheid, any efforts for MNCs to comply with (BB)BEE or any other local regulation need to be enforced through a combination of instrumental elements (provide profit) and ethical ones (is the right thing to do). Without a combination of these two, they are unlikely to translate into sustainable change.

Notwithstanding government efforts in South Africa to make its (BB)BEE strategy more comprehensive, the focus on equity remains. This has diverted the attention away from the so-called 'soft issues' of economic empowerment, such as the development of human capital, which are central for long-term sustainable development and where MNCs have a central role to play. The fact that all managers acknowledge their power to have an impact on host economies (through, for instance, skills development), suggests that any meaningful transformation in South Africa and in the continent requires the buy-in from management. It is human agency that in the end will facilitate the means and resources for transformation.

Ericsson's split of its South African-based operations into two separate companies, as well as its rapid expansion in Africa, demonstrates the great flexibility of capital to adapt to local realities. It also shows that African countries still need to learn how to simultaneously collaborate with and regulate capital, particularly strategic capital in dynamic sectors, such as ICT. While MNCs find creative ways to avoid extra costs on their operations and on their capacity to improve profits, African countries still struggle to regulate capital's behaviour to serve local needs and benefit from the wealth of the continent. The injustices of a racially-divided colonial past probably still dominate public mindsets and policies, and this may prevent states to envision innovative long-term empowerment strategies that are needed for transformation and development. If empowerment efforts are guided by the belief that the 'colour' of capital is what matters and not the way in which it behaves, this will be highly problematic for achieving socioeconomic change in South Africa or elsewhere. The difference between being a 'black' and an 'empowered' entity needs to be emphasized in the African context for real transformation to take place. All capital – black, white, yellow or blue – needs to be responsive to development needs.

In a capitalist twenty-first century, the first priority of international capital and MNCs is to maximize profits, even if in the case of ICT, it also has a secondary outcome of contributing to development through growth and innovation. On the other hand, a key role of governments is to successfully regulate this capital and maximize this growth and innovation in ways that benefit the majority of its own people. Citizens also have an important role to play in holding both capital and governments accountable. If capitalism has broadly reduced citizens to consumers, citizens must

then become central forces of change through their power as consumers and shareholders.

Notes

1. BBBEE refers to the strategy, BEE refers to the strategy as it was previously called or to the generic notion of economic empowerment of blacks and (BB) BEE when I refer to a situation that relates to both.
2. UNECA (2006). 'Economic Report on Africa; Capital Flows and Development Financing'. United Nations Economic Commission for Africa, United Nations Publications. Available online, URL: www.uneca.org/era2006/
3. Carmody, P. (2002) 'Between Globalisation and (Post) Apartheid: the Political Economy of Restructuring in South Africa', *Journal of Southern Africa Studies,* Volume 28, Number 2, June.
4. Organisation for Economic Co-operation and Development OECD (2002). 'Foreign Direct Investment for Development, Maximising benefits, Minimising costs' Overview.
5. See UNECA (2006). 'Economic Report on Africa; Capital Flows and Development Financing'. United Nations Economic Commission for Africa, United Nations Publications. Available online, URL: www.uneca.org/era2006 and NEPAD (2001) The New Partnership for Africa's Development http://www.nepad.org/2005/files/documents/inbrief.pdf October.
6. Mwilima, N. (2003). 'Foreign Direct Investment in Africa', Social Observatory Pilot Project – Final Draft Report – FDI, Africa Labour Research Network, September.
7. According to the UN and the OECD, Multinational corporations are an important vehicle for the movement of direct foreign investment and as they are the developed world's most important source of corporate research and development (R&D) activity, they have the potential to generate considerable technological spillovers.
8. Organization for Economic Co-operation and Development – OECD (2002). 'Foreign Direct Investment for Development, Maximising benefits, Minimising costs'. Overview.
9. Mwilima, N. (2003). 'Foreign Direct Investment in Africa', Social Observatory Pilot Project – Final Draft Report – FDI, Africa Labour Research Network, September.
10. Klein, M., Aaron, C., and Hadjimichael, B. (2001). 'Foreign Direct Investment and Poverty Reduction', World Bank Policy Research Working Paper No. 2613, June.
11. There are several negative aspects related to FDI including a deterioration of the balance of payments as profits are repatriated (albeit often offset by incoming FDI), a lack of positive linkages with local communities, the potentially harmful environmental impact of FDI, especially in the extractive and heavy industries, social disruptions of accelerated commercialisation in less developed countries, and the effects on competition in national markets. See Mwilima op.cit.
12. Klein, M., Aaron, C., and Hadjimichael, B. (2001). 'Foreign Direct Investment and Poverty Reduction', World Bank Policy Research Working Paper No. 2613, June.
13. Prahalad C. K. (2004). 'The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits', Wharton School Publishing.
14. Public presentation by Safaricom and other operators attending the AfricaCom Event in November 2007 in Cape Town, South Africa. For more information see www.ComWorldSeries.com/Africa.
15. Newman, M. (2007). 'Mobile Operator Strategies' Mobile Market status 2007'. Informa.
16. In some cases, MNCs also facilitate development when they are forced to build other needed

infrastructure for the roll-out of the equipment as illustrated in Nigeria. The manager of Celtel Nigeria explains that while in other continents operators just need to build a switching network and the other infrastructure is in place, in most of Africa they have to build three networks; switching, transmission and power network. Interview at Africacom 2007, Cape Town, op.cit.

17. Gray, V. (2006). 'The Un-wired Continent: Africa's Mobile Success Story', Published in *Economía Exterior* (No. 36), Spring.
18. Mc Lean, A. (2008). *The Economist:* 'Making the business case for Africa', Business Intelligence Unit, the Economist. E-mail letter to subscribers. September.
19. International Telecommunication Union (ITU). (2001). 'Telecom Africa 2001, Africa a Regional Overview', Available at: http://www.itu.int/AFRICA2001/press/presskit/backgrounders/overview.html. Accessed on 23 November, 2007.
20. According to figures provided by the ITU, data on the number of African households with a mobile phone are sketchy but for those countries that compile this statistic, the results are also impressive. In South Africa for instance, 32 per cent of households have a mobile compared to only 24 per cent for fixed. See International Telecommunication Union (ITU). (2007). 'Connect Africa', Available at: http://www.itu.int/ITU-D/connect/africa/2007/current.html. Accessed on 25 November 2007.
21. It should also be noted that subscriber statistics do not tell the entire story since the number of mobile users is higher than the number of subscribers. Informal sharing with family members and friends and community phone shops provide access to mobile services even to those who cannot afford to own their own phone. See Gray, V. (2006), op. cit.
22. According to the International Telecommunications Union (ITU) research, persons in countries like Namibia, Ethiopia, and Zambia, for example, spend more than ten percent of their monthly household income on the phone, with households in South Africa and Tanzania spending 6.8 and 5.9 percent, respectively. This compares to an estimated three percent in most developed countries. See International Telecommunication Union (ITU). (2004). 'Africa 2004 Special Report Mobile Africa, Africa: The world's fastest growing mobile market', Available at: http://www.itu.int/itunews/manager/display.asp?lang=en&year=2004&issue=05&ipage=africaMobile&ext=html. Accessed on 25 November 2007.
23. In CREFSA, London School of Economics. Thomas, L., Leape, J. with Hanouch, M. and Rumney, R Business Map Foundation (2005). 'Foreign Direct Investment in South Africa: The initial impact of the Trade, Development and Cooperation Agreement between South Africa and the European Union', Available online: URL: http://www.lse.ac.uk/Depts/CREFSA/pdf/CREFSA_BusinessMap_FDI_in_South_Africa_October_2005.pdf . Accessed on August 23 2008.
24. Marais, H. (2001). *South Africa Limits to Change: The Political Economy of Transition.* Cape Town, UCT Press.
25. Verhoef, G., 'Economic Empowerment and Performance: Strategies Towards Indigenisation/Black Economic Empowerment and the Performance of such Enterprises in Nigeria and South Africa, since the early 1970s to 2002'.
26. Businessmap (2007). 'BEE 2007, Empowerment and its critics'. On line. Available at: http://www.businessmap.org.za/Documents/1468/BEE_2007_Final.pdf. Accessed on 19th June 2008.
27. According to Businessmap all in all, there are at least 24 laws as well as policy and regulatory provisions dealing with empowerment. See Businessmap (2006), 'BEE Rationale and Evaluation'. Available on line at: http://www.businessmap.org.za/

page.asp?PID=43. Accessed on May 22 2008. Some of these provisions include: the Employment Equity Act (1998), which requires employers to implement affirmative action in favour of Previously-Disadvantaged Individuals (PDIs) to ensure equitable representation at the workplace; the Preferential Procurement Policy Framework Act of 2000, which provides a framework to encourage procurement from empowered entities; and the Skills Development Act (1998), which provides an institutional framework for improving the skills of the South African workforce. In Bezuidenhout, A., Lutchman, J., Modisha,G., Sanchez, D. & Southall, R. (2005) 'Overcoming the Legacy of Discrimination in the Economy', in Democracy and Governance, 'Overcoming the Legacy of Discrimination in South Africa, Final Report', Report of the Democracy and Governance Programme in partnership with SWOP (Wits) and SCI (HSRC) to the Presidency, South Africa, February. Pretoria: HSRC.

28. Charters (i.e., those negotiated by the Liquid Fuels, Mining, ICT and Financial Services industries) bind companies to certain targets for equity transfer and other actions. In Businessmap (2006) 'BEE Rationale and Evaluation'. Available on line at: http://www.businessmap.org.za/page.asp?PID=43. Accessed on May 22 2008.
29. Businessmap (2006) 'BEE Rational and Evaluation'. Available on line at: http://www.businessmap.org.za/page.asp?PID=43. Accessed on May 22 2008.
30. Decker. S., (2007), 'The Colonial Legacy in African Management; West Africa (1950 to 1970's) and South Africa, 1990 to 2000s)', eds., International Seminar Series. HBS International Seminar Series, Harvard Business School. Boston: Harvard Business School, pp.22 Available online: http://www.people.hbs.edu/jsiegel/Decker20071107.doc. Accessed on August 21st 2008.
31. The 1968 Companies Act for instance, introduced the requirement for a foreign corporation to reincorporate as a Nigerian company before it could operate in Nigeria and this requirement is still part of Nigerian law. See Amao, O (2008). 'Corporate Social Responsibility, Multinational Corporations and the Law in Nigeria: Controlling Multinationals in Host States', *Journal of African Law,* 52, 1.
32. Verhoef, op.cit.
33. According to Verhoef, as indigenisation failed to promote the emergence of broad-based indigenous ownership and enhanced state ownership, post-indigenisation policies brought a reversal of such concentration effects through the introduction of privatisation policies during the 1980s. Op. Cit.
34. It is worth noting that these policy initiatives clearly echo the broad economic policy statement of the New Economic Partnership for Africa's Development (NEPAD) which embraces neo-liberal policies and recognizes the need of private capital for the development of the continent.
35. Decker, op.cit.
36. Verhoef, op.cit
37. CREFSA, London School of Economics. Thomas, L., Leape, J. with Hanouch, M. and Rumney, R., Business Map Foundation (2005), 'Foreign Direct Investment in South Africa: The initial impact of the Trade, Development and Cooperation Agreement between South Africa and the European Union' Available online: URL: http://www.lse.ac.uk/Depts/CREFSA/pdf/CREFSA_BusinessMap_FDI_in_South_Africa_October_2005.pdf . Accesed on August 23 2008.
38. See Verhoef, op.cit.
39. Ericsson Company's letter; 'Restructuring of Ericsson in South Africa'. Announcing the changed in February 2008 and facilitated by the Company.

40. According to a *Cape Times* Business editorial, Johannesburg, was in 2007 the only African city that made it to the top 50 (it was ranked 47th) in the MasterCards Worldwide Centres of Commerce index ranking cities on legal and political frameworks, economic stability and ease of doing business within other criteria. (*Cape Times,* Business Report, November 28, 2007). Not surprisingly, the city is likely to be used by multinationals to manage local and regional operations and benefit from the country's infrastructure. Ericsson has been no exception.
41. In Kenya, Ericsson had an agent since the 1960s and then in 2004 a project office which became a legal entity and the hub for Eastern Africa in 2007. Similarly Nigeria was initially a small project office in the sixties but grew stronger from the 1980s and consolidated itself as a regional hub (with the advent of GSM in Nigeria and Ericsson's 40 percent market share in the region) from 2006/7.
42. The hub in Senegal opened in 2007 mainly to support the regional expansion of the operator Orange in the region and to build French speaking resources in a growing regional market. As a manager in Dakar explains, Senegal was chosen for market reasons, for its location, its stable democratic system and the connecting flights available.
43. They suggested more focus in providing bursaries and skills development and they acknowledged the central role they could play in this. Even if they are currently interacting with universities and taking black graduates, they are interested to start even at earlier stages by for instance helping PDIs to get to school.
44. As there are no accessible reports on the shareholding agreement with BEE partners, the author is making an assumption here based on the interviews and the global reporting of the company.
45. According to Ericsson's 2007 annual report most shareholders are in Sweden (46.1 percent) and the USA (32.3 percent). These are followed by the UK(6,7 percent), Luxembourg (3,9 percent), Switzerland (1,9 percent), France (1,3 percent), Netherlands (1,1 percent), Denmark (1,0 percent), Norway (0,7 percent), Belgium (0,5 percent) and other countries (4,5 percent). It is important to note that the increased participation of the US probably responds to acquisitions such as US Marconi.
46. According to Ericsson's manager for BBBEE, the company is actively looking at this option under the new set-up.

Diana Sánchez
Human Sciences Research Council
South Africa

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William G. Martin

South Africa's Subimperial Futures: Washington Consensus, Bandung Consensus, or Peoples' Consensus?

South Africa has long dominated its neighbours. As the essays in this issue chart, 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 project makes a major contribution to the study of both South Africa and the region by providing, for the first time, close and careful studies of how new relationships have been formed as South African firms have expanded across the region and continent. This work thus begins to provide what none of the studies in the last quarter century have: the material to build up, from concrete studies of South African capital and local actors, the regional and incipient continental network centred on South Africa.

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, as part of a project involving a group at Binghamton University and a group at the Centro de Estudos Africanos at Eduardo Mondlane, I worked on an assessment of the future of southern Africa with the expected passing of the coercive relationships constructed under the apartheid regime (Wallerstein, Vieira, Martin 1992). At the time I and others (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.

While some projections were prescient – including continuing uneven development and a rise in conflict and xenophobia over migrant flows in the absence of apartheid boundaries – hindsight suggests we proceeded with two unqualified assumptions: One, we placed too much emphasis on and faith in the decisions of states inherited by national liberation and mass democratic movements, and two, we assumed stability in North-South relations. These were not unreasonable assumptions; they are still shared by many today. Past scholar activists now serving the ANC government as well as those opposing it share, for example, a heavy focus upon state action and Africa's location along a fixed, North-South axis.

Looking forward, however, these assumptions seriously misled us. For what was unforeseeable in the 1980s and even 1990s is now, I would argue, not only discernible but quite critical to build into our analyses: 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 long-run to considerably undermine South Africa's dominant position in the region and the continent.

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 'semi-peripheral' 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 Afro-pessimists keep reminding us, there doesn't seem to be much place for Africa in today's chaotic world-economy beyond 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 circumscribed around 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.

What *has* startled and unnerved Northern business and government observers is the unheralded arrival of a new challenger to European and 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).

The World Bank exaggerates, as do the pages of the Northern press and policy journals that are littered with a racially- and colonially-tinged discourse on China's 'African Safari', China's role as 'The New Colonialist', or China's 'Scramble for Africa' (for example, *Economist* 2006, 2008; Walt 2006). Data on the continent's imports for the last twenty-five years present a less dramatic picture, even taking into account the recent commodity price increases (see Martin 2008: 365): trade with Europe and the US has been declining for over a generation and still outweighs East Asia's share. The long-term trend is nevertheless evident: 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. Indeed measures of export diversification record over a fifty percent *decline* for the continent in the midst of the current commodity price bubble (African Development Bank and OECD 2008: 658). Exports to Asia replicate Africa's relationship with the North: they are predominantly composed of primary products, from oil, to minerals, to cotton. Africa's imports from Asia follow a similar pattern, being composed primarily of light industrial products and rising from very low figures in the 1980s to actually surpassing imports from the US and approaching import values with Europe (Martin 2008: 365).

Asia is also much more important as a trading partner for Africa than Africa is for Asia. While China, India and Asia as a whole are beginning to dominate Africa's imports and exports, Africa in 2005 took only 2.5 percent of China's exports and less than 2 percent of Asia's exports, and represented but 3.4 percent of China's imports and less than 2 percent of Asia's imports. Nor is this figure increasing: the share of both imports and exports is less than it was in 1980, with the export share falling by over half (calculated from IMF 2007). This reveals a pattern of unequal exchange and power, common for so long with Europe and North America.

Investment flows are lower and harder to track over time (for example, Broadman, 2007, 86-94, 289-304). They are however rapidly increasing from a very low base. By 2006 Chinese investment in Africa had risen to approximately $12 billion by some estimates, as compared to bilateral trade of $56 billion; Indian investment adds another $7 billion (Bajpaee 2008). Most visible are projects in resource-rich states by Chinese firms, with over 800 Chinese state firms estimated to be operating in China. In the Sudan, for example, the state-run oil company PetroChina is the second-biggest shareholder, after Malaysia's Petronas, in the Sudanese oil-consortium Petrodar; the China National Offshore Oil Corporation (CNOOC) has been made billion-dollar investments in Nigeria; and Beijing has loaned over $2 billion to Angola.

Expansion extends beyond resource extraction and loans to infrastructure and construction as well. In late 2007 it was announced for example that China would rebuild Congolese railways, mines, and roads at a cost of $12 billion in exchange for the right to mine copper to that value. By some estimates Chinese firms are winning 50 percent of all new public works projects in Africa (*Financial Times,* 2008). Significant

investments in the financial sector have also emerged, as in the late 2007, $5.5 billion purchase by the Industrial and Commercial Bank of China of a 20.5 per cent stake in South Africa's Standard Bank, and the China Development Bank's partnership with Nigeria's United Bank for Africa. The sight of Chinese businessmen, miners, labourers and traders is now common across the continent; the Chinese state-run Xinhua News Agency estimated last year that over 750,000 long-term Chinese migrants were living in Africa (Berger, 2007).

These relationships prefigure a significant shift away from the institutional channels that have so securely tied Africa to the North. Africa's richer states now bypass international financial institutions and northern banks, for example, and arrange loans directly from China which allows them, as in the Angolan case, to avoid the structural adjustment conditionalities imposed by western states and the IMF. Asian multinationals and Chinese state firms similarly provide competitors for western multinationals in the mining, oil, and even merchandise trade sectors.

There is a countervailing cost here however: despite Asia's and especially China's revolutionary history, it is clear that Africa's new relationship with Asia and China in particular has not benefited trade union or social justice movements. As African activists and scholars have argued (Manji and Marks 2007, Rocha 2007, Riebeiro 2007, Askouri 2007), China is no better friend of local movements than western states, with China supporting repressive regimes from the Sudan to Zimbabwe. Overall, the practices of Chinese firms and state agencies have paid little heed to local demands for human rights, labour union rights, transparency, or environmental protection. This has fuelled local small businessmen's and opposition leaders' denunciation of Chinese businesses in Lesotho and Zambia for example. Workers at Chinese firms have also increasingly gone on strike against poor pay and working conditions, most notably at the Chambisi mine in Zambia where after 49 workers died in 2005 due to unsafe working conditions, riot police were called out to quell a 2005 strike.

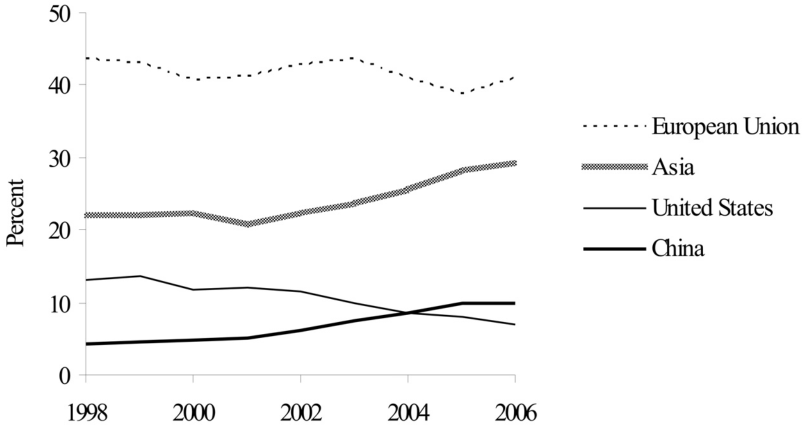
Transnational movement linkages with China have proven very difficult to construct. Such relationships have in other cases proven critical, as in African-European movement collaboration in relation to the Sudan, the Niger Delta, or Zimbabwe, or, closer to home, the coordinated blocking by African activists and trade unions of the unloading of arms bound for Zimbabwe from the Chinese ship 'An Yue Jiang'. Such alliances have yet to be made with Chinese civic organizations or movements, a process rendered very difficult indeed by the Chinese government's controls over local civil society organizations, social movements, unions, and the media.

South Africa Faces East

By contrast to the rest of the continent, South Africa possesses industrial, commercial, infrastructural and financial power. Yet South Africa has also 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 percent to 11 percent), and increased 50 percent from all of Asia to reach 30 percent 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

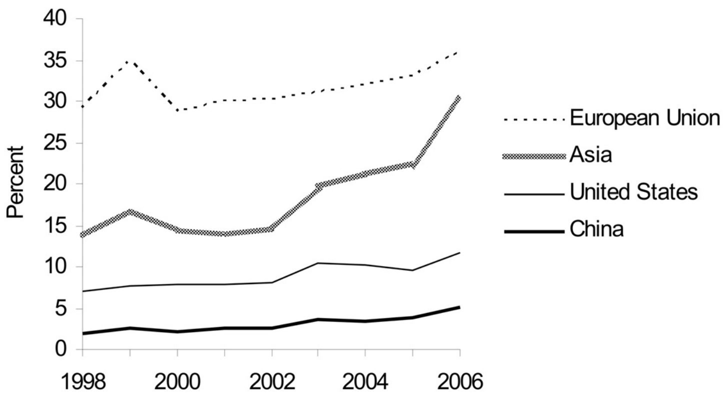
(from 14 to 30 percent for Asia and from less than 2 percent to over 5 percent for China).

Figure 1: South African Imports: Europe, US, Asia, China



Source: IMF, 2007.

Figure 2: South African Exports: Europe, US, Asia, China



Source: IMF, 207.

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 special issue document, 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 percent). Exports to SADC states have actually *declined* to around 10 percent 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 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

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

Source: UN, 2007

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 (Kaplinksy 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 (Kaplinksy and 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 with 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.

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 in 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 point toward quite different processes at work.

Regional Scenarios: Washington Consensus, Bandung Consensus, or 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 African 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 a de-legitimized 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 African 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 for example 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-globalization' governments, particularly in Latin America. Seen from the Asian side of the Indian Ocean, such a prospect offers China and potentially India the means to secure their geopolitical and geo-economic 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?

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 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 programmes and asserting control over natural resources. For some this portends a new version of Polanyi's analysis of the mid-twentieth century counter-movement 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 'anti-globalization' 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 semi-peripheral 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 neoliberal 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.

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 operates. 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).

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.

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William G. Martin
Binghamton University

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BOOK REVIEWS

Anthony J. Bebbington, Samuel Hickey and Diana C. Miltin, eds., *Can NGOs Make a Difference? The Challenge of Development Alternatives*. London, Zed Books, 2008.

Kirk D. Helliker
Department of Sociology
Rhodes University
Grahamstown
South Africa

This edited collection is based on papers delivered at the fourth 'Manchester' conference on NGOs, in 2005. Besides two introductory chapters and a conclusion, there are fourteen chapters divided into three thematic sections. These chapters cover an incredibly diverse range of NGO forms and practices, including research, advocacy and development, and they are written by academics, practitioners and activists. Amongst other foci, there are discussions about health promoters in Bolivia, the international mobilization of slum/shack dwellers, and village-based interventions in rural India.

The volume raises important points about the complex and contingent relations between indigenous NGOs, international NGOs, global donors, nation-states, local government systems, and social movements. Regrettably, the chapters do not sufficiently interrogate the notion of 'non-governmental organization'; in fact, it seems unlikely that the different chapters are even talking consistently about the same organizational form. As used in this collection (and in the 'NGO literature' more broadly), the term NGO is so all-encompassing and inclusive that it is becomes almost nebulous and without meaning. The notion needs to be unpacked with finer and more nuanced conceptual thinking and tools, or discarded altogether if found conceptually wanting.

The overarching theme that is meant to draw the chapters together is the question of NGOs as 'alternatives', although this is pursued with considerable unevenness. Of course labelling NGOs as alternatives is not a particularly new conceptual endeavour. After all, much of the earlier literature on NGOs (including publications based on previous 'Manchester' conferences[1]) sought to identify and define the 'comparative advantage' of NGOs vis-à-vis nation-states in Africa, Latin America and Asia. In this sense, NGOs (as part of civil society) were seen as 'alternatives' to corrupt and inefficient states, or perhaps as complementary to them.

The international turn to NGOs, and indeed the massive explosion of NGOs from the 1980s, was part and parcel of neo-liberal restructuring on a global scale, including programmes of privatization, 'de-regulation' and de-centralization. Intriguingly, nowadays NGOs are posited to be 'alternative' insofar as they bite the hand (the neo-liberal donor community) that feeds them, i.e. to the extent to which they seek to move beyond the ideologies and practices of neo-liberalism. This is one key sense in which the editors (in their introductory chapter) employ the term 'alternative', though not the only sense (see below). The three main sections focus on NGO alternatives under pressure, pursuing alternatives and being alternative.

Generally speaking the chapters cover thematic ground that has been trod often in the voluminous NGO literature, including recurring points about NGO upward and downward accountability, NGO effect and impact, and the space/room available for NGOs to manoeuvre. However, to their credit, many of the chapters offer reasonably 'rich descriptions' of NGO and donor practices (for example, chapter eleven on the Dutch NGO known as ICCO and its current organizational restructuring) and of social and political processes (for instance, the relationship between state policy formation/implementation and the varied use of evidence by advocacy NGOs, as discussed in chapter seven).

Without doubt, each reader of this volume will find a few chapters that are noteworthy and innovative from his or her perspective. I highlight two chapters that I find especially significant and illuminating, both of which are found in the section on 'alternatives under pressure'. I end with a few comments on the introductory chapter by the editors.

Chapter three, by Evelina Dagnino, neatly and perceptively captures the intricate relationship between neo-liberalism and NGOs when she speaks about the 'perverse confluence between participatory and neo-liberal political projects'. Although these projects are said by Dagnino to be fundamentally different in substance, in practice there are often remarkable similarities in these 'projects' (used in the Gramscian sense) in terms of discursive meanings and institutional practices. She highlights this in relation to the different understandings and applications of the notions of civil society, participation and citizenship. Her argument implies that sensitive renderings are required when evaluating whether particular NGO forms and practices are challenging and transcending neo-liberalism or contributing to its reproduction; the substantive content of these forms and practices must be thoroughly investigated before any such conclusion can be made. This means that a particular NGO practice (for example, initiating and supporting community forestry ventures) cannot necessarily be labelled as neo-liberal simply because it is consistent with neo-liberal restructuring (in this case, the privatization of state forests).

Chapter six (by Alan Fowler) raises the critical point of the 'new security agenda', in the light of the 9/11 attacks on American soil. Given the ongoing and (in fact, deepening) dependence of NGOs on official development aid, Fowler brings to the fore 'serious questions' around 'the growing integration of overseas development assistance ... into a comprehensive security strategy for the West'. He outlines the numerous constraints, some seemingly self-generated and self-imposed, which inhibit progressive NGO work in the context of the global 'war against terror'. Indeed, as Fowler indicates, poverty reduction measures may merely become just another instrument (almost literally) for reducing social and political instability in the nations of peripheral capitalism, thereby reducing any challenges to the world hegemony of the United States. Disturbingly, this is a position that USAID has officially adopted (and practiced in Iraq), whereby American foreign policy is seen to rest on the 'three D's' strategy, that is, diplomacy, defence *and* development.[2]

Finally, the introductory chapter by the editors focuses on the critical distinction between reformist 'development alternatives' and more far-reaching 'alternatives to development'. This relates to the distinction, also noted by the editors, between – respectively – 'big d' and 'little D' development, in which the former involves specific

development interventions in peripheral capitalism (by outsiders) and the latter involves the contradictory development processes embedded in world capitalism.[3] According to the editors, NGOs are normally involved in (if not restricted to) refining development methodologies – i.e. in formulating development alternatives – by changing the mix of participatory and partnership techniques (along the lines regularly emphasized in the development series published by Oxfam[4]). Despite their lofty missions and best intentions, NGOs have clearly failed to demonstrate a similar disposition and capacity to engage in alternatives to the unevenness of global capitalism, or to seek an alternative to development alternatives so to speak.

At the same time, whether or not NGOs are 'designed' to facilitate alternatives to capitalist development is highly debatable. In order to clarify this point, more general sociological theorizing of NGOs as a particular kind of 'social form' in modern capitalism is needed. Unfortunately, in terms of conceptual work and insights, this volume (like much of the 'NGO literature') remains within the confines of middle-range theory. Mega-theorizing about NGOs remains a serious weakness in the NGO literature, but is a necessary basis for advancing our understanding of the world and work of NGOs.

Notes

1. Particularly influential has been the volumes edited by Michael Edwards and David Hulme.
2. See for example USAID, 2002. *Foreign Aid in the National Interest* Washington.
3. Crewe and Harrison make a similar distinction, between the development industry and the development system. Crewe, E. and E. Harrison, 1998, *Whose Development? – An Ethnography of Aid*, London, Zed Books.
4. For instance, Eade, D., ed., 2003, *Development Methods and Approaches – Critical Reflections*, Oxford, Oxfam GB.

Dapo Adelugba and Philip Ogo Ujomu, eds., *Rethinking Security in Nigeria: Conceptual Issues in the Quest for Social Order and National Integration*. Dakar, CODESRIA, 2008. x plus 162.

Wilson Akpan
Department of Sociology
University of Fort Hare
East London
South Africa

This book is likely to strike many readers as an audacious new intervention in one of the better known discourses in political science and international relations – the discourse on high politics. The terrain of high politics is characterized by the laws, policies and actions that states pursue in order to ensure their very survival. With its core focus on national security, high politics has conventionally been contrasted with economic and social issues that (according to conventional wisdom) have a less direct relationship to national security.

While the dichotomy between 'high politics' and 'low politics' is increasingly being questioned, with many analysts rightly seeing such a distinction as tenuous,

Rethinking Security in Nigeria attempts to move away from the realist-militarist ferment of the discourse on high politics. Indeed, the goal of the seven chapters of this book is not just to introduce an epistemology that 'softens' the realist aura that the discourse on national security has historically exuded, but also to expose the fact that 'national security' is a problematic concept whose character is not fixed.

The failure of military might, intelligence-gathering capabilities and economic prowess to guarantee the security of the world's most powerful nations necessitates a departure from a realist-militarist approach to national security. To understand the nature of insecurity in general, and in particular insecurity in a postcolonial African country like Nigeria, it is imperative to part ways with established paradigms.

It is against this background that the book offers an aesthetic-ethical-cosmological alternative, with analytical insights drawn from philosophy, theatre arts, and African and European studies. The book's substantive chapters (besides the introduction) expound on this alternative, the contributors being mainly the two editors (writing as individuals or in collaboration with each other, or with their colleagues). Five chapters are authored in this way; only chapters five and six do not have the editor's direct imprints.

The most theoretically robust exposition of the book's intent is in chapter two, authored by Ujomu. This is where the case is made for the infusion of insights from the humanities into the debate on national security. But such insights come alive only when one apprehends the limitations of the realist paradigm, which the chapter carefully documents. Ujomu's critical engagement with the 'idea and scope of security' is particularly refreshing. A realist-militarist conception of national (and international) security, Ujomu argues, fails principally because the multiple impulses lurking behind the very notion of security form a shifting configuration that is not amenable to a simple analysis.

We know, for instance, of the inherent dilemma in states' efforts to secure themselves (within their territorial boundaries): often their neighbours view such efforts as a threat to their own security. What is more, the 'idea of human security' is often discursively different from the 'idea of transnational human security'. The 'idea of societal security' is not exactly the same thing as the 'idea of women's security'. Even so, Ujomu further suggests, it seems that developed and developing countries do not quite mean the same thing when they talk of security: 'the sense of insecurity from which [Third World] states suffer, emanates, to a substantial extent, from within their boundaries'. Thus, political office holders in many Third World countries tend to define national security 'primarily in terms of regime security rather than the security of the society as a whole' (p.13). In the particular case of Nigeria, the empirical setting of the book, Ujomu criticizes 'the serious tendency [by governments to emphasize] fear, chaos and conflict as these arise from situations of violence and instability' (p.14).

As the above logic unfolds, the imperative of a new, soft idea of security becomes inescapable. It is the 'philosophical idea' – or more specifically, an 'ethical and aesthetic idea'. But what does it mean? This is the question that leaps at the reader, and which the author of chapter two tackles at considerable length. Yet the reader will be disappointed if he or she is searching for a very coherent discussion. The chapter examines themes such as imagination, morality, values, consciousness, human nature, supernaturalism (the possibility that insecurity might originate from a world beyond

the one we see), transcendentalism, inhumanity and several others. Set in Nigeria, the volume does raise issues that Nigerian readers will find familiar, but which western readers especially might find audacious, if not incomprehensible. But then an aesthetic-ethical-cosmological framework was always going to be at worst provocative, and at best a soft entry into the discourse on high politics, a terrain long driven by the realist paradigm.

Every time we come face to face with, or picture in our minds, an object we love – an object of beauty – we receive in return joy, pleasure or other emotions of comparable strength or depth. This central theme in aesthetics may have no immediate link to the subject of security. Yet, argue Ujomu and Adelugba, it does – especially when the links between aesthetics and ethics are well demonstrated. The argument is made in chapter three that once humanity begins to find value and beauty in social order, harmony and fairness, it will do all in its power to promote the ethical values and social systems within which order, harmony and fairness flourish. 'The spectral issues arising from the interrogation of attitudes, presuppositions, norms, conduct and systems of socialization', they maintain, 'are all within the province of the aesthetic consideration of security' (p.60). The chapter thus emphasizes the role of fiction, 'possible worlds' and cinematography in the imagining of security.

Many readers will find Irene Adadevoh's chapter on the 'Gender dimensions of national security and human security problematic' equally insightful. The chapter details how non-belonging, gender inequality, segregation, the institutionalization of violence and the masculinization of security institutions have blighted the conceptualization of and quest for security. How else, she might have asked, has it become so easy to think of security in military and defence, rather than in human development, terms? Factoring gender into the security discourse immediately breaks the conventional, state-centric mould of this discourse, even though it presents challenges that Adadevoh's chapter neither acknowledged nor examined.

The major strength of this book is its soft epistemology. It infuses the concept of security with a mundaneness that is bound to elevate its relevance among Nigerian readers particularly, and shine a new light on the country's real vulnerabilities. By emphasizing the importance of local cosmological discourses, appealing to aesthetic, ethical and broader societal possibilities and sensibilities, and moving away from state-centric notions of security, the book fills an important gap in a discourse that has conventionally been about fear and might. At the very least, we now can speak of an 'idea of security from below'. These strengths far outweigh the obvious syntactic weaknesses in many of the chapters.

Isaac Mazonde and Pradip Thomas, eds., *Indigenous Knowledge Systems and Intellectual Property in the Twenty-First Century: Perspectives from Southern Africa*. Dakar, CODESRIA, 2007.

Rosabelle Boswell
Department of Anthropology
Rhodes University
Grahamstown
South Africa
Email: r.laville@ru.ac.za

This book discusses the challenges of identifying, protecting and advancing southern Africa's Indigenous Knowledge Systems (IKS) and Intellectual Property Rights (IPR). The book is a result of a workshop convened in Botswana in 2003, at which academics and artists were afforded the opportunity to discuss IKS and IPR and their implications for Africans. A significant challenge is that the book has not been carefully edited and therefore comes across as a collection of essays rather than a coherent text. This also makes it difficult for the reader to follow the arguments being made by the authors and to perceive connections between the chapters. Unfortunately, Mazonde's introduction to the volume signals the forthcoming lack of coherence, as it does not clearly articulate the main points made in the book. The problem of coherence gets worse in other chapters, where the authors seem not to have been encouraged to carefully re-read and edit their chapters. Despite these problems the essays do offer some interesting points to consider.

Masoga begins the discussion by motivating for deeper and more meaningful conversation between Africa and the West around issues of IKS and IRR. A lack of 'conversation' and the relegation of Africa to the 'periphery' have, in his view, resulted in a long and exploitative relationship in which the West has appropriated African indigenous knowledge and intellectual property, using it to advance its own priorities. While greed appears to have been a motivating factor in the exploitation, Masoga also argues that the West's misconception of culture and its disregard for indigenous modes of knowledge sharing have furthered the exploitation. Thomas and Nyamnjoh add to this argument, discussing the commoditisation of indigenous knowledge. Focusing on Intellectual Property (IP), they note the rapid growth of the digital economy in the 1980s and its role in reinforcing the 'global economic dominance' of the US, Western Europe and Japan (p.16). In particular, they state that proposals related to Trade Intellectual Property (TRIPs), imposed by three organisations with business interests in Europe and North America were actually rejected by the developing world. TRIPs are also meant to globally harmonise IP legislation but in fact diminish developing countries' control over their intellectual property. A similar argument is made in terms of copyright. The authors argue that today, 'the benefits of copyright are enjoyed for the most part by owners of IP [which] are invariably the cultural industries, rather than those who created the work either as individuals or through team effort' (2007: 17).

At this point the discussion takes a rather strange turn away from digitisation. The authors discuss and criticise anthropologists, who they see as the main culprits exploiting indigenous knowledge. They ask, 'should the publications and public lectures of anthropologists be copyrighted, if these consist of belittling photographs of

the so-called "primitive natives" and are written with scant regard of the dignity and humanity of those they have studied down? ... such copyrighted but problematic research does not seem to have diminished with the end of apartheid' (pp. 18-19). They cite the case of a devious (anthropology?) professor, who used indigenous students to collect information on his behalf and used that information to make recommendations for the management of the community. The authors associate this kind of covert and exploitative research with anthropology.

Much of this discussion is relevant for the historical practice of anthropology in Africa and may be interesting to those who have no knowledge of anthropology's past or even past discussions on anthropology. However, it is not an accurate depiction of current anthropology in southern Africa and the discussion clearly disregards the present practice and practitioners of anthropology. Even in South Africa, anthropologists are increasingly issued from post-apartheid generations, are of non-European heritage, are ethically sensitive and uphold human rights. Among them, one finds a profound awareness of the negative outcomes of exploitation in the research and publications process and action to combat unethical practice. Furthermore, by focusing on the 'objects' of research, the authors fail to acknowledge the extent to which the researchers and authors are themselves exploited in the research and publications process, either by the research subjects, those funding the research or publishers.

This 'diversion' derails the discussion on digitisation and intellectual property and fails to deepen the authors' very interesting statements on the ambiguities of digitisation noted at the start of the chapter. The authors attempt to regain momentum by refocusing on the consequences of commoditisation, making the valuable observation that, 'in many communities at the margins of capitalism, the knowledge of oral cultures that is not recorded in any tangible material form is deemed to be in the public domain' (p.22). There is, as they rightly note, a disregard for other 'regimes of ownership and control' (p.23), in which the right to collective ownership and the sharing of IP may be asserted, as opposed to its sale and individual copyright. They also rightly call for the creation of 'an independent transnational grassroots movement' to create more space for developing countries and their people to negotiate their rights to and management of IKS.

In Kiggundu's essay we learn that until 1996, producers in Botswana were unable to 'register a patent, trade mark or design' (p. 27), unless it had been approved of in either the United Kingdom or South Africa. This was because the British Copyright Act of 1956 remained in force despite Botswana achieving independence in 1966. Thus for a very long time Botswana suffered the loss of its indigenous knowledge. Examining the interface between IP law and indigenous knowledge, Kiggundu discusses the many ways in which indigenous knowledge has been jeopardised. Most people interviewed on the subject of their oral history and knowledge never knew that these were 'confidential' and that they had a right to withhold such information. Under the existing IP law, such information could not be considered confidential, as people imparting it did not originally insist on confidentiality or state that it could not to be exploited for personal gain. Similarly, in terms of patents, the law requires an invention to be industrially applicable and it makes provision for time-limited and documented protection of industrial design and trademarks. None of these, according to the author,

offers protection for the products of indigenous knowledge as the latter is not always industrially applicable, subject to time-limited protection or easily subject to timely documentation. Kiggundu concludes that the Botswana Copyright and Neighbouring Act 2000 represented a major breakthrough for IK protection in that country. However, he also calls for Model Licensing Agreements, subject to consideration by indigenous communities, universities, WIPO and UNESCO which can be used in many developing countries. He also highlights the important role of universities in informing the relevant communities about their particular indigenous knowledge rights.

Morolong's contribution on the protection of folklore under modern IP regimes identifies specific limitations to its protection under the existing copyright system. Although WIPO makes no provision for its protection in its 1967 Convention, in 1976, UNESCO and WIPO produced the Tunis Model Copyright Law which did make provision for the protection of folklore. However, its successful implementation largely depended on existing supporting legislation and resources within countries wishing to make use of the model. Morolong extends the discussion on the specific limitations ('novelty, inventiveness, originality and duration of protection', p. 52), imposed by IP law on folklore and advances alternatives for its protection. The most useful of his suggestions include: *droit de suite* in which creators of a work have the right to share in its value should it later produce substantive profit, the invocation of human rights laws to protect folklore and indigenous knowledge and the encouragement of *sui generis* systems locally to identify and protect folklore. A major benefit of the latter is that folklore need not be 'converted' to a tangible form to be recognised and protected and any use of it for gain, even by members of the 'community', requires authorisation.

What is perhaps missing from this detailed essay (and also from the previous essays), is a critique of 'community.' The authors tend to portray southern African communities as relatively undivided, homogeneous, unchanging and in agreement about IKS and IPR. Even a non-expert can imagine situations in which powerful individuals within communities attempting to control the use of folklore to the detriment of others, community members using folklore for individual gain even within the 'traditional' context and the invention or recasting of tradition so as to exploit folklore in a sanctioned context.

A similar lack of critique is apparent in the chapter by Moahi. Covering similar ground to Thomas and Nyamnjoh, he discusses copyright in the digital era and states that IK is often viewed negatively by local communities, as science and 'laboratory experimentation' (p. 73) constitute 'real knowledge.' Moahi argues that if IK is not ocumented, there is a danger that it might disappear but if it is documented, it is 'automatically copyrighted' (ibid). He poses the same question as the authors preceding him and comes up with the same answer. The primary beneficiaries are the 'outsiders': historians, anthropologists and pharmaceutical companies. This argument while valid in many ways, disregards the existence of indigenous historians, archaeologists, anthropologists and scientists in southern Africa and their role in promoting/exploiting IKS and IPR. A more interesting question might be what actually happens to indigenous knowledge when it is documented. Given that quite a large proportion of African indigenous knowledge is intangible, its documentation has the potential to reduce its dynamism, 'freeze' local creativity and lead to the

'accreditation' of individuals as chief knowledge bearers. Recognising these potential problems might produce alternative solutions, ones that encourage maintaining the dynamism of and collective responsibility for indigenous knowledge.

Segobye makes one of the most useful contributions to the volume, offering a more dynamic view of communities, IKS and IPR. He says that there is a 'need for a broader reading of the ways in which communities have constructed their knowledge systems over time and how they interact with their environments in creating systems of meaning' (p. 83). This is needed not only because of the continued influence of Euro-American legacies in the region's heritage but also because of the assertion of transnational solidarities (i.e. the use of Ghanaian *kente* cloth among African-Americans in the US), which lead to the appropriation of indigenous knowledge and products. Most recently, tourism, as a transnational process and product, has had a major impact on communities, IKS and IPR. Developing countries seek to use their heritage resources to increase national revenue via tourism and the 'developed' world seeks (via tourism) to consume the exotic and to make the 'developing world ... the object of consumption' (p. 85). In this context, it is the very commoditisation of the community itself that is of issue, resulting in the loss of privacy and dignity and the ossification of culture. Segobye points to participatory processes of heritage and resource management which may remedy the situation and argues that these processes are both desirable and possible.

The two chapters on IPR and IKS in South Africa note that IKS legislation is slow in coming and that in the meantime communities are losing their IP and IK rights. The diversity of South Africa's flora is also being exploited. Under the presidency of Thabo Mbeki, IKS and IPR assumed greater importance, as these were deemed necessary to the implementation of the African Renaissance. The first essay outlines the history of IKS legislation in South Africa. Since 2000 a draft policy on IKS has been in the process of development. In 2002 an Intergovernmental Committee on IKS was instituted but it appears that coordination across the different government departments represented on the committee is difficult. In the second paper a case study shows that traditional medicines, which fall within the ambit of both IPR and IKS, are used by a majority of South Africans and are inadequately protected. Traditional African health practitioners have little knowledge of how to protect the resources and their knowledge, especially from outside market forces and prospectors. Both authors call for a more local approach to IPR and IKS legislation echoing Segobye's earlier call for emic work on how communities understand, use and manage their resources.

Overall, this volume raises important issues regarding IPR and IKS protection and management. However, there is no conclusion to the book and this makes it difficult for the reader to bring the various threads of the discussions together to thoroughly consider the situation and potential of IKS and IPR in southern Africa.

Tim Ingold and Jo Lee Vergunst, eds., *Ways of walking: Ethnography and practice on foot*. Aldershot, Ashgate Publishing Limited, 2008.

Detlev Krige
Department of Anthropology
Rhodes University
Grahamstown
South Africa

This edited volume is a collection of essays on 'ways of walking', as practised both by ethnographers/geographers/architects and many pastoralist and hunter-and-gatherer groups around the world. In the case of the professionals, walking is a means of doing research; in the case of indigenous people, it is an important everyday subsistence practice. The collection is based on papers presented at a three-day workshop on 'walking' in Aberdeen in 2005. The editors, who are also authors in this volume, work from the epistemological assumption that the world is socially produced. Through foregrounding the topic of 'ways of walking', one that is often relegated to footnotes or to short sections on methodology in most academic texts, the authors aim to explore the creative processes that 'brings objects into being' (p. 1). The stated aim of the editors then is to move beyond the traditional focus in making academic writing on what is being done (*content*) to how that is being done (*process*). Examining the footnotes of methodology so to speak, and the footprints of 'having been there', would, they contend, illuminate something more than just our physical bodies. Paying respect to the lineage lines of Mauss and Bourdieu, the editors can indeed say in their introduction, echoing the title of Mandela's autobiography, that 'Life itself is as much a long walk as it is a long conversation, and the ways along which we walk are those along which we live' (p. 1).

The introduction is no more than an overview of the following chapters and as such gives us little insight into the initial thinking behind the calling of the workshop. What it does do, even if not through the short introduction, is to speak to recent theoretical considerations of the body as a mere symbol or site or signifier, perhaps born out of a frustration with overly linguistic approaches to culture, and a refusal to see the body only in linguistic terms. But there is no one theoretical line being argued for in the collection and it contains a diversity of pieces and approaches to the topic. Below I briefly discuss a few of these contributions.

In chapter 2 Tuck-Po Lye takes the reader on a fascinating excursion through her ethnographic descriptions and footnotes of the 'phenomenology of walking for the Batek'. This is an account of walking with a group of Batek hunters-gatherers in Malaysia, who are lowland peoples living close to Malay villages where supplies can be bought and where they can find temporary sources of employment. She does well not to paint an artificial picture of a pristine, isolated group of hunter-and-gatherers; her ethnographic descriptions are littered with references to contact, both historical (slave trade) and contemporary (tourist walking trails and encountering tourists as she walks with the Batek). It seems that the Batek do a lot of walking and so did Lye: during fifteen and a half months of fieldwork between 1995-6 she moved residential locations 80 times (averaging six days per location), and whilst living among a Batek group she stayed in 32 different campsites and two settlements (averaging two weeks per

location). While the forest was an 'other-place' to her, Batek approached the forest without such fears. While they were scared of 'Malay madmen' wondering the forests, which in all likelihood stems from a history of slave-trading during which forest-people were raided by people of lowland polities, the Batek approached the forest with both fear and confidence. It is a fascinating account of walking with a group of hunters-and-gatherers, experienced by means of living and walking with and listening to their stories: 'Talking and walking are inseparable [for the Batek] ... If walking creates the path and if walking itself is an act of sociality, then can the path have any meaning without the stories of the people using it? ... Paths are social phenomena, and are remembered in relation to social events' (p. 26).

In her contribution Allice Legat writes about the links between story-telling, walking and learning among a group of the Dene (or Athapaskan-speaking people) of north-western Canada, currently making a living between the Great Slave and Great Bear lakes in the Canadian Northwest Territories. She worked on a project which had the aim of documenting 'local Dene knowledge' for the purposes of resource management and self-government. She came to see the links between 'walking stories', 'leaving footprints' and experiencing place as a form of validating 'walking stories'. Dene children grow up listening to stories about walks and paths; 'relations with places are initiated as soon as children first hear the narratives' (p. 36). As they grow older they get to walk these very same paths they had heard of through stories: 'the period between listening to stories and walking them marks an in-between phase of learning during which people who have heard 'talk' do not yet know the 'truth' or reality of a narrative' (p. 37). This direction of thinking allows Legat to describe walking as 'the experience that binds narrative to the acquisition of personal knowledge' (p. 35), as the practice that 'validates the reality of the past in the present' and by so doing 're-establishes the relation between place, story and all the beings who use the locale'. Those interested in the burgeoning field of the 'anthropology of learning' will find her chapter useful, as she manages to link these to a broader field: 'Listening to stories and following the footprints of those [Dene] who are more knowledgeable allows one to think by drawing on philosophical understanding and practical knowledge that originated in the past. This is a perspective that encourages everyone [among the Dene] to acknowledge that there is much to learn' (p. 39).

The contribution by Thomas Widlok is a curious one; retaining the rather Eurocentric view that the discipline of social anthropology deals with cultural difference and describing it as a European project. In it Widlok aims to compare the 'ways of walking' of two groups as they traverse, or used to traverse, the arid landscape of northern Namibia. The one group is the San (the collective 'Bushmen of southern Africa' who walked for their livelihood) and the other is members of the confluence movement (members of 'a subculture within a subculture' whose favourite leisure time activity is walking with the aid of GPS technology and communicating this to an internet community (pp. 51-2). 'Confluencers' are the members of this Confluence movement and their aim is to visit each of the latitude and longitude integer degree intersections in the world and to take pictures at each location. How one can compare such disparate groups (in time and space) without even a mention of the political economy that enables such modern-day Columbus types to walk Africa for fun remains unclear. The comparative statements that Widlok produces are also not clear:

'... there is a limit to the degree of control that road-makers can exert over people's movements. The presence of roads (or well-trodden paths more generally) is both an attraction and a disincentive, not only for confluencers and committed outdoor enthusiasts but also for 'San' and others who walk the land in daily routines of making a living and of getting around. Both groups have to face the fact that simply by using a route they cannot help but establish some sort of path or trail that others can then follow, or deliberately choose not to follow' (p. 60). His notion of 'path-dilemma' – which refers to walking in the wild and 'inheres in the way that one person's opening of a path may, for others, effect a closure' (p. 53) – seems to be a well sounding phrase for re-introducing rational choice theory as explanatory framework for understanding the walking choices people make. Widlok is clearly not ignorant of some of the postcolonial critiques of European anthropology – he even refers to them. But his failure to pay any attention to power, politics and privilege in his comparison of how these two 'groups' walk northern Namibia makes the comparison unsuccessful. As the only chapter in the book engaging with 'Africa', this is a disappointing contribution.

Pernille Gooch's contribution tells the story of a group of *Van Gujjars* pastoralists in the Himalayas (known in the region as *ana-jana lok*, the 'coming-going people'), and their buffaloes, as they walk the region for greener pastures. Unlike Widlok, she foregrounds the political economy of the region in her understanding of their 'way of walking'. For the *Van Gujjars* walking is not a pastime; no, the bodily movement of 'feet following hooves' is their main technique of subsistence. But this technique has recently come under threat as physical barriers are erected on the landscape and as the state enforces its view of nomadism or 'moving as a way of life' as an abnormality. The *Van Gujjars* are also walking into discursive barriers as the discourse of environmental destruction – 'devastated mountain landscape drifting rapidly towards irreversible destruction' – blames the migratory herders for overexploitation of natural resources. In this highly politicised landscape, walking takes on a political dimension – 'a resistance by moving feet and hooves' (p. 79). While not everybody would swallow Gooch's assertion that 'Successful pastoralism demands a strong feeling of understanding between herders and the animals they herd, tantamount to a shared world-view, whereby the world can be perceived through the senses of the animals in question' (2008: 73), it is clear that indeed 'everyday walks of path and placemaking in forests and meadows, undertaken during winter and summer respectively, constitute tightly woven webs of capillary threads that are bridged by the arterial walk of transhumance' (p. 71). Walking is about the last thing that keeps the *Van Gujjars* from sitting down (*beithna*), or from becoming like 'stones that cannot easily be moved' (p. 71).

Readers hoping for ethnographically-informed approaches to walking in urban landscapes should not bother to buy this book. The few urban case studies or chapters (by Lavadinho and Winkin on Geneva, Curtis on Aberdeen and Lucas on Tokyo) are tucked away in the back of the volume. Of these the one by architect Raymond Lucas is the most innovative and theoretically-inspired. 'Getting Lost in Tokyo' is a project based on the author's observations of Shinjuku subway station in Tokyo in which he seeks to 'generate new architectural spaces out of my experiences of a specific place and time' (p. 170). Finding inspiration in early modernism, especially the figure of the *flâneur* in Baudelaire and Benjamin as the city dweller who actively and creatively

appropriates the landscape and life of the city as opposed to the passive consumer of the late modern city, Lucas drifted (from the notion *dérive* associated with the Situationist International) through the urban spectacle of Tokyo's Shinjuku station. Asking himself: How is it even possible to negotiate this place? What are the characteristics of the Tokyo subway? Lucas then started drifting counter to the flow of people in the place during rush hour and then reconstructing from memory his flow on a flowchart diagram. Through these diagrams he hoped to capture the journeys he made, exiting, changing lines and getting lost. A further complication was dividing the diagram into episodes and then presenting these in a system of notation used in dance choreography (Laban notation). Analysing these diagrams and notations threw up several recurring motifs, the results of which are reproduced in part in his chapter.

This volume would be of use to students of the 'anthropology of learning' and some of the chapters could be useful for their contributions to discussions of methodology and ethnographic practice. Scholars looking for a serious theoretical innovation on the topic of walking will not find it here; neither would scholars looking for a consideration of the ethnography of walking in Africa.

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(Incorporant le South African Sociological Review)

Rédacteurs en Chef:

Fred T. Hendricks
Department of Sociology
Rhodes University
Grahamstown 6140
L'Afrique du Sud
e-mail: F.Hendricks@ru.ac.za

Elizabeth Annan-yao
IES, Université de Cocody,
Côte d'Ivoire
e-mail: Yaobah@africaonline.co.ci

Onalenna D. Selolwane
University of Botswana
Department of Sociology
P.B. UB00705 Gaborone
Botswana
e-mail: Selolwan@mopipi.ub.pw

Abdelkader Zghal
Centre d'Etudes et de Recherches
Economiques et Sociales
23 Rue d'Espagne
1000 Tunis
Tunisia
e-mail: abdelkader.zghal@ceres.rnrt.tn

Rédacteur, Comptes Rendus:
Alcinda Honwana
Social Sciences Research Council (SSRC)
New York, USA
e-mail: honwana@ssrc.org

Comité de Rédaction:

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K. Kouari
African Sociological Review
Faculty of Humanities
Rhodes University
P.O. Box 94
Grahamstown 6140
L'Afrique du Sud
E-mail: K.Kouari@ru.ac.za

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