

UNIVERSITY OF KWAZULU-NATAL

**THE AFRICAN RENAISSANCE: WHAT CAN BE DONE TO IMPROVE  
TRADING BETWEEN SOUTH AFRICA AND AFRICA?**

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**A dissertation submitted in partial fulfillment of the requirements for the degree  
of  
Master of Business Administration**

**Graduate School of Business  
Faculty of Management Studies**

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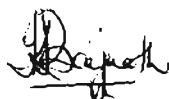
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## DECLARATION

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## ACKNOWLEDGEMENT

No undertaking of a project as intense as this study is possible without the contribution of many people. I would like to express my deepest gratitude to the following people for their help and patience;

Mr.M.Challenor, my very patient supervisor for his help and guidance.

All my interviewees for their most valued information.

Miss R. Sukraj for her efficient typing.

Miss P. Ramgathie for her wonderful format and layout.

Mr. and Mrs. Bindapersad, my precious parents, whose support and assistance were invaluable.

Mr.G.Baijnath, my father-in-law and mentor, for his encouragement.

Most importantly, to my beautiful children Vinod, Sanam and Yash, and my loving husband Ashwin who have been extremely patient and supportive and without whom this would not have been possible.

**ABSTRACT**

The fundamental aim of this study has been to analyze the experiences of fifteen small South African companies that are currently trading with Africa. The sample included Durban based businessmen who frequently travelled to the respective countries in Africa. Their responses were analyzed against the major documented challenges that are faced when trading in Africa. A wide range of literature has been consulted in order to familiarize the researcher with current business strategies practiced in South Africa, the bodies that have been set up to assist free trade between Africa and South Africa and business practices that are inherent to Africa.

The recommendations conclude that the small businessman battles with on-the-ground trading, and even though much has been done by the South African government to "get his foot through the door", the smaller businessman battles with the day to day intricacies of trading in African countries. These problems have to be addressed, as it is the private sector, which is the engine for growth in Africa.

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<b>GLOSSARY OF ABBREVIATION</b>
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APRM	African Peer Review Mechanism
SADC	Southern African Development Corporation
IDC	Industrial development Corporation
AU	African Union
IMF	International Monetary Fund
SAIIA	South African Institute of International Affairs
SSA	Sub-Saharan Africa
NEPAD	New Partnership for Africa's Development



## CHAPTER ONE: INTRODUCTION

### 1. INTRODUCTION

The aim of this study is to propose guidelines for positive growth and improvement of trading between South Africa and Africa. In order to achieve this aim it was necessary to conduct a survey, based on the available literature, which formed the theoretical basis to describe the challenges that were faced by small Durban, based businesses trading in Africa. In addition, a qualitative survey in the form of structured in-depth telephonic interviews was conducted to elicit perception and experiences of those businessmen while trading in Africa. The information obtained in the literature survey contributed towards the development of questionnaires, which were utilized in the empirical part of the study. (Cooper and Schindler, 2002)

#### 1.1 PROBLEM STATEMENT

- What are the experiences of some of the smaller South African companies trading in Africa?
- What can be done in SA to improve trading with Africa?
- Is it profitable?
- What can be done in Africa to facilitate trading between the two countries?
- Is there a blue print to be followed when wanting to set up a business in Africa?

#### 1.2 OBJECTIVES OF THE STUDY

- To evaluate the different experiences of small South African businesses that are currently trading within African countries.
- To determine the major challenges faced within South Africa when attempting to trade with the rest of Africa.
- To determine a socially responsible business model for South African companies that is contemplating Africa as a new target market.
- To present some of the companies currently trading in Africa business best practices and watch points.

### 1.3 RESEARCH METHODOLOGY

The study conducted has been qualitative in nature. This study has been based on a series of telephonic conversations with management staff and managing directors of small Durban based companies that are trading in African countries. This research was conducted over several months in the later half of 2006. It was ensured that the researcher spoke directly to the person responsible for dealing with Africa, so as to elicit the most informed responses to questions asked.

The research questions are of a descriptive nature and will not have any causal or correlation studies. (Cooper and Schindler, 2002)

#### 1.3.1 THE POPULATION

The population, being the entire group of people about whom the researcher wishes to obtain information, comprises both male and female business people that are currently trading in Africa.

#### 1.3.2 TARGET POPULATION

This clearly defined group of people shared the similar characteristics of being Durban based and currently managing / owning a business in Africa.

#### 1.3.3 LITERATURE STUDY

An appropriation literature study, both nationally and internationally was conducted to investigate the business environment in Africa. The literature studied involved a systematic and factual description of the current situation in Africa, review of international businesses present in Africa, the African Renaissance, factors contributing to unemployment, a review of South African businesses trading in Zimbabwe, infrastructure in Africa and information about Africa's mineral wealth. (Cooper and Schindler, 2002)

##### 1.3.3.1 IN-DEPTH INTERVIEWS

The researcher conducted the in-depth interviews. The in-depth interviews consisted of open-ended questions to establish the experience, knowledge and perceptions of the respondents with regards to the challenges faced when conducting business in Africa. Responses were

documented during the interviews as opposed to the interviews being recorded.

#### 1.4 STRUCTURE OF THE STUDY

The study has focused on a two fold research objective being what can be done in South Africa to encourage trade in Africa as well as what can be done in Africa to enhance trading with South Africa. Both regions have much to gain from strong, sustainable economies. As the study of small businesses trading in Africa is still in its preliminary stages the data has led to two hypotheses, which need to be tested as future research. This will be a lengthy procedure. The two hypothesis are that trade in Africa will improve to the extent that individual Africans are prepared to acquire personal debt and that South African businesses who have risked the continent will benefit greatly.

Chapter one provides a brief introduction to the importance of gaining an understanding of the type of experiences South African countries have in Africa. The problems and its significance, objectives and research methodology are briefly discussed.

Chapter two covers the literature survey that was conducted in order to gain a better understanding of the African Renaissance, what is currently happening in South Africa and differing opinions on South Africa's role and responsibility in Africa. The African Renaissance project is an indigenous initiative to modernize the continents economies and build and sustain systems of governance based on the will and identity of its people. At a political level the vision is carried through NEPAD. Weaknesses in civil society have eroded the foundations necessary to build sustainable democracies across Africa. Across Africa labour systems are characterized by historically weak and unstable states, poor levels of economic development with small private sectors and undernourished trade union movements. In short, the parties are weak and the conditions in which they must make their choices are often hostile. Their choices are the key to an African Renaissance. Social actors do not simply respond to their environments but help shape them.

Two themes dominate the renaissance debate: a drive to modernity (through the use of modern technology, and the introduction of market economies and liberal democracies) and the need for such a process to be guided by the African values and tradition. History shows us that a renaissance is not simply about "a moment" of miraculous transformation, nor is it likely to be a process free of suffering.

(Anstey M, 2004)

Chapter Three outlines the research methodology.

Chapter Four involves presentation of the data that has been collected.

Chapter Five contains an analysis of the data that has been presented.

Chapter Six outlines the recommendations and conclusion to the study.

### 1.5 LIMITATIONS TO STUDY

Academic writings on the business aspects of the African Renaissance have been difficult to obtain. An Open Public Access Catalogue (OPAC) search showed responses to the words renaissance, business and Africa search but no responses to a joined renaissance, business and Africa search. Ebscohost and Science direct which are internet academic journals also did not offer any positive responses. Only Jstor and Sabinet contained articles written in 1998 and 2004 respectively.

A dissertation study has been carried out previously on "The experiences of South African companies trading in Africa" and the researcher has referred to this study. The sample consisted of seven businesses that were trading in Africa. This research is different in that Durban based companies were researched and most of these companies were very small businesses. In most cases the owners of the businesses themselves were interviewed so that the most relevant information was obtained.

## 1.6 OVERVIEW

Africa is one of the least understood continents. Investors' perceptions of Africa are clouded with pessimistic news reports and a poorly researched environment of business. But Africa is changing and it is the right time to reconsider the latent potential of this vast, untapped market of 850 million people. There is money to be made on this continent, and indeed the returns on investment are already substantially higher here than anywhere else. More importantly, the risk with doing business in Africa is declining as the institutional environment becomes more predictable and familiar.

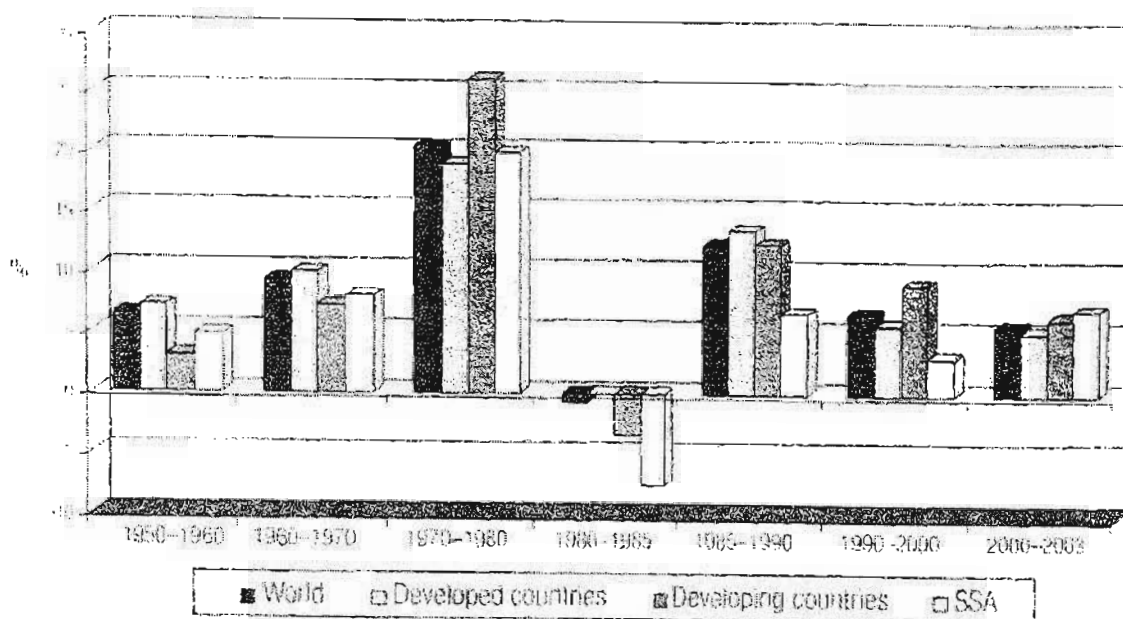
(Luiz, J; 2006)

Doing business in Africa is clearly different to doing business elsewhere. The key difference between Africa and these other regions is that less is known about the environment in Africa while international companies are rapidly learning about how to adopt their business strategies to their new investment locations elsewhere mostly due to the fact that very limited investment has thus far taken place on the African continent. NEPAD has been Africa's response to its underdevelopment challenge. NEPAD is primarily concerned with the reduction of risk attached to doing business on the continent. NEPAD has sought to provide international business with an environment it is more familiar with. As a result the reasons to do business are Africa is growing. (Luiz J. 2006)

## 1.7 AFRICA'S ECONOMIC PERFORMANCE

Real growth per capita for SSA has hovered just under 1% for the period 1965 to 2003. Post war growth theory believed that by mobilizing the right quantity of savings and investment, an increase in the rate of aggregate growth would be generated leading to a higher equilibrium growth path in which a higher level of per capita GDP and capital stock would be maintained. The net result was that the theory predicted that 'conditional convergence' would occur between low and high-income countries. However, this has not been borne out for Africa over the past few decades. (Luiz, J; 2006)

Figure 1.1 Annual Average Growth Rates of Exports: 1950-2003

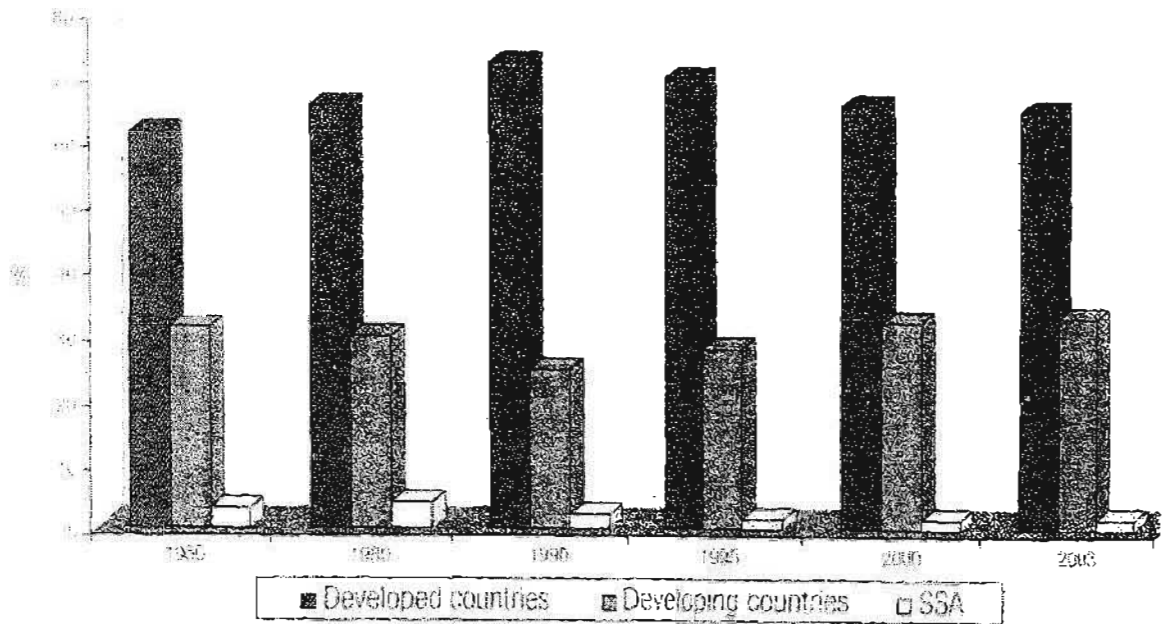


Source: UNCTAD, 2005, 2000, 1983

## 1.8 IMPACT OF GLOBALISATION ON AFRICA'S ECONOMIC DEVELOPMENT

From the figure above it is clear that Sub-Saharan Africa has performed consistently below the world average and that of developed countries, and since 1970 has languished behind that of developing countries as well. The relatively slow growth in exports since 1950 in Sub-Saharan Africa means that its share of world exports has also been on the decline. (Luiz, J; 2006)

Figure 1.2 Share of world exports: 1950-2003

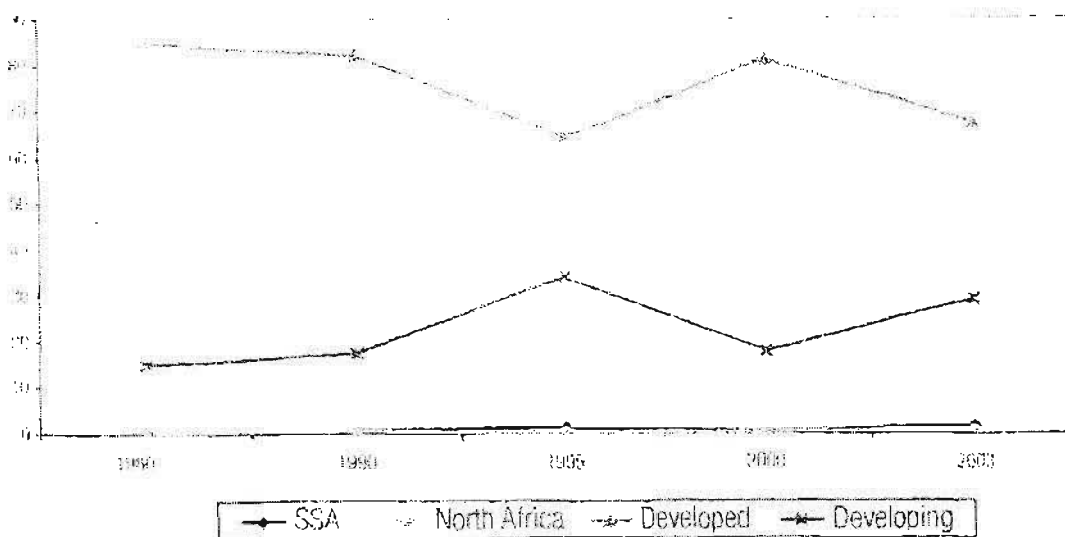


### 1.9 SHARE OF WORLD EXPORTS

While Sub-Saharan Africa's share of world exports was just over 3% in 1950, this fell to only 2% by 1990 and under 1.5% in 2003, while that for developing countries as a whole initially fell from 30% but recovered by the 1990s. The proportion for developed countries rose from 61% and reached a peak in 1990 but has since retreated. North Africa which had a share of 21.7% in 1980, had seen this drop to 0.85% by 2003, (Luiz J; 2006)

One of the reasons for this marginalisation is the rapid deterioration in the terms of trade for SSA. This represents an important external dimension where the continent has been a victim of circumstances outside its direct control. Africa enjoyed an improvement in its terms of trade during the commodity price booms of the 1970s but this was reversed from the 1980s. The deterioration was also accompanied by extreme volatility that the industrial countries experienced (UNCTAD, 2001 a: 38). An UNCTAD report estimates that if the terms of trade for Sub-Saharan Africa had stayed at the level of 1980 its share of world export today would be almost twice as high. It is also estimated that for each dollar of net capital inflow to Sub-Saharan Africa from the rest of the world, some 25 cents went back as net interest payments and profit remittance abroad, more than 30 cents leaked into capital outflows and reserve build-up, while 51cents made up for terms of trade resources from Sub-Saharan Africa to the rest of the world. (Luiz J; 2006)

Figure 1.3 Foreign Direct Investment Proportions



Source: UNCTAD, 2005

Fig. 1.3 examines the proportion of foreign direct investment, which flowed into Sub-Saharan Africa since the 1980s. Worldwide FDI inflows rose dramatically from around \$55 billion in 1980 to over \$1 trillion in 2000 although it has subsequently fallen. However, Sub-Saharan Africa's share of these international inflows on average removed around 1% (likewise for North Africa) and in fact four countries within this group accounted for almost half of these inflows. The developed world accounted for 85% of these flows in 1980 and 68% in 2003, while that for the developing world rose from 15% to almost 30% over the same period and in fact reached a high of 41% in 1994.

The lack of FDI has both an external and internal dimension. Part of the reason why investment is not forthcoming is that the risk of doing business on the continent is seen as too high because of the perceived high levels of political and policy instability.

Together with this is the fact that Africa has been ignored economically. In order for Sub-Saharan Africa to achieve sustainable economic growth rates of 6% per annum it is indispensable that investment levels rise sharply. The elimination of the current debt overhang can make a significant contribution in freeing up resources for additional investment. External debt in Sub-Saharan Africa stood at \$206 billion in 2000 (UNCTAD, 2001a).

This is almost 90% of the regions GNP compared to an average of 30% for developing countries. Meeting these debt-servicing obligations is a major problem for Sub-Saharan Africa rising from 15% in 1990 to 28% in



1998 (UNCTAD, 2001 a). The conversion of these arrears into debt stock accounts for a large portion of the rising debt stock of Sub-Saharan Africa. Current initiatives, within the Paris Club and the PC programme regarding debt forgiveness have a large role to play in this regard but have thus far not had major success. (Luiz. J; 2006)

Another measure of Africa's lack of success in becoming a meaningful partner in the process of globalization is to be seen at corporate level. Transnational corporations play an important role in applying advanced technology and managerial practices around the world as well as an important role in stimulating international trade and capital flows.

However, of the eighty largest TNCs not one came from a developing country. Furthermore, of the fifty largest TNCs from the developing world, only four came from Africa (35 were Asian) and all of these were from South Africa (UNCTAD, 2000, b). Even within South Africa there has been a gradual exodus of its largest conglomerates to offshore locations, primarily the London Stock Exchange. (Luiz J, 2006).

The economic reality for Africa is that it is a tiny player on the world stage – one that is easily ignored and one that is increasingly facing marginalisation. The global players have ignored this region and its pressing needs but there are positive signs that this may be changing with world leaders, such as Tony Blair, speaking out on the necessity of making Africa part of the new world order. (Luiz J, 2006).

#### 1.10 AFRICA'S SOCIO-POLITICAL AND INSTITUTIONAL PERFORMANCE

Africa's economic marginalisation has been accompanied by a widening gap on the social front too. Living standards in Africa even though they have improved have not kept pace with improvements elsewhere and the result is that it is falling relatively further behind in the quality of life dimension. The income level of SSA worsened dramatically with the per capita income ratio falling from a ninth of that in OECD countries in 1960 to an eighteenth by 2003 (UNDP, 2005)

In 1998, 56% of the world's households consumed less than \$2.15 per person per day and using this definition poverty rose during the 1990s. While 71% of the poor live in South and East Asia, SSA has been the second largest share with 17% but more worryingly it has increased more rapidly in the latter region by 22%. Just over 48% of the population in SSA lives on less than \$1 a day. Being born an African translates into a shorter life, a life of poverty, ignorance, disease, and displacement and worse until recently and little hope (Luiz, J. 2006).

Figure 1.4 Selected Social Indicators for world regions: 2003

Region	Life expectancy at birth	Enrolment ratio (%)	GDP per capita (PPP US\$)	Under-nourished people (% of total population)	Under 5 mortality rates (per 1 000 live births)	Human Development Index
Developing countries	65.0	63	4 359	16	88	0.694
Arab states	67.0	62	5 685	9	61	0.679
East Asia	70.5	69	5 100		39	0.768
Latin America and Caribbean	71.9	81	7 404	10	32	0.797
South Asia	63.4	56	2 897	21	91	0.628
SSA	46.1	50	1 856	30	179	0.515
Eastern Europe	68.1	83	7 939		21	0.802
OECD	77.7	89	25 915		13	0.892

Source: UNDP, 2005

Statistics on HIV/AIDS are notoriously poor but there is no doubt that it is ravaging SSA. The UNDP estimates that 9% of the adult population is infected with HIV/AIDS in SSA; almost seven times the average for developing countries. In no other region is this proportion above 1.3%. By the end of 2000, 70% and 80% of the children were in SSA. Of the 20 million people worldwide who have died of AIDS, three quarters lived in Africa. (Africa Development Bank, 2001). The implication of this disease on this continent is hard to contemplate. SSA already suffers from acute shortages of skilled people and this disease is further eroding the formation of human capital as it decimates the work age populace (Luiz, J. 2006).

A large part of the blame regarding Africa's marginalisation is a result of poor governance. African countries have been plagued by political instability and kleptocratic dictatorships, which have led to economic mismanagement. (Luiz J. 1997) highlights archetypical predatory states in Africa where governance is based on a system of patronage and personal accumulation with devastating economic consequences. (Luiz, 2000) furthermore argues that differences in economic growth rates can often be traced back to the capacity of the state and its ability to provide a political environment conducive to the growth process. New growth theory has emphasized the importance of political stability and good institutions that protect property rights enforce contracts and provide transparent, accountable government. These conditions have by and large not been met in Africa. (Luiz J. 2006)

Corruption is a problem in Africa, as it is elsewhere and it undermines development. It raises transaction costs, increases insecurity and uncertainty and undermines government actions. While corruption is more problematic in developing countries because its cost will be relatively higher it will often be borne disproportionately by the poor who will have to pay bribes to get services due to them and suffer most when the economy declines as a result, it often results in capital outflows as these moneys are siphoned off into foreign bank accounts and it is more generally the rule rather the exception. Corruption has undermined development in Africa and has made Africans cynical about politics and public. It has also made the rest of the world cynical about the continents leaders and their commitment to the development agenda (Luiz, J. 2006).

### 1.11 THE IMPACT OF TECHNOLOGY ON AFRICA'S PROSPECTS

Economists have recognized technological advance as a key driving force in the economic growth process.

The most telling reality of Africa's marginalisation as it finds itself increasingly unable to participate in this technology-driven economy is Fagerberg's findings that when comparing the relative contributions by factors of production and technological progress to growth in real per capital GDP in industrialized economies, three quarters of it was as a result of technology. It has been found similarly for developing countries, the contribution of technical progress is a mere 14% and for Africa it is a startling 0%. If technology does indeed hold the key to future growth, then it can either be an instrument of greater prosperity or greater inequality and how countries prepare for this will determine the outcome (Luiz, J. 2006).

Technology can either cause Africa to leapfrog development stages and catch up or it can be the cause of its ultimate marginalisation. New technologies destroy old technologies and since Africa has little existing technology this could be a boon. It is believed that it is possible for developing countries to jump right to the technology frontier because of the decentralized nature of the electronic revolution, and the falling price of communications and transport means that they can borrow knowledge and technology from rich countries. He says that the "new" economy is a two-edged sword: 'it could leave behind Third World places that are too unskilled or backward technologically, or too hostile to enterprise, but it could mean the decentralization of production to other Third World centres leapfrogging to the frontier'. To be a player, Africa is going to have to address the underlying conditions, which will allow its people to

participate, and this begins with education, education and education. (Luiz, J. 2006).

### 1.12 AFRICA IN THE GLOBAL ECONOMY

Africa has not successfully integrated into the global economy. To participate more in the global economy and thereby reap the rewards of globalization, Africa must be partnered by the industrialized world but this has not been forthcoming. While the rich countries in their rhetoric emphasized their commitment to global poverty reduction and economic upliftment, the reality portrays a very different scenario. These rich countries control the international institutions, which push developing countries to liberalize every facet of their economies and yet these same countries then impose barriers to fair trade on the developing world. While countries export to industrialized countries they face tariff barriers that are four times higher than those encountered by rich countries. These barriers cost those \$100 billion a year or twice as much as they receive in aid. The rich countries are thus giving with the one hand and taking with the other. By practically any indicator the developed countries have resisted opening up their markets to competition from the developing world. A commitment from the developed world during the Uruguay Round to open up market access to those products in which they were competitive has not been realized (Luiz, J. 2006).

A second area where developing countries have a comparative advantage is agriculture but here again a fair trading system does not exist despite the fact that the preamble to the Uruguay Round promises the establishment of a fair market-oriented agriculture system. The agreement-targeted market access, domestic support and export subsidies. But rich economies remain difficult to penetrate. Tariff escalation makes it difficult for developing country exporters to gain a foothold in food processing industries (Lorentzen, 2002).

The EU use of export subsidies for a number of agricultural commodities means an uneven playing field. Subsidies paid by rich countries to their farmers amounted to about 37% of farm receipts in 1998. Global subsidy payments to farmers are worth at least \$327 billion each year, which exceeds the value of foreign aid six fold. The World Bank estimates that full trade liberalization could bring between \$200 and \$500 billion in additional income to developing countries. However, the developed world has taken full advantage of the market openings it has thrust upon developing countries while failing to open their own markets. The priority of the rich world has instead focused on an intellectual property system that will transfer an annual \$20 billion from the poor to holders of patents in rich countries, (Akande, 2002).

The poor countries of the world face an uneven playing field. Although Africa can and should address the domestic environment that hinders development, there remains the vast international economic system over which it has no control and in which it is being penalized. This is where Africa's fate becomes a dual process and where the rich countries must address their bad practices. Giving aid and then shutting off markets is hypocrisy and if the developed world is serious about underdevelopment then they need to act decisively. (Oxfam, 2002).

### 1.13 CONCLUSION

This chapter will familiarise the reader with the inherent problems that occur when trading in Africa and displays Africa's position economical with the rest of the world. This chapter also serves to outline the objectives of this study and the processes utilised to obtain the primary and secondary data necessary for data analysis.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 INTRODUCTION

*AFRICA IS POOR ULTIMATELY BECAUSE ITS ECONOMY HAS NOT GROWN*

"Trade stimulates investment, investment accelerates growth, and growth reduces poverty". (Nial Fitzgerald)

Extreme poverty is generally considered the most serious problem on earth because it is the root of so many other problems. Vast resources have been expended in the fight against world poverty, with generally mediocre results. Singapore, South Korea and Taiwan are among the few countries that have managed to lift themselves up out of poverty in the last 40 years. Because globalization favors the rich, the connected, the educated and the strong, dozens of countries are sinking further into the mire of poverty. World peace and prosperity depend on finding urgent solutions to global poverty.

It helps to know the nature of a problem in order to solve it. Poverty is slavery caused by exploitation, enforced through corrupt institutions. A parable: The president of a marginally functional state skims cash from national enterprises and stashes the money in a Swiss bank account. Ministers extort kickbacks to approve government contracts. Bureaucrats entangle every transaction in mountains of red tape, requiring payoffs to expedite paperwork. Doctors and nurses steal drugs and sell them on the black market to supplement meager incomes. Postal employees pilfer mail. Policemen impound vehicles if hapless drivers fail to bribe them. Prospective educators pay exorbitant sums if they want a precious teaching certificate. Tax evasion is a national pastime. People disregard traffic signals and crowd in lines, occasionally triggering public stampedes. Domestic help and common laborers are routinely ill-treated because they have no effective recourse, legal or otherwise. Parents send their children into the streets to peddle or beg, abusing those if the youngsters return home without their daily quota of money. Property crime is so rampant that people padlock spare tires to their cars and surround their homes with high walls topped by broken glass and razor wire.

(Magleby K, 2005)

Under such sordid conditions, debt relief, development aid and favorable trade rules do not solve poverty. They only strengthen the hand of the oligarchs and slum lords who are the root cause of poverty in the first place. (Magleby K, 2005)

## 2.2 WHAT IS HAPPENING IN AFRICA TODAY?

According to a speech given by Nial Fitzgerald, chairman of Reuters in Jan. 2006-:

- African economies are growing on average 5% a year – twice the rate of the EU.
- Democracy and its institutions are spreading slowly but steadily. In the last 5 years two thirds of the countries of Sub-Saharan Africa have had some form of multi party elections – some freer than others.
- African leaders have declared their intention to set the agenda for change and be judged on its success through NEPAD. They have put in place a peer review mechanism as a candid effort at self-analysis.

Mozambique is currently experiencing an economic growth rate of 10% on average in the last 7 years. There is also a similar turnaround in neighbouring Tanzania. Yet, the most substantial transformation economically and socially in a mere ten years has been achieved by South Africa. The economic, racial and social progress has been outstanding and the nation is well on its way to building a true multicultural democracy – a genuine rainbow nation alive with possibilities, and underpinned by exceptionally skilled macro-economic management. (Fitzgerald, 2006)

As testament to these changing tides, foreign direct investment is increasing, though Africa's shares of total global flows are still less than 2%. There are ample examples of foreign investor interest in Africa where conditions are right, such as Barclay's purchase of ABSA for more than \$5 billion, Vodafone's commitment of more than \$2 billion to up its stake in Vodacom of South Africa and the decision of China's CNOOC's to purchase oil interests in Nigeria for \$2.4 billion.

The continuing massive challenges posed by the triple scourges of extreme poverty, endemic disease and destructive conflict remains, however, many of the pieces are falling into place for economic renewal and renaissance. Sub-Saharan Africa is the only region of the world where poverty has continued to rise in the last generation. 350 million Africans live on less than \$1 a day. Eleven million children under the age of five die each year. More than twenty five million people are infected with HIV/AIDS, a consequence of cultural behaviour, government ineptitude and widespread disinterest in the developed world. (Fitzgerald, 2006)

Ethnic violence continues to dominate many regions, Darfur, Somalia, Cote' De Ivoire, Zimbabwe continues to self-destruct and an authoritarian regime seems to have taken hold in The Gambia. Incumbent regimes in Uganda, Gabon and Burkina Faso have extended their grip over the political reins.

In February 2005, the Commission for Africa published a global blueprint for recovery on the continent. Specifically the Commission called for:

- Immediate \$25 billion a year increase in aid to Africa, followed by further \$25 billion a year from 2010.
- Debts of poor countries in Sub-Saharan Africa to the World Bank, IMF and African Development Bank to be written off.
- Donor countries to aim to spend 0.7% of their GNP on development aid.
- Western nations to agree immediately to eliminate trade-distorting support to cotton and sugar and commit by 2010 to end all subsidies and all trade-distorting support in agriculture. (Fitzgerald, N; 2006)

The Commission also recommended a range of measures to improve governance and security on the continent as well as targeted investments in specific areas that enable growth, such as tertiary education and health care.

These recommendations were largely endorsed by the G8 at Gleneagles and later in the year, 2005, the World Bank and IMF backed a deal to cancel \$55 billion of debt. And in the final days of 2005, the EU announced a 166 million euros aid package for 10 African countries.

Africa's share in global trade has fallen from 6% in the early 1980's to 2%. Increasing this share by only 1% would result in \$70 billion for Sub-Saharan Africa.

Promoting growth is the only sustainable way to help Africa help itself. Sustained growth requires strong private sector development and a sound investment climate to attract business interest. A good investment climate creates incentives for all types of firms to grow and society as a whole benefits from more jobs and more affordable and better quality goods and services.

Africa today receives less than 5% of total private sector investment in developing countries. Businesses are reluctant to invest in Africa because conventional wisdom suggests that Africa is a poor place for business. Africa is certainly not an easy place to do business but the potential



rewards are significant. Africa is probably the world's last untapped market. (Fitzgerald, 2006)

Fitzgerald (2006) says that part of the problem is the tendency to refer to one Africa, where in fact, the continent is hugely diverse, yet bad news in one of 54 countries rubs off on the entire continent. Secondly the stigma attached to being a successful international company in Africa as if making profits were synonymous with exploitation. The very business of doing business, impacts society in that it generates employment, both directly and indirectly through supply chains and distribution channels. Big business probably creates four or five jobs for every person they employ directly by the transfer of skills, technology and know-how. Most importantly, there are real barriers to doing business in Africa such as high transaction costs, lack of infrastructure absence of a well developed internal market tariffs and uncertain legal environment and corruption. Of the 20 countries with the most difficult business conditions, four fifths are in Sub-Saharan Africa. On average it takes nearly 64 days to start a business in Sub-Saharan Africa, versus 20 in the OECD countries and costs the equivalent of 215% of gross national income per capita. To export goods from Rwanda requires 14 documents and 27 signatures compared to 6 documents and 7 signatures in China. Registering property requires 21 procedures and 247 days in Nigeria compared to 6 procedures and 67 days in India.

### 2.3 THE KEY TO DOING BUSINESS SUCCESSFULLY IN AFRICA

Bearing in mind that only small businesses were researched for purposes of the study, the researcher has found it important to examine the strategies of international companies to observe the trends along which these companies have worked in order to ensure that their businesses are successful.

#### - UNILEVER

The assumption that there is no money to be made from poor consumers is certainly not true for Unilever who are doing \$2 billion worth of business in Sub-Saharan Africa. They have seen real growth of 7% annually over the last seven years and have achieved operating margins close to the Unilever average and an ROI in these economies is enormous. Unilever, by investing hundreds of millions of dollars in Africa as well in Europe, Asia, America, so, to do business, grow and make money. The poorest consumers are the most brand loyal consumers because they cannot afford to make a mistake with their meagre income. (www.saiia.co.za)

An excellent example of Unilever's success in Nigeria with something basic such as toothpaste bears testimony to the entrepreneurial attitude and willingness to help create the market and infrastructure around it. Unilever found that less than 10% of Nigerians use any form of toothpaste so they had to develop the habit of oral care by equipping local dental surgeries, arranging free check-ups and providing low cost brushes and paste. The local dentists became very popular and it was a whirlwind situation for all. The community was looked after, health was improved, and the business became profitable. An understanding that operating in Africa may entail investment in the wider environment such as in the supply chain, distribution channels and in the workforce in terms of training and healthcare. Such investment not only enables business, they help society as a whole. The key to success in business in Africa lies in knowing the market and the consumer.

African consumers share many of the characteristics that are seen anywhere else in the world, and consumers make decisions based on a traditional mix of price, quality and availability. (Fitzgerald,N;2006)

- NESTLE

Nestle has also built a commercial and manufacturing presence in Africa since the 19<sup>th</sup> Century. Their strategy emphasizes long term business development over short term returns, products adapted to local culture and taste and a prominent role in the community that extends from HIV prevention to improving labour standards in farming.

- VODACOM

Vodacom created phone shops in disadvantage communities where consumers could make cheap phone calls from mobile phones. Often housed in modified shipping containers these phone shops operate as franchises, thereby creating employment and entrepreneurial opportunity. Vodacom developed this franchise programme to improve telecommunications services to poor communities and it is an example of initiatives that are both good for business and the community. For Vodacom, it's about building its brand and developing a new distribution channel. For the community, it's about job creation and having access to a vital service that allows individuals to manage their lives and businesses to operate more efficiently. (Fitzgerald, N; 2006)

- SAB MILLER

SAB has reported an average growth rate of 17% with an amazing strength of brands. Of the top ten Guinness markets for Diageo, four are

in Africa. Africans drink more than one third of all Guinness in the world. (Fitzgerald, N; 2006)

#### - INVESTMENT CLIMATE FACILITY

The ICF offers business an opportunity to drive the development agenda and contribute to the global campaign to eradicate poverty while at the same time lowering the cost of doing business in Africa and creating room for new business development. The ICF aims to facilitate the removal of real and perceived obstacles to doing business in Africa, by bringing about more business friendly policies, laws and regulations across Africa and promoting a more effective dialogue on investment climate reform between governments and the business community. The ICF will also work towards improving Africa's image as an attractive investment destination and have identified priority areas:

- Property rights including intellectual property and contract enforcement.
- Business registration and licensing
- Taxation and customs
- Financial and Labour markets
- Infrastructure facilitation
- Competition
- Corruption and crime

All projects will be for the benefit of the business community as a whole. (Fitzgerald, 2006)

Having a body such as the ICF will improve the confidence of companies wanting to trade in Africa and hopefully this will encourage foreign direct investment into Africa.

It is important to understand South Africa's position and history in terms of trade with Africa. (Fitzgerald, 2006)

## 2.4 BACKGROUND

Peter Vale and Siphon Maseko in their article on South Africa and the African Renaissance illustrate how Africa has become South Africa's destiny. Whether this Renaissance benefits Africa or South Africa is not the issue. Rather that South Africa, being Africa's gateway assume its position necessary for active trade between the two regions and together contribute towards sustainable economies. (Vale and Maseko, 1998)

"South Africa's reunification with the rest of the continent had been a significant sub-narrative within the processes which led to negotiation over the ending of apartheid. That South Africa would become part of the African community was of course, beyond doubt, what was at issue was both the sequence of events by which this would happen and the conditionalities attached to its happenings. The acceptance of the principle of a government of national unity in October 1992 led to important links especially in the business, financial and industrial sectors that were developed with Africa during the interregnum. While Thabo Mbeki became the architect of South Africa's African policy, his thinking on the issue was slow to emerge and SA appeared content to play on some familiar theme of multi-literalism under the auspices of the OAU supporting the viability of politically independent and economically sustainable nation states which were able to protect their interests. Later SA did become a full partner in Africa's formal diplomacy. It established diplomatic missions in 23 African countries and took up membership of the OAU and SADC."

(Vale and Maseko, 1998)

The international community also exerted pressure upon South Africa to engage with the continent. Because of earlier policy reversals, the visionary language included five suggested areas of engagement:

- The encouragement of cultural exchange
- The emancipation of African women from patriarchy
- The mobilization of youth
- The broadening, deepening and sustenance of democracy
- The initiation of sustainable economic development

## 2.5 SOUTH AFRICA'S DESTINY

As early as 1940 South Africa's then Prime Minister, Jan Smuts, pointed out: "If we wish to take our rightful place as leader in Pan African development and in the shaping of future policies and events in this vast continent, we must face the realities and the facts of the present and seize the opportunities which these offer. All Africa may be our proper market if we will but have the vision, and farsighted policy will be necessary if that is to be realized."

(Vale and Maseko, 1998)

South African economic interests, particularly its industry and trading sector, would be amply rewarded by the potential, which the continent has always promised. South Africa could become a part of an African Revolution but it had to abandon apartheid. In the late 1960's two linked forays 'dialogue and détente' which later failed, sought continental approval for South Africa's racial policy and diplomatic recognition, of its

soon to be independent homelands. In the 1970's CONSAS (Constellation of Southern African States) was launched to diplomatically link South Africa to the states of the region. In the 1990's with apartheid ended and South Africa no longer isolated, the country seems to be standing on the threshold of fulfilment of its Africa's destiny was suggested that South Africa's idea of an African Renaissance is abstruse – more promise than policy. More positively it became clear that South Africa was committed to democracy in Africa and Mandela had been vocal on the need to protect human rights on the continent. (Vale and Maseko, 1998)

To further expand on African Renaissance, Vale and Maseko (1998) have presented two views. There is the globalist interpretation which links South Africa's economic interest to Africa through the logic of globalisation and the Africanist interpretation, which uses the African Renaissance to unlock a series of complex social constructions around African identity. South Africa's African Renaissance is anchored in a chain of economies, which with time might become the African equivalent of the Asian Tigers. The East Asia economic miracle has offered hope to the people of Africa that economic development can be rapid and can be achieved without the annexation of foreign markets through imperial physical force. South Africa will most certainly benefit as Africa positions itself as an expanding and prosperous market alongside Asia, Europe and North America.

The Africanist view argues that globalist outcomes will amount to nothing more than an externally driven consumerist movement that will leave Africans continuing to be valued only for the ability to absorb and popularize foreign ideas, trinkets and junk. Africanists wish to dispel the image of a "perpetually dancing, skin clad African who is always smiling through ridicule and pain" and develop a condition that would help Africans contribute meaningfully to rescuing the World from barbarism that masquerades as civilization. It is unclear whether Mbeki is an Africanist or a globalist. The question however is who will benefit from the African Renaissance? Africa must shed its Hobbesian image and together with South Africa's support must secure non-African interest on the continent. (Vale and Maseko, 1998)

Anstey (2002) in his article on African Renaissance explores the implications of an African Renaissance for governments, business and labour and the nature of the choices they will be required to make if they are to contribute to the vision. Two themes dominate the renaissance debate namely a drive to modernity and the need for such a process to be guided by African values and traditions. A renaissance is an organic process, which emerges through an interaction of all resources for multiple purposes and at multiple levels through time in order. For

Mbeki's vision of a coordinated African lift-off to become a reality, issues of strategy need to be considered.

The late political and economic development of most African countries is due to a long and desperate struggle against poverty and systems of external and internal authoritarianism. The three challenges that faced leaders in the formation and sustainability of nation states is that they need to deal with the costs associated with expanding domestic power infrastructure, the nature of national boundaries and the design of state systems. Anstey (2002) devoted much attention to what business; labour and governments might do to contribute to an African renaissance. In his view "if the concept was to become a mobilizing force it must take on a practical dimension regarding the agendas and activities of governments and civil groups across the continent." Anstey (2002) was of the opinion that governments business and labour would contribute to the vision of an African renaissance.

Business and trading in Africa is what would accelerate its growth and thus it is the African Renaissance that would lead to Africa's upliftment and alleviation of poverty.

## 2.6 AFRICAN RENAISSANCE

The African Renaissance is the concept that African people and nations overcome the current challenges confronting the continent and achieve cultural, scientific, economic etc., renewal. This concept has been popularised by South African President Thabo Mbeki. This was first articulated in the 1990's; it continues to be a key part of the apartheid intellectual agenda. ([www.en.wikipedia.org](http://www.en.wikipedia.org)).

## 2.7 ORIGINS

In April 1997, Mbeki listed the elements that would eventually be seen to comprise the African Renaissance: social cohesion, democracy, economic rebuilding, growth, and the establishment of Africa as a significant player in geo-political affairs.

In June 1997, an advisor to Mbeki, Vusi Maviembela, wrote that the African Renaissance was the "third moment" in post colonial Africa, following decolonization and the outbreak of democracy across the continent during the early 1990's. ([www.en.wikipedia.org](http://www.en.wikipedia.org)).

### 2.7.1 AFRICAN RENAISSANCE INSTITUTE

On October 11 1999, the African Renaissance Institute (ARI) was founded with headquarters in Gaborone, Botswana. Initial institute focus included development of African human resources, science and technology, agriculture, nutrition and health, culture, business, peace and good governance.

### 2.7.2 DESCRIPTION

Among other things the African Renaissance is a philosophical and political movement to end the violence, elitism, corruption and poverty that seem to plague the African continent, and replace them with a more just and equitable order. ([www.en.wikipedia.org](http://www.en.wikipedia.org)).

### 2.8 NEPAD

Together with the African Renaissance initiative arose, the New Partnership for Africa's Development (NEPAD), which is a vision and strategic framework for Africa's renewal.

The NEPAD strategic framework document arose from a mandate given to the five initiating Heads of State (Algeria, Egypt, Nigeria, Senegal and South Africa) by the Organization of Africa Unity (OAU) to develop an integrated socio-economic development framework for Africa, the 37<sup>th</sup> Summit of the OAU in July 2001. ([www.dfa.gov.za](http://www.dfa.gov.za))

Nepad is designed to address the current challenges facing the African continent. Issues such as escalating poverty levels underdevelopment and the continued marginalisation of Africa needed a new radical, intervention spearheaded by the African leaders, to develop a new vision that would guarantee Africa's Renewal.

NEPAD's primary objectives are:

- a) To eradicate poverty,
- b) To place African countries, both individually and collectively on a path of sustainable growth and development.
- c) To halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy.
- d) To accelerate the empowerment of women.

([www.dfa.gov.za](http://www.dfa.gov.za))

### 2.8.1 PRINCIPLES OF NEPAD

- Good governance as a basic requirement for peace, security and sustainable political and socio-economic development;
- African ownership and leadership as well as broad and deep participation by all sectors of society;
- Anchoring the development of Africa on its resources and resourcefulness of its people;
- Partnership between and amongst African people;
- Acceleration of regional and continental integration;
- Building the competitiveness of African countries and the continent;
- Forging a new international partnership that changes the unequal relationship between Africa and the developed world; and
- Ensuring that all Partnerships with Nepad are linked to the Millennium Development Goals and other agreed development goals and targets.

The NEPAD Programme of Action is a holistic, comprehensive and integrated sustainable development initiative for the revival of Africa guided by the abovementioned objectives, principles and strategic focus. ([www.dfa.gov.za](http://www.dfa.gov.za)).

### 2.8.2 CURRENT STATUS OF NEPAD

Ever since it was set up there has been some tension over the place of NEPAD within the AU programme, given its origins outside the framework of the AU, and the continuing dominant role of South Africa – symbolized by the location of the secretariat in South Africa.

Successive AU summits and meetings have proposed the greater integration of NEPAD into the AU's structure and processes. In March 2007 there was a "brainstorming session" on NEPAD held in Algeria at which the future of NEPAD and its relationship with the AU was discussed by an adhoc committee of heads of state. The committee again recommended the fuller integration of NEPAD with the AU. ([www.en.wikipedia.org](http://www.en.wikipedia.org))

### 2.8.3 CRITICISM OF NEPAD

NEPAD was initially met with a great deal of skepticism from much of civil society in Africa at playing into the 'Washington Consensus' model of economic development. In July 2002, members of some forty African social movements, trade unions, youth and women's organizations, NGO's, religious organizations and others endorsed the African Civil Society Declaration of NEPAD rejecting NEPAD; a similar hostile view was



taken by African scholars and activist intellectuals in the 2002 Accra Declaration on Africa's Development Challenges.

Part of the problem in this rejection was the process by which NEPAD was adopted was insufficiently participatory – civil society was almost totally excluded from the discussion by which it came to be adopted. The poor quality of the actual NEPAD document is to some extent a reflection of this lack of consultation.

More recently, NEPAD has also been criticized by some of its initial backers, including notably Senegalese President Abdoulaye Wade, who accused NEPAD of wasting hundreds of millions of dollars and achieving nothing. Like many other intergovernmental bodies, NEPAD suffers from slow decision-making and a relatively poorly resourced and often cumbersome implementing framework. There is a great lack of information of the NEPAD secretariat – the website is notably uninformative – that does not help its case.

However the programme has also received some acceptance from those initially very critical and in general its status has become less controversial as it has become more established and its programs have become more concrete. The aim of promoting greater regional integration and trade among African states is welcomed by many, even as the fundamental macroeconomic principles NEPAD endorses remains contested. ([www.en.wikipedia.org/wiki/NEPAD](http://www.en.wikipedia.org/wiki/NEPAD))

## 2.9 ROLE OF AFRICAN YOUTH

The youth can most certainly contribute to Africa's position and acquire skills necessary to drive Africa's growth

"Reducing the world's rate of youth unemployment by half could add \$2.200bn - \$3.500bn to the global economy estimates ILO.

About 20% of that gain would go to Sub-Saharan Africa. In order to benefit, it is critical for African countries to come up with specific plans that target youth. In Africa the problem of youth unemployment is more complex than in some parts of the world. "Slow growing economies are unable to generate enough job opportunities to absorb the large number of young people qualifying from institutions of learning every year," said President Kibaki of Kenya at a Youth Employment Summit (YES) in Nairobi, Kenya.

Young people are at a disadvantage when they look for jobs even if they have had some schooling as many lack skills and job experience. Young people (between 15 and 24 years) made up 63% of the jobless in Sub-

Saharan Africa in 2003. The actual rates of unemployment exceed 40% in some countries.

## 2.10 FACTORS CONTRIBUTING TO UNEMPLOYMENT

Stagnant or sluggish economies do not grow fast enough to produce jobs for a growing population. Developmental experts say that Africa's economy needs to grow by 7% annually in order to half the percentage of people living in poverty. Instead it has grown from an annual rate of less than 3 percent in 1998 to 5 percent in 2005 (UNCTAD, 2005)

Among the long term national policy options proposed is the Ouagadougou Plan of Action which calls for countries to diversify their economies into labour intensive industries, adopt laws that attract investors and create opportunities for women and young workers.

The Plan of action is a fine blue print but must move the planning stage to implement national employment plan called Poverty Reduction Strategy Papers (PRSPs). These measures include plans to widen access to education, training and credit and to build infrastructure and attract investors.

It has been necessary to this study to observe the patterns of South African businesses that are currently trading in Zimbabwe. This research was carried out by the SAIIA.

## 2.11 SOUTH AFRICAN BUSINESSES TRADING IN ZIMBABWE

Zimbabwe was until recently South Africa's most important trading partner in Africa and one of the 15 countries globally with which South Africa exchanged the highest volume of trade. SA exports to Zimbabwe stood at R6.2 billion in 2004. Twenty-seven of South Africa's biggest listed companies have operations there and a number are also listed on the Zimbabwe Stock Exchange. Relationships between the two countries have been poor and over the past five years the human rights, political and economic situation has deteriorated significantly. Meanwhile, South African companies operating in Zimbabwe continued to find ways to deal with the countries distorted and largely dysfunction economy in order to maintain a presence there in expectation of eventual political change and economic recovery.

Companies have preferred to "ring fence" their Zimbabwean operators keeping financials separate from the overall group operations as a way of riding out the storm. Although most companies have limited contact with head office in South Africa, it is believed that if faced with a real problem the parent company would intervene to help them. The fact that Zimbabwe has not signed the trade and investment protection agreement

drawn up with South Africa makes companies feel more exposed to the vagaries of Zimbabwe's economic policy, particularly as regards property and nationalization of assets.

(Games D., 2004)

- The government's erratic policy decisions and the resulting hyperinflationary environment has made doing business difficult because it precludes long term planning and forces companies to revise salaries and other costs on a monthly or quarterly basis.
- The issue of wages has become complex and administratively difficult owing to the need for their workers with the national employment councils separately.
- Foreign currency shortages are a critical problem for companies that often have difficulty obtaining dollars. However, a number of companies say the percentage of the export they are allowed to keep in foreign currency accounts covers their import needs. Although companies have made good returns, many do not repatriate dividends because of their foreign currency shortages.
- The role of the Reserve Bank, due to its assumption of functions that have put it in competition with the banks, has caused some confusion.
- Some company's products are subject to government's price controls. This has made their products unviable as they are required to pay market-related costs for inputs but are not allowed to charge market related prices for the goods they produce.
- The declining skills pool as a result of massive migration and the fallout of high HIV/AIDS infection rates in the workforce has presented a problem for some companies.
- The domestic market has shrunk rapidly over the past five years in terms of the both numbers of consumers and their disposable income.
- Deteriorating living conditions have forced people to become self-sufficient. Ongoing fuel shortages in particular have made business hard.
- The lack of equity in the local market for partners in Zimbabwe to take up stakes in South African-owned run companies is proving to be a problem in an environment where there is increasing pressure for indigenisation.(Games, D;2004)

## 2.12 DEVELOP INFRASTRUCTURE TO DEVELOP AFRICA

As Africa struggles to get rid of her stinking problems such as unemployment and poverty, there is a need to rethink its infrastructure. Infrastructure – roads, railway, electricity, waterways and air among others directly correlate with development. Their development and

maintenance is key to rapid economic growth and poverty reduction. Production costs, employment creation, access to markets and investment depend on the quality of infrastructure. A poor transport system acts as a "non-tariff barrier: ([www.africanexecutive.com](http://www.africanexecutive.com))

One of Africa's challenges to rapid growth and development is poor infrastructure, which was designed with colonial objectives in mind. Thus coastal areas and ports were connected to important sources of raw materials and agricultural production but offered little opportunity for internal circulation of goods or people. Infrastructure in most African countries has not changed much. A real regional African road system does not exist yet and a large number of national and sub regional road networks are not coordinated effectively. ([www.africanexecutive.com](http://www.africanexecutive.com))

### 2.12.1 ELECTRICITY

Africa, which constitutes about 13% of the world population, consumes only 3% of global commercial energy. By 1991 only 22% of African households were connected to electricity. Lack of electricity is a major disincentive to many who would be investors especially in the rural areas.

### 2.12.2 TRANSPORT

Many African countries also face huge transport costs in accessing the global market making the cost of transporting goods in Africa among the highest in the world. This makes African goods less competitive. World Bank studies show that a 10% drop in transport costs could result in a 25% increase in total African trade. Only about 2.5% of the decline in Africa's share of world exports can be attributed to poor prices, the rest is due to non-price factors such as infrastructure.

By 1996, Africa had approximately 311,184 kms of paved roads, half of them in pitiable conditions. Except in Mauritius, Algeria, Egypt, Morocco and Tunisia, paved roads in Africa account for less than 50% of the road network.

In sub-Saharan Africa, paved roads account for less than 17%. Generally road density per Km Square is lower than those of Asia and Latin America. The 80% of the unpaved main roads in Africa are also in poor conditions with most of them easily accessed during the dry seasons. In Ethiopia 70% of the population has no access to all weather roads. Africa lags behind the rest of the world in all aspects of infrastructure development – quantity, quality, access and cost ([www.africanexecutive.com](http://www.africanexecutive.com))

### 2.12.3 SUGGESTION TO IMPROVE TRANSPORT

The private sector involvement in infrastructure development is very poor. Even the urban-based private companies can be involved in infrastructure development in the rural areas as a way of opening up investment in such areas. The areas monopolized by the public sector e.g. electricity should also be keenly considered to private providers. ([www.africanexecutive.com](http://www.africanexecutive.com))

### 2.12.4 THE PROJECTS UNDER NEPAD

In the past five years the African Development Bank and the World Bank have increased priority to projects under the NEPAD Short Term Action Plan for Infrastructure Development. Many projects financed include the West African Gas Pipeline, electricity interconnectors in West and Southern Africa and a number of feasibility studies. The amount committed to NEPAD infrastructure projects including those in the pipeline is in excess of three billion US dollars. Canada, France and Japan have been the main sponsors of project preparation for infrastructure projects in energy, transport and ICT. Through the NEPAD Short Term Action Plan an increasing number of regional infrastructure projects have been successfully brought to financial closure and thus reached the implementation stage. ([www.uneca.org](http://www.uneca.org))

### 2.13 AFRICA'S MINERAL WEALTH

Africa has more than 50 nations with undeveloped or under developed mineral and/or oil and gas resources- collectively they hold 55% of the world's gold resources. In many cases war, political unrest or uncertain regulation has long hindered or altogether prevented exploration and developments using modern methods. Today, however, many resource-rich African countries have established a level of political stability and economic reform that is creating an increasing attractive environment for investment. In the last eight years, Africa has built seven new gold mines with resource figures of 55 million ounces, more than any other region. Over the next eight years, 26% of new gold discoveries are projected to come from Africa. Directors of the Lundin Group, one of Sweden's largest mining companies predicted that the East African region will in the next five years; attract investment in the mineral industry never experienced in the past 100 years. ([www.africanmf.com](http://www.africanmf.com))

### 2.13.1 UGANDA

In Uganda, a former British colony where English is the official national language, mining once contributed one-third of the country's foreign earning revenue from the export of copper, gold and industrial minerals. East Africa contains major gold trends that connect the largest gold deposits in the region, and these trends extend through Uganda. However, compared with neighboring Tanzania and DRC, Uganda has been highly under explored in recent years although it appears that this is going to change. A new mineral development program launched in 2004 is supported by legislation that increased the area and tenure for licenses and established a single licensing authority and an appeal mechanism. ([www.africanmf.com](http://www.africanmf.com))

### 2.13.2 ETHIOPIA

Gold is Ethiopia's main mineral export and has been mined there since ancient times, primarily as alluvial or free gold. During the 1990's the government revamped mining law and regulations and began upgrading infrastructure to support mining.

### 2.13.3 DEMOCRATIC REPUBLIC OF CONGO

Formerly known as Zaire, DRC is rich in cobalt, copper, niobium, tantalum, petroleum, industrial and gem diamonds, gold, silver, zinc, manganese, tin, uranium and coal. A 2005 revised resource estimate covering three deposits in the Kilo Moto greenstone belt showed a resource estimate of 2.8 million ounces of indicated resources of gold. In 2003, DRC began a return to relative political stability and the creation of a more favorable investment environment ([www.africanmf.com](http://www.africanmf.com))

### 2.13.4 MADAGASCAR

A growing number of mineral exploration companies are now testing Madagascar's deposits of nickel, gold bauxite, and precious stones, chiefly sapphires, rubies and diamonds. A new mining code developed in cooperation with the World Bank is helping to drive new exploration. The code reduces taxes on income and dividends, lowers customs duties and establishes a uniform licensing regime. Madagascar is also updating and improving its geological and mining databases. ([www.africanmf.com](http://www.africanmf.com))

### 2.13.5 BOTSWANA

Botswana's mineral policy objective is primarily to maximize the national economic benefit from the development of mineral resources. In 1991, the government replaced the old mining code of 1977, which was out of tune with prevailing economic philosophies with a new mining code. Although the old act had its shortcomings, it served the country reasonably well for 20 years, during which time the country was transformed from being one of the poorest of the world's poor to a middle income country. One of the cornerstones of the new and old mining codes is that government does not subscribe to privately owned mineral rights. The Botswana government attempts to provide a fair balance between the various stakeholders. ([www.sciencedirect.com](http://www.sciencedirect.com))

### 2.14 CONCLUSION

The above illustrates the challenges and problems faced when dealing in Africa. However Africa presents an untapped potential as is illustrated by its mineral wealth and massive buying power due to its large population. Getting in early has advantages in that it allows one to capture market share and establish brand loyalty and distribution chains before ones competitors and indeed we are seeing great results for many multinational corporations already doing business in Africa with minimal investments.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 INTRODUCTION

An exploratory study using the qualitative method of research was used. Both primary and secondary data were gathered for purposes of this research. Primary data was gathered by means of a sample, which consisted of fifteen small South African Durban-based companies that are currently trading in Africa. Secondary data was gathered from experiences of international companies that are currently trading in Africa. This enabled the researcher to identify specific strategies this utilized by these companies to ensure successful trading.

### 3.2 PRIMARY DATA

When secondary data are not available or are unable to help answer our research questions, we must ourselves collect the data, which are relevant to our particular study and research problem. These data are called primary data. (Ghuri P. and Gronhaug K. 2002). The main advantage of primary data is that they are collected for the particular project at hand. This means that they are more consistent with our research questions and research objectives. The type of primary data that were collected for the purposes of this study was awareness and knowledge data. These describe what is known about a particular business activity. Such data is necessary in order to ascertain what knowledge the respondents acquired while doing business in Africa. (Saunders M, Lewis P and Thornhill A, 2003)

At first questionnaires were sent by e-mail to thirty companies whose information was obtained from The Durban Chamber of Commerce. Of the thirty questionnaires only four were returned with the questionnaire being completed by the secretaries of the companies. This type of response did not answer the critical questions sufficiently.

In order to improve efficiency it was decided to utilize the snowballing technique to obtain respondents who were willing to share information with the researcher. Respondents were happy to discuss their fears, challenges, problems, frustrations, joys and hopes for their futures in the African continent.



### 3.2.1 DATA COLLECTION

The strategy used in order to obtain data was by means of the qualitative method of data collection. This exploratory study used interviews as the method by which information was obtained. This method was used, as it demands real interaction between the researcher and the respondent. Interviews are often considered the best data collection methods. Unstructured interviews were conducted so that the respondent was given almost full liberty to discuss reactions, opinions and behavior on a particular issue. The researcher gave lead questions and recorded the responses in order to later understand 'how' and 'why'. The question and answers were unstructured and not systematically coded beforehand. Unstructured interviews demand greater skills from the interviewer. In unstructured interviews information about personal, attitudinal and value-laden material is obtain and one is likely to be dealing with matters which call for social sensitivity in their own right. Unstructured interviews are considered advantageous in the context of discovery. Then the researcher who is well acquainted with the research questions / area can ask subsequent questions and enrich the data so collected. (Ghauri P. and Gronhaug K. 2002).

### 3.3 MULTIPLE-SOURCE SECONDARY DATA

Multiple secondary sources included both raw data and published summaries. For the purposes of this study this was obtained for the South African Institute of International Affairs publications and discussions with their researchers who current are busy on a three-year project researching South African businesses trading in Africa. Together with those textbooks, websites and academic journals were utilized in order to obtain secondary data that provided the main source to answering the research questions and address the objectives at hand. This is known as documentary secondary data and includes books, journals and magazine articles and newspapers.

#### 3.3.1 SURVEY-BASED SECONDARY DATA

These refer usually to data collected by questionnaires that have already been analyzed for their original purpose. These survey-based secondary data have been collected through one of three distinct types of survey, which include censuses, continuous/regular surveys or ad-hoc surveys. Censuses are usually carried out by governments and are unique because, unlike surveys participation is obligatory. Continuous and regular surveys are those surveys, excluding censuses that are repeated overtime. Ad-hoc surveys are usually once-off surveys and are far more specific in their subject matter. The South African Institute of

International affair utilizes the above-mentioned methods to obtain data on a continuous basis.

This was obtained from The South African Institute of International Affairs publications and discussions with their researchers who currently are busy on a three-year project researching South African businesses trading in Africa.

### 3.4 QUESTIONNAIRE DESIGN

The questions were of a structured nature, with the questions pertaining to the prospective regions and their experiences, being open-ended. This proved effective in obtaining subjective data and allowed the respondent to fully express his feelings on the subject.

### 3.5 INTERVIEWS

Telephonic interviews were carried out with key people in the companies that were working first-hand with African business. This, most often, proved to be the managing directors of the companies. A semi-structured interview was carried out where a list of themes and questions were covered. These varied slightly from interview to interview. The order of the questions also varied depending on the flow of the conversation. If a need arise additional questions were asked in order to further explore the critical research questions. The data was recorded by means of note taking. Interviews were conducted on a one to one basis. These were in the form of telephonic interviews.

The telephonic interview method was utilized as the advantages included access, speed and lower cost. It allowed contact with individuals with whom it would have been impractical to conduct and interview on a face-to-face basis because of the distance and prohibited costs involved and time required. Long distance access was an issue as most of the interviewees were not available as it was necessary that they attended to their businesses outside of South Africa. Thus the telephone conversation allowed speed of data collection and lower cost. This was the most convenient approach that enabled personal contact with the interviewee.

As the intention of qualitative interviewing was to be able to explore the participants' responses, together with the snowballing technique of obtaining samples, the telephonic method proved to most effective. It was most feasible as a position of trust was established. Once the association was established between researcher and interviewee it was a favourable circumstance under which a telephonic method is successful.

The opportunity to witness the non-verbal behaviour of the participant was lost but due to the nature of the research this was not important.

### 3.6 IN DEPTH INTERVIEWS

The snowballing technique was used to increase the sample size, with respondents assisting in recruiting other companies who were not on the list.

1. Mr. Adil Hendiks – Bravopetroleum - Managing Director
2. Mr. Kavir Maharaj - Balltrex International - Managing Director
3. Mr. Santosh Hamchunder – Hedcor – Sales Consultant
4. Mrs. Jackie Marupeng – On the Dot Dist. – Distributions Manager
5. Mr. Ketan Bindapersad – Atelier & Ass. – Snr. Architectural Tech.
6. Mrs. Ashnee Brassels – Unilever - Fin. Man. (Sub-Saharan Africa)
7. Mrs. Heather Navaro – Federal Air – Maintenance Manager
8. Mr. Goutham – Ubhaxa Electrical Wholesalers – Managing Director
9. Mr. M. Singh – Yedcor Int. – Operations Director
10. Mr. Bob Maharaj – Impex – Managing Director
11. Mr. Rob McRay – Kaytec Int. – National Sales Manager
12. Mr. Jay Naidoo – USG Glass – Sales Director
13. Mr. Anish Valjee – JMV Textiles – Managing Director
14. Mr. Arvind Baijnath – Universal Truck & Bus Parts – Managing Dir.
15. Mr. Reinie – Executive Overhauls – Managing Director

### 3.7 QUALITATIVE DATA ANALYSIS

'The more ambiguous and elastic our concepts, the less possible it is to quantify our data in a meaningful way'. Qualitative data are associated with such concepts and are characterized by their richness and fullness based on your opportunity to explore a subject in as real a manner as is possible. The nature of qualitative data therefore has implications for both its collection and its analysis. To be able to capture the richness and fullness associated with qualitative data they cannot be collected in a standardized way like that of quantitative data. (Saunders M, Lewis P and Thornhill A, 2003)

Thus the process of qualitative analysis with regards to this particular study has involved the development of data categories and has developed and tested hypotheses to produce well-grounded conclusions.

### 3.8 CONCLUSION

This chapter outlines the research methodology utilised for the purposes of this dissertation. The next chapter will include the presentation of the data as recorded during the interview process.

## CHAPTER FOUR: PRESENTATION OF DATA

### 4.1 INTRODUCTION

This chapter presents the data that was collected during the interview process. The sample consisted of fifteen small South African Durban based companies that are currently trading in Africa. The nature of the businesses, the list of countries that are traded with, the future of these companies in Africa and the challenges experienced within South Africa as well as challenges faced in Africa are some of the questions that were posed to the interviewee.

### 4.2 COMPANIES THAT WERE INTERVIEWED

Company Name: **BRAVOPETROLEUM PTY LTD**  
Interviewee's Name: **ADIL HENDRIKS**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

This company purchases oil, lubricants and petroleum products from Saudi Arabia and supplies them to Mozambique and Zimbabwe. They supply bitumen and other petroleum products to Mozambique and oil to Zimbabwe.

#### COUNTRIES THEY TRADE WITH

- Mozambique
- Zimbabwe

PERCENTAGE OF SALES: 100%

#### FUTURE FOR COMPANIES TRADING IN AFRICA

Mr. Hendriks feels that there is most definitely a future for companies trading in Africa. Mr. Hendriks traveled frequently to Mozambique and Zimbabwe.

#### CHALLENGES EXPERIENCED WITHIN SOUTH AFRICA

Mr. Hendriks found that there were various trade restrictions within the South African government. This resulted in a slow turnaround time, which gravely affected his business. The South African Reserve Bank did not allow him the use of his profits to purchase products from Saudi Arabia and then move it to Mozambique and Zimbabwe. The policy does

not allow for the purchase to occur without the landing of goods into South Africa. This posed a problem especially when opportunities arose where he could purchase at a discounted price due to the falling away of deals with the other purchases. He was restricted and this policy with the South African

Reserve Bank, led to numerous lost opportunities. In order to overcome this he has gone into joint ventures with other countries.

#### CHALLENGES FACED IN AFRICAN COUNTRIES

Mr. Hendriks actually found it a pleasure doing business in Zimbabwe. They always paid in advance and he had no problem in that country. Trading in Mozambique was a little more complicated with its rules, regulations and customs. There was also difficulty experienced in registering the company. However, Mr. Hendriks was of opinion that Mozambique was a rapidly developing country and envisioned that in the next ten years it would overtake South Africa, which he felt, was rather stagnant.

Company name: **BALLTREX INTERNATIONAL**  
Interviewee's Name: **KAVIR MAHARAJ**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

Mr. Maharaj called himself a commodity broker. He was reluctant to divulge exactly what he did in Africa.

#### COUNTRIES THEY TRADE WITH

- Tanzania

PERCENTAGE OF TOTAL SALES: 25%

#### FUTURE FOR COMPANIES TRADING IN SOUTH AFRICA

There was most definitely a future for successful trade in Africa.

#### CHALLENGES IN SOUTH AFRICA

He did not feel that South Africa was doing enough to encourage trade with the rest of Africa. There were political problems, the relationship between South Africa and Tanzania was strained and did not allow for the economic development of the countries.

#### CHALLENGES IN AFRICA

Mr. Maharaj found that the biggest problem he faced was bribery and corruption.

Competition from other countries especially India, China and Korea existed and often they were able to land goods in Africa for less than it cost for South African countries to land goods in African countries.

The issue of political instability was raised as a problem in Tanzania. There was a lack of regulatory systems and clear procedures and it was difficult to attain information from authorities without them expecting a bribe in return.

It is important to have locals to assist you on the ground as business is done very differently in African countries as compared to South Africa.

Name of Company: **HEDCOR**  
Interviewee's Name: **SANTOSH HAMCHUNDER**  
Title in Company: **SALES CONSULTANT**

#### NAME OF BUSINESS

This company supplies furniture to hotels and offices.

#### COUNTRIES THEY TRADE WITH

- Angola,
- Tanzania

PERCENTAGE OF SALES: 20%

#### FUTURE IN TRADING IN AFRICA

Mr. Hamchunder did not think that there was much future for his company in Africa. His main reason for this opinion was the competition posed by Chinese and Bulgarian companies that were freely entering Africa and conducting business.

#### CHALLENGES IN SOUTH AFRICA

Mr. Hamchunder was of the opinion that South Africa was not doing enough to commercially develop the country like China who trade freely in all African countries.

#### CHALLENGES IN AFRICA

Angola had a government legislation that did not allow timber to be imported into the country. This discouraged the country from beginning a manufacturing plant in Angola. The company did receive many queries from companies in Angola and Tanzania. This involved immense documentation to get together and very often these queries did not materialize into concrete orders. It is because of all the documentation necessary in order to offer a quotation that the company was apprehensive about entertaining many queries from the African countries. The company preferred to work with South African companies that were based in Africa as they presented a safe infrastructure that enabled the safe transport of the goods to the necessary countries.



## BUSINESS BEST PRACTICES

It is important to find out about government bylaws regarding what can and cannot be brought into the country as it could prove a very costly mistake.

Name of Company: **ON THE DOT DISTRIBUTION**  
Interviewee's Name: **JACKIE MARUPENG**  
Title in Company: **DISTRIBUTIONS MANAGER**

#### NAME OF BUSINESS

This company is responsible for beaming of Multichoice channels and distribution in all African countries.

#### COUNTRY THEY TRADE WITH

- All African countries except Egypt.

PERCENTAGE OF SALES: 100%

#### FUTURE

Most definitely

#### CHALLENGES FACED IN AFRICA

No real problems faced within South Africa.

#### CHALLENGES FACED IN AFRICA

Every single country needed different information. Therefore every shipment was unique. If there were any missing document the entire shipment would be confiscated.

Their business rested on getting the right broker with whom to deal and this proved difficult. The company was in a joint venture with Multichoice Africa of which Multichoice Africa was a 51% shareholder. The general management was South Africa and due to bribery and corruption that existed in the relevant countries these staff was rotated so that they did not get involved in any corrupt dealings.

There was generally an unskilled workforce and it was difficult to obtain staffs that were trained and knowledgeable about the technology utilized.

#### BUSINESS BEST PRACTICES

It was important to be scrupulous about documentation as an errors could cause many problems.

Name of Company: **ATELIER AND ASSOCIATES  
ARCHITECTS**  
Interviewee's Name: **KETAN BINDAPERSAD**  
Title in Company: **SENIOR ARCHITECTURAL  
TECHNOLOGIST**

#### NATURE OF BUSINESS

This is a firm of architects.

#### COUNTRIES THEY TRADE WITH

- Kenya

PERCENTAGE OF SALES: 2.5%

#### PROBLEMS EXPERIENCED IN AFRICA

The company has learnt some costly lessons about how things do and don't work. "One must take the pearls of wisdom from these experiences and develop a system" said Mr. Bindapersad. There was a project in Zimbabwe during a period when Zimbabwe experienced 300% currency devaluation and a 500% inflation rate. These factors led to cost escalations, delays and cancellations of other building projects in the country.

Doing work in Nigeria is especially difficult. In Nigeria there is so much going on below the surface. Solving this involves working closely with allies in the country who can smooth the process. Bribery is not an opinion for this company.

#### BUSINESS BEST PRACTICES

A sense of humour is a must.

A strong survivor instinct is also a prerequisite.

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Name of Company: **UNILEVER**  
Interviewee's Name: **ASHNEE BRASSELS**  
Title in Company: **FINANCE MANAGER – SUB SAHARAN AFRICA**

### NATURE OF BUSINESS

The division in which Mrs. Brassels worked was in Foods. They were researching and developing foods that were important for the mental and physical development of children. These included fortified maize and margarines. It was found that the role of the women was extremely important in African homes. She was actually "the man of the house" and it was imperative that she was made to feel confident that she was making the correct food choices for her family.

### COUNTRIES THEY TRADE WITH

- Predominantly Kenya,
- Nigeria,
- Ghana,
- Cote de' Ivoire,
- Egypt and
- Morocco.

### CHALLENGES FACED IN SOUTH AFRICA

Worked within SADC trade agreements so there were no problems faced in South Africa.

### CHALLENGES FACED IN AFRICA

- Since more than half of the population of Africa lived on less than a dollar a day, Unilever had to formulate products and packaging so that it fell within the coinage that the local possessed in order to ensure sale of their goods.
- There was also a huge problem with bribery and corruption and since Unilevers policy was not to bribe officials at border posts there were often long delays leading to the attachment of trucks. It was found that because officials were not given bribes, they were especially difficult when a Unilever vehicle required to cross borders. This often led to the company making expensive decisions to transport goods by the sea and this was drastically more expensive.
- The company had to battle for brand loyalty because there was often cheap imports.

- There was immense competition for the little choices of purchases that were made. People often spent their money on all cellphones, airtime and lottery tickets.

Name of Company: **FEDERAL AIR**  
Interviewee's Name: **HEATHER NAVARO**  
Title in Company: **MAINTENANCE MANAGER**

#### NATURE OF BUSINESS

Fed Air is a privately owned company that chartered flights and offered shuttle service. They also dealt with business charters in and around South Africa. Fed Air also did short and long term international lease and contract work for all major humanitarian organizations.

#### COUNTRIES THEY TRADE WITH

- Nairobi
- Angola
- Tanzania
- Sudan

PERCENTAGE OF SALES: 30%

#### CHALLENGES FACED IN SOUTH AFRICA

South Africa customs rules have now been tightened. The biggest problem Fed Air experience is the delay in data capturing at the customs office. Data capturing takes the longest to do and this delays clearance required. If there is a problem with any of the aircrafts and parts need to be sent quickly in order for the aircraft to be repaired, there are often long delays at the customs offices. It does appear to the interviewee as if the customs offices are understaffed.

#### CHALLENGES FACED IN AFRICA

One of the major challenges is the strip on which the small aircrafts land. These are often dirt strips and because of this a particular type of plane, the Senna Caravan, has to be used as this requires low maintenance and has less movable parts.

There is also a problem with corruption and bribery and when the company attempts to send spares up to an African country, officials expect bribes they release the spares.

## BUSINESS BEST PRACTICES

It is imperative that one finds a local person who will be able to assist with on the ground duties; otherwise items that are being sent over can disappear.

Name of Company: **UBHAXA ELECTRICAL WHOLESALERS**  
Interviewee's Name: **MR. GOUTHAM**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

Supplies and retail goods in Africa.

#### COUNTRIES THEY TRADE WITH

- Rwanda,
- Burundi,
- Kenya,
- Uganda

PERCENTAGE OF TOTAL SALES: 30%

#### OPINION

Most definitely sees an opportunity to do business there.

#### PROBLEMS IN SOUTH AFRICA

Mr. Goutham did not have any problems with South Africa; rather that he is very happy with our SA government for the outstanding work that they do in order to encourage trade with Africa. Because of the Rwandan Trade Agreement with South Africa, it is very easy to trade with Rwanda and there are no taxes to pay and goods are VAT-free. He makes use of a clearing agent who, together, with the proper customs ensured the goods are transported.

#### PROBLEMS FACED IN AFRICA

The major problems faced are with customs and clearing goods once they have been shipped or railed to the specific countries. "They are very finicky," he said and bribery and corruption is rife. As payment is usually cash in advance or payment with letter of credit there is no problem with receiving money.

Mr. Goutham believes that training is a buzzword in Africa at the moment and finds that if a company is prepared to offer training together with the products, there is a greater opportunity to increase the sales volume as jobs are being created which is one of the social responsibilities that come with wanting to trade successfully in African countries.



Name Of Company: **YEDCOR INTERNATIONAL**  
Interviewee's Name: **MR. M. SINGH**  
Title in Company: **OPERATIONS DIRECTOR**

#### NATURE OF BUSINESS

This company is mining alluvial diamonds in the Ivory Coast. They were also running a soap-manufacturing factory in DRC Congo, but, due to that factory has instability since closed down.<sup>3</sup>

#### COUNTRIES THEY TRADE WITH

- Cote' de Ivoire,
- DRC Congo

PERCENTAGE OF TOTAL SALES: 30%; most definitely see opportunities

#### EXPERIENCES ENCOUNTERED WITHIN SOUTH AFRICA

Mr. Singh speaks highly of the excellent work that President Thabo Mbeki is doing in Africa to promote trade between the two regions. In his words "if you are South African, you are worshipped". There is much faith and trust in South African business.

The problems encountered in South Africa, is with the South African Reserve Bank. There is a problem with declaring income from a third party.

#### PROBLEMS IN AFRICA

Mr. Singh found that the Ivory Coast, being predominantly French speaking, had a colonised culture and a bad attitude. There can be a language problem, if one does not understand any French.

Also, they have a "rubber stamp" rule, where every document that is needed has to have some type of stamp and together with this comes a \$2, \$5 or \$50 fee, so there are lots of hidden costs with documentation.

Transport and logistics is a huge problem and attempting to move goods from one border to another is extremely difficult.

One third of the work force consists of foreign nationals and often one is not aware of this when one employs them and this can lead to a problem as you have no clue as to whether you are making the correct choice or not.

The biggest problem with trading in Cote' de Ivoire is corruption. Rebel forces control the northern region of the Ivory Coast. There are no taxes being paid so the country is running on half the income that it should have. Coupled with that is the corruption from the presidency. There is one president for the different regions. These are too many people in power and connectivity to the right people is everything. It is very easy to be convinced that you are doing business with somebody who is linked to a government official only to learn after all the paperwork is signed that this was actually not true.

In order to be successful in Africa, Mr. Singh suggests that the smaller business follow the precedent set by other businesses otherwise attempting to trade there could lead to absolute frustration. The frustration that the corruption leads to is immense and everything is a calculated, measured risk. He says of the people who attempt to trade in Africa, 99% drop out because it is very difficult and frustrating. Every day a new learning experience and no matter how successful a businessman you are in South Africa, in Africa, if you do not know the right people in the right places, you may be unsuccessful.

Name of Company: **IMPEX**  
Interviewee's name: **MR. BOB MAHARAJ**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

Mr. Maharaj sources scrap metal in Angola and exports it to India.

PERCENTAGE OF SALES: 20%

#### COUNTRIES THEY TRADE WITH

- Angola

#### OPINION

He feels that there is lots of business to be done in Africa but it is difficult for the small businessman to survive as there are many hidden costs incurred.

#### EXPERIENCES WITH SOUTH AFRICA

With the trade agreements between South Africa and Angola it is very easy to trade in Angola, however Mr. Maharaj is of the opinion that there is no type of backup or support given to the South African businessman once he is in Africa. He feels that not enough is being done to safeguard small businesses that are battling to survive in Africa.

The South African Reserve Bank also had a foreign exchange regulation that does allow the use of income from a third party to be used to pay for goods that are not received into South Africa.

It has also been found that it is more expensive to bring a container of scrap paper down to South Africa from Angola, than it is to bring a container from China.

#### PROBLEMS FACED IN AFRICA

"Angola is a highly corrupt country" says Mr. Maharaj. "The government officials expect bribes for everything and because of the red tape surrounding the documentation, in order to get things moving, one has to bribe the officials. The scrap metal has to be tested and then fumigated before it can be loaded into containers and this process can take weeks if officials are not bribed."

There also has been occasion where the brokers arrange to purchase an agreed amount of scrap metal and when a vehicle is arranged to pick it up, it is discovered that it is sold to somebody else. Getting authorities to stand by their agreements is very difficult.

Mr. Maharaj also found that basic needs such as accommodation are extremely expensive in Angola and one can pay \$100 a night for a room without any windows. These are also hidden costs that not make it viable to run a business in Africa.

Mr. Maharaj is of the opinion that small businesses cannot take the losses that are incurred in trading in Angola and not enough is being done to safeguard the SMME that are trying to create jobs and operate successfully in the African countries.

Name of company: **KAYTEC INTERNATIONAL**  
Interviewee's Name: **ROB MCKERAY**  
Title in Company: **NATIONAL SALES MANAGER**

#### NATURE OF BUSINESS

Kaytec International manufactures and supplies civil engineering equipment for the construction of road works.

#### COUNTRIES THEY TRADE WITH

- Botswana
- Zimbabwe
- Namibia
- Mozambique
- Zambia
- Kenya
- Tanzania
- Algeria
- Uganda
- Mali
- Sudan

PERCENTAGE OF SALES: 10%

#### EXPERIENCES WITHIN SOUTH AFRICA

Kaytec does not utilize any incentive programmes anymore as they find them time consuming and lengthy. The necessary documentation needs to be completed one month in advance and often the company is not able to plane so much in advance. So even though there are incentive programmes, Kaytec finds them cumbersome and a waste of time.

#### PROBLEMS EXPERIENCED IN AFRICA

The Payment becomes a problem, as the company is reluctant to offer a credit service to the customer who he is not familiar with. They do make use of Letters of Credit, but that does take longer.

The other problem experienced is a lengthy time delay between the project being drawn up and the actual implementation. This can take as long as two years until the country receives aid. As most of the road works are government funded, when is giving the aid stipulates where the goods should be sourced from. This sometimes means that Kaytec is not given the contract to manufacture and supply the necessary goods.

Corruption and bribery is a huge problem in African countries and Kaytec's company policy is to refuse to pay bribes. Communication especially telecommunications to certain countries does seem to be a problem.

Kaytec refuses to carry out any work in Nigeria, as corruption is extremely high.

#### BUSINESS BEST PRACTICES

It is imperative to have people on the ground. This is often costly and risky, but it is very important for the success of the business.

Do not rely on the trade with Africa as a main source of income as business can be very cyclical at times.

Name of Company: **USG GLASS**  
Interviewee's Name: **JAY NAIDOO**  
Title in Company: **SALES DIRECTOR**

#### NATURE OF BUSINESS

USG imports and supplies various windscreens and other automotive glass to wholesale and retail glass fitment centres.

#### COUNTRIES THEY TRADE WITH

- Namibia
- Maputo
- Botswana

PERCENTAGE OF SALES: 20 – 30%

#### PROBLEMS EXPERIENCED WITHIN SOUTH AFRICA

Mr. Naidoo was very happy with the extensive work that South Africa is doing in the above African countries. However his company does not utilize and incentives as it is a lengthy process and finds he has to deliver once he receives an order for his glass.

#### PROBLEMS EXPERIENCED WITH AFRICA

Transporting glass was extremely difficult to do, as infrastructure was so bad.

Cheaper Chinese glass was flocking into the African countries and they were being landed at a much lower cost than from South Africa.

Telecommunications was a problem in some parts of Africa.

Name of Company: **JMV TEXTILES**  
Interviewee's Name: **ANISH VALJEE**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

JMV Textile manufactures textiles locally and exports textiles to America and certain African countries.

#### COUNTRIES THEY TRADE WITH

- Botswana
- Zambia
- Zimbabwe

PERCENTAGE OF SALES: 5% but looking to expand this in the new year.

#### OPINION OF TRADE POSSIBLE

Mr. Valjee most definitely sees many rewarding opportunities to trade with African countries.

#### CHALLENGES WITHIN SOUTH AFRICA

Working within SADC trade agreement it has been easy to supply textiles to the respective countries.

There are no duties to be paid because trading falls within the SADC agreements.

JMV does not utilize any incentives provided by the government.

#### CHALLENGES EXPERIENCED WITH AFRICA

Generally operations run smoothly in the African countries due to the fact that JMV utilizes local agents to transport, ship and clear the goods.

There has been a problem with foreign exchange in Zimbabwe. JMV is extremely cautious in Zimbabwe as two years ago they had been caught short and experienced losses as they had supplied goods but did not receive full payment. In order to combat this, the company only works with advance payments unless they are dealing with companies that they are familiar with.



## OTHER

JMV is looking forward to utilizing certain incentives offered in the manufacturing sector, and plan on investigating this in the new year.

Name of Company: **UNIVERSAL TRUCK & BUS PARTS**  
Interviewee's Name: **ARVIND BAIJNATH**  
Title in Company: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

UTB imports truck and bus spares and supplies them to transport companies within South Africa and to certain countries in Africa.

#### COUNTRIES THEY TRADE WITH

- Namibia
- Botswana
- Zimbabwe
- Mozambique

PERCENTAGE OF SALES: 20%

#### CHALLENGES EXPERIENCED WITHIN SOUTH AFRICA

It was discovered that South African businessmen were extremely respected in Africa for their excellent business acumen. Businesspeople in Africa had much faith in South African businessmen.

#### CHALLENGES EXPERIENCED IN AFRICA

Transport costs were exceptionally high and it difficult to move spares and equipment around without encountering bribery and corruption of some type. It was because of this that the extra expense needed to be passed on to the customer and this sometimes led to lost business as the customer could obtain it cheaper from a Chinese or Korean supplier.

#### BUSINESS BEST PRACTISES

AS there is much room for growth in Africa it is advisable to team up and form partnerships with the locals to ensure smoother running of your businesses.

Name of Company: **EXECUTIVE OVERHAULS**  
Interviewee's Name: **MR. HENDRIX**  
Title: **MANAGING DIRECTOR**

#### NATURE OF BUSINESS

This company does engine overhauls for aircrafts.

#### COUNTRIES IN WHICH TRADING

- Nairobi

PERCENTAGE OF SALES: 5%

#### OPINION ON FUTURE

This company has recently opened a branch in Nairobi and most definitely sees opportunities for further growth and expansion.

#### EXPERIENCES WITHIN SOUTH AFRICA

There has been no issues with the South African countries as far as trading with Africa is concerned.

#### EXPERIENCES IN AFRICA

The problem with bribery and corruption is huge and very annoying. Clearing customs for spares is a problem as if officials are not bribed they cause long delays which in turn affects company turnaround time.

Finding skilled workmen is very difficult and most of the staff is South African. However it is of the opinion that people are willing to learn and they are confident that local staff will be trained and the business will eventually expand.

#### BUSINESS BEST PRACTICE

Persistence and continuous hard work is required to get a business of the ground but one must persevere, as there are most definitely opportunities to expand.

### 4.3 CONCLUSION

This chapter presented the data collected from the interviews that were carried out with fifteen small Durban-based companies trading in Africa. The next chapter analyses this data.

## **CHAPTER FIVE: DATA ANALYSIS**

### 5.1 INTRODUCTION

An evaluation of the data presented in Chapter Four will be the main content of this chapter. The limitations of the research are also highlighted in this chapter.

Of the fifteen companies that were interviewed all supplied goods for sales in African countries. There were no companies interviewed that were in the service industry.

The fifteen companies researched came from the following industries:

- Petroleum and it's by-products
- Commodities
- Furniture
- Multichoice
- Distribution
- Architecture
- Unilever Foods,
- Aircraft charter,
- Provision and retail of electrical goods,
- Mining of diamonds
- Scrap metals
- Civil engineering equipment,
- Automotive glass,
- Textiles
- And truck and bus spares

There was no restriction on the type of industry from which the respondent came.

Interviewees were asked about the nature of their businesses, the countries in which they trade, the percentage of total sales done in Africa that contributed to their turnover, and most importantly their challenges, problems, fears, hopes and aspirations for their businesses.

## 5.2 COUNTRIES THEY TRADE WITH

The countries in which the respondents operate included-:

- Namibia
- Maputo
- Botswana
- Angola
- Cote de' Ivoire
- DRC Congo
- Rwanda
- Burundi
- Kenya
- Uganda
- Sudan
- Nigeria
- Ghana
- Egypt
- Morocco
- Tanzania
- Mozambique
- Zimbabwe

## 5.3 THE PERCENTAGE OF TOTAL SALES TURNOVER

This ranged from 2.5%, which were the architectural firms who have just started operating in Kenya to 100%, which were the petroleum and by-products company, Multichoice distribution and alluvial mining company.

## 5.4 OPINION OF THE OPPORTUNITIES AVAILABLE

Of the fifteen respondents, fourteen responded extremely positively to the business opportunities that Africa presented.

One respondent was not very enthusiastic about trading in Africa.

The only negative responses was from Mr. M. Singh who was especially not happy about trading with Africa as he was not able to match prices with competitive countries especially China and Bulgaria.

With fourteen of the fifteen companies very optimistic about the opportunities available in Africa, it indicates that if the problems that are outlined could be alleviated it would encourage smaller businesses to trade in Africa and this could contribute to an active and sustainable economy.

## 5.5 CHALLENGES EXPERIENCED WITHIN SOUTH AFRICA

### 5.5.1 COMMERCIAL DEVELOPMENT

Mr. M. Singh responded that South Africa was not doing enough to commercially develop the country. He felt that countries such as China and Bulgaria were able to trade freely with Africa and were able to land their products into Africa at a cheaper price than it cost to send products within the African continent from South Africa to another African country.

### 5.5.2 CUSTOMS OFFICES

Heather Navaro was of the opinion that South African customs offices were understaffed and thus delayed the processing of clearance documents because data was not captured timelessly.

### 5.5.3 SOUTH AFRICAN RESERVE BANK

Two companies A. Hendriks and Mr. M. Singh experienced problems with the South African Reserve Bank. The nature of the problem included not being able to use profits to pay for goods that were purchased in one country and delivered to a third country. This meant that one had to take receipt of goods into South Africa in order for authorization to be able to transfer profits made to another country for payment. This caused unnecessary delays, lost opportunities, and incurred huge costs to first bring the goods into South Africa and then move it to the respective African countries.

### 5.5.4 SUPPORT FOR THE SMALLER BUSINESSMAN

Mr. Maharaj responded that even though much was done to promote trading in Africa, there was no backup support provided by the South African Government once the businessman was physically in Africa. He was of the opinion that not enough was being done to safeguard small businesses that were battling to survive in Africa. It was extremely costly to do basic things in Africa and it is of the opinion that more should be done on the ground for the South African businessman.

### 5.5.5 INCENTIVE PROGRAMMES

Mr. Mackeray reported that even though there was the use of incentive programmes, they did not utilize these programmes any more as they were time consuming and lengthy. The necessary documentation needed to be completed one month in advance and often the company was not able to plan so much in advance. He suggested that these incentives

programmes be reviewed and updated as they often were cumbersome and a waste of time.

#### 5.5.6 TRADE RESTRICTIONS WITHIN SOUTH AFRICAN GOVERNMENTS

Mr. Hendriks found that there were various trade restrictions within the South African government pertaining to the type of products in which he traded. This resulted in a slow turnaround time, which gravely affected his business.

### 5.6 CHALLENGES EXPERIENCED WITHIN AFRICA

#### 5.6.1 BRIBERY AND CORRUPTION

The issue of bribery and corruption has been raised by all fifteen of the respondents. This ranged from border posts to corrupt governments and it has been reported that in order to get things moving to the next level a bribe was expected otherwise operations would be delayed for weeks on end. Bribing officials was considered a normal cost of doing business in Africa. Jackie Marupeng attempted to alleviate the problem of bribery and corruption by rotating staff so that they were not encouraged to engage in any corrupt dealings.

Ashnie Brassels reported that there was a huge problem with bribery and corruption and since Unilever's policy was not to bribe officials at border posts there was often long delays, which sometimes led to the attachment of their trucks. It was found that because officials were not given bribes they made it especially difficult for a Unilever vehicle to cross borders. This led to companies making more expensive decisions to transport goods by sea and this increased the costs, which were absorbed by the consumer. Heather Navaro's experiences with bribery and corruption were when she attempted to send spares to repair aircrafts that were not able to fly out until repaired. Officials would not release the spares until they were bribed.

This was time consuming and money was lost on other possible jobs that could have been carried out had officials not caused delays. Mr. Goutham elaborated that corruption was rife. Mr. M. Singh found that the biggest problem with trading in Cote' de Ivoire was corruption. He found that corruption was rife within the government. There are too many people in power and business depended on connectivity to government officials. For him the frustration that corruption caused was immense and everything was a calculated measured risk. Mr.B.Maharaj found Angola to be a highly corrupt country where government officials expected bribes for everything and because of the red tape surrounding documentation in



order to get things moving, one had to bribe officials. Mr. Mackeray refused to carry out any work in Nigeria because its corruption was extremely high. His company policy was to refuse to pay bribes.

From the evaluation of the response on corruption it is evident that something has to be done about as it a huge annoyance and so much frustration is caused that companies may choose to walk away from opportunities rather than deal with something so highly negative.

#### 5.6.2 COMPETITORS

Mr K. Maharaj, Mr Hamchander, Mrs. Brassels, Mr. Mackeray, and Mr. J N. Naidoo were some of the companies that complained about cheaper Chinese, Indian or Korean imports that were landed in African countries at less than the cost for South African goods to reach Africa. Respondents found this unfair and were baffled at the ease with which the competitors were trading in these countries. It was the opinion of some respondents that the Chinese government was doing much more than the South African government to encourage trade.

#### 5.6.3 USE OF LOCAL AGENTS

Mr. K. Maharaj, Jackie Marupeng, Heather Navaro, Mr. Goutham, Mr.B.Maharaj and Mr. J. Naidoo reported the use of a local agent or broker as imperative in order to ensure the smooth functioning of the business. The key to successful business in Africa is not what you know but whom you know. Connectivity to the right people was raised as important.

However the use of agents was a costly endeavour and it was difficult to find somebody trustworthy. This was an expensive option for the smaller businessman who worked on a tight budget but nonetheless it was handy.

#### 5.6.4 POOR INFRASTRUCTURE

Poor roads systems coupled with bribery at border posts made distribution of goods a nightmare. Reliable distribution network was difficult to obtain. Some companies left the collection of goods to an independent distribution company known to the African company with which they were dealing, as they did not want to bear the possible financial loss.

### 5.6.5 PARTNERSHIPS

It was reported that it was important to form partnerships and joint ventures with the local people. It was also found that there was much respect and high regard for the South African businessman and people were eager to do business with you. However finding the right people proved challenging.

### 5.6.6 PAYMENTS

Many respondents stressed the importance of receiving advance payments as problems have risen where respondents were caught short.

### 5.6.7 POLITICAL INSTABILITY

It has been reported that political instability in certain African countries is a problem.

### 5.6.8 UNDERSKILLED WORKFORCE

It is difficult to obtain skilled staff and sometimes language is a barrier to doing business. Mr. Goutham reported that training is a buzzword in Africa at the moment and people are ready to support your business if some type of training is offered. People are eager to learn and improve their lives.

Aids and tuberculosis were diseases that crippled the community and there was always the uncertainty that it was difficult to recruit local people.

Certain companies still used South African management staff as they were better skilled and trustworthy.

## 5.7 CONCLUSION

The above stated problems form some of the common obstacles to doing business in Africa. These seem to be ongoing problems and need to be addressed. Chapter 6 will seek to provide recommendations study undertaken

## CHAPTER SIX: RECOMMENDATIONS AND CONCLUSION

It is clear from the analysis of the research undertaken that an imperative prerequisite for effective business in Africa is building relationships be it with a customer, a broker, an agent or a supplier. The way forward is in the development of partnerships both with local companies and governments.

### 6.1. RECOMMENDATIONS

South Africa must provide leadership where it can. South Africans have improved the quality of goods and services, introduced greater choice, developed skills, encouraged local entrepreneurs to service their businesses in domestic markets, led the telecommunications revolution, built infrastructure, provided world class expertise and advise and myriad other things. Trade and investment from South Africa is crucial to the development of the continent. (Games, 2004)

Africans must make an attempt to uplift themselves. FDI from South Africa and an increase in trade are key to development. As South Africa is increasingly becoming a strong economic power in Sub-Saharan Africa it will be of benefit to the rest of Africa as it will be able to provide more FDI. (Games, 2004)

A stronger private sector that has been identified as an engine of growth for the Nepad initiative is essential to Africa's upliftment. Overall economic growth is the only way to begin the eradication of poverty. African governments do not have a good record of wealth creation. Because of the corrupt relationships between companies and multinational government, the private sector has not had a positive role to play in Africa. Weak regulation and a lack of corporate governance had led to an overly cosy relationship between some governments, domestic companies, and this corruption and cronyism has blurred the line between business and government. In order for the private sector to create stability and growth they could take the following measures-:

- Make greater use of public and private partnerships.
- Privatize utilities.
- The formation of a strong organized ethical business sector.
- Strong links bet private sector and civil society.
- The risks and benefits of natural resources should be shared.
- The private sector must assist government by sharing best practice criteria, seconding skills, develop capacity, identify, and fund wealth creation projects.

- Represent the private sector in the Africa Union's Peer Review Mechanism.
- Government and regional organizations must harmonize standards, operating practices, investment processes and other investment that will make regional investments less problematic.
- Regionalism must be strengthened to create interlocking economies interest effective for reducing potential conflicts. (Games, 2004)

What needs to be done on a broader political level must be considered. It is imperative that the African countries choose to exploit their strengths and find creative ways to grow.

Among the ways to improve the investment climate and operating environment for business in Africa include-:

- Ensuring effective leadership and accountable governance geared to the needs of the population, not those of government officials and the political elite.
- Abiding by the rule of law.
- Improving the macroeconomic environment.
- Reduce dependence on aid and other multilateral financial support systems.
- Invest in people to develop skills and build capacity.
- Develop SMMEs and harness the strength of the informal sector.
- Reduce the costs of doing business.
- Greater provision of information about African markets.
- Strengthen regionalism.
- Deepen financial services.
- Focus on success and excellence.
- Speed up the implementation on Nepad and make it more transparent and accessible to whole populations, not just elites and governments.
- Deal decisively with corruption.
- Implement sound corporate governance.

Rich countries must open their markets to exports from developing countries and slash their enormous agricultural subsidies which current exceed \$350 billion.

Wealthy countries should increase their foreign aid. The OECDs target for development assistance is 0.7% of GDP but this fell from 0.33 to 0.22% between 1987 and 2000.

Developed countries should support debt relief for reformers, which will allow Africa to participate more in the process of globalization.

Rich countries need to promote fairer patent rules that ensure that poor countries can afford new technologies and basic medication.  
(Luiz, J. 2006)

## 6.2 CONCLUSION

Africa does remain the world's largest untapped market, however with over 350million people living on less than a dollar a day it is imperative that the companies that are afforded the opportunity to do business there do so in a socially responsible manner with a view to uplifting the lives of the masses.

The offerings taken to these countries benefit and enhance their lives and must not just make them senseless communities.

A body must be established to serve the need of SMMEs so that more on the ground support is given to the smaller businessman who is able to learn from past mistakes of others.

Thus it can be seen that even though trading in Africa is fraught with risks and overwhelming challenges the benefits far outweigh the negatives.

Companies need to join together to form a supporting body, make better use of the incentives, and trade agreements that have been put in place by the South African government.

The small businessman is encouraged to educate himself about the intricacies and peculiarities that are inherent when trading there so that he is aware of what to expect. Trading in Africa in a socially responsible manner can prove to be an exceptionally rewarding endeavour and it is the discerning businessman who will prove to be successful. If a business model for sustainability is to succeed. It must be chosen by the company itself and must be based on national conditions and market demands. Rather than one socially responsible model, possibilities for better and more sustainable organisation models helping build up national businesses through linkages must be explored. In South Africa an essential element of the model for all companies is taking into account the high incidence of HIV/AIDS among the local population. It is vital for small and medium sized businesses to get the local value chains right before attempting to venture into foreign markets. There is no single business model but sustainable principles have to be built into any that are chosen. Non-compliance with standards or with consumer demands based on sustainability is not an option. There are good business reasons to opt for a sustainable model doing well makes business sense. Companies have to stand up and talk about what they are doing if they are to gain and competitive advantage from their model. ([www.intracen.org](http://www.intracen.org))

The re-incorporation of Africa cannot occur without the meaningful cooperation of the rich countries. Thus far the high-income countries have chosen to ignore the crisis in Africa and have, in fact, contributed to it. Their trade labour market and environment practices have directly added to the deficiency in Africa. Unfortunately Africa is not a priority on the world agenda. However it would be a mistake for the developed countries to ignore the plight of the developing world because globalization also means that in time as the plight of the third world worsen, so the ability to contain this affliction is reduced and the negative externality becomes a reality.

Africa has to accept much of the blame for its economic marginalisation. At the time that the rest of the world opened up their economies and adopted more market oriented policies, Africa turned inward and isolationist. This also led to some dubious policy decisions and together with a lack of institutional capacity created and unattractive business environment. Africa was seen as a high-risk investment and as a result the average expected rate of return was higher than anywhere else (Kearney, 2000).

The principles of good management apply universally and in this respect doing business in Africa is much like doing business elsewhere with some nuance. However, having said that it is undoubtedly that the business environment (including the social, economic, legal and political) is highly complex in Africa because of the continents unique history, diversity, geography, political and institutional landscapes etc. The result is that one cannot do business here without recognizing that this legacy has shaped the business environment in ways that one cannot ignore (Luiz, J. 2006).

Leaders in Africa need to contend with challenges that may be foreign to outsiders. There is a sense of social responsibility that goes hand in hand with leadership in Africa – it is impossible to be only profit driven and be sustainable on this continent with its culture, its challenges and its history. A leader needs to deal with the scourge of the poverty, unemployment and HIV/AIDS not only because it is the right thing to do, but also because it makes good business sense in a region where firms are expected to be embedded in the community they serve. In Africa, leaders are forced to confront diversity in its most stark manifestation where it has often erupted into real conflict and operating in these surroundings require a very sensitive and often very brave response from companies.

The good news is that the business atmosphere in Africa has improved dramatically over the past decade and it is likely to continue doing so.

NEPAD seeks to provide business with a predictable environment in which the rules of the game are understood and more familiar which will make adaptation easier. But there are still threats to the process. NEPAD has not received uncontested support both by the general populace, who question its pandering to western ideas and by renegade regimes clinging to power.

The result is that the risk environment here is higher than in many other regions but the risk differential is falling rapidly. The potentially higher return has seen a recent scramble for quality assets in Africa as companies recognize the potential of these large untapped markets. Incomes are rising in Africa and soon the large population will translate into significant consumer markets.

Business will have to look at Africa sooner or later as markets become saturated elsewhere. Getting in early has advantages in that it allows one to capture market share and establish brand loyalty and distribution chains etc. before one's competitors.

Doing business in Africa is not business as usual.



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- Internet 12: [www.intracen.org](http://www.intracen.org)

**APPENDIX ONE**

LIST OF PEOPLE INTERVIEWED

1.	Mr. Adil Hendiks	Bravopetroleum	Managing Director
2.	Mr. Kavir Maharaj	Balltrex International	Managing Director
3.	Mr. Santosh Hamchunder	Hedcor	Sales Consultant
4.	Mrs. Jackie Marupeng	On the Dot Dist.	Distributions Manager
5.	Mr. Ketan Bindapersad	Atelier & Associates	Snr. Architectural Tech.
6.	Mrs. Ashnee Brassels	Unilever	Fin. Man. (Sub-Saharan Africa)
7.	Mrs. Heather Navaro	Federal Air	Maintenance Manager
8.	Mr. Goutham	Ubhaxa Electrical Wholesalers	Managing Director
9.	Mr. M. Singh	Yedcor International	Operations Director
10.	Mr. Bob Maharaj	Impex	Managing Director
11.	Mr. Rob MacRay	Kaytec International	National Sales Manager
12.	Mr. Jay Naidoo	USG Glass	Sales Director
13.	Mr. Anish Valjee	JMV Textiles	Managing Director
14.	Mr. Arvind Baijnath	Universal Truck & Bus Parts cc.	Managing Director
15.	Mr. Reinie	Executive Overhauls	Managing Director

**APPENDIX 2**

**QUESTIONNAIRE**

Name of Company

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Name of Interviewee

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Title in Company

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Nature of Business

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Countries they trade with

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What % of total sales does trading in Africa constitute?

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In your opinion, do you think that a future for small companies trading in Africa exists?

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What have your experiences been within SA pertaining to your trading in Africa? (Is the SA doing enough to encourage trade in Africa? Do you utilize any incentives?)

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Problems, challenges, anything you have been happy with.

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What have your experiences been in Africa?

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Would you like to elaborate on anything?

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Problems, challenges

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What are your business best practices?

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What are the watch points to look for trading in Africa?

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Any other comments.

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12 FEBRUARY 20076

MRS. K BAIJNATH (901370180)  
MANAGEMENT STUDIES

Dear Mrs. Baijnath

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0002/07M

I wish to confirm that ethical clearance has been granted for the following project, noted that the application was submitted retrospectively:

**"The African renaissance: What can be done to improve trading"**

Yours faithfully

A handwritten signature in black ink, appearing to read "Phumelele Ximba".

.....  
**MS. PHUMELELE XIMBA**  
**RESEARCH OFFICE**

cc. Faculty Officer (Christel Haddon)  
cc. Supervisor (Mr. RM Chalfenor)