





Prof Wolfgang Thomas

# Making cents of stability

**As political stability grows in African countries, economic development can be taken increasingly into the continent's own hands, according to Prof Wolfgang Thomas of the USB. SIKONATHI MANTSHANTSHA gets the details.**

**T**he recent transaction between the Industrial and Commercial Bank of China (ICBC) and South Africa's Standard Bank, viewed in the context of a series of recently concluded transactions involving other global companies, signal a renewed interest in the economic development of South Africa and the African continent. In 2004 the British Barclays Bank invested over R24bn in taking a controlling stake in Absa Bank, while India's Mittal Steel group took majority control of Iscor, just to name a few.

Of course, these examples only relate to South African companies. But the undeniable truth is that these South African businesses have, since the new democratic order, made numerous asset-hunting safaris across the Limpopo. Standard Bank has operations in 18 African countries and about six others in the rest of the world. It can therefore be safely argued that the 850m people across the African continent are the main attraction for the global players.

Having previously relied almost exclusively on its former colonial masters and the United States of America (US) for economic survival (mainly through handouts), Africa now is at a stage where it is almost ready to compete on an equal footing for investments with the rest of the globe.

The ICBC's US\$5,5bn deal is Africa's single largest foreign direct investment to date. It follows transactions in which the Chinese government has given loans to African states for infrastructure development. Examples can be found in mineral rich countries like Angola and Zimbabwe.

## **Africa doing business with Africa**

This and other transactions, says Prof Wolfgang Thomas, University of Stellenbosch Business School's USB Executive Development (USB-ED) economics lecturer and African expert, need not only be viewed as another form of imperialism. It challenges Africans themselves to think of ways to do business with one another instead of waiting for the

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outside world. Thomas says in addition to the foreign appetite, there is a renewed interest by Africans themselves in their own background.

“Optimists on the future economic development of Africa are getting the upper hand,” says Thomas. “What we find is a pendulum swing to upper economic growth in Africa.” Thomas says the reason for the swing is that Africa itself has taken steps to encourage investment. He points at the fact that civil wars and military coups have reduced significantly and the continent is gaining ground towards democracy. “There is a distinct new wave of optimism that thinks Africa might turn the corner for the better.”

### East-West jealousy

Thomas also says the outside world, particularly China, is genuinely interested in Africa. “And they are making the West suspicious and jealous,” he adds. The West is suspicious and jealous of losing its influence in Africa. It can therefore be expected to respond by making its own rush to invest in Africa. “That is wonderful for Africa. It is wonderful that we have both the West and China competing for Africa.” Thomas says Africa must respond by exploiting both sides for the betterment of the continent.

### Growing middle class

How do 54 different, often poor and unstable states exploit the benefits brought by wealthy investors? Thomas says both in South Africa and Africa there is a growing and well educated middle class that is very influential and key to economic development.

Says Thomas: “The homecoming of Africans in the diaspora can also help – not only physically returning, but Africans sending money back home from investment activities.” Thomas cites the example of Ghanaians who send back home large amounts of money and

as a result are the largest source of foreign direct investment. Ghanaians are the single largest group of Africans who have left their home country, and the stable and democratic environment allows them to go back home to start businesses.

### Technology revolution

“The information and communications technology revolution also makes it possible to communicate and is giving a quantum leap to the development of the African economy,” says Thomas. He says mobile phones are particularly important and make it possible for peasant farmers to check market prices and do business without travelling long distances in challenging infrastructure conditions. It now is possible to do business in ways that would not have been possible previously. Thomas says all these positive phenomena must be exploited for Africa to develop economically. “Of course each country is different, but in my opinion they all add up for the better.”

We take Thomas back to the point about South Africa being viewed as the entry point to Africa and ask what role the country should play in the economic development of the continent. He says South African businesses have much more competitive advantage in dealing with the largely untapped African market because of its proximity.

But, says Thomas, we must have no illusions about this: many Africans see us as being no different to the West. “They see us as being a bully and too dominant.” Thomas says that is nothing new as all dominant and big economies face this criticism. He points at the US today and at the relations the two Germany’s had soon after the fall of the Berlin wall, where the more prosperous East Germany was viewed with suspicion by West Germany. “We have to accept that as normal,” says Thomas. “All countries face it when they grow [economically].”

### Understanding Africa better

But to turn the situation to our advantage, Thomas says South African businesses and institutions of learning must try to understand Africa better. “Who in South Africa is teaching French and Swahili? Are we doing enough to encourage learnership trips into Africa?” asks Thomas. South Africa should take an active interest in Africa and her languages. He says South African businesses accept it as normal to visit Paris and London, when they have never taken the trouble to visit Lagos and Accra.

The challenge for education is to encourage students to get more information about Africa. “Are we using those African students studying in our institutions? Are we making enough use of their experience and learning from them?” asks Thomas. “Do we employ them after they graduate or do we simply let them return home or go to work in Europe?”

### Employing immigrants

Thomas asks similar questions about immigrants and refugees coming into the country. “We must employ these people, because they are smart. We must use them for the development of our economy (and by extension, that of the rest of Africa). But we must also be sensitive and realise they are needed back in their home countries.”

A balance needs to be struck in using the African people based in South Africa, says Thomas. While striving to utilise their skills for the development of our economy, care must be taken not to deprive their home countries of scarce skills. One advantage of having the African immigrants and using them effectively, says Thomas, is that when they eventually go back home to implement what they have learnt and start businesses they will forever know who to trade with and from where to source their goods. □

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