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S. Africa discovers its potential as Africa's dynamo

Jailani Harun

FIVE years after the death of apartheid, South Africa is living up to its potential as Africa's dynamo, both in terms of economic prowess and credibility in international forums.

Rising above the debris left by decades of racial suppression and inequality, the new South Africa battled post-apartheid social, racial and tribal strife to emerge as a united nation in facing the challenges of the new millennium.

Malaysia, in particular, will be proud of the achievements made by South Africa in such a short period since its independence from apartheid.

Prime Minister Datuk Seri Dr Mahathir has said that South Africans have shown fortitude and determination in building a new society free from the appalling legacies of the apartheid era.

In this context, perhaps one man deserves the tribute more than others - South African President Nelson Mandela - whose single-minded commitment to national reconciliation has paved the way for a free and democratic South Africa. With his deputy, Mr Thabo Mbeki, the president has erected formidable pillars for economic development and social stability.

The country's economy is fast shaping up. Foreign rating agencies have recommended South Africa as one of the best bets for investors compared with other emerging markets in 1999. Morgan Stanley recently placed South Africa fifth on its global list of top emerging markets with low financial vulnerability, good valuations, earnings and liquidity.

South Africa's markets have continued improving relative to other emerging markets. Its bonds and equities are offering good value. And although its All Share index traded in January at levels about 33 per cent lower than the historic high of over 8,300 it reached in April 1998, foreigners have remained confident about prospects.

Last year non-residents were net buyers of 42.287 billion rand (RM1 = 1.57 rand) worth of South African shares, a 61.4 per cent increase over 1997 purchases.

With the rand around 20 per cent weaker than it was last April, some analysts say that South African equities are looking very cheap, especially in dollar terms, raising hopes for even more foreign investment this year. It also looks good for locals.

Lower rates are viewed as essential to sparking badly needed growth in an economy that shrank 2.3 per cent in the third quarter of 1998 and is believed to have contracted again in the fourth quarter.

Growth is deemed vital to create jobs in a country where a third of the labour force is unemployed and violent crime is rampant - another investor concern that dulls South Africa's competitive edge.

Nevertheless, the reconciliation policy is bringing the South Africans closer to one another each day, with more blacks and whites co-investing in a lot of business ventures. Such a social trend is relatively good for a "young" country which has undergone a traumatic history.

Apartheid has "taught" the country how important it is to exercise the spirit of co-existence.

Dr Mahathir, an anti-apartheid champion, has also been instrumental in paving the way for Malaysian companies to invest in South Africa and contribute aggressively in the development of the country.

In the beginning, Malaysian businessmen venturing into South Africa were received only by public relations officers. Today, they are received

warmly by decision-makers because the South Africans know who the Malaysians are and what they are capable of.

Mandela has great aspiration, not only for the reconciliation of his nation but also for the development of the developing countries within the South-South cooperation framework. With Dr Mahathir and other South leaders, they have been quite instrumental in waging "the war" against unjust Western capitalism.

In the five years since rejoining the international family of nations, South Africa has made its voice heard, especially on issues that are of key interest to the developing nations of the world.

Being an active member of the United Nations (UN), Organisation of African Unity (OAU), Southern African Development Community (SADC), Commonwealth, Non-Aligned Movement (NAM) and the United Nations Conference on Trade and Development (UNCTAD) amongst others, South African diplomats are well placed to cohesively work with their counterparts in many areas. Economic cooperation, liberalisation and globalisation, UN reforms and the restructuring of its Security Council, external debt and the North-South dialogue are some of the issues that South Africa has been involved with over the last few years.

Bilateral ties with Malaysia has seen tremendous achievements over the last five years. The presence of Malaysian conglomerates in South Africa is not only seen as bringing the two countries closer together but also to symbolise how members of the South-South Cooperation should work together within similar bilateral framework.

Malaysia's presence in South Africa has been significant. Telekom Malaysia and Petronas, with combined investments of close to US\$1 billion (US\$1 = RM3.80), are still among the biggest foreign investors there. About 25 Malaysian companies are in South Africa now and the Malaysian Government remains confident of the future of its private sector's investments in the republic.

Although the economic downturn is affecting their plans to expand, they are there to stay. South Africa, too, has been suffering from similar attacks, with the value of the rand depreciating by about 25 per cent since May last year, also due to attacks by hedge funds and currency traders.

The rand, which was valued higher than the greenback during the apartheid regime (about 0.85 rand to the dollar), had weakened to 3 rand to a dollar by 1995.

Nonetheless, the South African economy is moving on the right track. With foreign investments picking up, stocks fetching good values and the rand stabilising, the outlook is bright.

In just four years, the value of shares of black-controlled companies on the Johannesburg Stock Exchange has skyrocketed from US\$800 million dollars to US\$9.8 billion (58.7 billion rand). That increase is fueled by Government-sponsored "black empowerment" initiatives but also by pragmatic business practices.

With most of Asia's "tiger" economies whimpering, South Africa has emerged as a haven for investment money formerly poured into the Far East. A sophisticated economy, market-friendly policies and political stability make South Africa attractive to investors who favour emerging markets but got their fingers burned in Asia.

That scenario is exactly what Mandela, Mbeki and other southern African leaders wanted in the wake of the region's push toward democracy and stability in recent years.

While widespread poverty and political instability still exist, the end of civil wars in Angola and Mozambique, along with newly elected governments in South Africa, Zambia, Malawi and Lesotho, have attracted

attention.

South Africa is reaping the rewards of a tight fiscal policy under Mandela that has strangled inflation and looks set to put interest rates on a firm downward trend.

Asia's problems have made investors better appreciate the strength of South African shares. After decades of apartheid rule and resulting instability and international isolation, South Africa appears a model of stability next to some Asian nations.

In celebrating its fifth year as a new nation today, South Africa is expected to continue to prosper from good relations with friends like Malaysia. This never-ending cooperation will need to be further cemented with more linkages - government-to-government, people-to-people and business-to-business.

The new millennium is for the world to embrace with confidence. South and Malaysia, being co-members of many international institutions, are to seek more practical methods to deal with its challenges.

Malaysia is baie, baie gelukkig (very, very happy) to have been quite a help in South Africa's economic development. And of course, there is still a lot of geleenthede (opportunities) to tap along their line of mutual relations.

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