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Nigerian Economy: The South African Invasion

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Like wildfire tearing through dry forest, South Africa is rapidly entrenching itself into every facet of the Nigerian economy: From construction, energy, aviation, entertainment to revenue collection, South African companies loom large and are still growing. And like a tiger caged for a long time waiting to get loose, it has today taken over the West African region, investing where the local companies are afraid to. Before the end of apartheid era, Nigeria was seen as playing the leading role in economic and political fronts in the continent particularly its stance on the total emancipation of Africa. However, as if South Africa was waiting for the apartheid era, it has today spread its economic might and domination across the entire continent.

South Africa even though has been an economic giant for long but was never allowed under the long period of sanctions to operate a free open market, hence it was like a sleeping giant until the beginning of the 90s when through the consistent efforts of Nigeria and some selected few African countries freedom finally came its way and since then it has never failed to prove its presence and gradual dominance of other sister nations' economies.

Trade relationship between Nigeria and South Africa dates back to the post apartheid era, which

is almost a decade now, but it appears South African investments and products are more in Nigerian markets than in other African countries. Experts believe that South Africa is more comfortable in investing in Nigeria than other African economies because Nigeria is a very big market.

Again, there are those who believe that the South Africans see Nigeria as a true friend and a good trading partner, which was at the vanguard of ending apartheid regime. A former Nigerian High Commissioner to South Africa, Alhaji Shehu Malami told *Weekly Trust* that South Africa believes it has an obligation towards Nigeria for its role during and after the apartheid regime.

"South Africa is aware of Nigeria's contribution to it, for their welfare; for getting them to the end of apartheid, for sending them food, training their military, giving them scholarships to Nigerian universities, so there is this feeling of obligation towards Nigeria as a friend," the former high commissioner said.

Looking at the statistics of trade relations between the two countries however, Nigeria exports more than it imports from South Africa.

The statistics between 1994 and 2002 showed that it was only in 1994 that South Africa exported into Nigeria more than what Nigeria exported into South Africa. In 1994, Nigeria exported products worth \$3.1 million while South Africa exported into Nigeria goods worth \$8.1 million.

However, in the year 2000, Nigeria exported products totalling \$128.1 million while only \$70.7 million worth of goods from South Africa came into the Nigerian economy.

More over, the years 2001 and 2002 both show Nigeria exporting products worth \$165.8 million and \$361.9 million respectively while South Africa brought in \$164.8 million and \$272.8 million respectively. This therefore does not portend a great danger to the Nigerian economy from South Africa but then, at the rate South African investors are daily trooping into the country with their investments, the present imbalance may take another dimension and the fear is that the local economy may end up in the hands of foreign investors who would now determine the purchasing pattern of the Nigerian, his attitude and in short dictate his needs.

Mr Olusola Obadimu is the executive secretary of the Nigeria-South African Chamber of Commerce and in a chat with *Weekly Trust* debunked the fears by Nigerians that South Africa may gradually take over the Nigerian economy. "I don't know where the fear is coming from. There are so many foreign investors from other countries like Britain, USA and France so why are we afraid of South Africa?"

However, statistics available to *Weekly Trust* on the number of Nigerian companies in South Africa shows that there are only few like Union Bank, First Bank, Philips Consulting, News Media, Financial Standard and ThisDay Newspapers. There are however according to Mr Obadimu other small-scale Nigerian firms in South Africa, which are not significant.

On the contrary however, South African companies have between 1994 and 2002 invaded the Nigerian markets in different economic sectors but with the entertainment industry being the most pronounced. A list of South African companies in Nigeria shows that there are over 20 strong companies from South Africa which are operating in Nigeria. Among them are: MTN, Eskom Nigeria, South African Airways, Stanbic Merchant Bank Nig. Ltd., Multichoice Nigeria/M-Net and Umgeni Water. Others are, Defresh Products Nigeria Ltd., South Africa-Nigeria Communications and Systems Ltd., Grinaker – LTA Construction Ltd, Protea Hotels, Critical Rescue international, Global Outdoor Semces and Oracle Airtime Sales among many more.

The Global system for Mobile Communications (GSM) was introduced into Nigeria in 2001 and within the last two years MTN like Multichoice has penetrated the Nigerian markets and has been dominating it regardless of the high cost of service charges which is affecting the pocket of the average Nigerian. Subscribers have since the inception of the GSM services been complaining against the high tariff of MTN's N50.00 per minute and any extra second also attracts the same amount as per minute.

Economic experts say Nigerians are paying more than any part of the world as far as the GSM billing system is concerned. Both MTN and Econet charge N50.00 per minute while NITEL charges N21.00 per minute which subscribers of the foreign operators believe is unfair. However, the operators argued that the \$285 million they paid was too high and the only way they could remain in business was to charge what they are reaping off from subscribers now. But then, by the end of their first year in the country they have reaped off about \$270 million profit.

Nevertheless, they argued that Nigeria has harsh operating environment coupled with the risk of investment and therefore for them to be able to service subscribers effectively, they (subscribers) would have to pay more since the operators also paid more before they were given approval to operate.

Looking at the entertainment industry, the Digital Satellite Television (DSTV) has also taken over the airwaves with its stations such as Channel O, Super Sport M-Net, Movie Magic and many more. Today Nigeria's television stations do not attract the attention of the viewer than these foreign firms.

In fact, Nigerians prefer watching M-Net channels than NTA or local stations.

For sports fans and movie goers, the advent of Super Sport and M-Net was a big relief and an alternative to the Nigerian Television Authority which is battling with obsolete equipments and brain drain. Nigerians no longer depend on NTA for international sports meets or events as they have multiple channels on the DSTV to choose from. Apart from giving the viewer the desired satisfaction or value for his money, the DSTV channels are more reliable to the Nigerian viewer than the NTA which finds it difficult to transmit live events in most cases. Therefore, to the Nigerian viewer, there is value for money to register with DSTV than remain glued to the NTA which can disappoint him when it matters most.

In the construction sector, the South African companies have succeeded in bringing in their products and expertise and are rapidly dominating the markets. Looking at the banking sector also, they are here in full force competing side by side with Nigerian banks which Mr Obadimu however opined that does not pose any threat. Talk about hotel investment, the South Africans are in deep. For instance, the famous Bolingo Hotel in Abuja has now been taken over by Protea a South African firm which is also manning the Obudu Ranch in Cross Rivers State.

Another area the South Africans are penetrating is the aviation sector. In fact, a competent source at the Nigerian Airways told *Weekly Trust* that South African airline has taken over the entire West African region and the move to hand over the national carrier to the South Africans is not a mere speculation.

On the energy sector, there is a great danger as NEPA faces privatisation fever and already there are about 14 South African firms contracted to collect revenue for NEPA. Some of them are, ENL Consortium taking care of Abuja district, Sabrud Consortium for Aba, Onitsha, Rural MTCE (PTY) for Ibadan, Alpha Consortium and BHN Plc both for Lagos Island and Alimosho respectively.

In short, South African energy firms are taking over NEPA with ESKOM already securing a contract to operate as a long distance operator and wireless telephone amongst other things with its long range fibre optic infrastructure.

However, while ESKOM through its subsidiary NEPSKOM has been battling in the last two years to get down to business, a top Nigerian banker who lost the GSM bid in 2001 is also making moves to bring down his South African friends to challenge ESKOM. All these portend great danger to the Nigerian energy sector.

The agreement between ESKOM and NEPA allowed ESKOM a 51 per cent shares while NEPA has 49 per cent shares.

Economists have however been having marathon discussions on the benefits and effects of the South African incursion into the Nigerian economy with views varying. At the end of a 3-day Nigerian Economic Summit in Abuja, the Nigerian economy was x-rayed and the conclusion was that it was operating below capacity hence, needs to be revived.

Perhaps, aware of the pitfalls in the economy and its inability to restore the collapsing image of the economy, the government was left with no other option than to call in foreign investors to not only bring in their products and technology but also their expertise which may eventually help in reviving it.

What are the dividends of the open markets that South African investors have been reaping in a way? Both Alhaji Shehu Malami who was Nigeria's High Commissioner in South Africa during the Abacha era and the executive secretary of the Nigerian Investment Promotion Commission, Alhaji Suraj B. Yakubu believe the South Africans are bringing in more than what they are taking out.

They both share the opinion that South Africa has assisted Nigeria by taking care of some unemployed graduates who would have been out of job by now if not for MTN, Multichoice and others.

Apart from job creation, there is also the inflow of foreign currency, quality products, new technology and expertise. Again, some of these companies engage in building schools, sponsoring programmes on our television stations, building hospitals or purchasing drugs and donating them for the use of Nigerians. Statistics of job creation by foreign investors in Nigeria indicates that in 1997 there was a projection of 4,337 and 1,246 in 1998. Between 1999 to date the record at the Nigerian Investment Promotion Commission shows an estimated figure of 31,773 Nigerians to be employed.

There is no gainsaying that the coming of foreign investments does assist an ailing economy but there must be some adverse effects which might not be seen in short term. For instance, while the South Africans are here creating jobs and paying fat bonus to their Nigerian godfathers to remain in business on the Nigerian soil, our local industries which have defied solution for a very long time will continue to remain in slumber making the consumer a slave to foreign products. The presence of foreign investors in an ideal society is to make the local investors to live up to expectation but in a country where about 200 companies collapsed in the year 2000 making about 50,000 able-bodied men jobless, the danger is that the citizens might end up imbibing foreign culture, values, norms, attitude thereby re-enacting the painful memories of slavery and colonisation.

A critical look at the entertainment industry for instance where DSTV is dominating the scene, the foreign channels do more harm than good to the Nigerian youth. Most of the films on M-Net do not conform with the moral values of Nigeria and the implications of these foreign movies are that Nigerian youth will in the long run lack the moral attitude which will have adverse effects on the social stability.

Until last Sunday when the much publicised Big Brother Africa on M-Net ended, many Nigerians religiously followed the sequence of events praying for Bayo who is representing Nigeria's image to win the \$100,000.00 prize money. Unfortunately however, while African countries like Malawi, Kenya and Uganda sanctioned the programme from being aired which they said was unAfrican, Nigeria's President Obasanjo was shown on television with Bayo 48 hours before the grand finale.

Again, the presence of communication firms like MTN and Econet has helped in boosting the sector by making business and private discussions much easier than when subscribers were at the mercy of Nitel. But then, how much would it cost government to equip Nitel and restructure it to make it much more efficient? Is it impossible for Nitel to service the Nigerian populace with state of the arts of equipment and financial resources available?

The collapse of the Nigerian economy which began in the late 70s has been responsible for Nigeria's predicaments but the remote cause is mismanagement as a result of bad leadership and non implementation of policies. This trend took a dramatic turn for the worse with the advent of the present republic. Since 1999 for example there has not been a single year in which government implemented its own budget. The bane of Nigeria's economic problems is lack of focus or foresight and that has now put the country at the mercy of a nation it pioneered to its freedom. The South African economy is healthy not because of its energy, agricultural sector, population or vast land but because there have been good planning, good management and most importantly, the maintenance culture which is lacking in Nigeria.

At the end of the 10th Nigerian Economic Summit yesterday, the president assured that the next four years would record positive changes in the economy but the question is can actions be

matched with words? Before then, the most important question is what are the lessons Nigeria should learn from South Africa in its future economic plans?