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### **Corporate South Africa spreads across continent, world Businesses diversifying internationally at 'incredibly rapid rate'**

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JOHANNESBURG, South Africa — Until several years ago, few people outside South Africa had ever heard of a company called Sasol.

At home, the energy producer was known for using a process pioneered by Nazi Germany to keep the engines of apartheid humming with fuel made from liquefied coal. Yet, until apartheid ended in 1994, Sasol's home-grown success stayed at home. International sanctions aimed at toppling the country's racist government penned the energy producer, and the rest of Corporate South Africa, inside an isolated pariah state.

No longer. In recent years, as South Africa built a multiracial democracy, its corporate stars burst onto the global stage. The biggest inroads have been made in other African markets, where South African banks, fast-food franchises, supermarkets and clothing stores now dominate. But the commercial gains extend beyond this continent to stock exchanges in London, computer networks in South Korea and Brazilian magazine publishers.

"South African businesses are diversifying internationally at an incredibly rapid rate," says economist Stephen Gelb. "They are active not just in sub-Saharan Africa, but all over the world."

Sasol, created by the government in 1950 to make the race-based state energy independent, today is pursuing projects in Nigeria, as well as farther afield in China, India and Qatar. In the USA, amid fears about tight oil supplies, the company is conducting preliminary studies on converting coal to gasoline in Wyoming, Illinois and Montana, and is in early talks with the Pentagon about providing alternative fuels for the military, CEO Patrick Davies says.

Sasol's international ambitions are mirrored by supermarket operator Shoprite Checkers, fast-food chicken franchiser Nando's and one of the country's big four financial institutions, Standard Bank. In Africa, all are capitalizing on the continuation of a decade of sustained growth in countries such as Zambia, Mozambique and Ghana. In 2007, sub-Saharan Africa's economy is expected to grow about 6%, according to the World Bank.

Shoprite Checkers, which opened its first store outside South Africa in 1995 and now operates in 17 countries, plans to unveil 58 stores in the 12 months ending in June. A total of 13 are planned outside South Africa. India, Angola and Nigeria are key targets.

Such globe-trotting was unknown under apartheid, which year by year left white-ruled South Africa increasingly ostracized. For much of the 20th century, South African companies' forays outside their home market were limited to a handful of immediate neighbors. Among them: Lesotho, a landlocked country surrounded by South Africa and Zimbabwe, which had been closely linked to the apartheid state when it was ruled by whites and known as Rhodesia.

Otherwise, South African companies stayed home, a tendency that was reinforced as international controversy about apartheid intensified. Efforts to use economic pressure to compel change in the racist system began in the late 1970s. In 1986, over President Reagan's veto, Congress barred the importation of any South African goods, prohibited American investment in the apartheid state and cut air links. The vote came one month after similar trade bans were enacted by Europe and Japan.

South African companies responded to economic quarantine by focusing their energy on their modest domestic market. The resulting corporate inbreeding spawned an economy dominated by a small number of large corporations who increasingly delved into businesses far removed from their core expertise. SABMiller, one of the world's largest brewers and producer of the USA's Miller brand, ran a hotel and gaming venture. Anglo American, a giant miner, sold insurance, while the bankers at Nedbank peddled food.

"South African companies couldn't expand internationally the way they should have," says Wendy Lucas-Bull, a prominent South African businesswoman. "They expanded into other areas that weren't their core competencies."

That started to change in 1991 when, following Nelson Mandela's release from prison in 1990, the United States began lifting sanctions. In November 1993, six months before Mandela was sworn in as the country's first democratically elected president, the U.S. ended its final economic sanctions. (Washington maintained an arms embargo for an additional five years.)

As trade barriers fell, South African companies faced new competition in their previously protected home market. Elsewhere in Africa, states struggling to overhaul outmoded economies lured investors with attractive incentives. South African companies, desperate for new sales to compensate for losses at home, responded.

Today, with the typical American or European multinational preoccupied with opportunities elsewhere, African markets still represent relatively untapped terrain. Local companies in these markets often are no match for bigger South African competitors. "For companies aspiring to become multinationals, Africa is a stepping stone, an opportunity to test the waters," says Neuma Grobbelaar, who runs the "Business in Africa" project at the South African Institute of International Affairs.

Thanks to their experience with South Africa's decades-long political evolution, South African executives see themselves as better equipped than Americans or Europeans to handle the challenges of undeveloped or even dangerous markets, says Gelb, the executive director of The Edge Institute, a non-profit think tank here.

Fully 40% of South African companies' foreign affiliates now are located outside Africa. Example: Dimension Data, a computer networking and security firm, operates in 35 countries from Algeria to Vietnam.

"Perhaps South African companies are less risk averse. Perhaps they have to be less cautious: They have more ground to make up," says Roger Crawford, president of the American Chamber of Commerce in South Africa.

South African corporations are making up ground at home, too, transforming themselves from bastions of white privilege into pillars of a new, multiracial society. Under government prodding, companies are promoting black managers, selling stakes to black investors and increasing purchases from black suppliers. Today's South African global stars little resemble their apartheid-era ancestors.

The globalization of South Africa's leading companies, however, has entailed costs both at home and abroad. In recent years, five major South African companies — including brewer SABMiller and Anglo American, with its origins in the gold mines that gave rise to the South African state — transferred their primary stock listings from the Johannesburg Stock Exchange (JSE) to London. Those moves dented both national prestige and the JSE's ambitions of surviving as a major global equity market.

In other African countries, South Africa's high profile sometimes invokes the same resentment triggered by European colonialists 150 years ago. With South Africa selling to its neighbors about four times as much as it buys from them, there is a "perception that trade is a one-way street in South Africa's relations with the rest of the continent," said a report from the South Africa Foundation, a business group. African consumers welcome the improved service and choice of goods, but African retailers and manufacturers decry competition from more sophisticated rivals.

**As South African firms advanced into the rest of Africa the past few years, top African companies made Johannesburg the continent's financial capital. Functioning telephone and electric utilities, extensive international airline connections and political stability all give the city an advantage over alternative locations.**

**When Papa Ndiaye, chief executive of the Advanced Finance and Investment Group, launched his private equity firm last year, he chose to locate his main office in Johannesburg. For firms seeking to attract elite global talent, it's the only place in Africa that makes sense, the native of Senegal says.**

**"We're looking to get people off Wall Street to live in Africa. It's not going to be that easy," says Ndiaye, a former JPMorgan emerging markets specialist.**

For individual companies, there is a commercial imperative to expanding outside South Africa's market of 46 million people. But on a larger scale, South African leaders see Africa's economic development as essential to their country's long-term stability.

Today, South Africa stands apart from much of the rest of Africa, accounting for about half the continent's total electricity generation and paved roads. Elsewhere in Africa, a lack of modern roads, ports, railways and telecommunication networks is a chronic impediment to economic growth.

The South African government is promoting a number of projects that would fill in some blank spots on Africa's economic map. To spur development, the government has tapped Mintek, a state-supported mining institute, to use South Africa's traditional mining expertise to exploit the natural endowments of less-advanced African countries. Building the roads, rail networks, ports and power plants needed to convert buried minerals into cash-generating industries will lay the groundwork for later industrial development, officials hope.

A typical proposal in a province of the Democratic Republic of the Congo calls for phosphate and base metals mining to support construction of new electricity grids, ports and roads linking area countries.

"We can't exist as an island of prosperity in a sea of poverty," says Paul Jourdan, Mintek CEO. "It's in our interest that our neighbors develop."