

Over the past twelve months the governments of Mozambique and Angola have made significant progress to advance peace and economic stability. There is little doubt the two former Portuguese colonies will play a vital role in the economic growth of Southern Africa.

The installation of a Unity and National Reconciliation Government in Angola, sworn in on 11 April 1997, has cleared the way for many foreign companies to enter the market and embark upon investment projects. In anticipation of a political settlement, numerous foreign mining houses, including Canada's SouthernEra Resources and DiamondWorks, have already commenced operations. The showcase Catoca diamond project, involving Brazilian and Russian companies and scheduled to go into production this year, is set to earn the Angolan government huge revenues.

Underpinning the country's economy is the petroleum industry. Having come through many years of conflict relatively unscathed, this sector is set for remarkable growth. Production is currently at 550 000 barrels per day. Test results carried out by Elf Aquitaine of France on the recently discovered Girassol Field are leading analysts to believe the find could become the country's most productive single deep-water well. Industry experts estimate reserves in excess of one billion barrels.

BRIEFING NOTE

MOZAMBIQUE & ANGOLA

However, decades of war have left much of the population in a state of poverty. The impending return of 300 000 refugees, a collapse of essential infrastructure in all major cities, and an almost non-existent manufacturing sector are immediate problems facing the new government.

In the case of Mozambique, political stability and sound fiscal governance has seen the country attain macroeconomic stability. During his February 1997 visit to Mozambique, World Bank President James Wolfensohn described the country's progress as remarkable. The Bank, which has a substantial operations portfolio for Mozambique, approved its third economic recovery credit of US\$100 million in February. World Bank projects in the health, education, and transport sectors have attracted many major international contractors and consultants to bid for lucrative contracts. The proximity of Mozambique has made the country a priority for many South African companies.

The success of Mozambique's privatization programme is seen as a model for other African states pursuing free market economics. Over four hundred state enterprises have undergone privatization since Mozambique embarked upon

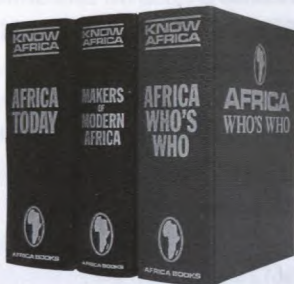
a Structural Adjustment Programme in 1987. Receiving much media attention at present is the impending establishment of a 245 000 tonnes per year aluminium smelter on the outskirts of the capital city Maputo, with Canadian engineering giant SNC Lavalin likely playing a major role. The project is regarded as pivotal to boosting economic activity within the Maputo Corridor, a geographic belt extending into South Africa. The Pande Gas Development, spearheaded by the US company ENRON, is also regarded as a landmark project.

A strong international presence in both Mozambique and Angola confirms the widespread interest these markets are attracting. Although excessive bureaucracy and an unfamiliarity with language and business practices may deter certain companies, the opportunities cannot be ignored.

By Andrew Maggs

Andrew Maggs is head of THE AFRICA DESK, a private consultancy specializing in the provision of foreign market business intelligence. The firm is represented in Maputo (Mozambique) and Luanda (Angola) and offers a dedicated service to track business opportunities in these markets.

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