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South Africa's role in Nigeria and the Nigerian elections

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Contents

South Africa's policy towards Africa: neo-liberalism and NEPAD	6
South Africa's bi-lateral interventions in Nigeria . .	8
South African corporations and parastatals have be- come big players in Nigeria	11
The Nigerian people have not benefited from South Africa's expanding investment	18
Conclusion	19

in Nigeria; even to the detriment of the Nigerian people. For as long as Yar' Adua carries out policies that favour South African capital and the state, he can count on the backing of the Africa's own imperial power, South Africa.

[11]Sifingo, B. 2003. South African High Commissioner to Nigeria comments on business relations. African Business Journal Issue 13.

[12]Pahad, A. 2002. Briefing on the incoming Nigerian state visit, Union Buildings, 5 May 2002.

South Africa has played an intimate role in the recent Nigerian elections. Despite what the ANC government claims, South Africa's foreign policy towards Africa is not based on Pan-Africanism or anti-imperialism; it is rather based on promoting South Africa's expanding business interests on the continent. In reality, the South African state's interests, in both the domestic and African arena, have become fused with those South Africa's capitalist elite. The ruling party in Nigeria has served the South African capital and the state's interests well. It has facilitated the process whereby South Africa has become a major economic player in Nigeria in only 8 years, writes Shawn Hattingh.

From the very start, the recent Nigerian elections, which saw Olusegun Obasanjo placing his hand picked successor, Umaru Yar' Adua, into the Presidential palace, were mired in controversy. The ballot papers for the election, which were printed in South Africa, contained no counter foils or serial numbers – features which would have made vote rigging difficult. In fact, only 40 million ballot papers were even printed; this for an election where over 65 million people had registered to vote¹. To make matters worse, only 30% of these ballot papers were ever sent to Nigeria; the rest remained lying in a warehouse in Johannesburg on day of the elections². Of the ballot papers that were sent to Nigeria, most were rushed off to areas that were and are strongholds of Obasanjo's and Yar' Adua's ruling party, the People's Democratic Party. In contrast, areas where there was strong opposition to the government, such as the Niger Delta, did not receive enough ballot papers. On the day of the election, independent observers noted that vote rigging and fraud were rife. Yar' Adua supporters were even seen stuffing fraudulent ballot papers into ballot boxes at voter stations

¹ Brummer, S. & Makgeta, T. Nigeria's poll fiasco. Mail and Guardian 26 April 2007.

² Ekugo, A. INEC abandoned ballot papers in South Africa. This Day. 26 April 2007.

across the county³. Intimidation of opposition supporters was also widespread. In fact, over 200 people, mainly members of the opposition parties, were murdered in the run up to the elections⁴. This situation that led most independent observers to declare the elections deeply flawed.

The South African government, however, had a very different view of the elections. Spearheaded by Thabo Mbeki, it came out and said the elections had been free and fair. Indeed, South Africa was the first country to congratulate and offer support to the ruling party's candidate, Yar' Adua, on 'winning' the elections⁵. Immediately following this, he was invited to Tshwane to have a personal congratulatory meeting with Thabo Mbeki. The question is: why would the South African government fall over itself to congratulate Yar' Adua on 'winning' an election that was so clearly rigged? The answer to this question lies in South Africa's policy towards Africa, in the form of New Partnership for Africa's Development (NEPAD), the relationship that it has with the ruling party in Nigeria, and the expansionist agenda that South African corporations and parastatals have in Nigeria.

South Africa's policy towards Africa: neo-liberalism and NEPAD

Despite what the ANC government claims, South Africa's foreign policy towards Africa is not based on Pan-Africanism or anti-imperialism; it is rather based on promoting South Africa's expanding business interests on the continent. In reality, the South African state's interests, in both the domes-

³ Moody, B. Nigerian elections a failure, say observers. Mail and Guardian www.mg.co.za

⁴ Naidoo, P. Chaos is Contained. Financial Mail. 27 April 2007.

⁵ ———. South Africa backs Nigerian leader.

have implemented heavy handed tactics to recover revenue owed to them by Nigerian consumers⁴⁴. In fact, ESKOM/NEPA has hired 10 South African companies to collect the debt that it was, and is, owed by Nigerian consumers. Some South African companies have even been involved in, or were complacent in, human rights abuses in Nigeria. For example, in 2005 there was a community protest outside of the Escravos oil terminal where Chevron and SASOL are establishing their gas to fuel plant. Representatives of these companies at the Escravos oil terminal called in Nigerian security forces to break up the demonstration. On arrival, the Nigerian forces opened fire on the crowd, killing one person and injuring a further 30. Some of the protesters were then severely beaten with rifle butts and other weapons. Added to this, access to the healthcare facilities at the Escravos terminal was denied to the injured protesters. The result was that it took several hours for the injured protesters to find their way to a hospital⁴⁵.

Conclusion

From the above, it is clear that the ruling party in Nigeria has served the South African capital and the state's interests well. It has facilitated the process whereby South Africa has become a major economic player in Nigeria in only 8 years. Indeed, South Africa has joined the older imperial powers in looting Nigeria's resources and dominating its economy. It is, therefore, no wonder that the South African government immediately offered its congratulations to Obasanjo's hand picked successor, Yar' Adua directly after the elections. Indeed, Yar' Adua has vowed to continue with the Obasanjo's policies, and inevitably this will include serving South Africa's interests well

⁴⁴ Omojola, B. The sky is the limit. Africa Today 30 September 2006.

⁴⁵ Amnesty International. New evidence of human rights violations in the oil-rich Niger Delta. Press Release 11 March 2005.

that multinational oil companies use in the Niger Delta at that facility⁴⁰.

The Nigerian people have not benefited from South Africa's expanding investment

Despite all this investment, the people of Nigeria have not benefited. This is partly because South African corporations operating in Nigeria are allowed to repatriate the profits that they make out of Nigeria. Added to this, many of Nigeria's economic sectors have become completely foreign owned, which has had negative implications for the country's sovereignty. The majority of South African corporations also source most of the products that they use or sell in Nigeria through South Africa and not locally. This means they operate in an enclave and do not promote the creation of up stream or down stream industries in Nigeria. South African companies operating in Nigeria have also created very few jobs. The jobs that they have created have tended to be casual. At many South African owned companies in Nigeria, workers have been denied the right to join trade unions⁴¹. For example, despite its massive profits, MTN has only created 500 permanent jobs. Most of its employees are casual or temporary workers, and it has denied all of its workers the right to join a trade union⁴².

South African companies have also been involved in blatant profiteering and looting in Nigeria. Indeed, MTN charges the highest rates in the world for cellular phone calls in Nigeria⁴³. Along with this, some South African companies

⁴⁰ Hill, M. Plans progress for new Cape oil-rig fabrication yard

⁴¹ —. The options for the Nigerian working masses. *Workers Alternative*. 17 May 2006.

⁴² Ahiuma, V. & Odeyemi, M. Global unions tackle unfair labour practices in telecom industry and others.

⁴³ —. The options for the Nigerian working masses. *Workers Alternative*. 17 May 2006.

tic and African arena, have become fused with those South Africa's capitalist elite.

In Africa, South Africa has used its hegemonic position, based on leadership by consent and at times coercion, to develop a neo-liberal policy – NEPAD – for the entire continent. The close relationship that exists between the South African state and South African capital is the main reason why NEPAD emerged⁶. Representatives of South Africa's capitalist class, along with other neo-liberal government advisors, played a central role in developing NEPAD. In true hegemonic fashion, however, South Africa also brought junior partners on board, such as ex-president Obasanjo of Nigeria, so that it could pass its own initiative off as an African initiative.

Nonetheless, South Africa's control over NEPAD is underpinned by the fact that NEPAD's headquarters are situated in South Africa. It is also no mere coincidence that Thabo Mbeki's main economic advisor, Professor Wisemen Nkuhlu, is the executive head of NEPAD.

NEPAD itself is based on some of the classic pillars of neo-liberal economic fundamentalism. It views the private sector as the main driving force of the African economy. As such, NEPAD states that all barriers to companies making profits in African countries, such as Nigeria, should be removed. It explicitly promotes the development of the private sector; privatisation; free trade; financial liberalisation; labour flexibility; and foreign direct investment in Africa⁷. Indeed, NEPAD states that foreign direct investment is its most important pillar. Considering that South African corporations and parastatals are already responsible for the vast majority of foreign direct investment in Africa, it is very clear who stands to benefit. In fact, all of NEPAD's neo-liberal pillars are creating a climate

⁶ Ezeoha, A & Uche, C. 2005. South Africa, NEPAD and the African Renaissance. Unpublished Paper: University of Nigeria.

⁷ Lesufi, I. 2006. NEPAD and South African Imperialism. *Jubilee South Africa: South Africa*.

that facilitates the expansion and profiteering of South African companies in Africa. The reality is that NEPAD aims to further entrench the neo-liberal policies that the IMF and World Bank imposed on Africa, only this time the South African government hopes it will be to the advantage of South African multinationals⁸. Wisemen Nkuhlu stated as much in 2003, when he said:

“South Africa’s self interest in the socio-economic development of the continent is well understood by business. South Africa needs markets for her products and access to raw materials that are not produced in South Africa. Countries like Angola, the Democratic Republic of the Congo, Equatorial Guinea and many other countries have resources that are of economic interest to South Africa.... Supporting and sponsoring NEPAD, places South Africa in a strong position to become the preferred development partner by a number of African countries”⁹

The South African state has not only opened up Nigeria’s economy to South African investments and exports through NEPAD, it has also done so through bi-lateral agreements and a Bi-national Commission.

South Africa’s bi-lateral interventions in Nigeria

Prior to 1999, South Africa had a poor political relationship with Nigeria. At the time, Nigeria was ruled by a military junta that was politically hostile towards South Africa. This, however, dramatically changed with the end of the military government and the election of the People’s Democratic Party’s

⁸ Ezeoha, A & Uche, C. 2005. South Africa, NEPAD and the African Renaissance. Unpublished Paper: University of Nigeria.

⁹ Nkuhlu, W. 2003. South Africa and the New Partnership for Africa’s Development. Paper presented at the University of Stellenbosch

- and Brian Casey, a confidant of Penuell Maduna³⁴

Other, more genuine South African companies have also enjoyed receiving oil concessions from the Nigerian government. Ophir Energy, owned by Tokyo Sexwale’s Mvelephanda Resources, has been given the right to drill for oil in several blocks in Nigeria. This is bound to add to Ophir’s current value of over R 14 billion³⁵. The parastatal PetroSA has also been given the right to drill in a number of oil blocks. Added to this, PetroSA owns Brass Exploration Unlimited in Nigeria. Through this company, PetroSA and the South African state have a 40% interest in the Abana oilfield off the Nigerian coast. Currently, the Abana oilfield is producing 22 000 barrels of oil a day³⁶. Some South African companies have also entered into partnerships with well established multinational oil companies operating in Nigeria. For example, SASOL has entered into a 50/50 partnership with Chevron to develop a gas to fuel plant at Chevron’s Escravos oil terminal³⁷. This plant will cost US \$ 1.3 billion and is planned to come on line this year³⁸. It will initially produce 33 000 barrels of fuel a day, but this will be increased to as much as 120 000 barrels a day over the next 10 years³⁹. A number of South African firms have also become involved in providing services to the oil multinationals in Nigeria. Most notably, Grinaker established an oil-rig fabrication yard in Port Harcourt in 2000. It assembles and services the oil rigs

³⁴ www.mg.co.za 30 May 2003.

³⁵ Smith, C. The most powerful business leaders in Africa. Business in Africa Magazine. 7 February 2007.

³⁶ Bolin, L. PetroSA posts pre-tax profit of R 1.8 billion. www. 14 September 2005.

³⁷ www.sasolchevron.com

³⁸ Pahad, A. 2002. Briefing on the incoming Nigerian state visit, Union Buildings, 5 May 2002.

³⁹ www.sasolchevron.com

government had, and has, with the South African government. Companies from the Northern imperial powers, although still dominant, no longer have a complete monopoly over the oil concessions in Nigeria; companies from South Africa, China and India have also got a piece of the action. One of the first actions of Obasanjo's government in 1999 was to award the South African state the right to market 50 000 barrels of Nigerian oil a day. In 2003, Thabo Mbeki intervened to ensure that this was increased to 120 000 barrels of oil a day. However, the South African government has selected to pass on the rights to market this oil to a shadowy company, the South African Oil Company, which is registered in the Cayman Islands. The South African Oil Company in the Cayman Islands is 70% owned by a Nigerian-American businessman, Jakes Lawal. Who owns the other 30%, however, is a mystery³³. Indeed, the Cayman Island law system protects the identity of the shareholders that own the other 30%. Lawal, however, has close connections with leading ANC figures. In fact, the Mail and Guardian, reported that rumours have been circulating that the ANC directly benefited from this deal. Indeed, it is interesting that the Cayman Island's South African Oil Company also has a sister company registered in South Africa. It is perhaps no co-incidence that some of the shareholders in this sister company happen to be leading ANC figures. These shareholders are:

- Nomusa Mufamadi, wife of Sydney Mufamadi
- Hintsa Siwisa, brother-in-law of the Eastern Cape Premier
- Miles Nzama, leading figure in the ANC Fundraising Trust

³³ Brummer, S. & Sole, S. Oil scandal rock SA. Mail and Guardian. 30 May 2003.

leader, Obasanjo, as the Nigerian president in 1999. From that point on, the South African state built a strong, but unequal relationship with the People's Democratic Party government under the leadership of Obasanjo and Yar' Adua. This relationship was also helped by the fact that Thabo Mbeki had formed a strong friendship with Obasanjo and Yar' Adua when he was in exile in Nigeria from 1976 to 1979¹⁰.

In 1999, the South African and Nigerian governments signed bi-lateral agreements on trade and investment. These agreements, amongst other things, aimed to increase the amount of trade and investments between South Africa and Nigeria [11]. Along with this, the agreement on investments specifically protected South African companies' investments in Nigeria, which included protection from any possible future nationalisation [12]. Indeed, the agreement on investments was highly favourable for prospective South African investors in Nigeria. Added to this, the two governments also signed an agreement on eradicating double taxation. This meant that South African companies that paid tax in Nigeria would not have to pay tax again on profits that were, and are, repatriated to South Africa¹¹. Such measures were aimed at increasing the attractiveness of Nigeria for South African investors.

In October 1999, a South Africa-Nigeria Bi-National Commission was also established by the South African and Nigerian governments. The Bi-National Commission has been meeting twice a year ever since, and aims to increase the amount of trade and investment between South Africa and Nigeria. The Deputy Presidents of South Africa and Nigeria head up the commission. Representatives from all government departments attend the meetings along with top South African business people. At the meetings, trade and

¹⁰ Dubow, S. 2000. The African National Congress. Jonathan Ball Publishers: South Africa.

¹¹ Lutchman, J. Daniel, J. & Naidu, S. 2004. South Africa and Nigeria: getting closer all the time. HSRC Review Vol. 2 No. 4: 10–11.

investment opportunities in Nigeria are identified and plans are put in place so that they can be realised. In this way, many deals that have proved very lucrative for South African companies and parastatals have been facilitated through the Bi-National Commission.

The South Africa-Nigeria Chamber of Commerce also arose out of the Bi-National Commission. Some of the largest South African companies that have investments in Nigeria are members of the Chamber, such as MTN, Standard Bank, First Rand, Imperial, Johncom, Massmart, Nampak and Sun International¹². The main goal of the South African-Nigerian Chamber of Commerce is to identify investment opportunities in Nigeria for South African corporations¹³. Added to this, the South African-Nigerian Chamber of Commerce also provides information on Nigerian government policies and how to do business in Nigeria. It also conducts market research for South African companies wanting to invest in Nigeria. The Chamber receives strong support from the

South African government. On many occasions the President, Deputy President and other government officials have addressed and offered support to members of the Chamber. Linked to this, the Department of Trade and Industry (DTI) launched the South African-Nigeria Business Investment Forum to assist South African companies wanting to invest in Nigeria¹⁴.

The South African High Commission in Nigeria also provides massive assistance to South African companies investing, or wishing to invest in Nigeria. In fact, it works closely with the South Africa-Nigeria Chamber of Commerce and the DTI to further South African business interests in Nigeria. It also provides various services to prospective South African investors

¹² www.sa-ncc.co.za

¹³ ——. SA-Nigerian Chamber of Commerce launched today. www.tralac.org/scripts/content.php?id=3625 12 May 2005

¹⁴ www.tralac.org/scripts/content.php?id=3625

lion contract to manage Port Harcourt's water services for 3 years. At the moment, this contract could possibly be extended to 20 years³⁰. If it is extended, it would be a massive money-spinner for Umgeni Water and the South African state.

As part of the privatisation of the energy sector, the Nigerian government allowed the state owned ESKOM to buy a 51% stake in the Nigerian Electric Power Authority (NEPA). With this, ESKOM received contracts worth US \$ 165 million from the Nigerian government. Eskom has also entered into a partnership with Shell in Nigeria to upgrade and operate gas powered power stations. The Nigerian government has granted Eskom and Shell a US \$ 540 million contract to operate power stations in Port Harcourt³¹. It is very interesting that ESKOM, a company owned by the South African state, wished to enter into a partnership with Shell considering Shell's appalling human rights and environmental record in Nigeria. Indeed, Shell has destroyed the environment of the Niger Delta and has been directly responsible for over 3 000 oil spills in that area since 1976. Added to this, Shell, along with the Nigerian government, has been implicated in the murder of over 2 000 activists in the Niger Delta since the 1980s³². Clearly, the South African government and ESKOM are not interested in this; what they are interested in, however, is profit.

Prior to 1999, the Nigerian government awarded all of the oil concessions in the country to companies from the United States, the United Kingdom, France and Italy. As a result, companies from the Northern imperial powers dominated Nigeria's oil sector. After 1999, this situation began to change, in part because of the close relationship that the new Nigerian

³⁰ ——. Utility wins R 350 million contract in Nigeria. *Engineering News*. 27 July 2001.

³¹ Pahad, A. 2002. Briefing on the incoming Nigerian state visit, *Union Buildings*, 5 May 2002.

³² Okonta, I. & Douglas, O. 2003. *Where Vultures Feast: Shell, Human Rights and Oil*. Verso Press: United Kingdom

industry in Nigeria is worth over US \$ 2.5 billion a year, this control over the fast food franchising business in Nigeria has meant that South African companies have made super profits 28]. The South African property management group, Broll, has also landed a deal to manage 594 retail fuel stations across Nigeria²⁶. This deal too is worth millions of dollars.

South African companies are also heavily involved in Nigeria's media and entertainment sector. DSTV is a major force in the television industry and accounts for 90% of the viewers that watch satellite TV in Nigeria²⁷. This has seen DSTV growing into the sixth largest company listed on the Lagos Stock Exchange. Johncom has also eagerly entered into the Nigerian entertainment sector. It has established cinema complexes throughout Nigeria. One of these cinema complexes, in Lagos, cost US \$ 40 million dollars to develop²⁸. Along with this, Johncom has purchased one of the largest daily newspapers in Nigeria, *Business Day*²⁹. South Africa's parastatals have also ventured into the entertainment industry. For example, Arivia.com was provided with a contract worth R 140 million by the Nigerian government to assist with the running of that country's lottery.

Since adopting NEPAD, the Nigerian state has been accelerating the privatisation process in the country. South African parastatals have been one of the major beneficiaries of this process. Indeed, through its parastatals, the South African state has become directly involved in accumulating capital in Nigeria. For example, as part of the move towards privatisation, the Nigerian government provided Umgeni Water with R 350 mil-

²⁶ ——. Broll scoops Nigerian fuel-station contract. *Business Day*. 2 December 2004.

²⁷ Omojola, B. The sky is the limit. *Africa Today* 30 September 2006.

²⁸ www.fdimagazine.com/news/fullstory.php/aid/1458/Sale_of_the_century.html

²⁹ Temkin, S. Abuja is a keen, hungry trade partner. *Business Day* 7 May 2007.

in Nigeria, including providing contacts and information on Nigeria's business climate.

All of the above measures have been extremely valuable in furthering South Africa's business interests in Nigeria. Indeed, the South African state has used its diplomatic power and the relationship that it has with the Nigerian government to assist South African corporations and parastatals to become big players in the Nigerian economy.

South African corporations and parastatals have become big players in Nigeria

Prior to 1999, there were only 4 South African companies operating in Nigeria¹⁵. This situation has dramatically changed with the assistance of the South African state, and the signing of bi-lateral agreements and the establishment of a Bi-National Commission. Today there are now over 100 South African companies doing business in Nigeria¹⁶. Within a mere 8 years, South African companies have become major players in almost every sector of Nigerian economy.

The biggest investment by South African companies in Nigeria has been in the telecommunications sector. In 2001, MTN was awarded a license by the Nigerian government to operate a cell phone network in the country. In return, MTN had to pay licensing fees of over US \$ 285 million. Added to this, MTN has spent a further US \$ 1 billion on setting up its operations in Nigeria¹⁷. Currently, MTN is the largest cellular network com-

¹⁵ Ezeoha, A & Uche, C. 2005. South Africa, NEPAD and the African Renaissance. Unpublished Paper: University of Nigeria

¹⁶ Sifingo, B. 2003. South African High Commissioner to Nigeria comments on business relations. *African Business Journal* Issue 13.

¹⁷ Lutchman, J. Daniel, J. & Naidu, S. 2004. South Africa and Nigeria: getting closer all the time. *HSRC Review* Vol. 2 No. 4: 10–11

pany in Nigeria and has over 10 million subscribers¹⁸. This has seen MTN making massive profits in the country. In 2004 alone, MTN recorded an after tax profit of over R 2.4 billion in Nigeria¹⁹. Such profits have led other South African telecommunications companies to also set up shop in Nigeria in a bid to get a piece of the very lucrative pie. This year, Telkom announced that it was buying Multilinks, which operates a wireless network in Nigeria, for US \$ 200 million²⁰.

South African companies have also become dominant in Nigeria's construction sector. Entech, a Stellenbosch based engineering company, headed a consortium of South African companies that were awarded a tender worth R 2.1 billion from the Lagos State government to redevelop the Bar Beach and Victoria Island area outside of Lagos. The idea is to turn the area into a complex akin to the V&A Waterfront²¹. Another South African construction firm, Group Five, was awarded a R 585 million deal to build a power station in Nigeria for the Ibom Power company²².

Many large South African companies have also invaded the tourism and leisure sector in Nigeria. Under NEPAD, the South African parastatal, the Industrial Development Corporation (IDC) has become one of the largest investors in Nigeria's tourist sector. To date it has invested over US \$ 1.4 billion in tourism and telecommunications ventures in Nigeria²³. An-

¹⁸ Temkin, S. Abuja is a keen, hungry trade partner. *Business Day* 7 May 2007.

¹⁹ Lutchman, J, Daniel, J. & Naidu, S. 2004. South Africa and Nigeria: getting closer all the time. *HSRC Review* Vol. 2 No. 4: 10–11.

²⁰ Reuters. Telkom to buy Nigerian telecoms company. www.mg.co.za 31 March 2007

²¹ Pahad, A. 2002. Briefing on the incoming Nigerian state visit, Union Buildings, 5 May 2002.

²² www.g5.co.za/portal/group%205/GROUP5.aspx?iNewsId=-1&Archived=False

²³ UNCTAD. 2005. Case Study on Outward Foreign Direct Investment by South African Enterprises. United Nations: Switzerland

other major player in the tourism sector is the South African company Bidvest. Through its subsidiary, Tourvest, it has purchased one of the biggest tourism companies in Nigeria, Touchdown Travel. The biggest development in the Nigerian tourism sector, however, is the massive Tinapa Project in the Cross River State. This project falls under the auspices of NEPAD and has the full backing of the South African and Nigerian governments. The project entails the construction of a massive entertainment complex, consisting of 4 shopping centres, 5 bulk warehouses, 4 hotels, and a casino, and is set to cost over US \$ 300 million²⁴. The major stakeholders in this development are South African companies, such as the Standard Bank, Tsogo Sun, Broll, Johncom and Southern Sun. Indeed, the centre pieces of this development will be a 300 room hotel owned by Southern Sun and a casino owned by Tsogo Sun. Another South African company, Broll, will be the leasing agents of the complex. The South African state has provided direct assistance to these companies so that they can carry out this project. Indeed, the state owned IDC has provided finance, and has underwritten these companies' investments in this project.

In the Nigerian retail sector, South African companies also loom large. Massmart and Shoprite have opened a number of stores in Nigeria. Added to this, Johncom has established a number of stores selling books, CDs and DVDs in Nigeria²⁵. A number of South African companies have also entered into the fast food business, including Famous Brands, St Elmo's and Nandos. In fact, South African companies control almost 50% of the international fast food franchising industry in Nigeria, and have out competed companies from both the European Union and the United States. Considering that the fast food

²⁴ Njobeni, S. Nigeria draws SA businesses to Tinapa. *Business Day* 10 October 2006.

²⁵ www.fdimagazine.com/news/fullstory.php/aid/1458/Sale_of_the_century.html